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MINIMUM ESSENTIAL BUDGET STANDARDS RESEARCH CENTRE

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WORKING FOR SOCIAL AND ECONOMIC CHANGE
TACKLING POVERTY AND SOCIAL EXCLUSION

# BUDGET 2018: MESL IMPACT BRIEFING

## KEY POINTS

The measures in Budget 2018 bring welcome increases to social welfare supports, and build on the progress in 2017, to move towards restoring the real value of primary social welfare supports, following a prolonged period of social welfare rate stagnation.

The Budget's €5.00 per week increase to weekly social welfare rates, with proportional adjustments to Qualified Adult and Qualified Child is welcome. The inclusion of a €2 adjustment to Qualified Child supports is also welcome; this begins to restore the proportional value of the payment following its omission from adjustments in Budget 2017.

It is regrettable that the introduction of the increases is again delayed until March, as was the case in 2017. Consequently social welfare dependent households will miss 12 weeks of increased support. This reduces the effective value of the increase to an average of €3.85 per week, over the full 52 weeks.

Delaying the implementation of social welfare increases while tax reductions commence from the start of 2018 creates further inequality in the distribution of the benefits of recovery.

Extending the reduced Prescription Charge, of €2.00, to those under 70, is a welcome move toward restoring the full value of the Medical Card.

Meaningful adjustments to secondary supports are limited, and include a modest extension to the Fuel Allowance season, of one week, and the introduction of a tightly targeted Telephone Support Allowance.

Not focusing limited resources on the most vulnerable is a missed opportunity. Whilst the €5 increase in the State Pension will improve the position of the pensioner living alone, the same expenditure of resources could have supported a €5 increase to the Living Alone Allowance for pensioners and the full restoration of the Fuel Allowance.

The position of the low-paid and inadequacy of the National Minimum Wage rate, will not be addressed by the €0.30 increase to NMW, nor by the adjustments to USC and PAYE Income Tax.

The adjustments to personal taxation results in a limited change in net income for those on low incomes (€0.63 per week for a full-time minimum wage worker), for individuals with incomes of €70,000+ the change is larger (€6.31 per week). At both ends of the income scale the impact of the change is likely to have a negligible effect on household income.

Adjustment to in-work social welfare supports for households with children, in conjunction with the increase to NMW and adjustment to USC, will result in modest increases in total household income – potentially improving the position of families in minimum wage and low paid employment.

The cost of an MESL is highest for children at second level age, and social welfare supports meet 54% of these MESL needs. It is regrettable that the measures in Budget 2018 again failed to recognise the vital need for a higher level of support for households with older children. Child poverty and income inadequacy cannot be reduced until this need is recognised.

# TABLE 1 INCOME ADEQUACY 2017 AND 2018 (FORECAST)

| | | | 2017 | | 2018 | |
|---|---|---|---|---|---|---|
| | | | Social Welfare | Employed NMW | Social Welfare | Employed NMW |
| Two Parent | Pre-School & Primary School | | | | | |
| | | MESL Expenditure | 463.10 | 587.84 | 470.28 | 595.23 |
| | | Income (Net) | 447.72 | 642.59 | 460.02 | 653.55 |
| | | Adequacy | **-15.39** | **54.75** | **-10.26** | **58.32** |
| Two Parent | Primary School & Second Level | | | | | |
| | | MESL Expenditure | 541.87 | 631.70 | 550.06 | 639.76 |
| | | Income (Net) | 452.53 | 647.40 | 464.83 | 658.36 |
| | | Adequacy | **-89.34** | **15.70** | **-85.24** | **18.60** |
| One Parent | Pre-School & Primary School | | | | | |
| | | MESL Expenditure | 348.65 | 642.80 | 354.05 | 651.74 |
| | | Income (Net) | 330.87 | 636.66 | 340.30 | 648.23 |
| | | Adequacy | **-17.78** | **-6.14** | **-13.74** | **-3.51** |
| One Parent | Primary School & Second Level | | | | | |
| | | MESL Expenditure | 427.41 | 525.49 | 433.83 | 532.73 |
| | | Income (Net) | 335.68 | 576.65 | 345.11 | 585.91 |
| | | Adequacy | **-91.74** | **51.16** | **-88.72** | **53.18** |
| Single Adult | Working Age | | | | | |
| | | MESL Expenditure* | 246.69 | 435.56 | 249.44 | 449.47 |
| | | Income (Net) | 193.00 | 336.91 | 198.00 | 342.92 |
| | | Adequacy | **-53.69** | **-98.65** | **-51.44** | **-106.55** |
| Pensioner | Living Alone | | | | | |
| | | MESL Expenditure | 246.98 | | 250.65 | |
| | | Income (Net) | 247.25 | | 255.18 | |
| | | Adequacy | **0.27** | | **4.53** | |

