



# MINIMUM ESSENTIAL STANDARD OF LIVING 2017

## UPDATE REPORT

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MINIMUM  
ESSENTIAL  
BUDGET  
STANDARDS  

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RESEARCH CENTRE



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# INTRODUCTION

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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, which specifies the average weekly cost of all the goods and services necessary to enable a socially acceptable minimum standard of living. An income below the MESL threshold means individuals & households must go without in order to make ends meet, and must forego items deemed essential for being part of Irish society.

This paper presents the 2017 update of the Minimum Essential Standard of Living dataset, and a summary of the minimum expenditure and income needs of a set of twelve representative household types.

## MINIMUM ESSENTIAL STANDARD OF LIVING

The VPSJ has conducted Consensual Budget Standards research since 2004 to establish the robust and detailed Minimum Essential Standard of Living dataset. Over the course of multiple research projects and extensive work with focus groups, detailed baskets of the goods and services vital to a household type’s minimum needs have been established. These baskets are comprised of over 2,000 goods & services and define the minimum needs for households to live at a socially acceptable level.

A Minimum Essential Standard of Living (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, meeting the physical, psychological and social needs of individuals and households. It is derived from a negotiated social consensus on what people believe is essential for an acceptable minimum standard of living. It defines a minimum standard for everyone, not just those in poverty, identifying the cost of a dignified standard of living which allows participation in the norms of Irish life. An income below the MESL threshold means individuals & households must go without in order to make ends meet, and must forego items deemed essential for being part of Irish society.

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 across urban and rural Ireland.

## HOUSEHOLD TYPES

*The MESL dataset covers six broad household types*

- Two Parent household types, with 1 to 4 children
- One Parent household types, with 1 to 4 children
- Single Adults, of working age
- Cohabiting Couple, of working age
- Pensioner, living alone
- Pensioner Couple

## COST OF A CHILD

*The data establishes the MESL needs at four distinct stages of childhood*

- Infant
- Pre-School
- Primary School
- Second Level

The MESL data uniquely provides an evidence based benchmark against which to assess the adequacy of minimum rates of pay, and shines a light on the extent to which individuals and households can afford a standard of living which enables participation in the social and economic norms of Irish society.

The value of this evidence based measure which is grounded in the lived experience of households has seen considerable growth in the multiplicity of uses and applications of this data in Ireland, to assess the minimum expenditure needs and income adequacy for a wide range of household compositions.

## MESL 2017

This report presents the cost of a Minimum Essential Standard of Living in 2017, and benchmarks the adequacy of current social welfare supports and the national minimum wage for a set of common household types.

The costs of the MESL baskets are adjusted annually (from March to March) to account for changing prices, and the income calculations are updated to reflect the current tax and social welfare system.

The MESL dataset specifies the minimum expenditure needs of 142 household compositions, and differentiates between the minimum needs of households in urban and rural areas.

This report focuses on 12 representative household compositions, presenting the minimum expenditure need for the households in both urban and rural areas. The household types and compositions presented in this paper are only a small sample of the full range of households covered by the MESL expenditure needs data.

The minimum income needs of the households are analysed, assessing the income adequacy of social welfare supports and the minimum wage for multiple employment scenarios. Finally, the

Minimum Income Standard, the actual gross salary needed to enable an MESL is presented for the 10 working age household compositions, when living in an urban area.

The appendix, at the end of this report, includes detailed income calculation tables for each of the 12 household compositions in all the scenarios presented throughout this report.

## **ADDITIONAL DATA**

Further information on the household budgets, including the core MESL expenditure need for the full 142 urban and 142 rural household compositions is available on the VPSJ's Minimum Essential Budget Standards Research Centre website, [budgeting.ie](http://budgeting.ie).

The full catalogue of the ongoing MESL research is also available, including Technical & Working Papers, Research Reports, the Annual MESL Update Papers, Submissions to Government, the MESL Budget Impact Briefings, and the detailed MESL expenditure and income needs of the full range of household types.

The Minimum Income Standard calculator, [www.MISc.ie](http://www.MISc.ie), is a tool which enables individuals and organisations tailor outputs from the MESL 2017 data to their specific needs. The website can be used to examine the minimum expenditure and income needs of the household composition(s) relevant to a user, allowing the user to specify household composition, location, housing type & cost and employment/income scenario.

## COST OF AN MESL 2017

The total core cost of a Minimum Essential Standard of Living (excluding housing and childcare) has decreased again in 2017. The average change in the core MESL cost from 2016 to 2017 is -2.5%, this follows decreases in 2015 & 2016 to give a cumulative change of -4.0% over the three years from 2014. Despite this reduction, the core MESL cost is 2.1% higher in 2017 than the recession low point of 2010. Furthermore, 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, and by 9.0% since 2010.

### Core Minimum Essential Standard of Living

The core Minimum Essential Standard of Living costs specify the core minimum costs, and exclude housing costs (e.g. rent), categories of expenditure which may vary by employment pattern such as childcare, and also the effect of secondary benefits such as a medical card.

These additional costs (housing and childcare), and relevant adjustments for secondary benefits, are included in the overall cost of an MESL in scenarios assessing households' minimum income needs and in the examination of the adequacy of social welfare supports and the national minimum wage.

The core weekly MESL for 12 representative household compositions is presented in Tables 1 & 2 for Urban and Rural based households respectively.

Two Parents with One Child	an infant (aged under 1)	TP 1
Two Parents with Two Children	one in pre-school & one in primary school (ages 3 & 6)	TP 2a
Two Parents with Two Children	one in primary school & one in secondary school (ages 10 & 15)	TP 2b
Two Parents with Three Children	an infant, one in pre-school & one in primary school (ages under 1, 3 & 6)	TP 3
Two Parents with Four Children	two in primary school & two in secondary school (ages 8, 11, 14 & 17)	TP 4
One Parent with One Child	in primary school (aged 6)	OP 1
One Parent with Two Children	one in pre-school & one in primary school (ages 3 & 6)	OP 2a
One Parent with Two Children	one in primary school & one in secondary school (ages 10 & 15)	OP 2b
Single Adult, of Working Age	living alone, no dependent children	SA
Couple, of Working Age	co-habiting, no dependent children	CP
Pensioner	living alone	LP
Pensioner Couple	co-habiting, no other adults or children in the household	PC



Table I **2017 URBAN** Core MESL Weekly Expenditure Budget

*Excludes Housing, Childcare and the effect of secondary benefits*





























		TP 1	TP 2a	TP 2b	TP 3	TP 4	OP 1	OP 2a	OP 2b	SA	CP	LP	PC
	Food	89.73	118.05	141.79	147.08	222.89	68.20	90.73	114.48	53.80	79.17	65.29	77.71
	Clothing	26.66	22.37	28.85	36.72	45.38	12.73	17.00	23.48	9.45	12.31	9.12	15.20
	Personal Care	23.54	17.48	23.89	27.31	34.07	9.12	10.40	16.81	12.74	15.57	8.97	13.03
	Health	13.80	14.59	17.32	19.57	25.82	9.78	11.61	14.34	6.35	9.66	12.50	24.92
	Household Goods	22.67	18.81	19.68	27.53	25.09	15.35	17.74	18.61	5.36	6.24	15.56	16.80
	Household Services	7.17	7.17	7.17	7.17	7.17	7.17	7.17	7.17	4.15	4.15	7.18	7.37
	Communications	13.92	13.92	18.48	13.92	23.04	9.35	9.35	13.91	9.42	13.98	13.07	12.88
	Social Inclusion	53.61	69.41	89.68	71.12	127.46	44.03	47.95	68.22	37.10	67.34	39.53	52.70
	Education	0.99	7.68	23.85	7.68	46.70	7.68	7.68	23.85	4.75	8.60	0.00	0.00
	Transport	55.00	60.40	60.40	60.40	65.80	30.20	32.90	32.90	32.70	65.40	0.00	0.00
	Household Energy	43.63	42.20	42.20	46.31	47.57	41.94	41.94	41.94	27.11	29.92	48.09	49.88
	Personal Costs	8.04	8.14	8.14	8.25	8.35	7.88	7.98	7.98	7.78	13.31	6.17	6.33
	Insurance	34.65	37.32	36.17	42.30	42.66	19.19	23.59	22.43	15.57	29.30	12.54	22.81
	Savings & Contingencies	26.71	32.47	32.47	38.23	43.99	21.59	27.35	27.35	11.52	17.28	11.52	17.28
	Core Expenditure	420.13	470.01	550.08	553.57	765.97	304.20	353.39	433.47	237.80	372.25	249.54	316.90

Table 2 **2017 RURAL** Core MESL Weekly Expenditure Budget

*Excludes Housing, Childcare and the effect of secondary benefits*

	TP 1	TP 2a	TP 2b	TP 3	TP 4	OP 1	OP 2a	OP 2b	SA	CP	LP	PC
 Food	96.57	130.01	155.39	159.04	243.24	74.11	98.74	124.13	49.86	76.68	63.93	84.06
 Clothing	27.64	23.61	30.10	37.95	46.91	13.00	17.35	23.85	7.04	13.35	10.43	17.46
 Personal Care	23.11	16.93	22.92	26.76	32.56	9.30	10.38	16.37	6.99	15.29	9.28	12.93
 Health	13.24	13.48	16.13	18.44	23.97	9.08	10.69	13.34	6.08	9.22	12.37	24.59
 Household Goods	23.61	19.65	20.47	28.60	26.07	16.25	18.64	19.46	14.83	7.23	16.19	18.14
 Household Services	10.57	10.57	10.57	10.57	10.57	10.14	10.14	10.14	10.01	7.08	8.05	8.05
 Communications	13.92	13.92	18.48	13.92	23.04	9.35	9.35	13.91	9.42	13.98	13.07	12.88
 Social Inclusion	56.52	72.17	91.39	73.88	127.96	46.93	50.40	69.62	44.85	66.98	39.53	52.70
 Education	0.99	8.55	22.64	8.55	44.28	8.55	8.55	22.64	4.49	8.09	0.00	0.00
 Transport	116.28	116.28	116.28	116.28	127.92	66.18	66.18	66.18	56.14	56.24	52.06	52.16
 Household Energy	51.38	49.95	49.95	54.06	55.32	49.70	49.70	49.70	39.57	42.93	48.83	50.60
 Personal Costs	8.79	8.89	8.89	9.00	9.10	8.63	8.74	8.74	8.53	14.06	6.92	7.08
 Insurance	51.84	54.50	53.35	59.48	59.81	28.91	33.31	32.15	24.27	38.80	20.70	30.29
 Savings & Contingencies	26.71	32.47	32.47	38.23	43.99	21.59	27.35	27.35	11.52	17.28	11.52	17.28
<b>Core Expenditure</b>	<b>521.17</b>	<b>570.98</b>	<b>649.02</b>	<b>654.76</b>	<b>874.74</b>	<b>371.72</b>	<b>419.53</b>	<b>497.57</b>	<b>293.60</b>	<b>387.22</b>	<b>312.88</b>	<b>388.23</b>

In the last year there have been decreases in certain key categories of expenditure such as food, clothing, and electricity. However, increases in other areas have offset, at least some, of these decreases. The effect of increased costs in home heating oil and private transport are evident for rural household types. While a rise in health related costs, childcare and home contents insurance impact more broadly. Overall, the trend is of a reduction in the minimum core expenditure need for urban working age adults without children, pensioners and parents, while in rural areas adult core MESL costs are more stable, from 2016 to 2017.

The reduction in adult's core MESL expenditure need is approximately 2% in urban areas, amounting to an average weekly reduction of €6.11 for a pensioner living alone and €4.57 for a working age single adult. In rural areas increases in household energy costs (home heating oil) and transport (petrol for private car) saw adult's core MESL expenditure remain comparatively stable. The impact of increased energy costs is more acute on household types with one adult, resulting in marginal increases in core MESL costs for these household types in rural areas, while rural two adult households show a marginal decrease in core MESL costs.

As water charges are currently suspended they are not included in the MESL expenditure needs basket for 2017. The effect of this reduction in expenditure need for Household Services has been offset somewhat by an increase in the cost of waste charges.

Of the twelve household compositions examined, the core MESL costs have decreased for each of the urban household types. The number of people in a household has relatively little effect on the household's minimum energy expenditure need. Consequently, smaller rural household compositions (e.g. household's with one child, and the pensioner living alone) demonstrate an increase in core MESL costs, as increased oil costs are not offset by reductions in other areas such as food. The cumulative reduction in food, clothing, etc., is enough to offset energy increases for larger rural household compositions, giving a marginal reduction in core MESL costs overall.

## AFFORDABLE CHILDCARE SCHEME

The announcement of the Affordable Childcare Scheme (ACS) in Budget 2017 was a very positive development. The blend of universality and targeting outlined a progressive move towards addressing the burden of high childcare costs in Ireland. The initiative potentially lays the foundations for a system that could reduce the burden of childcare costs and contribute to the reduction of the income inadequacy faced by lower income households with children.

When first announced the ACS was to be introduced from September 2017. However, the scheme is not being introduced this year. As the ACS is not currently in operation it is not included in the calculation of MESL expenditure need and assessment of income adequacy in this year's update report.

Based on the information previously published by DCYA on the ACS, a number of scenarios incorporating the scheme are included, in order to assess the potential future effect of this new service on the affordability of childcare and income adequacy.

**Table 3** Core MESL Expenditure Need for 12 Urban Household Compositions, € per week  
*Excludes Housing, Childcare and Effect of Secondary Benefits*

**Two Parents**

	1 child Infant	2 children (a) Pre-School & Primary School	2 children (b) Primary School & Second Level	3 children An infant, 1 Pre-School & 1 Primary School	4 children 2 Primary School & 2 Second Level
2016	431.24	483.29	565.67	568.66	787.92
2017	420.13	470.01	550.08	553.57	765.97

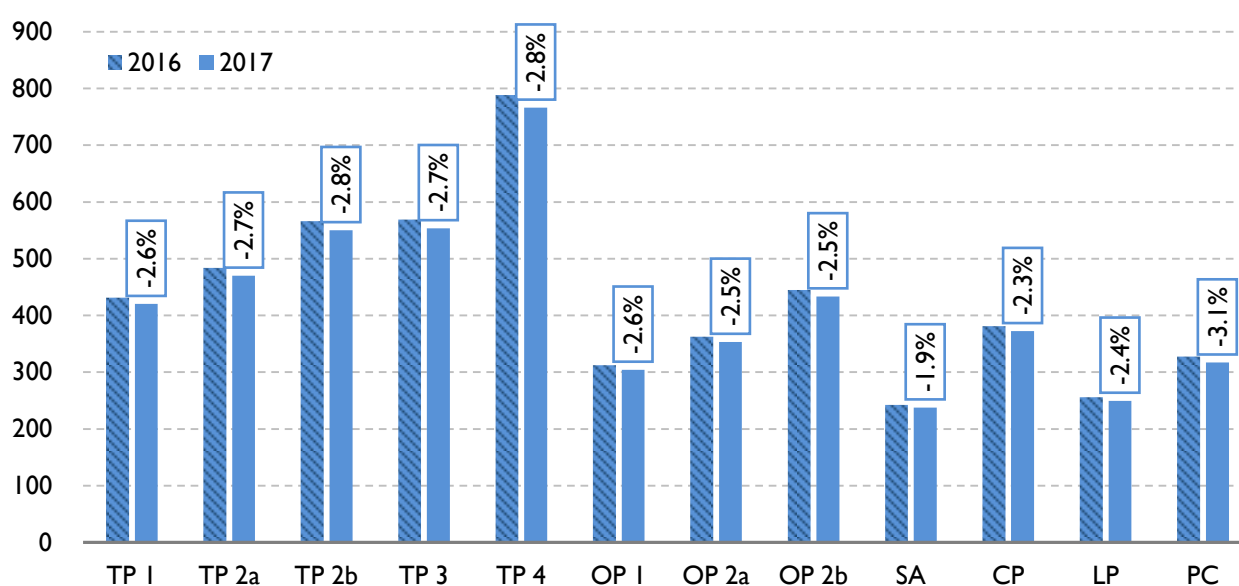
**One Parent**

	1 child Primary School	2 children (a) Pre-School & Primary School	2 children (b) Primary School & Second Level
2016	312.16	362.36	444.74
2017	304.20	353.39	433.47

	Single Adult Working Age	Couple Working Age
2016	242.37	381.03
2017	237.80	372.25

	Pensioner Living Alone	Pensioner Couple
2016	255.65	327.15
2017	249.54	316.90

**Graph 1** Change in Core MESL Expenditure Need, 12 Urban Household Compositions  
*Excludes Housing, Childcare and Effect of Secondary Benefits*



## INFLATION AND THE CHANGING COST OF AN MESL

The MESL household expenditure budget is more concentrated on basics such as food, electricity and home heating, than that of the average household. Consequently, the cost of an MESL changes at a different rate than that indicated by the average CPI rate.

