

The Vincentian Partnership for Social Justice

Working for social and economic change tackling poverty and exclusion



Low Cost but Acceptable

Low Cost but Acceptable Budgets for Three Households

This briefing is divided into two parts:

Part One presents a summary of the results and recommendations of the study – Low Cost but Acceptable Budgets for Three Households, which was undertaken by the Vincentian Partnership for Social Justice (VPSJ) in 2004.

Part Two presents Low Cost but Acceptable Budgets (LCA) for each of the three household types.

It is hoped that this briefing will prove a valuable guide to members of the Society of St Vincent de Paul, MABS personnel and others in their work of helping households to budget for an acceptable standard of living. The tables in Part Two give an indication of the minimum expenditure required for each area of household expenditure. A more detailed breakdown of these tables is available from the Vincentian Partnership for Social Justice.

PART 1

Summary of the Study – Low Cost but Acceptable Budgets for Three Households, 2004

Why this Study?

An earlier study *'One Long Struggle - A Study of Low Income Families'* (2000) which was also carried out by the Vincentian Partnership for Social Justice showed that households dependent on social welfare or the minimum wage had a consistent weekly shortfall. Social welfare payments and minimum wage rates did not meet the actual cost of living. Inadequate income, not bad management or irresponsibility, was the cause of weekly shortfall. Lifelong poverty, poor nutrition and depression are the result of sustained inadequate income. In 2004 the Vincentian Partnership for Social Justice undertook a study to determine the actual cost of "a low cost but acceptable standard of living". This involved pricing all the items, including food and household goods, which constitute a low cost but acceptable standard of living.

A Low Cost but Acceptable Standard of Living, - what is it?

"A standard of living that takes account of psychological and social, as well as physical needs. Warmth, shelter and a healthy palatable diet are necessary but are not sufficient on their own. Social integration is necessary, so is the avoidance of chronic stress."

(Parker, 1998: xviii)

“A low cost but acceptable standard of living gives people the means to maintain a basic lifestyle and from this, they are empowered to develop physically, psychologically, and socially and are given the opportunity to contribute to society. A low cost but acceptable standard of living also marks the threshold below which good health, social integration and satisfactory standards of child development are at risk.”

(Bradshaw, 1993)

Low Cost but Acceptable Budgets (LCA) – what are they?

The Budget Standard Method involves pricing specific goods and services, which represent a particular standard of living for different family types.

The low cost but acceptable budget standards consist of a number of component budgets dealing with food, clothing, personal care, household goods, household services, leisure (social inclusion items and activities), housing (rent, waste management and house maintenance), fuel, transport, (public and private), healthcare, educational costs, employment related expenses (childcare, public transport, union fees), seeking employment costs, and charitable donations. The low cost but acceptable budget standards used in this study are those developed by the Family Budget Unit, University of York, 1998 and 2000. They were applied with permission to the Irish situation.

The aims of the study:

- Provide information on the actual cost of a low cost but acceptable standard of living for three household types.
- Lobby for more adequate income for people in receipt of social welfare or the National Minimum Wage.
- Draw attention to the burden imposed on people dependent on present social welfare payments or on the National Minimum Wage. Present levels of payments demonstrate the link between poverty and inadequate income.

Method

The application of the low cost but acceptable budget standards to the Irish situation included:

1. Establishing groups, which would ensure the reliability and validity of the application process.
2. Identifying the household types.
3. Developing an acceptable approach to the pricing of the household items.

1. Establishing Groups

The following groups were established to ensure that the application of the British Budget Standards to the Irish situation was reliable and valid:

- ◆ Focus Group: representatives of each household type.
- ◆ Expert Group: people with expertise in particular areas, e.g. nutrition and housing.
- ◆ Research Advisory Group: members of the principle organizations connected with each household type.

Each group studied the budget items and made any necessary amendments.

2. Identification of household types

Three family types were selected as the focus of this study:

- ◆ Lone parent with two children, (children 4 year and 10 year old)
- ◆ Two parent with two children, (children 4 year and 10 year old)
- ◆ Pensioner couple, (66-69 years)

These household types were identified in the 2000 study 'One Long Struggle - a Study of Low Income Families' as being most at 'risk'.

3. Pricing of Items

The life span for all items was taken into consideration when calculating the weekly budgets.

