VINCENTIAN MESL RESEARCH CENTRE

MESL 2022

Annual Update

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The contents of the report are not attributable to the Minister for Social Protection or the Department of Social Protection.

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Table I MESL Income Adequacy Assessment, 2022[1]

	URBAN		RURAL	
Two Parents & Two Children, Pre-School & Primary School age	**Social Welfare**	**Employed (NMW)**	**Social Welfare**	**Employed (NMW)**
MESL Expenditure Need	496.49	726.12	607.90	868.99
Income (Net)	493.69	795.15	493.69	795.15
Adequacy	-2.80	69.03	-114.21	-73.84
Two Parents & Two Children, Primary & Second Level age				
MESL Expenditure Need	582.85	724.42	691.55	922.06
Income (Net)	507.17	795.15	507.17	795.15
Adequacy	-75.68	70.73	-184.37	-126.91
One Parent & Two Children, Pre-School & Primary School age				
MESL Expenditure Need	381.54	571.53	508.19	620.71
Income (Net)	383.33	702.75	383.33	702.75
Adequacy	1.79	131.22	-124.86	82.05
One Parent & Two Children, Primary & Second Level age				
MESL Expenditure Need	467.90	574.63	591.84	687.07
Income (Net)	396.96	664.48	396.96	664.48
Adequacy	-70.94	89.84	-194.88	-22.60
Single Adult, Working Age, Living Alone				
MESL Expenditure Need	260.31	516.47	321.81	475.43
Income (Net)	208.00	365.27	208.00	365.27
Adequacy	-52.31	-151.20	-113.81	-110.16
Older Person, Living Alone				
MESL Expenditure Need	291.84		377.21	
Income (Net)	293.67		293.67	
Adequacy	1.83		-83.54	
Older Couple				
MESL Expenditure Need	368.08		469.08	
Income (Net)	452.21		452.21	
Adequacy	84.14		-16.87	

Introduction

The Vincentian MESL Research Centre at SVP has been established to ensure that the Minimum Essential Standard of Living (MESL) remains an independent source of data on what constitutes a minimally adequate income, shining a light on what is required to avoid poverty and improve social inclusion. The MESL research has been ongoing since 2004, developed by the VPSJ, and now in 2022 continued by the Vincentian MESL Research Centre at SVP.

The Minimum Essential Standard of Living (MESL) consensual budget standards research establishes the cost of a socially acceptable minimum standard of living. The MESL research contributes to the policy debate on income adequacy, poverty, and social inclusion by providing this ongoing benchmark of minimum needs.

Since the first consensual budget standards research was published in 2006 by the VPSJ, for six urban household types, ongoing research projects have expanded the dataset to cover 90% of households in Ireland. Whilst this is the first MESL report from the Vincentian MESL Research Centre it is a continuation of the ongoing MESL research series. The 2022 report is the 16th annual update of the MESL expenditure needs data, updating the minimum expenditure needs data and assessment of income adequacy to 2022.

The 2022 MESL annual update presents the cost of the MESL basket for the first half of 2022. The 2022 update has built on the partial repricing of the basket items in 2021, directly pricing the outstanding basket items and inflation adjusting the cost of items repriced in 2021. Approximately a third of basket items were repriced in 2022, and these items account for approximately half of cost of the core MESL basket.

Compared to 2021, the cost of a MESL has increased for all household types in 2022, by an average of 5%. The 2022 MESL baskets are based on costs as they stood in the first half of the year. Given the exceptional volatility in prices over the course of 2022 it is inevitable that the cost of a MESL has continued to rise. Currently, the annual rate of change in the MESL is forecast to reach 11% by the end of 2022. This increase is being driven by rising prices in the areas of home energy and food, which makeup a greater proportion of the MESL basket compared to the CPI average basket.

The external factors driving the exceptional increases in the cost-of-living are well documented and present unprecedented challenges to households on low and fixed incomes being pushed further into income inadequacy and poverty. However, the issue of income inadequacy is not new and the gap between incomes and the cost of a Minimum Essential Standard of Living will grow if the Government response does not adequately invest in our social protection system to ensure more people are not pulled into poverty and pushed deeper into hardship.

The MESL research is undertaken to establish the costs of the goods and services which are required to enables a life with a dignity at a minimally acceptable level. In addition to providing the most recent MESL expenditure needs data, this report details an analysis of the changing costs of a MESL and benchmarks the adequacy of both social welfare supports and minimum wage employment for a range of household compositions. In doing this, the extent and breadth of any shortfall is monitored, and factors which have contributed to changes in the incidence of income inadequacy are identified.

Context

The Programme for Government[2] made welcome commitments to protecting core weekly social welfare rates and recognising the importance of secondary benefits and supports. It also committed to the implementation of the Roadmap for Social Inclusion to 'improve outcomes for those who are struggling on low incomes' (2020: 75). The Programme also set a mission to improve the wellbeing of Irish people and society, while the Roadmap makes it clear that poverty and social exclusion are the antithesis of wellbeing.

The Roadmap for Social Inclusion[3] defines social inclusion as 'having access to sufficient income, resources and services to enable [people] to play an active part in their communities and participate in activities that are considered the norm for people in society generally' (2020: 5). This is a clear recognition that avoiding poverty and enhancing social inclusion requires adequate income.

The most recent SILC data, for 2021, reported that over 581,000 people were living below the at risk of poverty threshold (11.6%), with over 164,000 of these being children. Over 92,000 people in employment were also at risk of poverty (4.4%). The overall deprivation rate for 2021 was 13.8%, and the overall consistent poverty rate was 4.0%. SILC data[4], shows that the household compositions with the highest rates of at-risk-of-poverty, deprivation and consistent poverty rates are lone parent and working-age single adult household compositions. These two household compositions also reported the highest incidence of making ends meet "with Great Difficulty" and "with Difficulty" for 2021.

The MESL analysis has consistently found that these household types, one parent households and single adults of working-age, demonstrate the greatest incidence and depth of income inadequacy. The results of the 2022 MESL analysis find this continues to be the case, with deep income inadequacy concentrated in households with older children (aged 12 and over) and one adult headed households i.e., lone parent households and single working-age adult households.

MESL Research Background

The Minimum Essential Standard of Living (MESL) budget standards research collaborates with members of the public in deliberative focus groups to reach consensus on the minimum people need to live and partake in Irish society, at a standard of living which people agree no one should be expected to live below. It represents the minimum required to meet physical, social, and psychological needs, and enable a life with dignity.

The research is iterative, working through multiple phases of deliberative focus groups, to establish a negotiated social consensus on what people regard as essential for households to have a minimum, but socially acceptable standard of living. In this way the MESL is a tangible measure, grounded in lived experience and derived from social consensus, of what is required for participation, dignity and avoiding poverty.

The MESL research operationalises the concepts which underpin the Irish Government definition of poverty and social inclusion, the human right to an adequate standard of living, and the key principle set out in the European Pillar of Social Rights that all have a right to an adequate minimum income which enables a life with dignity.

The MESL translates these concepts and ideals into a practical indicator, as it specifies the average weekly cost of the goods and services deemed necessary to enable a socially acceptable minimum standard of living. In practical terms, the MESL operationalises a direct measure of poverty, providing a unique benchmark of what is required to enable participation, inclusion, and a life with dignity, i.e., what is required to avoid poverty.

The MESL provides an alternative, and complementary, measure for assessing relative poverty. It also provides a vital evidence-based benchmark for assessing the adequacy of social welfare supports and minimum rates of pay.

A MINIMUM ESSENTIAL STANDARD OF LIVING

- is a standard of living which no one should be expected to live below
- is decided by members of the public, agreeing on what is needed to live at an acceptable, dignified standard and take part in the day-to-day life of Irish society
- is the minimum needed to meet the physical, psychological, and social needs of individuals and households

- is a minimum standard for everyone, not just those in poverty
- counts the actual weekly cost of the over 2,000 items (goods and services) needed to enable a socially acceptable minimum standard of living
- is a unique benchmark, grounded in the lived experience of people, which complements other poverty measures. It shines a light on the extent to which individuals and households can afford a minimum standard of living

Extent of the MESL dataset

The MESL research has been ongoing since 2004, establishing the budget standards data for a broad range of household types and compositions in urban and rural areas, over the course of multiple research projects.

The data is updated annually to reflect current prices, and the contents of the expenditure budgets are periodically reviewed to ensure the MESL continues to reflect a social consensus on what is required for a minimum socially acceptable standard of living.

The MESL dataset now covers 90% of households across urban and rural Ireland, providing a unique, current, and up to date resource defining the expenditure and income required for a socially acceptable minimum standard of living in Ireland today.

HOUSEHOLD TYPES	CHILD AGE-GROUPS
The MESL dataset covers six household types	The data establishes the MESL needs at four distinct stages of childhood
Two Parent household types, with 1 to 4 children	Infant
	Pre-School
One Parent household types, with 1 to 4 children	Primary School
	Second Level
Single Adults, of working age	
Cohabiting Couple, of working age	
Pensioner, living alone	
Pensioner Couple	

This report focuses on a subset of 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 report are only a small sample of the full range of households covered by the MESL expenditure needs data.

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

Further information on the household budgets, including the core MESL expenditure need for the full range of urban and rural household compositions, is available on the Vincentian MESL Research Centre website, budgeting.ie.

Updating the MESL data

To ensure the MESL data continues to reflect lived experience, remaining relevant and grounded in social consensus, it is necessary to re-engage with members of the public through deliberative focus groups, to review what is required for a MESL. This process was last conducted by the MESL research team over the course of 2018/19, with the finalised data published in 2020.[5]

Regular repricing of the MESL basket items is also necessary to ensure the accuracy of the annual MESL series through limiting the reliance on inflation adjusted prices[6]. The annual updating method limits inflation adjustments to a maximum of two years, repricing items in the third year. The intention is to limit the reliance on adjusted pricing data, improving the accuracy of the annual MESL series.

In years when repricing is not due the costs are adjusted for inflation. A refined adjustment methodology has been introduced from 2020; adjusting the basket costs by applying the most specific CPI sub-rate available at an item level. This approach makes use of 128 separate rates to adjust the unit price of each basket item at the most granular level possible, excluding the effect of price changes in the rest of the CPI basket. This approach refines the accuracy of the estimate for the cost of a MESL in the years between re-pricing the baskets.

2018 / 19	2020	2021	2022	2023	2024	2025	2026
Review & Rebase	Adjust	Adjust Reprice	Adjust Reprice	Adjust	Adjust Reprice	Review & Rebase	Review & Rebase
						Households with children	Households no children

In 2021 a reprice of the majority of MESL basket items was due. Due to the challenges and restrictions created by COVID-19, in 2021 it was only possible to reprice approximately 75% of items in the child baskets and 85% in the parental baskets. For the working-age adults without children 66% of items were re-priced in 2021. Inflation adjustments were applied to the remaining basket items.

All outstanding items that were due to be repriced in 2021 but could not be due to COVID-19 restrictions, were repriced in the 2022 MESL update process. These items were primarily in the basket categories of clothing, health, household goods, personal care, social inclusion, and education. Any budget items that were last priced in 2019, and were therefore due to be repriced in 2022, were also repriced this year (21% of basket items).

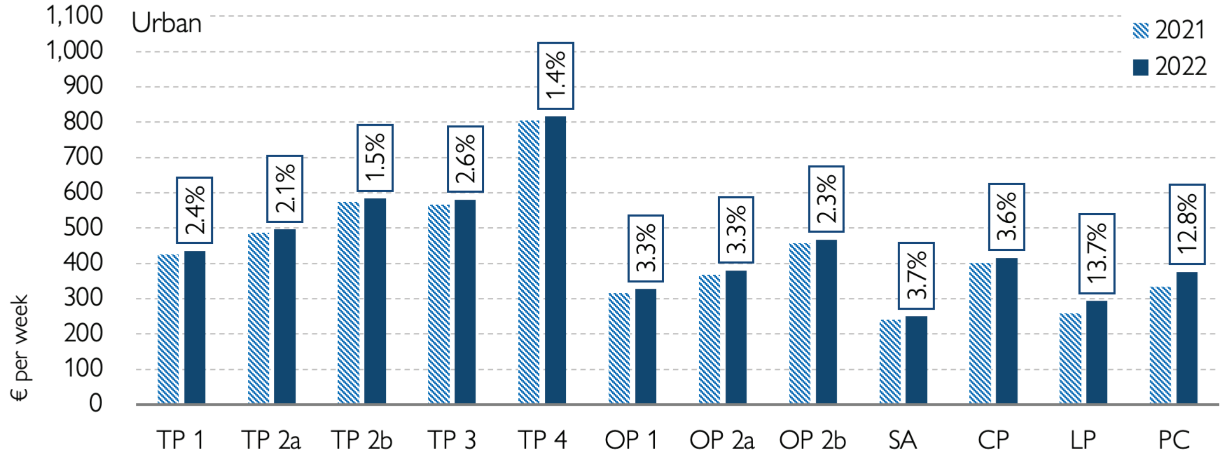
The 2022 MESL update builds on the partial repricing of the basket items in 2021. Outstanding basket items were directly priced in the first half of 2022. Inflation adjustments were applied to the cost of items last priced in 2021, updating to March 2022. Approximately a third of basket items were repriced in the 2022 update, and these items represent approximately half of the cost of the core MESL basket.

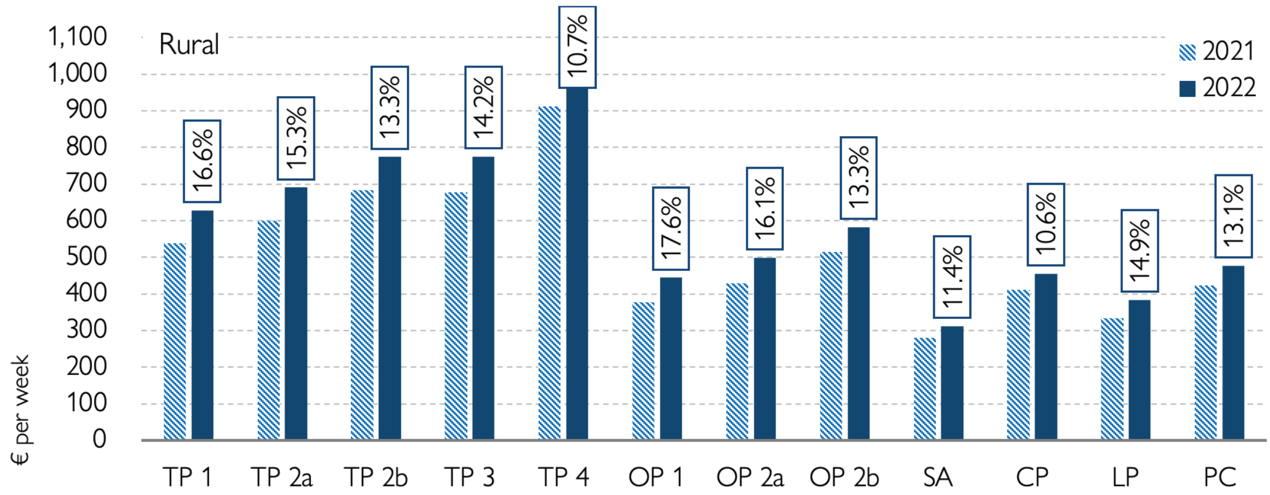
The Cost of a MESL in 2022

The core MESL cost (excluding housing, childcare, and the effect of secondary benefits) for household compositions in an urban area has shown an average increase of 4.8%, from March 2021 to March 2022. While the core MESL cost for the same household compositions in a rural area has shown an average increase of 13.7%, over the same period. In 2021, the same household compositions showed a 12-month average core MESL cost change of -0.4% in an urban area, and +0.9% in a rural area.

