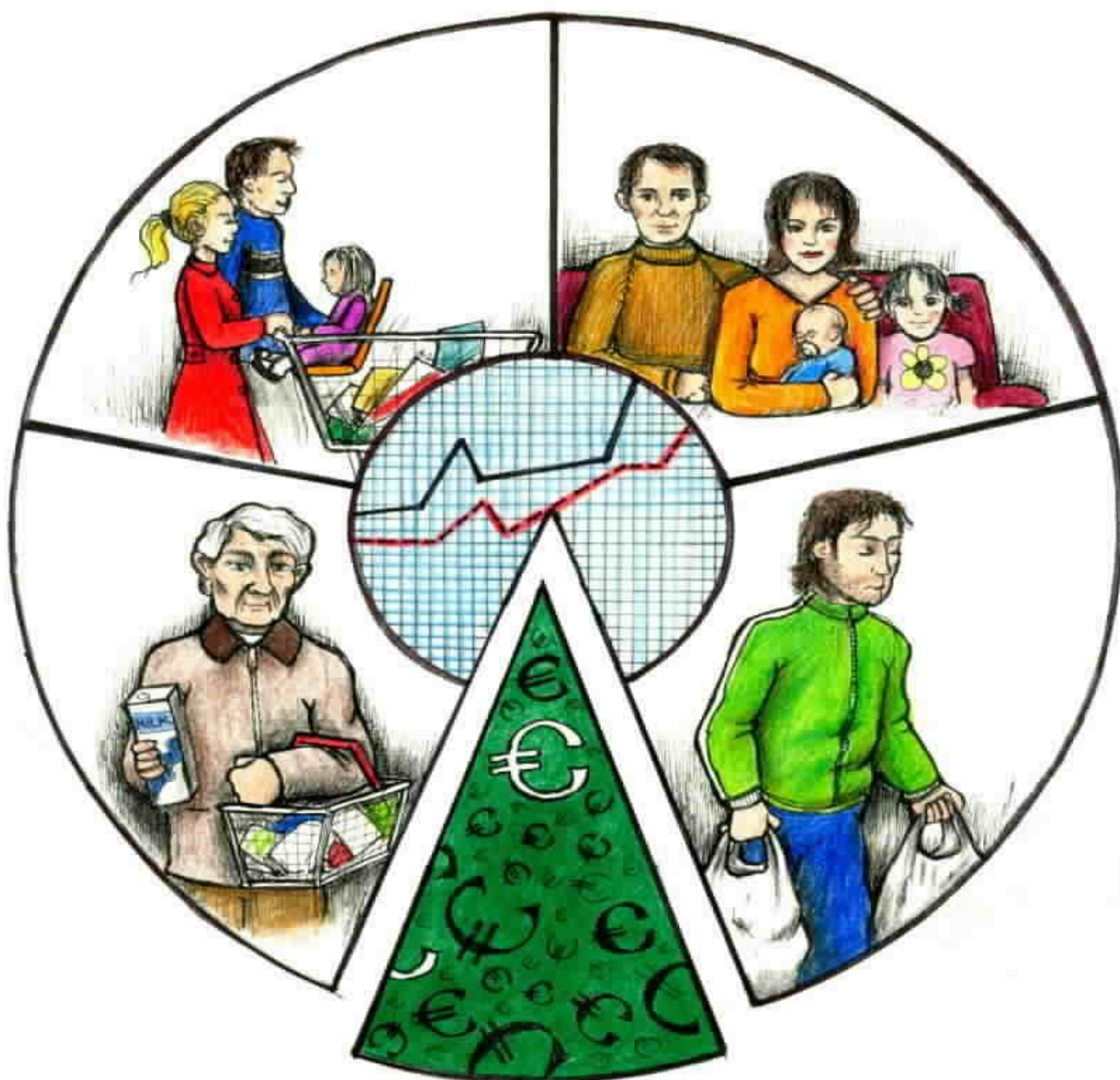


Minimum Essential Budgets for Six Households 2008

Policy Implications of Changes in Minimum Essential Budgets from 2006-2008.



*By The Vincentian Partnership for Social Justice
Working for social and economic change
– Tackling poverty and exclusion*



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FOREWORD

I have always been confused about how welfare rates are set. It would appear that they are based on either some quite arbitrary, and long forgotten, mathematical, relationship to industrial earnings or on the health of exchequer returns at a given time. They are most certainly not based on any considered analysis of what it actually costs an individual or household to live with some basic level of dignity. This probably explains why welfare rates are consistently below well established income thresholds.

It has long been the opinion of the SVP, based on the daily experiences of our members throughout Ireland, that welfare rates should be related to what it actually costs an individual or family to live. The current method of deciding on rates means that people struggle to pay for basic essentials, such as food, heat, housing, education and health and consequently they have little if anything left to cater for financial emergencies let alone engage in leisure pursuits. Sadly the fact that the SVP is spending over €45 million per year assisting people in need is a damning indication that welfare rates are inadequate and the consequent suffering is immense among a great many people. Why else would the Society have to spend over €4.8million on food; over €3.5million on energy bills; over €2.5million on educational support and over €7.8million on general bills?

This piece of work by the Vincentian Partnership for Social Justice is both timely and very welcome for a number of very important reasons. It presents a very sensible and fair method for deciding on appropriate welfare rates based on a Minimum Essential Budget for various household types. The report highlights the very positive impact of targeted increases in pension rates on the living standards of most older couples. On the other hand the analysis strikingly illustrates the plight of people living alone, whether an older single woman or a younger single man. For these people it is very evident that the current welfare rates are not only inadequate, but more importantly the extent of that inadequacy is quantifiable. For many years now the SVP have been commenting on the plight of families with children, particularly older children, and this report provides very concrete evidence that it costs much more to look after older children. Another issue highlighted in this report is the ongoing persistence of poverty traps within the welfare system because of the failure to increase income eligibility thresholds. Nowhere is this more evident than in respect of entitlement to a medical card and this report shows very clearly how this can be jeopardised by tiny increase in weekly income.

