

## MINIMUM ESSENTIAL STANDARD OF LIVING RESEARCH

This Minimum Essential Standards research of the Vincentian Partnership for Social Justice (VPSJ) is derived from a negotiated social consensus on what people believe is a minimum. Through extensive work with focus groups, detailed baskets of the goods and services vital to a household type's minimum needs, are compiled.

Focusing on needs and not wants, it is not a standard for people in poverty; it is a standard for everyone, below which no one should be expected to live.

Since 2001 the VPSJ has undertaken a number of studies to establish the cost of a minimum essential standard of living – the minimum required to make possible a standard of living which meets an individual's/household's physical, psychological and social needs.

This paper presents a summary of the minimum expenditure and income needs of household types in Ireland updated to 2014. The costs of the baskets are adjusted annually by appropriate CPI rates. The costs presented in this paper are based on prices adjusted to March 2014. The income calculations are based on the tax and social welfare system as they stand in 2014. The paper is split into two main sections:

- The cost of a MESL 2014 & Analysis
- Trends 2008 -2014 & Analysis

## 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 0.32% from March 2013 to 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.
- Child income supports do not meet the direct cost of a child in 3 of the 4 age groups examined.
- 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.
- 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.

Table I **URBAN 2014** Core Expenditure for Sample Household Types *Excludes Housing, Childcare, and the effect of secondary benefits*

2014	TWO PARENT			ONE PARENT			WORKING AGE			PENSIONER			
	First Child	Infant	Pre-School	Primary	Infant	Primary	Infant	Primary	Pre-School	Single Adult living alone	Couple, co-habiting	Pensioner living alone	Pensioner Couple
Second Child			Primary	Secondary	Pre-School	Primary			Primary				
Third Child					Primary	Secondary							
Fourth Child						Secondary							
Food	95.16	125.19	150.37	155.97	236.37	66.19	72.32	96.22	57.05	83.96	69.23	82.41	
Clothing	29.58	24.82	32.01	40.74	50.35	23.62	14.12	18.86	10.49	13.66	10.12	16.86	
Personal Care	25.43	18.88	25.81	29.50	36.80	17.78	9.84	11.24	13.76	16.82	9.69	14.07	
Health	16.63	16.33	16.88	24.36	25.16	13.72	9.54	13.43	6.19	9.42	12.18	24.29	
Household Goods	25.25	20.76	21.72	30.62	27.69	24.08	16.94	19.58	5.92	6.89	17.17	18.54	
Household Services	6.46	6.46	6.46	6.46	6.46	6.46	6.46	6.46	2.88	2.88	5.90	6.09	
Communications	13.77	13.77	18.34	13.77	22.92	9.18	9.18	9.18	9.21	13.80	12.79	12.68	
Social Inclusion & Participation	55.43	71.76	92.72	73.53	131.77	33.24	45.52	49.57	38.35	69.62	40.87	54.48	
Education	1.98	8.70	24.25	8.70	46.52	1.98	8.70	8.70	5.26	8.74	...	...	
Transport	56.77	62.30	62.30	62.30	67.84	28.38	31.15	33.92	34.38	68.77	...	...	
Household Energy	46.34	44.84	44.84	49.18	50.50	46.07	44.57	44.57	28.77	31.73	51.17	53.06	
Personal Costs	3.87	4.06	4.06	4.36	4.54	3.60	3.54	3.79	3.30	4.34	6.33	6.61	
Insurance	34.63	39.09	38.85	43.55	47.53	20.44	20.44	24.91	15.67	29.86	12.91	23.97	
Savings & Contingencies	24.66	29.98	29.98	35.30	40.62	19.93	19.93	25.25	10.64	15.96	10.64	15.96	
Core Expenditure	435.95	486.94	568.58	578.33	795.08	314.68	312.27	365.67	241.89	376.45	259.01	329.00	

**Table 2** **RURAL 2014** Core Expenditure for Sample Household Types *Excludes Housing, Childcare, and the effect of secondary benefits*

2014	TWO PARENT					ONE PARENT			WORKING AGE		PENSIONER		
	First Child	Infant	Pre-School	Primary	Infant	Primary	Infant	Primary	Pre-School	Single Adult living alone	Couple, co-habiting	Pensioner living alone	Pensioner Couple
			Primary	Secondary	Pre-School	Primary			Primary				
					Primary	Secondary							
						Secondary							
Food	102.41	137.87	164.79	168.66	257.96	69.26	78.59	104.71	52.87	81.32	67.80	89.15	
Clothing	30.67	26.19	33.40	42.11	52.04	23.73	14.42	19.25	7.81	14.81	11.57	19.37	
Personal Care	24.96	18.28	24.75	28.90	35.16	17.88	10.04	11.21	7.55	16.51	10.02	13.96	
Health	15.79	15.06	15.72	22.78	23.36	13.07	8.85	12.34	5.93	8.98	12.06	23.97	
Household Goods	26.22	21.69	22.59	31.72	28.78	25.11	17.94	20.58	16.36	7.98	17.87	20.02	
Household Services	10.51	10.51	10.51	10.51	10.51	10.09	10.09	10.09	9.95	7.04	8.00	8.00	
Communications	13.77	13.77	18.35	13.77	22.92	9.18	9.18	9.18	9.21	13.80	12.79	12.68	
Social Inclusion & Participation	58.44	74.61	94.48	76.38	132.29	35.94	48.52	52.11	46.37	69.25	40.87	54.48	
Education	1.98	9.44	23.08	9.44	44.18	1.98	9.44	9.44	5.03	8.28	...	...	
Transport	70.34	70.34	70.34	70.34	82.69	70.23	70.23	70.23	43.08	43.19	55.25	55.35	
Household Energy	61.98	60.48	60.48	64.82	66.14	61.72	60.22	60.22	48.23	51.78	59.92	61.79	
Personal Costs	4.63	4.81	4.81	5.12	5.30	4.36	4.30	4.54	4.06	5.10	7.08	7.37	
Insurance	40.75	45.21	44.97	49.68	53.64	26.82	26.82	31.28	21.35	36.09	18.27	28.87	
Savings & Contingencies	24.66	29.98	29.98	35.30	40.62	19.93	19.93	25.25	10.64	15.96	10.64	15.96	
Core Expenditure	487.11	538.26	618.25	629.52	855.60	389.29	388.57	440.44	288.45	380.08	332.13	410.97	

# MESL UPDATE 2014

## THE COST OF A MINIMUM ESSENTIAL STANDARD OF LIVING IN 2014

The Tables 1 and 2, on the previous pages, present the core expenditure need for a set of household types in 2014, in both urban and rural areas. These are the fixed minimum costs, and exclude categories of expenditure which may vary by employment pattern such as childcare, and also exclude housing costs.