The Minimum Essential Standard of Living expenditure data is adjusted to reflect changes in prices annually, adjusting from March to March each year. The Consumer Price Index (CPI) is based on a broader basket of goods and services than that needed for an MESL. In order to exclude the influence of price fluctuations in these additional items, the MESL adjustment uses a subset of CPI detailed sub-indices.

Basic areas of expenditure such as food and household energy make up a greater proportion of the MESL household budget, than that of the average household. As a result changes in these areas of expenditure having a greater impact on the overall cost of an MESL than the CPI rate suggests.\*

The MESL research has tracked the changes in the cost of an MESL against the headline CPI inflation rate, and has found that the CPI headline inflation rate tends to under-estimate changes in the cost of an MESL. The disparity between changes in the MESL and the CPI index re-enforces the point made by the CSO, that the CPI is not a cost of living index<sup>†</sup>, and is reflected in the findings of ESRI research demonstrating the different rate of inflation experienced by households on lower incomes when compared to the national average<sup>‡</sup>.

## CPI CHANGES V MESL CHANGES

In the twelve months to March 2017 the CPI rate shows an average increase in prices, with a rate of +0.7%<sup>§</sup>. The change in the core cost of a MESL (costs excluding housing, childcare, and the effect of secondary benefits) is calculated for the same period, for a set of representative household compositions. The core cost of an MESL changed by -2.5% between March 2016 and March 2017.

The CPI rate is an average of decreases in some areas of and increases other areas, e.g:

Decreases		Increases	
Food & Non-Alcoholic Beverages	- 2.6%	Home Heating Oil	25.7%
Electricity	- 3.4%	Health	1.7%
Clothing and Footwear	- 3.8%	Transport	1.7%

\* The MESL household expenditure budget is more concentrated on basics such as food, electricity and home heating, than that of the average household. Approximately one third of household expenditure is allocated to these categories in the MESL budgets; by comparison the Household Budget Survey shows that these areas account for a quarter of the average household's expenditure.

For more information on the annual adjustment methodology and the CPI Detailed Sub-Indices rates used see VPSJ (2013) Working Paper 'Changes in the cost of a MESL in comparison to CPI Inflation', available on [www.budgeting.ie](http://www.budgeting.ie)

<sup>†</sup> CSO, 2015. CSO Consumer Price Index Methodology. Published on-line:

[www.cso.ie/en/media/csoie/surveysandmethodologies/surveys/prices/documents/introductiontocpi2.pdf](http://www.cso.ie/en/media/csoie/surveysandmethodologies/surveys/prices/documents/introductiontocpi2.pdf)

<sup>‡</sup> Callan, T. & Colgan, B., 2015. ESRI Research Note: The Distributional Impact of Inflation: 2003-2014. Published on-line [www.esri.ie/publications/the-distributional-impact-of-inflation-2003-2014/](http://www.esri.ie/publications/the-distributional-impact-of-inflation-2003-2014/)

<sup>§</sup> CSO, 2017. Consumer Price Index March 2017. Published on-line, accessed 24th April 2017.

<http://www.cso.ie/en/releasesandpublications/er/cpi/consumerpriceindexmarch2017/>

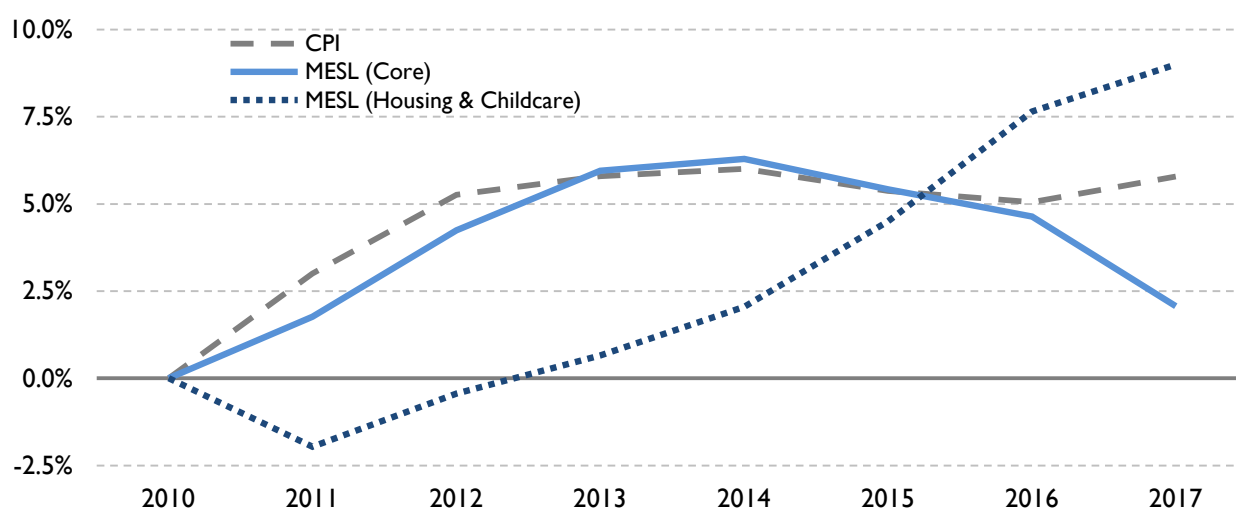
The average change in the core MESL for urban households is illustrated in Graph 2, and for 2017 the divergence between the CPI and MESL Core is notable. While the CPI has increase slightly, the core MESL has decreased. Household energy and transport together account for up to a quarter of core MESL expenditure need, and price changes in these areas account for the gap between CPI and core MESL this year.

The CPI showed an increase of 1.2% in average energy costs in the 12 months to March 2017. This is an average of significant increase in home heating oil (+25.7%), and decreases in other fuels including electricity (-3.4%) and gas (-2.8%). The urban MESL expenditure need includes energy costs based on gas and electricity, and as a result excludes the effect of the increase in home heating oil. Similarly, urban MESL costs are based on the use of public transport. While MESL public transport costs did not increase in the last year, the CPI inflation shows an increase for transport due to increases in fuel costs for private transport.

However, rural household compositions have experienced increases in these two significant areas of expenditure. The increases have driven an average 1.0% increase in rural core MESL costs, exceeding CPI inflation.

During the recession core prices declined to a low point in 2010, but have increased since. Over this longer period the average core cost of an MESL has increased by 2.1% (from 2010 to 2017).

**Graph 2 Cumulative Change**  
(Base = 2010)



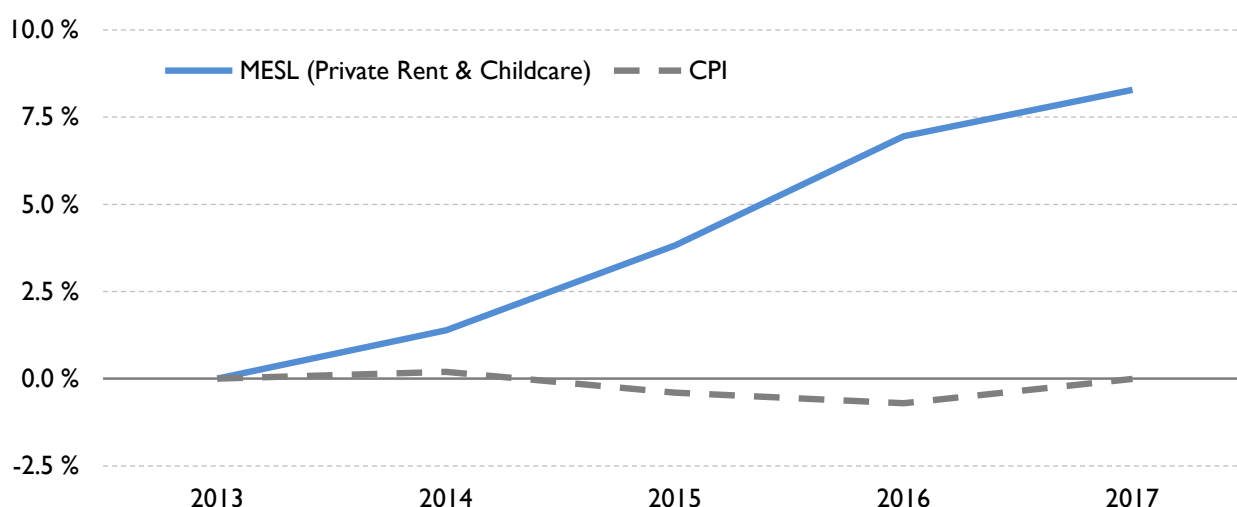
## THE EFFECT OF HOUSING COSTS

Looking beyond the core MESL costs the cost of private rented accommodation has risen by an average of 8.6% nationally, in the 12 months to March 2017 making the sixth successive period of increases in private rent. Childcare has also increased by an average of 1.5%. Consequently the cost of an MESL has increased significantly for household types requiring expenditure in these areas, again in 2017.

Private rents have increased each year since 2012 (as measured by the CPI), with increases of 8% to 10% in each of the last four years. Compared to the recession low point of 2010, rents have increased by over 50%.

In the last year rents in the Dublin area increased by 7.9% for a one bed dwelling, 6.1% for a two-bed dwelling and 5.7% for a three-bed dwelling. Such increases have led to dramatic rises in the overall cost of an MESL for households unable to access social housing and a differential rent.

**Graph 3 Cumulative change in MESL (Private Rent & Childcare) and CPI**  
(Base = 2013)



There has been a 1.25% increase in the overall cost of an MESL (including private rent\* and childcare†) in the last year. In the last four years of accelerated growth in private rents, the cost of an MESL increased by 8.3%. Over the same period minor fluctuations in the overall CPI resulted in a cumulative effect of no change. Consequently, over the last four years the CPI has under-estimated the change in the expenditure required for an MESL (where private rent and childcare are required) by 8.3 percentage points.

The impact of increasing private rents is returned to later in this report, where it is examined in the context of income adequacy, and the income needs differential between households paying a differential rent, calculated on the basis of household income, and households in private rented accommodation paying 90% of current average rents.

The potential effect of the Housing Assistance Payment (HAP) on household's minimum income needs is also examined.

\* Based on 90% of the average Dublin rent for a dwelling size appropriate to the household composition.

† Where required by the household composition.

## INCOME ADEQUACY – SOCIAL WELFARE

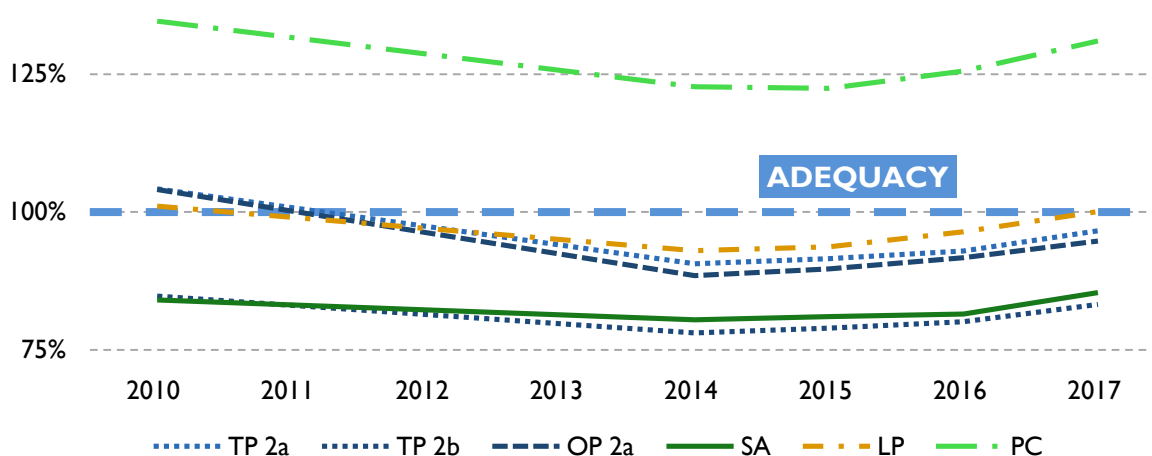
The MESL data provides a unique evidence based benchmark against which to assess the adequacy of social welfare supports. This analysis measures the extent to which social welfare payments enable individuals and households to afford an acceptable minimum standard of living, which allows for participation in the social and economic norms of Irish society.

The analysis assesses social welfare supports against the total MESL cost (including housing) adjusted for the effect of secondary benefits (primarily the medical card) for each of the household compositions. The discussion in this section focuses primarily on urban based households. Housing costs are based on social housing for all households with children and pensioner household types. The working age Single Adult and Couple household types' housing costs are based on private rented accommodation and are set at the Rent Supplement ceiling limits appropriate to their situation in Dublin.

*Details of the social welfare incomes are provided in the tables in the appendix, for the 12 household compositions in both urban and rural areas.*

### SOCIAL WELFARE ADEQUACY SUMMARY

Graph 4 Proportion of MESL Expenditure Need Met by Social Welfare



- For the third year in a row, households dependent on social welfare have experienced an improvement in their income adequacy in 2017. While social welfare does not provide for an MESL for the majority of cases examined, the proportion of minimum expenditure need met by social welfare supports is increasing for many household types.
- Graph 4 illustrates the percentage of MESL expenditure need met by social welfare for six household types. Social welfare continues to provide an inadequate income for four of the household types. However, in each of the cases the proportion of the MESL met by social welfare has increased in the past three years since 2014.



- In 2017 social welfare continues to provide an inadequate income for each of the family household compositions with children. The income of One Parent and Two Parent households dependent on social welfare is approximately 3% higher this year than in 2014 but remains approximately 3% lower than in 2010.
- The degree of income shortfall experienced varies by household composition and location. Amongst the family household types, social welfare meets the greatest proportion of MESL expenditure need for the Two Parent household with a pre-school and primary school age child (TP2a) in both urban and rural areas.
- Households with an adolescent experience the greatest income inadequacy when reliant on social welfare (see TP 2b, TP 4 & OP 2b). Secondary school age children have higher MESL costs than children of other age-groups.
- Social welfare also continues to provide an inadequate income for the working age households without children. In rural areas the social welfare income of the Couple of Working Age household accounts for the highest portion of MESL expenditure of all the household compositions analysed.
- The State Pension (Contributory and Non-Contributory) provides the basis of an adequate income for Pensioner Couple household types living in social housing.
- The Pensioner Living Alone household now experiences income adequacy in urban areas when in receipt of both the Contributory and Non-Contributory Pension. The Lone Pensioner household has moved to marginal income adequacy in 2017 when in receipt of the Non-Contributory Pension and Living Alone Allowance.
- However, the Pensioner Living Alone household in rural areas does not experience income adequacy as their MESL expenditure is higher than their urban counterparts.
- Rural households living in social housing and dependent on social welfare tend to face greater income deficits than their urban counterparts due to the need for private transport in rural areas and higher home heating costs (oil versus gas).
- Services, such as access to adequate social housing and the medical card, play a crucial role in reducing the minimum essential expenditure needs of households. Availability of and access to affordable, quality services coupled with adequate income is vital if social welfare dependent households are to reach a minimum essential standard of living.
- The adequacy of social welfare incomes in 2017 is discussed further below.

