

A MINIMUM INCOME STANDARD FOR IRELAND

A consensual budget standards
study examining household types
across the lifecycle

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IRCHSS

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- 1. Introduction**
- 2. Methodology**
- 3. Expenditure**
- 4. Income & A Minimum Income Standard**
- 5. Some Policy Implications**
- 6. Future Directions**

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INTRODUCTION

- **Some simple questions = focus of this research**
 - What is a basic standard of living?
 - How much does it cost?
 - How much income do you need to afford this?
- **VPSJ working on this for some time**
- **Gaps to fill and extension to income**
- **Department of Social Protection & IRCHSS funding for this joint research project**
- **Provides answers for households across the lifecycle**
- **Grounded in Budget Standards literature**

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METHODOLOGY

Previous Research

- 2000 One Long Struggle – A Study of Low Income Households
- 2004 Low Cost but Acceptable Budget Standards for Three Households
- 2006 Minimum Essential Budgets for Six Households Types (Urban)
- 2008 Minimum Essential Budgets for Six Households Types – Changes during the Period 2006-2008
- 2010 Minimum Essential Budgets for Six Rural Households Types

What is a Minimum Essential Standard of Living (MESL)?

- Derived from negotiated consensus on what households believe is a minimum.
- It is a standard of living which meets individual's/household's physical, psychological and social needs.

What is a Minimum Essential Standard of Living (MESL)? Cont'd

- It is calculated by identifying the goods and services required by different household types in order to meet their minimum needs.
- A Minimum Income Standard is the income required in order to achieve a minimum essential standard of living.

How is a MESL Determined?

- Focus groups are established for each household type. In a series of meetings the groups arrive at a negotiated consensus about the goods and services required to have a MESL.
- Experts are consulted to ensure that the negotiated consensus meets certain criteria e.g. Food is nutritionally balanced etc.
- Focus on needs not wants.

What does it Include?

- 16 Areas of Expenditure
- Goods and services priced in shops and providers identified by Focus Groups (approx. 2,000)

Food	Clothing	Personal Care	Health Costs
Household Goods	Household Services	Housing (rent)	Communications
Social Inclusion & Participation	Transport	Household Fuel	Childcare
Insurance Costs	Education	Personal Costs	Savings & Contingencies

Focus Groups

- Include People from different socio-economic backgrounds (8 – 12 people per focus group).
- Focus Group work preceded by orientation meeting.
- 3 different focus groups for each household type:
 - Focus Group 1:*** Produces an agreed list of items
 - Focus Group 2:*** Reviews work of 1st group – reach consensus
 - Focus Group 3:*** Rechecks items in each category
Study total costs for each category
Reaches final consensus

Household Types (urban and rural)

- Single adult of working age
- One and two parent households with two children of different ages – infant to 19 years of age
- Pensioner couple and female pensioner living alone

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EXPENDITURE

Expenditure in Different Income Situations

Weekly Expenditure Presented for the following Situations:

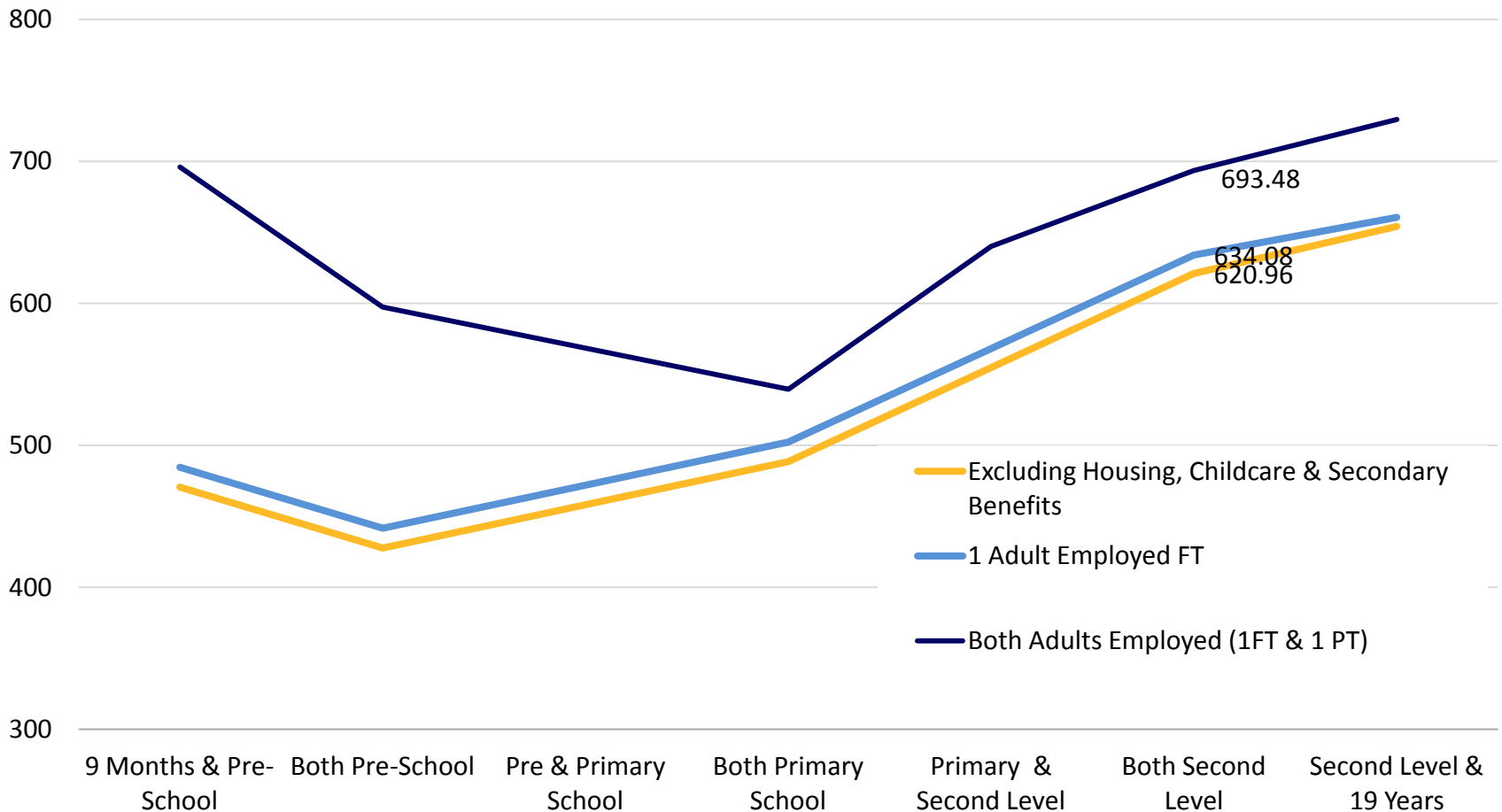
- Excluding Housing, Childcare & Entitlement to Secondary Benefits
- Employed Full-Time
- Employed Part-Time
- Jobseeker/One Parent Family Payment
- In Receipt of the State Pension

Expenditure Fluctuates and is Influenced by the Following:

- Composition of Household and Child Age Group
- Employment Status and Need for Childcare (applies to children in the infant to primary school age brackets)
- Entitlement to Secondary Benefits e.g. Medical Card
- Location

Urban Two Parent, Two Child Household

Weekly MESL Trend



Summary of Expenditure

- This study establishes the cost of a minimum essential standard of living across the breadth of the lifecycle for a number of household types in various income scenarios.
- Across the lifecycle expenditure fluctuates according to the needs and particular circumstances of each household and individual.
- Knowing the minimum expenditure needed for a MESL allows for an examination of the adequacy of the minimum wage and social welfare transfers.

Summary of the Cost of a MESL, Excluding Housing, Childcare and Secondary Benefits

Urban								€ per week		
	9 Months & Pre-School	Both Pre-School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years	Single Adult	Pensioner Couple	Female Pensioner
Two Parent	470.54	427.70	458.07	488.44	554.70	620.96	654.24	258.09	358.69	265.29
One Parent	345.26	306.09	338.38	370.66	438.30	505.94	532.24			

Rural								€ per week		
	9 Months & Pre-School	Both Pre-School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years	Single Adult	Pensioner Couple	Female Pensioner
Two Parent	536.91	493.96	526.97	559.99	617.14	674.29	705.29	356.28	479.63	369.66
One Parent	430.20	391.94	427.39	462.84	521.75	580.66	602.63			

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INCOME & A MINIMUM INCOME STANDARD

