



MINIMUM
ESSENTIAL
BUDGET
STANDARDS

RESEARCH CENTRE

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MESL

REVIEW & REBASE

2018/19

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INTRODUCTION

Background & Methodology

Minimum Essential Standard of Living

MESL

- Meets - physical, psychological and social needs
- At a minimum but socially acceptable level

Minimum

- A level below which no one should be expected to live
- Based on needs not wants
- Not a subsistence standard
- A standard for all the population

Consensual Budget Standards Methodology

- Deliberative Focus Groups – 4 for each Household Type
- Mixed socio and economic basis
- Deliberative process
- Development of shared understanding of key concepts (orientation phase)
- Reach a socially negotiated consensus

Focus Group Work Current Study

HOUSEHOLDS WITH CHILDREN

May – September 2018

- i. Baby and pre school
- ii. Primary and secondary school age

- 4 Focus Groups – 3 urban, 1 rural
- Total no. of meetings: 10

HOUSEHOLDS WITHOUT CHILDREN

June – September 2019

- i. Working age adults
- ii. Pensioners Couples and Lone Pensioners

Focus Groups

Four different Focus Groups for each Household Type

1

Reviewed content of all 15 budget areas
Reached consensus on changes (met twice)

2

Concentrated on items changed
Reached consensus

3

Focused on items on which 'no consensus' from Groups 1 & 2
Reached consensus

4

Rural Group – considered the final changes and
Urban and Rural differences

2012 to 2018/19 – Major Changes

- Developments e.g. technology –communication etc
- Perception of minimum (some areas of households budgets)
- Pensioner needs

MESL REVIEW & REBASE

Continuity and Change in the MESL

The Review Process

Stage 1 – Focus Groups

May – September 2018, carried out focus groups with *households with children*:

- One and Two Parent Households with a Baby (approx. 9 months) and a Pre-School Child
- One and Two Parent Households with a Primary and Secondary School Age Child

June to September 2019, carried out focus groups with *households without dependent children*:

- Pensioners (Pensioner Couple and Lone Pensioner)
- Working Age Adults

The Review Process

Stage 2 – Making the New Budgets

Stage 3 – Rebasing the Prices

- Combination of methods: online, visiting retailers, phone calls and desk-based exercises
- Urban and Rural
- Checking the prices for qualitative differences

Stage 4 – Analysis (ongoing)

Key Themes

Key themes that emerged from the
Review Process

- Little change, overall, since the last Review (2012)
- Changes overtime - advancing technology
- Changes in *how* we buy
- Improved efficiency of budget items - impacting MESL costs
- Policy changes - impacting MESL costs
- Tracking subtle changes
- Changes in what is regarded as a minimum

