



## PROJECT TEAM

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# 2014 MINIMUM ESSENTIAL STANDARD OF LIVING

# Vincentian Partnership for Social Justice

- The VPSJ was established in 1996 to work for social and economic change tackling poverty and exclusion.
- Two main approaches to achieve our goal

Active citizenship / voter education programme with communities alienated from the electoral democratic process:

*'Your vote is your voice'*

Development of facts and figures on the Minimum Essential Budget Standard for household types in Ireland

# Minimum Essential Budget Standards

- VPSJ uses Consensual Budget Standard methodology to ascertain the level of income needed for an acceptable standard of living

Two parts to the research:

1. **Expenditure** required for a Minimum Essential Standard of Living (*MESL*) which meets physical, psychological and social needs.
2. **Income** needed to afford the expenditure – Minimum Income Standard (*MIS*)

# Establishing the Expenditure

- To establish the expenditure focus groups are held for each household type
- Negotiated consensus on goods & services to be included in the baskets (approx 2000 items)
- Experts are consulted in order to ensure that the negotiated consensus meets basic criteria e.g. nutritional standards
- Focus is on needs, not wants

# Household Types - Urban & Rural Areas

- Families with children:  
Two Parent & One Parent households  
with 1 to 4 children, aged from infancy to 18
- Working Age, no children:  
Single Adult, living alone  
Co-habiting couple
- Pensioner couple households
- Pensioners living alone
- The data covers 90% of all household types

# Key Findings

- From March 2013 to March 2014 the average change in prices has been marginal, with the overall CPI rate being 0.2%. However, the core cost of a Minimum Essential Standard of Living (MESL) increased by an average of 0.3% from March 2013 – March 2014
- The research demonstrates that in 2014 social welfare cannot meet the cost of a MESL for 199 of the 213 urban sample household types examined in the research

# Key Findings

- The two primary payments for children, namely Child Benefit and the Qualified Child Increase, are paid at a single rate for all children, irrespective of age. Therefore these payments do not recognise the higher costs associated with adolescence. As a consequence, social welfare dependent families with adolescent children face severe income inadequacy in 2014

# Key Findings

- The VPSJ data highlights how the provision of services such as a medical card and social housing play an important role in reducing essential expenditure. Without these services, the gap between expenditure and income would be far greater.
- The high cost of private childcare and private rented accommodation substantially impact on the cost of a MESL and the subsequent Minimum Income Standard required.



# Key Findings

- A pensioner living alone and solely reliant on the Non Contributory Pension and Living Alone Allowance faces a weekly shortfall of approximately €18 per week. Those who live alone face many of the same costs as a multiple person household, yet the Living Alone Allowance of €7.70 per week does not adequately address the additional costs faced by those who live alone.

# Key Findings

- The cumulative effect of reductions in social welfare supports has meant that social welfare dependent households have experienced a drop in income of between 5% and 8% from 2008-2014.
- In 2014, the Fuel Allowance should be paid at a rate of €25 per week for 32 weeks in the year, to have an annual value of €800. This would maintain the Fuel Allowance at its 2009 purchasing power.

The cost of a Minimum Essential Standard of Living in 2014

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# **2014 UPDATE**

# Overview

- Households Dependent on Social Welfare
- Households Earning the National Minimum Wage (NMW)
- Minimum Income Standard (MIS)
- The Impact of Housing on the MIS

# MESL Research

- Update Cycle for Expenditure: March – March, Using Appropriate CPI Rates
- Income: Updated annually to Take into Account changes in Tax, Social Welfare and Entitlements

# Income Adequacy in 2014

- The expenditure establishes the benchmark of what household types need. From this the income need of household types can be examined
- **Social Welfare**  
Where household types are solely dependent on social welfare, e.g. unemployed and pensioners, the adequacy of the household's total social welfare income is measured against the household's expenditure need

# Social Welfare Households

- Two Parent Household: JSB + Qualified Adult
- One Parent: OPFP
- Single Adult: JSB + Rent Supplement
- Pensioner Living Alone: Non Contributory Pension + Living Alone Allowance
- Pensioner Couple: Contributory Pension + Non Contributory Pension
- Social Housing, with the exception of the single adult