# INTRODUCTION

Budget 2018 brings further welcome increases to social welfare supports. 2018 will be the second consecutive year with increases in non-pension supports (and third year of increases in state pension rates) following a prolonged period of social welfare rate stagnation. These measures are forecast to bring about an improvement in the position of eligible social welfare dependent and low income households; reducing the depth of income inadequacy and a number household types moving to income adequacy.

In this regard the Budget builds on the progress in 2017, moving towards restoring the real value of primary social welfare supports. The lack of meaningful adjustment to secondary supports which target those most in need (e.g. pensioners living alone and social welfare dependent households with older children) demonstrates the lack of a comprehensive evidence based plan underpinning the budgetary measures.

Additionally, delaying the implementation of social welfare increases to mid 2018 (March and June), while tax reductions commence from the start of 2018, creates further inequality in the dispersal of the benefits of recovery.

On the basis of the MESL research, the VPSJ recommended a suite of measures for Budget 2018. These were based on research and data, identifying the household types with the greatest degree of income inadequacy and the gaps in social welfare provision which drive the inadequacy. The measures outlined were vital steps towards the longer term goal of social welfare ultimately providing an adequate income for a Minimum Essential Standard of Living.

Budget 2018 takes positive steps, but misses the opportunity to enact vital policy decisions based on the evidence and research available. Budget 2018 does not prioritise those households and groups which data identifies as having the greatest income inadequacy, the highest risk of poverty, high deprivation rates, low pay, etc. This is a matter of regret for the VPSJ.

| Area | MESL Recommendations | Budget 2018 Measures |
|---|---|---|
| Working Age Personal Rates | Increase by €5.00 | Increased by €5.00 |
| Qualified Adult | Increase by €3.30 | Increased by €3.30 |
| Qualified Child (basic level) | Increase by €2.10 | Increased by €2.00 |
| Qualified Child (adolescent) | €5.00 above QCI rate for younger children | No recognition of additional needs |
| Jobseekers Under 26 | Interim rate of €151, ultimately restore | Full €5 increase, but no equalisation |
| Fuel Allowance | Increase by €6.50 | Additional week, equates to €0.85 rise |
| OFP / JST | Restore earnings disregard to €146.50 | Partially restored to €130.00 |
| Family Income Supplement | Review taper rates and income thresholds | €10 increase to income thresholds |
| Child Benefit | No Change | No Change |
| Pensions, Personal & QA | No Change | €5 increase, proportional QA adjustment |
| Pensions, Living Alone | Increase by €2.45 | Telephone Support Allowance, €2.50 per week, from June 2018 |
| National Minimum Wage | Progressive realisation of Living Wage | €0.30 increase, bringing NMW to 82% of Living Wage |

## MEBS IMPACT BRIEFING

This briefing analyses the impact of Budget 2018, applying the Minimum Essential Standard of Living (MESL) data to forecast the adequacy of social welfare rates and the minimum wage in 2018, and assessing the degree to which they enable a socially acceptable minimum standard of living in the coming year, for a set of illustrative household types[†].

The MESL research establishes a negotiated social consensus on what people believe is required for households to have a minimum, but socially acceptable, standard of living. The data specifies the cost of the minimum required to live and partake in the social and economic norms of life in contemporary Ireland, at a standard of living which members of the public agree nobody should be expected to live below.

This understanding of an acceptable minimum standard of living, echoes the concepts which underpin the human right to an adequate standard of living, and the Irish Government definition of poverty which emphasises the ability to have a "standard of living which is regarded as acceptable by Irish society generally" and to participate in normal activities. The MESL translates these concepts and ideals into a practical measure, specifying the average weekly cost of all the goods and services necessary to enable a socially acceptable minimum standard of living.