The Vincentian Partnership for Social Justice is to be commended for an excellent piece of work that will prove invaluable to all groups with an interest in tackling poverty. This includes not only the community and voluntary sector but also Government departments and State agencies, hopefully they will take note.

John Monaghan
National Vice President
Society of St Vincent de Paul

November 2008

Minimum Essential Budgets

Policy Implications of Changes in Minimum Essential Budgets from 2006-2008

Outline of Report:

1. The cost of a Minimum Essential Standard of Living for six households for the period 2006-2008
2. The changes in income and expenditure for different categories of the six households for the period 2006-2008
3. The policy implications of these changes

The report is divided into the following sections:

1. 2006 study ‘Minimum Essential Budgets for Six Households’
2. The uprating process for 2007 and 2008
3. Principal findings – changes for the period 2006-2008
4. Policy implications and recommendations: changes in the patterns of expenditure and income for the period 2006-2008
5. Conclusion
6. Tables: Detailed information on the changes in expenditure for the six households

Introduction:

The members of the Vincentian Partnership for Social Justice (VPSJ), which was established in 1996 to work for social and economic change – tackling poverty and exclusion, are the Society of St. Vincent de Paul, the Vincentian Congregation, the Daughters of Charity and the Sisters of the Holy Faith. The VPSJ focuses on two main areas – the promotion of active citizenship in disadvantaged communities and the promotion of income adequacy. To raise awareness of the impact of inadequate income the following studies were undertaken:

- *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*
- *2008 Minimum Essential Budgets for Six Households – Policy Implications of Changes in Minimum Essential Budgets from 2006-2008*

A Minimum Essential Standard of Living:

‘A Minimum Essential Standard of Living (M.E.S.L) is one which meets a person’s physical, moral, spiritual and social well-being’ (UN definition of an adequate lifestyle).

1. 2006 ‘Minimum Essential Budgets for Six Households’:

The aim of the 2006 study was to:

1. Make available detailed information on the actual cost of a Minimum Essential Standard of Living for 6 household types;
2. Provide the foundations for a national database for minimum essential budget standards, which can be developed and modified for application to different family types;
3. Lobby for a more adequate level of income for people in receipt of social welfare payments and the minimum wage.

Budget Standards methods are designed to answer the question ‘how much does it cost to reach an acceptable living standard?’ In an attempt to answer this question the VPSJ in 2006 undertook the study ‘Minimum Essential Budgets for Six Households’. The methodology used a combined approach – the Consensual Budget Standards of Loughborough University and the Low Cost but Acceptable Budget Standards developed by the Family Budget Unit, University of York.

In order to construct a Minimum Essential Budget Standard, people living in household types (from different social and economic backgrounds) are brought together to act as their own budget standard committee. Expert knowledge is sought when required to determine standards for food and fuel etc.

The 2006 study presents the actual cost of a Minimum Essential Standard of Living for six household types. For five of the six households in the study accommodation is based on living in Local Authority accommodation in the Dublin City Council region. Because of problems of eligibility for Local Authority accommodation, the sixth household, that of the single adult male, is located in the private rented sector.

To establish the actual cost of a Minimum Essential Standard of Living an agreed basket of goods (focus groups were used to construct the basket of goods) consisting of over 2000 items were priced and costed on a weekly basis. The cost of a Minimum Essential Standard of living was compared with each of the households’ income from work (either full/time or part time on the National Minimum Wage) and/or social welfare entitlements to determine if they were living with a weekly shortfall or discretionary income. If a household has an income below their minimum essential budget costs they have a weekly shortfall and are unable to afford a Minimum Essential Standard of Living. If a household has an income above their expenditure costs they have a weekly discretionary income and are able to afford a Minimum Essential Standard of Living.

The Principal Findings of the 2006 Study:

- *A Minimum Essential Standard of Living was not possible for five of the six household types*
- *Households unable to reach a minimum essential standard of living:*
 - *Struggle to cope on a daily basis*
 - *Have unmet physical, mental, spiritual and social needs*
 - *Become trapped in poverty*

2. The Uprating Process for 2007 and 2008

The 2006 figures were uprated for 2007 and 2008. To uprate the cost of the minimum essential items, inflation for each category e.g. food, fuel, household goods etcetera was taken into account. For 2007, the inflation figures were taken from the period mid June 2006 - mid June 2007. For 2008 the inflation period used was mid June 2007 – mid June 2008. To update income changes in social welfare payments and the National Minimum Wage were taken into account for each year.

New Website and Updating Minimum Essential Budgets for Six Households on an Annual Basis:

The website www.budgeting.ie gives a detailed breakdown of each of the households income and expenditure and compares the findings of the study across the period 2006-2008. It is hoped that the figures will be uprated on annual basis.

Updating the findings on an annual basis allows the changes in the financial situation of households in this study to be tracked over a period of time. Updating the study helps to identify and explain changes that have taken place for the six households and helps to keep attention focused on the fact that households unable to afford a Minimum Essential Standard of Living households will continue:

- To struggle unsuccessfully to cope on a daily basis
- Have unmet physical, mental, spiritual and social needs
- Become trapped in poverty

In its work on Budget Standards the Vincentian Partnership for Social Justice hopes to provide an insight into the income required for a Minimum Essential Lifestyle and in the process promote a more just and equal society.

3. Principal Findings – Changes during the Period 2006-2008:

- 1. In the period 2006-2007 social welfare transfers and an improvement in the National Minimum Wage increased the number of households (in this study) for whom a Minimum Essential Standard of Living (MESL) was possible**

2006	2007	2008
9/27	15/27	15/27

- 2. In this study the impact of the 2008 social welfare increases (smaller than for 2007) is being eroded by inflation. There was no change from 2007 to 2008 in the number of households with a Minimum Essential Standard of Living.**
 - In 2007 €1,406 million was the full year cost of social welfare budget improvements
 - In 2008 €900 million was the full year cost of social welfare budget improvements. (Figures from the Dept of Social & Family Affairs, 2008).