## SOCIAL WELFARE RATES 2017

- Primary social welfare payments including State Pensions and disability payments have increased by €5.00 per week since March of this year. This is the first increase in seven years in working-age payments such as Jobseekers and the One-Parent Family Payment.
- This is the second year in a row that the State Pension (Contributory and Non-Contributory) was increased, building on adjustments of €3.00 made in 2016.
- The increases in social welfare payments although welcome, were delayed until March of this year, rather than commencing as standard practice in January.
- The Increase for a Qualified Adult (IQA) corresponding to working-age payments was raised proportionally, the first increase in six years since the payment was reduced in Budget 2011.

Increases for Qualified Adults relating to Pensions were raised proportionally last year and again this year, in line with increases to Pensions.

- The Increase for a Qualified Child (IQC) payment remained at the same level (€29.80) despite the increases to the standard rate of working-age payments. The IQC was last increased in 2010 but it was not decreased in 2011 alongside the Increase for a Qualified Adult rate. Child Benefit also remained at the same level of payment, last increasing in Budget 2016.
- There were proportional increases in weekly Jobseeker payments to those aged less than 25 years. Jobseekers aged 18-24 years saw an increase of €2.70 and weekly rates for those aged 25 years were increased by €3.80.
- There were no adjustments to secondary welfare supports such as the Fuel Allowance, Living Alone Allowance, and Back to School Clothing and Footwear Allowance.
- The earnings disregard for the One-Parent Family Payment and the Jobseeker's Transition payments increased by €20.00, from €90.00 to €110.00 per week.
- The Christmas Bonus, payable to those in receipt of long-term social welfare payments, increased to 85% of the standard weekly payment in 2016.
- Rent Supplement limits increased in July 2016 and minimum tenant contributions remain the same, apart from those in receipt of RS aged less than 26 years. For those aged 18-24 years their contribution was lowered to €10.00 per week and to €20.00 for those aged 25 years.
- The Housing Assistance Payment (HAP) scheme was introduced nationwide in March 2017 as a form of social housing support for people who have a long-term housing need. Tenants under the scheme pay differential rent to their local authority, the rate of which is dependent on their income and their local authority scheme. In general, properties must be within the rent limits, though there are some exceptions.\*
- However there are ongoing issues regarding the lack of availability of rental accommodation within the rent limits.† The benefit of the increase in the RS/HAP limits from July 2016 continues to reduce due to low supply of housing and increasing rents in the private sector.

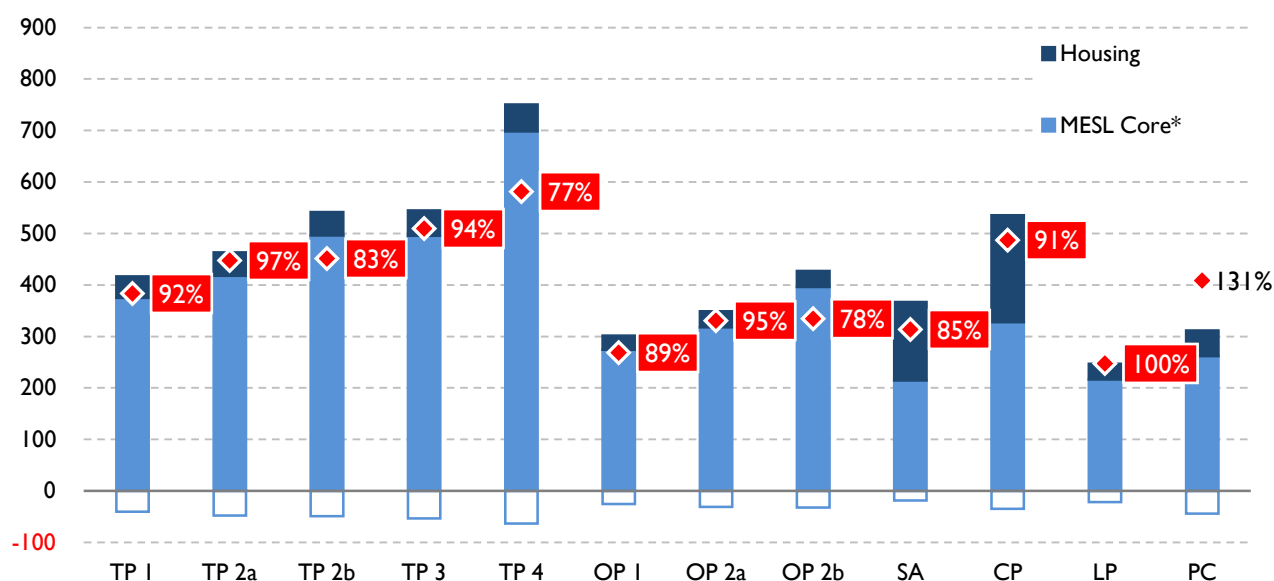
## HOUSEHOLDS WITH CHILDREN

- Social welfare does not provide an adequate income for any of the eight households with children assessed in either an urban or rural area.
- The increases in social welfare payments and slightly decreasing MESL costs have resulted in a reduction in the depth of income shortfall for the family household types examined.
- Households with adolescent children are experiencing the greatest shortfall in income. The One Parent household type with a primary and secondary age child (OP2b) experiences a shortfall of -€93.18 per week and income from social welfare provides only 78% of the household's MESL expenditure need. However, the household's income inadequacy has been reduced by -€12.73 compared with last year (-€105.91).

\* There are some exceptions on rent limits on a case-by-case basis up to 20% over the rent limits. A tenant must pay the difference or a 'top-up' to the landlord if the monthly rent agreed exceeds the rent limits (HAP, 2017).

† The Simon Community conduct regular rental accommodation availability surveys in their 'Locked Out' series. The most recent study found that just 12% of properties nationwide were available to rent within the HAP/Rent Supplement limits in March 2017 (Simon, 2017).

Graph 5 Urban MESL Expenditure and Social Welfare\* Income Adequacy, € per week



- Child income supports (with the exception of the BSCFA) do not take account of increasing costs in adolescence and at this age, the gap between minimum essential expenditure and income supports widen. For instance a Two Parent household with an adolescent (TP2b) has an income inadequacy of -€90.78 in 2017 compared to an inadequacy of -€15.87 for a Two Parent household type with a pre-school child (TP2a).
- Households with pre-school aged children have the lowest level of income inadequacy. Child related social welfare supports provide in excess of the direct core MESL cost of a pre-school aged child. This surplus effectively subsidises a portion of income inadequacy for siblings of other ages and the parents MESL need.
- Adjusting the rates of the Increase for a Qualified Adult only and not the IQC has worsened the position of the One Parent household with a pre-school child (OP2a) this year, compared to the Two Parent household with a pre-school child (TP2a). The TP2a household now has a lower nominal income inadequacy than the One Parent household with a pre-school child and their household income continues to meet a higher portion of their MESL expenditure need.
- Within the full range of family household compositions covered by the MESL data, thirteen compositions which demonstrated income inadequacy in 2016 have moved to income adequacy in 2017.
- If in receipt of a long-term social welfare payment (15 months), these households would be entitled to the Christmas Bonus. For the TP2a households (the household closest to income adequacy) the Christmas Bonus which equates to an average of €6.22 per week over the year would reduce income inadequacy from -€15.87 to -€9.65.

\* The social welfare income scenarios assume full entitlement to payments relevant to the household scenario:

TP	JS Personal Rate + Qualified Adult + Qualified Child, Child Benefit, Back to School Allowance
OP	OFP / JST + Qualified Child, Child Benefit, Fuel Allowance, Back to School Allowance
SA & CP	JS Personal Rate, Rent Supplement
LP	Non-Contributory Pension + Living Alone Increase, Fuel Allowance, Household Benefits Package
PC	Contributory Pension + Qualified Adult, Fuel Allowance, Household Benefits Package

## WORKING AGE HOUSEHOLDS WITHOUT CHILDREN

- The MESL data shows that households without children are also experiencing income inadequacy. However, this inadequacy has reduced since last year due to increases in Jobseekers payments and a slight decrease in the cost of an MESL.
- The Single Adult household faces a lower income inadequacy in 2017 of -€53.69 compared to -€62.64 last year. However they still face a 15% income shortfall in meeting their MESL expenditure despite receiving Rent Supplement and Jobseekers Allowance.
- The Couple of Working Age household now faces a lower nominal income inadequacy (-€48.86) than the Single Adult, the opposite was the case last year. The Couple household's social welfare income continues to meet a greater portion of their MESL expenditure than the income of the Single Adult. This highlights the disproportionately higher costs facing those living alone.
- The minimum expenditure for food and household energy amounts to almost half (42%) of a Single Adult's primary social welfare payment. The income deficit for the Single Adult household type indicates that the rate of Jobseekers remains insufficient in meeting the cost of living for this household type, despite this year's increase to the rate of payment.
- When in receipt of a Jobseekers payment for over 15 months, the Single Adult household may be eligible for the Christmas Bonus and the Fuel Allowance. These payments would contribute an additional €14.40\* per week to their income over a full year, and reduce their income inadequacy to -€39.29, meeting 89% of their MESL expenditure compared to 85% without the secondary payments.
- These income scenarios are based on households receiving Rent Supplement. Despite an increase in Rent Supplement thresholds in 2016, there continues to be ongoing issues regarding the chronic lack of availability of rental accommodation within the Rent Supplement limits (Simon, 2017) and top up payments made by those in receipt of RS and HAP.<sup>†</sup> As a result, these scenarios must be treated with caution, as additional hidden expenditure may be required in the form of payment of both official and unofficial top-ups to landlords.<sup>‡</sup>

## ADULTS UNDER 26

- There were proportional increases made to the reduced rate of Jobseekers Allowance for younger adults but they continue to face income inadequacy.
- The cost of an MESL for an unemployed young adult living in the family home in 2017 is €151.00 which is higher than rates of JA for under 25's (€102.70) and for those aged 25 (€147.80).
- The MESL cost is based on a young adult living as part of the parental household and qualifying for a full medical card. The reduced rate of JSA continues to fall short of providing an MESL for

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\* The Christmas Bonus in 2016 was 85% of primary social welfare which was €164.05 for the Single Adult household type. This amounts to an average of €3.15 per week. The Fuel Allowance amounts to 22.50 per week and is paid over 26 weeks, which is an average of €11.25 over 52 weeks. Added together (€11.25 + €3.15) this amounts to an additional €14.40 per week.

<sup>†</sup> A tenant must pay the difference or a 'top-up' to the landlord if the monthly rent agreed exceeds the rent limits (HAP, 2017). The Simon Community conduct regular rental accommodation availability surveys in their 'Locked Out' series. The most recent study found that just 12% of properties nationwide were available to rent within the HAP/Rent Supplement limits in March 2017 (Simon, 2017).

<sup>‡</sup> Threshold have reported that around half of Rent Supplement recipients pay 'top-up' payments to landlords, in addition to the tenant contribution required under the RS scheme (Threshold 2014).

adults under 26 despite increases made this year, and an individual in this situation would require significant support from their family in order to afford an MESL.

- The full weekly rate of Jobseekers Allowance (€193.00) would allow for an MESL only if the Single Adult was living in the family home. However, they would experience a significant income shortfall if living outside of the family home and receiving Jobseekers Allowance as outlined above.

## PENSIONER HOUSEHOLDS

- The increases to the State Pension rates for the second year in a row have continued to improve the social welfare income adequacy for all Pensioner household types examined.
- The Pensioner Couple household type continues to be able to afford an MESL when living in social housing and reliant on a State pension in both urban and rural areas.
- This year the Lone Pensioner household type in an urban area has moved to marginal income adequacy (of €0.27) when in receipt of the Non-Contributory Pension, leaving them vulnerable to income shortfall. The household continues to experience income adequacy of €9.87 when receiving the Contributory Pension in an urban area.
- The Christmas Bonus equates to an additional €3.86 per week for this household type (when in receipt of the Non-Contributory Pension) improving the income adequacy, but it remaining marginal at less than €5.00 above the MESL expenditure need per week.
- In rural areas the Lone Pensioner household faces income inadequacy when in receipt both the Contributory and Non-Contributory Pension as the cost of their MESL expenditure is higher in rural areas. The income from the Non-Contributory Pension meets only 81% of their MESL expenditure need and slightly more (85%) if they are receiving the Contributory Pension.
- There were no increases made this year to secondary benefits available to pensioners such as the Living Alone Allowance, the Fuel Allowance and the Household Benefits Package. This is particularly significant for the Lone Pensioner household in rural areas experiencing income inadequacy and facing an increase in oil heating costs of 25.7% this year.

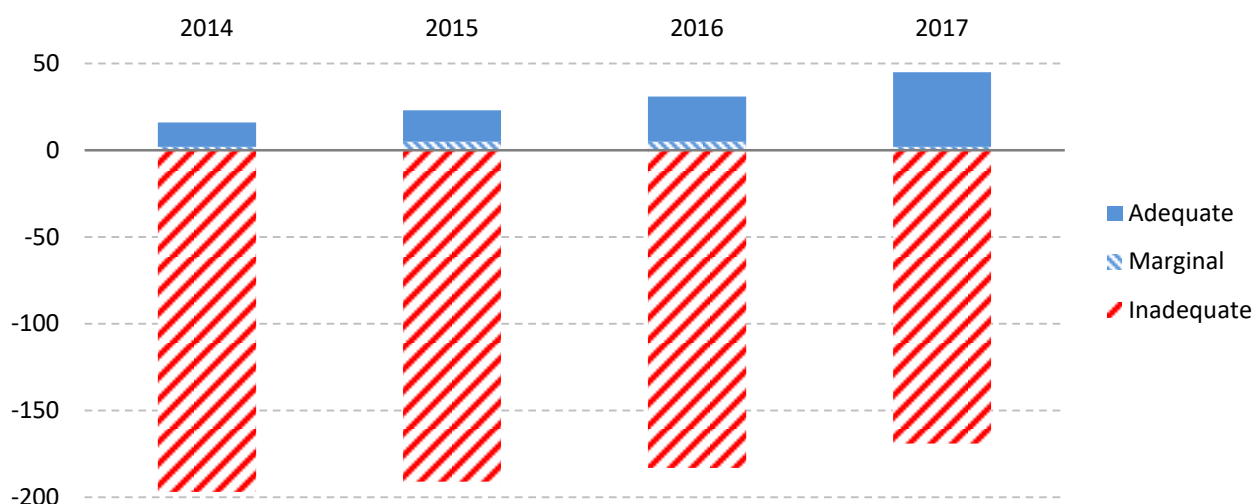
## SOCIAL WELFARE ADEQUACY – 214 TEST CASES

To broadly track the changing trend of social welfare income adequacy the annual MESL update report assesses the social welfare income adequacy for 214 separate test cases.

- In 2017 social welfare does not provide an adequate income for 169 of 214 urban cases examined. This is a notable improvement from 2016 when 183 household compositions were in a position of income inadequacy when solely dependent on social welfare.
- Fourteen cases which had inadequate income in 2016 have moved to adequacy in 2017. This continues the trend from recent years, with the number of cases demonstrating inadequacy declining annually.
- The Pensioner Living Alone household type now has a marginally adequate income, when in receipt of a Non-Contributory State Pension. This is the first time since 2010 that this household type has shown income adequacy. However, the adequacy is precarious, providing an income which is only marginally in excess of the MESL expenditure need in an urban area.

- Thirteen household compositions with children have also moved to income adequacy in 2017. In all cases social welfare income provided at least 97% of MESL expenditure need last year, therefore the combined effect of increased social welfare rates and slightly reduced costs have moved these households to income adequacy.
- Eight of the fourteen cases are two parent household compositions where both adults are unemployed and receive a full Jobseekers payment. Household's in this scenario have benefited most from the increase in primary social welfare rates.