The data demonstrates the fixed core cost of a Minimum Essential Standard of Living (MESL) in 2014 for the following household types:

- Two parent households with children across multiple age-groups
- One parent households with children across multiple age-groups
- Working age adults, without dependent children, both single adult and couple households
- Pensioner households, both a pensioner living alone and a pensioner couple

These household types and compositions are only a small sample set of the full range of households covered by the MESL expenditure data. Overall, the MESL data details the minimum expenditure needs of 90% of households in Ireland.

From March 2013 to March 2014 the average change in prices has been marginal, with the overall CPI rate being 0.2%. This CPI rate is an average of decreases in some areas of expenditure, such as food (-1.5%) and clothing (-4.2%) and increases other areas, e.g. electricity (+3.7%).

The core cost of a Minimum Essential Standard of Living increased by an average of 0.3% from March 2013 to March 2014.

### HEALTH INSURANCE

The MESL focus group research found that health insurance is regarded as an important part of a minimum expenditure basket for a household that does not have a medical card. However, in the year from 2013 to 2014 the average cost of health insurance increased by 9.6%, and since 2008 the CPI has shown a cumulative increase in the cost of health insurance of 121%. This significant increase in the cost of health insurance has seen the introduction of lower cost plans into the market, and also a contraction in the number of people purchasing health insurance.

Due to the significant increase in the cost of health insurance, the 2014 update re-priced health insurance, examining the availability of lower costs packages which still cover essential aspects of health expenditure. If this adjustment had not been made, the average cost of an MESL would have increased by 0.67% from 2013 to 2014, and by approximately 3.5% from 2008 to 2014.

## INCOME ADEQUACY FOR SOCIAL WELFARE DEPENDENT HOUSEHOLDS 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. A selection of these household types are analysed in Table 3.

Table 3 Expenditure and Incomes 2014 for Urban Social Welfare Dependent Households

URBAN 2014	TWO PARENT		ONE PARENT	WORKING AGE	PENSIONERS		
	2 Children Pre-school & Primary	2 Children Primary & Secondary	1 Child Infant	Single Adult living alone	Pensioner living alone <sup>1</sup>	Pensioner Couple <sup>2</sup>	
Core Exp	486.94	568.58	314.68	241.89	259.01	329.00	
+ Housing	44.26	44.26	26.87	120.00 <sup>3</sup>	29.21	48.75	
- Med Card	-51.83	-51.88	-27.08	-18.90	-22.49	-44.98	
- HBP	...	...	...	...	-11.15	-11.15	
MESL EXP	479.37	560.96	314.47	342.99	254.57	321.62	
SOCIAL WELFARE	Adult 1	188.00	188.00	188.00	188.00	219.00	230.30
	Adult 2	124.80	124.80	...	...	7.70	219.00
	QCI	59.60	59.60	29.80	...	...	...
	Child Benefit	60.00	60.00	30.00	...	...	...
	BSCFA	1.92	5.77	...	...	...	...
	Fuel Allowance	...	...	10.00	...	10.00	10.00
	Rent Supplement	...	...	...	88.00	...	...
	Medical Card	Full	Full	Full	Full	Full	Full
	Total Income	434.32	438.17	257.80	276.00	236.70	459.30
	Adequacy	-45.05 Inadequate	-122.79 Inadequate	-56.67 Inadequate	-66.99 Inadequate	-17.87 Inadequate	137.69 Adequate

- Table 3 compares MESL expenditure for six sample household types to income when solely reliant on social welfare. Housing costs are based on social housing, with the exception of the working age single adult household which is situated in the private rented sector and

<sup>1</sup> Income is based on the Non-Contributory Pension rate & Living Alone Allowance

<sup>2</sup> Income is based on the Contributory Pension & Non-Contributory Pension

<sup>3</sup> Based on the Rent Supplement ceiling of €520 per month for a single adult living alone in Dublin.

is in receipt of Rent Supplement. The unemployed scenarios do not include participation in additional schemes e.g. Jobs Bridge or Back to Education schemes.

- 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 such services, the gap between expenditure and income would be far greater.
- In Table 3 the household demonstrating the greatest income inadequacy is the two parent household with two children, primary and second level. The household in question faces a deficit in income of almost €123 per week, which, when calculated on an annual basis is almost €6,400. 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.
- While the Qualified Child Increase rose by €3.80 in 2010, the one parent household with a baby has seen successive cuts to income and the One Parent Family Payment is now €16.30 less per week than in was in 2009. Similarly, Child Benefit has been reduced and is now €8.31 less per week than it was in 2009. The same household has also seen Fuel Allowance cut from 32 weeks to 26 weeks.
- Despite receiving Rent Supplement, the single adult household faces income inadequacy of €67 per week. The income deficit indicates that Jobseekers Benefit of €188 per week is insufficient to meet the cost of living for this household type. Expenditure on food and household energy alone consume 45.6% of this household's primary social welfare payment.
- 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.
- A pensioner couple have a sufficient income when receiving the Contributory Pension and Non-Contributory Pension. Indeed, in all income scenarios examined in the research this household has an adequate income and can afford a MESL.

The next section extracts the cost of a child from household expenditure and examines the contribution of child income supports for children in welfare dependent households. The impact of childcare for households in employment is also highlighted.

## THE DIRECT COST OF A CHILD 2014

### ASSESSING THE CONTRIBUTION OF CHILD INCOME SUPPORTS FOR WELFARE DEPENDENT FAMILIES

Table 4 examines child income support payments and the contribution that they make towards the cost of raising a child. Expenditure is based on costs which can be directly attributed to a child and exclude costs shared in common with parents such as heating, household furniture and equipment (other than furnishings for the child's room) as well as use of the family car for rural household types.

The data in Table 4 for the weekly cost of a child takes into account the likelihood of children living in welfare dependent households being entitled to a medical card (this is why expenditure is lower than in the next Table, Table 5) and also assumes that children attending school are entitled to the Back to School Clothing and Footwear Allowance (BSCFA).

