VINCENTIAN
MESL
RESEARCH CENTRE

Annual Update 2023

Contents

MESL 2023
Annual Update

MESL RESEARCH TEAM
Robert Thornton - MESL Research Manager
Hannah Boylan - MESL Researcher
Niamh O'Carroll - MESL Researcher

Published in 2023 by:
Vincentian MESL Research Centre,
Society of St Vincent de Paul,
SVP House,
91-92 Sean MacDermott Street,
Dublin 1, D01 WV38,
Ireland
CHY 6892 RCN 20013806

www.budgeting.ie • mesl@svp.ie

This project was supported by the Department of Social Protection as part of its agreement for funding the Vincentian MESL Research Centre at SVP. The Research Centre is solely responsible for the views, opinions, findings, conclusions, and recommendations expressed in the report and for the accuracy of the report.
The contents of the report are not attributable to the Minister for Social Protection or the Department of Social Protection.

Introduction

The annual Minimum Essential Standard of Living (MESL) update captures the change in the cost of the minimum basket of goods and services needed to enable people to live with dignity. The 2023 MESL comes at a time of exceptional increases in living costs, which is placing particularly acute pressure on the cost of a socially acceptable minimum standard of living.

There has been considerable increase in the cost of a MESL across all household types. This year follows from 2022 as being exceptional, showing an even greater level of cost increases across most of the MESL budget areas, and these increases significantly outweighing any decreases experienced.

The core MESL* basket cost has increased by an average of 10.6% nationally in the year to March 2023. There has been significant pressure on the minimum living costs from mid-2021, which has led to cumulative increases in the core MESL costs of 18.9% nationally over the three years from March 2020 to March 2023.

These rates of increase exceed the average change in prices as measured by the CPI, due to the sensitivity of the MESL basket to changes in food and energy prices. The CPI indicates a 7.7% increase in the year to March 2023, and a cumulative increase of 14.9% since March 2020. The overall level of change has been primarily driven by the rising cost of home energy (over the last two years) and food in the year to March 2023. This is discussed further from page 6 to 14.

The inflation rate in food started increasing from mid-2021, first exceeding 1.0% in December 2021, and rapidly accelerating to the current high of 13.1% in March 2023. Food inflation had not been at levels exceeding 10% since the 1980s, and on the trend of more recent years food inflation in excess of 1% is remarkable.

The analysis finds that the cost of the MESL food basket has increased by an average of 20.8%, in the year to March 2023. The MESL basket is more exposed to increases in staples such as milk, butter and bread which have each increased significantly in price. The change in MESL food prices is further examined on page 11.

Household energy costs were increasing throughout 2021, with price inflation accelerating through 2022. Average inflation across home energy fuels peaked in October 2022, and has eased somewhat since, with prices in March 2023 an average of 32.6% higher than March 2022. The 12-month CPI rate in March 2023 shows inflation in electricity prices at 62.7% and natural gas at 92.1%, and a reduction in in oil prices of 29.1%.

In the MESL household energy basket, rising gas and electricity prices have pushed urban home energy costs up an average of 67.8%. While a reduction in home heating oil prices combined with rising electricity prices have seen rural energy costs rise by 6.2% in the year to March 2023. Cumulatively, from March 2020 to March 2023, the MESL home energy costs increased by 117.1% for urban based households and by 75.8% for rural based households. The changes in price of household energy are detailed on page 12, and the impact on vulnerability to energy poverty is discussed on page 25.

The majority of MESL basket categories showed an increase in costs. For rural based households, Transport and Car Insurance each showed decreases of -0.9% and -5.7% respectively. Education is notable with an average decrease of -6.0%, this is primarily due to the introduction of the new Free Primary Schoolbooks Scheme (on page 26).

The MESL research is undertaken to establish the costs of the goods and services which are required to enable 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.

** Core MESL basket excludes housing, childcare, and the effect of secondary benefits – these are included as appropriate when examining household income scenarios.*

While the issue of income inadequacy is not new, the 2023 MESL analysis finds a stark widening of inadequacy to a broader range of household types and compositions. In previous years, when examining patterns of social welfare income adequacy & inadequacy, deep income inadequacy (where social welfare meets less than 90% of MESL costs) tended to be focused on working-age single adult headed household compositions (one parent & single adult household types) and households with older children.