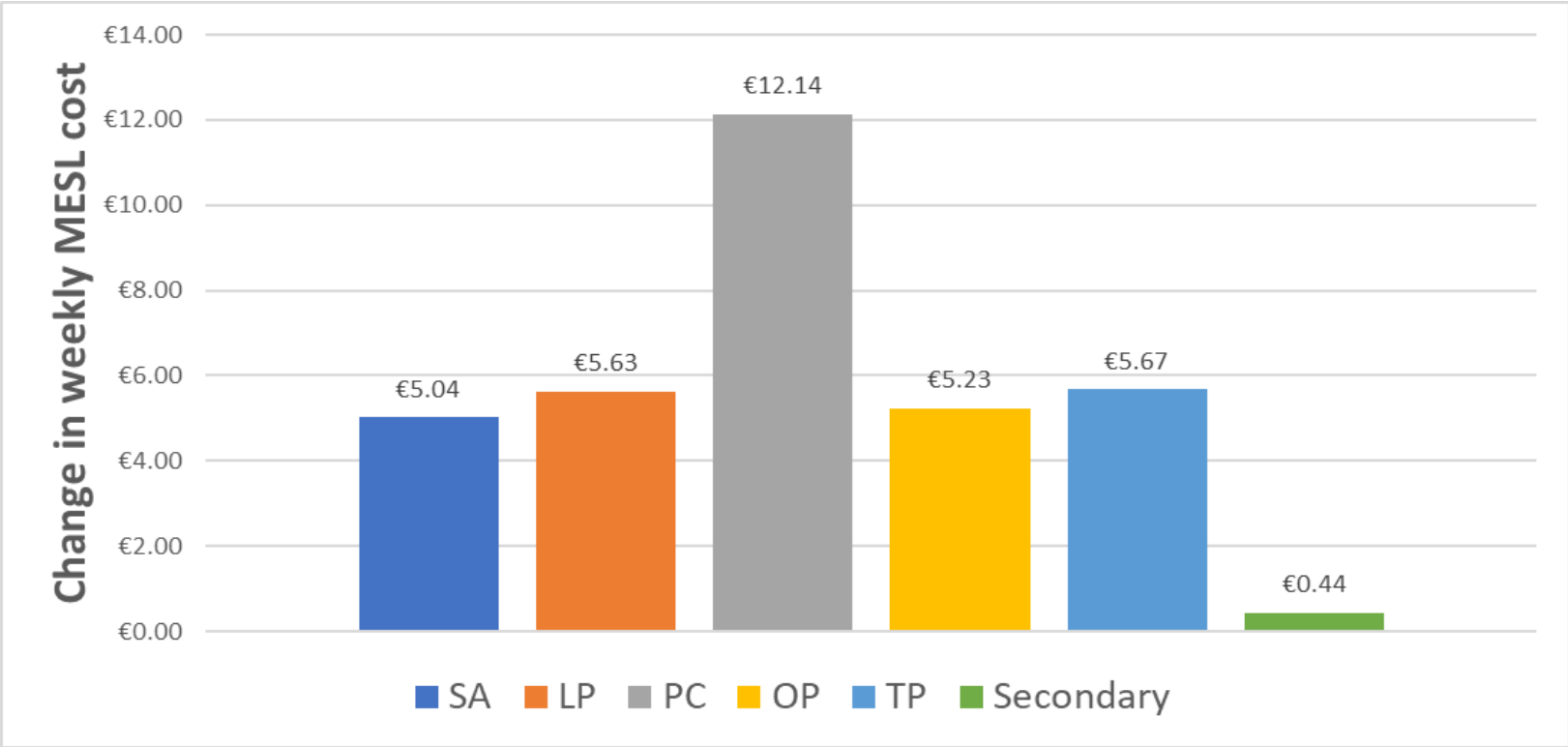
Overview

Changes in core MESL costs, for urban households, range between a 5% decrease and a 5% increase