Table 4 Comparison between the Cost of a Child and Child Income Supports

2014		INFANT	PRE-SCHOOL	PRIMARY	SECONDARY
<b>URBAN</b>	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%
<b>RURAL</b>	Cost of a Child P/W	80.58	44.17	80.05	124.12
	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%	135.4%	77.1%	51.3%

- The data demonstrates that the child income support payments relied on by households in receipt of social welfare do not meet the direct costs of a child in 3 of the 4 age groups examined. The proportion of child costs met by income supports varies with the age of the child, and ranges from over 130% for children of pre-school age to just 50% for adolescent children.

- The age group demonstrating the greatest income inadequacy are children at second level. The shortfall is in excess of €60 per week or almost €3,300 per annum. As the MESL data demonstrates, the cost of raising a child (excluding childcare) increases as children grow older, but social welfare payments remain fixed (with the exception of the BSCFA), and so the gap between income and expenditure widens, particularly when children enter adolescence.

Table 4 highlights the impact of child income supports for children in welfare dependent households in 2014. The next Table, Table 5 illustrates the cost of a child excluding entitlement to secondary benefits and also demonstrates the cost of a child when childcare is required.

**Table 5** The Direct Weekly Cost of a Child 2014  
*excluding entitlement to secondary benefits, e.g. medical card*

2014		INFANT	PRE-SCHOOL	PRIMARY	SECONDARY
<b>URBAN</b>	No Childcare	88.78	53.40	86.37	135.05
	Full-Time Childcare	298.72	233.22	139.25	135.05
<b>RURAL</b>	No Childcare	88.48	51.87	87.76	131.87
	Full-Time Childcare	259.85	188.50	140.68	131.87

Table 5 shows the direct weekly cost of a child in an urban and rural area at four stages of childhood. The costs given exclude entitlement to secondary benefits.

- The data reveals that when childcare is excluded the most expensive stage of childhood is adolescence, followed by infancy. However, when childcare is included, infancy becomes the most expensive stage of childhood.
- The cost of childcare has a significant impact on the cost of a MESL. The cost of full time private childcare for an infant in an urban area is approximately €11,000 per annum. In this instance, Child Benefit, which is paid at €130 per month, meets 14% of the cost of childcare.

Having analysed income adequacy for a selection of household types dependent on social welfare the next section of this paper concentrates on households in employment. It begins by assessing the adequacy of the National Minimum Wage (NMW) for a number of household types.



## NATIONAL MINIMUM WAGE HOUSEHOLDS

This section examines the adequacy of the National Minimum Wage (NMW) for four household types. The income scenarios focus on broadly applicable situations. Therefore, the employed scenarios are not specific to return to work situations which may include short-term retention of secondary benefits. For households with children expenditure includes the cost of local authority rent, while the single adult's expenditure includes the average cost of renting a 1 bedroom unit in Dublin for Q4 2013, based on data from the Private Residential Tenancies Board (PRTB). The average monthly cost of renting a 1 bed unit in Dublin in this period is €798.21, which equates to €184.20 per week.

Table 4 Expenditure and income for four NMW households

URBAN 2014		TWO PARENT		ONE PARENT	WORKING AGE
		2 Children Pre-school & primary	2 Children Primary & secondary	1 Child Infant	Single Adult living alone
SCENARIO		I FULL-TIME & I PART-TIME		I FULL-TIME	I FULL-TIME
SALARY NMW	Core Exp	492.82	574.46	318.37	246.53
	+ Housing	70.59	70.59	65.16	184.20
	+ Childcare	87.27	13.22	209.94	...
	- Med Card	-49.91	-49.96	-26.12	-18.90
	MESL EXP	600.77	608.32	567.35	411.84
	Gross Salary 1	324.38	324.38	324.38	324.38
	Income Tax 1	...	...	...	1.38
	USC 1	9.12	9.12	9.12	9.12
	PRSI 1	...	...	...	...
	Gross Salary 2	164.35	164.35	...	...
	Income Tax 2	...	...	...	...
	USC 2	...	...	...	...
	PRSI 2	...	...	...	...
	Net Salary	479.61	479.61	315.26	313.89
SOCIAL WELFARE	Child Benefit	60.00	60.00	30.00	...
	FIS	74.00	74.00	50.00	...
	BSCFA	1.92	5.77	...	...
	One-Parent Family	...	...	107.80	...
	Fuel Allowance	...	...	10.00	...
	Medical Card	Full	Full	Full	Full
	Total Income	615.53	619.38	513.06	313.89
	Adequacy	14.77 Adequate	11.06 Adequate	-54.29 Inadequate	-97.96 Inadequate

- Table 6 shows the expenditure and income for four household types in 2014. Income is based on earning the NMW and any additional social welfare transfers such as Family Income Supplement (FIS) and Child Benefit that the household is entitled to.
- The NMW, when coupled with social welfare transfers is adequate for two of the four household types; namely the two parent household with two children, pre-school and primary, and the two parent household with two children, primary and second level. The impact of both parents working (1 full-time & 1 part-time), combined with the income received from social welfare transfers ensures that these two households can afford a Minimum Essential Standard of Living.
- The scenarios demonstrate the importance of social welfare transfers for minimum wage workers. For the two parent household with two children at primary and second level, FIS for example accounts for 11.9% of total net household income, while Child Benefit accounts for 9.6% of total net household income. Without these supports, many households would be unable to afford a MESL.
- Despite receiving a partial One Parent Family Allowance of €108 a week, as well as FIS and Child Benefit, the combined income from work and social welfare transfers is not adequate for a one parent household with an infant. Childcare alone is €209 per week and absorbs 67% of earned net household income. The cost of childcare substantially increases the cost of a MESL for this household type and as a consequence this household faces income inadequacy in excess of €50 per week.
- Of the four households analysed, the single adult faces the greatest income inadequacy. This household's net salary meets 76% of total household expenditure, leaving a shortfall of €98 per week. While this household does qualify for a full medical card which reduces expenditure, there are no in work supports for low wage single adult households to offset any shortfall in income.
- The cost of private rented accommodation alone for the single adult household accounts for 44% of total household expenditure and absorbs 59% of net earned income. The high cost of accommodation in the private rented sector means that working full-time (37.5 hours per week) and earning €8.65 per hour does not enable this household to have a sufficient income to afford a MESL. Given current rent inflation in the private rented sector, it is expected that the gap between income and expenditure will widen further.