In 2023, the analysis (from page 15) finds that the incidence of deep income inadequacy has almost doubled, and income adequacy has contracted significantly. The incidence of deep income inadequacy has now spread to a wider range of household types and compositions. There has also been a deepening of the inadequacy found amongst households with older children and one adult headed households as social welfare meets a lower proportion of MESL need.

This report focuses on the position of minimum living costs and adequacy of incomes in 2023. However, a tranche of 'once-off' supplementary payments were announced alongside Budget 2023. These were paid to households in the last quarter of 2022 in response to the rapid inflationary pressure which developed over the course of 2022. The impact of these supports falls between the points in time examined in the annual MESL series. A supplementary overview of the effects of these additional supports is discussed in Box 1, on page 18.

The analysis also examines the adequacy of the National Minimum Wage, and the impact of access to housing support through HAP for a single adult household, see page 31. The positions of households with children is also examined. 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., change in support from the National Childcare Scheme, or a change in Medical Card eligibility. The detail of these issues is discussed from page 34.

Context

The current period of inflationary pressure began to be evident in mid-2021. In July 2021, headline CPI exceeded 2.0% for the first time in nine years. By October 2021 inflation had reached 5.1%, and (at the time of writing) has continued to remain above that point. In the 12 months to March 2023 the CPI has measured an average change in prices of 7.7%. To put this into context, in the 10 years from 2010 to 2020 there was a total of 7.9% inflation.

Over the past year, the 12-month inflation rate reached a high of 9.2% in October 2022. While the extreme inflation appears to have peaked and the March rate of 7.7% representing an 'easing' of inflationary pressure, it is important to distinguish between a reduction in the rate of inflation and a reduction in prices. From October 2021 to March 2022 there was inflation of 2.1%, in other words prices continued to rise but at a slightly slower rate.

The most recent SILC data (CSO, 2023b) found that over 668,000 people (13.1%) had an income below the at-risk of poverty (AROP) threshold, with over 187,700 being children, in 2022. The three highest AROP rates in 2022 were seen in one adult headed households, older adults living alone (33.6%), working-age single adults (32.0%) and one parent households (23.8%). The highest deprivation rates were also found in working-age one adult headed households, one parent households (43.5%) and working-age single adults (25.2%). While consistent poverty was also highest for working-age one adult headed households, working-age single adults (14.5%) and lone parent households (14.1%).

Further evidence of the pressure from rising living costs, in 2022, is evident from the SILC. Households with at least some difficulty in making ends meet increased from 42.0% in 2021 to 50.8% in 2022, with older adults living alone showing the greatest increase from 3.2% in 2021 to 6.3% in 2022. While 7.2% of people reported being unable to afford to keep the home adequately warm and 9.2% were without heating at some stage. Lone parent households reported the highest incidence of both being unable to keep the home adequately warm (18.3%) and to have gone without heating at some stage in the last year (23.8%).

These trends are reflected in the findings of the MESL 2023 analysis.

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 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, available online*, 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 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 (McEvoy, O., Mac Mahon, B. and Thornton, R., 2020).

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 (Thornton & Boylan, 2021). 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.

* *http://www.budgeting.ie/publications/mesl-2023/*

Adjust	Apply relevant CPI (Consumer Price Index) sub-rates to each item's unit price, to estimate current year cost.
Reprice	Pricing basket items & services with relevant retailers & providers, either in-person or online.
Review & Rebase	Members of the public in deliberative focus groups re-examine the MESL baskets and make necessary adjustments to the goods and services required for a socially acceptable minimum standard of living.

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 estimated MESL cost in the years between re-pricing the baskets.

Figure 1 MESL updating schedule

2018 / 19	2020	2021	2022	2023	2024	2025	2026
Review & Rebase	Adjust	Adjust Reprice	Adjust Reprice	Adjust Reprice Food & Energy	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, it was not possible to reprice the full range of basket contents. 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.

According to the MESL updating schedule the 2023 update was due to apply inflation adjustments only. However, due to the exceptional inflationary pressure over the recent period it was deemed prudent to undertake a partial reprice of the MESL baskets. As price rises in Household Energy and Food have contributed most of the inflationary pressure, the contents of these MESL basket categories have been fully repriced. Additionally, due to changes in the National Childcare Scheme and greater transparency of providers' pricing, childcare has also been repriced. The standard updating method has been applied to the remainder of the basket items.