# Social Welfare Dependent Scenarios

URBAN  
2014

	TWO PARENT		ONE PARENT	WORKING AGE	PENSIONERS	
	Pre-school & Primary	Primary & Secondary	Infant	Single Adult living alone	Pensioner living alone	Pensioner Couple
MESL EXP	479.37	560.96	314.47	342.99	254.57	321.62
Total Income	434.32	438.17	257.80	276.00	236.70	459.30
Adequacy	<b>-45.05</b>	<b>-122.79</b>	<b>-56.67</b>	<b>-66.99</b>	<b>-17.87</b>	137.69
	Inadequate	Inadequate	Inadequate	Inadequate	Inadequate	Adequate



# Cost of a Child & Child Income Supports

URBAN

2014

	INFANT	PRE-SCHOOL	PRIMARY	SECONDARY
Cost of a Child P/W	80.60	45.41	78.37	127.00
Child Benefit	30.00	30.00	30.00	30.00
Qualified Child Increase	29.80	29.80	29.80	29.80
Back to School	...	...	1.92	3.85
Total Transfers	59.80	59.80	61.72	63.65
% of cost met by SW	74.2%	131.7%	78.8%	50.1%

# Impact of Childcare

- Childcare substantially increases the cost of a MESL
- The full-time cost of private childcare for an infant in an urban areas is approximately €11,000 per annum. Child Benefit meets 14% of this cost.

# Employment

## National Minimum Wage (NMW)

- Total household income when earning the NMW is calculated, including tax liability and any social welfare entitlement (e.g. Family Income Supplement).
- The adequacy of this income is measured against the household's expenditure need.

# NMW Households

- Two Parent Household – 1 working full-time (37.5 hours), 1 working part-time (19 hours)
- One Parent – full-time
- Single Adult – full-time
- Social housing for households with children
- Private rented accommodation for Single Adult
- Total Income = earned income + any social welfare entitlements

# National Minimum Wage Scenarios

URBAN 2014	TWO PARENT		ONE PARENT	WORKING AGE
	Pre-school & Primary	Primary & Secondary	Infant	Single Adult living alone
MESL EXP	600.77	608.32	567.35	411.84
Total Income	615.53	619.38	513.06	313.89
Adequacy	14.77	11.06	-54.29	-97.96
	Adequate	Adequate	Inadequate	Inadequate

# Employment

## Minimum Income Standard (MIS)

- When the National Minimum Wage is inadequate the household's Minimum Income Standard (MIS) is calculated. This is the gross income a household needs in order to afford a minimum standard of living. It takes account of the potential tax liability and social welfare entitlements of the household in question

# Minimum Income Standard

## Examples:

- One Parent and One Child (infant), Social Housing
- Single Adult, Private Rented Accommodation

# Minimum Income Standard

URBAN 2014	ONE PARENT	SINGLE ADULT
	Infant	Living Alone
MESL EXP	578.99	428.62
Gross Salary (MIS)	626.25	511.88
Income Tax	30.00	38.26
USC	21.19	22.73
PRSI	25.05	20.48
Net Salary	550.01	430.41
Child Benefit	30.00	...
Medical Card	Full	GP Visit
Total Income	580.01	430.41
Hourly MIS Rate	16.70	13.65
Annual MIS	32,565.00	26,617.76



MESL data - shining a light on policy issues

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# **POLICY ISSUES**

# Access to Affordable Housing

- **Example: Single Adult Household – Rent Supplement Ceiling Versus the Actual Average Cost of Rent**
- **Example: Two Parents and Two Children (pre school age and primary school age). Social Housing Versus Private Rented Accommodation**

# Impact of Housing on MIS need

URBAN 2014

Single Adult

	Rent Supplement Ceiling	Average Cost of 1 bed Unit
MESL EXP	244.39	244.39
Housing	<b>120.00</b>	<b>184.20</b>
Total Expenditure	364.39	428.59
Gross Salary (MIS)	418.13	511.87
Net Salary (after tax)	365.72	430.42
Medical Card	GP	GP
MIS Hourly	11.15	13.65
MIS Weekly	418.13	511.87
MIS Annually	21,742.76	26,617.24