Benchmarking Income Adequacy

Test standard income levels in three scenarios

1. Unemployed

Dependent on Jobseeker's Payment

2. Minimum Wage

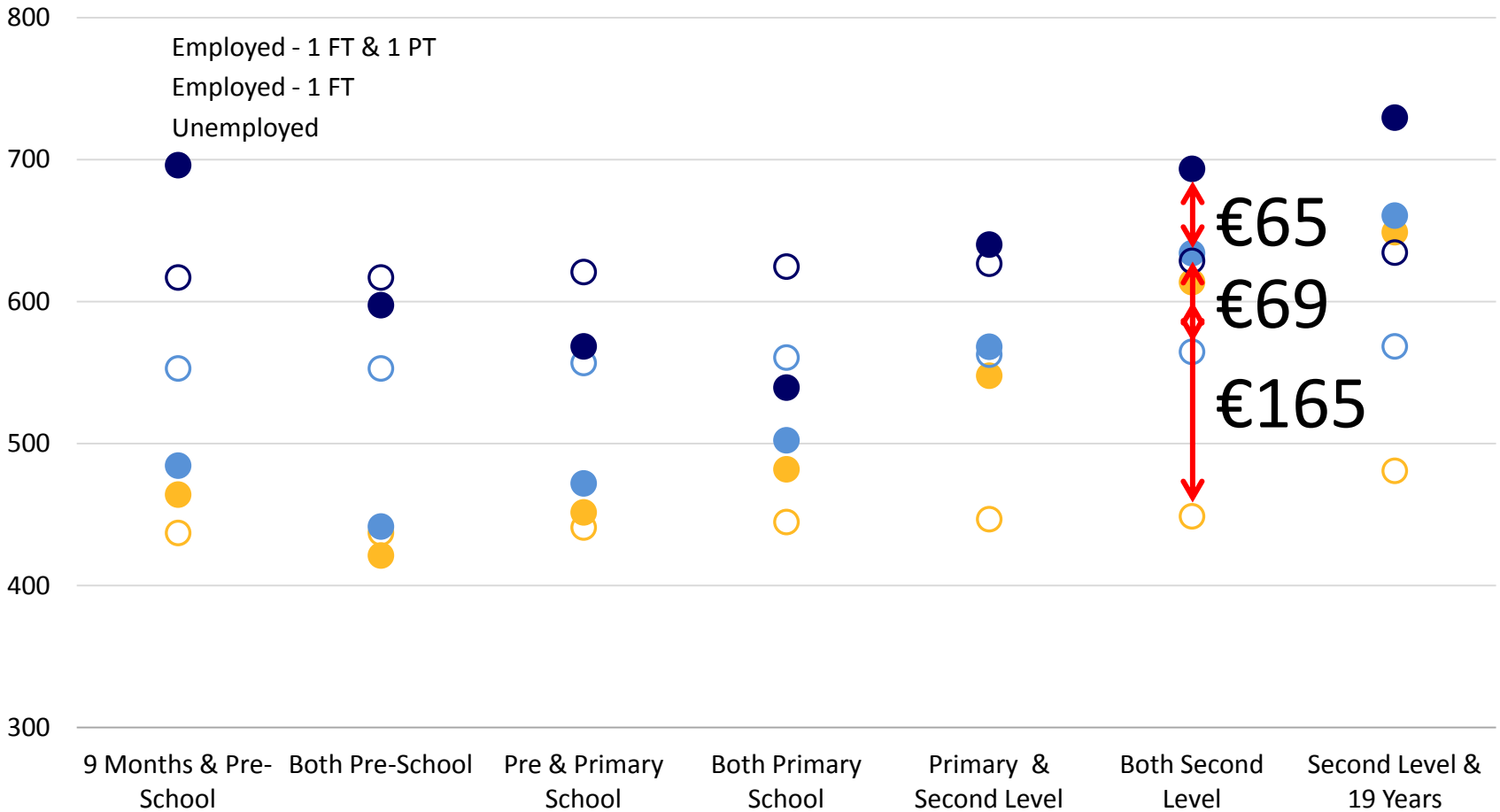
One adult employed full-time & one at home

3. Minimum Wage

One adult employed full-time & one part-time

Two Parent, Two Child Household Type

Summary of Income Adequacy



A Minimum Income Standard

Definition:

The Minimum Income Standard (MIS) is the gross salary necessary for a household's total income* to adequately meet the cost of a Minimum Essential Standard of Living.

*taking account of the household's tax liabilities and social welfare entitlements