Cost of a MESL in 2023

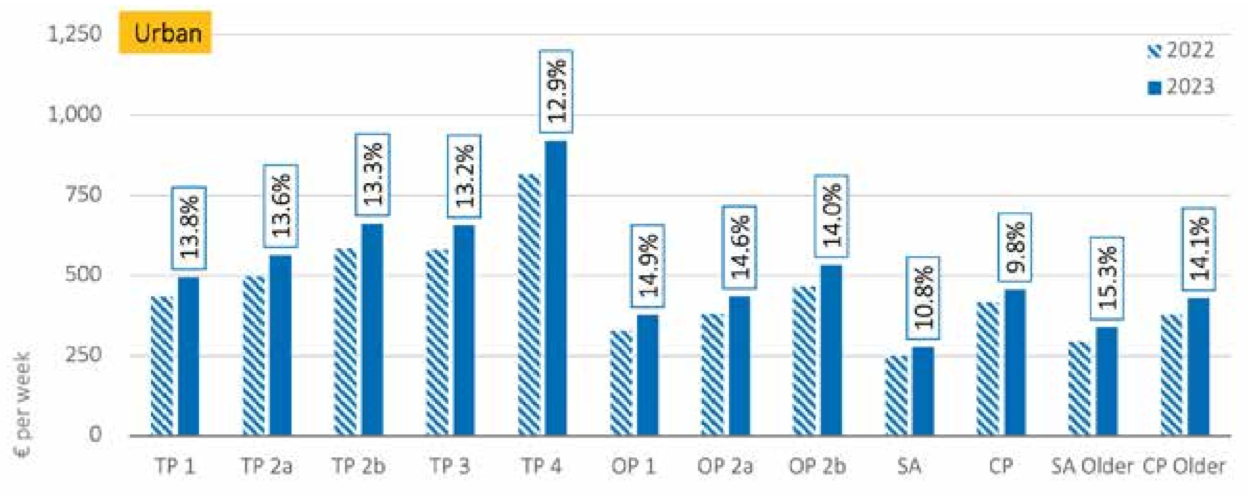
There has been considerable increase in the cost of a MESL across all household types. The core MESL cost (excluding housing, childcare, and the effect of secondary benefits) has increased by an average of 12.9% for urban based households and by 5.7% for rural households in the twelve months to March 2023. It is notable that, unlike in recent years, the rate of increase is higher in urban areas than rural areas primarily due to rising gas prices for urban home energy needs (discussed further on page 11).

Following a minor fluctuation in costs from 2020 to 2021 (-0.4% urban and +0.9% rural), there has now been significant upward pressure on the minimum living costs over the course of 2021/22 and 2022/23. This has led to cumulative increases in the core MESL costs, over the three years to March 2023, of 17.8% for households in urban areas and 21.2% for households in rural areas.

There have been increases in most areas of expenditure. The overall level of change has been primarily driven by the rising cost of home energy (over the last two years) and food in the year to March 2023. These factors are discussed in further detail below. But, first the discussion turns to average inflation, as measured by the CPI, and then examines the difference between the change measured by CPI and the change in minimum living costs measured by MESL.