Graph 6 Social Welfare Adequacy, test cases by year



#### The Source of the 214 Test Cases:

The MESL data defines the minimum expenditure a specific household composition requires for an acceptable standard of living. The MESL requirement changes to reflect the make-up (composition) of the household, varying with the adults and children (number and age-groups) in the household.

The MESL data can distinguish between the MESL expenditure needs of 69 compositions of 1 to 4 children across four age-groups, this results in 69 Two Parent household compositions and 69 One Parent household compositions. Further permutations may be introduced through examining different income scenarios, housing tenures, etc.

It is this flexibility that enables the benchmarking of social welfare adequacy for 214 test cases. The cases are comprised of the following households and income scenarios:

Two Parents	1 to 4 children, 4 age-groups	Social Housing	1 Jobseeker & 1 Stay-at-home	69
Two Parents	1 to 4 children, 4 age-groups	Social Housing	2 Jobseeker	69
One Parent	1 to 4 children, 4 age-groups	Social Housing	OFP / JST / Jobseeker	69
Working Age	Single Adult & Couple	Private Rented	Jobseeker & Rent Supplement	2
Pensioner	Living Alone & Couple	Social Housing	State Pension	5

## COST OF A CHILD

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A child's needs vary with age and to reflect this the MESL data defines four child age-groups and identifies the direct weekly cost of a Minimum Essential Standard of Living for a child at each stage.

The direct cost of a child is based on expenditure needs which can be attributed solely to a child and excludes wider household costs. A family household has different minimum costs compared to a household without children, due to various needs associated with family life. These costs are included in the MESL budgets for parents as they are not specific to a particular child or age-group.

The cost of a child's core MESL is higher in infancy, declining at pre-school age and then rising as children grow older. The cost is highest at second level age, as an adolescent child's MESL cost is more than 2 ½ times that of a pre-school age child. However, the cost of childcare has a significant impact on the cost of an MESL, multiplying the core MESL cost by almost 5 times for a pre-school age child and over 3 ½ times for an infant. The inclusion of full-time childcare makes infancy the most expensive stage, with costs declining for each subsequent age-group.

Aside from childcare, food is the largest area of expenditure for each age-group, followed by clothing for an infant, savings and contingencies for a pre-school child and social inclusion for a primary and secondary school aged child. A school age child's social inclusion budget includes participation in various physical and sports activities, such as swimming and football, a bicycle, an allowance for attending several friends' birthday parties and three trips to the cinema a year.

Identifying the cost of a socially acceptable minimum standard of living for a child enables an assessment of the adequacy of child related social welfare supports. However, it must be borne in mind that the MESL expenditure need detailed is the direct cost of a child as part of a family household. Therefore, the child's MESL needs and income adequacy must ultimately be assessed in the context of the overall household minimum needs. It cannot be assumed the child has an adequate income if they are part of a household which as a whole has an inadequate income; even if the cost of a child's MESL expenditure is in principle adequately provided for by child social welfare.

### COST OF A CHILD 2017

In 2017, the cost of a child's core MESL expenditure, excluding the effect of secondary benefits, ranges from €49.19 per week for a pre-school aged child to €129.27 per week for a child of secondary school age. The inclusion of full-time childcare for children up to (and including) primary school age, makes infancy the most expensive stage at €301.91 per week, with costs declining in each subsequent age-group. The MESL for an infant including full-time childcare is 2.3 times larger than that of an adolescent.

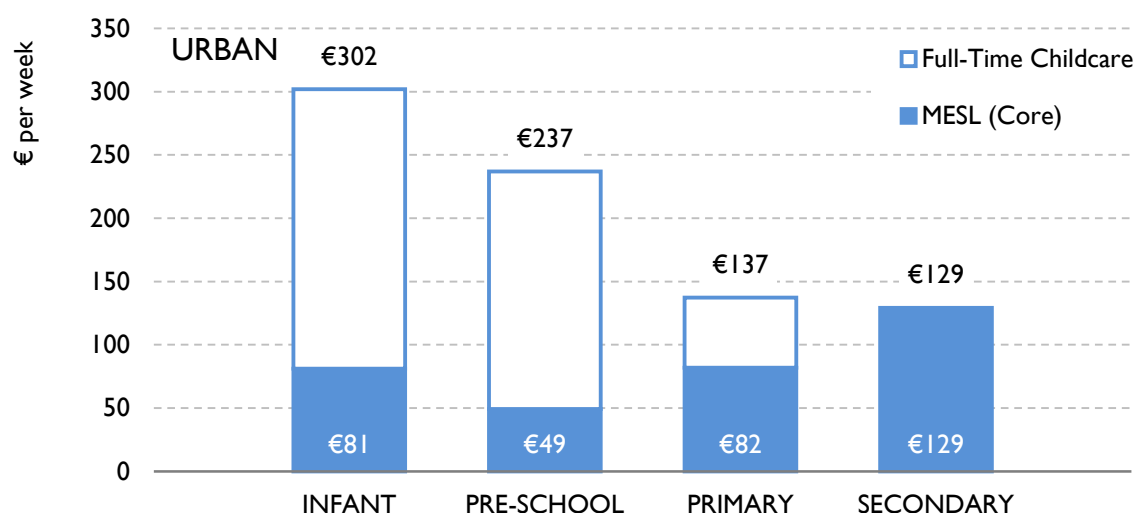
MESL core costs for children of all ages have gone down by between 2% and 3% when childcare and secondary benefits are excluded. However, when childcare is included the cost of an MESL for an



infant and a pre-school child has increased while the cost of an MESL for primary and secondary school age children have decreased.

Increases in child-related costs were seen in the Childcare, Health and Personal Costs budget areas. Health insurance increased only for the infant and decreased for the other age-groups.\* The biggest increase (excluding health insurance) was seen in Health. Free GP care for under sixes continues to ensure that the MESL costs for pre-school children are lower than other age-groups. Health costs for an adolescent are 2 ½ times greater than that of the pre-school child. An extension of free GP care to older children and ultimately to children in all age groups would contribute to lower MESL costs across all age groups.

**Graph 7** Direct Cost of a Child's MESL, per week, by child age-group  
*Excludes the effect of secondary benefits*



The cost of full time private childcare for an infant in an urban area is close to €11,500 per annum. While the ECCE scheme reduces the cost of childcare for a pre-school age child, through the provision of a free pre-school place, the cost of full-time care is €9,800 per annum, accounting for four fifths of this age-groups total MESL costs.†

In September 2016 the ECCE Capitation cost increased from €62.50 to €64.50, slightly reducing full-time childcare costs for a pre-school child. However, the cost of childcare increased by 1.5% in the year to 2017 and accounts for a larger share of MESL expenditure of a pre-school child than other age-groups.

\* The increase in health insurance was due to a different health insurance package being included in the budgets. Each year the VPSJ reviews the best value health insurance package.

† The ECCE scheme provides a pre-school place, 3 hours per day for 38 weeks of the year. The scheme effectively reduces full-time childcare costs by €64.50 per week, for 38 weeks of the year, or an average of €47.13 per week.



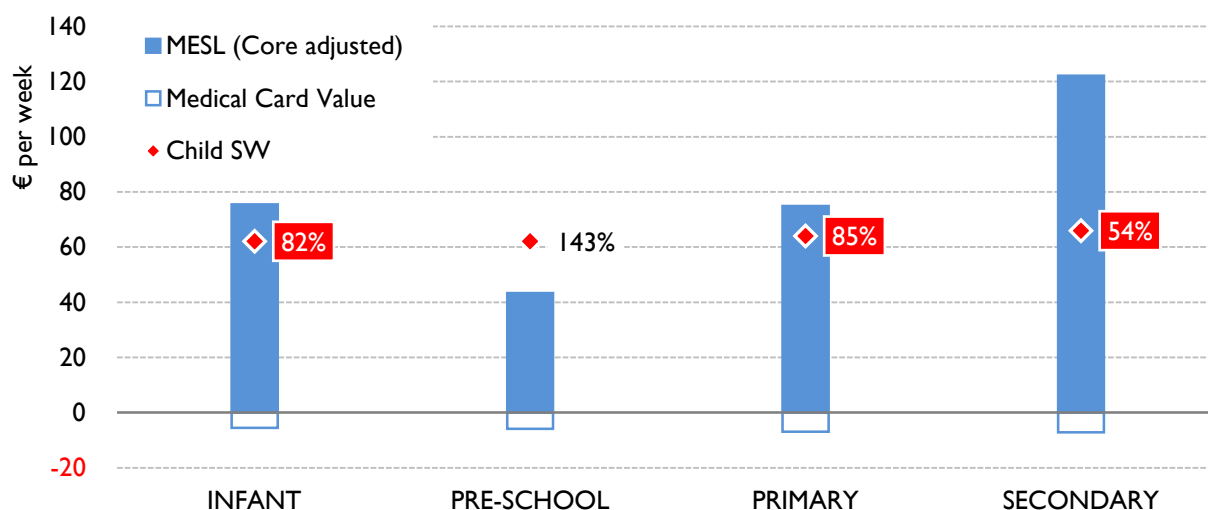
## ADEQUACY OF CHILD RELATED SOCIAL WELFARE SUPPORTS

The MESL expenditure needs data provides a benchmark against which to assess the adequacy of social welfare payments. This is done at a household level in the various social welfare scenarios discussed in the previous section of this report.

The adequacy of the primary child related payments typically available to a social welfare dependent household are benchmarked against the MESL Core cost for each child age-group. The core cost is adjusted to reflect entitlement to a full Medical Card. The results of this assessment are illustrated in Graph 8, and detailed in Table 5.

The MESL costs of a child vary with age, but the primary social welfare supports of Child Benefit and the Qualified Child Increase do not, consequently the proportion of a child's minimum needs met by these supports depends on the child's age.

Graph 8 Cost of A Child, adjusted urban MESL, and Social Welfare Adequacy



The marginal decrease in the MESL costs has resulted in social welfare providing for a slightly larger proportion of a child's core MESL expenditure in 2017 than in 2016. However, child-related social welfare payments still meet only just over half of an adolescent's MESL expenditure. The cost of an MESL is highest at this stage of childhood, excluding childcare, and yet the Back to School allowance provides only an additional €200 per year (€3.85 per week) for this age-group.

The MESL costs are lowest at Pre-School age, and child related social welfare payments amount to almost 1 ½ times the cost of a pre-school child's MESL. However, this apparent adequacy must be examined in the context of a wider household as the inadequacy of supports for other child age groups and parents mean a pre-school child can live in a social welfare dependent household with notable income inadequacy, e.g. the One Parent household type with a pre-school and primary school age child illustrated in Graph 12 has an income shortfall of €18.26 per week.

Social welfare rates, in particular the Increase for a Qualified Child (IQC), needs to reflect the changes in minimum expenditure as children age. To maintain the proportional support provided by

the IQC, in relation to the cost of a child, the IQC should be paid at a higher rate for second level age children. It is regrettable that the IQC was not increased this year along side proportional increases to payments for Qualified Adults.

**Table 4 The Direct Weekly Cost of a Child 2016**  
*excluding entitlement to secondary benefits e.g. medical card*

		INFANT	PRE-SCHOOL	PRIMARY	SECONDARY
URBAN	MESL (Core)	81.09	49.19	81.77	129.27
	Full-Time Childcare	220.82	187.68	55.63	...
	Total	301.91	236.87	137.40	129.27
	Childcare as a % of total	73.14	79.23%	40.49%	0.00%
RURAL	MESL (Core)	81.15	47.81	83.14	125.85
	Full-Time Childcare	180.25	142.25	55.66	...
	Total	261.40	190.06	138.80	125.85
	Childcare as a % of total	68.96%	74.84%	40.10%	0.00%

**Table 5 Comparison between the Cost of a Child\* and Child Income Supports per week**

		INFANT	PRE-SCHOOL	PRIMARY	SECONDARY
URBAN	MESL (Core) per week	75.55	43.34	74.90	122.10
	Child Benefit	32.31	32.31	32.31	32.31
	Qualified Child Increase	29.80	29.80	29.80	29.80
	Back to School	...	...	1.92	3.85
	Total Social Welfare	62.11	62.11	64.03	65.95
	% of MESL met by SW	82.2%	143.3%	85.5%	54.0%
RURAL	MESL (Core) per week	75.60	42.06	76.56	118.98
	Child Benefit	32.31	32.31	32.31	32.31
	Qualified Child Increase	29.80	29.80	29.80	29.80
	Back to School	...	...	1.92	3.85
	Total Social Welfare	62.11	62.11	64.03	65.95
	% of MESL met by SW	82.2%	147.7%	83.6%	55.4%

\* Cost of a child's MESL, excluding childcare, adjusted for full Medical Card.

## INCOME ADEQUACY – NATIONAL MINIMUM WAGE

This section benchmarks the adequacy of the National Minimum Wage, and relevant social welfare supports, for working age households in various full-time and part-time employment scenarios. Where the analysis finds income inadequacy, the next section presents the calculation of the Minimum Income Standard (MIS) gross salary rate the household composition would need to earn in order for the household to afford an MESL.

Where a household's net income is below the expenditure required for an MESL, it indicates that households of this type would have to forgo items deemed essential in order to make ends meet, and therefore would not be able live at an acceptable minimum standard and fully partake in the norms of Irish life.

The analysis assesses total household income against each of the household compositions' total MESL cost (including housing) adjusted for the effect of secondary benefits (primarily the medical card). Household income is comprised of NMW salary earnings after tax (PAYE, USC & PRSI), and social welfare supports as applicable, primarily Child Benefit, Family Income Supplement and the One-Parent Family Payment.

The discussion in this section focuses primarily on urban based households. Housing costs are based on social housing for all households with children (in the NMW scenarios). The working age single adult and couple household types' housing costs are based on private rented accommodation, renting a one bedroom dwelling in the Dublin area at 90% of the average monthly rent.

For households with children, income adequacy is assessed for a range of employment scenarios, and applicable childcare costs are included in each scenario.

The employment scenarios examined are listed below. In all cases full-time employment is based on 37.5 paid hours per week and part-time employment is based on 19 paid hours per week.

Two Parents – 1 Full-Time & 1 Stay-at-home	One Parent – Part-Time
Two Parents – 1 Full-Time & 1 Part-Time	One Parent – Full-Time
Two Parents – 2 Full-Time	
Singe Adult – Full-Time	Couple – 2 Full-Time

*The full set of National Minimum Wage income scenario tables for the ten working age household compositions in both urban and rural areas, are provided in the appendix.*

### CHANGES IN 2017

- For the second year in a row the National Minimum Wage rate was increased. Building on the increase of €0.50 in 2016, the NMW rose by €0.10 to €9.25 per hour in 2017.

- This remains significantly below the Living Wage rate (currently €11.50 per hour) and the low pay threshold of two-thirds median hourly earnings, but nevertheless contributes to increasing the net salary of those on the lowest rate of pay.
- The increase of €0.10 represents an adjustment of 1.01% to the rate, compared to 2016. The cost of an MESL, including rent and childcare, has increased by an average of 1.25% in the last year.
- In addition to the NMW increase, adjustments were also made to the USC, reducing the rate in the first three bands by 0.5%, and ensuring a full-time NMW worker does not enter the third (higher) band of USC.
- The Family Income Supplement (FIS) earnings thresholds were not adjusted to take account of changes in the NMW rate and USC bands, nor increasing costs.
- The One-Parent Family Payment (OFP) earnings disregard was increased by €20 to €110 per week.

## WORKING AGE HOUSEHOLDS WITHOUT CHILDREN

The Single Adult and Couple household, without dependent children, are assessed in full-time employment scenarios, where all adults in the household are in full-time employment. The effect of the increase to the NMW rate and adjustments to USC, are demonstrated in both cases.

Housing costs for working age households without children are derived from the average cost of renting a one bedroom dwelling in Dublin, the cost is 90% of average rent for Q4 2016 (RTB, 2017). The average monthly cost of renting a 1 bed unit in Dublin in this period is €1,041.25 per month, 90% is €937.13 per month.

