



Robert Thornton

Research Associate

Vincientian Partnership for Social Justice

MINIMUM INCOME STANDARD & THE COST OF CHILDCARE

How the cost of formal childcare impacts on the MIS salary required to afford a Minimum Essential Standard of Living

Introduction

- VPSJ Working Paper
- Minimum Income required to afford the cost of full-time formal childcare
- Two Parent & One Parent households, with one child
- 3 child age-groups:
 - › Baby
 - › Pre-School Age
 - › Primary School Age

Minimum Essential Standard of Living

- VPSJ has conducted Consensual Budget Standards research since 2004

Two parts to the research:

1. **Expenditure** required for a Minimum Essential Standard of Living (*MESL*) which meets physical, psychological and social needs.
2. **Income** needed to afford the expenditure – Minimum Income Standard (*MIS*)

Minimum Essential Standard of Living



FOOD



CLOTHING



HEALTH



HOUSING



CHILDCARE



PERSONAL CARE



INSURANCE



SAVINGS



TRANSPORT



ENERGY



COMMS



EDUCATION



SOCIAL INCLUSION



HOUSEHOLD GOODS



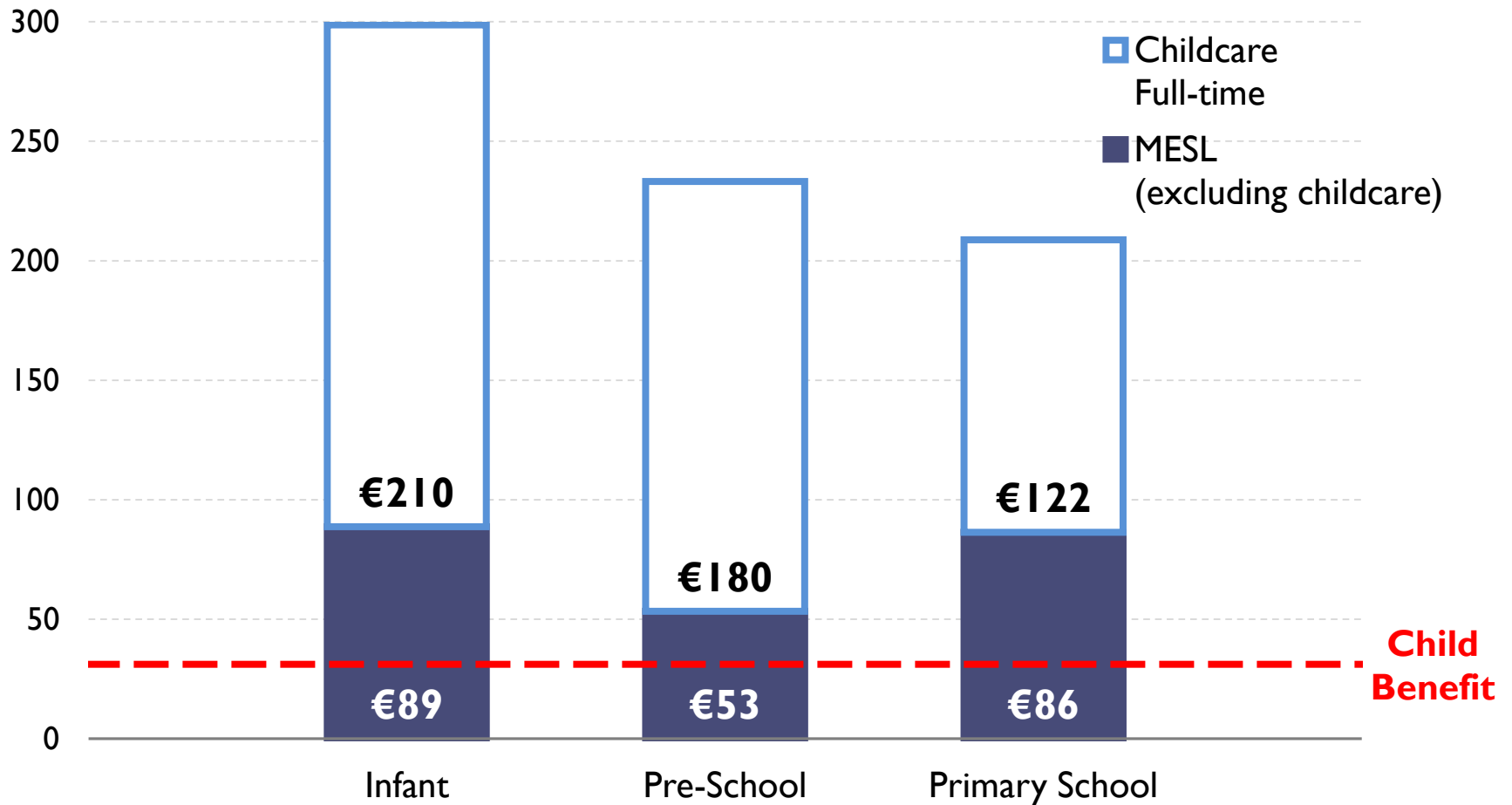
HOUSEHOLD SERVICES



PERSONAL COSTS

- Standard which no one should be expected to live below
- Emphasis is on needs & not wants
- Cost is based on actual price of detailed basket of over 2,000 goods & services