The total figure for low cost but acceptable budgets for each of these family types does not allow for the following - unexpected expenditure (e.g. breakages, illness), payment into savings schemes, debt and loans repayments, pets, alcohol and cigarettes.

Key Findings – (Based on August 2004 Figures)

- The Minimum income required for a low cost but acceptable standard of living for the following households:
 - ◆ Lone parent 2 children, dependent on Social Welfare - €259.29
 - ◆ Two parent 2 children, dependent on Unemployment Benefit - €326.36
 - ◆ Pensioner couple Non Contributory Pension – House owners - €210.97
- Approximately 19,000 one parent 2 children households in receipt of one parent family payments cannot afford a standard of living which meets their physical, psychological and social needs.
- Among both groups there will be a considerable proportion of households, which will be dependent indefinitely on these payments. For them, the consequences are inadequate diet, risks to health and the likelihood of debt and social exclusion.
- While the LCA budgets allow for a minimum expenditure on unexpected demands, the allocation is insufficient to allow for such expenditure for any prolonged period. The total cost of the LCA budget needs to be increased to allow realistically for such expenditure.
- The cost of full time childcare makes full time employment an unrealistic option for the one parent household. In addition ineligibility for a Medical Card and the Back to School Clothing and Footwear Allowance create difficulties for both the two parent and one parent households in seeking full time employment

Key Recommendations

1. Social Welfare and the National Minimum Wage should be benchmarked to an amount, which allows for, at a minimum, a low cost but acceptable standard of living and a more equitable distribution of national resources.
2. Increase payments to the following households types in order to make possible a Low Cost but Acceptable standard of living:

- ◆ Lone Parent and Two children – increase to €259.29 per week
- ◆ Two Parents and Two children dependent on unemployment benefit – increase to €326.36 per week
- ◆ Equivalent payments to be made to other households dependent on the one family payment and unemployment benefit.

When calculating social welfare payments, in addition to covering the cost of basic physical, social and psychological needs, include a specific sum to allow for unexpected expenditure and payments into saving schemes.

3. Provide incentives for people on low incomes to participate in savings schemes; (e.g. providing a “once off start up grant”).
4. Provide real access to financial institutions with choice of affordable credit for people on a low income.
5. Tackle the greatest barrier to return to education and employment for lone parents in receipt of the One Parent Family Payment and two parent households on a low income by:
 - i) Making childcare affordable (related to income) and accessible (increase the number of community based services)
 - ii) Providing tax incentives related to the cost of childcare.

Unexpected Expenditure

Unexpected expenditure can constitute a major problem for families dependent on a low income. Such expenditure increases the risk of continuing poverty, debt and the cutting back on the purchase of essential items such as food. The anticipation of unexpected expenditure is a cause of stress, anxiety and depression.

In an effort to estimate a reasonable figure for unexpected expenditure the co-operation of MABS was sought. Questionnaires were sent to 61 centres and the response rate was 70%. Members of MABS were asked to estimate for each of the three households a sum of money to meet unexpected expenditure for the following – repairs of major household items, unanticipated travel (e.g. hospitals, funerals) and over the counter medication. These were the most frequently mentioned by the focus groups for each household type. When allowance is made for such unexpected expenditure the cost of the weekly budget is increased.

While different views were expressed by members of MABS on how such payments should be made, there was unanimous agreement for need to take into account unexpected expenditure when attempting to calculate an adequate figure for a low cost but acceptable standard of living.

The most frequently mentioned sum by the MABS personnel who completed the questionnaire was €10 for each category, giving a total of €30 a week for unexpected expenditure.

Regarding the method of allocating an allowance for unexpected expenditure 37% of the MABS personnel stated that it should be added to the existing social welfare payments. A total of 25% believed that it should be lodged in a special post office savings account. The remaining 38% gave a wide range of responses ranging from a means and needs based approach to giving discretion to Community Welfare Officers regarding disbursements.

PART 2

Low Cost but Acceptable Budgets for 3 Households

This briefing presents the weekly budgets for each of the household types in two forms:

- The actual cost of a low cost but acceptable standard of living as determined in the Vincentian Partnership for Social Justice 2004 study
- The foregoing with the following adjustment – allowance for unexpected expenditure and the April 2005 inflation figure. The adjusted figures give the more complete total for estimating the cost of the low cost but acceptable standard of living.

