VINCENTIAN MESL RESEARCH CENTRE

June 2023

Pre-Budget 2024 Submission

Key Points

- The cost of a Minimum Essential Standard of Living has risen by 10.6% in the last year. Household Energy and Food costs have risen significantly, and now comprise over a third of the MESL basket. Households on low and fixed incomes are more exposed to price volatility in these core areas.
- To protect core weekly social welfare rates, as committed to in the Programme for Government, social welfare rates must be adjusted to maintain their real value, in line with inflation and the living cost increases impacting households on low incomes. Adequate social welfare increases in Budget 2024 must be part of a broader strategy to benchmark our system to an adequate level and allow people to live with dignity.
- Due to the cost-of-living crisis, anything less than a **€27.50** adjustment in **core social welfare rates** will be a real term cut. This is the absolute minimum required to prevent individuals and families being pulled deeper into poverty.
- An increase of **€10** per week for children under 12 and **€15** per week for children over 12 is needed to retain the purchasing power of the **Qualified Child Increase** and make real progress on tackling child poverty. Retain the €100 uplift to the Back to School Clothing and Footwear Allowance.
- Families living in Direct Provision have also been found to face severe income inadequacy. It is recommended to: increase the children's rate of the **Daily Expenses Allowance** from €28.90 per week to align with the QCI rates of payment, and to progress the **International Protection Child Payment** outlined in the White Paper to End Direct Provision at the same rate as Child Benefit.
- Restore the adequacy of income supports for older people living alone. In 2023 the **Living Alone Allowance**, for the first time since 2016, does not adequately address the gap between core State Pension rates and the MESL costs for a one adult household. The real value of the Living Alone Allowance must be restored in conjunction with any adjustments to the core State Pension rates.
- Households on low incomes are extremely exposed to volatility in home energy costs. The exceptional rise in home energy prices has eroded the real value of the Fuel Allowance. It is recommended to increase the annual value of the **Fuel Allowance** by €680.40, to restore its purchasing power.
- In-work social welfare supports (in conjunction with services) are vital for addressing the multiplicity of varying additional and different needs of households with children. It is essential that income thresholds and eligibility criteria are reviewed in line with increases to the National Minimum Wage, changes to taxation, and adjustments to core social welfare rates, to ensure the real value of these supports is retained.

Introduction

The Vincentian MESL Research Centre at SVP welcome the opportunity to make this submission to the Department of Social Protection, presenting evidence-based policy recommendations for Budget 2024.

The Roadmap for Social Inclusion [1] has defined social inclusion as 'having access to sufficient income, resources and services to enable [people] to play an active part in their communities and participate in activities that are considered the norm for people in society generally' (2020: 5). The Programme for Government[2] committed to the implementation of the Roadmap for Social Inclusion to 'improve outcomes for those who are struggling on low incomes' (2020: 75), the protection of core weekly social welfare rates and recognised the importance of secondary benefits and supports.

The annual budget presents the opportunity for taking substantive steps towards achieving a social welfare system that ensures minimum income adequacy and enables a life with dignity. The MESL research provides an evidence base to inform policy decisions towards this goal.

The exceptional increases in living costs from mid-2021 onwards is placing particularly acute pressure on the cost of a socially acceptable minimum standard of living. The core MESL basket cost has increased by an average of 10.6% nationally in the year to March 2023. There has been significant pressure on the minimum living costs from mid-2021, which has led to cumulative increases in the core MESL costs of 18.9% nationally over the three years from March 2020 to March 2023. The overall level of change has been primarily driven by the rising cost of home energy (over the last two years) and food in the year to March 2023. [3]

The supplementary 'Cost of Living' one-off payments provided through 2022 maintained the relative position of households over the course of 2022. The MESL analysis found that the trend of income adequacy and inadequacy remained relatively stable between the first and last quarter of the year, despite the significant increase in MESL costs over the year. However, the adjustments to core rates for 2023 did not match CPI inflation or the higher rate of change found in the MESL. Consequently, the real value of core social welfare rates has fallen, and the breadth and depth of income inadequacy has expanded in 2023.

As Budget 2023 did not protect the real value of core social welfare rates, a greater level of adjustment is required in Budget 2024 to both restore the real value of the social protection system and maintain the value of core rates over the course of 2024. Adequate social welfare increases in Budget 2024 must be part of a broader strategy to benchmark our system to an adequate level and allow people to live with dignity.