Graph 1 - Change in weekly Core MESL expenditure, 12 representative household compositions

(Excludes housing, childcare, and effect of secondary benefits)





The considerable increase in the average MESL changes for these household compositions clearly demonstrate the impact that current rising prices and the extreme pressure on the cost of living being experienced both in Ireland and globally have had on household's MESL budget.

Base Effects Argument

It has been argued that by comparing prices from March 2021, during the pandemic period which saw the Government impose lockdowns, which largely closed off the economy and saw prices fall, to prices in March 2022, when the economy has reopened and prices have increased again, will show a sharp, disproportionate rise in inflation. This is known as base effects.[7]

However, base effects are now playing a less significant role in explaining the recent inflation levels, as prices now largely exceed pre-pandemic levels. The cumulative change from March 2020 (prior to the pandemic period) to March 2022 of the cost of a MESL increased on average by 4.34% for households in an urban area, and by an average of 14.73% for households in a Rural area. This shows that regardless of price decreases experienced during the pandemic, there has been a significant increase in the Cost of a MESL, and spiralling levels of inflation.

MESL: March 2021 - March 2022

In previous years, the MESL update has often found minor fluctuations in prices, with increases in some budget areas being largely offset by decreases in others. This year is exceptional, instead showing that the increase in costs across most of the MESL budget areas have significantly outweighed any decreases experienced.

Urban household's MESL budget cost increased in most budget areas, with increases ranging from 1.2% in Health, to 10.3% in Clothing, one strong outlier was the increase in Household Energy, which is up by 31.6% from March 2021 to March 2022. The cost of Health Insurance also increased by 2.9%. In three urban budget areas average costs decreased; Transport by -9.1%, Education by -5.3% and Savings and Contingencies by -0.1%, while there were also decreases in the cost of Home Insurance (-0.3%) and Funeral Insurance for pensioner households (-0.2%).[8]

Rural household's average MESL budget cost also increased in most budget areas, with increases ranging from 1.5% in Personal Costs, to 10.1% in Social Inclusion. Two significant outliers were Household Energy which increased by 49.1%, and Transport which increased by 31.7%. Health Insurance also increased by 2.9%. In three rural budget areas average costs decreased: Education by -6.3%, Household Services by -0.7% and Savings and Contingencies by -0.1%. The average cost of Home Insurance (-0.3%) and Funeral Insurance (-0.1%) also decreased, while Car Insurance decreased significantly for rural households, by 6.3%.

CPI: March 2021 – March 2022

As measured by the CPI, prices were on average 6.7% higher in March 2022, when compared to March 2021, with the most significant changes being increases in Transport (+18.7%), Housing, Water, Electricity, Gas & Other Fuels (+17.4%), Alcoholic Beverages & Tobacco (+7.0%) and Restaurants & Hotels (+3.6%). There were decreases in Miscellaneous Goods & Services (-1.0%), Clothing & Footwear (-0.8%) and Education (-0.8%). (CSO, 2022)

Both the MESL and the CPI measurements show that there has been a substantial increase in the cost of living in Ireland, however there are clear differences presented in the two measurement types, both in the overall increase in costs, as well as in specific expenditure areas.

Both the ESRI's Quarterly Economic Commentary for Spring 2022and the Central Bank's Quarterly[9] bulletin explained that low income, rural and older households experienced substantially higher levels of inflation on average, and that these different inflation rates were "mainly driven by different consumption patterns of energy and food", with these households "spending a larger share of their income on these expenditure groups."[10] This demonstrates that increases in the cost of living are experienced differently by different household types.

This can also be seen in the differences between the MESL costs for rural and urban households, as mentioned, urban households saw an increase of on average 4.8%, whereas rural households saw an average increase of 13.7%, this being a result of the differing expenditure needs that exist between the two household settings.

MESL basket composition and greater exposure to food and energy price increases

The composition of the MESL basket is different from the average consumption basket used to measure inflation, with basics such as food and household energy making up a larger share of the minimum basket. Food accounts for a significantly greater proportion of the MESL basket (21.3% urban; 18.3% rural) than in the CPI[11] basket (11.4%). Household energy also comprises approximately double the proportion of the MESL basket (8.1% urban; 9.1% rural) compared to the proportion of the CPI basket (4.7%). Similarly transport in the MESL basket (9.1% urban; 22.5% rural) diverges notably from the CPI basket (12.8%).

These differences underlie the previous MESL findings, that the CPI does not adequately measure the change in living costs for households on social welfare and low incomes. A minimum basket of goods and services is significantly more vulnerable to changes in food, energy, and transport costs in particular.

CSO[13] analysis of CPI trends supports the findings of the MESL. In the twelve months to March 2022, households in the lower income deciles, single adult and one parent households, and rural households have experienced higher rates of inflation, than the average CPI rate. Conversely, below average inflation was experienced by households in the upper four income deciles. These differences are due to the different composition of household expenditure, with increases in energy and food prices having a greater impact on the lower decile, single adult and one parent households. In addition, increases in transport related costs also contributed to the higher inflation experienced by rural households. These findings align with findings from MESL analysis of the change in minimum costs from 2021 to 2022.

Household Energy

Household compositions in an urban area saw an average MESL Household Energy increase of over 31%, while the average increase in a rural area is just below 50%. These considerable increases have been caused by increasing fuel and electricity prices, which have been greatly impacted following Russia's invasion of Ukraine.

Rural household's MESL budgets have been severely impacted by the increase in household fuel prices as the unit price of home heating oil has risen from €0.07 to €0.11, an over 57% price increase. Urban household's MESL budgets have also been significantly impacted as the unit price of household gas has risen from €0.03 to €0.05, an over 66% increase, and the standing charge for gas has increased by over 52%, from €96.94 per annum in 2021 to €147.45 in 2022.

Rural household's unit price for electricity has increased by over 69% from €0.13 in the 2021 MESL basket, to €0.22 in 2022, and the standing charge has increased by over 66%, to €355.82 per annum. While the urban household's unit cost for electricity is up by over 35% from €0.14 to €0.19 in the same period, and the standing charge has increased by over 83%, to €313.33 per annum.

Household Energy costs have been somewhat offset by the Government's once off €200 electricity account credit, which was automatically given to every electricity customer in Ireland between April and June 2022. However, the benefit of this credit has been limited due to the ongoing increases in fuel and electricity prices, which are expected to continue.

Transport

The MESL Transport budget shows a clear contrast between urban and rural household costs. Household compositions in an urban area, relying on public transport, saw an average decrease of over 9% in their MESL Transport budget. This decrease in cost is caused by the Government reducing public transport fares by an average of 20%, beginning in April 2022, as a measure to mitigate the increasing cost of living.

The same household compositions in a rural area have not experienced the benefit of this price reducing measure, as they rely on private transport. Instead, the MESL transport cost in a rural area have increased on average by over 31%. This considerable increase being caused by the rising costs of petrol and diesel, which have been greatly impacted by Russia's invasion of Ukraine, as well as an increase in the cost of used vehicles, which has been impacted by supply chain issues, perpetuated by Brexit, the pandemic, and the invasion of Ukraine.

In an effort to reduce the increasing cost of living the government has temporarily reduced the excise duty on petrol by 20c per litre and diesel by 15c per litre. This has slightly offset the rising fuel prices. However, as fuel prices continue to rise the benefit of this measure becomes more and more limited.

The CPI also reported a significant increase in the 'Operation of personal transport equipment' sub rate, which increased by 26.4% and saw increases in the cost of spare parts and accessories, fuels and lubricants, maintenance and repair and other services for personal transport equipment.

Social Inclusion

The MESL Social Inclusion budget increased by an average of over 6% for household compositions in urban areas, and by an average of over 10% for those in rural areas. Increases in Social Inclusion budgets were particularly notable in the pensioner household compositions. This is due to the widely reported increase in the cost of hotel accommodation in Ireland.

This increase effected the pensioner households to a greater extent than other household types, as the pensioner household's social inclusion budget includes a week-long holiday in a hotel in Ireland. Other household types also include a holiday in Ireland, however for self-catering or hostel accommodation, the price of which have not increased at the same rate.

The CPI reports an increase of 3.6% for "restaurants and hotels," due to higher prices for alcoholic drinks and food consumed in licensed premises, restaurants, cafes etc. and an increase in the cost of hotel accommodation. Within this CPI category there was a 13.7% increase in 'Accommodation services' (CSO, 2022), this is reflected in the increased MESL cost for accommodation found in the pensioner household social inclusion budgets.

Food

The MESL food budget increased by an average of 2.4% for households in both rural and urban areas. Although a smaller increase than that seen in other budget areas, food, as a MESL budget area, has remained relatively unchanged over the past number of years, even seeing minor decreases in costs over the years.

The food budget area makes up a large percentage of each MESL household budget, ranging from 19% to 28% of the total core MESL cost in 2022, depending on the household type, so any increase in the cost of the food basket has a significant impact on the MESL budget cost of these households. In comparison, the CPI's Food and Non-Alcoholic Beverages sub rate made up 11.42% of the total CPI cost for March 2022.

The food budget for an infant child increased by 4% from March 2021 to March 2022, the biggest increase in an individual MESL food budget. This was largely due to a 4.9% increase in the cost of Baby Formula. All household food budgets saw a significant increase in the cost of some essentials, such as the cost of both two litres of milk and a slice pan increasing by over 8% respectively.

The CPI noted an increase of 3.1% in food costs from March 2021 to March 2022. The ESRI highlighted the significance in this increase by stating that prices in this area have not grown by more than 1% on an annual basis since August 2013.[10]

Education

Education saw an average decrease in cost in the household compositions in both urban areas, over 5% decrease, and rural areas, over 6% decrease.

The waiving of both Junior and Leaving Certificate exam fees for 2022 helped to reduce the Education cost for the household compositions containing children in Secondary School. A decrease in the cost of an Online Training Course reduced the Education cost for both the Single Adult and Cohabiting Couple household compositions, this potentially being caused by the increased use and availability of online platforms which was propelled by the pandemic. The CPI also measured a small decrease in the cost of education of -0.8%, however the CPI's education category is a far narrower basket of goods than what is included in the MESL Education budget. The CPI category essentially just includes education fees, whereas the MESL education budget includes the cost of a computer, the cost of school uniforms etc., and is a far broader budget area.

Car Insurance

Car Insurance MESL costs fell by an average of -6.3% for household compositions in a rural area, who rely on a private car as their means of transportation. The CPI also measured a fall in the cost of motor insurance policies from March 2021 to March 2022 of -12.1%.

Future trend

It is important to note that the figures and price changes mentioned above are from the March 2021 to March 2022 period. Given the high levels of uncertainty and volatility around prices and the increases in inflation that have been projected for the rest of 2022, the situation discussed in this section could likely change and the pressure on the cost of living could become even more severe throughout the remainder of the year.

Both the Central Bank and ESRI[14] are predicting continued inflation over 2022, being driven by rising energy prices and the knock-on effect in other areas, particularly food. The current forecasts for average inflation over the course of 2022 range from 7.1% - 7.8%. Within that are a 6.8% increase in food prices and a 41.6% increase in energy prices[15]. While all forecasts come with caveats, particularly due to the unpredictability of the current situation, both foresee inflation continuing over 2023, by 4.0% - 4.2%, with the risk of forecasts underestimating the severity of the situation.

Given the degree of the potential ongoing price increases, and especially within the core areas of household energy and food which comprise over a quarter of the MESL basket, it is prudent to estimate the potential further increase in the cost of a MESL over 2022 to provide an indication of potential MESL costs by 2023.

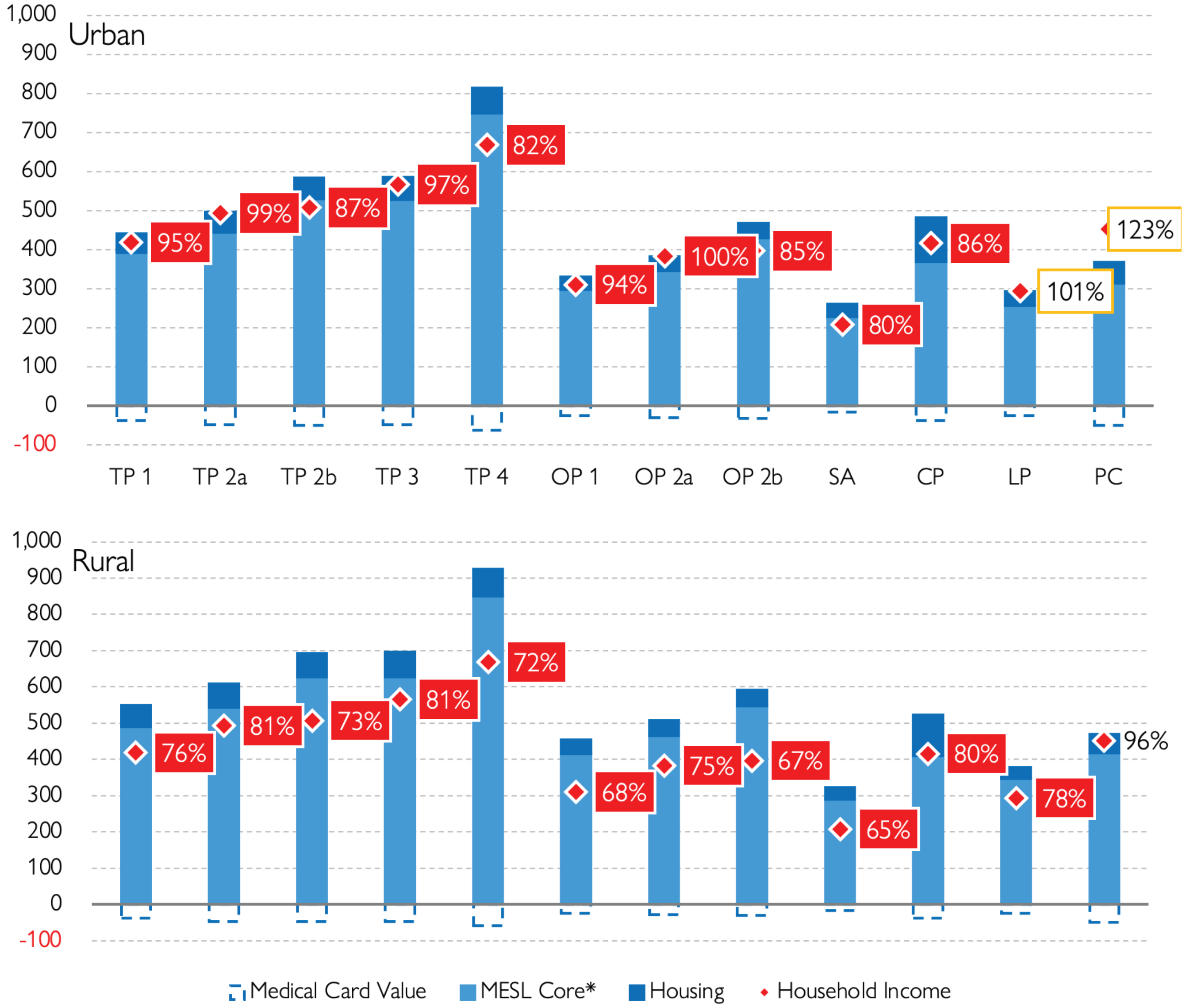
Applying the most recent forecast rates available from the Central Bank, indicates that by the end of 2022 the cost of a MESL could potentially have increased by 12.4% compared to 2021, with a cumulative increase of 16.9% by the end of 2023.

