MINIMUM ESSENTIAL BUDGET STANDARDS RESEARCH CENTRE

OCTOBER 2018

WORKING FOR SOCIAL AND ECONOMIC CHANGE
TACKLING POVERTY AND SOCIAL EXCLUSION

BUDGET 2019: MESL IMPACT BRIEFING

KEY POINTS

Budget 2019 builds on the progress made in previous years towards restoring the relative value of primary social welfare rates, in terms of the cost of a socially acceptable Minimum Essential Standard of Living (MESL). It introduces social welfare rate adjustments which will further reduce the adequacy gap and move closer to providing a minimally adequate social protection floor.

This Budget has taken a crucial step in recognising the additional minimum needs of older children. The VPSJ warmly welcomes the evidence based introduction of the higher rate of Qualified Child Increase (QCI) for children aged 12 and over, as the initial adjustment towards ensuring the social welfare system meets the minimum needs of children of all ages.

It is regrettable that the introduction of social welfare increases is again delayed until March, as was the case in 2017 and 2018. Consequently, social welfare dependent households will miss 12 weeks of increased support. This reduces the effective value of the €5.00 increase to an average of €3.85 per week, over the full 52 weeks of the year.

Delaying the implementation of social welfare increases while tax reductions commence from the start of 2019 creates further inequality in the distribution of the benefits of recovery.

The €25 increase in the income threshold for GP Visit Cards is welcome. However, it is regrettable that the €0.50 reduction in prescription charges for the full Medical Card is limited to over 70s only.

The modest extension to the Fuel Allowance season by one week, equates to 3.7% increase in the value of the support. This fails to keep pace with the rising energy costs, which have increased by 12.8% in the last year.

The €20 increase to the earnings disregard for One-Parent Family Payment and Jobseeker's Transition is welcome, enabling lone parents in employment to retain a greater rate of support. Nominally this measure increases the income disregard in excess of pre-recession levels, an important step towards the restoration of income thresholds in relation to the increased National Minimum Wage rate.

Increase to the National Minimum Wage rate to €9.80, will bring the rate to €2.10 below the Living Wage (€11.90). The NMW will remain at 82% of the Living Wage.

The adjustments to USC will improve the net salary of a full-time minimum wage worker by €0.26 per week, by comparison, an individual earning over €70,044 per annum will pay €2.68 less USC and €2.88 less PAYE per week.

The cost of an MESL is forecast to rise by 2% in 2019 for a single person living and working in Dublin. The increased NMW and changes to USC will provide an increase of 1.8% to net income. Consequently, income inadequacy will deepen.

In 2019, a single adult would need to have over 57 hours NMW employment per week to afford a socially acceptable minimum standard of living in the Dublin area.

TABLE 1 INCOME ADEQUACY 2018 AND 2019

Urban MESL Expenditure need, 2019 MESL based on forecast inflation

		Social Welfare		Employed	
		2018	2019	2018	2019
Two Parent	**Pre-School & Primary School**				
	MESL Expenditure	461.30	466.93	557.32	562.39
	Income (Net)	460.02	473.20	653.55	659.03
	Adequacy	-1.28	6.27	96.23	96.64
Two Parent	**Primary School & Second Level**				
	MESL Expenditure	539.13	545.85	624.70	629.67
	Income (Net)	464.83	481.49	658.36	664.32
	Adequacy	-74.30	-64.36	33.66	34.65
One Parent	**Pre-School & Primary School**				
	MESL Expenditure	347.47	351.81	536.04	542.45
	Income (Net)	340.30	350.62	650.29	657.62
	Adequacy	-7.17	-1.19	114.25	115.16
One Parent	**Primary School & Second Level**				
	MESL Expenditure	425.30	430.73	524.62	529.21
	Income (Net)	345.11	358.90	585.91	590.12
	Adequacy	-80.19	-71.83	61.29	60.91
Single Adult	**Working Age**				
	MESL Expenditure[1]	245.38	247.29	455.87	465.01
	Income (Net)	198.00	203.00	342.95	348.29
	Adequacy	-47.38	-44.29	-112.92	-116.72
Pensioner	**Living Alone**				
	MESL Expenditure	246.59	249.34		
	Income (Net)	255.18	260.62		
	Adequacy	8.59	11.28		

INTRODUCTION

Budget 2019 builds on the progress made in previous years towards restoring the relative value of primary social welfare rates, in terms of the cost of a socially acceptable Minimum Essential Standard of Living (MESL).