3. In this study a Minimum Essential Standard of Living is not in place for:

- Lone female pensioners (state pension)
- Households with adolescents
- Single adult males

3A Lone Pensioners:

- In this study significant weekly shortfall between income and expenditure continued across the period ranging in 2008 from €34.00 (income from Contributory State Pension/no car) - €91.99 (income from Non-Contributory State Pension/car owner).
- The Living Alone Allowance of €7.70 has not been increased since 1996.

3B Households with Adolescents:

- In this study households with a 3 year old child and 10 year old child in 2008 (1 full-time worker – 1 part-time worker on National Minimum Wage/no car) have a discretionary income of €54.26 whereas households with a 10 year old child and 15 year old adolescent have a shortfall of €47.18.
- Child Benefit payments do not take account of the cost of an adolescent (food, clothing, social inclusion etc).

3C Young Males:

- In this study in 2008 a single male in private accommodation (bed-sit) would need to work approximately 46.5 hours per week on National Minimum Wage to afford a Minimum Essential Standard of Living.

5 Cost of Childcare:

- The cost of private childcare and the lack of community/not for profit childcare facilities in this country leads to situations in which parents after paid employment can be worse off financially than those who are unemployed. As a result households' can be caught in a poverty trap as part-time work is frequently low skilled and low paid.

4. Medical Cards:

- The failure to increase the income threshold for medical cards meant that some households lost their medical card due to minimal improvements in income.

4. Policy Implications & Recommendations: Changes in Minimum Essential Budgets 2006-2008:

Following on from the changes in Minimum Essential Budgets from 2006-2008, the study presents a number of policy implications and recommendations designed to make possible a Minimum Essential Standard of Living for all households.

Summary of Recommendations:

- Social Welfare transfers to be above the inflation rate if they are to be effective.
- The National Minimum Wage (NMW) to keep pace with inflation.
- The Living Alone Allowance to be substantially increased to make possible a Minimum Essential Standard of Living for those living alone.
- Child Benefit to take account of the cost of an adolescent.
- The income limit eligibility for medical cards to be increased to ensure that people do not lose their medical card as a result of minimal increases in income.
- There needs to be an increase in the number of community/not for profit childcare facilities.
- Introduce a refundable tax-credit system to benefit the 'working poor'.

5. Conclusion:

The Vincentian Partnership for Social Justice recognises the strides that have been made to combat poverty and social exclusion in Ireland in the period 2006-2008. The VPSJ welcome the substantial increase in pensions, social welfare transfers, the increase in the National Minimum Wage and the introduction of the Early Childcare Supplement in 2007. The positive steps taken in 2007 increased the number of households in this study from 9 of the 27 to 15 of the 27 for whom a Minimum Essential Standard of Living was possible. Moreover, the increase in the number of households which are able to afford a Minimum Essential Standard of Living demonstrate that social welfare transfers, when sufficient and properly targeted, can and do bring people out of poverty.

Despite the improvements mentioned above, the momentum of tackling poverty has stalled in the period 2007-2008. Ten of the twelve households which were experiencing shortfalls in 2007 are now facing even greater shortfalls (albeit very slight in some cases) in 2008. It is clear from this research that there are still households which cannot meet their basic expenditure costs; households with adolescents, young single adult males and pensioners living alone have inadequate incomes and struggle to cope on a daily basis. More worryingly, it is apparent that many of these households are now falling further below the income required to afford a Minimum Essential Standard of Living. Rising inflation on basic commodities such as food and fuel which rose by 7.3% and 11.1% respectively in the period mid June 2007 – mid June 2008 is having a negative impact on the households in this study and is eroding increases in income and social welfare transfers.

The cost of private childcare places a considerable financial strain on households in this study, with those who choose to work full-time actually faring worse financially than those who work part-time. The lack of community/not for profit childcare facilities in Ireland is a situation that should be urgently examined. Failure to tackle this issue will mean there will be a cohort of parents that are caught in a poverty trap; unable to afford to work full-time and forced into a situation of having to work part-time in what is often low paid and low skilled work.

Furthermore the loss of the medical card for some households in this study (as a result of a minimal increase in their income) highlights the poverty traps that are inherent in the Irish social welfare system. The removal of benefits from those on a low income means that there may be households which will forgo paid employment for fear of losing their benefits. It is imperative that a nominal increase in income does not result in a loss of benefits for households already struggling on a low income.

Finally, the cost of an adolescent as shown by the figures in this study, demonstrates the need to have policies specifically targeted at households with adolescents. Making the Child Benefit payment age related for example would go some way towards easing the financial strain experienced by parents of teenagers and would at least make a Minimum Essential Standard of Living more possible for this household type.

Our work is to inform politicians and policy makers about the actual cost of living and the need for an adequate income. Implementing policies to tackle poverty without recognition of the cost of living run the risk of failure

It is hoped that this report, which provides insight into the income required for a Minimum Essential Lifestyle, will contribute to the creation of a more just, equal and inclusive society for all.

6. Tables: Detailed Information on the Changes in Expenditure for the Six

Households:

The tables in section 5A show the cost of a Minimum Essential Standard of Living for the six households from 2006 -2008. With the exception of the lone female pensioner who is entitled to a medical card as she is over 70 years of age, none of the households in this study are in receipt of any secondary benefits. Housing and car costs are excluded when calculating a Minimum Essential Standard of Living for each of the households.

The tables in section 5B show the weekly income, expenditure and shortfall or discretionary income for each household type from 2006-2008. More detailed data outlining their income as well as their expenditure can be found on www.budgeting.ie

5A

Pensioner Couple – age 66-69
In receipt of State Pension (Contributory) – no entitlement to secondary benefits
Housing and Car costs excluded

Household Types	2006	2007	2008
	In receipt of state pension (Contributory) / no benefits	In receipt of state pension (Contributory) / no benefits	In receipt of state pension (Contributory) / no benefits
Pensioner Couple age 66-69			
Food	81.05	83.08	89.14
Clothing	23.57	22.70	22.00
Personal Care	15.81	15.90	16.38
Health Related Costs	36.28	37.26	39.53
Household goods	23.45	22.96	22.75
Household services	21.24	20.79	20.60
Social inclusion and participation	55.08	55.80	56.86
Housing	Nil	Nil	Nil
Transport	Nil	Nil	Nil
Household Fuel	32.00	39.23	43.58
Personal costs	5.00	5.03	5.18
Savings/ contingency costs	36.92	37.14	38.25
Total costs	330.40	339.89	354.27