Social Welfare

The MESL consensual budget standards research contributes an indicator to the debate on what constitutes a socially acceptable minimum level for a life with dignity. It provides a unique body of evidence to shine a light on what is needed to avoid poverty, enable participation and inclusion; and to inform debate on where the appropriate level of a minimally adequate income may lie. In this way, the MESL expenditure needs data serves as a benchmark to assess the adequacy of social welfare supports.

Graph 2 - Social welfare benchmarked against MESL expenditure need, € per week

(12 representative household compositions)



This section presents the MESL assessment of social welfare income adequacy for 2022. The analysis first presents a broad evaluation of 214 test household cases, identifying patterns of income (in)adequacy and the characteristics of need which are not adequately addressed by the social welfare system.

The position of a set of twelve representative household compositions is illustrated, in Graph 2, to demonstrate specific instances of the issues highlighted. These compositions are representative of typical household make-ups and illustrate various aspects of the income adequacy and inadequacy found in the analysis.

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 focuses primarily on urban based households. The housing costs included are based on differential rent (and the Rent Supplement tenant contribution for working age household without children). Households not in traditional social housing, e.g., receiving Housing Assistance Payment while in private rented accommodation, may face additional costs in the form of rent top-ups.

The detail of these calculations along with the position of these households in additional income scenarios are in full in the appendix.

Changes in Social Welfare rates and supports

Increases to core social welfare rates, announced in Budget 2022, came into effect from the start of 2022. These included a €5.00 increase in the personal rate of core weekly payments including, One-Parent Family Payment and Jobseeker payments, with associated increases to the Qualified Adult (€3.30) Qualified Child rates (under 12 increased by €2.00, 12 and over increased by €3.00). The State Pension weekly rates also increased by €5.00, and the Living Alone Allowance was increased by €3.00 per week.

The Fuel Allowance was increased by €5.00 per week, with effect from October 2021. There have also been further 'cost of living' related lump sum payments made to Fuel Allowance recipients in March and May, of €125 and €100 respectively. These increases and lump sums are included in the average weekly value of the Fuel Allowance in all relevant income calculations discussed below.

Currently, Fuel Allowance is available to those in receipt of a long-term social welfare payment. This includes supports such as the One-Parent Family Payment and the State Pension. Those in receipt of Jobseeker's Allowance must be in receipt of social welfare for 15 months to qualify for Fuel Allowance, this requirement is due to be reduced to 12 months in September 2022. Consequently, the Fuel Allowance is not included as a standard part of household social welfare income in scenarios based on Jobseeker's Allowance*.

As noted above, the 2022 MESL basket also takes account of the €200 electricity credit, which was provided to all households in the second quarter of 2022.

The standard Back to School, Clothing & Footwear Allowance rates for 2022 of €160 for younger children and €285 for older children, were in place at the time of compiling the income analysis presented in this report. Subsequently, in July 2022, a temporary increase of €100 to each rate was announced for this school year only. However, it was not possible to incorporate this rate change into the analysis below.

Patterns of Social welfare income adequacy

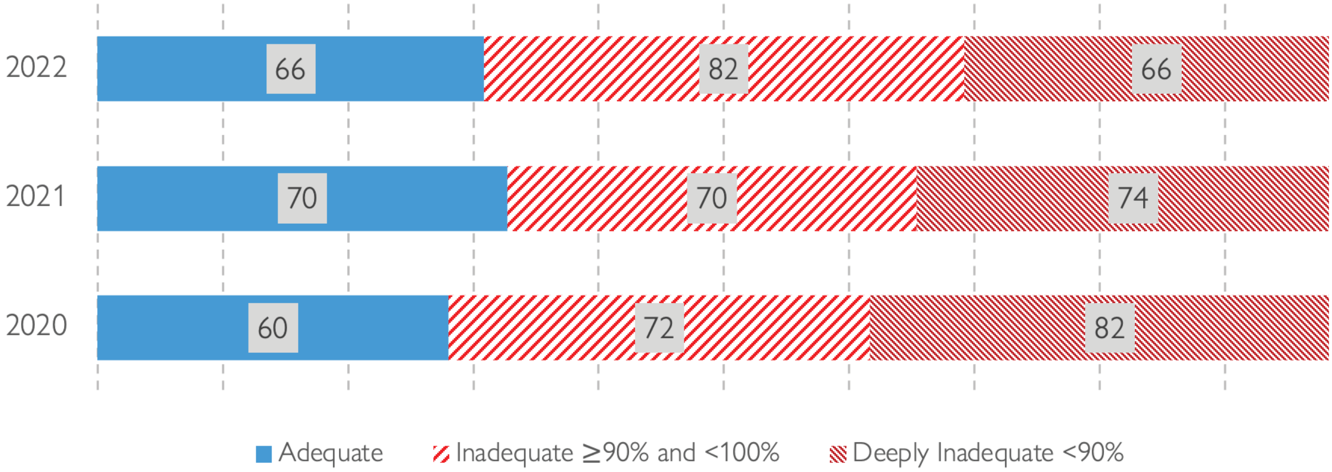
To examine social welfare income adequacy an evaluation of 214 test household cases is carried out[16]. The MESL expenditure need for each household situation is calculated, when in an urban area and living in social housing (rent supplement for working-age households without children), this provides a benchmark to measure the adequacy of the applicable social welfare supports. The analysis identifies trends in income inadequacy with a focus on deep income inadequacy. The particular dimensions of household need and the response of the social welfare system which contribute to income inadequacy are highlighted.

TABLE 2	214 HOUSEHOLD TEST CASES			
Two Parents	1 to 4 children, 4 age-groups	Social Housing	Jobseeker & Qualified Adult	69 cases
Two Parents	1 to 4 children, 4 age-groups	Social Housing	Jobseeker x 2	69 cases
One Parent	1 to 4 children, 4 age-groups	Social Housing	OFP / Jobseeker	69 cases
Working Age, No Children	Single & Couple	Rent Supplement	Jobseeker	2 cases
Pensioner	Living Alone & Couple	Social Housing	State Pension	5 cases

** This includes the following household types: Two Parent scenarios, Single Adult of Working-Age, Co-habiting Coupe of Working-Age*

As illustrated in Graph 3, in 2022 66 cases demonstrate income adequacy, with social welfare supports meeting minimum needs. While in 148 cases the income supports provided from social welfare are inadequate to meet minimum needs. This shows the impact of increases in living costs exceeding the increase in social welfare supports, with a decline in the number of cases demonstrating an adequate income in the first half of 2022 compared to 2021.

Graph 3 - Benchmarking Social Welfare Adequacy, 214 test cases[17]



Within the 148 cases below the MESL threshold, 82 cases have an inadequate income which meets at least 90% of MESL need (income is ≥90% and <100% of MESL), and 66 cases demonstrate deep income inadequacy with social welfare providing for less than 90% of minimum expenditure needs. Compared to 2021 the incidence of inadequacy cases has increased, the number of inadequate cases (income is ≥90% and <100% of MESL need) has increased by 12, while the number of deep income inadequacy cases (income <90% of MESL) has decreased by eight; a net increase in inadequate cases of four.

While there has been a decline in the incidence of deep income inadequacy, there has also been a decline in the cases of income adequacy, with cases moving into the category of inadequate income which meets at least 90% of MESL need.

Two cases move into income adequacy in 2022, both one parent household compositions. In 2021 income from social welfare supports provided for 99.5% of the minimum needs of these compositions. The improvements to the social welfare supports, including the increase in Fuel Allowance and additional lump sum payments in 2022, have moved these two cases to income adequacy. However, the adequacy is precariously marginal, with social welfare income exceeding minimum needs by just 0.5% and 0.7%, in the two cases.

SIX CASES MOVED FROM A POSITION OF INCOME ADEQUACY IN 2021 TO INADEQUACY IN 2022.

- All six cases are two parent household compositions, with both parents in receipt of a jobseeker's payment
- In all cases social welfare had provided a marginally adequate income in 2021, exceeding the MESL threshold by between 0.01% and 2.1%.
- Increases in the cost of a MESL have exceeded the increase in social welfare supports, for these compositions. As a result, these household compositions have been pushed into income inadequacy in 2022.

A FURTHER NINE CASES MOVED FROM DEEP INCOME INADEQUACY IN 2021 TO A POSITION OF INADEQUACY, WHERE SOCIAL WELFARE INCOME IS ≥90% AND <100% OF MESL NEED.

- Five of the cases are one parent household compositions, which were all within one percentage point of exiting deep income inadequacy in 2021. These five cases now demonstrate an income which is between 0.4 and 1.8 percentage points above the deep inadequacy (90%) threshold.

- Four were two parent household compositions which were 0.4 percentage points, or less, below the 90% threshold in 2021. These compositions have now moved to be marginally above the 90% threshold, between 0.1 and 0.4 percentage points.

The pensioner living alone household type, when in receipt of the Non-Contributory State Pension, has moved from a position of income adequacy, with income exceeding the MESL threshold by 8.5% in 2021, to a marginally adequate position in 2022, with income exceeding the MESL threshold by only 0.6% in 2022.

The above MESL assessment for 2022 benchmarks adequacy based on prices in the first half of the year, the analysis found a slight decline in the number of cases demonstrating income adequacy, indicating that the rising cost of a MESL has exceeded the increase in social welfare supports and pushed several cases into inadequacy. The analysis also demonstrates the potential of interventions to reduce costs (e.g., public transport fare reduction and electricity credit) and the additional targeted social welfare supports (Fuel Allowance lump sum payments) have limited the impact of rising living costs to date. However, as living costs are continuing to rise and are expected to keep doing so into 2023, it is likely that the income adequacy position of households will continue to deteriorate over the course of the year.

Deep income inadequacy

Deep income inadequacy means household income meets less than 90% of a household composition's MESL expenditure need. The MESL standard represents a socially negotiated consensus on the necessities and essentials which people have generally agreed everyone needs to have for a socially acceptable minimum standard of living. Having a consistently inadequate income means doing without what is required to meet basic needs and to take part in normal day-to-day activities and participate in society.

The analysis of the 2022 MESL assessment of social welfare income adequacy finds that deep income inadequacy is concentrated in households with older children (aged 12 and over) and one adult headed households, i.e., lone parent households and single working-age adult households. This is consistent with the findings of the MESL analysis in previous years.

Older children aged 12 and over

Older children have additional and different needs distinct from children in younger age groups. The cost of a MESL is highest for older children, aged 12 and over. The direct MESL needs of older children are an average of €133 per week, approximately 60% more than the minimum needs of younger children. Social welfare supports meet 64.7% of the MESL costs for an older child, compared to meeting at least 87.6% of MESL costs of children under 12. *Consequently, deep income inadequacy is found more frequently in household compositions with older children.

** See Cost of a Child page 24 for further discussion, and Table 4 page 26*

Of the 214 test cases examined, 207 are household compositions with children. MESL budgets can be calculated for households with up to four children and differentiating the expenditure needs of children in four age-groups, this gives a range of 69 possible permutations of number and age of children. The MESL needs of these 69 permutations of one to four children across four age-groups, are examined in the context of a one parent household type and a two parent household type. With the two parent household type, two distinct income scenarios are examined. In total, this results in an examination of 207 household compositions with children. Within this set of test cases, 35 of the 69 from each of the household with children compositions include older children, a total of 105 cases.

Table 3 - Social Welfare Adequacy – Households with children

		INADEQUATE		ADEQUATE	
		Income < 90%	Income > 90%	Income < €5	Income > €5
TP 1JS & 1 QA	**ALL**	26	33	2	8
TP 2JS	**ALL**	5	27	1	36
OP OFP / JS	**ALL**	33	22	3	11
TP 1JS & 1 QA	**OLDER**	26	9	0	0
TP 2JS	**OLDER**	5	22	1	7
OP OFP / JS	**OLDER**	28	6	1	0

Table 3 provides a breakdown of the social welfare adequacy test for each of the household with children compositions, in one and two parent household types. Households with older children (age 12 and over) comprise a notable majority of cases demonstrating deep income inadequacy; 59 of the 66 deep inadequacy cases are households with at least one older child.

The incidence of deep income inadequacy for the cases with older children is reducing. In 2021 there were 65 cases of deep inadequacy amongst the household compositions with at least one older child, in 2022 this has reduced to 59. The €3 increase in the QCI for children aged 12 and over has contributed to this reduction in 2022.

Single adult headed households

Deep income inadequacy is also found to be associated with single adult headed households, when of working-age and dependent on social welfare. The MESL analysis finds that one adult headed households demonstrate a greater rate of income inadequacy and deep income inadequacy than two adult headed households. This is also reflected in SILC data, showing that the household compositions with the highest rates of at-risk-of-poverty, deprivation and consistent poverty are lone parent and working-age single adult household compositions.[4]

The current structure of the social welfare system implicitly regards a couple as requiring 1.66 times the income support of a single headed household. Analysis of the MESL data finds that the minimum needs* of the adult in a couple headed cost approximately 1½ times that of a one adult headed household.