The MESL data examined in this briefing, is based on the 2017 MESL expenditure and income data[‡]. The 2017 costs are projected forward to 2018 using the CPI forecast inflation rate (1.3%)[§]. The 2018 income calculations are based on the available information from Budget 2018 as published by the relevant Government Departments, at this time.

# SOCIAL WELFARE

The increases to primary weekly rates in conjunction with proportional adjustments to the Qualified Adult and Qualified Child rates, is welcome as a step toward restoring the relative value of vital social welfare supports.

The introduction of the announced €5.00 increase is again delayed until March, as was the case in 2017. Consequently social welfare dependent households will miss 12 weeks of increased payments. This delay reduces the effective value of the increase to an average of €3.85 per week over the full 52 weeks of 2018.

Meaningful adjustments to secondary supports are limited, and include a modest extension to the Fuel Allowance season, of one week, and the introduction of a tightly targeted Telephone Support Allowance.

The €2 adjustment to Qualified Child Increase (QCI) is welcome. It must be noted, however, that this begins to restores the proportional value in relation to the personal rate, after neglecting to adjust the QCI in Budget 2017. It is regrettable that there is still no recognition of the additional needs of older children, through the introduction of a higher rate of Qualified Child payments for second level age children.

The adjustment of income thresholds for the Working Family Payment (formerly Family Income Supplement), is welcome, as are the increases to the income disregard for One-Parent Family Payment and Jobseeker's Transition. However, the adjustments do not address the systemic issues which exist within the structures of these in work social welfare supports.

Table 1 summarises the expenditure needs and social welfare income for:

- Two Parent household (one Job Seeker and one Stay At Home parent)
- One Parent household (dependent on OFP/JST)
- Single Adult, unemployed
- Pensioner living alone (Non-Contributory Pension).

The adequacy of social welfare payments are tested against the minimum expenditure needs of each household. In all cases the household types are eligible for a full Medical Card, and housing costs are based on local authority rents (except for the single adult[**]).

The MESL research has consistently found that these household types illustrate particular vulnerabilities to income inadequacy, when dependent on social welfare. In each of the cases illustrated social welfare does not provide a securely adequate income to these household types in 2017, with the exception of the Pensioner living alone. This inadequacy, for the illustrated working-age households, is forecast to remain in 2018.

The social welfare measures from Budget 2018 will see household income rise by between 2.6% and 3.2% in 2018, exceeding forecast inflation. As a result, each of the working-age cases demonstrates a limited improvement, with the depth of income inadequacy reducing by approx. 1.1 percentage points.

## PERSONAL RATE

The increase of €5 per week to the Personal Rate of Jobseeker payments, One-Parent Family, etc., brings the full weekly rate to its highest level, in nominal terms, this decade. This adjustment is a positive second step, building on Budget 2017, and moves towards restoring the relative value of essential social welfare supports, the real value of which were allowed fall relative to increasing cost over recent years.

While Budget 2018 will see primary social welfare rates exceed 2010 rates in nominal terms, in real terms further steps will be required for full restoration.

The gap between social welfare support and the cost of a socially acceptable minimum standard of living widened as rates of payment did not keep pace with changes in living costs. The cost of an MESL is 2.1% higher in 2017 than in 2010. Consequently in real terms (i.e. adjusting for the increased cost of an MESL), the 2017 Personal Rate would need to be €200.10, to have kept pace.

Restoring the relative value of social welfare supports is a medium term goal, it is acknowledged that it will be a multi-year process. The Budget 2018 adjustments are a welcome second step in this process. Subsequent adjustments will be required in Budget 2019 and Budget 2020, to restore the real value of social welfare payments by the end of the decade.

## SINGLE ADULT OF WORKING AGE

This household type will benefit from the €5 increase to the Jobseekers Personal Rate. The 2018 rate, coming into effect in the last week of March, will be €198, remaining €2.10 below the 2010 rate in real terms.