**Lone Female Pensioner (age 70+) –
In receipt State Pension (Contributory) – no entitlement to secondary benefits –
Housing and Car costs excluded**

	2006	2007	2008
Household Types	In receipt of state pension (Contributory) / no benefits	In receipt of state pension (Contributory) / no benefits	In receipt of state pension (Contributory) / no benefits
Lone Female Pensioner age 70+			
Food	66.15	67.80	72.75
Clothing	14.87	14.32	13.88
Personal Care	10.95	11.02	11.35
Health Related Costs	18.13	18.62	19.76
Household goods	21.34	20.89	20.70
Household services	20.75	20.31	20.13
Social inclusion and participation	38.08	38.58	39.31
Housing	Nil	Nil	Nil
Transport	Nil	Nil	Nil
Household Fuel	32.00	39.23	43.58
¹ Personal costs	6.83	6.87	7.08
Pet Costs	6.73	6.82	6.95
² Savings/ contingency costs	23.46	23.60	24.31
Total costs	259.29	268.06	279.80
Deduct health costs*	18.13	18.62	19.76
Total costs (less health care where applicable)	241.16	249.44	260.04

¹ In the case of a Lone Female Pensioner, the Personal Costs Budget also includes the cost of a Personal Alarm for security reasons.

² Savings/ Contingency costs budget also includes a Top Up Life Assurance Policy of €10 per week for a Lone Female Pensioner

* Medical costs are deducted as the Lone female Pensioner is entitled to as medical card as she is over 70 years old

Two Adults and Two Children (3 year old girl and 10 year old boy)
One adult working full-time on NMW*- No entitlement to secondary benefits
Housing and Car costs excluded

Household Types	2006	2007	2008
	With 1 Full Time worker / no benefits	With 1 Full/ Time worker / no benefits	With 1 Full Time worker /no benefits
Two Adults and Two Children (3 year old girl and 10 year old boy)			
Food	102. 89	105.46	113.16
Clothing	30. 73	29.59	28.67
Personal Care	22. 45	22. 58	23.26
Health Related Costs	39. 62	40.69	43.17
Household goods	28. 74	28. 14	27.89
Household services	21. 65	21. 20	21.00
Social inclusion and participation	71. 05	71. 97	73.34
Educational costs	6. 37	6. 68	7.11
Housing	Nil	Nil	Nil
Transport	45. 00	47. 80	51.39
Household Fuel	35. 00	42.91	47.67
Personal Costs	4. 80	4. 83	4.97
Childcare costs	Nil	Nil	Nil
Savings/ contingency costs	26. 92	27.08	27.89
Total costs	435. 22	448.93	469.52

**Two Adults and Two Children (10 year old girl & 15 year old girl) –
One adult working full-time on NMW * - no entitlement to secondary benefits
Housing and Car costs excluded**

	2006	2007	2008
Household Types	With 1 Full-Time worker/ no benefits	With 1 Full-Time worker/ no benefits	With 1 Full Time worker/ no benefits
Two Adults and Two Children (10 year old girl & 15 year old girl)			
Food	131.90	135.20	145.07
Clothing	41.28	39.75	38.52
Personal Care	30.28	30.46	31.37
Health Related Costs	40.59	41.69	44.23
Household goods	30.87	30.22	29.95
Household services	27.42	26.84	26.60
Social inclusion and participation	94.60	95.83	97.65
Educational costs	30.57	32.04	34.10
Housing	Nil	Nil	Nil
Transport	45.00	47.80	51.39
Household Fuel	37.00	45.36	50.39
Personal costs	3.80	3.82	3.93
Childcare costs	Nil	Nil	Nil
Pet Costs	6.19	6.27	6.39
Savings/ contingency costs	26.92	27.08	27.89
Total costs	546.42	562.36	587.48

One Adult and Two Children (3 year old girl and 10 year old boy)
Adult working full-time on NMW* - no entitlement to secondary benefits –
Housing and Car costs excluded

Household Types	2006	2007	2008
	Full Time worker / no benefits	Full Time worker / no benefits	Full Time worker / no benefits
One Adult and Two Children (3 year old girl & 10 year old boy)			
Food	87.22	89.40	95.93
Clothing	23.07	22.22	21.53
Personal Care	14.28	14.37	14.80
Health Related Costs	27.50	28.24	29.96
Household goods	24.46	23.95	23.73
Household services	15.60	15.27	15.13
Social inclusion and participation	48.25	48.88	49.81
Educational costs	6.37	6.68	7.11
Housing	Nil	Nil	Nil
Transport	25.00	26.44	28.39
Household Fuel	35.00	42.91	47.67
Personal costs	4.80	4.83	4.97
Childcare costs	220.00	221.32	227.96
Savings/contingency costs	13.46	13.54	13.95
Total costs	545.01	558.05	580.94

Single Adult Male (age 25+) –

**Income from working Full Time on NMW * - no entitlement to secondary benefits –
Housing and Car costs excluded**

	2006	2007	2008
Household Types	Working Full-time on NMW/ no benefits	Working Full-time on NMW/ no benefits	Working Full-time on NMW/ no benefits
Single Adult Male (age 25+)			
Food	72. 17	73.97	79.37
Clothing	17. 68	17. 03	16.50
Personal Care	10. 07	10. 13	10.43
Health Related Costs	13. 47	13. 83	14.67
Household goods	9. 80	9. 59	9.50
Household services	24. 51	24. 00	23.78
Social inclusion and participation	44. 57	45.15	46.00
Educational Costs	2. 31	2. 42	2.57
Housing	Nil	Nil	Nil
Transport	26. 00	27.00	28.00
Household Fuel	8. 00	9.81	10.90
Personal costs	4.80	4.83	4.97
Savings/ contingency costs	18. 46	18. 57	19.13
Total costs	251.84	256.33	265.82

5B

Pensioner Couple (age 66 – 69)
Total weekly income, expenditure and shortfall for the 6 different family income situations³ from 2006-2008