Salary

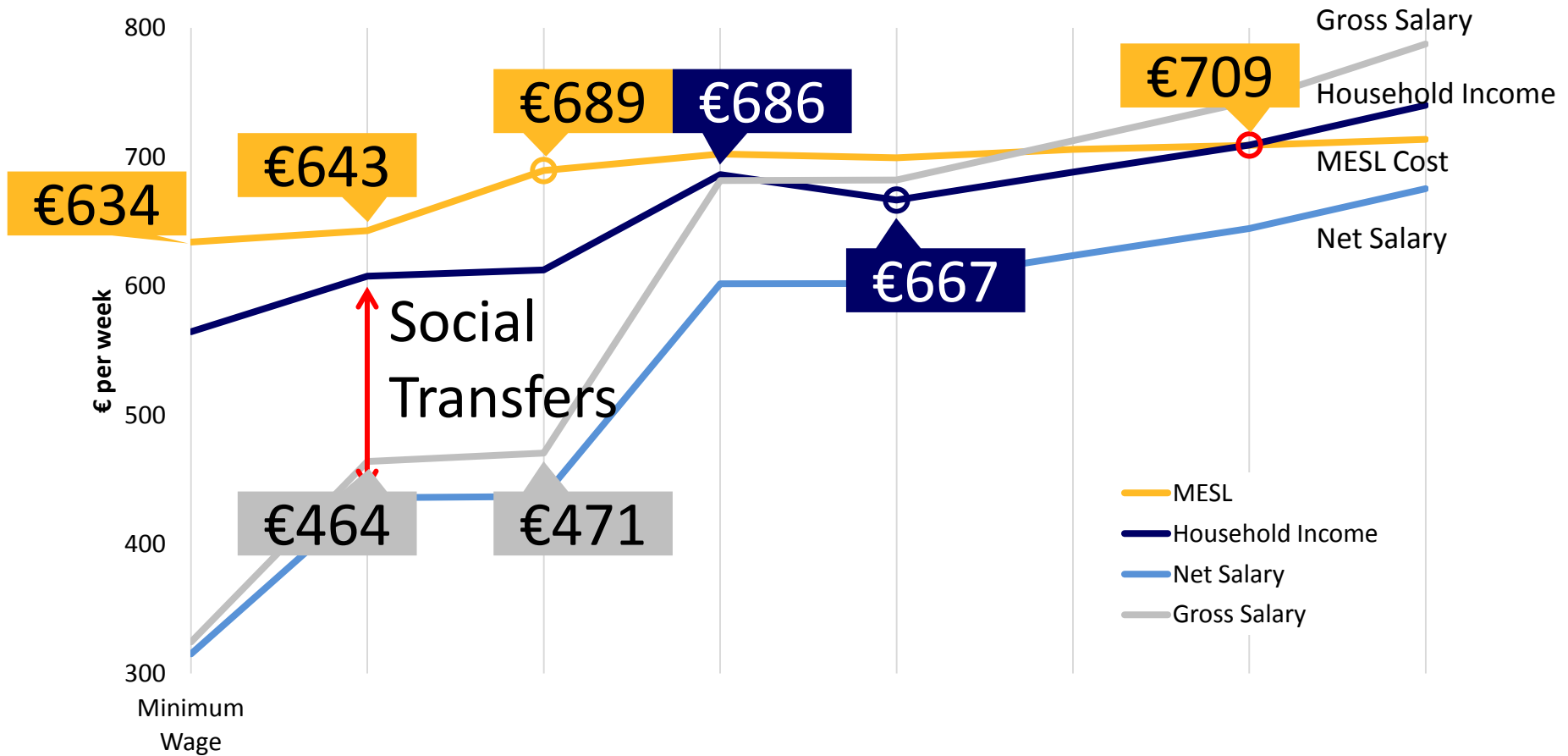
Social
Transfers

Household
Income

- Gross Salary
 - Income Tax
 - PRSI
 - Universal Social Charge
- Child Benefit
- Family Income Supplement
- BTSCFA
- Medical Card (impacts expenditure)

2 Parent & 2 Children of Second Level Age

Urban, Single income



€743

MINIMUM
INCOME
STANDARD

PER WEEK



A two parent household with two children of second level age and one adult employed full-time, living in urban local authority housing, need this gross income per week to afford a minimum essential standard of living.

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SOME POLICY IMPLICATIONS

- Key: Chart 1, Tables 16-22,31-33.
- The MESL and the MIS provide useful benchmarks to assess:
 - The adequacy and appropriateness of current welfare payments
 - The challenges that low income working families face
 - The adequacy of the minimum wage
 - The effectiveness of the interaction between low income households and the welfare system
 - The needs of households with debt issues (MABS etc)

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FUTURE DIRECTIONS

To date:

- The MESL work of the VPSJ:
 - Has been widely distributed
 - Is used in pre budget submissions and post budget analysis
 - Is used in studies on poverty and poverty reduction
 - Is used by organisations working with people on the ground e.g. MABS and SVP
 - Has been used in EU projects to develop minimum income standards
 - Liaising with financial institutions re ‘retention money’
- This work broadens the research and should broaden its use

Current and Future Directions

Current Work

- The Cost of a Child
- Development of a Minimum Income Calculator
- MESL and indirect taxation*

Future Work

- “Poverty Traps”
- Separate output on the 19 year old
- Tracking Changes Over Time
- Annual Update
- Cost of a Disability?
- MESL: Implications for Ireland’s equivalence scales*

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