When the NMW is found to be inadequate, the research examines what households need to earn to be able to afford a minimum standard of living. The next section calculates the Minimum Income Standard for the two households facing income inadequacy on the NMW.

## THE MINIMUM INCOME STANDARD

The Minimum Income Standard (MIS) is derived from the MESL expenditure budget. The MIS defines the gross income a household needs in order to reach their Minimum Essential Standard of Living. It takes full account of the potential tax liability and social welfare entitlements of the household in question.

This section establishes the MIS gross salary for the two household types who are facing income inadequacy when earning the NMW:

- One parent and one child (infant), living in social housing
- Single adult living alone in private rented accommodation

Table 5 Minimum Income Standard for Two Urban Household Types

URBAN 2014		ONE PARENT	SINGLE ADULT
		Infant	living alone
SCENARIO		I FULL-TIME	I FULL-TIME
	Core Exp	318.37	246.53
	+ Housing	76.70	184.20
	+ Childcare	209.94	...
	- Med Card	-26.12	-2.12
	MESL EXP	578.89	428.62
SALARY MIS	Gross Salary	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
SOCIAL WELFARE	Child Benefit	30.00	...
	FIS	...	...
	BSCFA	...	...
	One-Parent Family	...	...
	Fuel Allowance	...	...
	Medical Card	Full	GP Visit
	Total Income	580.01	430.41
MIS	Hourly MIS Rate	16.70	13.65
	Weekly MIS	626.25	511.88
	Annual MIS	32,565.00	26,617.76

## One Parent and Infant Household

The one parent household with an infant needs a gross salary of €626.25 per week to afford a MESL. This equates to €16.70 per hour (based on a 37.5 of paid work) which is €8.05 above the current National Minimum Wage rate. At this rate of pay the household in question is entitled to a full medical card and receives Child Benefit, but does not qualify for any other social welfare entitlements. The household pays €76 per week in Income Tax, PRSI and USC.

The primary reason that this household requires earnings of €32,500 per annum is because of the high cost of full-time private childcare for one child. The cost of childcare alone absorbs 38% of net salary and substantially increases the cost of a MESL for this household type.

## Single Adult Living Alone Household

The Minimum Income Standard for a single adult living alone in private rented accommodation is €511.88 per week. This equates to an hourly salary of €13.65, which is €5.00 above the current NMW. The household pays €81.47 per week in income tax, PRSI and USC. While the household qualifies for a GP visit card they are not entitled to any other secondary benefits.

The most expensive component of this household's expenditure is the cost of private rented accommodation of €184.20 per week. This is based on the average rent of a 1 bed unit in Dublin in Q4 2013. Rent accounts for 43% of total weekly expenditure and also absorbs 43% of net weekly income. The high cost of private rented accommodation necessitates earnings in excess of the NMW.

The two Minimum Income Standard scenarios detailed in Table 7 highlight the effect that private childcare and private rented accommodation have on the cost of a MESL. These two categories of expenditure alone account for a large proportion of household expenditure and absorb a significant proportion of net income. The next section analyses the impact on the MIS if childcare was subsidised and social housing or lower housing costs were more readily available. The next section begins by analysing childcare, before moving on to examine housing and its impact on the Minimum Income Standard.

# ANALYSIS OF THE IMPACT OF CHILDCARE AND HOUSING ON THE MINIMUM INCOME STANDARD

## CHILDCARE

This hypothetical scenario explores the implications on the MIS if subsidised childcare for a one parent and one child household was available. Table 8 showcases two households who are identical in every aspect, with the exception of their childcare costs.

Table 6 The Impact of the Cost of Childcare for a One Parent and One Child Household

		URBAN 2014	
		I Child Infant Childcare Full Cost	I Child Infant Childcare Subsidised
SALARY MIS	Core Exp	318.37	318.37
	+ Housing	76.70	76.70
	+ Childcare	<b>209.94</b>	<b>125.00</b>
	- Med Card	<b>-26.12</b>	<b>-26.12</b>
	MESL EXP	578.89	493.95
	Gross Salary I	626.25	324.38
	Income Tax I	30.00	00.00
	USC I	21.19	9.12
	PRSI I	25.05	00.00
	Net Salary	550.01	315.26
SOCIAL WELFARE	Child Benefit	30.00	30.00
	FIS	...	50.00
	BSCFA	...	...
	One-Parent Family	...	107.80
	Fuel Allowance	...	10.00
	Medical Card	Full	Full
MIS	Total Income	580.01	513.06
	Hourly MIS Rate	16.70	8.65
	Weekly MIS	626.25	324.38
	Annual MIS	32,565.00	16,867.76

- The household paying the full cost of childcare must earn a gross salary of €626.25 per week, which equates to an hourly wage of €16.70 per hour. At this rate of pay the household receives universal Child Benefit, but is not entitled to any additional social welfare transfers.
- If childcare was subsidised and parents had to only pay a proportion of the cost of full-time childcare, for example 60% of the cost of childcare, the implications for the MIS are striking. A household paying €125.00 per week for childcare would, when coupled with social welfare transfers, have a sufficient income on the NMW. At this rate of pay the household qualifies for a partial One Parent Family Payment, FIS and Fuel Allowance.
- The difference in the MIS between the two households is notable. The household paying the full-cost of childcare must earn €301.87(gross) more per week than the household paying the subsidised cost of childcare.
- This sample scenario demonstrating the potential impact of subsidised childcare on the cost of a MESL for one household type highlights how the provision of services could play a significant role in ensuring households can afford a standard of living that meets their physical, psychological and social needs.

## HOUSING

### THE IMPACT OF HOUSING TENURE ON THE MIS

#### Two Parent and Two Children, Pre-School & Primary

Table 9 illustrates the Minimum Income Standard for two parents with two children of pre-school and primary school going age. Income for both households is calculated on the basis of both adults being in employment; one adult working full-time and one adult working part-time. The households are identical in every aspect, with the exception of their housing tenure.

- One household is located in local authority housing and rent is based on the Dublin City Council rent scheme, while the other household is based in private rented accommodation. The household in local authority housing pays €70.59 per week for housing, while the household in private rented accommodation pays €263.19 a week, which is a difference of €192.60 a week.
- The national minimum wage provides a sufficient income for the household in local authority accommodation, but is insufficient for an identical household type living in private rented accommodation.
- The household in private rented accommodation must earn €327.69 more per week to enable them to have the same standard of living as an identical family living in local

authority accommodation. On an hourly basis, this equates to wage of €14.45, which is €5.80 above the current National Minimum Wage rate.