2006:

Income Expenditure Scenario	Total cash income €	Total ME Budget costs* €	Shortfall/ Discretionary Income €
Income from Contributory. Pension (1 personal rate + qualified adult) / no car	365.70	338.85	26.85 (discretionary income)
Income from Contributory. Pension (1 personal rate + qualified adult)/ car owner	365.70	391.82	26.12 (shortfall)
Income from 1 Contributory Pension & 1 Non-Contributory Pension/ no Car	398.40	343.76	54.64 (discretionary income)
Income from 1 Contributory Pension & 1 Non-Contributory Pension/ car owner	398.40	396.73	1.67 (discretionary income)
Income from Non-Contributory. Pension/ no car (both in receipt of the full Non-Contributory. pension)	387.10	343.94	43.16 (discretionary income)
Income from Non-Contributory. Pension/ car owner (both in receipt of the full Non-Contributory. pension)	387.10	396.91	9.81 (shortfall)

2007:

Income Expenditure Scenario	Total cash income €	Total ME Budget costs* €	Shortfall/ Discretionary Income €
Income from Contributory Pension (1 personal rate + qualified adult) / no car	410.51	353.98	56.53 (discretionary income)
Income from Contributory Pension (1 personal rate + qualified adult) / car owner	410.51	407.85	2.66 (discretionary income)
Income from 1 Contributory pension & 1 Non-Contributory Pension/ no car	437.51	358.03	79.48 (discretionary income)
Income from 1 Contributory Pension & 1 Non-Contributory Pension/ car owner	437.51	411.90	25.61 (discretionary income)
Income from Non-Contributory. Pension / no car (both in receipt of the full Non-Contributory. pension)	428.21	356.63	71.58 (discretionary income)
Income from Non-Contributory. Pension / car owner (both in receipt of the full Non-Contributory. pension)	428.21	410.50	17.71 (discretionary income)

³ When calculating the Net cash income for each income scenario, income from the Household Benefits Package was taken into account. Eligibility for medical card was also considered.

* Less healthcare costs where applicable

2008:

Income Expenditure Scenario	Total cash income⁴ €	Total ME Budget costs* €	Shortfall/ Discretionary Income €
Income from Contributory. Pension & qualified adult/ no car	452.19	372.64	79.55 (discretionary income)
Income from Contributory. Pension & qualified adult/ car owner	452.19	429.69	22.50 (discretionary income)
Income from 1 contributory pension & 1 Non-Contributory. Pension/ no car	464.19	374.44	89.75 (discretionary income)
Income from 1 contributory pension & 1 Non-Contributory. Pension/ car owner	464.19	431.49	32.70 (discretionary income)
Income from Non-Contributory. Pension/ no car (both in receipt of the full non-contributory pension)	452.89	372.74	80.15 (discretionary income)
Income from Non-Contributory. Pension/ car owner (both in receipt of the full non-contributory pension)	452.89	429.79	23.10 (discretionary income)

Comments: Pensioner Couple

The figures show significant improvements in the financial situation for pensioner couples in this study. These figures highlight the positive impact of increases in State Pensions and qualified adult payments in the period 2006-2008. In 2007 for example, there was an increase of €16.00 for the Contributory State Pension and €18 for the Non Contributory State Pension. There was also an increase of €23.70 for qualified adult allowances for those over 66 and in receipt of the Contributory State pension in the same year.

The incomes of pensioner couples in this study have risen substantially in the period 2006-2008 and the increases have been sufficient to cope with rising inflation and increased expenditure costs.

The figures show the effectiveness of state transfers in combating poverty and exclusion. For example, the pensioner couple both of whom have an income from the Non-Contributory pension and are car owners moved from a shortfall of €9.81 in 2006 to a discretionary of €17.71 in 2007 and €23.10 2008.

Overall, the momentum of alleviating poverty amongst pensioner couples has been sustained from 2006-2008 and all have discretionary incomes in 2008 ranging from €22.50 (Income from Contributory Pension & qualified adult/ car owner) to €89.75 (Income from 1 contributory pension & 1 Non-Contributory Pension/ no car).

⁴ When calculating the Net cash income for each income scenario, income from the Household Benefits Package was taken into account. Eligibility for medical card also considered.

*Less healthcare costs where applicable

Lone Female Pensioner (age 70+)
Total weekly income, expenditure and shortfall for the 4 different family income situations⁵ from 2006-2008

2006:

Income Expenditure Scenario	Total cash income €	Total ME Budget costs* €	Shortfall/ Discretionary Income €
Income from Contributory. Pension/ no car	224. 10	270. 70	46. 60 (shortfall)
Income from Contributory. Pension/ car owner	224. 10	314.37	90.27 (shortfall)
Income from Non-Contributory. Pension/ no car	212. 80	267.76	54.96 (shortfall)
Income from Non-Contributory. Pension/ car owner	212. 80	312.68	99.88 (shortfall)

2007:

Income Expenditure Scenario	Total cash income €	Total ME Budget costs* €	Shortfall/ Discretionary Income €
Income from Contributory. Pension/ no car	245.21	280.79	35.58 (shortfall)
Income from Contributory. Pension/ car owner	245.21	326.47	81.26 (shortfall)
Income from Non-Contributory. Pension/ no car	235.91	279.40	43.49 (shortfall)
Income from Non-Contributory. Pension/ car owner	235.91	325.08	89.17 (shortfall)

2008:

Income Expenditure Scenario	Total cash income €	Total ME Budget costs* €	Shortfall/ Discretionary Income €
Income from Contributory. Pension/ no car	259.89	293.89	34.00 (shortfall)
Income from Contributory Pension/ car owner	259.89	342.27	82.38 (shortfall)
Income from Non-Contributory Pension/ no car	248.59	292.20	43.61 (shortfall)
Income from Non-Contributory Pension/ car owner	248.59	340.58	91.99 (shortfall)

⁵ When calculating the Net cash income for each income scenario, income from the Household Benefits Package was taken into account. Eligibility for medical card was also considered

* Less healthcare costs where applicable

Comments: Lone Female Pensioner

In this study female pensioners living alone are unable to afford a Minimum Essential Standard of Living despite increases in State Pensions in the period 2006-2008. Furthermore, the cost of a car significantly increases the shortfall experienced by female pensioners living alone. For example in 2008, a female pensioner on a Non Contributory State Pension who owns a car has a weekly shortfall of €91.99 compared to a weekly shortfall of €43.61 for those in receipt of the same pension and without a car. However despite the financial costs incurred by having a car, it is nevertheless seen by many older people who live alone as a necessity for safety and for social inclusion and participation in their community.