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

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



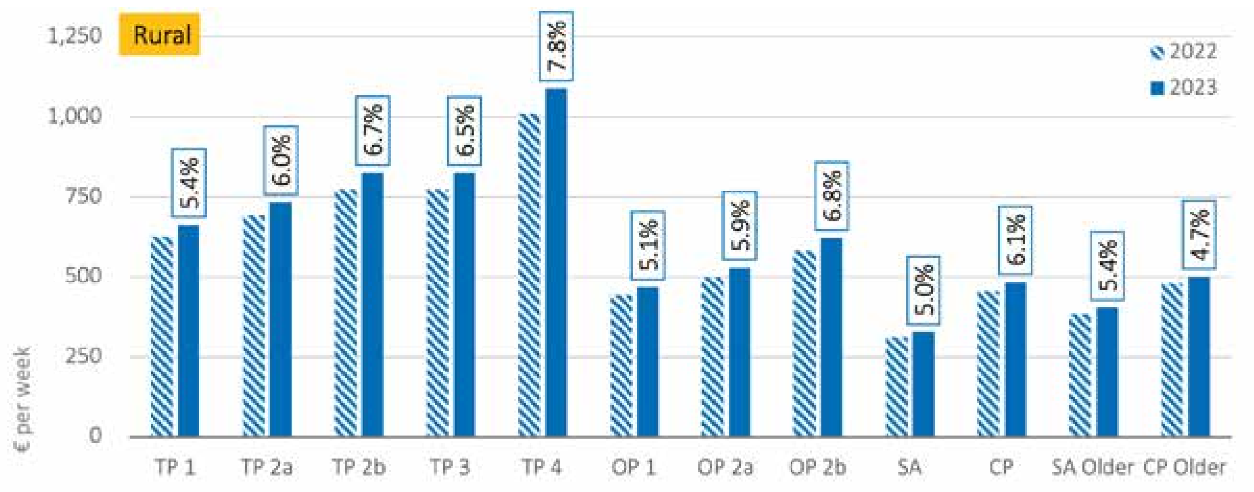


Figure 2 Household composition legend

ABBREVIATION	HOUSEHOLD COMPOSITION	
TP 1	Two Parents with One Child	an infant (aged under 1)
TP 2a	Two Parents with Two Children	one in pre-school & one in primary school (ages 3 & 6)
TP 2b	Two Parents with Two Children	one in primary school & one in secondary school (ages 10 & 15)
TP 3	Two Parents with Three Children	an infant, one in pre-school & one in pri-mary school (ages under 1, 3 & 6)
TP 4	Two Parents with Four Children	two in primary school & two in secondary school (ages 8, 11, 14 & 17)

ABBREVIATION	HOUSEHOLD COMPOSITION	
OP 1	One Parent with One Child	in primary school (aged 6)
OP 2a	One Parent with Two Children	one in pre-school & one in primary school (ages 3 & 6)
OP 2b	One Parent with Two Children	one in primary school & one in secondary school (ages 10 & 15)
SA	Single Adult, of Working Age	living alone, no dependent children
CP	Couple, or Working Age	co-habiting, no dependent children
SA Older	Older Person	living alone
CP Older	Older Couple	

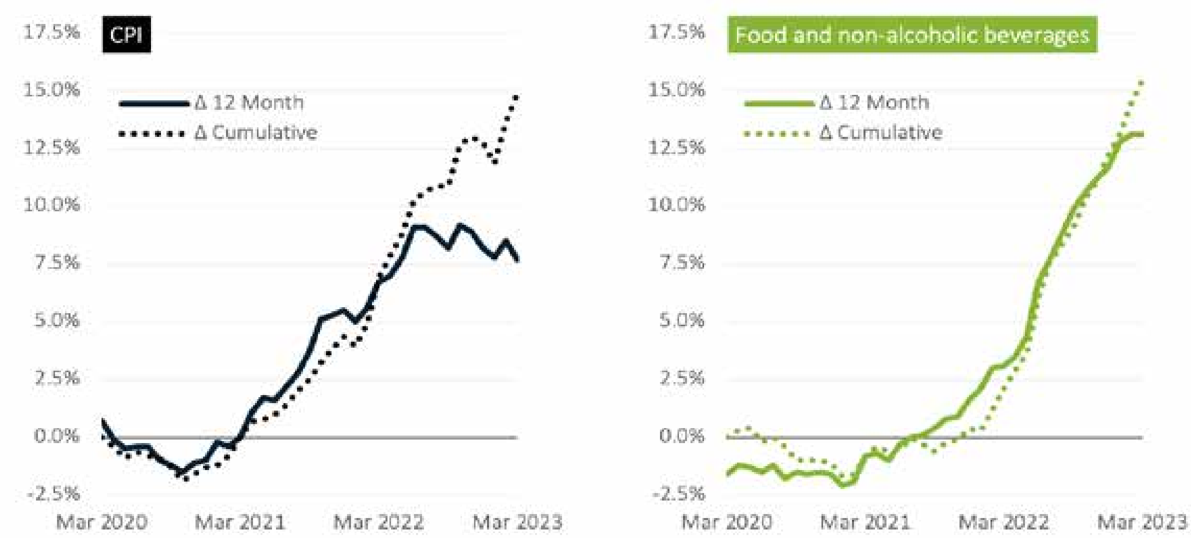
Inflation - CPI

There has been an exceptionally large increase in prices over the recent period. In the 12 months to March 2023 the CPI has measured an average change in prices of 7.7%. To put this into context, in the 10 years from 2010 to 2020 there was a total of 7.9% inflation. This exceeds the price increases of the last 12 months by only 0.2 percentage points.