# Impact of Housing on MIS need

URBAN 2014

Two Parents & Two Children  
(Pre-School & Primary School Age)

	SOCIAL HOUSING	PRIVATE RENTED
MESL EXP	530.19	530.19
Housing	<b>70.59</b>	<b>263.19</b>
Total Expenditure	600.78	793.38
Gross Salary 1 (MIS)	324.38	541.87
Gross Salary 2 (MIS)	164.35	274.55
Net Salary	479.61	736.81
Social Welfare	135.92	60.00
Total Income	615.53	796.81
MIS per hour	8.65	14.45
Annual MIS	25,413.96	42,453.84

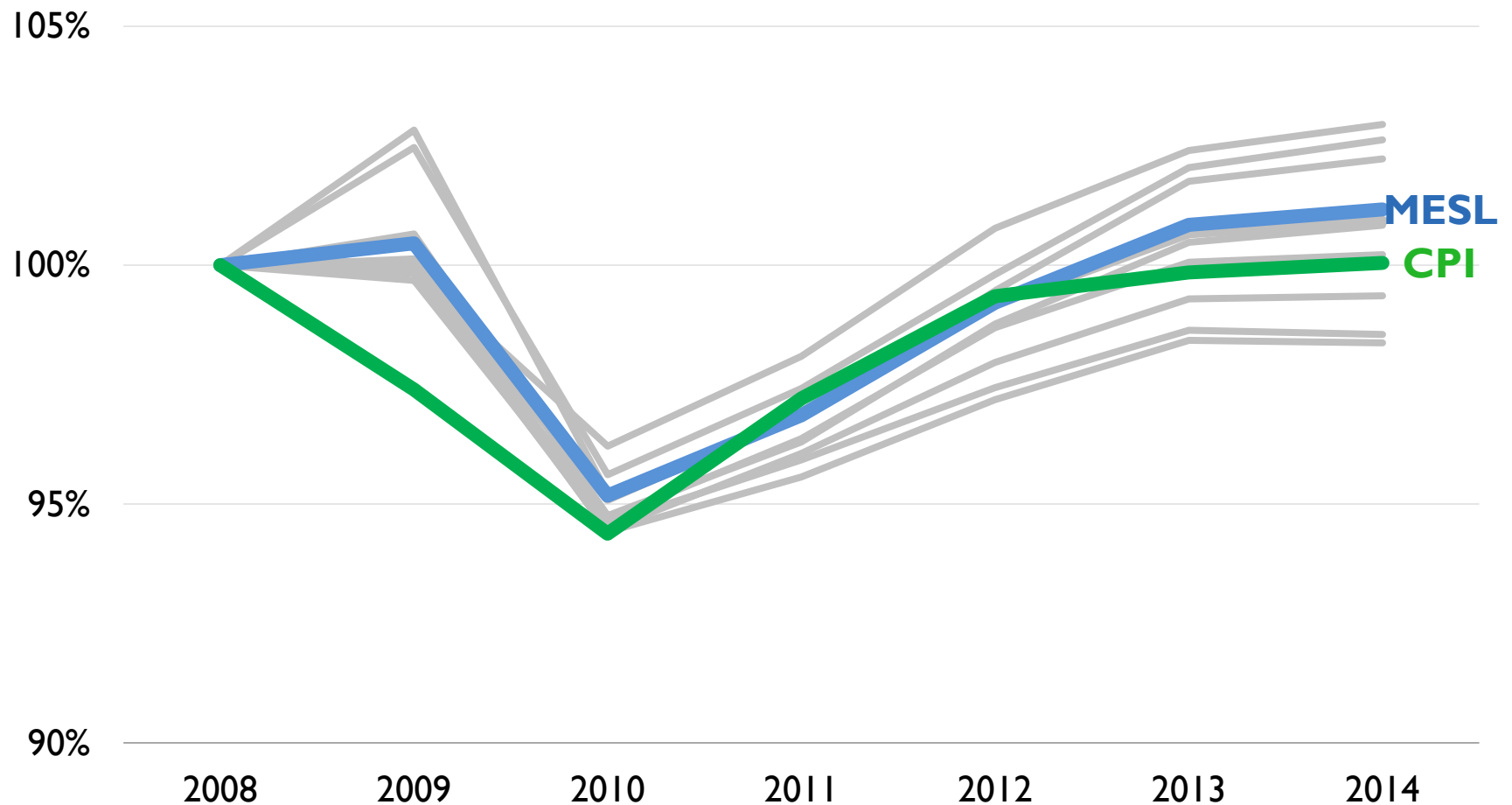
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# **TRENDS 2008 TO 2014**