in weekly costs, since the previous Review in 2012.

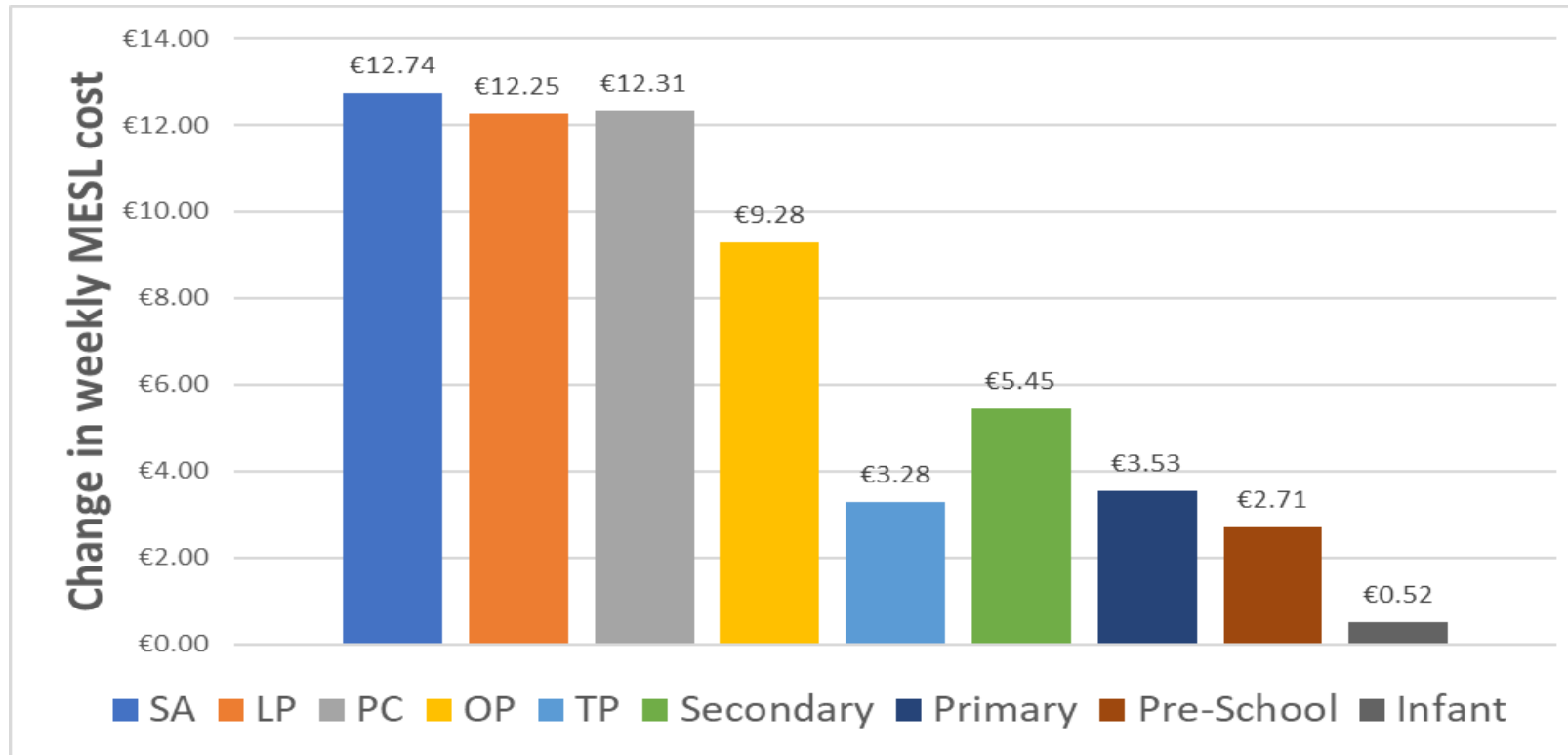
The four budget areas with the biggest changes:

- Insurance
- Household Energy
- Social Inclusion and Participation
- Communications

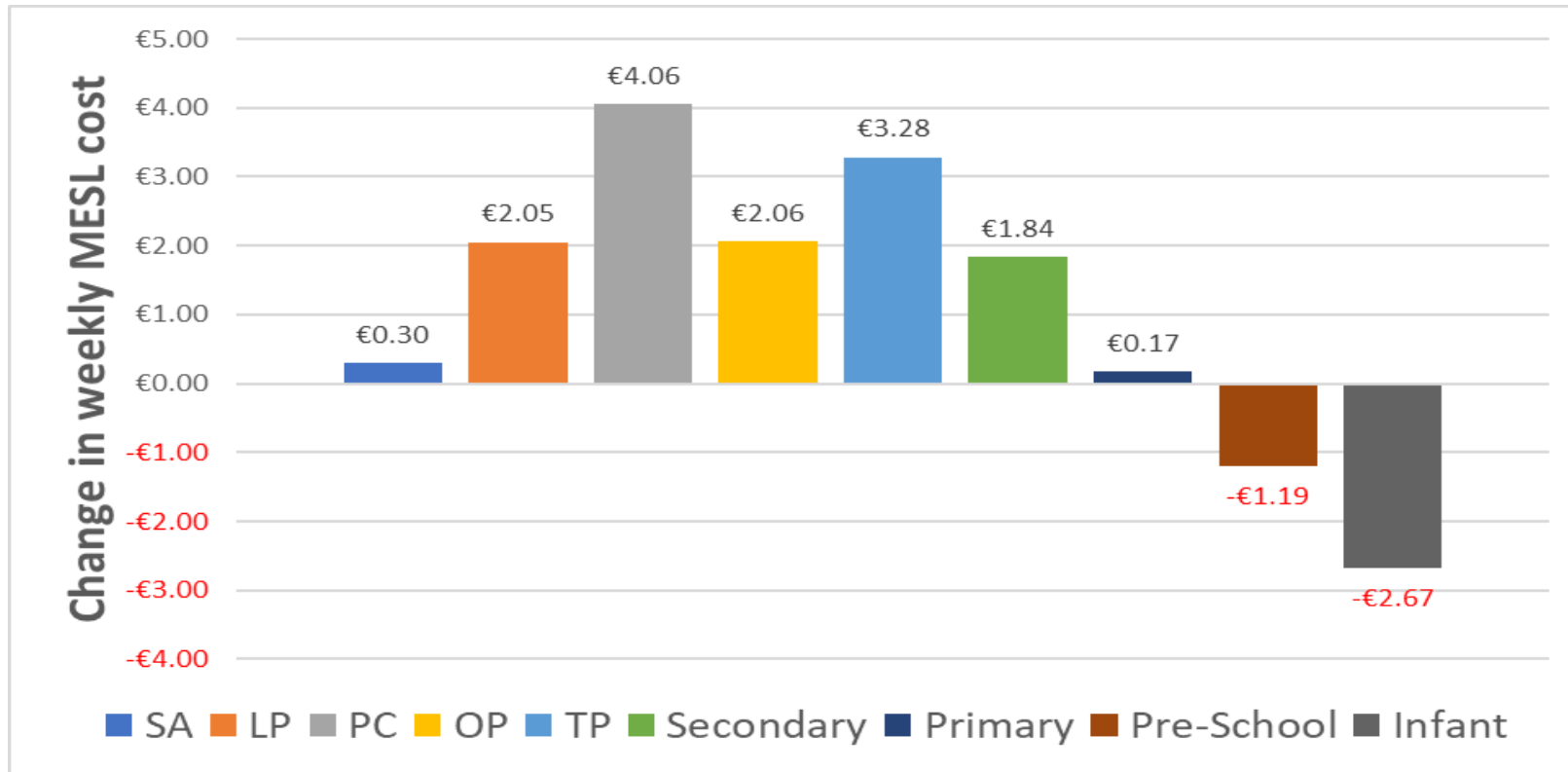
Communications



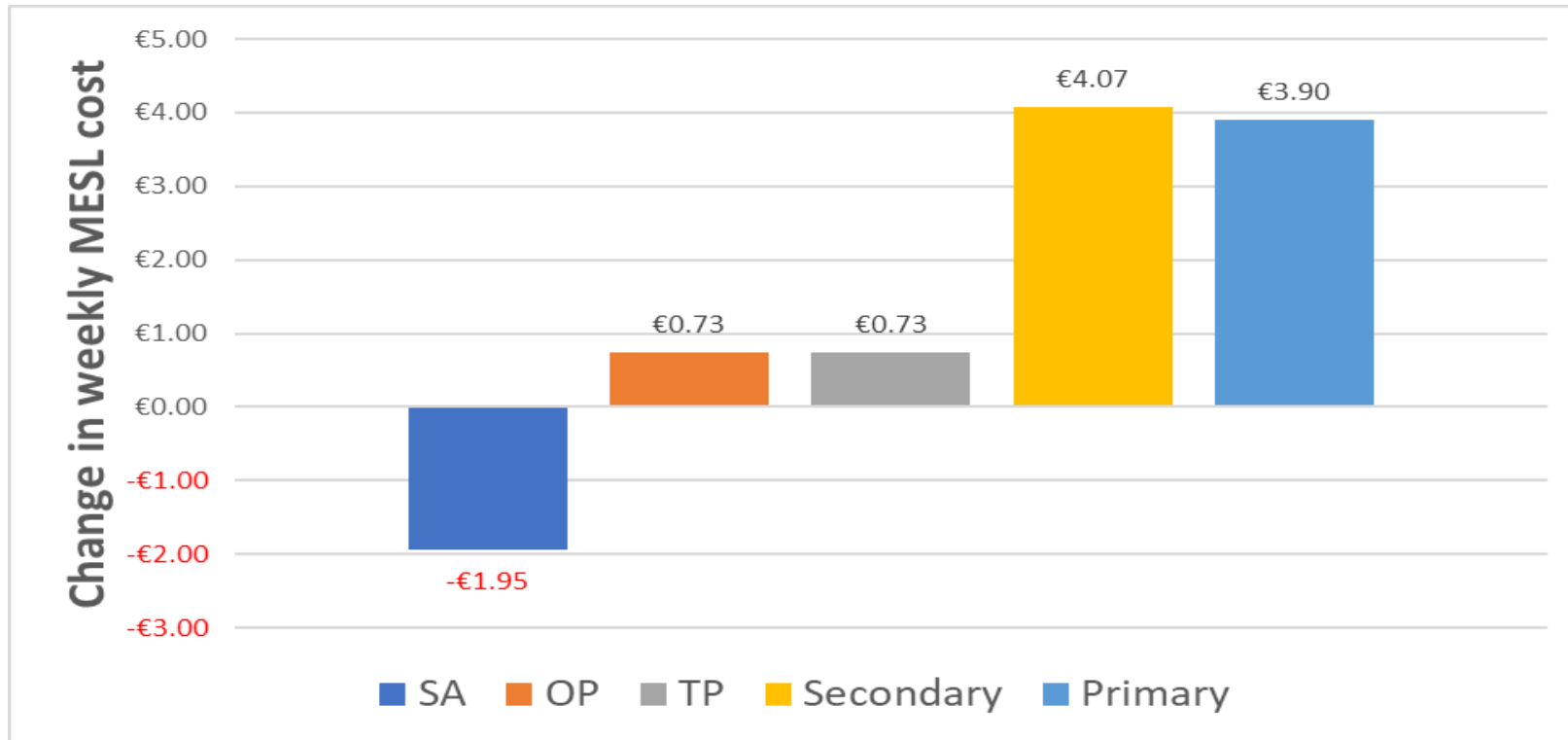
Social Inclusion and Participation



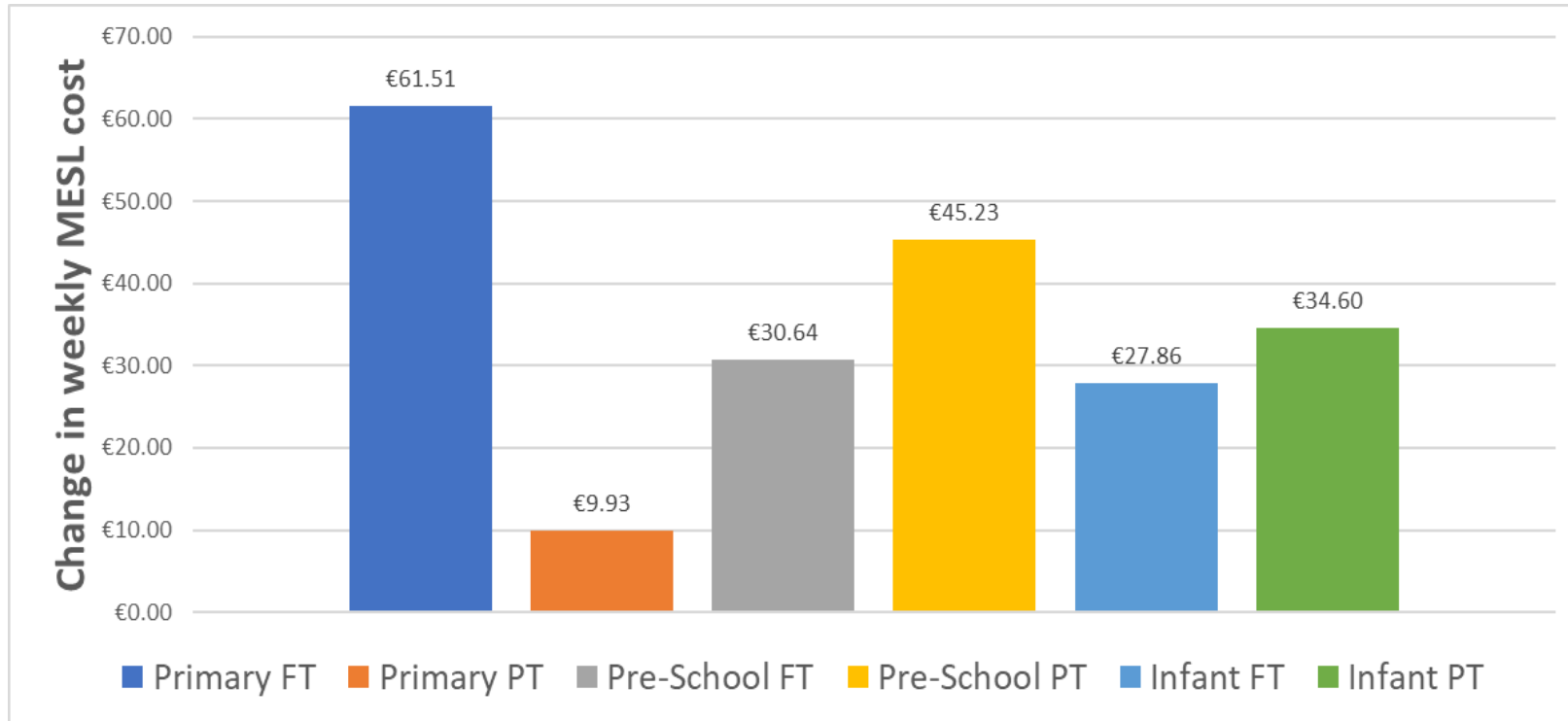
Health



Education



Childcare



Other content changes



Food



Clothing



Personal
Care



Household
Goods



Household
Services



Personal
Costs



Transport



Insurance

Urban and Rural Differences



- Food
- Transport
- Household Energy
- Childcare

QUESTIONS & ANSWERS

Methodology – Tracking Changes in Cost of MESL – 2012 to 2018/19

- Direct Pricing 2012 and 2018/19
- Inflation Adjusted – Annual basis

Rationale –