The Budget maintains the progress made thus far and introduces adjustments to social welfare rates which build toward providing a minimally adequate social protection floor. These measures are forecast to bring an improvement in the position of eligible social welfare dependent and low income households; reducing the depth of income inadequacy in the majority of cases and the potential for several household types to move into income adequacy.

In addition to recommending continued reductions in the adequacy gap between social welfare rates and minimum need, the VPSJ also proposed measures to begin tackling systemic issues in the structures of the social welfare system which contribute to deep income inadequacy. Budget 2019 has taken a vital first step in addressing one such issue, recognising the additional minimum needs of older children. The VPSJ welcomes the evidence based introduction of the higher rate of Qualified Child Increase (QCI) for children aged 12 and over, as the initial adjustment required to progressively ensure the social welfare system meets the minimum needs of children across all age-groups.

It is regrettable that the implementation of announced increases to social welfare rates is again delayed until March 2019, consequently households in need of support will forego 12 weeks of higher payments. Conversely, tax reductions commence from the start of 2019.

On the basis of the MESL research, the VPSJ recommended a suite of measures for Budget 2019. 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 ultimately ensuring an adequate income for a Minimum Essential Standard of Living.

While Budget 2019 takes positive steps, it fails to provide substantive development in terms of services to reduce minimum living costs. In particular, limited measures to address the social housing need, rising rent costs, and the further delay in the introduction of the Affordable Childcare Scheme, are regrettable.

Area	MESL Recommendations	Budget 2019 Measures
Working Age Personal Rates	Increase by €5.00	Increased by €5.00
Qualified Adult	Increase by €2.60	Increased by €3.30
Qualified Child (basic level)	Increase by €2.90	Increased by €2.20
Qualified Child (12 and over)	Additional €5.00 QCI for this age-group	Additional €3.00 for older children
Jobseekers – 25 year olds	Re-instate full rate of JA for this group	Full €5 increase, but no equalisation
Jobseekers – Under 25	Interim rate of €149, ultimately restore	Full €5 increase, but no equalisation
Fuel Allowance	Re-instate 32 week season; €795 a year - restoring purchasing power	Payment season extended by one week; Annual value of €640
OFP / JST Income Disregard	Interim, restore to €146.50, aim for €161	Increased to €150
Working Family Payment	Increase income thresholds (€15 first 3 children and €25 for 4th child)	Disregard for maintenance payments But no change to income thresholds
Child Benefit	No Change	No change
Pensions, Personal & QA	No Change	€5 increase, proportional QA adjustment
Pensions, Living Alone	Increase by €3.00	No change
National Minimum Wage	Progressive realisation of Living Wage. Review income thresholds for in-work & secondary supports.	€0.25 increase, maintaining the gross NMW rate at 82% of the Living Wage. Income threshold for GP Visit Card raised.

MESL IMPACT BRIEFING

This briefing analyses the impact of Budget 2019, applying the Minimum Essential Standard of Living (MESL) data to forecast the adequacy of social welfare rates and the minimum wage in 2019, 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.[2]

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 2018 MESL expenditure and income data.[3] The 2018 costs are projected forward to 2019 using the CPI forecast inflation rate (0.9%).[4] The 2019 income calculations are based on the available information from Budget 2019 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 the long-term goal of ensuring that social welfare provides an adequate social protection floor.

Crucially, Budget 2019 introduces a higher rate of Qualified Child Increase for older children (aged 12 and over) in social welfare dependent households. This is a vital measure, recognising that older children have additional needs, and laying the foundation for addressing a persistent gap in the current system.

The introduction of the announced increase is again delayed until March, as was the case in 2017 & 2018. Consequently social welfare dependent households will miss 12 weeks of increased payments. This delay reduces the effective value of the Personal Rate increase to a weekly average of €3.85 over a full year.

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

The introduction of a maintenance disregard for Working Family Payment, is a welcome development and brings the treatment in line with other social assistance payments.

The €20 increase to earnings disregard for One-Parent Family Payment and Jobseeker's Transition is welcome, enabling lone parents in employment retain a greater rate of support. Nominally this measure increases the income disregard in excess of pre-recession levels. However, to account for increases in the rate of the NMW, a disregard of €161 per week is required in 2018, rising to €166 in 2019.