- When calculated on an annual basis there is over €17,000 in the difference in the MIS required for the two tenure types. While Child Benefit is a universal entitlement, means tested social welfare payments such as Family Income Supplement cease before this household reaches income adequacy, and as a consequence, this household must earn significantly more than their counterpart in local authority accommodation to afford the cost of private rented accommodation and the cost of a minimum standard of living.

**Table 7 Expenditure and MIS for Two Parents and Two Children, Pre-school and Primary School, by Housing Tenure**

**URBAN 2014**

		SOCIAL HOUSING	PRIVATE RENTED
	Core Exp	492.82	574.46
	+ Housing <sup>4 5</sup>	<b>70.59</b>	<b>263.19</b>
	+ Childcare	87.27	13.22
	- Med Card	<b>-49.91</b>	<b>-49.96</b>
	MESL EXP	600.78	793.38
SALARY MIS	Gross Salary 1	324.38	541.87
	Income Tax 1	...	36.26
	USC 1	9.12	17.82
	PRSI 1	...	21.67
	Gross Salary 2	164.35	274.55
	Income Tax 2	...	...
	USC 2	...	3.86
	PRSI 2	...	...
	Net Salary	479.61	736.81
	SOCIAL WELFARE	Child Benefit	60.00
FIS		74.00	
BSCFA		1.92	
Medical Card		Full	Full
Total Income		615.53	796.81
MIS	Hourly MIS Rate	8.65	14.45
	Weekly Joint MIS (IFT & I PT)	488.73	816.42
	Annual Joint MIS	25,413.96	42,453.84

<sup>4</sup> Housing price based on Dublin City Council rent guidelines for 2014.

<sup>5</sup> Housing price based on the PRTB rent index for Q4 2013 for a 3 bedroom dwelling, all property types, Dublin.

## COMPARING THE RENT SUPPLEMENT CEILING TO THE AVERAGE COST OF RENT AND THE IMPACT ON THE MIS

### Single Adult Household

Table 10 details the Minimum Income Standard (MIS) for two single adult households, who are identical in every aspect, except for the cost of their private rented accommodation. The purpose of this table is to showcase the difference in the MIS required depending on the cost of private rented accommodation. It is assumed that there is no entitlement to Rent Supplement.

Column A is based on the cost of rent in Dublin at the Rent Supplement ceiling of €520.00 per month for a single person. This equates to €120.00 per week. Column B is based on the actual average cost of renting a 1 bedroom unit in Dublin which is €798.21 per month or €184.20 a week<sup>6</sup>.

Table 8 Single Adult of Working Age  
URBAN 2014

		Column A	Column B
		RENT SUPPLEMENT LIMIT	PRIVATE RENTED AVERAGE PRICE
SALARY MIS	Core Exp	244.39	244.39
	+ Housing <sup>7</sup>	<b>120.00</b>	<b>184.20</b>
	MESL EXP	364.39	428.59
	Gross Salary	418.13	511.87
	Income Tax	19.51	38.25
	USC	16.17	22.73
	PRSI	16.73	20.47
	Net Salary	365.72	430.42
	Medical Card	GP Visit	GP Visit
MIS	Hourly MIS Rate	11.15	13.65
	Weekly MIS	418.13	511.87
	Annual MIS	21,742.76	26,617.24

- The difference between the Rent Supplement ceiling and the actual average cost of a 1 bedroom unit in Dublin is €64.20 per week.
- The household paying the average cost of rent must earn €94 more per week, or €2.50 more per hour, compared to their counterpart renting at the Rent Supplement ceiling. Furthermore, as the household paying the actual average cost of rent (column B) must earn more to meet the cost of their accommodation, their tax liability increases, as does the amount they pay for the USC and PRSI. As a consequence, this household pays €29 more per

<sup>6</sup> Based on 1 bed, all property types, Q4 2013. Further details here: <http://www.prtb.ie/landlords/rent-index>

<sup>7</sup> Housing price based on the PRTB rent index for Q4 2013 for a 1 bedroom dwelling, all property types, Dublin.



week in tax, USC and PRSI than their counterpart who needs a lower gross salary when renting at the rent supplement ceiling limit.

- The high cost of accommodation in the private rented sector demonstrates the impact that housing can have on the cost of a Minimum Essential Standard of Living and the subsequent Minimum Income Standard required.

The first section of this paper has demonstrated the expenditure and income for a number of household types in 2014. The paper analysed income adequacy for households dependent on social welfare and also for households earning the National Minimum Wage (NMW). The paper also determined the Minimum Income Standard for two household types who had an insufficient income when earning the NMW. The impact of private childcare and private rented accommodation on the cost of a Minimum Essential Standard of Living was also highlighted. While this paper has only concentrated on a select number of household types the Minimum Income Standard Calculator ([www.MISc.ie](http://www.MISc.ie)) can be used to examine a much larger number of household types.

The second section of this paper examines trends in inflation and changes to social welfare between 2008 and 2014.