Lone Parent Two Children - Weekly Budget

ITEM	DESCRIPTION	COST	ITEM	DESCRIPTION	COST
FOOD	Total =	<u>81.73</u>	LEISURE ACTIVITIES (Social Inclusion)	Sports activities	10.25
CLOTHING	Woman	9.95		TV license	2.92
	Girl 4 years	9.90		Holiday expenses	12.65
	Boy 10 years	8.90		Leisure miscellaneous	2.06
	Total =	<u>28.75</u>		Total =	<u>27.88</u>
PERSONAL CARE	Total =	<u>4.76</u>	RENT Local authority	Total =	<u>21.47</u>
HOUSEHOLD GOODS	Lounge/dining furniture	1.36	FUEL	Space heating	4.94
	Bed/bathroom furniture	2.73		Water heating	1.89
	Appliances gas/electric	4.71		Lights/ appliances	4.04
	Toilet paper/ cleaning materials	2.41		Gas standing charges	3.56
	Miscellaneous	9.54		Miscellaneous	2.14
	Total =	<u>20.75</u>		Total =	<u>16.57</u>
HOUSEHOLD SERVICES	Postage	0.74	BUS FARES	Total =	<u>10.86</u>
	Telephone	9.14	JOB SEEKING	Total =	<u>4.01</u>
	Shoe repairs	1.57	CHARITABLE DONATION	Total =	<u>1.00</u>
	Total =	<u>11.45</u>	EDUCATION	Uniforms	3.86
WASTE MANAGEMENT	Total =	<u>3.75</u>		Stationary	1.64
LEISURE GOODS	TV, audio, video & repairs	3.93		School books	1.77
	Newspapers, magazine, books	6.09		School trips	0.73
	Toys	5.29		Total =	<u>8.00</u>
	Total =	<u>15.31</u>	WEEKLY EXPENDITURE	Total =	<u>259.29</u>

Weekly Expenditure = €259.29 (Vincentian Partnership Study 2004)

Weekly Income = €235.67 (Household Dependent on Social Welfare, 2004)

Shortfall = €23.62

Adjusted Weekly Expenditure = €295.65 (Allowance made for €30 to cover unexpected expenditure and 2.2% for April 2005 inflation).

“Without the Vincent De Paul and my Ma, I could not feed the children properly on the money we get.”

Two Parent Two Children - Weekly Budget

ITEM	DESCRIPTION	COST	ITEM	DESCRIPTION	COST
FOOD	Total =	<u>113.62</u>		Newspaper, magazines, books	6.09
CLOTHING	Woman	9.90		Toys	5.29
	Man	6.72		Miscellaneous	2.02
	Girl 4 years	9.88		Total =	<u>17.33</u>
	Boy 10 years	8.50	LEISURE ACTIVITIES (Social Inclusion)	Sports Activities	14.15
	Sewing kit	0.18		Recreational outings	3.04
	Total =	<u>35.18</u>		TV license	2.92
PERSONAL CARE	Total =	<u>5.62</u>		Holiday expenses	13.46
HOUSEHOLD GOODS	Lounge/dinning furniture	1.36		Total =	<u>33.57</u>
	Floor coverings	2.52	RENT Local authority	Total =	<u>29.46</u>
	Bed/bathroom furniture	3.11	BUS FARES	Total =	<u>14.53</u>
	Appliances gas/electric	4.78	JOB SEEKING COSTS	Total =	<u>10.70</u>
	Kitchen hardware	1.39	FUEL	Space/ water heating	6.73
	Toilet paper/ cleaning materials	2.70		Cooking	1.35
	Paint/ wallpaper/ timber	1.54		Lights/appliances	4.69
	Miscellaneous	4.21		Gas standing charge	3.56
	Total =	<u>21.61</u>		Electric standing charge	0.90
HOUSEHOLD SERVICES	Postage	1.07		Total =	<u>17.23</u>
	Telephone	9.14	EDUCATION	Uniforms	3.86
	Shoe repairs/dry-cleaning	1.55		Stationary etc	1.64
	Total =	<u>11.76</u>		School books	1.77
WASTE MANAGEMENT	Total =	<u>3.75</u>		School trips	0.73
HOME INSURANCE	Total =	<u>3.00</u>		Total =	<u>8.00</u>
LEISURE GOODS	TV, audio, video and repairs	3.93	CHARITABLE DONATIONS	Total =	<u>1.00</u>
			WEEKLY EXPENDITURE	Total =	<u>326.36</u>

Weekly Expenditure = €326.36 (Vincentian Partnership 2004)

Weekly Income = €320.07 unemployment Benefit and Child Income Support 2004)

Shortfall = €6.29

Adjusted Weekly Expenditure = €363.84 (Allowance made for €30 to cover unexpected expenditure and 2.2% for April 2005 inflation).