Regrettably, the One-Parent Family Payment gross salary limit of €425 remains unchanged for the 12th consecutive year. The failure to adjust the value of this cut-off point to reflect rising costs has eroded its value. Additionally, not adjusting the limit it in line with family size fails to address a systemic issues which exist within the structure of this support.

CHILD POVERTY & OLDER CHILDREN

Budget 2019 introduces an evidence based response to child poverty through the introduction of a higher rate of Qualified Child Increase (QCI) for children aged 12 and over. The VPSJ warmly welcomes this crucial first step in addressing the higher consistent poverty rates found in this age-group.

Nearly 1 in 5 children (19.3%) in Ireland are 'at risk of poverty' and children make up over a third (35.7%) of people living in consistent poverty.[5] Meeting the Government target to reduce the number of children in consistent poverty by at least two-thirds, means 95,000 children must be lifted out of consistent poverty by 2020. [6]

Analysis by the Department of Social Protection has found that older children (ages 12 – 17) are more likely to be in consistent poverty. [7]

The MESL research has consistently identified older children as having additional and different needs distinct from children in younger age groups.[8] The minimum needs of older children, aged 12 and over, cost over €120 per week (in 2018). This is 63% more expensive than the minimum needs of younger children.

Households with older children are more at risk of deep income inadequacy, making up 80% of cases found in the VPSJ analysis of social welfare adequacy.

In 2018 social welfare supports meet 57% of the MESL cost for children 12 and over. In 2019, supports (including the new QCI rate) are forecast to meet 61% of the MESL needs of older children.

The VPSJ has consistently demonstrated the need for the structures of the social welfare system to reflect the additional needs of older children.

We welcome the introduction of the new older child rate, as laying the foundation for meeting these needs. In order to make real progress toward achieving the child poverty reduction goal and addressing the multi-faceted consequences of child poverty, it is imperative that this be built upon, and supports for children of all ages continue to be enhanced.

DEEP INCOME INADEQUACY

For Budget 2019 the VPSJ recommended building on the progress made in restoring the relative value of social welfare rates, by placing an emphasis on addressing deep income inadequacy.

In 2018 VPSJ analysis found that social welfare fell short of providing an adequate income in 157 of 214 cases examined. Over half (90) of inadequacy cases show deep income inadequacy, where income meets less than 90% of minimum need.

In 2019 it is forecast that 147 of the 214 test household cases will demonstrate income inadequacy, and half (74) of the inadequacy cases show deep income inadequacy.

However, this will be a marked improvement from the position in 2017, when over two thirds (110) of the inadequate cases were in deep income inadequacy.

MESL ANALYSIS

The adequacy of social welfare payments are benchmarked against the minimum expenditure needs of each household. Table 1 summarises the expenditure needs and social welfare income for:

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

In all cases the household types are eligible for a full Medical Card, and housing costs are based on social housing differential rents (except for the single adult[9]).

The MESL research has consistently found that these household types illustrate particular vulnerabilities to income inadequacy, when reliant on social welfare.

With the exception of the urban Pensioner living alone household, in each of the cases illustrated social welfare does not provide a securely adequate income to these household types in 2018.

The €5 increase per week to the Personal Rate of Jobseeker payments, One-Parent Family, State Pension, etc., is accompanied by proportional adjustments to both the Qualified Adult and standard Qualified Child rates.

The social welfare measures from Budget 2019 will see household income rise by between 2.1% and 4.0% in 2019, exceeding forecast inflation.

These measures make a positive contribution, continuing progress in narrowing the adequacy gap between social welfare supports and MESL need.

The households with younger children are close to income adequacy in 2018. In 2019 it is forecast that the Two Parent household type will move to marginal adequacy, with income exceeding MESL need by approximately 1.3%.

The households with an older child continue to demonstrate inadequacy, but the depth of the inadequacy is forecast to reduce by approximately 2 percentage points.

SINGLE ADULT OF WORKING AGE

This household type will benefit from the €5 increase to the Jobseekers Personal Rate. The 2019 rate, coming into effect in the last week of March, will be €203, meeting 82% of forecast MESL need in 2019. An improvement of 1.4 percentage points from 2018.

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 2018. This inadequacy will decrease marginally in 2019, but income will remain over €44 per week short of MESL expenditure need.

