

A 'LIVING WAGE' IN IRELAND

Working Paper - Examining the process & potential result of calculating a 'Living Wage'

Living Wage

- The 'Living Wage' is an attempt to provide a simple answer to a complex question
 - Attempts to distil the broad range of MEBS data into a single rate of pay
 - This paper examines the application of the method to the Irish MEBS data
 - As a first step – calculates a Living Wage rate for households in Dublin in 2013
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Calculating the Living Wage rate

- 10 household compositions which are representative of the wider population are identified
 - The core weekly cost of a Minimum Essential Standard of Living is compiled for each household composition
 - For household compositions with children, the MESL expenditure for Childcare is determined
 - The appropriate minimum Housing cost is identified for each composition
 - The Minimum Income Standard salary rate required to afford the cost of an MESL is calculated for each composition
 - The Living Wage rate is calculated from this range of MIS rates by producing an average wage requirement, weighted by the proportion of households represented by each composition
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Household Types

- Two Parents 1 to 4 children
 - One Parent 1 to 4 children
 - Single Adult Living alone
 - Two Adults Co-habiting couple
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- **Covers 89% of working-age households**
 - Households with more children, and households with other adults not included
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Household Compositions

Type	Composition	Child Age-Groups
Two Parent	1 Child	Infant
	2 Children	Pre-School & Primary
	3 Children	Infant, Pre-School & Primary
	4 Children	2 Primary & 2 Secondary
One Parent	1 Child	Primary
	2 Children	Pre-School & Primary
	3 Children	Primary & 2 Secondary
	4 Children	2 Primary & 2 Secondary
1 Adult	No Children	-
2 Adults	No Children	-

MESL Core Cost

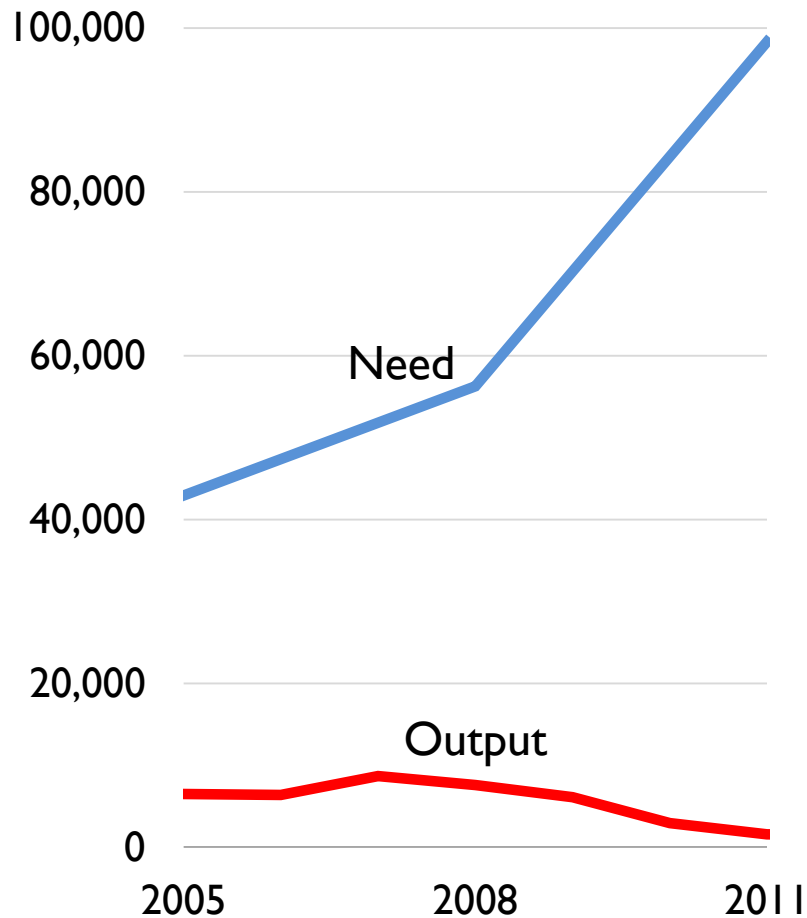
- From the MEBS data the weekly cost of a Minimum Essential Standard of Living is compiled
 - Cost is based on actual price of detailed basket of over 2,000 goods and services
 - These weekly budgets include categories such as food and clothing, to transport, education and household energy
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Childcare Cost

- Living Wage calculation is based on all adults in household being employed full-time
- Childcare – up to 36% of total household costs
- Infant & Pre-School cost is based on private childcare
- Primary cost is based on care from relative/friend

	Infant	Pre-School	Primary	Second Level
Full-Time	208.69	178.75	52.57	0.00

Housing Cost – Social Housing



- Demand for Social Housing rising – up 75% from 2008 to 2011
 - 98,000 on the waiting list nationally
 - Output is in decline, 82% drop from 2008 to 2012
 - 1,391 new units added in 2012
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Housing Cost – Private Rented

- Social Housing not readily available to households in need
- Therefore, Private Rented accommodation
- Average Rent or Below Average?