Budget 2024 is being prepared after a prolonged period of exceptional rises in living costs. This submission builds on the evidence from the MESL to detail the rate adjustments which are required to protect households from being pushed further into income inadequacy. The recommendations focus primarily on restoring the real value of social welfare supports, relative to the changing cost of the minimum basket as established in the MESL.

To restore the real value of core social protection rates and protect against further inflation in minimum living costs, the following rate adjustments are recommended:

• Personal Rate, working age	€27.50
• QCI for children under 12	€10.00
• QCI for children aged 12 and over	€15.00
• Back to School, Clothing & Footwear Allowance	Retain €100 uplift
• Fuel Allowance	€680.40 adjustment in annual value

MESL – an evidence-based adequacy benchmark

The Minimum Essential Standard of Living (MESL) research works with members of the public in deliberative focus groups to reach consensus on the minimum people need to live and partake in Irish society. It is a standard of living which people agree no one should be expected to live below. It represents the minimum required to meet physical, social, and psychological needs, and enable a life with dignity.

The research is iterative, working through multiple phases of deliberative groups, to establish a negotiated social consensus on what people regard as essential for households to have a minimum, but socially acceptable, standard of living. In this way the MESL is a tangible measure, grounded in lived experience and derived from social consensus, of what is required for participation, dignity and avoiding poverty.

The MESL research operationalises the concepts which underpin the Irish Government definition of poverty and social inclusion, the human right to an adequate standard of living, and the key principle set out in the European Pillar of Social Rights that all have a right to an adequate minimum income which enables a life with dignity.

The MESL translates these concepts and ideals into a practical benchmark, as it specifies the average weekly cost of the goods and services deemed necessary to enable a socially acceptable minimum standard of living. It provides a unique measure of what is required to avoid poverty, enable participation and inclusion, and live a life with dignity. In this way, the MESL data provides an evidence-based benchmark to assess the adequacy of social welfare rates.

This submission draws on the analysis in the 2023 MESL assessment of minimum expenditure and income needs, to inform evidence-based policy recommendations. [4]

Change in the cost of a minimum standard of living

There has been an exceptionally large increase in prices over the recent period. Following a dip in inflation in 2020, high inflation has taken hold from mid-2021 reaching 2% in July 2021 and exceeding 5% by October 2021 (for the first time in 15 years). The 12-month rate of CPI has now remained above 5% for 20 months. In the year to March 2023, the point for this year's MESL update, the CPI has measured an average change in prices of 7.7%. For comparison, the total inflation in the 10 years from 2010 to 2020 was only marginally higher at 7.9%.

The MESL annual update for 2023 documents the impact of this period of inflation on minimum living costs. The core MESL[5] basket cost has increased by an average of 10.6% nationally (12.9% for urban households and 5.7% for rural households) in the year to March 2023. There has been significant pressure on minimum living costs from mid-2021 to date. This has led to cumulative increases in the core MESL costs of 18.9% nationally (17.8% for urban households and 21.2% for rural households) over the three years from March 2020 to March 2023.

These rates of increase exceed the average change in prices as measured by the CPI, due to the sensitivity of the MESL basket to changes in food and energy prices. The CPI indicates a cumulative increase of 14.9% over the same period, March 2020 to March 2023.

The overall level of change has been primarily driven by the rising cost of home energy (over the last two years) and food in the year to March 2023. The minimum basket is more exposed to the price increases in these essential areas of core expenditure than the CPI basket used to measure average price changes.

The MESL food basket costs have increased by an average of 20.8% in the year to March 2023, with significant price increases in staples such as milk (54%), butter (72%), and bread (67%). In the last 12-months, urban home energy costs rose by an average of 67.8%, due to rising gas and electricity prices. Rural energy costs increased by 6.2%, due to a fall in home heating oil prices and rising electricity prices. Over the three-year period, the MESL home energy costs increased by 117.1% for urban based households and by 75.8% for rural based households.

While the extraordinary inflation levels peaked in October 2022, the current levels remain extremely high. Furthermore, the MESL shows the additional pressure on minimum living costs due to the vulnerability of the minimum basket to volatility in energy and food prices. Current forecasts from Dept. of Finance[6] and the ESRI[7] see inflation continuing to ease over 2023 and 2024, but there is no indication of an overall reduction in prices or return to previous levels of living costs. The current forecasts indicate the potential for approximately 6.3% increase in MESL costs over the remainder of 2023 and 2024.