When in receipt of a long term Jobseekers payment this household would be eligible for both the Fuel Allowance and 'Christmas Bonus'.

The Fuel Allowance, extended to 28 weeks in Budget 2019, equates to an average weekly value of €12.12.

The increased Christmas Bonus of 100% equates to an average of an additional €3.90 per week for an eligible unemployed adult without dependents.

The combination of the Christmas Bonus and Fuel Allowance would reduce the level of inadequacy, but income would remain €28 short of MESL need.

UNEMPLOYED ADULTS, UNDER 26

Budget 2019 has failed to equalise Jobseeker's Allowances rates for all adults, retaining the reduced rates for younger adults.

The application of the full €5 increase to the personal rate is welcome, continuing the practice from Budget 2018.

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 minimum needs as older adults, and therefore require the same level of income support.

HOUSEHOLDS WITH CHILDREN

In addition to the welcome introduction of a higher rate of Qualified Child Increase for older children, Budget 2019 also raised the standard QCI by €2.20, in line with the adjustment to the adult Personal Rate.

The €25 increase to the Back to School Clothing and Footwear Allowance, builds on the 2017 increase, and is welcome progress in the restoration of an important support.

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 €13.18 to €16.66 per week (depending on the age of the children).

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 €10.31 to €13.79.

The measures from Budget 2019 will increase total household income by an average of 3.4% for each of the family household situations illustrated.

In 2018, of 207 cases of households with children examined, 155 showed income inadequacy, with 89 demonstrating deep income inadequacy.

In 2019 it is forecast that 145 of the 207 test household with children cases will demonstrate income inadequacy. A decrease of only two cases.

A notable improvement in deep inadequacy is expected in 2019, reducing by 16 cases from 89 to 73 family household cases. While most of these cases include households with older children, the additional supports for this age-group will contribute to the rate reducing. In 2019, 63 out of the 73 family cases with deep inadequacy have older children.

OLDER PEOPLE

Budget 2019 brings the fourth 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 2019, represents a cumulative increase of €18.

The MESL research finds pensioner couple households tend to demonstrate income adequacy when reliant on the state pension. However, a pensioner living alone has tended to show greater vulnerability to income inadequacy. This trend has begun to change for urban households, but remains in rural areas.

In 2019, additional supports will add an average of €5.43 per week to household income for a pensioner living alone. The Non-Contributory Pension, and secondary supports, will provide an income that is 4.5% above the MESL floor need when in an urban area and living in social housing.

An urban based pensioner household can utilise the free travel pass to meet minimum transport needs on public transport. The same is not true for rural pensioner households. The need for a car adds an additional €59 per week to the MESL budget for a lone pensioner in a rural area.[10]

Due to additional needs in a rural area, primarily transport, the non-contributory State Pension (and secondary supports) will meet only 83% of MESL costs for a rural older person living alone, leaving an adequacy gap of over €40 per week.

For these reasons the VPSJ recommended that Budget 2019 prioritise improvements to the Living Alone Allowance and services to reduce the additional transport costs faced by older people in rural areas.

It is disappointing that Budget 2019 repeated general pension increases in place of evidence based measures to assist the older people in greatest need of support.

FUEL ALLOWANCE

Budget 2019 extends the payment of the Fuel Allowance by one week, to 28 weeks per year. This is an increase of €22.50 in the year, bringing the annual value of the support to €630.

This represents an increase of 3.7% in the value of the Fuel Allowance. Home energy prices increased by an average of 12.8% in the last year[11].

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.

Based on analysis of average fuel price developments from 2010, the Fuel Allowance now requires an annual value of €795, to restore purchasing power and enable the same amount of energy to be purchased in 2018.[12]

The Budget 2019 adjustment to Fuel Allowance fails to keep pace with rising fuel costs in the last year, and is in effect a further cut to the already diminished support.

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

CHOICES

On the basis of the MESL analysis of household types most at risk of income inadequacy, and wider data regarding the households with the greatest levels of consistent poverty, the VPSJ recommended specific measures for Budget 2019 which focused on adjustments targeting specific needs. These recommendations did not include a general increase to the State Pension.

The €5 increase to pension rates will cost approximately €160 million in 2019.[13]

Restoring the full value of the Fuel Allowance, to an annual rate of €795 would cost €60.4 million, in addition to the one week extension of the season included in Budget 2019. A €3.00 increase to the Living Alone Allowance would cost €32.8 million. These measures would bring an additional €6 per week to older people living alone, and restore the fuel allowance to all long-term social welfare recipients.