	TP or OP				Single	
	<i>1 Child</i>	<i>2 Children</i>	<i>3 Children</i>	<i>4 Children</i>	Adult	Couple
Average Rent	954.33	1,066.16	1,066.16	1,066.16	608.59	608.59
Rent Supplement Ceiling	950.00	975.00	1,000.00	1,000.00	520.00	750.00

MIS Expenditure

	Two Parent				One Parent				No Children	
	1	2	3	4	1	2	3	4	1 Adult	2 Adults
MIS Household Expenditure										
MESL Core Exp	454.43	506.57	599.95	820.11	323.02	377.86	600.84	691.40	251.28	390.78
Childcare	208.69	231.32	440.01	105.14	52.57	231.32	52.57	105.14	0.00	0.00
Housing	220.23	246.04	246.04	246.04	220.23	246.04	246.04	246.04	140.44	140.44
Medical Card Deduction	-3.44	-61.36	-70.37	-6.30	-31.67	-40.75	-4.59	-5.73	-1.15	0.00
Total MESL Exp	879.91	922.57	1215.63	1164.98	564.15	814.47	894.86	1036.85	390.58	531.22

MIS Income

	Two Parent				One Parent				No Children	
	1	2	3	4	1	2	3	4	1 Adult	2 Adults
MIS Household Income										
MIS Salary										
Gross Salary 1	504.38	508.13	714.38	650.63	605.63	995.63	1141.88	1366.88	455.63	324.38
Income Tax 1	73.74	76.27	193.87	139.53	25.90	164.35	222.82	314.81	27.03	0.76
USC 1	22.21	16.47	24.72	32.44	20.37	35.97	66.83	82.58	18.79	9.61
PRSI 1	20.18	20.33	28.58	26.03	24.23	39.83	45.68	54.68	18.23	0.00
Gross Salary 2	504.38	508.13	714.38	650.63						324.38
Income Tax 2	-	-	-	-						0.76
USC 2	22.21	16.47	24.72	32.44						9.61
PRSI 2	20.18	20.33	28.58	26.03						0.00
Household Net Salary	850.25	866.40	1128.30	1044.78	535.14	755.48	806.55	914.81	391.58	628.02

MIS Income

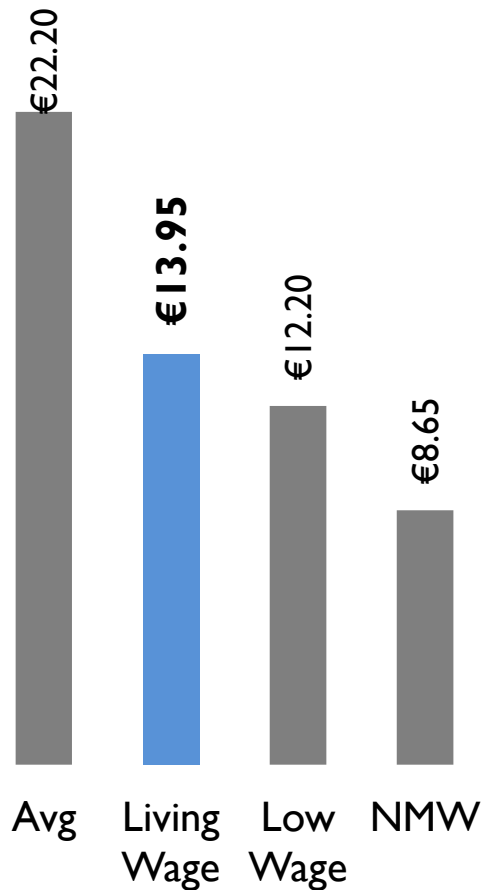
	Two Parent				One Parent				No Children	
	1	2	3	4	1	2	3	4	1 Adult	2 Adults
MIS Household Income										
MIS Social Welfare										
Child Benefit	30.00	60.00	90.00	122.31	30.00	60.00	90.00	122.31	N/A	N/A
FIS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	N/A	N/A
BSCFA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	N/A	N/A
OFP	N/A	N/A	N/A	N/A	0.00	0.00	0.00	0.00	N/A	N/A
Medical Card Eligibility	GPVisit	Full	Full	GPVisit	Full	Full	GPVisit	GPVisit	GPVisit	None
Social Welfare	30.00	60.00	90.00	122.31	30.00	60.00	90.00	122.31	0.00	0.00
Net Salary	850.25	866.40	1128.30	1044.78	535.14	755.48	806.55	914.81	391.58	628.02
Household Income	880.25	926.38	1218.27	1167.09	565.14	815.47	896.55	1037.12	391.57	628.02