# Trends 2008 to 2014

- Change in the cost of a Minimum Essential Standard of Living
- Changes in Social Welfare payments
- Examine change in total income for two household types dependent on social welfare
- Look at two targeted payments in further detail
  1. Living Alone Allowance
  2. Fuel Allowance

# The cost of a MESL v CPI inflation from 2008 to 2014

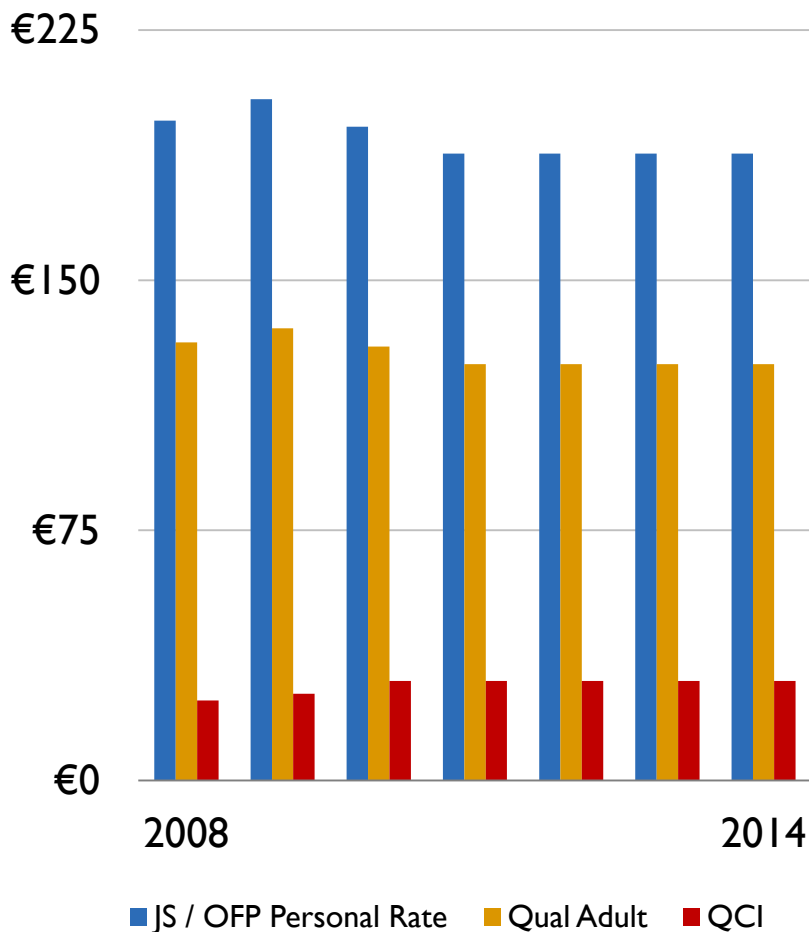


# Social Welfare – 2008 to 2014

- Cost of a MESL rose in the six years from 2008 to 2014
- In the same period social welfare rates of payment have reduced
- The income provided to social welfare dependent households has fallen by between 5% and 8%