Cost of a Child & Formal Childcare



Household Types

Two Parent, One Child

- › Baby
- › Pre-School
- › Primary School

One Parent, One Child

- › Baby
- › Pre-School
- › Primary School*

NMW Household Income

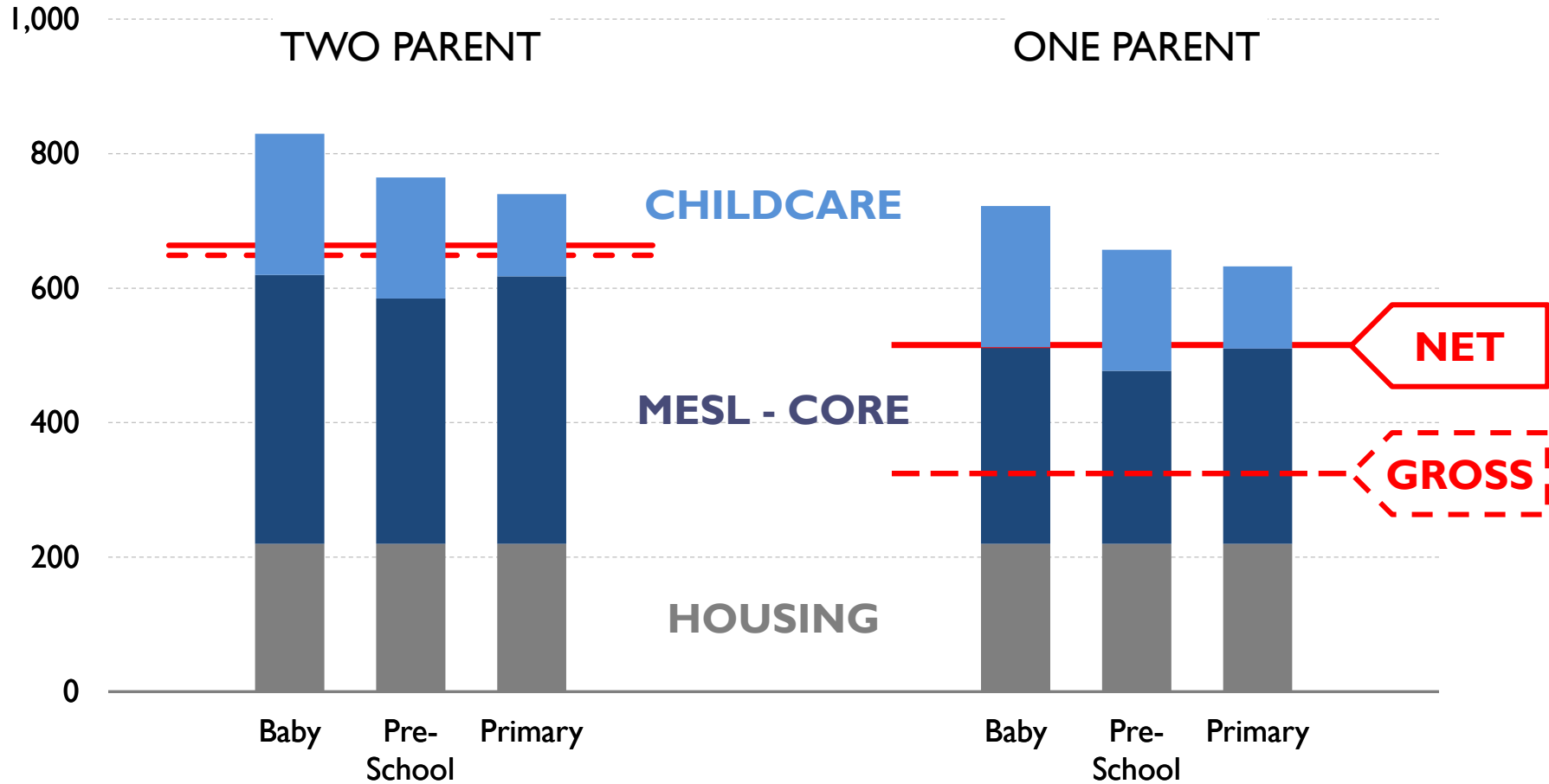
Two Parent, One Child

- Both employed full-time
- Joint Gross Salary
€649 per week
- Pay USC and PAYE
- Child Benefit
- Full Medical Card
- Net household income
€664 per week