For the first time in nine years, the 12-month rate of CPI inflation exceeded 2.0% in July 2021*. March 2023 now marks the 21st consecutive month with inflation rates remaining above this level. In fact, the 12-month rate of inflation has stood above 5.0% since October 2021. It has been 15 years since inflation last reached this level†. Over the past year, the 12-month inflation rate reached a high of 9.2% in October 2022. While the March rate of 7.7% represents an 'easing' of the inflationary pressure, it is nevertheless exceptionally high.

The global factors which have driven much of the inflationary pressure are well known. Pandemic related factors drove the initial increases from mid-2021, with the Russian invasion of Ukraine fuelling the high energy inflation from spring 2022. The effect of these pressures has seen price rises 'spill over' into other areas, with food inflation now also being a significant feature. (Dept. of Finance, 2023; ESRI, 2023)

Graph 2 - Inflation, CPI (All Items) and CPI (Food and non-alcoholic beverages),12-Month and Cumulative Chang



** The 12-month rate of inflation last reached this level in August 2012.*

† The 12-month rate of inflation last exceeded 5.0% in April 2007 at 5.1%.

Food

As this inflationary period has continued, the inflation rate in food prices has reached exceptionally high levels. There had been a protracted period of low and negative inflation in food prices, with the 12-month rate near zero or below from September 2013. The inflation rate in food started increasing from mid-2021, first exceeding 1.0% in December 2021, and rapidly accelerating to the current high of 13.1% in March 2023.

Food inflation has not been at levels exceeding 10% since the 1980s*. It also more recently approached these levels in 2007/2008, reaching a high of 9.3% in March 2008. However, on the trend of more recent years, food inflation in excess of 1% is remarkable. The impact of this level of food price increase on the MESL basket is explored in further detail on page 8.

Energy

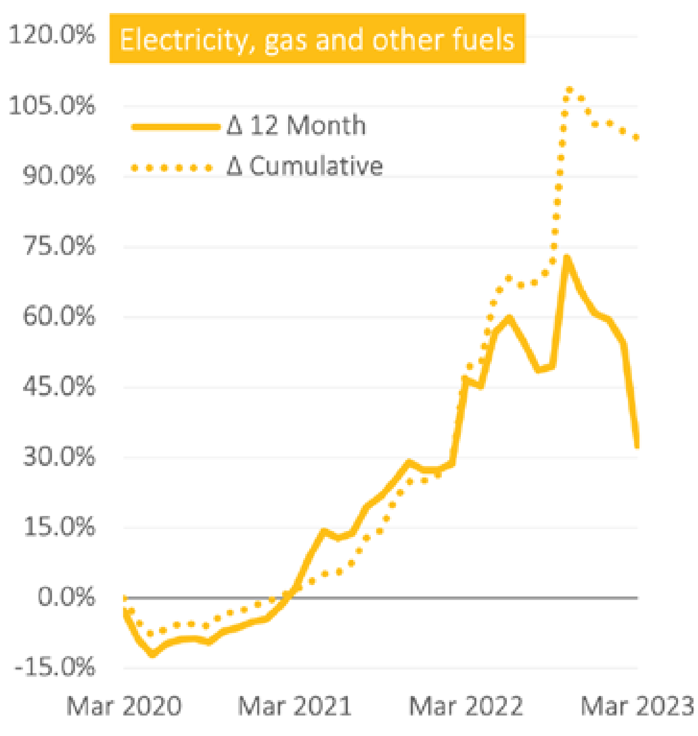
Household energy costs were increasing throughout 2021, with price inflation accelerating through 2022.

The 12-month CPI rate for the average change in the price of all home energy fuels (electricity, gas and other fuels) peaked in October 2022 at 72.8%. The upward inflation rate has eased somewhat since, with prices in March 2023 an average of 32.6% higher than March 2022.

In March 2022, the reference point for the previous MESL update, increasing oil prices were the largest factor in home energy inflation. Home heating oil prices showed an average 12-month increase of 126.6%. A reduction in oil prices, shows the CPI measuring a 29.1% decrease in home heating oil prices in the year to March 2023.

On the other hand, electricity and gas have both shown a significant increase in the last 12-months. While the inflation rate for these categories peaked in October 2022, the 12-month rate in March 2023 shows electricity prices at 62.7% and natural gas at 92.1%. The impact of this ongoing energy inflation on the MESL basket is examined in more detail below, on page 10.