This is not because the second adult consumes less than the first, but instead that there are significant economies of scale available to two adult households which reduce the relative cost of the second adult in the household. For example, there are notable economies of scale in the costs of running a home, in the areas of home energy, household services and household goods costs for two adult headed households compared to one adult headed household. This finding has been observed not only in Ireland but also in other countries with developed minimum budget standards research.[18]

** Based on urban MESL expenditure need, adjusted for Medical Card, and housing based on differential rent.*

One parent household compositions

One parent household compositions demonstrate the greatest rate of deep income inadequacy, and the highest rate of older child deep income inadequacy. Of the 33 cases of deep income inadequacy found in the 69 one parent compositions analysed, 28 cases include at least one older child, and five cases have younger children only. In the two parent cases examined, incidences of deep income inadequacy are limited to compositions which include older children. This indicates the compounding effect of inadequate supports for single adult headed households and households with older children.

One parent household compositions also show a greater depth of income inadequacy. There are three one parent compositions which show a situation where social welfare supports meet less than 75% of the household's MESL needs. There are no two parent compositions, amongst the cases examined, which demonstrates this depth of inadequacy. The majority of two parent deep inadequacy cases have a social welfare income which meets at least 85% of MESL needs.

Households with Children

As discussed above, there has been movement in the cases of income adequacy and inadequacy, with a slight decline in the number of cases demonstrating income adequacy, indicating that the rising cost of a MESL has exceeded the increase in social welfare supports and pushed several cases into inadequacy.

For households with children, changes to social welfare income supports have seen household income increase by between 2.5% and 4.8% (depending on household composition) for the set of social welfare dependent households illustrated in Graph 2.

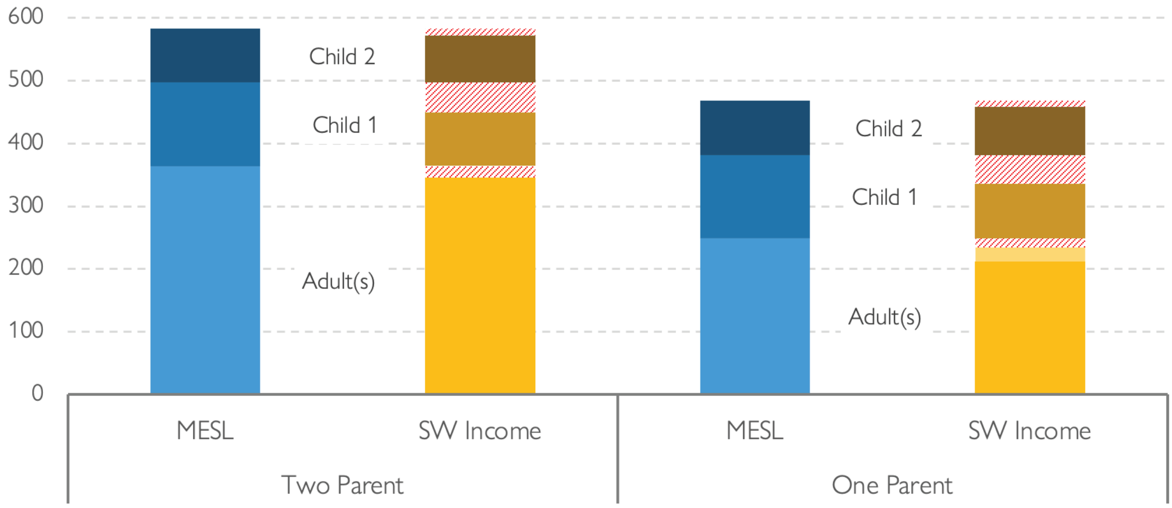
The increase in the adult Personal Rate, and adjustment to the Qualified Adult rate, have combined to contribute a greater level of improvement to the social welfare incomes of households with children, than in recent years. However, the most notable adjustment was in Fuel Allowance, with both the increase to the weekly rate and additional lump sums in the first half of 2022, approximately keeping pace with the change in home energy prices up to that point.

The analysis above found that six household cases were pushed into income inadequacy in the first half of 2022. These six cases were two-parent household compositions, where the income scenario does not assume the household is in receipt of Fuel Allowance.

Seven household cases based on one-parent household compositions showed notable movement. In two cases improvements in household income supports were sufficient to move the case above the MESL threshold into income adequacy. In a further five cases, household income was pulled above the deep inadequacy threshold. These cases were each marginally below the threshold in 2021, improvements in social welfare supports, particularly Fuel Allowance, prompted this movement.

The overarching trend remains consistent with the findings of the MESL analysis in previous years. Deep income inadequacy continues to be concentrated in households with older children (aged 12 and over) and one adult headed households, i.e., lone parent households and single working-age adult households.

Graph 4 - Two Parent & One Parent household with two children (primary and second-level school age), MESL expenditure need and Social Welfare income



The example above illustrates the contribution of social welfare supports towards the minimum costs of the household and the individuals which comprise, adult(s) and children. The inadequacy of social welfare supports at each level is highlighted.

Comparing the two parent and one parent household types with a primary school and second level age child (labelled TP2b and OP2b), social welfare supports provide for 87.0% and 84.8% of MESL need, respectively. Graph 4 illustrates the situation of these two cases, the MESL costs for the head of household (adults) including differential rent, and the expenditure required to meet the direct needs of the second level (child 1) and primary level (child 2) children are outlined in the MESL column. These are compared to the social welfare income[19] distinguishing the child related income supports from the adult rates (and Fuel Allowance in the case of the one parent household).

The graph demonstrates that the social welfare supports fall short at each level. This is the case for the child related supports, as detailed in the Cost of A Child section (page 26). The social welfare supports also fall short of meeting the minimum needs of the adult(s) and adequately providing for household related costs such as rent and energy.

In the two parent household, the Jobseeker's Allowance, and the Qualified Adult rates, meet 95.0% of these minimum needs. In the one parent household, One-Parent Family Payment / Jobseeker's Transitional, Fuel Allowance, and Christmas Bonus meet 93.9% of minimum needs.

The inadequacy of current social welfare supports to meet each aspect of minimum needs is apparent, with the cumulative result of deep income inadequacy in both cases.

If the two parent household were a long-term social welfare recipient, and thereby in receipt of Fuel Allowance and the Christmas Bonus, this would increase net household income. These additional supports would pull this household type above the deep income inadequacy threshold, to a point where average weekly social welfare supports meet 92.2% of MESL need.

** Based on urban MESL costs (adjusted to reflect secondary benefits) and net housing costs when in receipt of Rent Supplement.*
+ The changes to HAP limits from July 2022 (see endnote 23) have the potential to reduce net housing cost to an average of €30.20 per week, for the scenario examined here.

Working-Age Adults, no dependent children

Working age households and individuals without children, also show income inadequacy when dependent on social welfare. A working-age single adult household type demonstrates deep income inadequacy, with a full Jobseekers payment meeting 79.9% of MESL expenditure need*, when living alone in an urban area. This represents a nominal income shortfall of €52 per week.

When in receipt of a Jobseekers payment for over 15 months[20], the Single Adult household may be eligible for the Christmas Bonus and the Fuel Allowance. These payments would contribute an additional €26.10[21] average weekly income, over the year. This would bring household income to 89.9% of MESL expenditure need.

Housing costs

This scenario is based on private rented housing, renting within the Rent Supplement (RS) / Housing Assistance Payment (HAP) limits for Dublin, and the housing cost is based on the tenant contribution required when in receipt of Rent Supplement. If the household is in a HAP tenancy and required to pay a rent top-up in addition to the differential rent component, the depth of inadequacy would be greater.

The RS / HAP rent limit in Dublin for a single person was €660 per month in the first half of 2022, average rents in Dublin for a one-bedroom unit were over €1,365 per month[22]. Taking 90% of the average rent as an indicative housing cost, €1,231 per month, the rent limit falls €571 short per month. Currently, the limit may be increased by up to 20%, on a case-by-case basis, bringing shortfall to €439 per month.[23]

Under HAP the tenant pays a differential rent, calculated based on income. In the Dublin City Council area, the rent payable by a single person in receipt of the full rate of Jobseekers is €26.40 per week. Additionally, the tenant must pay the difference between the HAP rent limit and actual market rent payable for their accommodation. The combination of top-up and differential rent brings total housing costs, to the household, to €158 per week; with the possibility to reduce to €128 where the 20% limit increase is applied.

Based on the housing costs above, a full rate of Jobseeker's would provide for 54% to 58% of MESL expenditure need. In the case of a long-term social welfare recipient, the additional supports would bring this to 61% to 66%. In all cases income would be significantly below the actual expenditure required for an acceptable minimum standard of living.+

Young Adults

Lower rates of Jobseekers Allowance (JA) for young adults were first introduced in 2009, for under 20s, and extended to further age-groups in subsequent years. Currently a reduced rate of JA.

(€117.70) is payable to adults aged 18 – 24. Eligibility for the full Personal Rate (€208 per week) of JA was restored to 25 years olds in 2020. The full personal rate also applies for younger adults (18 – 24) with dependent children, or when living independently and in receipt of state housing support.

The cost of a MESL for an unemployed young adult living in the parental family home (and qualifying for a full medical card) is estimated to be €151 per week. The full JA rate payable to young adults in this scenario meets approximately 78% of urban MESL need. An individual in this situation would require significant financial support from their family to afford a MESL.

Older People

In the last year, there have been several adjustments to the social welfare income supports available to older people. The State Pension rates were increased by €5 in line with other core social welfare rates. There was also further improvement in the rate of the Living Alone Allowance, with a €3 increase in 2022, building on the €5 increases of the preceding two years. There was also a €5 increase to the weekly Fuel Allowance rate, and two additional 'cost of living' lump sum payments made in early 2022.

Older Couple, Pension Age

The Older Couple household type continues to demonstrate income adequacy. While the rate of increase in MESL costs exceeded the increases in social welfare income, net household income remained notably above the MESL expenditure need floor, in the three urban based scenarios examined.

To meet transport needs, the MESL for urban based households is based on the use of public transport. For older people in an urban area, the free travel pass can be used to meet most transport needs on public transport, supplemented by the occasional use of a taxi. However, for rural households a car is a necessary part of the MESL basket, due to the inadequacy of available public transport options. The need for a car adds a significant additional cost for older people in a rural area, approximately €92 per week in the case of an older couple household type.

In the case of rural based households, increases in both private transport and home energy costs have contributed to a greater rise in MESL costs than in the urban MESL baskets. Consequently, there has been a more notable narrowing of the level of discretionary income remaining after MESL needs are met when both adults are in receipt of a State Pension. Where household income is based on a single Contributory State Pension and Qualified Adult payment (combined with secondary supports), net household income is inadequate, meeting 96% of MESL needs in a rural area. By comparison, in an urban area, the same income scenario provides a net income that is 23% above the MESL floor need.

The degree of income above the MESL floor increases when the household is in receipt of two State Pensions, e.g., with a Contributory & Non-Contributory pension net income is 44% above the MESL floor need in an urban area and 14% in a rural area.

Older Person, Pension Age, Living Alone

The MESL expenditure need of the single older person is approximately 80% that of the older couple household. However, household income from State Pension (and secondary supports) for a pensioner living alone, is between 57% and 67% of a pensioner couple household's income.

The older person living alone household type has tended to demonstrate greater vulnerability to income inadequacy. In 2017 an urban pensioner living alone household type moved to income adequacy when reliant on the Non-Contributory Pension and living in social housing; the first time since 2010.

The Living Alone Allowance makes a vital contribution towards supporting the group of older people which have a higher risk of poverty and have tended to demonstrate income inadequacy. The €3 increase in 2022 built on the €5 increases in both 2020 and 2021, making significant cumulative improvements. These built on the previous 2015 increase in the Living Alone Allowance and introduction of the Telephone Support Allowance in 2018.

The cost of a MESL for an older person living alone has risen to €292 per week in the first half of 2022, when living in urban social housing and in receipt of the full rate of Non-Contributory State Pension. This is a significant increase in minimum living costs and has outpaced the adjustments to income supports. Consequently, this household type has moved precariously close to income inadequacy in 2022, as the average weekly income from social welfare is now only €2 above the MESL threshold.

The Non-Contributory Pension, and secondary supports, now provide an income that is 0.6% above the MESL need when in an urban area and living in social housing. In the case of the Contributory Pension, net household income is 4.0% above urban MESL need.

Deep income inadequacy continues for the older person living alone household type when in a rural area. Due to additional needs in a rural area, primarily transport, the Non-Contributory State Pension, and secondary supports, meet only 77.9% of MESL costs for a rural older person living alone. In the case of the Contributory State Pension net household income meets 80.7% of rural MESL need.

Rural difference

Households in rural areas have different and additional needs to meet the same socially acceptable minimum standard of living as households based in urban areas. Core MESL costs (before housing) are generally higher in rural areas, primarily due to additional costs related to transport and home energy.

The core urban MESL costs include transport related costs based on the use of public transport. For rural households private transport is a minimum need, as public transport options are limited and do not tend to offer an adequate level of service to rely on to meet all transport needs.

The free travel pass removes the need for private transport related costs for urban based pensioner households, in the MESL expenditure budgets. Meeting the transport needs of rural pensioner households requires a car. Consequently, car related costs (fuel, maintenance, insurance, etc.) add an additional €83 per week to the MESL budget for an older person living alone, and €92 for an older couple, when living in a rural area.

Household energy costs for rural household types assume the use of home heating oil, for urban household types it is assumed that natural gas is used for home heating. The MESL analysis has generally found that heating the home using oil is more expensive than using natural gas[24]. This differential has been exacerbated as the price of home heating oil has increased a higher rate than the price of natural gas. In the MESL baskets, home energy costs have increased by an average of 32% for urban households and 50% for rural households.

Other areas of additional difference for rural based MESL household budgets, include additional food costs due to less proximity to large supermarkets, requiring greater use of small local shops (in addition to supermarkets) in comparison to urban household budgets. Conversely, it should be noted, that basic health costs (e.g., GP visits) and childcare costs are lower in the rural MESL household budgets.