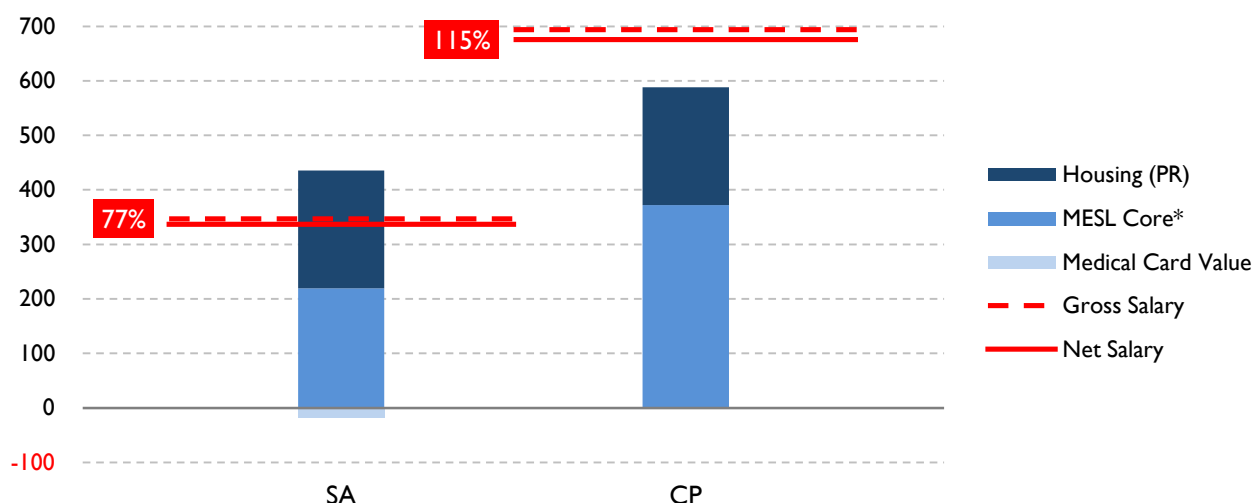
Private rents for one bed dwellings in Dublin have increased by 7.9% in the last year. This increase in expenditure need more than offsets the income gains from the minimum wage increase and changes to USC.

### SINGLE ADULT

- One adult in full-time (37.5 hour) minimum wage employment will have an increase in net income of €4.62 per week (1.39%), due to the combined effect of the increase to the NMW and reductions in USC.
- The cost of an MESL, including private rent, has increased by €12 per week, to €436, an increase of 2.8% over 2016. The high cost of private rented accommodation results in housing accounting for half (49.7%) of this household types MESL expenditure needs.
- When earning the NMW and with housing costs of €216 per week (€937 per month), this household type will qualify for a full Medical Card. The Medical Card effectively reduces the core weekly MESL cost by €18, for this household type.
- The cost of renting a one-bedroom dwelling, at 90% of average rents, is 64% of net salary from full-time NMW employment. Housing costs above 35% of net income are generally regarded as unaffordable.

- Despite the increase in net salary this household type has a greater income shortfall in 2017 than in 2016, facing inadequacy of almost €100 per week. Net salary from full-time NMW employment provides for only 77% of the household type's MESL expenditure needs.

Graph 9 Urban MESL Expenditure and NMW Adequacy, € per week



## COUPLE HOUSEHOLD

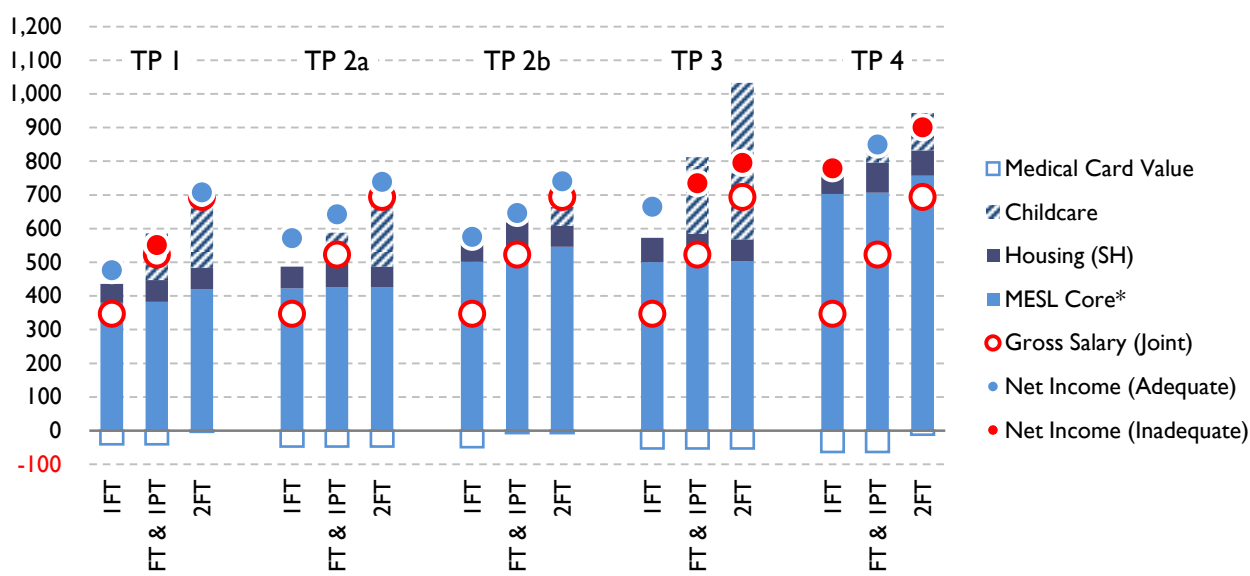
- When both adults in the household are employed full-time on the NMW this household type has a sufficient income to meet their minimum essential expenditure needs, including the cost of renting a one-bedroom dwelling in the Dublin area.
- However, the housing costs account for 32% of the household's joint net income; this is approaching the 35% affordability threshold.
- This household type's net salary has also increased due to the changes to the NMW and USC, by €9.27 in total.

## TWO PARENT HOUSEHOLDS

The increase in the National Minimum Wage and adjustment to USC improve the net salary for this household type also. However, FIS income thresholds have not been reviewed in line with these adjustments. Consequently the full benefit of the NMW increase and reduced USC is not felt by households with children.

The scenarios presented for the two parent household compositions examine single and dual income situations. Housing costs are based on social housing. Childcare costs are based on the use of formal childcare for a pre-school age child, and are net of the ECCE scheme. Costs for a primary school age child are based on informal care provided by a friend or relative and therefore do not demonstrate the cost of formal private childcare. Childcare costs are included in dual income scenarios only.

Graph 10 Urban MESL Expenditure and NMW Adequacy, € per week



## SINGLE INCOME SCENARIOS

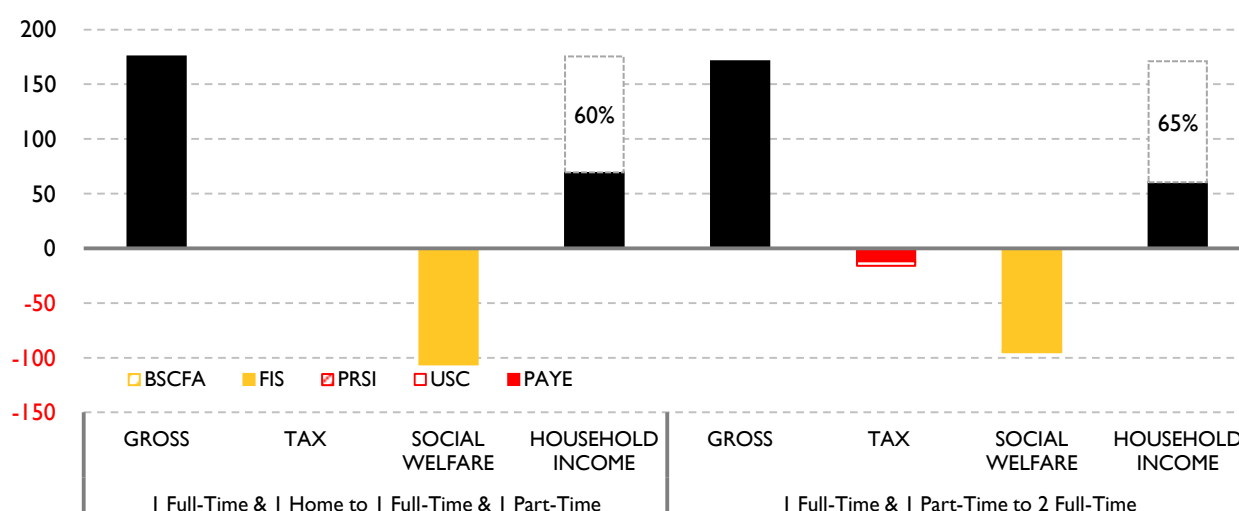
- The NMW may provide the basis of an adequate income for Two Parent households with one parent employed full-time and the other a full-time stay-at-home parent, for household compositions with up to three children and a maximum of one adolescent.
- Costs rise significantly when there is an adolescent in the household, however social welfare supports, with the exception of the Back to School Allowance, are paid at a single rate irrespective of the age of a child and so the increase in expenditure at adolescence is not matched by an increase in social welfare supports such as Child Benefit or FIS.
- The household with two children, one adolescent and one in primary school (TP2b), moves to income adequacy in 2017 due to the combined decrease in MESL need (-2%) and increase in household income (+0.4%).
- The household with four children, two adolescents and two in primary school (TP4), has benefited from a similar reduction in MESL need (-1.9%) and increase in income (+0.3%), but income from single NMW employment remains inadequate, providing for 99% of minimum expenditure need.
- The above is true when the households are able to access adequate affordable housing, i.e. social housing, and pay a differential rent.\*
- Family Income Supplement (FIS) makes an important contribution to household income. Following the increase to the NMW, the level of FIS support provided to a household with one full-time minimum wage earner has decreased. For example, the household with four children (TP4) received FIS of €298 in 2016, and now receives €295. However, overall household income has improved and the depth of income inadequacy faced by this household type has lessened in 2017.

\* The additional earnings required when the housing costs are based on private rent are examined for Dual Income scenarios in the next section.

## DUAL INCOME SCENARIOS

- The data demonstrates that when both parents are engaged in NMW employment, the end result may not be an improvement in the household's income adequacy. As gains in net salary may be offset by both the cost of childcare and reduced eligibility for in-work supports such as FIS.
- The high cost of childcare for an infant outweighs the benefit of a second minimum wage income to the household. This is demonstrated by both TP1 and TP3 moving from a situation of income adequacy in a single income scenario, to income inadequacy when the second parent is engaged in either part-time or full-time minimum wage employment.
- Family Income Supplement reduces significantly when a household moves from a single NMW income to a dual NMW income scenario. In the case of the household with three children (TP3) FIS decreases from €223 when one parent is employed, to €117 when one parent is working full-time and one is working part-time, to €24 when both are in full-time employment on the NMW.

Graph 11 Income Change by Employment Scenario Change (TP3)



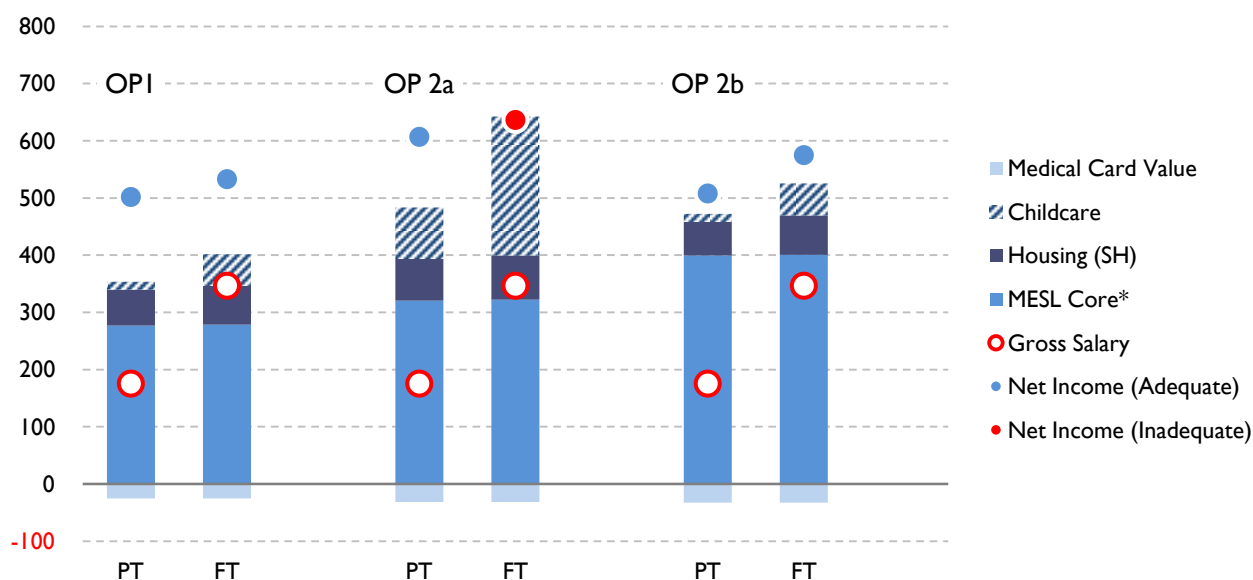
- Consequently, the TP3 household moves from income adequacy in a single income scenario, to income inadequacy in dual income scenarios as modest increases in household income are offset by childcare costs and the reduction in FIS. The tapering of FIS imposes a Marginal Effective Tax Rate of 60% plus when the second adult moves from full-time home duties, to either part-time or full-time NMW employment.
- Similarly, for the household with an infant (TP1) FIS entitlement is lost when the second adult takes up part-time minimum wage employment.
- The Medical Card income guidelines have not been updated in line with the adjustments to the NMW, it is possible that households eligible for a Medical Card in 2015 will not be eligible in 2017.
- The Two Parent household with four children (TP4) demonstrates this. In 2015 this household type was eligible for a full medical card when both adults were in full-time minimum wage employment, and household income met 96.9% of expenditure need. In 2017, the same

household composition in the same employment scenario is eligible for only a GP Visit card. Consequently, despite an increase in household income, the income inadequacy has deepened.

## ONE PARENT HOUSEHOLDS

In addition to the increase in the National Minimum Wage and adjustments to USC, this household type has also benefited from the increase in the One-Parent Family Payment earnings disregard.

Graph 12 Urban MESL Expenditure and NMW Adequacy, € per week



The scenarios presented for the One Parent household compositions examine part-time and full-time employment situations. Housing costs are based on social housing. Childcare costs are based on the use of formal childcare for a pre-school age child, and are net of the ECCE scheme. Costs for a primary school age child are based on informal care provided by a friend or relative and therefore do not demonstrate the cost of formal private childcare.