For an unemployed adult living alone in urban private rented accommodation, the combination of a full Job Seekers payment and Rent Supplement was inadequate in 2017. This inadequacy will decrease marginally in 2018, but income will remain over €50 per week short of MESL expenditure need.

The additional Christmas Bonus payment applies to a household of this type when in receipt of a long term Jobseekers payment. The maintained Christmas Bonus of 85% in 2018 equates to an average of an additional €3.24 per week for an eligible unemployed adult without dependents. Over a full year, this equates to an average weekly increase of 1.6%. The Christmas Bonus will reduce this household type's income inadequacy to just below €50 per week.

### UNEMPLOYED ADULTS, UNDER 26

It is very regrettable that Budget 2018 again retains the reduced rate of Jobseekers Allowance for younger adults. However, the application of the full €5 increase to the personal rate is a welcome change from Budget 2017, which applied a (proportionally) lower rate of increase to the reduced JA rates for this age group.

Maintaining significantly lower rates for 18 to 24 and 25 years old is regrettable. The €5 increase will not provide the basis for an adequate income, or enable young adults to live at an acceptable level without significant familial support. To live independently, adults aged under 26 have the same MESL needs as older adults, and therefore require the same level of income support.

The announcement of the Youth Employment Support Scheme, is an interesting development, which has the potential to deliver valuable work experience to younger long-term unemployed jobseekers. It is welcome that the scheme is both voluntary, and aims to provide a rate of payment equivalent to a net minimum wage salary.

## HOUSEHOLDS WITH CHILDREN

The €2 increase to the Qualified Child Increase (QCI) in Budget 2018 is welcome, as it restores the proportional value of the payment in relation to the full Personal Rate. It was notable in Budget 2017 that the QCI was not adjusted in line with the Personal Rate increases.

Budget 2018 also maintained the current rate of Child Benefit, and retains the increase to the Back to School Clothing and Footwear Allowance announced in June2017.[††]

For a two parent and two child household type, with one adult unemployed and one a stay-at-home parent, the social welfare adjustments increase household income by €12.30 per week.

For a one parent and two child household type, dependent on the One-Parent Family Payment or Jobseekers Transition, the social welfare adjustments increase household income by €9.43 per week.

The measures from Budget 2018 will increase total household income by an average of 2.75% for each of the family household situations illustrated.

In 2017, of 207 cases of households with children examined, 167 cases show income inadequacy and 109 demonstrate deep income inadequacy (where household income meets less than 90% of MESL expenditure need).

Positively, it is forecast that seven cases will move from inadequacy to marginally adequate income. Although, 160 cases will remain in income inadequacy, with 98 cases in deep income inadequacy, in 2018.

## OLDER CHILDREN

The cost of an MESL is highest for children at second level age, approximately two thirds of an adults MESL costs and 1⅔ the costs of younger children (excluding childcare).

Current social welfare supports meet 54% of the MESL expenditure need of a second level age child. The MESL analysis of social welfare income adequacy finds that households with second level age children make up the majority of deep income inadequacy cases. In 2018 it is forecast that households with teenagers will make up 77% of the deep inadequacy cases found.

The VPSJ acknowledges that closing the gap between current supports and the minimum needs of this age-group is more than can be achieved in a single budget. Therefore, it was recommended that steps be taken in recognising these additional needs by setting a higher rate of QCI for this age-group.

## CHILD POVERTY

1 in 5 children (19.5%) are at risk of poverty in Ireland, and children make up over a third (35.7%) of those in consistent poverty. The Government target to reduce consistent poverty by at least two-thirds by 2020, will require 102,000 children to be lifted out of consistent poverty.

Furthermore, older children (ages 12 – 17) have the highest consistent poverty rates (11.8% compared to 8.4% and 8.5% for younger age-groups).[‡‡]

In order to make real progress toward achieving the child poverty reduction goal and addressing the multi-faceted consequences of child poverty, it is vital that more be done to address the needs of children, and especially the additional needs of older children.

It is regrettable that the measures in Budget 2018 again failed to recognise the vital need for a higher level of support for households with older children.