Whilst the shortfall experienced by female pensioners living alone dropped by approximately €10.00 between 2006 and 2007, the situation has remained static in 2008. Increases of €12.00 per week in the Non-Contributory state pension and €14.00 per week in the Contributory state pension announced in Budget 2008 have almost totally being absorbed by inflation and the rising cost of basic commodities such as food and fuel. Furthermore, the figures for the female pensioner living alone when compared with those of the pensioner couple clearly show that it is more economical when there is more than one person living in a household to help share the burden of heating, food and household goods etc. For example, according to our study a female pensioner in 2008 will spend €72.75 per week on food, whilst a pensioner couple will spend €89.14 per week. A pensioner living alone will also spend the same amount on household fuel (€43.58 in 2008) as a pensioner couple (for more detailed information on expenditure costs go to www.budgeting.ie).

The cost of living alone means that female pensioners in this study are unable to afford their minimum essential needs, and therefore have to live with a constant shortfall or cut back on basic commodities such as food and fuel which are increasing in cost year on year as a result of rising inflation. The 2006 Census states that there 121,157 people nationally over the age of 65 living alone, 79,218 of which are women. It is therefore imperative that the Living Alone Allowance which at present stands at €7.70 and has not been increased since 1996, be substantially raised. This increase in the Living Alone Allowance is necessary if pensioners living alone are to be able to afford a Minimum Essential Standard of Living and if they are to retain their independence and remain in their own homes.

Two Adults and Two Children (3 year old girl and 10 year old boy)
Total weekly income, expenditure and shortfall for the 5 different family income situations⁶ from 2006-2008

2006:

Income Expenditure Scenario⁷	Total cash income €	Total ME Budget costs* €	Shortfall/ Discretionary Income €
Income from Unemployment Benefit (jobseekers Benefit)	383.25	430.55	47.30 (shortfall)
1 Full-time worker (NMW)/ no car	494.60	450.05	44.55 (discretionary income)
1 Full-time worker (NMW)/car owner	494.60	467.90	26.70 (discretionary income)
1 Full-time worker and 1 Part-time worker (NMW)/ no car	555.80	548.43	7.37 (discretionary income)
1 Full-time worker and 1 Part-time worker (NMW)/ car owner	555.80	566.28	10.48 (shortfall)

2007:

Income Expenditure Scenario	Total cash income €	Total ME Budget costs* €	Shortfall/ Discretionary Income €
Income from Unemployment Benefit (jobseekers Benefit)	453.10	450.39	2.71 (discretionary income)
1 Full-time worker (NMW)/ no car	559.75	469.20	90.55 (discretionary income)
1 Full-time worker (NMW)/car owner	559.75	485.32	74.43 (discretionary income)
1 Full-time worker and 1 Part-time worker (NMW)/ no car	622.03	569.29	52.74 (discretionary income)
1 Full-time worker and 1 Part-time worker (NMW)/ car owner	622.03	585.41	36.62 (discretionary income)

2008:

Income Expenditure Scenario	Total cash income €	Total ME Budget costs* €	Shortfall/ Discretionary Income €
Income from Unemployment (jobseekers) Benefit	482.56	472.42	10.14 (discretionary income)
1 Full-time worker (NMW) / no car	577.22	489.51	87.71 (discretionary income)
1 Full-time worker (NMW) /car owner	577.22	505.81	71.41 (discretionary income)
1 Full-time worker and 1 Part-time worker (NMW) / no car	646.41	592.15	54.26 (discretionary income)
1 Full-time worker and 1 Part-time worker (NMW) / car owner	646.41	608.54	37.87 (discretionary income)

⁶ When calculating the Net cash income for each income scenario, income from Unemployment Benefit, Early Childcare Supplement, Family Income Supplement, Back to School Clothing and Footwear Allowance and income from paid employment was taken into account. Eligibility for a medical card was also considered

⁷ It should be noted that the relatively small improvement in the income of the household with a full time and a part time worker when compared with the income of the full time worker only is due to childcare costs and the scaling down of the secondary benefits (because of the additional wage)

* Less healthcare costs where applicable

Comments: Two Adults & Two Children aged 3 & 10

In this study, households with two adults and two children age 3 & 10 all have discretionary incomes in 2007 & 2008 and the two households who had shortfalls (household in receipt of Job seekers Benefit and household with 1 full-time worker & 1 part-time worker / care owner) in 2006, moved to discretionary incomes in 2007.

The most significant improvements for this household type took place between 2006 and 2007. This improvement was due to an increase of €1.00 in the NMW in 2007, the introduction of the Early Childcare Supplement in 2007 (€1000.00 paid in four installments of €250.00 for families with children under the age of six) and also increases in social welfare transfers in that period.

The situation between 2007 and 2008 has by and large remained unchanged and the lack of progress in 2008 can be explained by a more restrained budget in 2008 and also the impact of rising inflation and higher expenditure costs which saw households in this study spending more on education, transport, food and fuel in 2008 than they did in 2007.

In addition to highlighting the lack of progress in 2008, the figures for this household type also draws our attention to the cost of private childcare which has been the subject of much debate in recent years. The figures show the households with 1 adult working full-time are financially better off than households with 1 adult working full-time and 1 adult working part-time. The 1 full-time worker household/no car has a discretionary income of €87.71 in 2008 compared to €54.26 for the household with 1 full-time worker and 1 part-time worker/no car. The difference in these two households' financial situation is due to the childcare costs that are incurred when both adults are working outside the home. Childcare costs can be a significant factor in a parent's decision to take up employment. For many, paid employment may actually prove too costly and as a result one parent may have to forgo their desire to work because not working can prove to be the cheaper option when you factor in childcare costs.