Living Wage Calculations

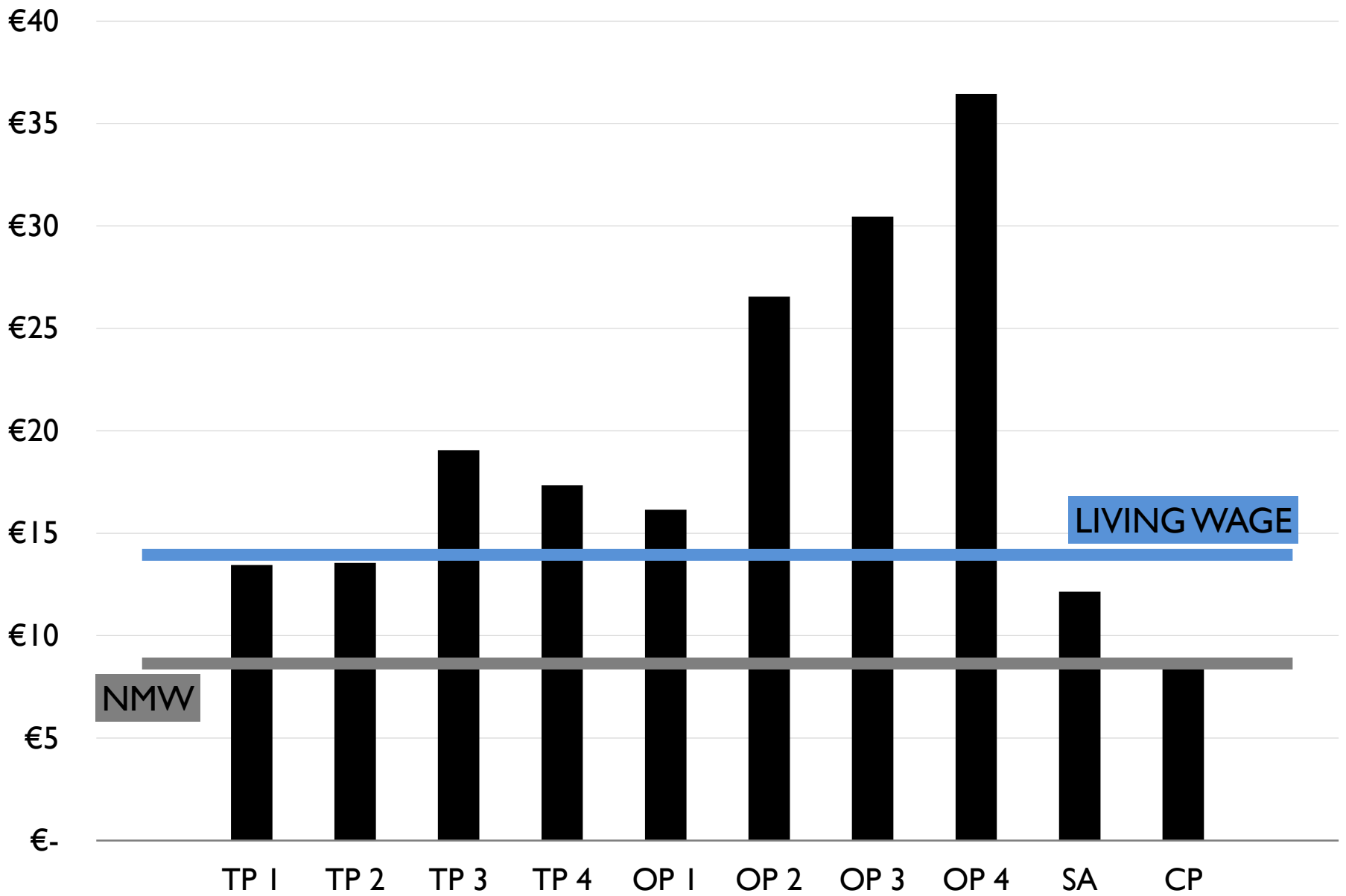
	Two Parent				One Parent				No Children	
	1	2	3	4	1	2	3	4	1 Adult	2 Adults
Hourly MIS Rate	13.45	13.55	19.05	17.35	16.15	26.55	30.45	36.45	12.15	8.65
Weighting	0.15	0.16	0.08	0.02	0.09	0.05	0.02	0.01	0.24	0.21
MIS x Weighting	2.02	2.10	1.45	0.40	1.38	1.21	0.54	0.21	2.86	1.78

Living Wage 13.95

Living Wage in Context



- The LW rate of €13.95 equates to an annual salary of €27,000
 - A salary of less than €12.20 per hour is classified as ‘low wage’
 - The average hourly wage in Q1 2013 was €22.20
 - The Living Wage is 63% of the average hourly salary
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Conclusion

- This is a start to the debate, but €13.95 is not the final answer
 - Further research is required to examine the potential role of services, social welfare payments and taxation in effecting the Living Wage rate
 - The Living Wage method is based on the MEBS data, which uniquely provides an evidence based measure for assessing the minimum income need of the majority of working-age households
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