# OLDER PEOPLE

Budget 2018 brings the third consecutive increase to the State Pension (Contributory and Non-Contributory), increasing the personal rate by €5 per week, with proportional adjustments to the associated Qualified Adult rates. The adjustments from 2016 to 2018, represents a cumulative increase of €13 (an increase of over 5.5% compared to 2015).

The new Telephone Support Allowance equates to a narrowly targeted increase to the Living Alone Allowance, as only those eligible for both the Living Alone Allowance and passing the Fuel Allowance means test will qualify for this additional support. Furthermore, the support will not take effect until June 2018.

The MESL research finds that pensioner couple household types generally demonstrate income adequacy, affording an MESL when reliant on the state pension (contributory or non-contributory). Conversely, pensioner living alone household types are vulnerable to income inadequacy, with the combination of the state pension and living alone allowance not providing enough to securely afford an MESL.

In 2017, when dependent on the Non-Contributory State Pension, a pensioner living alone household demonstrated precarious income adequacy, with income exceeding MESL expenditure need by an average of €0.27 per week. The measures in Budget 2018 will increase this household type's income by €7.93. This increase of 3.2% exceeds forecast inflation for 2018, and should see this household move closer to secure income adequacy, as income will exceed MESL expenditure need by €4.53.

However, when in a rural area, additional MESL expenditure needs will mean this household type will continue to face income inadequacy in 2018, with income falling approximately €45 per week short of the MESL expenditure need.

## FUEL ALLOWANCE

Budget 2018 extends the payment of the Fuel Allowance by one week, to 27 weeks per year. This is an increase of €22.50 in the year, bringing the annual value of the support to €607.50.

The real value of the Fuel Allowance has been allowed to diminish, as past Budgets reduced the number of weeks of payment and failed to adjust the rate of payment in light of increasing home energy costs.

In 2010 the Fuel Allowance was paid at the rate of €20 per week for 32 weeks of the year, giving an overall value of €640 over the year. Since 2010 home energy costs have increased by an average of 18.1%[§§].

This adjustment to the support does not restore the 2010 value in neither real nor nominal terms. To restore the payment to its 2010 purchasing power, taking account of the 18.1% increase in energy prices, enabling the same amount of energy to purchased now, the Fuel Allowance would need to have an annual value of €755.

Not addressing the reduced purchasing power of the Fuel Allowance leaves long-term social welfare dependent households vulnerable to energy poverty.

## CHOICES

Whilst the €5 increase in the State Pension will improve the position of the pensioner living alone, the same expenditure of resources could have supported the restoration of the Fuel Allowance and an increase to the Living Alone Allowance. It was for this reason that the VPSJ recommended focusing the available resources for older people on beginning to address the inadequacy of the Living Alone Allowance, and restoring the Fuel Allowance, as opposed to a general increase in the State Pension.

The choices made in Budget 2018 will increase the average weekly income of a Pensioner living alone, and dependent on only the State Pension, by €7.93. However, this increase will come in phases as the Pension increase is introduced in the last week in March, and the Telephone Support Allowance is delayed until June 2018.

If the Fuel Allowance had been fully restored, and the Living Alone Allowance increased by €5 (as opposed to pensions generally), these measures would have increased the income of the most at risk pensioner households by an average of €8.25 per week. These measures would have cost €107.5 million, when introduced from the start of 2018.

The across the board pension increase and new telephone allowance will cost €126m, this is €18.5m more than the combined cost of restoring Fuel Allowance and increasing the Living Alone Allowance, and delays the receipt of additional support until part way through 2018.

When resources are limited, it is disappointing that their distribution does not prioritise the most vulnerable.

# INCOME ADEQUACY IN EMPLOYMENT

The MESL research shows the inadequacy of minimum wage for Single Adult household types, and many household compositions with children. Table 1 summarises the minimum wage employment scenarios for the five working age household compositions examined. The adequacy of net household income when in minimum wage employment is assessed, taking account of tax liabilities and relevant social welfare entitlements.

## MINIMUM WAGE & INCOME TAX CHANGES

The increase in the National Minimum Wage (NMW) rate of €0.30 brings the rate to €9.55 per hour in 2018, a 3% adjustment from the 2017 rate. This remains €2.15 below the current Living Wage rate (€11.70 per hour); the NMW is 82% of the Living Wage.