One Parent, One Child

- Employed full-time
- Gross Salary
€324 per week
- Pay USC
- OFP, FIS, Child Benefit
- Full Medical Card
- Net household income
€516 per week

MESL Expenditure & NMW Income

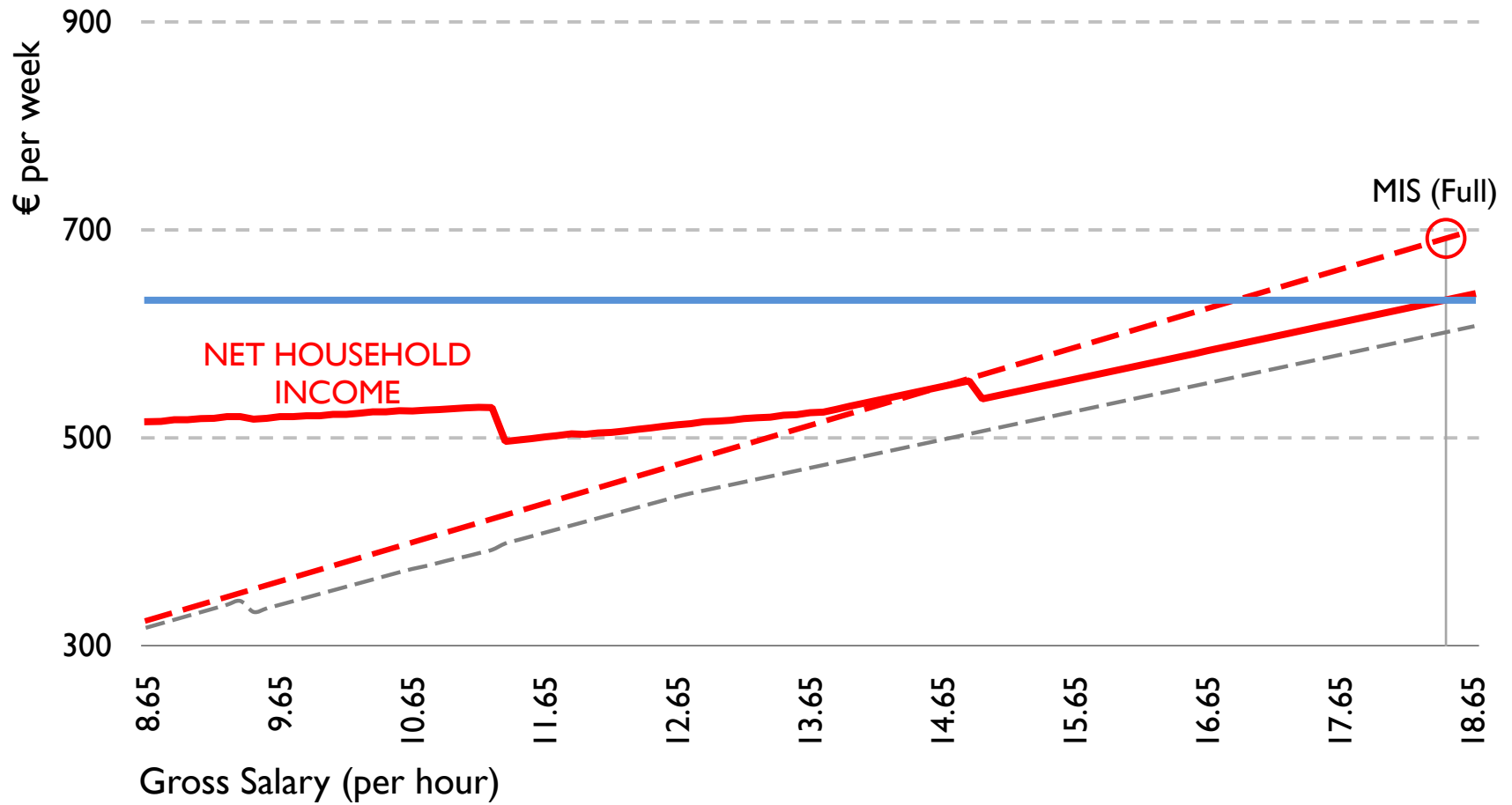


	TWO PARENT			ONE PARENT		
	Baby	Pre-School	Primary	Baby	Pre-School	Primary
MESL Core	399.73	364.54	397.50	292.25	257.06	290.02
Housing	219.95	219.95	219.95	219.95	219.95	219.95
Childcare	209.94	179.82	122.42	209.94	179.82	122.42
Total MESL	829.62	764.31	739.88	722.14	656.84	632.40
Net Household Income	663.69	663.69	663.69	515.60	515.60	515.60
Weekly Shortfall	-165.94	-100.63	-76.19	-206.55	-141.24	-116.81