Overall, despite the lack of progress in 2008, the figures above demonstrate that the household with two adults and two children age 3 & 10 fares well over the period 2006-2008. The increase in the National Minimum Wage, the introduction of the Early Childcare Supplement and increases in social welfare transfers in 2007 have played a significant role in moving people out of poverty and making a Minimum Essential Standard of Living affordable for all in this household type.

Two Adults and Two Children (10 year old girl and 15 year old girl)
Total weekly income, expenditure and shortfall for the 5 different family income situations⁸ from 2006-2008

2006:

Income Expenditure Scenario⁹	Total cash income €	Total ME Budget costs* €	Shortfall/ Discretionary Income €
Income from Unemployment Benefit (Jobseekers Benefit)	384.59	547.42	162.83 (shortfall)
1 Full-time worker (NMW) / no car	495.94	560.28	64.34 (shortfall)
1 Full-time worker (NMW) / car owner	495.94	578.13	82.19 (shortfall)
1 Full-time worker and 1 Part-time worker (NMW) / no car	557.14	588.70	31.56 (shortfall)
1 Full-time worker and 1 Part-time worker (NMW) / car owner	557.14	606.51	49.37 (shortfall)

2007:

Income Expenditure Scenario	Total cash income €	Total ME Budget costs* €	Shortfall/ Discretionary Income €
Income from Unemployment Benefit (Jobseekers Benefit)	435.89	562.83	126.94 (shortfall)
1 Full-time worker (NMW) / no car	542.54	581.63	39.09 (shortfall)
1 Full-time worker (NMW) / car owner	542.54	597.75	55.21 (shortfall)
1 Full-time worker and 1 Part-time worker (NMW) no car	602.80	647.06	44.26 (shortfall)
1 Full-time worker and 1 Part-time worker (NMW) / car owner	602.80	663.18	60.38 (shortfall)

2008:

Income Expenditure Scenario	Total cash income €	Total ME Budget costs* €	Shortfall/Discretionary Income €
Income from Unemployment Benefit (jobseekers benefit)	463.43	589.33	125.90 (shortfall)
1 Full-time worker (NMW) / no car	558.08	606.87	48.79 (shortfall)
1 Full-time worker (NMW) / car owner	558.08	623.17	65.09 (shortfall)
1 Full-time worker and 1 Part-time worker (NMW) / no car	627.28	674.46	47.18 (shortfall)
1 Full-time worker and 1 Part-time worker (NMW) / car owner	627.28	690.76	63.48 (shortfall)

⁸ When calculating the Net cash income for each scenario, income from Unemployment Benefit, Family Income Supplement, Child Benefit, Back to School Clothing and Footwear Allowance and income from paid employment was taken into account. Eligibility for medical card was also considered.

⁹ It should be noted that the relatively small improvement in the income of the household with a full time and a part time worker when compared with the income of the full time worker only is due to childcare costs and the scaling down of the secondary benefits (because of the additional wage)

* Less healthcare costs where applicable

Comments: Two Adults and Two Children - age 10 & 15

In this study all two adults two children households (age 10 & 15) have shortfalls in the period 2006-2008 and are unable to afford a Minimum Essential Standard of Living.

Whilst the shortfalls experienced by these households was reduced somewhat between 2006 and 2007, the situation has actually worsened for 4 of the 5 households in this category in 2008 with shortfalls ranging from €47.18 (1 Full-time worker and 1 Part-time worker (NMW) / no car) to €125.90 (Income from Unemployment Benefit (Jobseekers Benefit). Many of the so called new 'working poor' do not reap any benefits from tax changes in the budget. Those who do not earn enough to use up their full tax credits do not benefit from any tax reductions introduced by the Government and this in effect means that the lowest paid do not benefit in any way at budget time. A refundable tax credit system in which part of the tax credit that an employee did not benefit from would be 'refunded' to them by the state, would rectify this problem and would go some way towards easing the financial pressures faced by those who are working on a low income (CORI Justice, 2008: 89)¹⁰.

A further point that the figures for this household type underscore is the financial strain experienced by parents of teenagers. An adolescent places further monetary pressure on parents who are already struggling on a low income as their expenditure costs rise substantially when a teenager is present in the household. For example, in 2008 this household will spend €31.91 more per week on food, €24.31 more per week on social inclusion and participation and €26.49 more per week on education than a household with children age 3 & 10 (for more information on expenditure costs go to www.budgeting.ie)

At present the only social welfare payment that factors in age is the Back to School Clothing and Footwear Allowance. Having only one age related payment is insufficient and it is apparent from these figures that the Child Benefit payment needs to take into account the cost of an adolescent. Such a move would go some way towards making a Minimum Essential Standard of Living more obtainable for this household type.

A final but pivotal point that can be drawn from the figures above for this household type is that the financial situation of households with 1 full-time worker and 1 part-time worker has actually worsened in the period 2006-2008, with greater shortfalls in 2007 and 2008 than in 2006. This deterioration in their financial situation is as a result of the €1.00 increase in the National Minimum Wage (NMW) which increased their income but put them above the income threshold allowed for a medical card. The loss of the medical card has had serious financial implications for these households in this study as not only has it put a Minimum Essential Standard of Living beyond their reach, but it has also created a poverty trap that penalizes those who choose to work outside the home.