### PART-TIME EMPLOYMENT

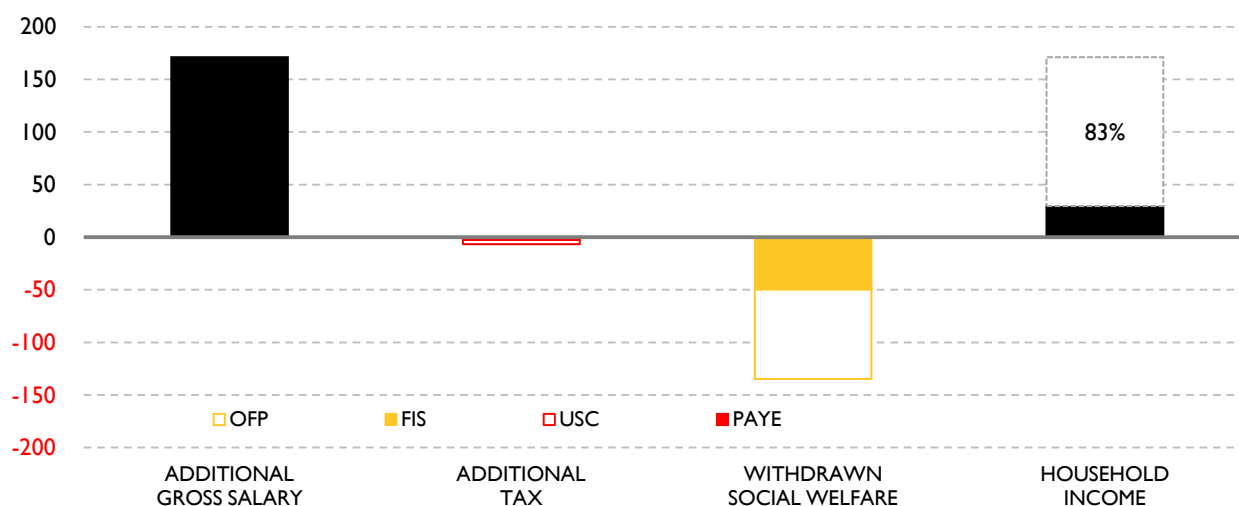
- The National Minimum Wage provides the basis of an adequate income in each of the three part-time employment scenarios examined.
- The part-time scenario is based on consistently working 19 hours per week, enabling the household to qualify for both the Family Income Supplement and the One-Parent Family Payment (OP 1 and OP 2a only).
- In the two child household with a primary and second level age child, OP 2b, the youngest child is aged over seven. Therefore, the household is not eligible for the OFP; consequently this household's net income and income adequacy are notably lower than the other One Parent household composition with two younger children (OP 2a), which is eligible for both OFP and FIS.
- Combining lower hour part-time employment and social welfare can be precarious, leaving households vulnerable to income inadequacy if the working hours available are insufficient to enable the household to qualify for the Family Income Supplement.



## FULL-TIME EMPLOYMENT

- Full-time minimum wage employment provides the basis of an adequate income for the household with a primary school age child, and the household with primary and second level age children (OP1 and OP 2b). For these two household compositions, the cost of informal after school childcare for a primary school age child requires approximately 10% of the household net income.
- The household composition with a pre-school and primary school age child (OP 2a) moves from income adequacy when in part-time employment to income inadequacy when in full-time NMW employment. Childcare costs increase the household's MESL expenditure need by a third, when compared to the part-time scenario. However, household income increases by only 5%.
- The household (OP 2a) receives over €220 from OFP and FIS, when in full-time employment. While this is significant support, it is a reduction of €133 from the level of support received when part-time employed.
- The tapering of the OFP and FIS, and being liable for PAYE and USC, offsets the majority (83%) of the €171 increase in gross salary from increased employment.

Graph 13 Income Change from Part-Time to Full-Time NMW Employment (OP2a)



## MINIMUM INCOME STANDARD

The Minimum Income Standard (MIS) model establishes what an adequate income is for a household, by calculating the gross salary required to enable the household afford the cost of a Minimum Essential Standard of Living.

The MIS calculation starts by assessing the adequacy of the household's total income, when each employed adult is earning the National Minimum Wage. The MIS method, calculates the PAYE income tax liability, PRSI contribution and amount of USC payable, and assesses eligibility for any social welfare entitlements applicable to the household type.

Where the minimum wage does not provide the basis for an adequate household income (net salary plus any social welfare entitlements), the MIS method recalculates household income on the basis of incremental increases in salary, re-assessing the adequacy of household income at each increment.

The MIS method involves multiple iterations of these calculations, each iteration representing a €0.10 incremental increase in hourly salary. The Minimum Income Standard for a household is reached at the point where total household income meets the MESL expenditure need of the specified household type.

The section presents the MIS calculations for each of the working age household compositions when living in an urban area.

- The calculations are based on all adults in the household being in full-time employment, e.g. a dual income scenario for the Two Parent compositions.
- The MIS need for family households with children is calculated for scenarios with social housing and also scenarios with private rented accommodation.
- Private rent costs are derived from the average cost of renting an appropriate sized dwelling in Dublin, the cost is 90% of the average rent for Q4 2016 (RTB, 2017). The monthly rents included in the calculations are detailed below.

Dwelling Size	Dublin Average*	90% of Average	Weekly Rent
1 bedroom	1,041.25	937.13	216.26
2 bedrooms	1,304.05	1,173.65	270.84
3 bedrooms	1,376.25	1,238.63	285.84

*The details of the Minimum Income Standard tables for each of the ten working age household compositions are provided in the appendix (pages 17A to 20A).*

\* RTB (2017) RTB Average Monthly Rent Report (Euro) by Location, Property Type and Number of Bedrooms - 2016Q4. Published online, accessed 29/03/2017  
[www.cso.ie/px/pxeirestat/pssn/prtb/homepagefiles/rent\\_index\\_statbank.asp](http://www.cso.ie/px/pxeirestat/pssn/prtb/homepagefiles/rent_index_statbank.asp)

## THE MINIMUM INCOME STANDARD CALCULATION MODEL

### ASSUMPTIONS

- › All adults in the household are employed full-time, e.g. both adults employed in the Two Parent household compositions.
- › The adults in the Two Parent household composition are jointly assessed for income tax.
- › Households are claiming all applicable tax credits and tax reliefs, as outlined.
- › Where the household meets the basic eligibility criteria for the social welfare payments (listed below) the appropriate means test is applied.
- › Medical Card entitlement is assessed in accordance with the national guidelines\* (HSE, 2015).

Tax	Tax Credits	Social Welfare Transfers
Income Tax	Single Person	Medical Card (Full & GP Visit)
PRSI	Married Couple	Child Benefit
Universal Social Charge	OPF (One Parent Family)	One-Parent Family Payment (OFP)
	PAYE	Family Income Supplement (FIS)
	Health (Tax Relief)	Back to School Clothing & Footwear Allowance (BSCFA)

### Contribution of Social Welfare

The contribution of direct and indirect benefits reduces both the expenditure and income need of the household compositions. For example, in scenarios where a household composition is eligible for a full Medical Card, this reduces both the expenditure need of the household and the amount of Universal Social Charge levied on the household's gross salary. If a household composition is not eligible for a full Medical Card, but would qualify for a GP Visit card, this has a more modest impact on reducing expenditure need.

A number of direct income supports are included in the income calculations, for households with children.

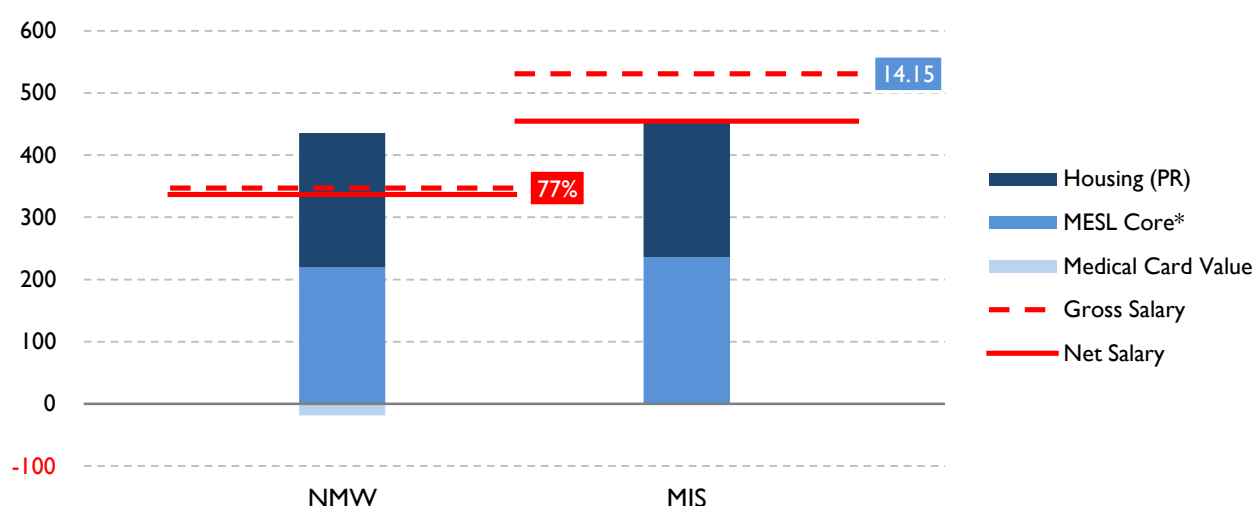
- › All the households, with children, are in receipt of Child Benefit.
- › In each scenario the household compositions are assessed for eligibility for Family Income Supplement (FIS), and the Back to School Clothing and Footwear Allowance, and where a household composition is found to be eligible the appropriate rate of payment is included in the household income calculations.
- › One Parent household compositions are assessed for the One-Parent Family Payment (OFP) (where the youngest child is under 7), and where the household's earnings from work are below the means test threshold the appropriate rate of payment is included.
- › Where a One Parent household is found to be entitled to the OFP, it assumed that the household is a long-term social welfare recipient and so is also eligible for the Fuel Allowance.

\* HSE (2015) Medical Card / GP Visit Card National Assessment Guidelines. Published online: [www.hse.ie/eng/services/list/1/schemes/mc/forms/medicalcardguidelines2015.pdf](http://www.hse.ie/eng/services/list/1/schemes/mc/forms/medicalcardguidelines2015.pdf)

## SINGLE ADULT

- Full-time minimum wage employment provides a net income which meets 77% of the MESL expenditure need of a single person, without dependents, living in private rented accommodation in Dublin. Total MESL expenditure need is €436, net income is €337, leaving a weekly shortfall of €99.

Graph 14 Single Adult, Full-Time Employment, NMW Inadequacy v Minimum Income Standard



- To afford an MESL this household type requires a gross weekly salary of €531 per week. This is an hourly rate of €14.15 when in full-time employment (37.5 hours), and is over 1 ½ times the NMW rate.
- To have an adequate income when earning the NMW a household of this type would require over 57 hours of work per week.
- The MIS calculation is specific to the household type in this specific scenario, and based on a full-time week of 37.5 hours. The Living Wage calculation, which is based on the MESL research and MIS model, calculates the average gross salary needed across Ireland and is based on a 39 hour working week. Consequently the national Living Wage rate will differ from the results of specific MIS scenarios.

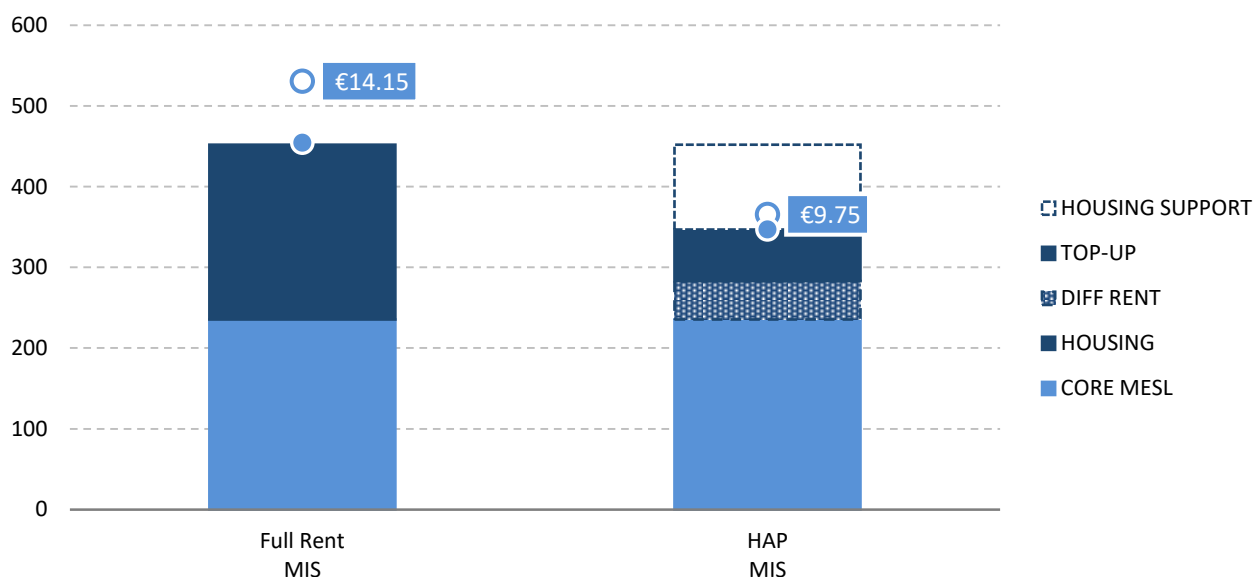
## HOUSING ASSISTANCE PAYMENT

This scenario examines the MIS gross salary required by the Single Adult household type, if housing costs are based on being in receipt of the Housing Assistance Payment (HAP). The HAP provides reduced housing costs to those eligible, while allowing recipients to be in full-time employment\*. In the Dublin area the rent ceiling for a single adult household is €660, however it is allowed for recipients to live in accommodation above this threshold and pay the difference directly to their landlord.

\* A single adult with a net income below €35,000 per annum would meet the income criteria for social housing support; this is equivalent to a gross salary of over €47,000 per annum.

In the case of the Dublin based Single Adult, the HAP would subsidise the first 70% of the monthly rent (rent limit of €660, 90% of Average €937). The tenant would pay a differential rent based on income, and the difference between the rent limit and actual rent, in this case an additional €63.95 per week (€277 per month).

Graph 15 Effect of HAP on MIS Requirement



- Where the Single Adult is in HAP accommodation, full-time NMW employment would remain inadequate. However, housing costs are effectively halved to €109.79 per week (€45.84 in Differential Rent to the local authority, and €63.95 as a top-up payment to the landlord). The total MESL need is reduced to €345, and the shortfall from NMW employment is €8 per week.
- In this scenario, the Single Adult would need to earn a gross salary of €366 per week, equivalent to a full-time hourly rate of €9.75.
- The MIS for a Single Adult able to access a service, providing assistance with housing costs, could earn an income adequate to enable an MESL, at a salary rate which is only 5.4% above the current NMW rate. Compared to the situation without access to assistance with housing costs, where a MIS rate 52.9% above the NMW is required to enable the same minimum standard of living.
- Note also, the terms of HAP allow for the rent limit to be increased by up to 20%, on a case by case basis. If this were applied here the additional top-up paid by the tenant to the landlord would be reduced to €33.49 per week (€145 per month). In this scenario full-time NMW employment would provide the basis of an adequate income for this household type.

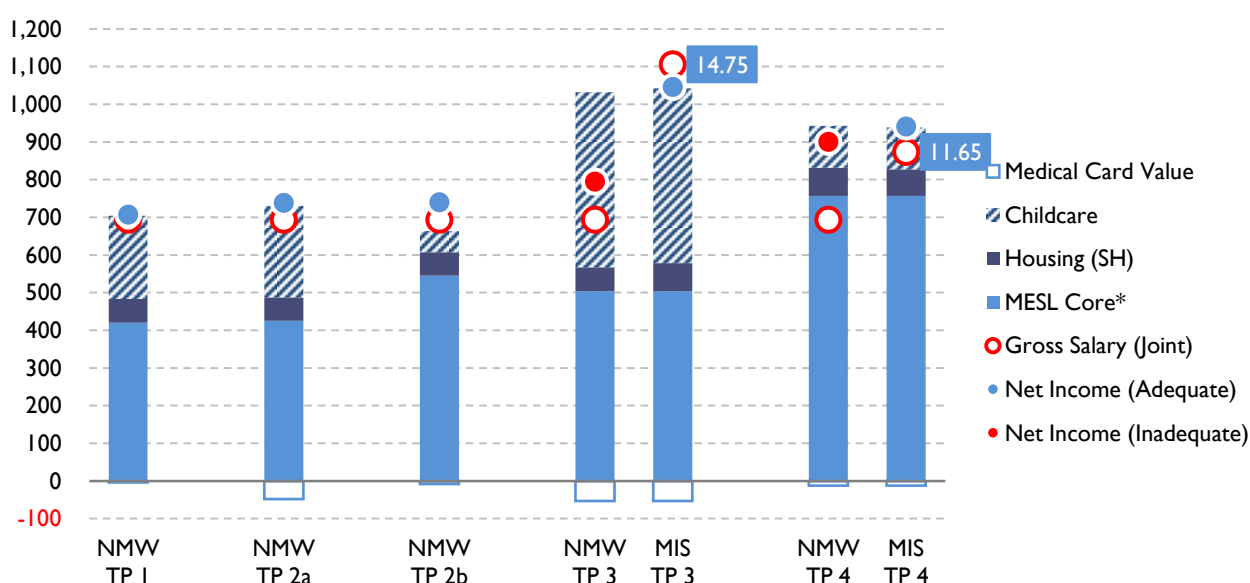
## TWO PARENT HOUSEHOLDS

In a dual income scenario of both adults employed full-time, and living in social housing, the NMW provided the basis of an adequate income for three Two Parent household compositions.