If this choice had been €66.8 million would be available, enabling the consideration of options for other groups. For example:

- Restoring the full rate of Jobseekers Allowance to 25 year olds, and increase the rate for under 25s to €149 per week – €36.5 million
- Earnings disregard for One-Parent Family Payment (and JST) restored relative to the minimum wage, to €161 per week – additional €2.9 million
- Setting the higher rate of QCI for older children at €5.00 above the QCI rate for younger children – additional €9.3 million.

While many of the measures included in Budget 2019 are to be welcomed, it is regrettable that evidence did not inform more of the choices and ensure that resources are distributed to where the need is greatest.

INCOME ADEQUACY IN EMPLOYMENT

Employment should enable working-age adults to ensure a decent and adequate Minimum Essential Standard of Living for themselves and their families. Having an income below this standard of living means doing without goods and services which are seen as vital for taking part in the norms of everyday life.

Decent work, providing an adequate rate of pay and secure hours, is crucial to enabling income adequacy in employment. However, minimum rates of pay cannot provide for income adequacy in isolation. There is a fundamental role for social supports to smooth out the multiplicity of varying additional and different needs of households with children.

Adequate affordable services, such as affordable childcare and housing, can reduce the cost of an MESL.

In conjunction with services well designed in-work income supports (operating in tandem with the tax system) have the potential to supplement incomes to address the additional needs of households with children, where necessary, ensuring an MESL is a reality for all.

Table 1 summarises the minimum wage employment scenarios for five working age household compositions. The adequacy of net household income when in minimum wage employment is assessed, taking account of tax liabilities and relevant social welfare entitlements.

The households with children demonstrate income adequacy in these scenarios, when paying a differential rent in social housing and able to access childcare support through the CCS Plus scheme.

MINIMUM WAGE & INCOME TAX CHANGES

The increase in the National Minimum Wage (NMW) rate of €0.25 brings the rate to €9.80 per hour in 2019, a 2.6% adjustment. In 2019 the Minimum Wage will €2.10 below the Living Wage rate (€11.90 per hour), providing 82% of the Living Wage.

For a single person earning the minimum wage, working full-time (37.5 hours), gross weekly salary will increase by €9.38 in 2019 due to the NMW change. The additional PAYE, PRSI and USC liable on this salary increase reduces the net gain to €5.34 per week. The Marginal Effective Tax Rate on the NMW increase is 43%, for a full-time worker.

Budget 2019 raises the upper limit for the second band of USC ensuring that a minimum wage employee will not enter the third USC band, if working no more than 39 hours per week. This equates to a reduction of €0.26 per week in USC liability compared to the same salary in 2018.

The Budget also cuts the rate of the third USC band. The maximum reduction in USC liability, €2.68 per week, will be on salaries at the upper threshold of the band (€70,044) and above. Ten times the reduction of liability for a minimum wage worker.

The extension of the Standard Rate band for PAYE income tax has no effect on those earning the NMW and below average salaries. For a single individual the adjustment will reduce the PAYE payable on earnings above €34,550 per annum, with the maximum benefit on salaries from €35,300 per annum.

Effect of tax changes on a Single Adult:

- A single full-time worker (37.5 hours) earning the NMW will pay a Marginal Effective Tax Rate of 43% on the minimum wage increase.
- When earning the Living Wage (€11.90 per hour, 39 hours per week), may pay €0.47 less per week in USC; a net income increase of €24 over a full year.
- On a salary of €37,500 per annum, approx. average salary, the USC and PAYE changes result in a net income increase of €208 over the course of a year.
- An increase of €290 for an individual earning over €70,000.

The value of such a limited change in net income for those on low incomes is negligible, and there is no tangible impact for those on higher incomes. 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.

SINGLE ADULT

One adult in full-time (37.5 hour) minimum wage employment will have an increase in net income of

€5.34 per week (1.8%), due to the combined effect of the increase to the NMW and reductions in USC.

Housing costs increased by 10% for this household type (in Dublin) between 2017 and 2018, and this trend is continuing. The combination of inflation generally and increasing rents result in a forecast increase in minimum expenditure need of €9 (2%) per week in 2019, when living and renting in Dublin.