The 2023 MESL analysis of social welfare income adequacy has found a significant increase in the incidence of cases demonstrating an inadequate income. In 2023 only 13% of cases examined are shown to be in a position of income adequacy, compared to 31% in 2022. While deep income inadequacy, where social welfare supports provide for less than 90% of MESL costs, has expanded from 31% of cases in 2022 to 59% of cases in 2023.

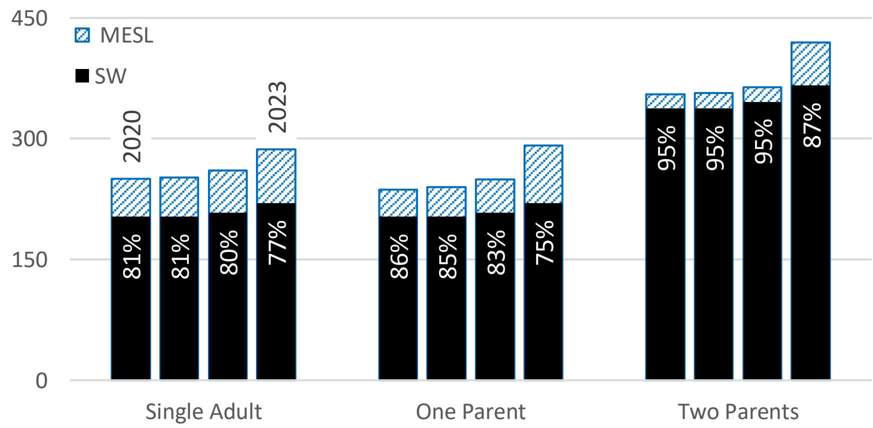
The incidence of deep income inadequacy has now spread to a wider range of household types and compositions. There has also been a deepening of the inadequacy found amongst households with older children (aged 12 and over) and one adult headed households (i.e., lone parent households and single working-age adult households) as social welfare meets a lower proportion of MESL need.

This is due to the real value of core social welfare supports falling relative to living costs over this period of high inflation.

Reduction in real value of working-age adult rates

As illustrated below the proportion of MESL need met by working-age personal and qualified adult social welfare rates is lower in 2023 compared to previous years.

Graph 1 Social welfare adult core rates compared to individual MESL costs, 2020 to 2023



In 2020, the €203 per week core working-age personal rate met 81% of the MESL needs of an urban single adult, in 2023 the €220 rate meets 77%[8]. The nominal adjustments in the rate over this period have not maintained the real value relative to minimum living costs, and as such the real value of this core social protection rate has been cut.

In the case of an urban Two Parent household, the combination of the personal rate and increase for a qualified adult met 95% of the adults' MESL needs in 2020. This has now reduced to 87% in 2023[9].

For an urban One Parent household, the core working-age rate met 86% of MESL needs in 2020, this has reduced to 75% in 2023. When in receipt of a long-term social welfare payment, e.g. One Parent Family Payment, this household type would be eligible for additional supports.

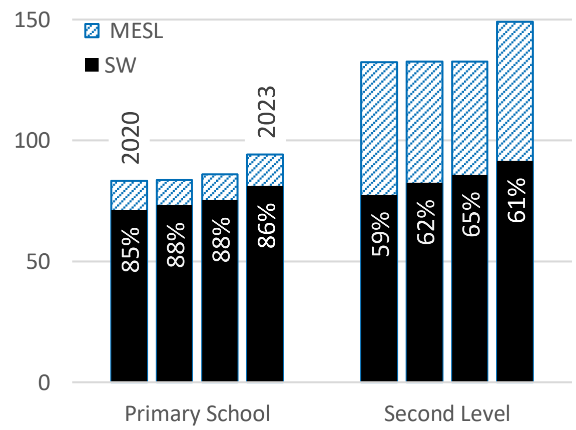
- In 2020, the total value of the adult personal rate, Fuel Allowance, and adult element of the Christmas Bonus, would have met 93% of MESL needs.
- In 2022, additional one-off 'Cost of Living' supports (paid over 2022) including the additional Fuel Allowance payments and the Autumn Double Payment, maintained the value of the suite of supports at meeting 93% of MESL needs.
- In 2023, the core working age rate and secondary supports (including Fuel Allowance, Christmas Bonus, and the 2023 Spring Cost of Living payment) meet 84% of MESL needs.