Budget 2018 reduces the second and third USC rate by 0.5% and 0.25% respectively, and adjusts the upper threshold of the second band to €19,372. These measures reduce the level of USC payable on earnings up to €70,044 per annum, and prevent a full-time (39 hour) minimum wage worker entering the third band of USC in 2018.

The extension of the Standard Rate band for PAYE income tax will have no effect on those earning the NMW and low rates of pay.

For a person earning the minimum wage, working full-time (37.5 hours), gross weekly salary will increase by €11.25 in 2018 due to the NMW change. However, net income will increase by only €6, as the higher gross salary in 2018 will be liable for an additional €2.25 in PAYE and €3.35 in PRSI. The USC reduction will reduce the total additional tax payable to €5.24. This results in a Marginal Effective Tax Rate of 46.6% on the NMW increase for a full-time worker.

Effect of tax changes on a Single Adult: **

- A single full-time worker (37.5 hours) earning the 2018 NMW (€9.55) will pay €0.63 less per week in USC in 2018, than they would in 2017 (on the same salary rate), improving annual net income by €33.
- Earning the Living Wage (€11.70 per hour, 39 hours per week), will pay €1.13 less per week in USC, resulting in a net income increase of €59 over a full year.
- On a salary of €37,250 per annum, approx. double a full-time NMW salary, the USC and PAYE changes result in a net income increase of €241 over the course of a year.

- An increase of €329 for an individual earning €70,000.

The value of such a limited change in net income for those on low incomes is questionable, and the tangible impact for those on higher incomes is likely negligible. This begs the question, could the tax resources foregone as a result of these changes have made a greater impact if directed toward services such as social housing and childcare.

## SINGLE ADULT

One adult in full-time (37.5 hour) minimum wage employment will have an increase in net income of €6 per week (1.8%), due to the combined effect of the increase to the NMW and reductions in USC.

Housing costs increased by 7.9% for this household type (in Dublin) between 2016 and 2017, and this trend is continuing. The combination of inflation generally and increasing rents result in a forecast increase in minimum expenditure need of €13.90 (3.2%) in 2018, for a single adult living and renting in Dublin.

In 2018 income inadequacy will likely deepen for a household in this scenario, with an income shortfall of over €100 per week. The NMW will provide for only 76% of this households MESL expenditure need.

Based on the current forecast MESL costs for 2018, a single adult would need to have over 57 hours of paid NMW employment per week in order to afford an MESL in Dublin in the coming year.

## HOUSEHOLDS WITH CHILDREN

Table 1 summarises the position of four household compositions with children, when the adults are in minimum wage employment and housing costs are based on paying a differential rent (social housing).

Budget 2018 reviewed the Working Family Payment (WFP, formerly FIS) income thresholds for households with up to three children. The income disregard for the One-Parent Family Payment (OFP) was also increased from €110 to €130 per week (this also applies to the Jobseeker Transition payment). These measures will enable low income family households to retain a higher level of income support when earnings increase, for example as a result of the increase NMW.

The Two Parent household scenarios are based on one adult employed full-time and the second adult in part-time employment.

The increase to the minimum wage, adjustments to USC, and revision of the WFP income thresholds will result in an overall income gain of €10.96 per week for a Two Parent & Two Child household composition, in this income scenario. The joint gross salary increases by €16.95, but WFP support reducing by €3.00 and PRSI liability, reduce the net gain to total household income by 35%.

Minimum wage employment provided the basis of an adequate income for both Two Parent household compositions in 2017, in this scenario. This will continue to be case in 2018, with the degree of income adequacy forecast to increase marginally.

The One Parent household composition with a pre-school and primary school age child currently demonstrates income inadequacy, when in full-time NMW employment. The increase to the NMW and increase in the OFP income disregard result in a net income gain for this household of €11.56 per week, despite a reduction in WFP support in 2018. While income is forecast to remain inadequate, the depth of inadequacy is expected to reduce in 2018.

The second One Parent household composition is not eligible for OFP, as the children in household are above the age-limit. Household income is primarily based on NMW employment and WFP. The increase to the NMW is partially offset by PRSI liability, but the reduction in USC and an increase in WFP of €1.00 per week, result in household net income increasing by €9.26 per week in 2018. The income adequacy for this household is forecast to improve in 2018.