In 2019 income inadequacy will likely deepen for a household in this scenario, with an income shortfall of over €115 per week. The NMW will provide for only 75% of this households MESL expenditure need.

Based on the current forecast MESL costs for 2019, 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, housing costs are based on paying a differential rent (social housing), and households with younger children can access support with childcare costs through the CCS plus scheme.

Budget 2019 brings a much needed adjustment to the income disregard for the One-Parent Family Payment (and Jobseeker Transition) increasing from €130 to €150 per week. This measure will enable the household to retain a higher level of income support when earnings increase e.g. increasing NMW.

Household income will increase by an average of €7.33 per week, for a one parent household with two young children, in full-time minimum wage employment. This is due to the combined increase in minimum wage, OFP earnings disregard and fuel allowance.

The increased earnings disregard enables retention of a higher rate of OFP in this scenario. However, much of this gain is offset by a corresponding reduction in Working Family Payment and PAYE liability.

The second One Parent household composition is not eligible for OFP, as the children in the 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 a reduction in WFP of €4.00, resulting in a net increase of €4.21 per week.

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

Half of the gain from the increase in the minimum wage is offset by a reduction in the level of WFP payable in this situation. The households demonstrate an average net income increase of €5.48 and €5.96 per week.

Minimum wage employment is forecast to continue to provide the basis of an adequate income for both of One Parent and Two Parent household compositions in 2019, when in social housing and accessing support with childcare costs.

IMPORTANCE OF SERVICES

Current in-work income supports, when working in tandem with services, can provide income adequacy, as demonstrated in the scenarios above.

The MESL research also demonstrates that where these services are not available the expenditure and income required for a socially acceptable minimum standard of living is significantly higher, and so current income supports are not adequate in conjunction with minimum wage employment, to meet these costs.

Eligibility for CCS Plus childcare supports is contingent on a household's eligibility for social welfare and medical card status. VPSJ analysis has demonstrated the significant poverty trap this can create, with earnings only marginally above the NMW leading to reduced support, increased childcare costs and significant income inadequacy.[14]

Measures announced in Budget 2019 to increase the One-Parent Family Payment (and JST) earnings disregard and increase the GP Visit Card earnings threshold may mitigate these issues somewhat.

The Affordable Childcare Scheme (ACS) was announced in Budget 2017. The scheme, as originally outlined, has the potential to significantly reduce the cost of an MESL for households with childcare costs, and crucially replaces the CCS with means tested tapered supports.

It is regrettable that Budget 2019 further delays the ACS until late 2019, with no firm launch date.

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

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. Cost is net the CCS Plus or ECCE scheme as appropriate for child age and household eligibility.

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

1 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. the tenant contribution).

2 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.

3 Analysis of the MESL in 2018 is available in the MESL 2018 Update Report - www.budgeting.ie/publications/mesl-2018/

4 Central Bank (2018) Quarterly Bulletin No.3 2018. https://www.centralbank.ie/docs/default-source/publications/quarterly-bulletins/qb-archive/2018/quarterly-bulletin---q3-2018.pdf?sfvrsn=6#page=8

5 CSO (2017) SILC 2016 Table 2, Table 8.

6 DSP (2018) Social Inclusion Monitor 2016. Page 40.

7 Older children have the highest consistent poverty rates (14.0% compared to 8.8% and 10.4% for younger age-groups). DSP (2018) Social Inclusion Monitor 2016. Table 6.1.

8 See VPSJ's MESL 2018 Update Report, page 11 and pages 15–18.

9 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.
2018 cost: Q4 2017 average was €1,145.03, 90% is €91,030.53. 2019 cost: Q2 2018 average was €1,179.61, 90% is €1,061.65

10 See VPSJ's MESL 2018 Update Report, page 13–14. www.budgeting.ie/publications/mesl-2018/

11 CSO CPI Data (Table CPM16): CPI detailed sub-indice 'Electricity, gas and other fuels', 12 month change to September 2018.

12 Cumulative change of 24.4% from March 2010 to March 2018 in the 'Electricity, gas and other fuels' CPI sub-indice.

13 Author's calculations, based on data from DSP Pre Budget (2019) Fourm '€1 Ready Reckoner' and Budget 2019 Expenditure Report.

14 See MESL 2018 Update Report, page 20 – 26. www.budgeting.ie/publications/mesl-2018/