Graph 3 CPI - Electricity, gas and other fuels, 12-Month and Cumulative Change



** The 12-month rate of inflation for 'Food and non-alcoholic beverages' reached 15.7% in May and June 1984.*

Change in the cost of the MESL basket

In previous years, the MESL tended to demonstrate minor fluctuations in cost, with price increases in some budget areas being largely offset by decreases in others. This year follows from 2022 as being exceptional, showing an even greater level of cost increases across most of the MESL budget areas, and these increases significantly outweighing any decreases experienced.

Urban household's MESL budget cost increased in all budget areas apart from Education. Increases range from 1.2% in Personal Costs to 64.1% in Household Energy. Food also saw a significant increase of 21.3% from March 2022 to March 2023.

Rural household's average MESL budget cost also increased in most budget areas, with increases ranging from 1.2% in Personal Costs to 19.6% in Food. It is notable that for rural based households the cost of the MESL home energy basket increased by 6.1%. Transport and Car Insurance each showed decreases of -0.9% and -5.7% respectively.

For both urban and rural based households, there were more modest increases in the cost of Health Insurance (1.6%) and Communications (1.4%). Education is notable with an average decrease of -6.0%, this is primarily due to the introduction of the new Free Primary Schoolbooks Scheme (on page 26).

There has been an average 12.9% increase in the core MESL* basket cost for households in an urban area, in the year to March 2023. For households in a rural area the average increase was 5.7%. This gives a national average of approximately 10.6%. Since 2020, the cumulative change in the cost of core MESL basket is a 17.8% to 21.2% increase, for urban and rural areas respectively. A national average of approximately 18.9%.

These rates of increase exceed the average change in prices, nationally, as measured by the CPI. The CPI indicates a 7.7% increase in the year to March 2023, and a cumulative increase of 14.9% since March 2020.

Inflation and changes in minimum living costs

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.

The CPI measures the average change in prices for all households, however different circumstances and household composition result in differences in how price changes are experienced. Analysis of the CPI (CSO, 2023a) has found that above average rates of inflation have been experienced by households in the lower three income deciles (0.3 to 0.6 percentage points above average in the year to March 2023). Conversely, below average inflation (-0.1 to -0.4 percentage points) was experienced by households in the upper three income deciles. Furthermore, single adult and one parent households, and households headed by an older person all tended to demonstrate above average inflation.

The ESRI's Quarterly Economic Commentary for Spring 2023 also observed that the "recent rise in inflation has disproportionately affected lower-income households" (ESRI, 2023: 45). With rising food and energy prices being noted as having a disproportionate impact on lower-income households.

MESL basket composition

The composition of the MESL basket is different from the average consumption basket used to measure CPI inflation. Basics such as food and household energy making up a larger share of the minimum basket.

** Core MESL basket excludes housing, childcare, and the effect of secondary benefits – these are included as appropriate when examining household income scenarios.*

Food accounts for a significantly greater proportion of the MESL basket (22.9% urban; 20.5% rural) than in the CPI (CSO, 2023c) basket (10.5%). Household energy also comprises a notably greater proportion of the MESL basket (12.0% urban; 9.0% rural) compared to the proportion of the CPI basket (6.3%). Similarly transport in the MESL basket (7.9% urban; 19.6% rural) diverges notably from the CPI basket* (11.9%).

Together, food and energy comprise approximately a third (34.9% urban; 29.5% rural) of the MESL basket, compared to 16.7% of the CPI basket. Consequently, a minimum basket of goods and services is significantly more vulnerable to changes in food and energy costs.

Food

The MESL food budget increased by an average of 21.3% for urban households, and 19.6% for rural households. This represents the second largest increase for urban households (following Household Energy), and the largest increase for rural households.

Food makes up a large share of the MESL basket, on average, 22.9% for households living in an urban area, and 20.5% for households living in a rural area and therefore, any increase in the cost of the food basket has a significant impact on the MESL budget costs of households. In comparison, the CPI's Food and Non-Alcoholic Beverages sub rate made up 10.5% of the total CPI cost for March 2023.

Household compositions with children show the greatest increase in the MESL food budget, at an average increase of approximately 23% from March 2022 to March 2023. Working-age adult households, without children, showed a slightly lower increase of approximately 20%. While older adult households had the lowest rate of increase at approximately 18%.