Reduction in real value of child related social welfare supports

The relative value of child related social welfare supports has also fallen. Graph 2 illustrates the relative value of Child Benefit, Back to School Clothing & Footwear Allowance and the Qualified Child Increase (QCI), for primary school and second level age children.

In the case of the child related supports, the relative value of supports was maintained and built upon from 2020 to 2022. In 2020, supports met 85% of MESL need for a primary school age-child and 59% of MESL need for a second level age child. Improvements in the QCI rate for children 12 and over, in 2021 and 2022, resulted in the total social welfare support meeting a progressively larger proportion of MESL need for this age-group.

Graph 2 Child related social welfare compared to child MESL costs, 2020 - 2023



In 2022, the additional one-off 'Cost of Living' supports, including the €100 uplift to the Back to School Clothing & Footwear Allowance, additional Child Benefit, and the Autumn Double Payment, brought the total suite of supports to meeting 91% of primary school and 67% of second level MESL costs.

In 2023, the additional €100 Child Benefit paid in June and the €100 uplift to the BSCFA is included in the assessment. The full set of supports meets 86% and 61% of MESL need for primary and second level age-groups respectively. While this is above the 2020 level, it falls back from the progress made towards adequacy in 2021 and 2022.

Deep income inadequacy for households with older children was reducing. From 62% of compositions with at least one older child in 2021, to 56% in 2022. In 2023, the incidence has increased to 82% of cases, due to the loss of real value in the QCI rate for older children.

Recommendations

Due to the cost-of-living crisis, anything less than a **€27.50** adjustment in **core social welfare rates** will be a real term cut. This is the absolute minimum required to prevent individuals and families being pulled deeper into poverty.

This adjustment is required to restore the relative value of the working-age personal rate to 2020 levels, and maintain the real value in line with forecast inflation of 6.3% over the remainder of 2023 and into 2024.

To restore previous levels of adequacy an increase of €8.50 for children under 12 and €12.50 for children over 12 is needed to restore the Qualified Child Increase in real terms. These figures assume that the €100 uplift in the Back to School Clothing and Footwear Allowance will be retained.

To make real progress towards tackling child poverty and to continue the progressive realisation of an adequate social protection system it is recommended to also factor in a real term increase in support.

An increase of **€10** per week for children under 12 and **€15** per week for children over 12 is needed to retain the purchasing power of the **Qualified Child Increase** and make real progress on tackling child poverty. This is recommended in conjunction with retaining the €100 uplift to the Back to School Clothing and Footwear Allowance

Table 1 Recommended core rate adjustments

	Adjustment	2024 Rate
Personal Rate	+ €27.50	€247.50
QCI Under 12	+ €10.00	€52.00
QCI 12 and over	+ €15.00	€65.00

Fuel Allowance

Energy prices have experienced significant increases over the course of the past two years. In the 12-month period to March 2023, home energy prices increased by an average of 32.6%. In March 2023, the 12-month CPI rate shows inflation in electricity prices at 62.7%, natural gas at 92.1%, and a reduction in oil prices at 29.1%.

In the 2023 MESL, urban households saw home energy increase by an average of 67.8%, while rural households saw a 6.2% increase.[10] The analysis finds that urban home heating costs, based on the use of natural gas, have increased by an average of 92.7%, while rural households, based on the use of home heating oil, have decreased by an average of 12.8%. The MESL research typically reports that heating a home using oil is more costly than the use of natural gas. However, the remarkable increase in gas prices, combined with a slight decrease in home heating oil, has reversed the situation, with the cost of the urban home energy basket now exceeding the rural.

In Budget 2023, the core weekly rate of Fuel Allowance was retained (€33) for a 28-week season. Those who qualify for the payment also received an additional once-off €400 Cost of Living lump sum payment in November 2022.

While energy-related Cost of Living payments have acted as a buffer against significant price increases in the energy market, the base rate of the Fuel Allowance has devalued. For example, the MESL analysis found that in 2020 the Fuel Allowance met 45.1% of the urban one parent with two children (primary & second-level age) household's total home energy costs.[11] In 2023, this reduces to 26.6%, an 18.5 percentage point decrease from 2020. For the same household type in a rural area, the Fuel Allowance met 42.8% of total energy costs in 2020. This reduces to 31.6% in 2023, an 11.2 percentage point decrease from 2020.