"I pay my bills first and then most of the rest goes on food. Some weeks are not great."

The budgets are a great idea but what about things like 'the tooth fairy'?... When you are on social welfare you cannot allow for that".

Pensioner Couple - Weekly Budget

ITEM	DESCRIPTION	COST	ITEM	DESCRIPTION	COST
FOOD	Total =	<u>76.72</u>	LEISURE GOODS	TV, video audio	1.90
CLOTHING	Woman 65-74 years	8.52		TV license	2.92
	Man 65-74 years	7.84		Newspaper, magazines, books	6.59
	Total =	<u>16.36</u>	LEISURE ACTIVITIES (Social Inclusion)	Equipment	3.08
PERSONAL CARE	Total =	<u>10.58</u>		Sporting	18.43
HOUSEHOLD GOODS	Furniture	3.09		Outings	2.51
	Floor coverings	1.72		Holidays	8.65
	Linen	1.27		Total =	<u>44.08</u>
	Appliances	4.06	WASTE MANAGEMENT	Total =	<u>3.75</u>
	Kitchen/hardware/stationary	2.16	HOUSE INSURANCE	Total =	<u>7.55</u>
	Toilet paper/cleaning/matches	2.10	FUEL	Heating	9.65
	Miscellaneous	1.60		Cooking	1.08
	Total =	<u>16.00</u>		Light/ appliances	3.02
HOUSEHOLD SERVICES	Postage	1.24		Gas standing charge	3.56
	Telephone	10.36		Electric standing charge	0.90
	Window cleaning	3.46		Total =	<u>18.21</u>
	Shoe repair/ dry-cleaning	0.66	CHARITABLE DONATIONS	Total =	<u>2.00</u>
	Total =	<u>15.72</u>	WEEKLY EXPENDITURE	Total =	<u>210.97</u>

It should be noted that the above table refers to a home owner pensioner couple aged 65-69 years who do not have any rent costs. When calculating the budget for pensioners of a similar age, allowance may need to be made for rent payments.

Weekly Expenditure = €210.97 (Vincentian Partnership Study 2004)

Weekly Income = €276.05 (Pensioners with non contributory pension and eligible for household benefits package – Sept 2004 figures)

Discretionary Income = €65.08

Adjusted Weekly Expenditure = €246.27 (Allowance made for €30 to cover unexpected expenditure and 2.2% for April 2005 inflation)

"I worry about the future. Will I have enough to get the care I will need when I am much older?"

"The food budget gives you a balanced diet – if you can afford it"

"I'm glad they include leisure, going out is important when you live alone".



"People are living in poverty if their income and resources are so inadequate as to preclude them from having a standard of living which is recognised by Irish society generally. As a result of inadequate income and resources people may be excluded and marginalised from participation in activities which are considered the norm for other people in society"

NAPS definition of poverty, 2002

"A low cost but acceptable standard of living gives people the means to maintain a basic lifestyle and from this, they are empowered to develop physically, psychologically and socially and are given the opportunity to contribute to society. A low cost but acceptable standard of living also marks the threshold below which good health, social integration and satisfactory standards of child development are at risk".

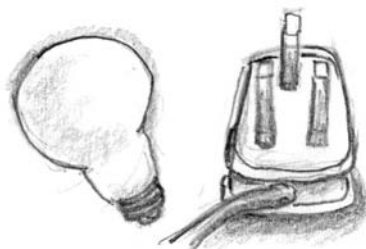
Bradshaw, 1996

"A lot of thought has gone into these budgets. You wouldn't be badly off if you could afford all the items. But some of the things like sheets and towels are expected to last too long

"(Janet, mother of two)

"I must say these budgets are comprehensive. They are a good way to show what it costs to live. But they don't allow for things to go wrong".

(Ann and Bill, parents of two)



The Vincentian Partnership for Social Justice

Members:

The Society of Saint Vincent de Paul,
The Vincentian Congregation,
The Daughters of Charity

and

The Sisters of the Holy Faith.

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