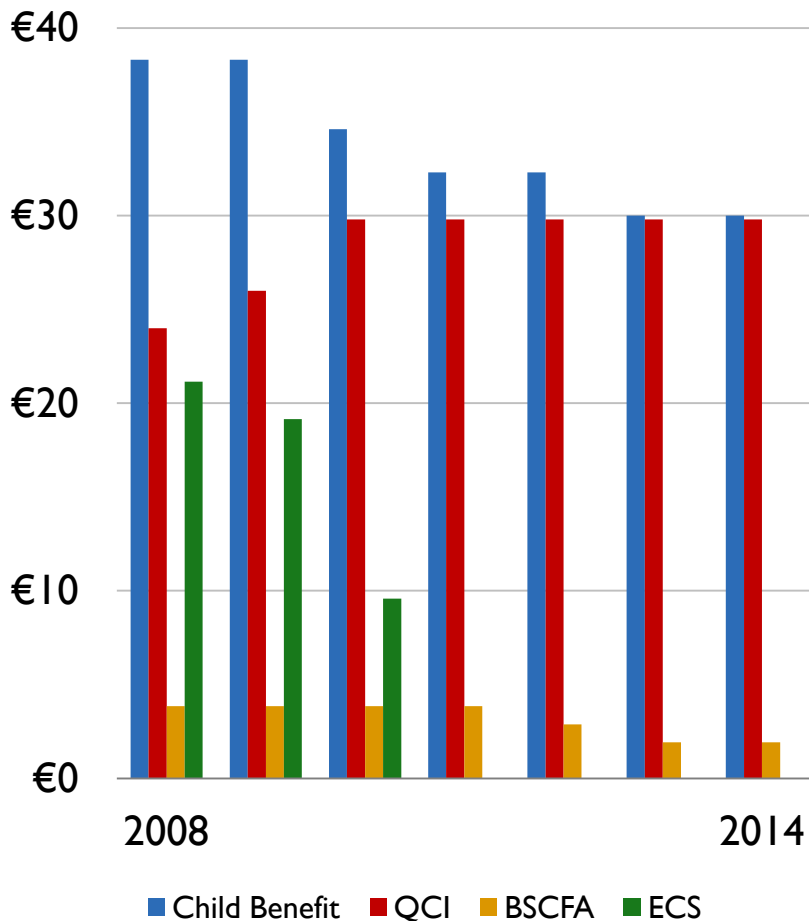


# Weekly Adult Rates – 2008 to 2014



- Personal Rate for **JS & OFP** were increased to €204.30 per week in 2009
- By 2011 the full personal rate was reduced to €188
- An 8% reduction in the weekly personal rate
- The JS **Qualified Adult** rate saw a similar 8% reduction

# Weekly Child Rates – 2008 to 2014



- **Qualified Child Increase (QCI)** increased in 2009 & 2010
- Early Childcare Supplement replaced by ECCE in 2010
- **BSCFA** reduced
- **Child Benefit** reduced each year from 2010

# Household Income – 2008 to 2014

## TWO PARENTS & TWO CHILDREN Pre-School & Primary School

Unemployed	2008	2014
JS Personal Rate	197.80	188.00
Qualified Adult	131.30	124.80
Qualified Child	48.00	59.60
Child Benefit	76.62	60.00
BSCFA	3.85	1.92
ECS	21.15	...
Total	457.56	434.32

- Reduction in:  
Adult Payments  
Child Benefit  
BSCFA
- Increase:  
Qualified Child Increase
- Decrease of €23 per week, or 5.1%