Minimum Income Standard

- The gross income a household needs in order to afford a minimum standard of living.
 - › It takes account of the potential tax liability and social welfare entitlements of the household in question
- Iterative process
- Assess the adequacy of net household income, on the basis of incremental increases in gross salary

One Parent, Primary School Age Child



TWO PARENT

ONE PARENT

TWO PARENT			ONE PARENT		
Baby	Pre-School	Primary	Baby	Pre-School	Primary
489.38	414.38	425.63	849.38	725.63	691.88

- Hourly earnings need of €2.40 to €4.40 over NMW
 - €90 to €165 above a full-time NMW salary
 - Household needs to earn €180 to €330 per week, above a dual NMW gross salary
- Hourly earnings need of €9.80 to €14.00 over NMW
 - €367 to €525 above a full-time NMW salary
 - Means cut-off for OPF & FIS is below MIS gross rate

Childcare Cost Scenarios

- › The actual cost of full-time formal childcare
- › Childcare 'free' at point of use
- › FIS childcare cost 'disregard'
- › Capped childcare costs at 30%

	TWO PARENT			ONE PARENT		
	Baby	Pre-School	Primary	Baby	Pre-School	Primary
MESL Core	437.41	364.54	436.50	292.25	257.06	290.02
Housing	219.95	219.95	219.95	219.95	219.95	219.95
Childcare	62.50	55.00	37.50	62.50	55.00	37.50
Total MESL	719.87	639.50	693.51	574.40	532.02	547.48
MIS per adult	384.38	324.38	346.88	613.13	526.88	549.38

TWO PARENT

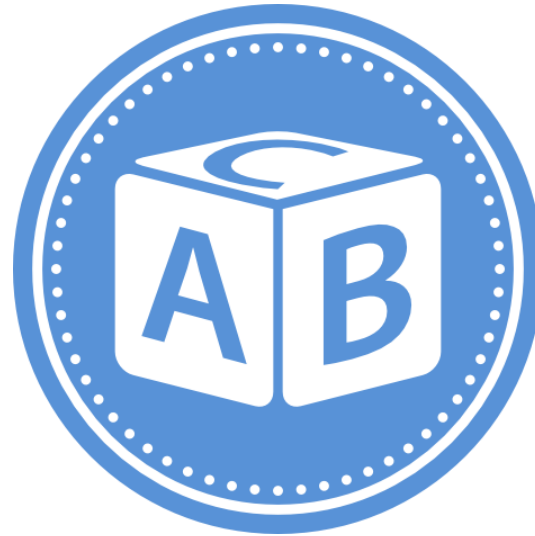
ONE PARENT

Baby	Pre-School	Primary	Baby	Pre-School	Primary
384.38	324.38	346.88	613.13	526.88	549.38

- NMW adequate for Pre-School
- Primary – 7% above NMW (€22 per adult)
- Baby – 18% above NMW (€60 pre adult)
- MIS for two age groups includes FIS
- MIS is €202 to €229 above a full-time NMW
- MIS still 62% to 89% above full-time NMW

Conclusion

- NMW is not adequate
- If childcare was 'free at point of use' the NMW would provide adequate income
- Childcare costs take up to 40% of NMW net income
- MIS salary needed is up to 1½ the NMW for Two Parent households and 2⅔ the NMW for One Parent households
- High costs must make low paid work uneconomical, in some cases
- Capping childcare costs significantly reduces MIS



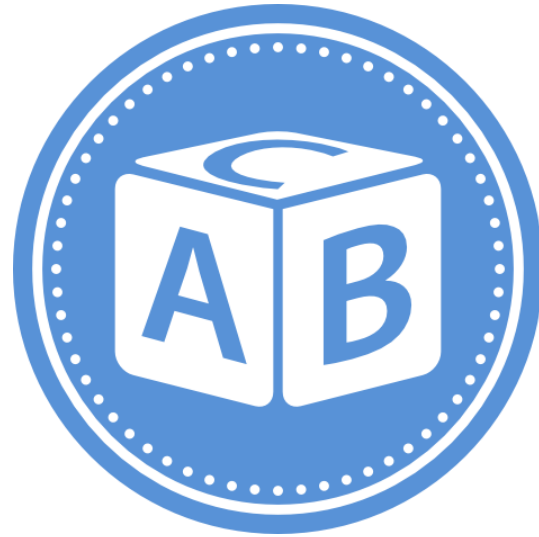
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VINCENTIAN
PARTNERSHIP
for SOCIAL
JUSTICE



WORKING FOR
SOCIAL &
ECONOMIC
CHANGE

TACKLING
POVERTY
& SOCIAL
EXCLUSION



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