The household with one child, a baby, (TP1) has a marginally adequate income. When in dual full-time NMW employment, household income is €3.45 per week above the MESL expenditure need. The households with two children, both a pre-school and primary school age composition (TP 2a) and a primary and second level age composition (TP 2b) have an income which adequately meets the MESL expenditure need, when in dual full-time NMW employment.

The MIS gross salary income required for the two other household compositions is illustrated in Graph 16.

Graph 16 Dual Full-Time MIS, Urban Two Parent Compositions, Social Housing



## TWO PARENTS, THREE CHILDREN (PRIMARY SCHOOL, PRE-SCHOOL, BABY)

- To afford an MESL this household composition requires a joint gross salary of over €1,100 per week, equivalent to a full-time hourly rate of €14.75 for each of the adults, this is over 1 ½ times the current NMW. Or when earning the NMW would require each adult to engage in 60 hours of employment per week.
- When earning the NMW, full-time, the household is eligible for a FIS payment of €24 per week. FIS eligibility is lost when the joint gross salary approaches €770 per week, €10.25 per hour.
- This MIS need is based on social housing / differential rent, and full private childcare costs for the baby and pre-school age-child (taking account of ECCE scheme), and informal after-school care from a relative for the primary school age child. Childcare costs for this household composition total €464 per week.

## TWO PARENTS, FOUR CHILDREN (2 PRIMARY SCHOOL, 2 SECOND LEVEL)

- The additional costs associated with teenage second level age children result in income inadequacy when reliant on the NMW for this household composition.
- To afford an MESL this household composition requires a joint gross salary of over €870 per week, equivalent to a full-time hourly rate of €11.65 for each of the adults, this is over 1 ¼ times

the current NMW. Or when earning the NMW would require each adult to engage in 47 hours of employment per week.

- When earning the NMW, the household is eligible for a FIS payment of €95 per week. At the MIS salary rate of €11.65, FIS contributes €35 per week to the overall household income. FIS eligibility is lost when the joint gross salary approaches €1,000 per week, €12.75 per hour.
- This MIS need is based on social housing and informal after-school care for primary school age children.

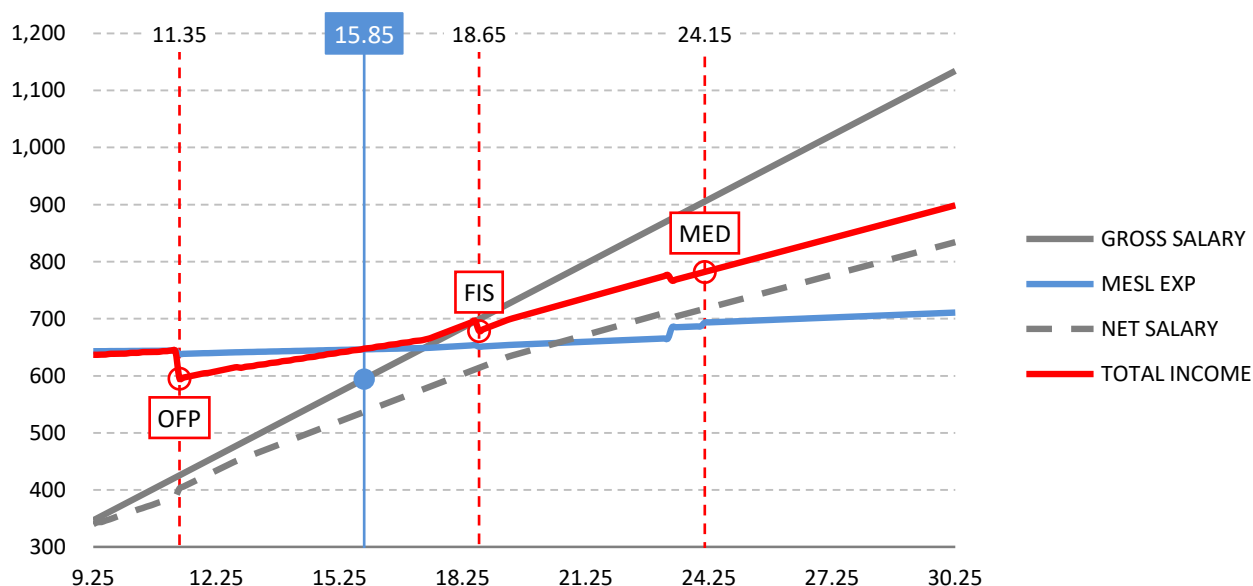
## ONE PARENT HOUSEHOLDS

In full-time employment and living in social housing, the NMW provided the basis of an adequate income for two of the One Parent household compositions examined.

### ONE PARENT, TWO CHILDREN (PRE-SCHOOL & PRIMARY SCHOOL)

- The household composition with a pre-school and primary school age child (OP 2a) has an income shortfall of €6.14 per week, when in full-time minimum wage employment.

Graph 17 Changing Household Income by Hourly Earnings Rate



- As discussed above, this household composition moves from income adequacy when in part-time employment, to inadequacy in full-time NMW employment due to the additional childcare costs associated with full-time work, and the tapering of the One-Parent Family Payment (OFP) and Family Income Supplement.
- The progression of total household income (net salary + social welfare supports) is illustrated in the graph above, as gross salary increases from full-time NMW.
- The combined taper of OFP & FIS produce a Marginal Effective Tax Rate (METR) of 91% on each €1 increase in hourly salary from €9.25 to €11.25. When earning €11.25 per hour, €2 above the NMW, the income shortfall is reduced to €1.99 per week. Entitlement to the OFP is lost when the household's gross salary reaches €425 per week, approximately €11.35 per hour.

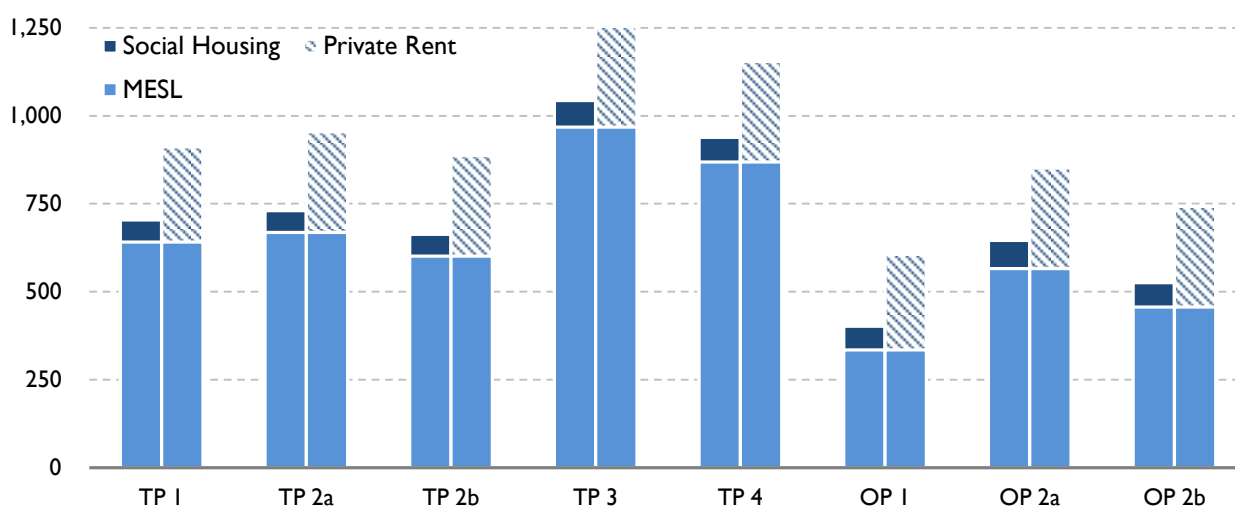
- The increase in gross salary from €11.25 to €11.35 per hour results in an increase in weekly gross of €3.75. But a reduction in net income (net salary + social welfare) of €48.15. The €425 cut-off for OFP causes shortfall to increase to €44.31 when salary is €11.35 per hour.
- At €11.25, total household income is €643, with social welfare accounting for 40% of net income. Household income only returns to this level when gross salary is €15.55 per hour. This means the cut-off point for OFP entitlement requires an increase in gross salary of over €160 to offset the loss of the payment. At a salary of €15.55 the household would receive €51 from FIS (combined with Child Benefit social welfare is 18% of net household income).
- Continued tapering of FIS means salary of €15.95 per hour (€600 per week) is required to meet minimum needs; at this salary the household receives FIS of €44 per week.
- To overcome the €6.14 income inadequacy when earning the NMW full-time, a household of this type needs to earn an additional €250 above the NMW per week, due to the steep taper and withdrawal of in-work social welfare supports.

## PRIVATE RENTED HOUSING

The discussion to this point has focused on social housing for households with children. However, in scenarios where these household compositions are not located in social housing (and paying a differential rent related to the household income) but instead are in the private rented sector, the overall MESL expenditure need is increased substantially.

When located in private rented housing, with rent based on 90% of the Dublin Average, MESL costs are approximately €210 more per week than when based in social housing for each of the household compositions. This additional expenditure is to enable the same minimum standard of living, but in a housing tenure where the rent paid by the household is not calculated on the basis of income or affordability.

Graph 18 MESL Expenditure Need in Social Housing & Private Rented





The impact of this additional expenditure in terms of income requirement is calculated for each of the eight household compositions with children. The MIS gross salary required by the household compositions is listed in the table below, when in social housing and in private rented housing.

The additional earnings required for an MESL when in private rented accommodation are substantial in all cases.

**Table 6 MIS by Housing Tenure, Gross Salary required per adult, per week**

	TP 1	TP 2a	TP 2b	TP 3	TP 4	OP 1	OP 2a	OP 2b
SOCIAL HOUSING	346.88	346.88	346.88	553.13	436.88	346.88	594.38	346.88
PRIVATE RENT	511.88	515.63	470.63	710.63	613.13	646.88	1,014.38	811.88
DIFFERENTIAL	165.00	168.75	123.75	157.50	176.25	300.00	420.00	465.00

## HOUSING ASSISTANCE PAYMENT

With the introduction of the Housing Assistance Payment there is the potential for a differential rent to be available to households not able to access conventional social housing. The HAP allows eligible households to secure private rented accommodation and pay a differential rent, and unlike Rent Supplement HAP recipients can engage in full-time employment.

**Table 7 Average Rents and HAP/RS Rent Limits in the Dublin Area**

	Single Adult 1 Bedroom	Adult(s) +1 Child 2 Bedroom	Adult(s) +2 Children 3 Bedroom
Average Dublin Rent	1,041.25	1,304.05	1,376.25
90% of Average Rent	937.13	1,173.65	1,238.63
HAP / RS Rent Limit	660.00	1,250.00	1,275.00
Limit + 20%	792.00	1,500.00	1,530.00

As illustrated in the case of the Single Adult household, above, where the accommodation is not available within the prescribed rent limits, the tenant may have to pay additional rent directly to the private landlord. However, the current rent limits for households with children (in the Dublin area) are above the 90% average rent for two and three bed dwellings in Dublin. Therefore, a top-up payment would not be applicable in the situations examined in this paper, for family household compositions.

Consequently, the MESL expenditure and income needs established for the social housing scenarios discussed in this paper are also applicable to Housing Assistance Payment scenarios.

## AFFORDABLE CHILDCARE SCHEME

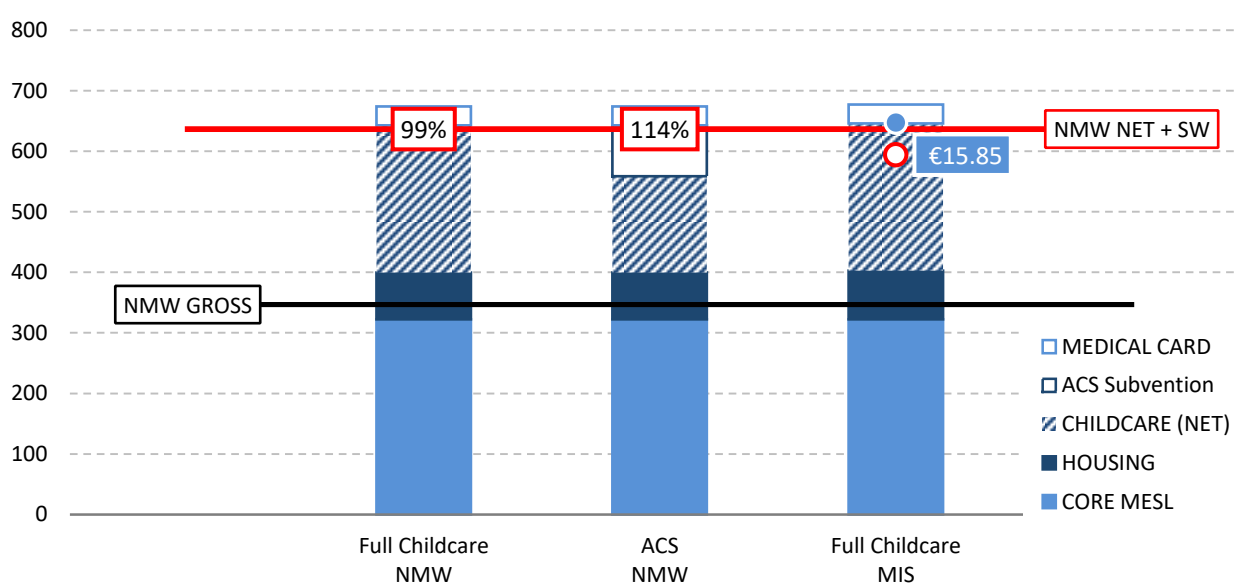
The Affordable Childcare Scheme, as originally outlined demonstrates a model of means-tested tapered support with the potential to overcome the combined poverty-trap of high childcare costs and withdrawal of in-work social welfare, with increases in gross salary.

When first announced the ACS was to be introduced from September 2017. However, the scheme is not being introduced this year. As the ACS is not currently in operation it is not included in the calculation of MESL expenditure need and assessment of income adequacy in this year's update report.

Based on the information previously published by DCYA on the ACS, a number of scenarios incorporating the scheme are included, in order to assess the potential future effect of this new service on the affordability of childcare and income adequacy.

