



# MINIMUM ESSENTIAL STANDARD OF LIVING 2017

## Summary of Key Points

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## THE MESL DATA

- › The MESL 2017 Update Report presents the cost of a Minimum Essential Standard of Living (MESL) in 2017, and benchmarks the adequacy of social welfare supports and the national minimum wage. The report focuses on 12 representative household compositions, presenting the minimum expenditure need for the households in both urban and rural areas.
- › The MESL specifies the average weekly cost of all the goods and services necessary to enable a socially acceptable minimum standard of living, for 90% of households in Ireland. An MESL is a standard which no one should be expected to live below. It is the minimum needed to live and partake in Irish society today, identifying the cost of a standard of living which allows participation in the norms of Irish life.

## THE COST OF AN MESL

- › The core cost of an MESL (excluding housing and childcare) has decreased in 2017 by -2.5%, this follows decreases in previous years giving a cumulative change of -4.0% since 2014. However, the core MESL cost is 2.1% higher in 2017 than the recession low point of 2010.
- › The cost of private rented accommodation has risen by an average of 8.6%, and childcare has increased by an average of 1.5%. The cost of an MESL has increased for household types requiring expenditure in these areas.
- › When the cost of childcare and private rent is included, the overall cost of an MESL has increased by an average of 1.25% in the last year. Furthermore, over the last four years of accelerated rent growth the CPI has under-estimated the change in the MESL (including private rent and childcare) by 8.3 percentage points.

## SOCIAL WELFARE ADEQUACY

- › This is the third year in a row to demonstrate an improvement in the position of social welfare dependent household types. While social welfare does not provide for an MESL for the large majority of cases examined, the proportion of minimum expenditure need met by social welfare supports is increasing for many household types.
- › In 2017 social welfare does not provide an adequate income for 169 of 214 urban cases examined. Fourteen cases have moved to adequacy in 2017 due to the combined effect of increased social welfare rates and reduced MESL expenditure need.
- › The degree of income shortfall varies by household composition and location. Social welfare meets the greatest proportion of MESL need for the households with younger children. However, the higher MESL needs of adolescent children results in households with a child in this age-group having the greatest income inadequacy when reliant on social welfare.
- › For the first time since 2010, the Pensioner Living Alone household type, receives an adequate income from the Non-Contributory Pension and Living Alone Allowance (and additional secondary supports), when living in social housing in an Urban area. However, the degree of adequacy is precariously marginal, at only €0.27 a week above the MESL expenditure need, and income continues to be inadequate for this household type when in a rural area.

## NATIONAL MINIMUM WAGE (NMW)

- › The increase in the NMW (and adjustments to USC) has resulted in net earnings from full-time (37.5 hours per week) minimum wage employment increasing by €4.62, for a Single Adult household type. An increase of 1.4%.

- › The Single Adult's MESL expenditure need, in Dublin, has increased by 2.8%; twice the rate of increase in net income from the NMW. Rent accounts for half (49.7%) of a Single Adult's MESL costs; the total MESL need increased by €12 this year. Income inadequacy has risen to almost €100 per week for this household type, due primarily to the increase in rental costs.
- › Households with children receive less benefit from the NMW increase and USC adjustment, as FIS income thresholds were not reviewed in line with these adjustments. Consequently, some of the improvement in net salary from NMW employment is offset by a reduction in support from the Family Income Supplement.
- › The tapering of in-work supports, particularly the Family Income Supplement, and the impact of childcare costs for younger children, can result in the incongruous situation of household's with more employment (e.g. dual income, or full-time versus part-time) having inadequate income, while the same household composition with less employment would have an adequate income from the NMW.
- › In Two Parent households the high cost of childcare for households with young children can outweigh the benefit of dual income minimum wage employment. The reduction in support from Family Income Supplement (FIS), compared to a single income scenario, combined with the cost of childcare can offset the benefit of increased earnings, and result in income inadequacy for Two Parent households where both adults are in minimum wage employment.
- › One Parent households may have an adequate income from part-time minimum wage employment, when living in social housing, and ensured of a minimum of 19 hours employment per week. In this scenario the household will be eligible for FIS, a social welfare support which is essential for enabling income adequacy in this scenario.
- › The combination of high childcare costs for younger children and reduced support from social welfare can also lead to income inadequacy for One Parent household compositions in full-time NMW employment, compared to adequacy in part-time NMW employment scenarios.