Additionally, there are low-income households, or social welfare dependent households, that do not qualify for the Fuel Allowance and are therefore not recognized as needing support. It should also be noted that low-income households are often unable to access the most cost-effective deals in the energy market. While typically more expensive, pay-as-you-go plans offer some control over budgeting, and are frequently the preferable option for low-income households. On average, urban households could be paying up to 20% more for their home energy on a pay-as-you-go plan, and 25% more for rural households (electricity only). This reflects the presence of the poverty premium in the energy market.

Given the current price volatility of different fuel types, the variation of energy needs across different household types, and the complexity of the energy market itself, it would be beneficial to re-examine whether the fixed nature of the Fuel Allowance remains fit for purpose. An alternative measure, such as a social energy tariff that reflects the energy needs of individual households (i.e., fuel type used, size of household, dwelling efficiency etc.) would assist low-income households manage their expenditure. Therefore, the Vincentian MESL Research Centre recommends that a social energy tariff be considered as an alternative measure to support low-income households meet minimum energy needs.

With exceptional increases in energy prices, adjustments to the core rate of the Fuel Allowance that are in line with average energy inflation[12] are required. It is recommended to increase the annual value of the Fuel Allowance by €680.40 to restore its purchasing power, which equates to a weekly increase of €24.30 for a 28-week season. Consideration should also be given to restoring the 32 weeks of payment to better reflect the heating season and enable households to budget accordingly.

Older person, living alone

The older single adult household type has demonstrated greater vulnerability to income inadequacy. In 2017, an older person living alone in an urban area moved to income adequacy when reliant on the Non-Contributory State Pension and living in social housing.

In 2022, the Non-Contributory State Pension and secondary supports (Living Alone, Telephone Support and Fuel Allowances) provided an income that was marginally (0.6%) above the MESL expenditure need, when in urban social housing. In the case of a Contributory State Pension net household income was 4.0% above MESL need.

The nominal rates of the State Pension increased by €12.00 per week in 2023. There were no adjustments to the standard rate of payment for the Living Alone, Telephone Support or Fuel Allowances[13], nor the Household Benefits Package energy allowance in 2023. However, in the first half of 2023 long-term social welfare recipients received an additional €200 once-off ‘cost of living’ support payment, this equates to an average of €3.85 over the course of 2023.

The cost of a MESL for an older single adult living alone has increased significantly from 2022. Income supports have not kept pace with this rate of change, consequently this household type now demonstrates income inadequacy in 2023. Net household income when in receipt of the Non-Contributory State Pension meets 90.4% of MESL needs, in the case of the Contributory State Pension net income meets 93.4% of MESL needs.

The Living Alone and Telephone Support Allowances makes a vital contribution towards supporting the group of older people which have a higher risk of poverty and have tended to demonstrate income inadequacy.

In conjunction with the benchmarking of the State Pension, it is recommended that due consideration is given to restoring the real value of the **Living Alone Allowance**.

Deep income inadequacy continues for the older single adult household type when in a rural area. Due to additional needs in a rural area, primarily transport, the Non-Contributory State Pension, and secondary supports, meet only 76.8% of MESL costs for a rural older person living alone. In the case of the Contributory State Pension net household income meets 79.4% of rural MESL need.

The free travel pass removes the need for private transport related costs for urban based older adult households, in the MESL expenditure budgets. Meeting the transport needs of rural older adult households requires a car. Consequently, car related costs (fuel, maintenance, insurance, etc.) add an additional €83 per week to the MESL budget for older people living in a rural area.

Improved public transport services are key to addressing this deep inadequacy. If the need for a car was removed, thereby reducing MESL costs, the current state pension rate would be marginally adequate for pensioner living alone household types in both rural and urban areas.

Direct Provision

The recent MESL working paper[14] presents the findings of the first stage of a project to establish the MESL needs for families with children living in the Irish Direct Provision system. It looks at both one parent and two parent families with two children, one of Primary School age and one of Secondary School age.

The analysis finds that for each individual family member living in Direct Provision accommodation, the income supports provided are inadequate to meet their estimated MESL need, and that this inadequacy is compounded at household level.

A One Parent, Two Child household living in Direct Provision accommodation's weekly MESL need is estimated to be €228.30. Their average weekly income amounts to €110.80, which covers 49% of estimated MESL need, leaving a shortfall of €117.50 per week.