- Need to review periodically changes in contents of Households Budgets to reflect consumer choice
- Less time and expense for intervening years
- Finding – Difference between Direct Pricing and Inflation Adjusted Costs
- Cost of A MESL had risen to a higher level by using Direct Pricing than by Inflation (CPI)

Direct Pricing vs Inflation Adjusted

- Latter only an estimate of actual current price
- Content of the General Basket different from than that of an MESL Basket
- Similar finding in UK – Cost of living goes up more quickly for low income households
- Point also raised in VPSJ reports
- Need to explore issues e.g.
 - Aspect within the MESL Budgets – weighted towards categories which rise faster in price
 - Also need to undertake more frequent direct pricing of budgets – e.g. every 2-3 years

CHANGES IN MESL

Inflation

Equivalence

Next Steps

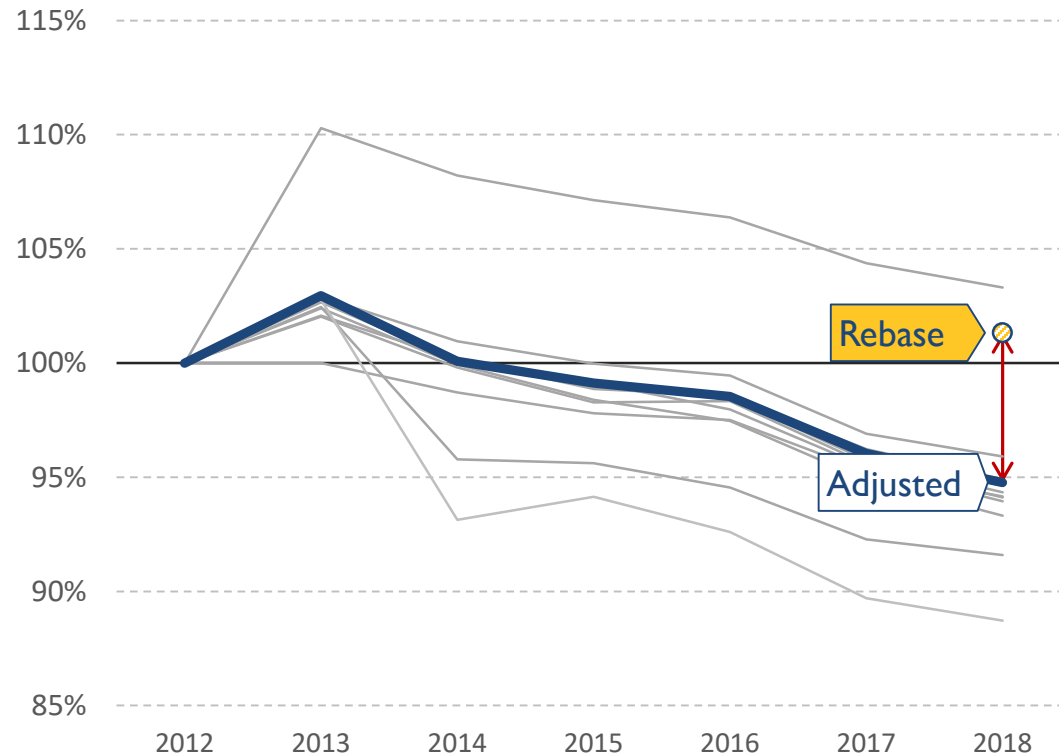
Change in MESL vs CPI

- Reviewed & Rebased MESL is **1.3%** higher than in 2012
- CPI showed a cumulative increase in prices of **0.7%** for the same period
- CPI tends to under-estimate changes in the cost of an MESL
- This observed elsewhere – e.g. in budget standards work in UK & Belgium
- Inflation and changes in cost of living are felt differently by various social groups and at different income levels
- Shines a light on inappropriateness of CPI as indicator of changes in minimum living costs