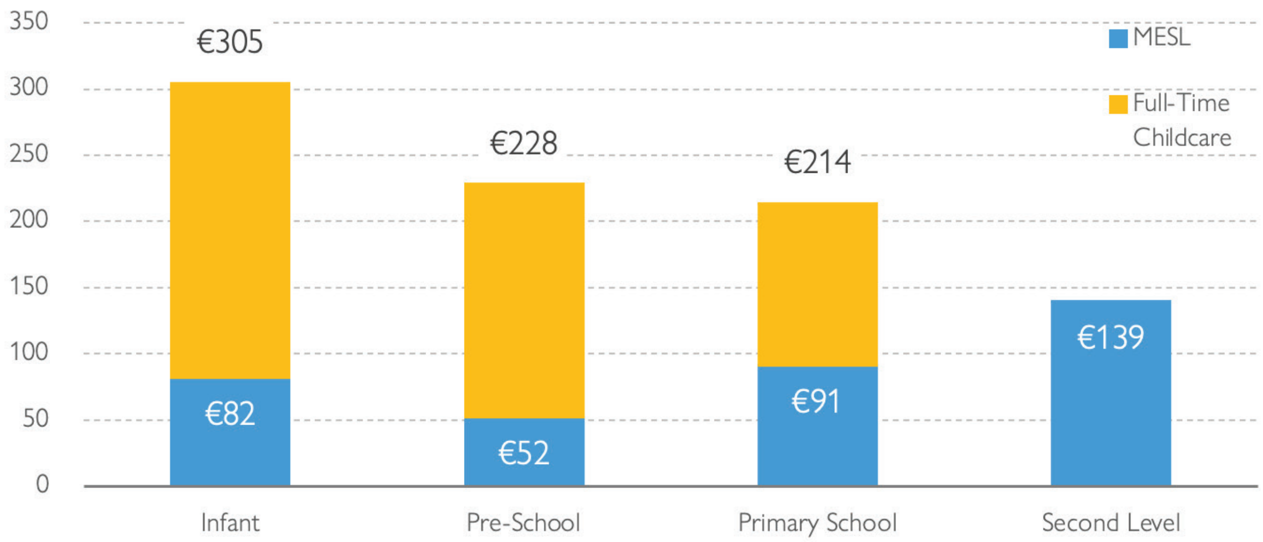
Cost of a Child

A child's needs vary with age, to reflect this the MESL data defines four child age-groups and identifies the direct MESL cost at each stage of childhood.

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 requirements compared to a household without children, due to various needs associated with family life. These wider costs which are not specific to a particular child or age-group but instead are applicable to households with children independent of age-group, are included in the parental head of household MESL baskets.

Graph 5 - Direct Cost of a Child's MESL by child age group, € per week

(Excludes the effect of secondary benefits)



The MESL research has consistently identified older children as having additional and different needs distinct from children in younger age-groups. The cost of a child's core MESL needs are highest for older children, aged 12 and over; €139 per week in 2022, this is approximately 60% more than the minimum needs of younger children. The core MESL costs, before childcare, are lowest for Pre-School age children, with an average expenditure need of €52 per week.

When eligible for a full Medical Card, the core MESL cost is reduced, this reduction has the greatest impact on the MESL costs for a second level aged child, reducing the MESL expenditure need by €6 to €133 per week.

Within the core MESL costs food is the largest category of expenditure for each age-group. This is followed by clothing costs for an infant and pre-school aged children, while social inclusion costs are the second largest area for school age children.

Social inclusion is a significant area of minimum expenditure need. The makeup of the social inclusion basket varies by age-group, but it includes participating in age appropriate sports and activities (e.g. swimming, football, dance class), provision for a bicycle (tricycle for a pre-school child), toys, books, etc., providing opportunities for activities as a family with a budget for a number of outings (e.g. to the cinema, trip to the zoo, etc.), and to engage with friends (e.g. a primary school age child attending birthday parties). This basket category also includes the costs of a short holiday in Ireland, the child related costs of which are included in each child age-group budget. The basket also includes a specific allocation for Christmas presents for the child and pocket money for school age children.

For school age children (primary and second level) education costs are the third largest area of expenditure. The education basket is comprised of school related costs including uniforms, schoolbooks, materials, etc. Other school related costs, such as resource fees for photocopying, IT, etc., are included, as is the Voluntary Contribution. There are no school related education costs in the baskets for the younger age-groups, although toys, books and activities which are educational are included in the social inclusion category.

A computer, and associated costs, are included in the educational budget. As a single computer is included in the MESL basket for the household this cost is included in the parental budget rather than a child age-group budget.

For an infant, personal care is also a significant basket category. Nappies account for almost two-thirds of the personal care costs for this age-group, contributing €6.67 to weekly costs. As noted above the cost of milk formula increased in 2022, fuelling a 5% increase in the MESL costs for an infant* – the most notable increase across the four child age-groups.

Childcare

The cost of childcare has a significant impact on the cost of a MESL. When childcare is required, the overall MESL costs can be substantially higher for younger children than older children.

When full-time childcare is included, the overall MESL need is highest for an infant, with costs declining for each subsequent age group. MESL costs including full-time childcare+ are over four times the core MESL for a pre-school age child and over three and a half times the core MESL for an infant.

The inclusion of full-time childcare for children makes infancy the most expensive stage, with an average weekly MESL expenditure need of €305.

The net annual cost of urban full-time private childcare for an infant is over €11,550, after the reduction from the universal element of the NCS. The ECCE scheme reduces the cost of childcare for a pre-school age child, through the provision of a free pre-school place, the net annual cost of urban full-time care is over €9,130. Full-time childcare accounts for approximately three quarters of total MESL costs for these age groups.

The means tested element of the NCS scheme can potentially offset a significant portion of childcare costs for eligible households. The NCS subvention is applied, where appropriate, in the employed scenarios examined later in this report.

Role of services

The universal provision of a GP Visit Card for children under the age of six demonstrates how effective services can reduce minimum living costs. This support contributes to the (relatively) low MESL costs of younger children (infant and pre-school aged). Health costs for an older child (12 and over) are over three times that of the pre-school child. The progressive extension of free GP care to children in all age groups would contribute to lower MESL costs across all age groups.

** This increase is measured in the child costs excluding childcare, and adjusted for a full Medical Card.*

+ Childcare costs are adjusted to include the universal NCS or the ECCE for infant and pre-school age children respectively.

Adequacy of Child Related Social Welfare Supports

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. The adequacy of the main child related payments typically available to a social welfare dependent household are benchmarked against the MESL core cost for each child age-group in Table 4.

Table 4 - MESL by child age-group and child related social welfare adequacy

	INFANT	PRE-SCHOOL	PRIMARY SCHOOL	SECOND LEVEL
MESL (core adj*)	81.94	47.47	86.01	132.63
Child Benefit	32.31	32.31	32.31	32.31
Qualified Child Increase	40.00	40.00	40.00	48.00
Back to School Allowance	...	...	3.08	5.48
Total Social Welfare	72.31	72.31	75.38	85.79
% of MESL met be SW	88.2%	152.3%	87.6%	64.7%

The second level child, aged 12 and over, shows the deepest inadequacy with a significant gap between MESL needs and social welfare supports. In recognition of older children's additional needs, a higher rate of Qualified Child Increase (QCI) for this age-group was introduced in 2019. This was built on in subsequent years, and the increases to the QCI for older children have contributed to a progressive improvement in the level of MESL need met, from 58.6% in 2020 to 64.7% in 2022.

MESL costs are lowest at Pre-School age, and social welfare supports provide 1½ times the cost of a pre-school child's MESL. The adequacy gap for household compositions that include a pre-school age child tends to be lowest, as the support above MESL need for pre-school children subsidises the inadequate support for others in the household. Consequently, a pre-school age child's MESL needs will not be adequately met if they are part of a household which faces income inadequacy.

The MESL expenditure need, as detailed, is the direct cost of a child as part of a family household. Therefore, the child's MESL needs, and income adequacy must be assessed in the context of the overall household minimum needs. It cannot be assumed a child has adequate income supports if they are part of a household which has an inadequate income; even if the cost of a child's MESL expenditure is in principle adequately provided for by child social welfare. Child poverty and income inadequacy can only be fully addressed when the minimum needs of the entire household are met.

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

Employment

This section examines MESL need and income adequacy in employed scenarios. The analysis benchmarks the adequacy of the NMW, and relevant social welfare supports, for full-time and part-time employment scenarios.

The analysis assesses total net household income against each of the household compositions' net MESL cost (including housing). Secondary benefits (e.g., Medical Card) which reduce the potential cost of a household's minimum needs are reflected in the net MESL cost examined. Household income is comprised of salary after tax (PAYE, USC & PRSI), and applicable social welfare supports, primarily Child Benefit, Working Family Payment, the One-Parent Family Payment or Jobseekers Transitional.

Where a household's net income is below the expenditure required for a MESL, it indicates that households of this type would have to forgo items deemed essential to make ends meet, and therefore would not be able to live at an acceptable minimum standard and fully partake in the norms of Irish life. In these cases, the Minimum Income Standard[25] (MIS) gross salary required for the household to afford a MESL is calculated.

The discussion in this section focuses on urban based households. For households with children, scenarios with housing costs based on differential rent (social housing) and on the Housing Assistance Payment (HAP) are examined. The working age (without children) single adult household type's housing costs are based on private rented accommodation, renting a one-bedroom dwelling in the Dublin area at 90% of the average monthly rent, a HAP scenario is also examined.

For households with children, income adequacy is assessed for a range of employment scenarios, and applicable childcare costs are included in each scenario. The calculations assess possible eligibility for the National Childcare Scheme and adjust childcare costs as applicable (for children up to primary school age[26]).

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	Both Full-Time

National Minimum Wage adequacy

Employment improves household income in comparison to social welfare alone, when secure and stable hours are available. However, the provision of effective in-work supports, and access to services and supports such as affordable childcare and rents, are vital to enabling minimum adequacy at a salary level at or near the minimum wage.

For households with children all but four of the cases examined demonstrate income adequacy, when reliable and adequate hours of minimum wage employment are combined with in-work social welfare supports and services which effectively reduce the cost of a MESL. This assessment is based on the households having access to social housing paying a differential rent. The National Childcare Scheme is also included, where applicable.

This is in effect a "best case" scenario. Where these assumptions do not hold true there is the potential for both the cost of a MESL to be greater or for income to be lower. Consequently, there is the potential for an adequacy gap between income and expenditure need. This is demonstrated below when the same

** The employed income scenarios, for the working age household compositions, are detailed in the appendix, Tables 8A to 25A.*

scenarios are examined with housing costs based on HAP (Housing Assistance Payment) where housing costs combine differential rent and a top-up payment. In these scenarios, nine cases demonstrate income inadequacy due to higher housing costs.

The discussion below highlights facets of the minimum wage adequacy analysis and Minimum Income Standard calculations, which demonstrate the core issues: services are vital in supporting households to income adequacy, in conjunction with secure employment, but an appropriate minimum rate of pay and well-designed income supports are also crucial.

This is evident in the situation of a single working-age household type, where access to a differential rent can result in income adequacy at a notably lower salary rate than when paying a market rent. However, in either case the current NMW is inadequate.

Setting an appropriate wage floor is essential, to address the needs of those without dependent children, and to set a reasonable floor for other social support mechanisms to work from. Well designed in-work income supports and services which reduce living costs, must work effectively in conjunction with an appropriate minimum wage rate to enable households with children to achieve a MESL when in employment.

The analysis for households with children examines the efficacy of current measures, and the interaction of these supports with earnings at and above the national minimum wage. Demonstrating, the importance of support with housing costs, through access to social housing, and support with childcare costs, and medical costs.

Single Adult

In 2022 the National Minimum Wage (NMW) was increased by €0.30 to €10.50 per hour, an adjustment of 2.9%. This has increased the gross weekly salary of a full-time (37.5 hours) minimum wage employee by €11.25 per week. The additional PAYE, PRSI and USC liable on this salary reduces the net gain to €8.37 (2.3%).

The Marginal Effective Tax Rate (METR) is a measure of the level of taxation and withdrawal of income supports (and secondary benefits) associated with a given increase in gross salary. The METR on the NMW increase is 25.6%, for a full-time worker.

The cost of a MESL basket for an urban single adult in full-time minimum wage employment increased by 3.9% from 2021 to the first half of 2022. Within this rise in minimum expenditure need 2.2 percentage points are due to rising rents. Housing costs increased by 4.1% for this household type (in Dublin) between 2021 and 2022, when paying 90% of average market rent for a one bed dwelling in the Dublin area. A further 1.0 percentage points are due to increases in home energy costs. Home energy costs increased by 25.8% for this household type, net of the €200 electricity credit.

In 2021 full-time NMW employment would have provided for 71.8% of the MESL needs of a working-age single adult living alone in Dublin, paying 90% of average rent. If rents had remained at 2021 levels the increase to the NMW in 2022 would have offset the rise in non-housing MESL costs and marginally reduced the depth of potential income inadequacy (with NMW net salary meeting 72.3% of MESL need).

However, in 2022 the increase in MESL costs has resulted in the inadequacy of a full-time minimum wage salary deepening, with an income shortfall of €150 per week. The NMW will provide for only 70.7% of this household's MESL expenditure need.

Housing Assistance Payment

If this household type were in receipt of the Housing Assistance Payment (HAP) the total cost of a MESL (including housing) could be notably lower. Under HAP the tenant pays a differential rent, calculated based on income. Additionally, the tenant must pay the difference between the HAP rent limit and actual market rent payable for their accommodation.

In Dublin the rent limit for a single person was €660 per month with flexibility to go above the limit by up to 20%, in the first half of 2022.[23] Average rents in Dublin for a one-bedroom unit are €1,368 per month. Taking 90% of the average as a benchmark for MESL rental costs, €1,231 per month, the rent limit fell €571 short in the first half of 2022.

In a scenario where this household is in a HAP tenancy, the rent to the household would be comprised of a differential rent and, where the HAP rent limit falls short of the actual rent payable, a top-up direct to the landlord. For a working-age single adult in Dublin, in full-time NMW employment, the differential rent is €55.00 per week. With the rent limit of €660 per month, a top-up of €131.85 per week would also be required. If the rent limit was increased by the permitted 20%, the top-up would reduce by €30 per week. The support with housing costs from HAP has the potential reduce the degree of income inadequacy, from NMW meeting 70.7% of MESL need when paying a market rent to NMW meeting between 88.2% and 91.4% of MESL need depending on the degree to which the rent limit is extended.

New HAP rent limits, for single adult households, and flexibility in the rent limit came into effect from July 2022. The primary analysis in this report focuses on the first half of 2022, and so these changes are not reflected. However, it is worth noting that the adjustments have the potential to reduce housing costs, in this scenario, to approximately €54 per week. At this level full-time minimum wage employment would provide the basis of an adequate income, meeting MESL needs.