A Two Parent, Two Children household living in Direct Provision accommodation's weekly MESL need is estimated to be €289.98. Their average weekly income amounts to €149.60, which covers 52% of estimated MESL need, leaving a shortfall of €140.37 per week.

It is important to note that the scenario of family types examined within the Working Paper is based on how the Direct Provision system "should" work, determined from desk-based research and a review of a number of key documents, including the National Standards for Direct Provision. However, due to the large variation in the standard and type of service being provided across the country, this scenario may portray a "best case" situation that many people living in Direct Provision accommodation may not receive. If a lower standard of service than that outlined within the paper is being provided to families living in Direct Provision, then a greater income shortfall is experienced.

The findings of the Working Paper are based on the 2022 MESL data, with the baskets priced as of March 2022. The 2023 MESL update indicates that the core MESL basket cost has increased by an average of 10.6%

nationally in the year to March 2023. This significant increase in costs would also greatly impact the income adequacy of families within the Irish Direct Provision system.

Based on the scale of income inadequacy shown in the Working Paper, the two following recommendations are made:

- Increase the children's rate of the Daily Expenses Allowance from €28.90 per week to align with the QCI rates of payment.
- Introduce the International Protection Child Payment outlined in the White Paper to End Direct Provision at the same rate as Child Benefit.

The introduction of these measures will improve the income adequacy, and therefore living standard of families in the Irish Direct Provision system. Although these measures may exceed the need outlined in the "best case" scenario examined in the Working Paper, this would not be the case for many families in Direct Provision receiving a lower standard of service across the country.

In-work & secondary social welfare supports

The range of secondary supports and in-work social welfare play a vital role working as part of the wider set of essential social services (e.g., housing, childcare, health) to support people towards an adequate income which enables a life with dignity.

Supports such as Working Family Payment, One-Parent Family Payment, Jobseekers Transitional, etc. operating in conjunction with an appropriate earnings floor, can enable income adequacy for many households with children when in lower paid employment. It is essential that the real value of such supports is maintained in line with both changes in minimum living costs and earnings.

There is upward pressure on earnings in response to rising living costs, government policy to transition the minimum wage to 60% of median hourly earnings will also contribute to upwards movement on minimum and lower rates of pay. Improvements in net salary rates, in response to rising living costs, should not be offset by a loss in the level of in-work social support. Therefore, means test criteria, earnings disregards, eligibility thresholds, payment bands, etc., need to be reviewed in line with any changes to core social welfare rates, statutory minimum rates of pay, and adjustments in earnings generally.

Working Family Payment

Budget 2022 and 2023 adjusted the Working Family Payment (WFP) thresholds, and importantly extended to increases to include households with four or more children. Increasing these income thresholds ensured that a household in minimum wage employment would benefit from the increase in the minimum wage, as the gain in salary did not result in a significant reduction in WFP.

To ensure the real value of the WFP is maintained, and that the support continues to assist households towards income adequacy, it is recommended to adjust the thresholds for all household sizes in line with anticipated changes in net salaries.

Cliff edges

The 2023 MESL report includes an updated analysis of the interaction of the tax and welfare system for a range of household types in multiple employment scenarios. The analysis highlights incidences where increased employment intensity does not always result in an improvement of the household's income adequacy position. In several of the cases examined, net household income meets a lower proportion of MESL need at higher employment intensity. This can be due to the tapering of direct in-work income supports and/or the tapering of secondary supports.

While these anomalies can be difficult to identify and may arise from the interaction between DSP supports and areas administered by other government departments, it is nevertheless recommended that every effort be made to review and address any such obstacles to households benefiting from increased employment and/or earnings.

One-Parent Family Payment taper & earnings trough

The structure of the One-Parent Family Payment and ancillary supports produce significant troughs in net household income, where a higher gross salary can result in a lower net household income. The most severe aspect of this was addressed in 2021, with the removal of the 'guillotine' effect in the eligibility criteria which cut-off entitlement to OFP at a gross salary of €425 per week. This smoothed the income progression and ensured that there is a net benefit to improved earnings for households at that salary level.

The income trough is now evident at the point where means tested eligibility for OFP is lost. The loss of OFP, including Qualified Child Increase (QCI), Fuel Allowance and the Christmas Bonus, combine to create a significant dip in net household income. When eligibility for these combined supports is lost the level of WFP increases and partially offsets the loss, however net income is reduced by an average of €44 per week. Consequently, gross salaries from €641 to €710 per week result in a lower net income than a full-time NMW salary.