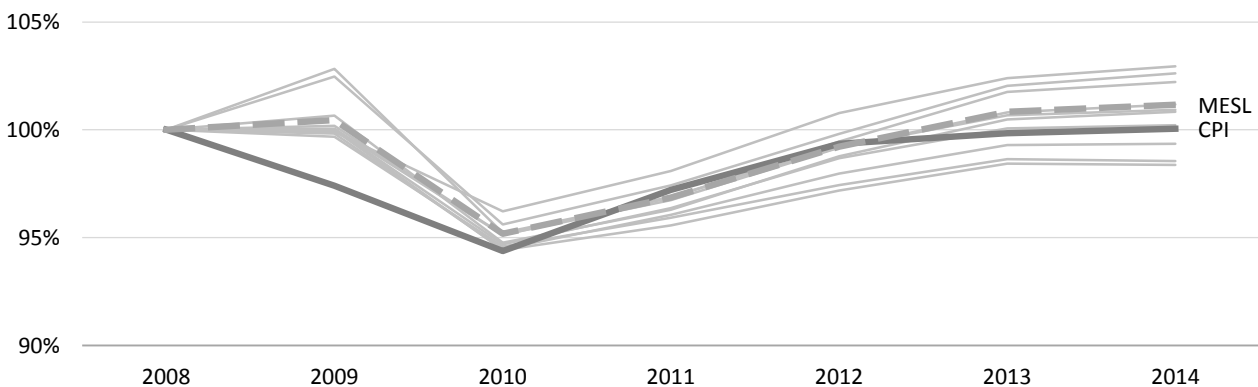
# TRENDS 2008 - 2014

## INFLATION AND THE COST OF A MESL

The Minimum Essential Standard of Living expenditure data is adjusted for inflation annually, using a sub-set of CPI Detailed Sub-Indices from the CSO. The consumer price index (CPI) is calculated on the basis of a much broader basket of goods and services than that necessary for a Minimum Essential Standard of Living (MESL). To exclude as much of the influence of price fluctuation from these additional items as is possible, CPI detailed sub-indices are used to adjust the various categories of the MESL budgets.

The adjustment for inflation utilises the appropriate sub-indices rates<sup>8</sup>, adjusting from March to March each year. The MESL household expenditure budget is more concentrated on basics such as food, electricity and home heating, than that of the average household. Approximately one third of household expenditure is allocated to these categories in the MESL budgets; by comparison the Household Budget Survey shows that these areas account for a quarter of the average household's expenditure. Consequently, the headline CPI inflation rate tends to under-estimate changes in the cost of a Minimum Essential Standard of Living.

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



- In the last year, the overall CPI inflation rate was 0.2%, however, the average cost of a MESL increased by 0.32% in the same period. Adjusting back the cost of a MESL for a set of representative household types to 2008 shows that the average cost of a MESL has increased by 1.17%, in the six years from 2008 to 2014. However, the overall CPI inflation

<sup>8</sup> More information on the annual adjustment methodology and the CPI Detailed Sub-Indices rates used see VPSJ (2013) Working Paper 'Changes in the cost of a MESL in comparison to CPI Inflation', available on [www.budgeting.ie](http://www.budgeting.ie)

from 2008 to 2014 suggests that inflation has been effectively flat, with an increase of less than 0.05% from March 2008 to March 2014.

- That is to say that the core contents of the MESL basket of goods and services (excluding housing & childcare) would have cost 1% less in 2008 than they do now in 2014. While the overall CPI inflation rate would suggest that the cost now would be the same as in 2008.

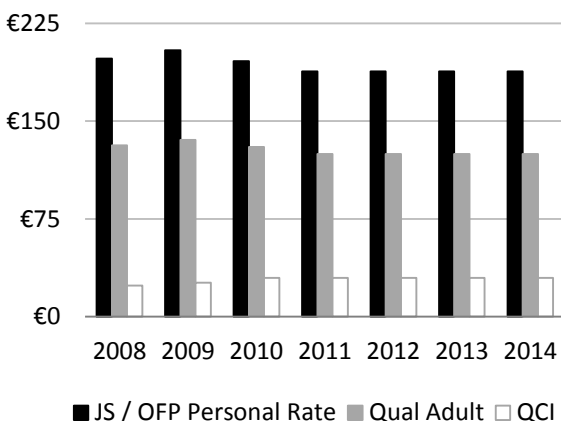
## TRENDS IN SOCIAL WELFARE 2008 TO 2014

The majority of social welfare rates were last increased in either 2008 or 2009, and many payments and supports have been reduced in the subsequent years. CPI inflation data shows a negligible increase of 0.05% from 2008 to 2014, and in the same period the average core cost of a MESL increased by 1.17%. However, 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%.

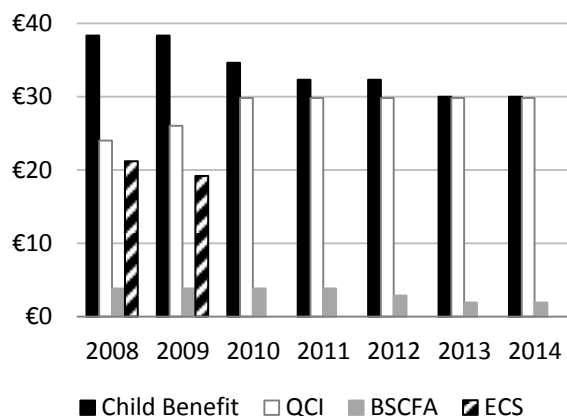
### SOCIAL WELFARE REDUCTIONS

- The Personal Rate for Jobseeker (JS) payments and the One-Parent Family payment (OFP) were increased to €204.30 per week in 2009. By 2011 the personal rate was reduced to €188, with further reductions for adults aged 25 and under. This represents an 8% reduction in the weekly personal rate for both payments. The JS Qualified Adult rate saw a similar 8% reduction from €135.60 in 2009 to €124.80 in 2011. These are the current rates in 2014.

Graph 2 Weekly Rate of JS, OFP & QCI



Graph 3 Weekly Rate of Child Related Payments



- The Qualified Child Increase (payable for JS, OFP, etc.) was increased in 2009 and again in 2010. The increase in 2010 brought the weekly rate to €29.80, an increase of €3.80 or 15%. However, this increase was accompanied by the withdrawal of the Early Childcare Supplement (ECS) in 2010. The ECS was a direct payment in respect of children under the age of six, and in 2008 it was paid at the rate of €275 per quarter. The ECS payment was replaced by ECCE scheme, an in-direct support which provides for a free pre-school year for 3 year old children. The ECCE provides for 3 hours of pre-school a day, 5 days a week, for 38 weeks, for one year per child.
- Child Benefit was also reduced in this period. Child Benefit was last increased in 2008, to a monthly payment of €166 for each of the first two children in a household, and €203 for each subsequent child. The reductions to Child Benefit began in 2010, as detailed in Table 11. In 2014 Child Benefit is now paid at a flat rate of €130 per month for all children, and no longer differentiates by family size. For a household with four children, this represents a reduction of €50 a week (€218 per month) between 2008 and 2014.

**Table 9 Monthly Child Benefit Rate per Child, 2008 to 2014**

	2008	2009	2010	2011	2012	2013	2014
Basic per child	166.00	166.00	150.00	140.00	140.00	130.00	130.00
3 <sup>rd</sup> Child	203.00	203.00	187.00	167.00	148.00	130.00	130.00
4 <sup>th</sup> Child	203.00	203.00	187.00	177.00	160.00	140.00	130.00

The cumulative effect of these reductions is now examined for households with children in social welfare dependent scenarios.