## MINIMUM INCOME STANDARD (MIS)

- › A single adult living and working in Dublin requires a gross salary of €531 per week to afford an MESL, including the cost of renting a one-bedroom dwelling at below the average rent. This is equivalent to €14.15 per hour when working full-time, or over 57 hours of minimum wage employment per week.
- › Childcare costs, the higher costs associated with adolescent children, and the withdrawal rate of Family Income Supplement, can require salary rates in excess of the NMW for Two Parent households with both adults in full-time employment and when a One Parent household is in full-time employment.
- › A One Parent household with a Pre-School and Primary School age child would have an income shortfall of €6.14 per week, when in full-time NMW employment and living in social housing. This household faces a very high Marginal Effective Tax Rate (METR) on increases in gross salary above the NMW. Due to the steep taper and withdrawal of in-work supports, a household of this type would need to earn €250 per week above the NMW to overcome the €6.14 income shortfall from full-time NMW earnings.
- › The tapering of Family Income Supplement creates an METR on a Two Parent, three child household, of 60%+ on the increase in earnings associated with moving from single to dual NMW employment. The rate of withdrawal of FIS combined with childcare results in this household type requiring a MIS joint gross salary of over €1,100 per week, equivalent to two full-time salaries in excess of 1 ½ times the current NMW.

## IMPACT OF SERVICES

- › Services, such as access to social housing / differential rent, affordable childcare, and the medical card, play a crucial role in reducing the minimum expenditure needs of households. Availability of and access to affordable, quality services coupled with adequate income is vital if social welfare dependent and low income households are to reach a Minimum Essential Standard of Living.
- › The Housing Assistance Payment (HAP) has the potential to make housing more affordable, with rent (at least partially) calculated on income and ability to pay. As shown in the case of the Single Adult household type, the HAP could reduce NMW inadequacy from €99 per week to €8 per week. And consequently reduce the MIS gross salary need from over 1 ½ times a full-time NMW salary (€14.15 per hour) to 5.4% above the NMW (to €9.75 per hour).
- › The rents payable by households under differential rent (e.g. social housing or HAP) are substantially lower than those faced by an equivalent household paying a market rent. When located in private rented housing, with rent based on 90% of the Dublin Average, housing costs are approximately €210 more per week than when based in social housing, for each of the household compositions with children.
- › The Affordable Childcare Scheme, as originally outlined demonstrates a model of means-tested tapered support with the potential to overcome the combined poverty-trap of high childcare costs and withdrawal of in-work social welfare, with increases in gross salary.
- › The case of the One Parent household with a pre-school and primary school age child is highly illustrative. This household moves from income adequacy when in part-time NMW employment to inadequacy in full-time NMW employment due to tapering supports and high childcare costs. However, the subvention from the ACS would enable income adequacy from NMW employment for this household type.
- › Similarly for Two Parent households, in cases where single income scenarios provided income adequacy but scenarios with one adult employed full-time and one part-time resulted in inadequacy, the ACS model shows the potential to make dual NMW employment a viable basis for an adequate income.

## GET THE DATA AT [WWW.BUDGETING.IE](http://WWW.BUDGETING.IE)

The full Minimum Essential Standard of Living 2017 Update Report, providing detailed analysis of the minimum expenditure and income needs for 2017 is available to download from [budgeting.ie](http://budgeting.ie)

Visit: [budgeting.ie/publications/2017-mesl-update-report/](http://budgeting.ie/publications/2017-mesl-update-report/) for the full report and appendix tables.

Further data on the full range of household compositions in Urban and Rural areas is also available from [budgeting.ie](http://budgeting.ie).

The Minimum Income Standard calculator ([www.MISc.ie](http://www.MISc.ie)) also provides access to tailored MESL income adequacy assessments.