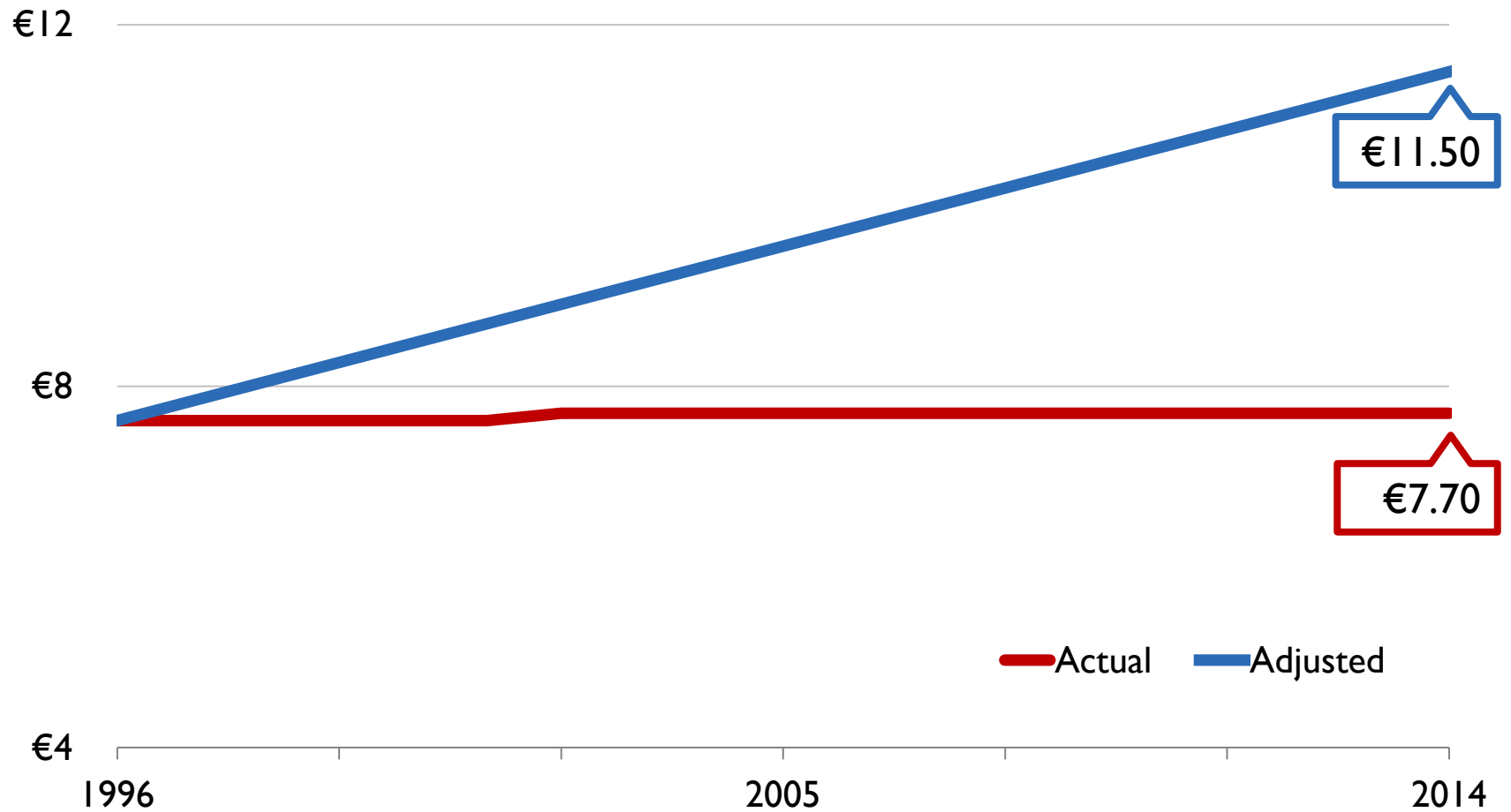
# Household Income – 2008 to 2014

## ONE PARENT & TWO CHILDREN Pre-School & Primary School

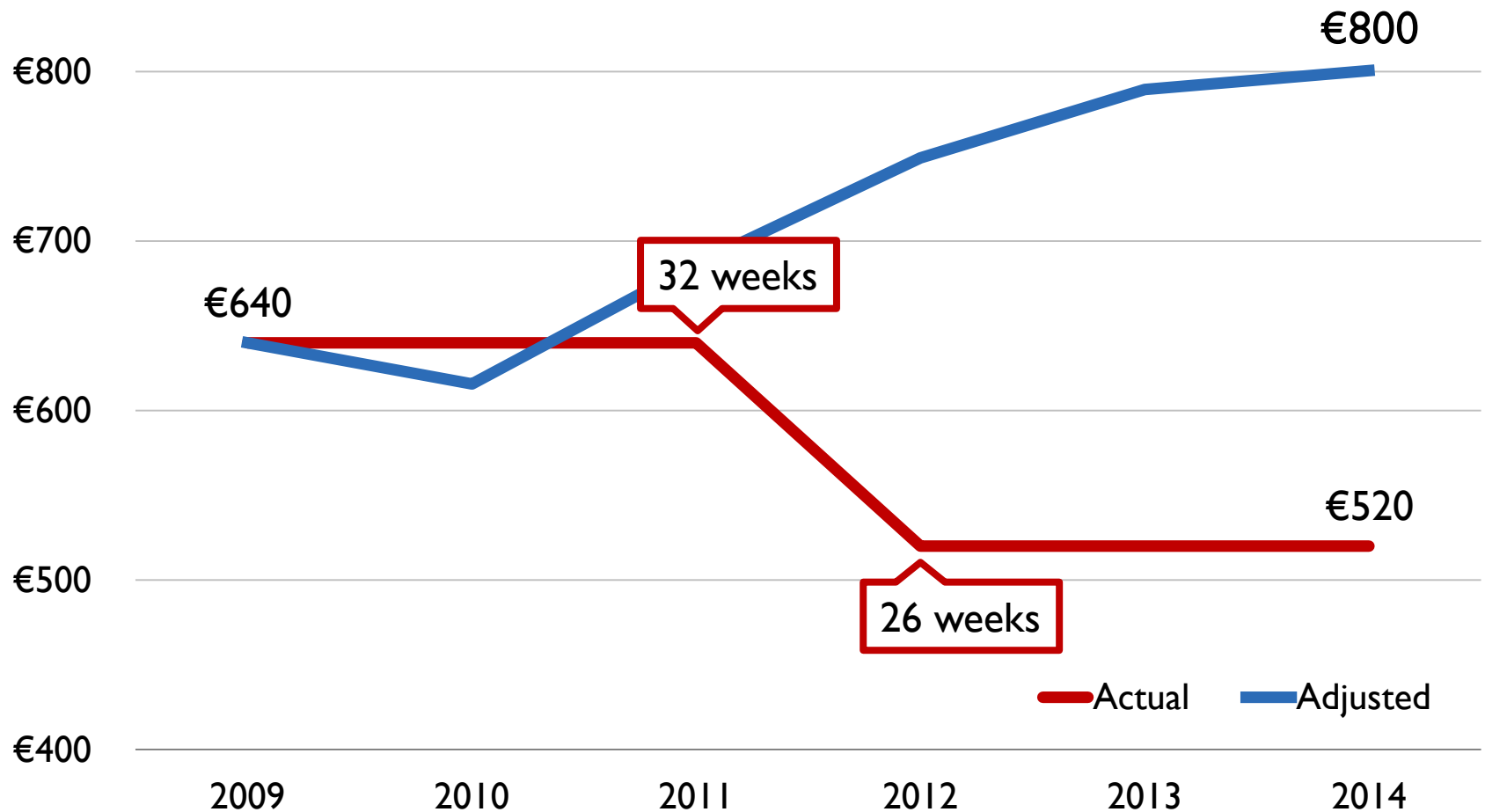
OFP/Unemployed	2008	2014
Personal Rate	197.80	188.00
Qualified Child	48.00	59.60
Child Benefit	76.62	60.00
BSCFA	3.85	1.92
Fuel Allowance	10.38	10.00
ECS	21.15	...
Total	336.65	319.52

- Reduction in:  
Adult Payment  
Child Benefit  
BSCFA  
Fuel Allowance
- Increase:  
Qualified Child Increase
- Decrease of €17 per week, or 5.1%

# Living Alone Allowance



# Fuel Allowance, annual value



# Further Information

- For other household types, rural areas, and different employment situations available through the Minimum Income Standard calculator, [www.MISc.ie](http://www.MISc.ie)
- The household budgets, including detailed individual expenditure tables and research reports are available on the VPSJ consensual budget standards website, [www.budgeting.ie](http://www.budgeting.ie)



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### DISCLAIMER

This research was supported by the Department of Social Protection as part of its agreement for funding the Vincentian Partnership for Social Justice. The Vincentian Partnership for Social Justice is solely responsible for the views, opinions, findings, conclusions and recommendations expressed in the report and for the accuracy of the report. The contents of the report are not attributable to the Minister for Social Protection or to the Department of Social Protection.

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