Average Basket vs Minimum Basket

- The cost of a minimum standard of living changes at a different rate than average prices
- MESL basket concentrated on basics, more limited than average consumer basket
- Approximately 40% of the cost changes tracked by CPI are for goods and services which are not part of the MESL basket.
 - Food 20.3% MESL 10.8% CPI
 - Public Transport 10.7% MESL 1% CPI
 - Household Energy 6.7% MESL 4% CPI

Change in MESL Adjusted vs Rebase



2012 to 2018

- Adjusted MESL estimated change of -5.2%
- Review & Rebase shows change of +1.3%
- Adjustment under-estimated change by 6.5 percentage points

Three factors

- i. Content changes (items added / removed)
- ii. Qualitative changes
- iii. Adjustment method

Adjustment Method

UP TO 2019

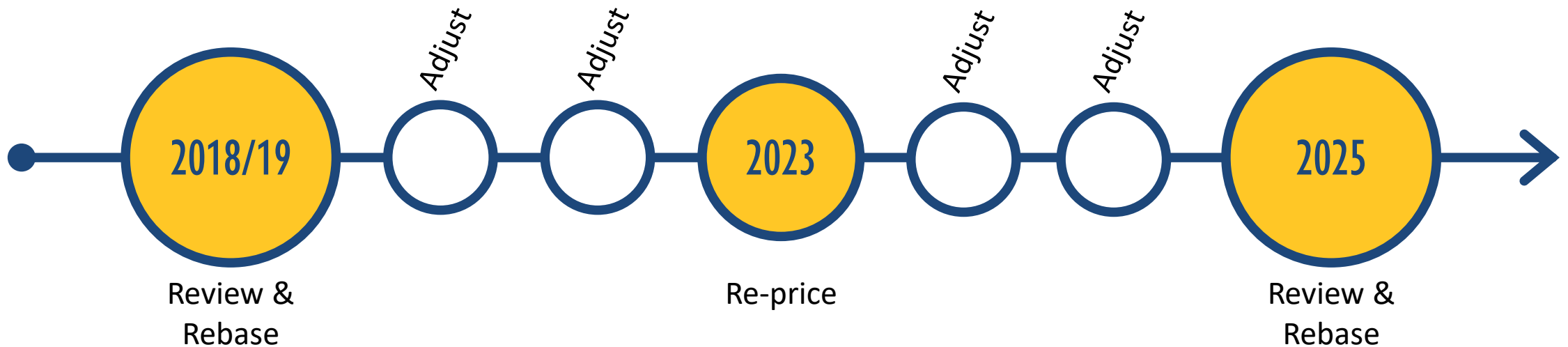
- MESL basket category adjusted by applicable division and group rates
- 22 CPI sub-indices rates
- Re-price key items annually, e.g.:
 - Public transport fares
 - Health insurance
- Re-price some other large items every 2 to 3 years

REFINED METHOD

- Use item specific detailed sub rates
- 128 separate rates to adjust the unit price of each basket item
- Excluding the effect of price changes in the rest of the CPI basket
- Improve the accuracy of the estimate for the cost of an MESL in the years between re-pricing

Updating MESL in the future

- Continue to update MESL annually
- Re-price more frequently (2 – 3 years)
- Review & rebase periodically (4 – 6 years)
- Adjust in intervening years



Results consistent with previous findings

EQUIVALENCE

- Ratio of costs between types of households
- MESL has highlighted this issue
 - Older child
 - One adult headed households
- Reviewed & Rebased baskets show same ratio of minimum costs

REVIEW & REBASE

Older Child (aged 12 and over)

- MESL costs are 63% higher than minimum needs of younger children

One adult headed household

- MESL needs cost approx. 68% that of two adults
- Two adult headed household MESL is approx. 1.5 times that of a one adult headed household

Consistent with previous findings

Further Work

Full Report

- Urban & Rural Households
- Discussion of changes in MESL content
- Itemised MESL budgets
- Income adequacy benchmark

Analysis

- Inflation vs Rebased MESL
- Equivalence Scales

Other Applications, examples

- Poverty Premium
- Services & cost of an MESL
 - E.g. Housing, Childcare, Transport

MESL Review & Rebase 2018/19

Discussion

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WORKING FOR **SOCIAL**
AND **ECONOMIC CHANGE**
TACKLING **POVERTY**
AND **SOCIAL EXCLUSION**