## **SOCIAL WELFARE SUPPORTS FOR HOUSEHOLDS WITH CHILDREN 2008-2014**

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

- For a household of this composition, with one adult unemployed and in receipt of a full Jobseeker's payment, and a Qualified Adult payment for the second adult, total household income from social welfare has decreased by €23 per week or 5.1%.
- The increase to the Qualified Child Increase in 2010 has not been enough to offset the reduction in income from cuts to Child Benefit, the Back to School Clothing & Footwear Allowance (BSCFA) and the adult unemployment payments.

**Table 10 Social Welfare Income for Unemployed Two Parent & Two Child household type**

Unemployed	2008	2009	2010	2011	2012	2013	2014
JSB/JSA Personal Rate	197.80	204.30	196.00	188.00	188.00	188.00	188.00
Qualified Adult	131.30	135.60	130.10	124.80	124.80	124.80	124.80
Qualified Child	48.00	52.00	59.60	59.60	59.60	59.60	59.60
Child Benefit	76.62	76.62	69.23	64.62	64.62	60.00	60.00
BSCFA	3.85	3.85	3.85	3.85	2.88	1.92	1.92
ECS	21.15	19.15	...	...	...	...	...
Total	457.56	472.36	458.78	440.86	439.90	434.32	434.32

- In 2008 a household of this type in this scenario and living in Dublin City Council social housing, received an adequate income from social welfare, and could afford a Minimum Essential Standard of Living. However, in 2014 this household cannot afford a Minimum Essential Standard of Living when unemployed and living in social housing, and instead faces a shortfall of €45 per week.

#### Two Parents & Two Children (Primary School & Secondary School Age)

- For a household of this composition, with one adult unemployed and in receipt of a full Jobseeker's payment, and a Qualified Adult payment for the second adult, total household income from social welfare has decreased by €25 per week or 5.5% from 2008 to 2014.
- The reductions in the JS Personal and Qualified Adult rates, together with reduced Child Benefit and BSCFA, means this household has a reduced income in 2014. This household type continues to be unable to afford a Minimum Essential Standard of Living in 2014, as was the case in 2008.

**Table 11 Social Welfare Income for Unemployed Two Parent & Two Child household type**

Unemployed	2008	2009	2010	2011	2012	2013	2014
JSB/JSA Personal Rate	197.80	204.30	196.00	188.00	188.00	188.00	188.00
Qualified Adult	131.30	135.60	130.10	124.80	124.80	124.80	124.80
Qualified Child	48.00	52.00	59.60	59.60	59.60	59.60	59.60
Child Benefit	76.62	76.62	69.23	64.62	64.62	60.00	60.00
BSCFA	9.71	9.71	9.71	9.71	7.69	5.77	5.77
Total	463.43	478.23	464.64	446.73	444.71	438.17	438.17

#### One Parent & Two Children (Pre-School & Primary School Age)

- For a household of this composition, with the adult in receipt of the full rate of One-Parent Family Payment (OFP), total household income from social welfare has decreased by €17

per week or 5.1%. The reductions in the OFP Personal rates, together with reduced Child Benefit, BSCFA and Fuel Allowance, means this household composition has a reduced income in 2014.

- In 2008 a household of this type in this scenario and living in Dublin City Council social housing, received an adequate income from social welfare, and could afford a Minimum Essential Standard of Living. However, in 2014 this household cannot afford a Minimum Essential Standard of Living when unemployed and living in social housing, and instead faces a shortfall of €41 per week.

**Table 12 Social Welfare Income for One Parent Households 2008-2014**

OFF	2008	2009	2010	2011	2012	2013	2014
OFP (Personal + QCI)	245.80	256.30	255.60	247.60	247.60	247.60	247.60
Child Benefit	76.62	76.62	69.23	64.62	64.62	60.00	60.00
BSCFA	3.85	3.85	3.85	3.85	2.88	1.92	1.92
Fuel Allowance	10.38	12.31	12.31	12.31	10.00	10.00	10.00
ECS	21.15	19.15	...	...	...	...	...
Total	336.65	349.07	340.98	328.37	325.10	319.52	319.52

The next section examines the trend in pension rates from 2008-2014 and how pensioner households have fared in that period. The impact of the reduction in the Fuel Allowance is also examined.

### **SOCIAL WELFARE SUPPORTS FOR PENSIONER HOUSEHOLDS**

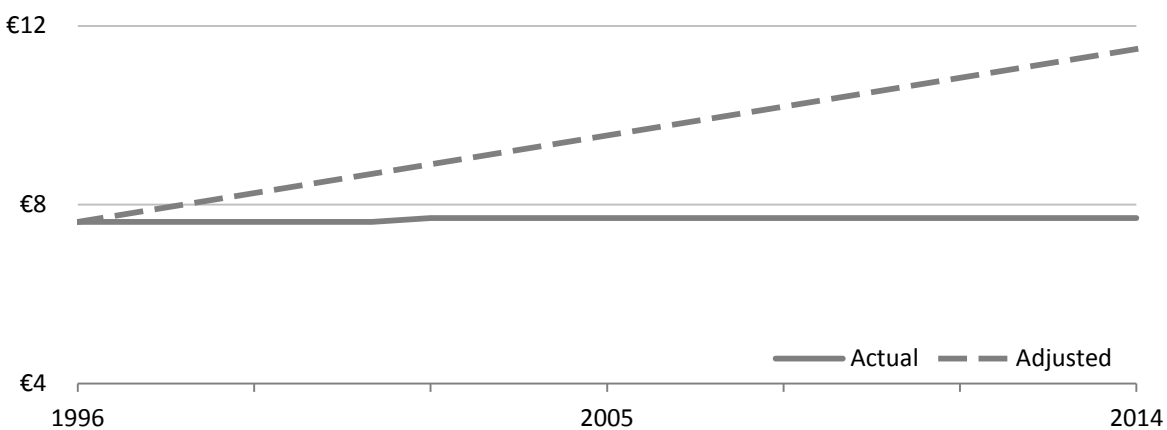
Both the Contributory and Non-Contributory Pension rates were last raised in 2009, and the rate of payment has remained at the 2009 level since. However, while the pension rates have been maintained at their 2009 level since, the value of secondary benefits such as the Household Benefits Package and the Fuel Allowance have both been reduced.