## AFFORDABLE CHILDCARE

The extension of the ECCE scheme to two years (76 weeks) is welcome. However, it is notable that no further tangible steps toward the realisation of the Single Affordable Childcare Scheme were announced.

Budget 2017 announced the Single Affordable Childcare Scheme. The scheme, as originally outlined, has the potential to significantly reduce the cost of an MESL for households with childcare costs. It is regrettable that Budget 2018 does not progress the delivery of this much needed, and now delayed, social service.

# NOTES

## SOCIAL WELFARE SCENARIO NOTES

Housing costs based on social housing (differential rent), with the exception of Single Adult which is based on Private Rented and receiving Rent Supplement

The social welfare income scenarios assume full entitlement to payments relevant to the household scenario:

| | |
|---|---|
| Two Parents | JS Personal Rate + Qualified Adult + Qualified Child, Child Benefit, Back to School Clothing & Footwear |
| One Parent | One-Parent Family Payment / Jobseeker's Transition + Qualified Child, Child Benefit, Back to School Clothing & Footwear, Fuel Allowance |
| Single Adult | JS Personal Rate, Rent Supplement |
| Pensioner | Non-Contributory Pension + Living Alone Increase, Fuel Allowance, Telephone Support Allowance, Household Benefits Package |

An increase to the Back to School allowance was introduced in mid 2017, and retained in Budget 2018. The increased rate is included in both the 2017 & 2018 scenarios, where applicable.

Assumed all social welfare dependent households are eligible for a full medical card

## EMPLOYED SCENARIO NOTES

Housing costs based on social housing (differential rent), with the exception of Single Adult which is based on 90% of average Dublin rent for a one bedroom dwelling

Childcare costs included in MESL expenditure need, as appropriate. The effect of the ECCE scheme is reflected in the net average weekly childcare cost for pre-school age children.

Two Parent households based on 1 adult in full-time (37.5 hours) employment and 1 in part-time (19 hours), One Parent & Single Adult households based on 1 adult in full-time (37.5 hours) employment.

Income is net household income, after tax (PAYE, PRSI & USC), and includes applicable social welfare supports e.g. Child Benefit. Means tested social welfare supports included for households with children, e.g. Working Family Payment, One-Parent Family Payment, are included as applicable

Medical card means test applied in each scenario, following HSE Medical Card guidelines

## ENDNOTES

* The MESL Expenditure in the social welfare scenarios includes housing costs based on Rent Supplement. The cost of renting at the Rent Supplement limit for Dublin is included, net of Rent Supplement (i.e. Housing=Rent-Rent Supplement payment). This approach is taken so the income comparison focuses on changes in Jobseekers support only.

† The income scenarios examined here focus on broadly applicable situations. Therefore, the employed scenarios are not specific to return to work situations which may include limited term retention of secondary benefits.

‡ Analysis of the MESL in 2017 is available in the 2017 Annual Update Report

§ Central Bank (2017) Quarterly Bulletin No.3 2017
https://centralbank.ie/docs/default-source/publications/quarterly-bulletins/quarterly-bulletin---q3-2017.pdf#page=8

** The Single Adult household type MESL expenditure need is based on living in private rented housing. In the unemployed scenario the costs are based on renting at the Rent Supplement ceiling in Dublin City, and receiving Rent Supplement.
In the employed scenario the costs are based on 90% of the average cost of a private rented one bedroom dwelling in Dublin.
The cost is based on the rent data available from RTB Rent Index.
2017 cost: Q4 2016 average was €1,041.25, 90% is €937.13. 2018 cost: Q2 2017 average was €1.094.66, 90% is €985.19

†† The 2017 increase to Back to School Allowance was not introduced at the time of compiling the 2017 MESL Annual Update Report. The effect of the increase is shown in the 2017 scenarios in this document, but not those previously published.

‡‡ DSP (2017) Social Inclusion Monitor 2015; DCYA (2014) Better Outcomes Brighter Futures

§§ Cumulative change from March 2010 to March 2017 in the 'Electricity, gas and other fuels' CPI sub-indice