## ONE PARENT & TWO CHILDREN (PRE-SCHOOL & PRIMARY SCHOOL)

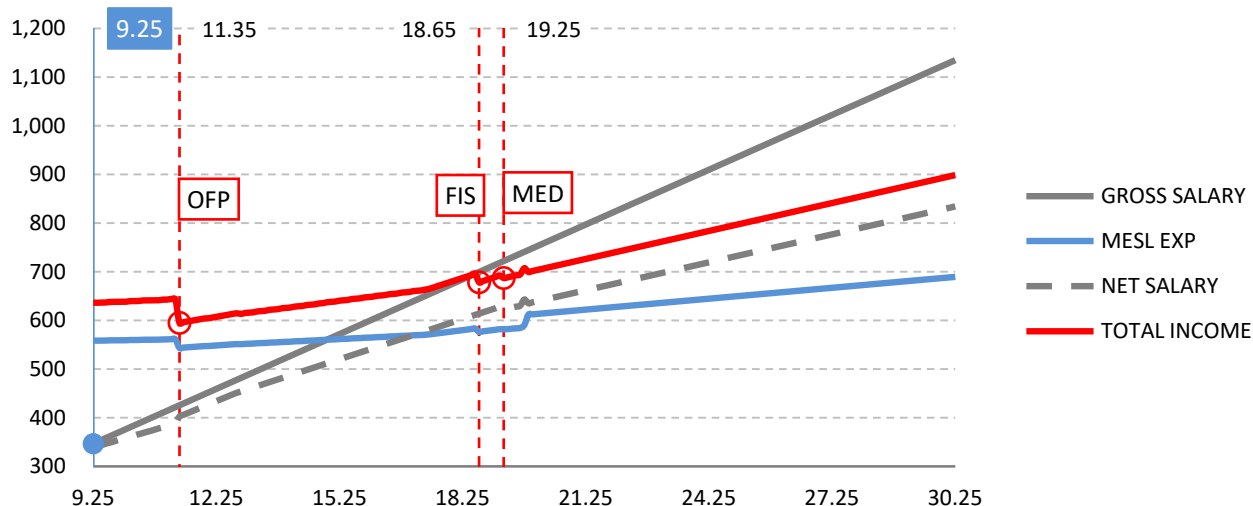
Graph 19 Potential Impact of Affordable Childcare Scheme on MIS need (OP 2a)



- As illustrated in Graph 17 this household composition has an income shortfall of €7.60 per week, when in full-time minimum wage employment and paying the full cost of private childcare.
- With the ACS this household would have an adequate income when earning the NMW in full-time employment, as the contribution from the ACS would potentially reduce childcare costs for the pre-school age child by an average of €84 per week.
- When earning the NMW, the combination of NMW salary and social welfare supports provides a net household income which is €76 in excess of MESL need per week. The combination of services, in the form of Differential Rent and Affordable Childcare, facilitate this adequacy.
- The tapering of in-work supports applies a very steep Marginal Effective Tax Rate (METR) on this household on salary increases above the NMW and out of low pay. Furthermore, the withdrawal of the OFP causes overall household income to reduce, so that earning between €425 and €560 per week (€11.35 to €14.95 per hour) leaves the household with a lower net household income, than when earning the NMW.
- The means based subvention of childcare costs results in the level of support from the ACS tapering as gross salary increases. However, the subvention remains at a sufficient level to

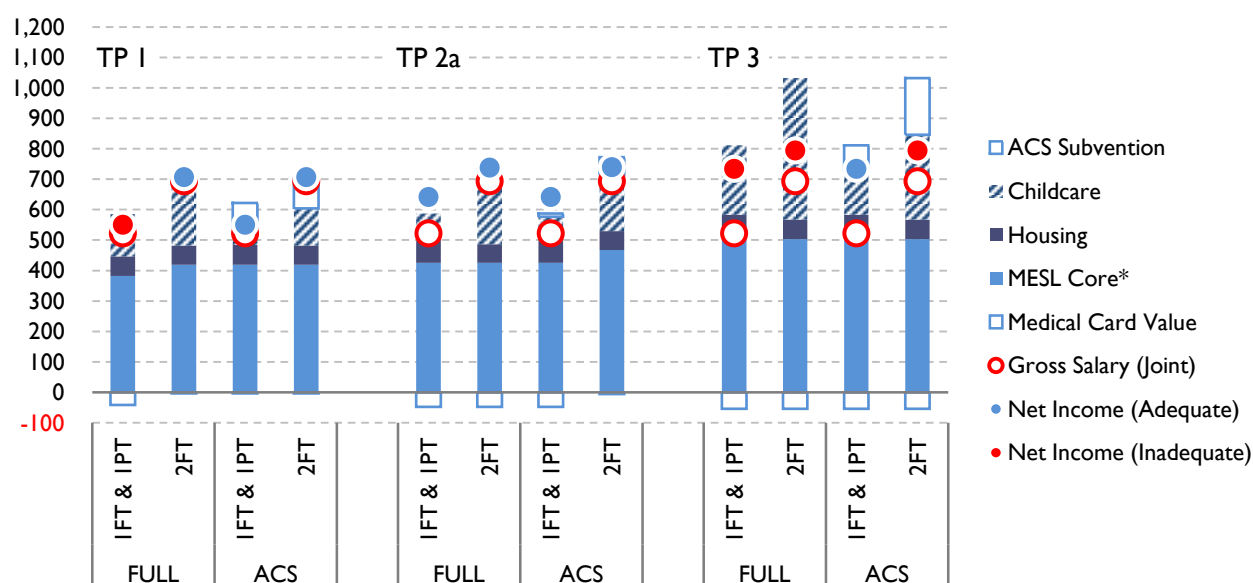
ensure income adequacy is retained at higher salary levels, including points where in work social welfare supports are withdrawn.

Graph 20 Changing Household Income by Hourly Earnings Rate – Affordable Childcare Scheme



## TWO PARENT HOUSEHOLDS

Graph 21 Two Parent Household Compositions – Potential Impact of ACS on NMW Adequacy

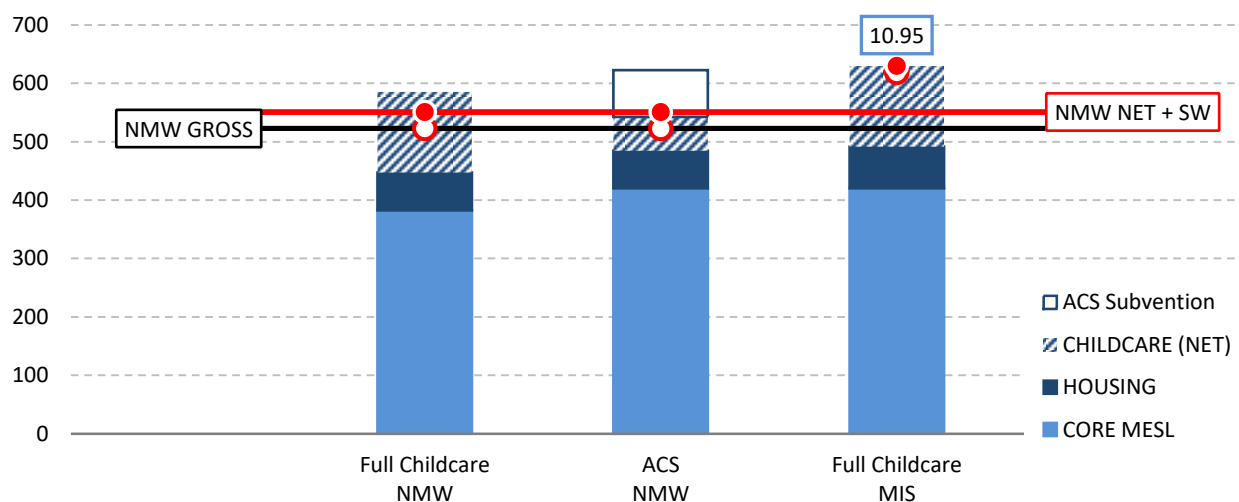


The graph compares the adequacy of the NMW for Two Parent household compositions with children in private childcare, and the potential impact of the ACS on improving NMW adequacy.

For both the Two Parent household with one child and with three children, dual income minimum wage employment with one adult in full-time work and the second in part-time work does not provide the basis of an adequate household income.

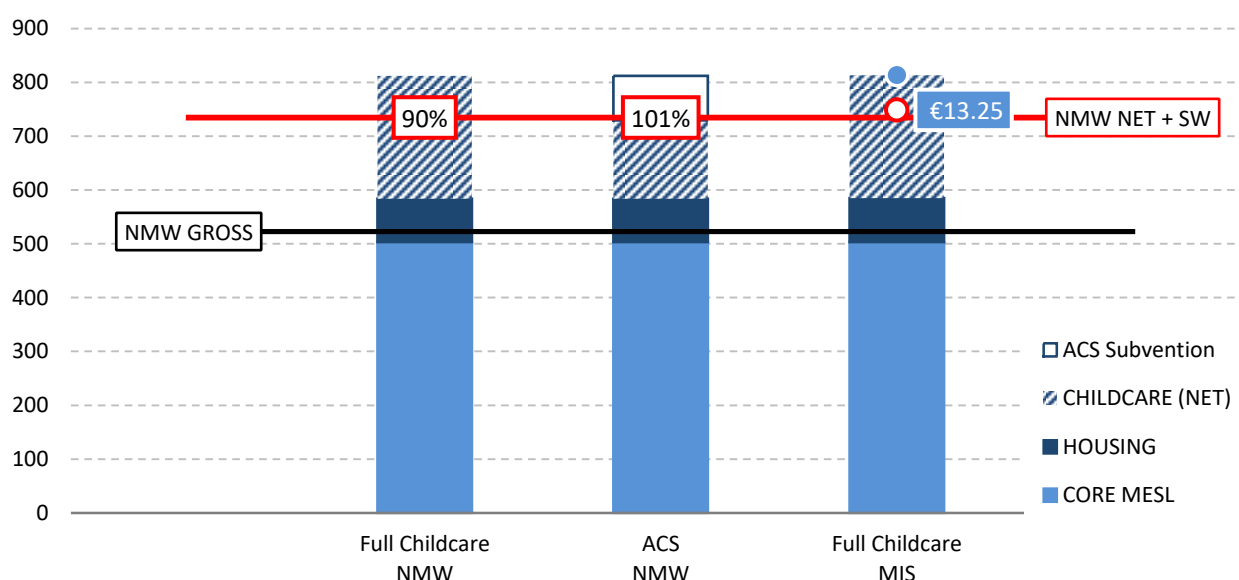
The Affordable Childcare Scheme has the potential to reduce childcare costs, in these scenarios, to a degree that the NMW would provide the basis of an adequate income for these household compositions.

Graph 22 Two Parent, One Child (Baby)



- When part-time childcare is required, the full cost of private care is €138 per week.
- The NMW does not provide the basis of an adequate income in this scenario, with an income shortfall of €34 per week.
- The household is not eligible for FIS when one adult is employed full-time and one part-time, at the NMW.
- The ACS would reduce childcare costs by €80 per week, to €58. This would make the income from NMW employment adequate for the household types MESL expenditure need.
- A MIS rate of €10.95 per hour, providing a joint gross salary of €619 per week, is required to afford the MESL expenditure need, without the ACS.

Graph 23 Two Parents, Three Children (Baby, Pre-School & Primary School)



- When part-time childcare is required, the full cost of care is €228 per week. This is based on formal private care for the baby and pre-school age child, and a contribution for informal care by a friend / relative for the primary school age child.
- The ACS would reduce childcare costs by €83, to a total of €145 per week.
- In this income scenario, one adult in full-time NMW employment and one in part-time NMW employment, the household is eligible for a FIS payment of €117 per week.
- The combined support of the ACS and FIS would enable NMW employment to provide the basis of an adequate income for this household composition.
- A MIS rate of €13.25 per hour, providing a joint gross salary of €749 per week, is required to afford the MESL expenditure need, without the ACS.

### Dual Full-Time NMW Employment

- When both adults are engaged in full-time employment, the cost of full-time childcare for the Two Parent and three child household compositions is €464 per week.
- With the ACS net childcare costs to the household would be €280 per week, when in dual NMW full-time employment.
- The ACS would not reduce expenditure need to a degree where the NMW would provide the basis of an adequate income, but would lessen the depth of income inadequacy.
- Under the ACS, the level of support is means tested and based on household income. The ACS could reduce MIS need for this household to €13.05 per hour, for both adults. At this salary level the household would be eligible for an average of €25 per week toward childcare costs of the pre-school age child and €61 per week for the baby, bringing net childcare costs to €377 per week.
- Without the ACS net childcare costs are €464 per week, and an hourly salary of €13.05 for both adults, results in a net income which is €86.60 below MESL expenditure need.

# CONCLUSION

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## SUMMARY OF KEY POINTS FROM THE 2017 MESL UPDATE

### THE MESL DATA

- › This 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.

## VPSJ PUBLICATIONS

### MESL REPORTS & ANNUAL UPDATES

2017	Minimum Essential Standard of Living 2017: Update Report
2016	What is the cost of a health food basket in the Republic of Ireland in 2016?
2016	What is the cost of a healthy food basket in Northern Ireland in 2016?
2016	Minimum Essential Standard of Living 2016: Update Report
2015	Minimum Essential Standard of Living Update
2015	The Cost of a Healthy Food Basket: <i>Pilot study for six household types in the Republic of Ireland</i>
2015	The Cost of a Minimum Essential Food Basket in Northern Ireland: <i>Pilot study for two household types</i>
2014	Living Wage Technical Document
2014	Minimum Essential Standard of Living Update
2012	The Cost of A Child
2012	A Minimum Income Standard for Ireland
2010	Minimum Essential Budgets for Households in Rural Areas
2008	Minimum Essential Budgets for Six Households: <i>Changes in the Cost of a MESL from 2006-2008</i>
2006	Minimum Essential Budgets for Six Households (Urban)
2004	Low Cost but Acceptable Budgets for Three Household Types
2001	One Long Struggle – A Study of Low Income Households

### MESL WORKING & TECHNICAL PAPERS

2017	MESL 2016 & SILC 2015 Comparison: Research Note
2016	When The Living Wage Is Not Enough
2016	Living Wage 2016 Update
2016	Low Hour Work & Income Adequacy
2015	MESL & SILC 2014 Comparison - Research Note
2015	The Impact of the Differential Rent System on the Cost of a Minimum Essential Standard of Living
2015	Living Wage 2015 Update
2015	From Welfare to Work: Examining the impact of retaining benefits when returning to work
2015	Minimum Income Standard & The Cost of Childcare
2014	Minimum Household Energy Need – Technical Paper
2014	Housing Tenure & Its Impact on the Cost of a MESL
2014	Comparing the Cost of a MESL Between Ireland & The UK, for one household type
2014	A 'Living Wage' In Ireland: Examining the process & potential result of calculating a 'Living Wage' for working age households in Ireland
2014	An analysis of the addition of a cohabiting couple without children to the MESL dataset
2013	Changes in the Cost of a MESL in Comparison to CPI Inflation
2013	Comparison of the Household Budget Survey to MIS / MESL Data
2013	Comparison of the 2012 Poverty Line and the MESL Data
2012	Review of the MESL Baskets and Addition of 3 <sup>rd</sup> & 4 <sup>th</sup> Child to Household – Briefing Note

## BUDGET IMPACT BRIEFING

2016	Budget 2017 - Minimum Essential Budget Standards Impact Briefing
2015	Budget 2016 - Minimum Essential Budget Standards Impact Briefing
2014	Budget 2015 - Minimum Essential Budget Standards Impact Briefing
2013	Budget 2014 - Minimum Essential Budget Standards Impact Briefing
2012	Budget 2013 - Analysing the Impact on Low Income Households and Children
2011	Budget 2012 - Putting a Minimum Essential Standard of Living Further Out of Reach

## SUBMISSIONS

2017	Working Family Payment
2017	Submission to the Low Pay Commission – National Minimum Wage rate
2016	Submission on European Pillar of Social Rights
2016	Budget 2017 – MESL Pre-Budget Submission
2015	MESL Analysis of Sub-Minima Rates Adequacy - Submission to LPC
2015	Pre Budget Submission 2016
2015	Submission to the Low Pay Commission - 2015
2014	Pre Budget Submission 2015
2013	Pre Budget Submission 2014
2013	Working Age Supports - Submission to Advisory Group on Tax & Social Welfare
2012	Pre Budget Submission 2013
2011	Pre Budget Submission 2012
2011	Submission to Government Review of Minimum Wages Set by Employment Regulation Orders
2011	Update by the VPSJ to the Office of the UN Special Rapporteur on Extreme Poverty and Human Rights
2010	Pre Budget Submission 2011
2009	Pre Budget Submission 2010



MINIMUM  
ESSENTIAL  
BUDGET  
STANDARDS

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