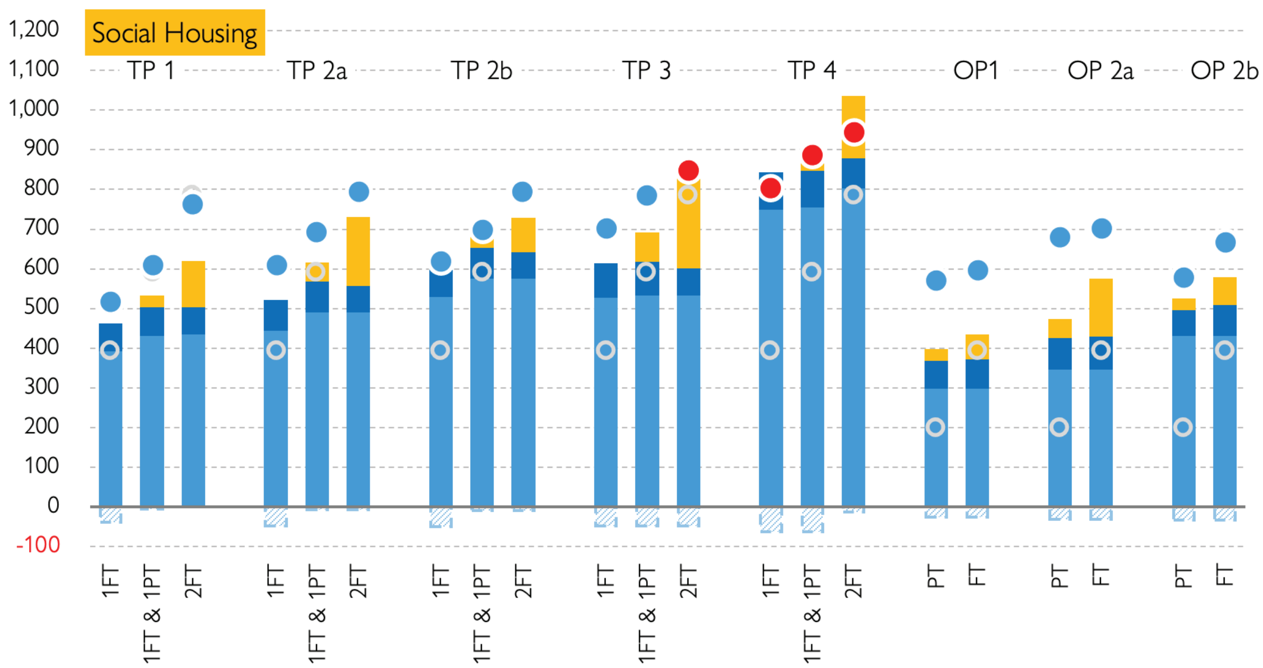
Minimum Income Standard

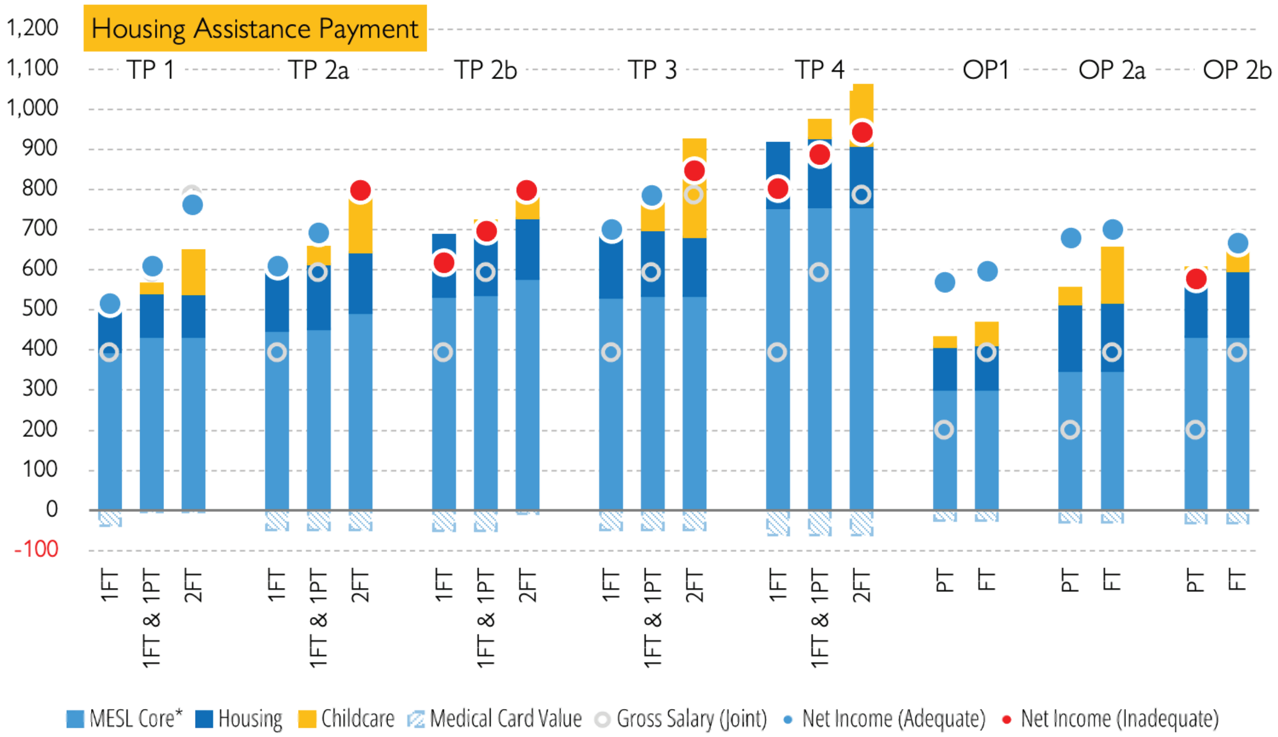
To meet the cost of a MESL in 2022, a single adult would need a gross weekly salary of €633.75 per week., when living in private rented housing in the Dublin area. This Minimum Income Standard (MIS) is 66% higher than the gross salary from minimum wage employment. It equates to 62 hours of minimum wage employment per week.

Households with children

The discussion in the following pages elaborate on the results of the employed income scenarios for eight household compositions with children when earning the National Minimum Wage (NMW), as illustrated in Graph 6.

Graph 6 - National Minimum Wage adequacy benchmark, household types with children, Social Housing and Housing Assistance Payment scenarios





Minimum wage rates cannot be expected to address income inadequacy in isolation. Rates of pay, including the minimum wage, cannot take account of household composition, number of people dependent on a wage, etc. Social supports must work in conjunction with an (appropriately set) minimum wage floor, to smooth out such additional and diverse needs.

This section examines the degree to which the current suite of supports available to households with children enable income adequacy when earning the minimum wage. This includes direct income supports such as Working Family Payment (WFP) and One-Parent Family Payment (OFP), and supports which reduce MESL expenditure need, including access to affordable housing through social housing or the Housing Assistance Payment (HAP), support with childcare costs through the National Childcare Scheme (NCS), and the Medical Card.

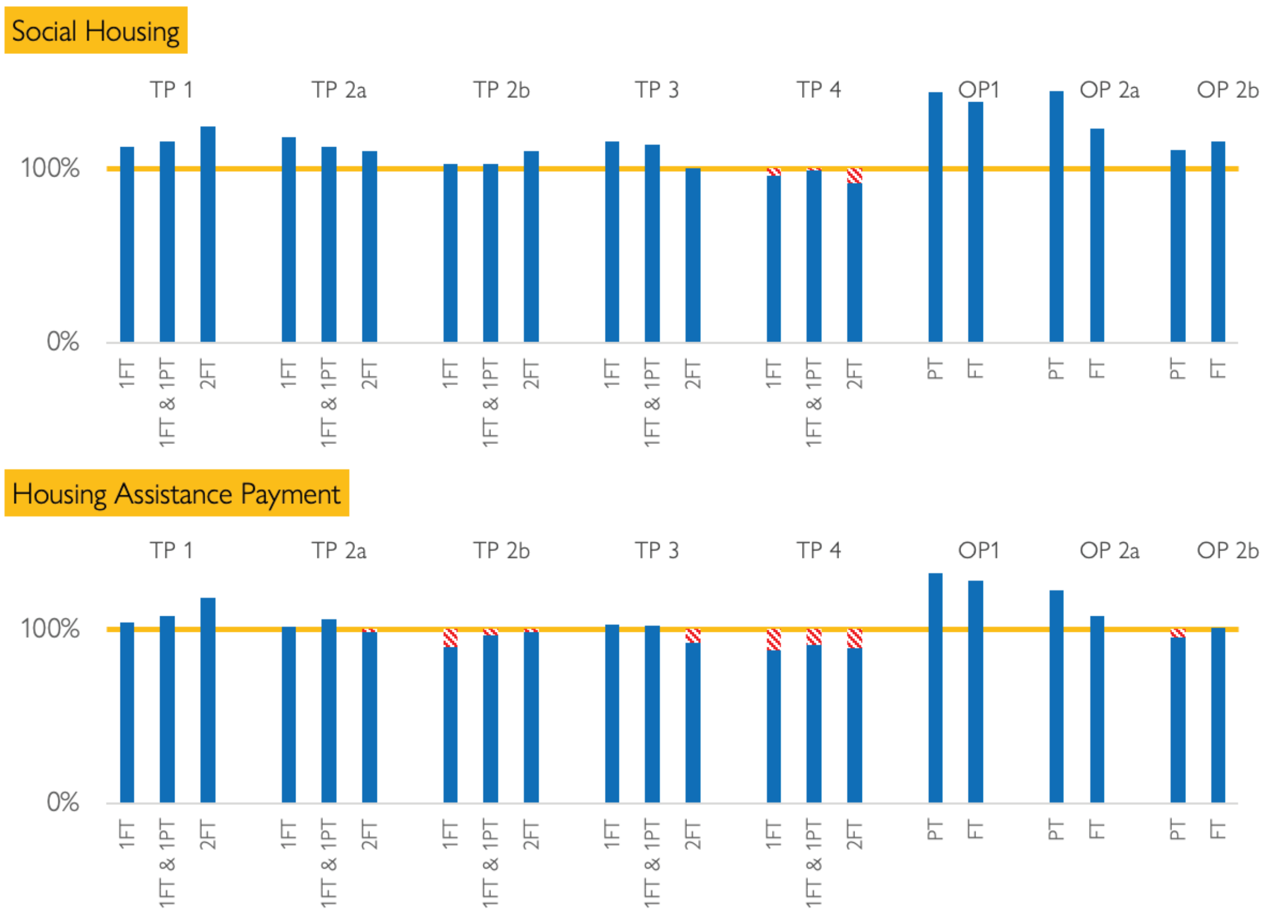
The eight household compositions with children are examined in a variety of full and part-time single and dual income scenarios.[27] In total 21 cases are assessed, based on the households having access to social housing paying a differential rent. Of these, four cases demonstrate income inadequacy. The same 21 cases are also assessed with housing costs based on HAP, here nine cases demonstrate income inadequacy due to higher housing costs.

These cases are based on consistent and adequate hours of minimum wage employment being combined with in-work social welfare supports and services. For households with school-age children, the structure of part-time working hours is assumed to minimise the need for childcare during school term times. The assessment is based on the households having access to support with housing costs, through either social housing or the HAP, and where applicable the National Childcare Scheme is included. As such, these scenarios are in effect a "best case" situation. Where these assumptions do not hold true there is the potential for both the cost of a MESL to be greater or for income to be lower.

Analysis of the proportion of MESL expenditure need met by net household income reveals that increased employment (either dual income vs single income, or full-time vs part-time) does not automatically result in an improvement of the household's adequacy position. This can be due to the tapering of direct in-work income supports and/or the tapering of secondary supports, e.g. moving from Medical Card to GP Visit Card or reduced support from the National Childcare Scheme, resulting in increased MESL costs.

Graph 7 - Net household income as percentage of MESL expenditure need

(by household type, employment scenario and housing tenure)



Two Parents, Two Children, Pre-School & Primary School Age - TP 2a

This household composition demonstrates income adequacy in each of the three NMW employment scenarios examined, when in social housing. However, due to the tapering of Working Family Payment (WFP) and income eligibility thresholds for the Medical Card, the situations with greater levels of employment demonstrate a lower level of adequacy compared to the single income scenario.

With one adult in full-time NMW employment and the other adult not in employment, the household would be eligible for Working Family Payment (WFP) and a full Medical Card. In the scenario based on social housing net household income meets 118% of MESL need.

In comparison to the single income scenario, MESL costs for this household type are higher in a dual income scenario. When the employment pattern is based on one adult in full-time NMW employment and the second adult in part-time NMW employment, the MESL cost is greater due to childcare, a slightly higher differential rent and qualifying for a GP Visit Card (as opposed to a full Medical Card). These higher costs, combined with a lower level of support from WFP, result in less of an adequacy buffer* above the MESL threshold. In this case net household income meets 113% of MESL needs. In a scenario with both adults in full-time NMW employment net income provides for 110% of MESL needs.

Comparing the single income scenario to dual income scenario (based one full-time and one part-time), shows a METR of 86.8%. That shows that of the gross salary gain from the second adult engaging in part-time NMW employment, 86.8% is lost through the tapering of WFP, reduction in medical card status and increase in housing costs.

** Adequacy Buffer' refers to the proportion of net household income above a household's full MESL average weekly expenditure needs, inclusive of housing, secondary benefits, etc.*

In the scenarios based on the HAP, housing costs are higher compared to the social housing scenario. In this case dual full-time NMW employment does not provide the basis of an adequate income, while lower levels of employment do. This is due to the increased MESL costs in the dual full-time scenario, and at this income level the household type is not eligible for WFP. Consequently, net household income in dual NMW full-time employment meets 98% of MESL needs compared to net income from single full-time NMW employment meeting 102% of MESL needs.

Two Parents, Two Children, Primary School & Second Level Age - TP 2b

This household composition includes an older child. When reliant on social welfare households with older children are more vulnerable to deep income inadequacy, as was the case for this household composition when discussed above. When in NMW employment, in the three working pattern scenarios examined, this composition demonstrates income adequacy when in social housing. Furthermore, the adequacy buffer improves with the level of employment in the household, from net household income meeting 102% of MESL expenditure need in a single income scenario to meeting 110% in a dual full-time NMW scenario.

When in a HAP tenancy the additional housing costs arising from a rent ‘top-up’ combined with the additional MESL costs for an older child, lead to income inadequacy being found in the three scenarios examined. In a single income scenario, net household income (including WFP) is inadequate, meeting 90% of MESL need. In a dual full-time scenario, the household earnings exceed the WFP limits and the threshold for a full Medical Card, in this case net household income meets 98% of MESL need.

In a HAP scenario with both adults in full-time employment, the household’s MIS gross salary requirement would be €409 per week, per adult (equivalent to a rate €0.40 per hour above the NMW). In a scenario where the household was paying market rent the household composition’s MIS gross salary requirement would be €637 per week, per adult (equivalent to €6.50 per hour above the NMW).

Two Parents, Three Children, Infant, Pre-School & Primary School Age - TP 3

As with the household composition with two young children, TP 2a above, this composition also demonstrates a reducing adequacy buffer with increased employment. In this case when in dual full-time NMW employment the household type would have a marginally adequate income when in social housing (meeting 100.3% of MESL need) and an inadequate income when in a HAP tenancy (meeting 91.9% of MESL need).

In a single income scenario, one adult engaged in full-time NMW employment, the household is eligible for a full Medical Card and Working Family Payment of €225 per week. Tapering of WFP sees this support reduce to €105 if the second adult is engaged in part-time NMW employment and €20 when in full-time NMW employment. Eligibility for a full Medical Card is retained across the three employment scenarios.