While the Back to Work Family Dividend may mitigate the severity of this trough, it is a time-limited and conditional support that may not apply in all cases.

One Parent households - Jobseeker's Transitional

When the youngest child in a one parent household reaches 14, the household is no longer eligible for Jobseeker's Transitional (JST) creating the potential for a notable drop in net household income. JST and associated secondary benefits can provide a greater level of income support than WFP, for the same salary level. For example, in the case of a one parent household with one child, when in 19 hours of NMW employment the net income when qualifying for JST is €42 per week higher than in a scenario qualifying for WFP. This difference increases to €56 with full-time (37.5 hours) NMW employment. The differential is due to both the lower rate of payment for WFP, compared to JST, and ineligibility for Fuel Allowance in the WFP scenario.

Furthermore, the tapering and withdrawal of income supports combined with increasing liability for USC and PRSI, impose a higher Marginal Effective Tax Rate (METR) in the case of WFP than in JST. The METR on a change from part-time (19 hours) to full-time (37.5 hours) employment is 64% when in receipt of Working Family Payment and 57% when in receipt of the Jobseeker's Transitional.

It is recommended that consideration is given to extending eligibility for the Jobseeker's Transitional payment until the youngest child reaches 18 or completes second level education.

Medical Card

The 2023 analysis noted the interaction between the Medical Card means test and a modest difference in housing costs (social housing vs HAP). This resulted in the same net income from minimum wage employment and rate of support from Working Family Payment (WFP) being inadequate in the social housing case, but adequate in the HAP case.

When in social housing the household has a lower rent than when in a HAP tenancy, resulting in the household's assessable income being marginally above the threshold for a full Medical Card. Whereas in a HAP tenancy the higher rent brings the household within the eligibility threshold. The imputed value of the Medical Card, in the MESL basket, is greater than the difference in housing costs. And as a result, the household case with lower housing costs demonstrated income inadequacy, while the higher housing cost scenario showed income adequacy.

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[1] Government of Ireland (2020). *Roadmap for Social Inclusion 2020 – 2025*. https://assets.gov.ie/46557/bf7011904ede4562b925f98b15c4f1b5.pdf

[2] *Programme for Government: Our Shared Future*, 2020. https://assets.gov.ie/130911/fe93e24e-dfe0-40ff-9934-def2b44b7b52.pdf

[3] Vincentian MESL Research Centre (2023). *MESL 2023 – Annual Update Report*. https://www.budgeting.ie/publications/mesl-2023/

[4] The MESL 2023 report, analysis and data is available on-line at: https://www.budgeting.ie/publications/mesl-2023/

[5] Core MESL basket excludes housing, childcare, and the effect of secondary benefits.

[6] Department of Finance (2023) *Draft Stability Programme Update – April 2023.* Dublin: Government of Ireland, https://www.gov.ie/en/publication/e4f3a-stability-programme-update-2023/

[7] ESRI (2023) *Quarterly Economic Commentary, Spring 2023*. Dublin: ESRI, https://doi.org/10.26504/qec2023spr

[8] Based on MESL costs for an urban working-age single adult, Including the tenant contribution when in receipt of Rent Supplement. If the household is in a HAP (Housing Assistance Payment) tenancy and required to pay a rent top-up in addition to the differential rent component, the depth of inadequacy would be greater.

[9] Based on the urban MESL costs for the two head of household adults and the differential rent payable in this income scenario.

[10] MESL Household Energy cost calculations are net of the two €200 electricity credits provided to all households in the first half of 2023.

[11] The Household Energy basket includes the price of energy per unit for electricity and gas or oil, the standing charge, the Public Service Obligation levy, and carbon tax.

[12] As measured by the by CPI sub-index 'Electricity, gas and other fuels', see: https://data.cso.ie/table/CPM16

[13] The 'cost of living' measures introduced in latter part of 2022 included a once-off of €200 for Living Alone Allowance recipients and €400 for Fuel Allowance recipients.

[14] Vincentian MESL Research Centre (2023). *Estimating the MESL costs for Families with Children in Direct Provision*. https://www.budgeting.ie/publications/estimating-the-mesl-costs-for-families-in-direct-p/