The impact of the reduction in the Fuel Allowance during a period of increasing home energy costs is examined in greater detail below. The issue of the inadequacy of the Living Alone allowance is also discussed below.

### **LIVING ALONE ALLOWANCE**

Table 3 at the beginning of the paper highlights the inadequacy of the Living Alone allowance for pensioner living alone. This weekly payment of €7.70 has not been increased in almost 20 years. The allowance was increased to £6.00 in 1996, and in 2002 when converted to the euro equivalent the rate of payment was rounded up €7.70.

Graph 4 Living Alone Allowance, 1996 to 2014



- The graph above demonstrates how such a long period without any increase in line with inflation has greatly diminished the real value of the payment. The solid line shows the actual weekly rate paid each year from 1996 to 2014<sup>9</sup>, the broken line shows the 1996 rate adjusted for inflation until 2014. For the allowance to have the same value in 2014 as it did in 1996, it should now be paid at a rate of €11.50.
- Increasing the Living Alone allowance by €3.80 would not resolve the income inadequacy faced by pensioners living alone. However, such an increase would provide almost €200 additional income per annum to a household type which consistently faces income inadequacy.

## ENERGY

Fuel Allowance is a means-tested targeted payment, made to people on long-term social welfare, paid on a household basis. To qualify for the payment a person must be in receipt of a long term payment (e.g. State Pension, Disability Allowance, One-Parent Family Payment, Jobseeker's Allowance for over 15 months), live alone or with dependents and pass a means test.

The Fuel Allowance is a weekly payment, paid for only part of the year. Adjustments have been made to the overall value of the Fuel Allowance through changes to both the weekly rate of payment, and the number of weeks paid in the year. To examine the actual value of the Fuel Allowance the annual value must be calculated: (Weekly Payment x Weeks Paid).

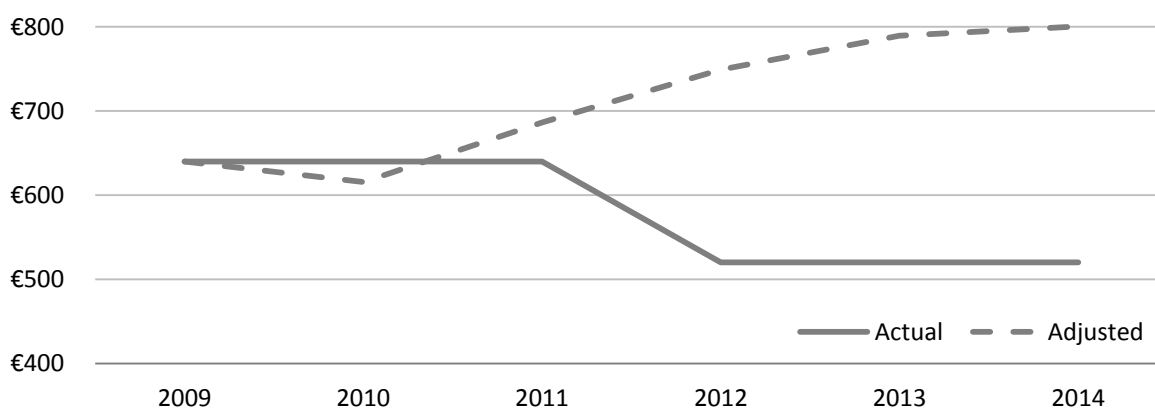
<sup>9</sup> To consistently illustrate the value from 1996 to 2014 the pre-2002 values are converted to euro with the euro to punt conversion rate of €1 = IR£0.787564.

**Table 13 Fuel Allowance from 2006 to 2014**

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Payment	€14.00	€18.00	€18.00	€20.00	€20.00	€20.00	€20.00	€20.00	€20.00
Weeks Paid	29	29	30	32	32	32	26	26	26
Annual Value	€406.00	€522.00	€540.00	€640.00	€640.00	€640.00	€520.00	€520.00	€520.00

- Through a combination of increasing the weekly payment and increasing the number of weeks paid, the annual value of the Fuel Allowance increased until 2009. This level of payment was then maintained until 2012, when the number of weeks paid was reduced from 32 to 26, reducing the annual value of the Fuel Allowance by €120.
- The reduction of the paid value of the Fuel Allowance is compounded by the increasing cost of energy. The combination of the cut in payment and rising fuel costs have produced a 20% (Gas) to 55% (Oil) reduction in the purchasing power of the Fuel Allowance. For example, in 2009 the Fuel Allowance would have enabled the purchase of approximately 10,000 units of natural gas, in 2014 this has reduced to 8,000 units<sup>10</sup>.

**Graph 5 Fuel Allowance, 2009 to 2014**



- The average cost of electricity and home heating fuels has risen by 25% since 2009 (the last time the Fuel Allowance was increased).<sup>11</sup> In order for the Fuel Allowance to have maintained its purchasing power in the face of inflating energy prices, it should have been increased in line with rising prices. The graph above illustrates the gap that has grown

<sup>10</sup> Sustainable Energy Authority of Ireland (2014) Archived Domestic Fuel Costs – Average Price per Unit. [http://www.seai.ie/Publications/Statistics\\_Publications/Fuel\\_Cost\\_Comparison/Domestic\\_Fuel\\_Cost\\_Archives\\_January\\_2014.pdf](http://www.seai.ie/Publications/Statistics_Publications/Fuel_Cost_Comparison/Domestic_Fuel_Cost_Archives_January_2014.pdf)

<sup>11</sup> Analysis of CSO Consumer Price Index Detailed Sub-Index 'Electricity, gas and other fuels'. Percentage change over 12 months for March of each year



between the annual value of the Fuel Allowance paid, and the rate at which it would need to be paid to maintain the purchasing power of the allowance. The solid line shows the actual annual value paid each year from 2009 to 2014, the broken line shows the 2009 rate adjusted for inflation until 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.

## FURTHER INFORMATION

- You can find the same information for other types of household, households in rural areas, and households in different employment situations using the online Minimum Income Standard calculator, [www.MISc.ie](http://www.MISc.ie)
- You can also use [www.MISc.ie](http://www.MISc.ie) to test whether a household has an income adequate to meet their minimum needs
- Further information on 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)

## 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.

# NOTES

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