The lower level of WFP and higher differential rent payable in the dual income scenario, based on the second adult in part-time employment, leads to a METR of 66.1%. Effectively, almost two-thirds of the gross salary arising from the second adult’s employment is lost to the reduced WFP and higher housing cost.

Comparing the two dual income scenarios shows a METR of 56.7% on the gross salary change from the second adult being in part-time to full-time NMW employment. The combination of the tapering of WFP and liability for PAYE, is slightly offset by a lower differential rent (arising from how WFP is treated in the rent scheme).

There is also a need for a greater level of childcare in the dual full-time scenario, compared to the full-time and part-time employed scenario. In both cases there is significant support with the cost of childcare, reducing the potential gross costs notably. However, while the nominal level of support increases when both adults are in full-time employment, the proportion of childcare costs met reduces. In the full-time and part-time scenario childcare supports meet 78% of gross childcare costs, in the dual full-time scenario this reduces to 59%.

Two Parents, Four Children, Two Primary & Two Second Level Age - TP4

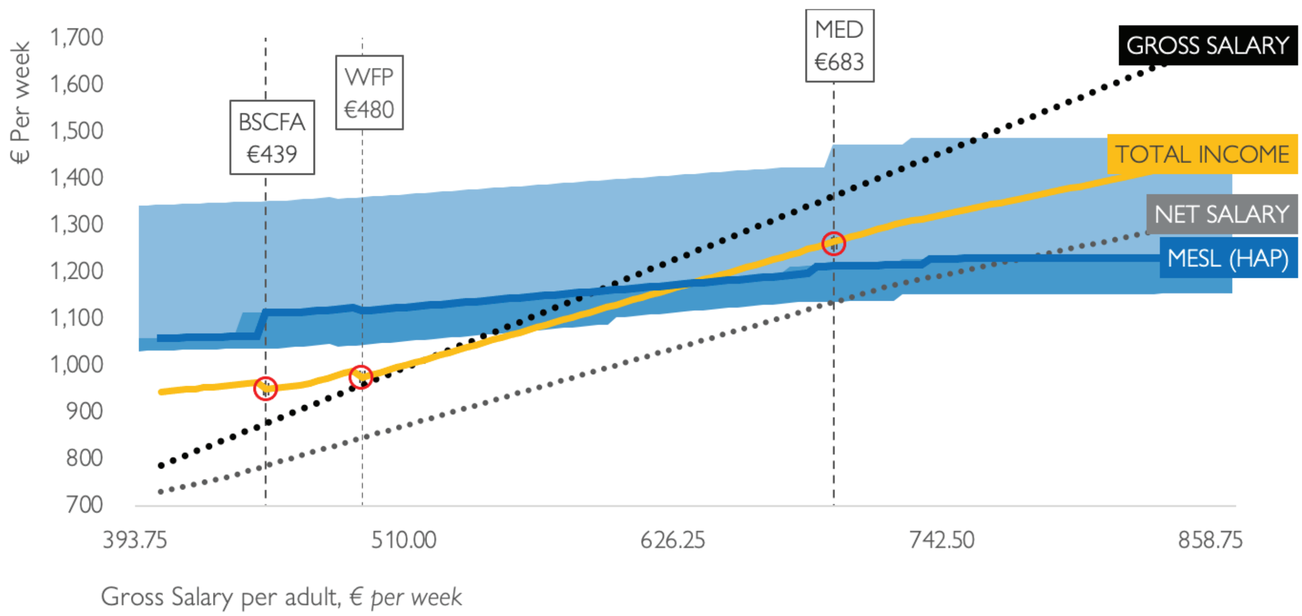
Unlike the previous household compositions examined, in this case NMW employment does not provide the basis of an adequate income in any of the three employment scenarios examined. Due to the size of the household, four children, eligibility for Working Family Payment is retained in each of the three employment situations. However, WFP does not provide the level of support required to build up the NMW earnings to an adequate income for the household's minimum needs. When in dual full-time minimum wage employment, net household income would meet 91.7% of MESL need when in social housing, and 89.2% of MESL need when in a HAP tenancy.

When earning the NMW full-time the household would be eligible for a full medical card, if in a HAP tenancy. The medical card reduces the potential health related MESL costs by an average of €62 per week. Furthermore, the household would qualify for a contribution from the National Childcare Scheme (NCS), reducing potential childcare costs by an average of €95 per week. Additionally, Working Family Payment and the Back to School Clothing & Footwear Allowance would provide an average of €86 per week in direct income support.

As earnings increase both WFP and the NCS subvention are tapered. Furthermore, the differential rent component of HAP increases with household income, and eligibility for a means tested Medical Card is withdrawn at a certain income level.

Due to the degree of tapering and withdrawal of supports, earnings significantly above the NMW are required to close the adequacy gap for this household composition. The household composition's MIS weekly gross salary requirement would be €548 per adult when in social housing, rising to €623 when in a HAP tenancy.

Graph 8 - Income Progression, from dual NMW to MIS (HAP Scenario)



The income progression for this household type is illustrated in Graph 8, and key points detailed below. The focus is on the HAP tenancy scenario, but the impact of the tapering and withdrawal of supports prior to reaching income adequacy is similar in the social housing scenario also. To demonstrate the effect of housing tenure and access to support with housing costs, the difference in total MESL need is highlighted in the shaded area of the chart. Access to social housing reduces MESL need below that of the HAP scenario, while needing to pay a full market rent would substantially increase the cost of a MESL for this household type.

THE KEY WEEKLY GROSS SALARY (PER ADULT) LEVELS WHERE ENTITLEMENTS FALL AWAY, FOR THIS HOUSEHOLD SCENARIO, ARE:

€439
Household is ineligible for Back to School Clothing and Footwear Allowance, WFP is tapered to €34 per week. The household would not be eligible for a full Medical Card, qualifying for a GP Visit Card instead. Consequently, MESL expenditure need is higher, and income inadequacy at this earnings level is €164 short of minimum needs (compared to €114 shortfall when earning the NMW).

€480
The household would not be eligible for the Working Family Payment.
Income inadequacy at this earnings level is €143 short of MESL needs, deeper than when earning the NMW.

€548
If in social housing and paying a differential rent, this gross salary would provide the basis of an adequate income. When in a HAP tenancy, household income is inadequate at this point with an income shortfall of €74 per week.

€623
This gross salary would provide the basis of an adequate income, with both adults in full-time employment, when in a HAP tenancy scenario. The household would remain eligible for a GP Visit Card at this income level and continue to qualify for support for childcare fees with a subvention averaging €33 per week.

One Parent, One Child, Primary School Age (6 years old) - OP 1

This household type has an adequate income when engaged in minimum wage employment, when in social housing and paying a differential rent or in private rented accommodation and in receipt of the Housing Assistance Payment (HAP). This is the case when engaged in part-time employment (with the assumption of 19 hours employment available) or full-time employment.

When employed for at least 19 hours per week this household is eligible, subject to a means test, for both Working Family Payment (WFP) and the One-Parent Family Payment (OFP). The combination of these payments, and secondary benefits (Fuel Allowance, Back to School, Clothing & Footwear Allowance, Christmas Bonus) provide a significant degree of income support. Comparing part-time to full-time NMW employment shows a steep tapering of income support, with a marginal effective tax rate (METR) of 85.5% due to both tapering and tax liability.

One Parent, Two Children, Pre-School & Primary School Age - OP 2a

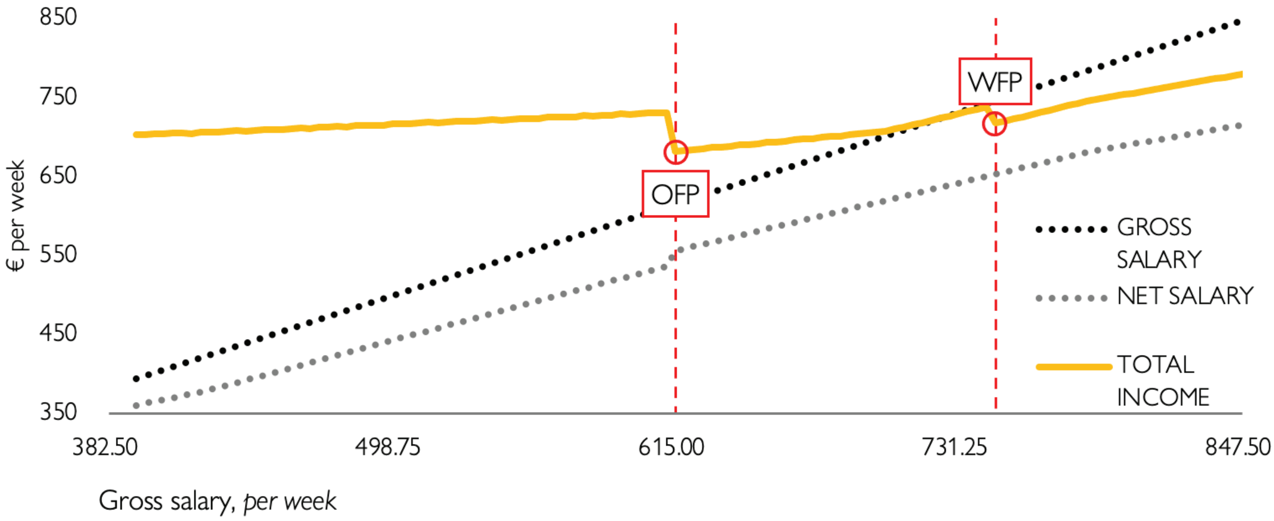
This household type also has an adequate income when engaged in minimum wage employment, when in social housing and paying a differential rent or in private rented accommodation and in receipt of HAP.

When in full-time employment the support with childcare costs provided through the National Childcare Scheme (NCS) is crucial for enabling income adequacy. Without the NCS subvention full-time NMW employment would not provide the basis of an adequate income in either housing scenario. However, it is notable that when in the part-time scenario childcare supports meet 74% of gross childcare costs, this reduces to 60% in the full-time employment scenario.

OFP Taper & Earnings Trough

The structure of the One-Parent Family Payment and ancillary supports produce significant troughs in net household income, where a higher gross salary can result in a lower net household income. The most severe aspect of this was addressed in 2021, with the removal of the 'guillotine' effect in the eligibility criteria which cut-off entitlement to OFP at gross salaries of €425 per week and above. This smoothed the income progression and ensured that there is a net benefit to improved earnings for households at that salary level, however the income trough has now shifted upwards.

Graph 9 - Tapering of income supports, by gross salary per week, for One Parent & Two Children (Pre-School & Primary School Age) household



The income trough is now evident at the point where means tested eligibility for OFP is lost, as illustrated in Graph 9. The loss of OFP, including Qualified Child Increase (QCI), and Fuel Allowance and the Christmas Bonus, combine to create a significant dip in net household income. When eligibility for these combined supports is lost the level of WFP increases and partially offsets the loss, however net income is reduced by an average of €49 per week. Consequently, gross salaries from €615 to €685 per week result in a lower net income than a full-time NMW salary (€394 per week).

While the Back to Work Family Dividend may mitigate the severity of this trough, it is a time-limited and conditional support that may not apply in all cases.

One Parent, Two Children, Primary School & Second Level Age - OP 2b

When in social housing and paying a differential rent this household type demonstrates income adequacy when in part-time or full-time NMW employment. However, when in a HAP tenancy the additional housing costs (a €84 per week rent 'top-up') compound the additional MESL costs for an older child and contribute to income inadequacy in a part-time NMW employment scenario.

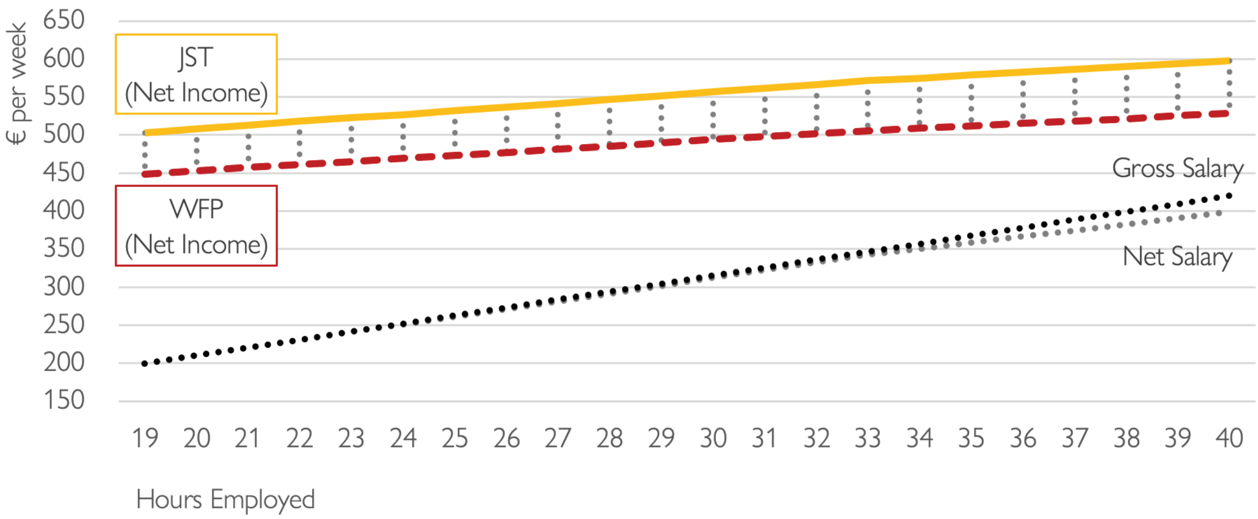
In the full-time NMW employment scenario examined, the household would be eligible for direct income support through the Jobseeker's Transitional (JST) payment, also receiving Fuel Allowance and the Christmas Bonus, providing an average of €212 per week in means-tested targeted income supports, in addition to Child Benefit. Further measures reducing household MESL costs, include both the Medical Card and the NCS which would provide an average subvention of €60 per week towards childcare costs. These supports, in conjunction with full-time NMW earnings amount to an adequate income, meeting 100.9% of MESL need in the HAP scenario.

Jobseekers Transitional and Working Family Payment

Unlike the OFP the JST payment cannot be claimed in conjunction with the Working Family Payment (WFP). When the JST was initially introduced it was often the case that where enough working hours were available WFP would provide a greater level of support than JST. This situation has changed as adjustments to the JST earnings disregard and increases to the QCI rates have improved the level of income support provided by JST.

When the youngest child in a one parent household reaches 14, the household is no longer eligible for JST creating the potential for a notable drop in net household income. JST and associated secondary benefits can provide a greater level of income support than WFP, for the same salary level.