¹⁰ CORI Justice, 2008. *Socio-Economic Review 2008 Planning for Progress and Fairness*. Dublin: CORI

One Adult and Two Children (3 year girl and 10 year old boy)
Total weekly income, expenditure and shortfall for the 5 different family income situations¹¹ from 2006-2008

2006:

Income Expenditure Scenario	Total cash income €	Total ME Budget costs* €	Shortfall/ Discretionary Income €
Dependent on Social Welfare/no car	286.06	321.51	35.41 (shortfall)
Part-time worker (NMW) / car owner	526.00	476.76	49.24 (discretionary income)
Part-time worker (NMW) / no car	526.00	442.59	83.41 (discretionary income)
Full-time worker (NMW) / car owner	553.55	619.30	65.75 (shortfall)
Full-time worker (NMW) / no car	553.55	585.13	31.58 (shortfall)

2007:

Income Expenditure Scenario	Total cash income €	Total ME Budget costs* €	Shortfall/ Discretionary Income €
Dependent on Social Welfare/no car	339.84	336.94	2.90 (discretionary income)
Part-time worker (NMW) / car owner	591.24	494.34	96.90 (discretionary income)
Part-time worker (NMW) / no car	591.24	460.60	130.64 (discretionary income)
Full-time worker (NMW) / car owner	621.79	638.15	16.36 (shortfall)
Full-time worker (NMW) / no car	621.79	604.41	17.38 (discretionary income)

2008:

Income Expenditure Scenario	Total cash income €	Total ME Budget costs* €	Shortfall/ Discretionary Income €
Dependent on Social Welfare/no car	361.66	354.19	7.47 (discretionary income)
Part-time worker (NMW)/ car owner	614.68	516.10	98.58 (discretionary income)
Part-time worker (NMW) / no car	614.68	480.76	133.92 (discretionary income)
Full-time worker (NMW)/ car owner	645.23	664.08	18.85 (shortfall)
Full-time worker (NMW)/ no car	645.23	628.74	16.49 (discretionary income)

¹¹ When calculating the Net cash income for each income scenario, income where applicable from the One Parent Family Payment, Family Income Supplement, Early Childcare Supplement, Child Benefit, Fuel Allowance, Back to School Clothing and Footwear Allowance and income from paid employment was taken into account. Eligibility for a medical card was also considered.

* Less healthcare costs where applicable

Comments: One Adult and Two Children – age 3 & 10

In this study with the exception of 1 family type namely the 1 full-time worker/ car owner, all one adult and two children households have a discretionary income in 2008. The most noteworthy improvements took place between 2006 and 2007 with the household dependent on social welfare moving from a shortfall of €35.41 in 2006 to a discretionary income of €2.90 in 2007.

However, despite the improvements in 2007, it must be noted that there has been minimal change in 2008, with increases in social welfare transfers mostly being absorbed by rising inflation. The impact of rising inflation on items such as fuel and food prices which rose by 11.1% and 7.3% respectively between mid June 2007 and mid June 2008 is having an impact on the households in this study with the full-time worker car owner household for example actually having a marginally greater shortfall in 2008 than in 2007.

The cost of private childcare results in part-time workers faring better than those who work full-time in this study. Whilst it may look more advantageous to work only part-time, it must be noted that often part-time work can often mean low skilled work and can often present little opportunity for advancement. It is imperative that those who wish to take up full employment and move up the career ladder should not be financially penalized for doing so. In order for that to be possible there is a need to increase the number of community/not for profit childcare facilities, which at present only account for 20% of childcare facilities in this country.

Overall the improvements that have taken place particularly between 2006 and 2007, have had a positive impact and prove that social welfare transfers when sufficient, can and do contribute to bringing people out of poverty.

Single Adult Male (25+)
Total weekly income, expenditure and shortfall for the 2 different income situations¹² from 2006-2008

2006:

Income Expenditure Scenario¹³	Total cash income €	Total ME Budget costs* €	Shortfall/ Discretionary Income €
Income from F/T employment on NMW/ no car	286.88	368.37	81.49 (shortfall)
Dependent on Unemployment Benefit (jobseekers Benefit)/ no car	272.80	365.57	92.77 (shortfall)

2007:

Income Expenditure Scenario¹⁴	Total cash income €	Total ME Budget costs* €	Shortfall/ Discretionary Income €
Income from F/T employment on NMW/ no car	324.38	388.62	64.24(shortfall)
Dependent on Unemployment Benefit (Jobseekers Benefit)/ no car	302.80 ¹⁵	385.80	83.00 (shortfall)

2008:

Income Expenditure Scenario¹⁶	Total cash income €	Total ME Budget costs* €	Shortfall/ Discretionary Income €
Income from F/T employment on NMW/ no car	324.38	402.38	78.00 (shortfall)
Dependent on Unemployment Benefit (Jobseekers Benefit)/ no car	314.80	399.48	84.68 (shortfall)

¹² When calculating the Net cash income for each income scenario, income received from the Supplementary Welfare Allowance was taken into account, in the case of the single adult male dependent on unemployment Benefit. Eligibility for medical card also considered.

¹³ It should be noted that the similarity in incomes of the adult male working full time and that of the unemployed adult is due to a Supplementary Welfare Rent Supplement of €117.00 per week. An unemployed male also receives unemployment benefits of €185.80 per week.

* Less healthcare costs where applicable

¹⁴ It should be noted that the similarity in incomes of the adult male working full time and that of the unemployed adult is due to a supplementary rent supplement of €117.00 per week. An unemployed male also receives unemployment benefits of €185.80 per week.

¹⁶ It should be noted that the similarity in incomes of the adult male working full time and that of the unemployed adult is due to a supplementary rent supplement of €117.00 per week. An unemployed male also receives unemployment benefits of €197.80 per week.

Comments: Single Adult Male

In this study there are substantial shortfalls for single adult males, with greater shortfalls in 2008 due to rising inflation and no increase in National Minimum Wage between 2007 and 2008. The price of food, fuel and transport all rose between 2007 and 2008. This has placed more financial pressure on young males in this study already experiencing financial hardship, leaving those dependent on Jobseekers Benefit with a shortfall of €84.68 and those in full-time employment on the National Minimum Wage with a weekly shortfall of €78.00.

The cost of rent in the private sector places a significant financial burden on single adult males at this income level and puts a Minimum Essential Standard of Living beyond their reach. A person on the National Minimum Wage would approximately have to work 46.5 hours per week to afford a Minimum Essential Lifestyle.

For the young men in this study it is clear that without an adequate income a minimum essential lifestyle is not possible. This point is acutely borne out by the figures presented above which show that young single adult males in this study are unable to afford their minimum essential expenditure costs and are faced with a weekly shortfall.

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**Vincentian Initiative for Social and Economic Change,
Tackling Poverty and Exclusion**