Graph 10 - Comparing Net Income from Jobseekers Transitional and Working Family Payment, One Parent & One Child household type, by hours NMW employment



The graph above illustrates the income position of a one parent household with one child. When in 19 hours of NMW employment the net income when qualifying for JST is €54 per week higher than in a scenario qualifying for WFP. This difference increases to €68 with full-time (37.5 hours) NMW employment. The differential is due to both the lower rate of payment for WFP, compared to JST, and ineligibility for Fuel Allowance in the WFP scenario.

Furthermore, the tapering and withdrawal of income supports combined with increasing liability for USC and PRSI, impose a higher Marginal Effective Tax Rate (METR) in the case of WFP than in JST. The METR on a change from part-time (19 hours) to full-time (37.5 hours) employment is 64% when in receipt of Working Family Payment and 57% when in receipt of the Jobseeker's Transitional.

Conclusion

This report provides an update of the MESL baskets to reflect prices in 2022, specifying the average weekly cost of the goods and services deemed necessary to enable a socially acceptable minimum standard of living. This update is based on a blend of direct pricing and inflation adjusted estimates.

In previous years, the MESL update has often found minor fluctuations in prices, with increases in some budget areas being largely offset by decreases in others. This year is exceptional, instead showing that the increase in costs across most of the MESL budget areas have significantly outweighed any decreases experienced. Compared to 2021, the cost of a MESL has increased by an average of 5% for urban households and 14% for rural households.

Given the exceptional volatility in prices over the course of 2022 it is inevitable that the cost of a MESL has continued to rise. Currently, the annual rate of change in the urban MESL is forecast to reach 11% by the end of 2022. This increase is being primarily driven by rising prices in the areas of home energy and food, which makeup a greater proportion of the minimum MESL basket compared to the CPI average household basket.

The MESL provides an evidence-based indicator of the current cost of the goods and services required to enable a socially acceptable minimum standard of living. In this way, the MESL expenditure data serves as a benchmark to assess the adequacy of social welfare supports and the national minimum wage.

The analysis in the report provides an evaluation of social welfare income adequacy for 214 test household cases. In the first half of 2022 there has been a decline in the number of cases demonstrating income adequacy, indicating that the rising cost of a MESL has exceeded the increase in social welfare supports and pushing several cases into inadequacy. Compared to 2021 the incidence of inadequate cases has increased, the number of inadequate cases (where income is ≥90% and <100% of MESL need) has increased by 12, while the number of deep income inadequacy cases (income meeting <90% of MESL need) has decreased by eight; a net increase of four inadequate cases.

Deep income inadequacy continues to be concentrated in households with older children (aged 12 and over) and one adult headed households, i.e., lone parent households and single working-age adult households. This is consistent with the findings of the MESL analysis in previous years.

A detailed examination of the MESL costs for children in four age-groups is also provided. The analysis again demonstrates that the cost of a MESL is highest for older children, aged 12 and over. The direct MESL needs of older children cost approximately €133 per week, and social welfare supports meet 65% of these costs. Consequently, deep income inadequacy is found more frequently in household compositions with older children. However, the analysis finds the incidence of deep income inadequacy for household compositions with older children is decreasing due to the ongoing improvements in the higher QCI rate for children aged 12 and over.

Working age households and individuals without children, also show income inadequacy when dependent on social welfare. A working-age single adult household type demonstrates deep income inadequacy, with a full Jobseekers payment meeting four fifths of MESL expenditure need when living alone in an urban area.

For older people, the analysis highlights the important role of the Living Alone Allowance in addressing the needs of older people living alone, when reliant on the State Pension. The MESL expenditure need of the single older person is approximately 80% that of the older couple household. However, household income from State Pension (and secondary supports) for a pensioner living alone, is between 57% and 67% of a pensioner couple household's income. The Living Alone Allowance makes a vital contribution towards supporting this group of older people which have a higher risk of poverty and have previously tended to demonstrate income inadequacy.

The cost of a MESL for an older person living alone has increased at a greater rate than adjustments to income supports. This household type has moved precariously close to income inadequacy in 2022. The Non-Contributory Pension, and secondary supports, now provide an income that is 0.6% above the MESL need when in an urban area and living in social housing.

Employment improves household income in comparison to social welfare alone, when secure and stable hours are available. However, the provision of effective in-work supports, and access to services and supports such as affordable childcare and rents, are vital to enabling minimum adequacy at a salary level at or near the minimum wage.

The cost of a MESL basket for an urban single adult in full-time minimum wage employment increased by 3.9% from 2020 to 2021. Rising rents account for 2.2 percentage points of this rise in MESL need, a further 1.0 percentage points are due to increases in home energy costs. The increase in MESL costs has resulted in the inadequacy of a full-time minimum wage salary deepening, with an income shortfall of €150 per week, as net income meets only 70.7% of MESL expenditure need.

For households with children four of twenty-one cases examined demonstrate inadequate income, when reliable and adequate hours of minimum wage employment are combined with in-work social welfare supports and services which effectively reduce the cost of a MESL. This assessment is based on the households having access to social housing paying a differential rent. The National Childcare Scheme is also included, where applicable.

The analysis for households with children also examines the position of these compositions if in a Housing Assistance Payment (HAP) tenancy and thereby facing higher housing costs. Income is found to be inadequate in nine cases when housing costs are based on HAP.

Analysis of the proportion of MESL expenditure need met by net household income reveals that increased employment (either dual income vs single income, or full-time vs part-time) does not automatically result in an improvement of the household's adequacy position. This can be due to the tapering of direct in-work income supports and/or the tapering of secondary supports, e.g., moving from Medical Card to GP Visit Card or reduced support from the National Childcare Scheme,

The annual MESL series provides detail of the latest MESL expenditure needs and in-depth analysis of income adequacy assessments to underpin the development of evidence-based policy recommendations. The policy recommendations based on the findings from the MESL research are primarily articulated in the pre-budget submission to the Department of Social Protection, the submission to the Low Pay Commission, and in wider engagements with policy makers, government departments, etc.

Additional Data

The full set of MESL 2022 data, for all household types and compositions, and the suite of income scenarios are available on the Vincentian MESL Research Centre website, 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, is a tool which enables individuals and organisations tailor outputs from the MESL 2022 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.

Endnotes

[1]Table 1 Social Welfare Scenario Notes

The social welfare income scenarios assume full entitlement to payments relevant to the household scenario:	
Two Parents	JS Personal Rate + Qualified Adult + Qualified Child, Child Benefit, Back to School Clothing & Footwear
One Parent	One-Parent Family Payment / Jobseeker's Transition + Qualified Child, Child Benefit, Back to School Clothing & Footwear, Fuel Allowance
Single Adult	JS Personal Rate, Rent Supplement (Urban, social housing Rural)
Pensioner, Living Alone	Non-Contributory Pension + Living Alone Increase, Fuel Allowance, Telephone Support Allowance, Household Benefits Package
Pensioner Couple	Contributory Pension + Qualified Adult, Fuel Allowance, Household Benefits Package
Assumed all social welfare dependent households are eligible for a full medical card	

Table 1 NMW Employed Scenario Notes

Housing costs based on social housing (differential rent), with the exception of Single Adult which is based on 90% of average rent for a one bedroom dwelling.

Childcare costs included in MESL expenditure need, as appropriate. The National Childcare Scheme (NCS) and ECCE scheme are reflected in the net average weekly childcare cost as applicable.

Based on full-time employment (37.5 hours), two parent households based on both adults in full-time employment.

Income is net household income, after tax (PAYE, PRSI & USC), and includes applicable social welfare supports e.g. Child Benefit. Means tested social welfare supports included for households with children, e.g. Working Family Payment, One-Parent Family Payment, are included as applicable

Medical card means test applied in each scenario, following HSE Medical Card guidelines

[2]Programme for Government: Our Shared Future, published 2020
https://assets.gov.ie/130911/fe93e24e-dfe0-40ff-9934-def2b44b7b52.pdf

[3]Government of Ireland (2020). Roadmap for Social Inclusion 2020 – 2025.
https://www.gov.ie/pdf/?file=https://assets.gov.ie/46557/bf7011904ede4562b925f98b15c4f1b5.pdf

[4]The CSO (2022) SILC 2021 data, below, shows that these household compositions have the highest rates of all household compositions, for each category, and notably higher rates than the headline national rate for all household compositions.

	AT RISK OF POVERTY	DEPRIVATION	CONSISTENT POVERTY
1 adult aged <65	28.8	19.6	11.1
1 adult with children aged under 18	22.8	44.9	13.1
Headline rate	11.6	13.8	4.0

[5]McEvoy, O., Mac Mahon, B. and Thornton, R. (2020) 2018/19 Review and Rebase of the Minimum Essential Standard of Living, Dublin: VPSJ, https://www.budgeting.ie/publications/mesl-review-rebase-20182019/

[6]Thornton, R. & Boylan, H. (2021) MESL Review & Rebase: Examining the accuracy of inflation adjustment and quantifying the impact of basket changes. Dublin: VPSJ, https://www.budgeting.ie/publications/examining-the-accuracy-of-inflation-adjustment-and/

[7]Central Bank of Ireland (2021) "Inflation dynamics in a Pandemic: maintaining vigilance and optionality - remarks by Gabriel Makhlouf" available at:
https://www.centralbank.ie/news/article/speech-inflation-dynamics-in-a-pandemic-maintaining-vigilance-and-optionality-gabriel-makhlouf-23-november-2021

[8]CSO (2022) Consumer Price Index March 2022, available at:
https://www.cso.ie/en/releasesandpublications/er/cpi/consumerpriceindexmarch2022/

[9]Central Bank of Ireland (2022) Quarterly Bulletin No.2 2022
https://www.centralbank.ie/docs/default-source/publications/quarterly-bulletins/qb-archive/2022/quarterly-bulletin-q2-2022.pdf

[10]ESRI (2022). Quarterly Economic Commentary, Spring 2022.
https://doi.org/10.26504/qec2022spr

[11]CPI weightings for 2022 as published by the CSO
https://www.cso.ie/en/media/csoie/methods/consumerpriceindex/Consumer_Price_Index_(CPI)_and_Harmonised_Index_of_Consumer_Prices_(HICP)_expenditure_weights_by_COICOP_Division_2017_-_2022.xlsx

[12]The CPI weighting for the Transport COICOP classification is 13.9%, however this includes a 1.1% weighting for airfares. As air transport is not a component of the MESL basket, this is removed for comparison purposes, producing the figure of 12.8%)

[13]CSO (2022) Estimated Inflation by Household Characteristics March 2022.
https://www.cso.ie/en/releasesandpublications/frp/frp-eihc/estimatedinflationbyhouseholdcharacteristics-march2022/

[14]ESRI (2022). Quarterly Economic Commentary, Summer 2022.
https://doi.org/10.26504/qec2022sum

[15]Central Bank of Ireland (2022). Quarterly Bulletin No.3 – July 2022.
https://www.centralbank.ie/publication/quarterly-bulletins/quarterly-bulletin-q3-2022

[16]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 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 are introduced through examining different income scenarios. This flexibility enables the benchmarking of social welfare adequacy for 214 test cases.

[17]The figures presented for 2020 & 2021 differ slightly from those previously published in the 2020 and 2021 annual update reports. This is due to a change in the treatment of the Christmas Bonus when calculating average weekly income. Previously the Christmas Bonus was not included as a part of the standard social welfare income calculation, from 2022 it is now included in the standard calculation for households in receipt of a long-term social welfare payment, in the cases examined these are One-Parent Family Payment, Jobseeker's Transitional, and the State Pension. As Jobseekers Allowance is only eligible after 12 months, the Christmas Bonus is not included as a standard component of social welfare income in these cases.

[18]Hirsch, D., Concialdi, P., Math, A., Padley, M., Pereira, E., Pereirnha, J., and Thornton, R. 2020. 'The Minimum Income Standard and equivalisation: Reassessing relative costs of singles and couples and of adults and children.' Journal of Social Policy, Cambridge University Press, 1–20. doi:10.1017/S0047279419001004.

[19]Household income is detailed in the appendix tables, the two parent household is based on full Jobseeker's Allowance and Qualified Adult, Qualified Child Increases, Back to School Clothing & Footwear Allowance, and Child Benefit. In the one parent household, social welfare income is based on the full rate of One-Parent Family Payment / Jobseeker's Transitional, Qualified Child Increases, Fuel Allowance, Christmas Bonus, Back to School Clothing & Footwear Allowance, and Child Benefit.

[20]This eligibility criteria is due to reduce to 12 months in September 2022.

[21]The Christmas Bonus is 100% of primary social welfare, this equates to an average weekly value of €4.00 for a working age single adult in receipt of a full JA payment. The Fuel Allowance is currently €33.00 per week and is paid over 28 weeks, which is an average of €17.77 over 52 weeks. Fuel Allowance recipients also received two 'cost of living' lump sum payments in the first half of 2022, totalling €225. This brings the total average weekly value of Fuel Allowance supports to €22.10.

[22]2021 Q4 average rent for a one-bedroom dwelling in Dublin, data from:
RTB (2022) RTB Average Monthly Rent Report, **https://data.cso.ie/table/RIQ02**. Accessed: 10th May 2022.

[23]The income scenarios presented in this report are based on the rent limit and 20% flexibility, which were in place during the period under analysis – the first half of 2022.

- Changes to the HAP rent limits were announced in June and implemented in July 2022. These include increasing the single person rent limit to the couple level of €900 per month, and increasing the flexibility given to local authorities to go above the rent limit, from the current 20% to 35%.
  https://www.citizensinformation.ie/en/housing/renting_a_home/housing_assistance_payment.html#l5e5ea

[24]The MESL budget for Older People and for Households with Children is based on living in a standard sized family home (approx. 100 m2) with a C2 energy rating.

- When in urban areas the budget includes 13,300 units of natural gas per annum to adequately heat the home.

- When in rural areas the budget is based on home heating oil, with the household requiring approx. 1,260 litres per annum.

[25]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. Household income is calculated on the basis of incremental increases in salary, re-assessing the adequacy of household income at each step.

- 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.

[26]MESL childcare costs for infants and pre-school age children are based on the use of formal private childcare providers.

- At primary school age where both after-school care and full-time care outside of school term time, costs are based on the use of formal childcare providers.

- In these cases either ECCE or NCS subventions are applied to calculate the net cost of childcare to the household, as applicable.

However, in scenarios where parental employment is part-time and a lower level of childcare is required, the MESL childcare costs are based on care being provided by a friend or relative, after school and during school holidays, with an agreed contribution made by the household for this. This type of informal childcare is not eligible for subvention under the NCS.

[27]**Two Parent**	One adult employed full-time (37.5 hours) and one 'stay-at-home' parent;
	One employed full-time (37.5 hours) and one part-time (19 hours);
	Both adults employed full-time (37.5 hours)
One Parent	Adult employed part-time (19 hours);
	Adult employed full-time (37.5 hours)

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