The MESL food baskets are comprised of an array of items, which vary in type, quantity, and rate of consumption between household types. As such it is challenging to isolate the specific factors which are behind the difference in the proportional change of the cost of the MESL food basket between household types.

Changes in food item prices, 2021 – 2023

The MESL food basket was previously priced in 2021 and adjusted for inflation in 2022. Given the current exceptional level of inflation in food prices the MESL basket has been repriced in March 2023. This provides the opportunity for a deeper examination of the change in food prices over this period.

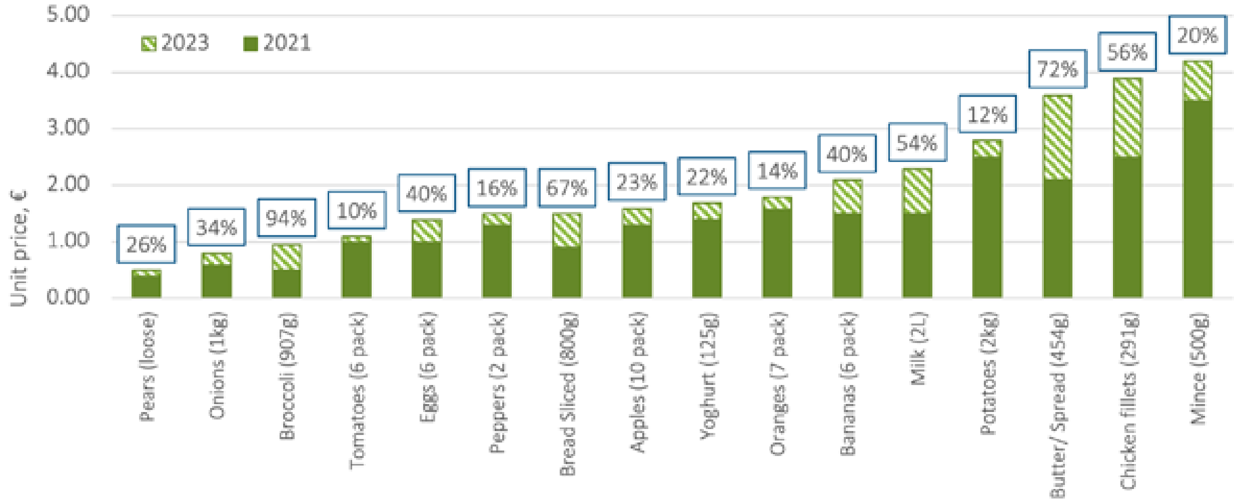
Smaller packs of food items often had a greater percentage increase than those that are larger in quantity. The higher rate of increase would suggest that smaller household compositions (e.g., a single adult household type) are at a risk of a higher rate of food inflation than larger compositions. Examples of this include:

ITEM	SIZE	2021	2023	€ INCREASE	% INCREASE
Chicken fillets	2 pack	€2.49	€3.89	€1.40	56%
	1 kg	€8.29	€10.69	€2.40	29%
Eggs	6 pack	€0.99	€1.39	€0.40	40%
	18 pack	€2.85	€3.75	€0.90	32%
Mince	500 g	€3.49	€4.19	€0.70	20%
	800 g	€5.49	€6.19	€0.70	13%
Potatoes	2 kg	€2.49	€2.79	€0.30	12%
	7.5kg	€6.29	€6.49	€0.20	3%

** The CPI weighting for the Transport COICOP classification is 13.3%, however this includes a 1.4% weighting for airfares. As air transport is not a component of the MESL basket, this is removed for comparison purposes, producing the figure of 11.9%*

In other cases, food items have decreased in quantity, while the cost has increased. For example, the unit price of a pack of ham in the MESL basket has increased by 22%, despite the quantity decreasing by 60g. Similarly, a tin of tuna has increased by 43%, while the quantity has decreased from 160g to 145g in 2023. In cases such as these the quantity included in a household basket was adjusted to ensure an adequate amount was included.

Graph 4 Food unit prices, 2021 & 2023



All household food budgets saw a significant increase in the price of most items, including notable increases in staples. There has been significant inflation in the price of milk (54%), eggs (32 – 40%), butter (72%) and bread (67%).

These items account for a tenth of the single adult, working-age, food basket, but a fifth of a two-parent and two child household. Each of these items have shown significant food price inflation. As a result, the larger household compositions with greater consumption of these staples in their MESL basket, show a higher rate of increase in food costs overall.

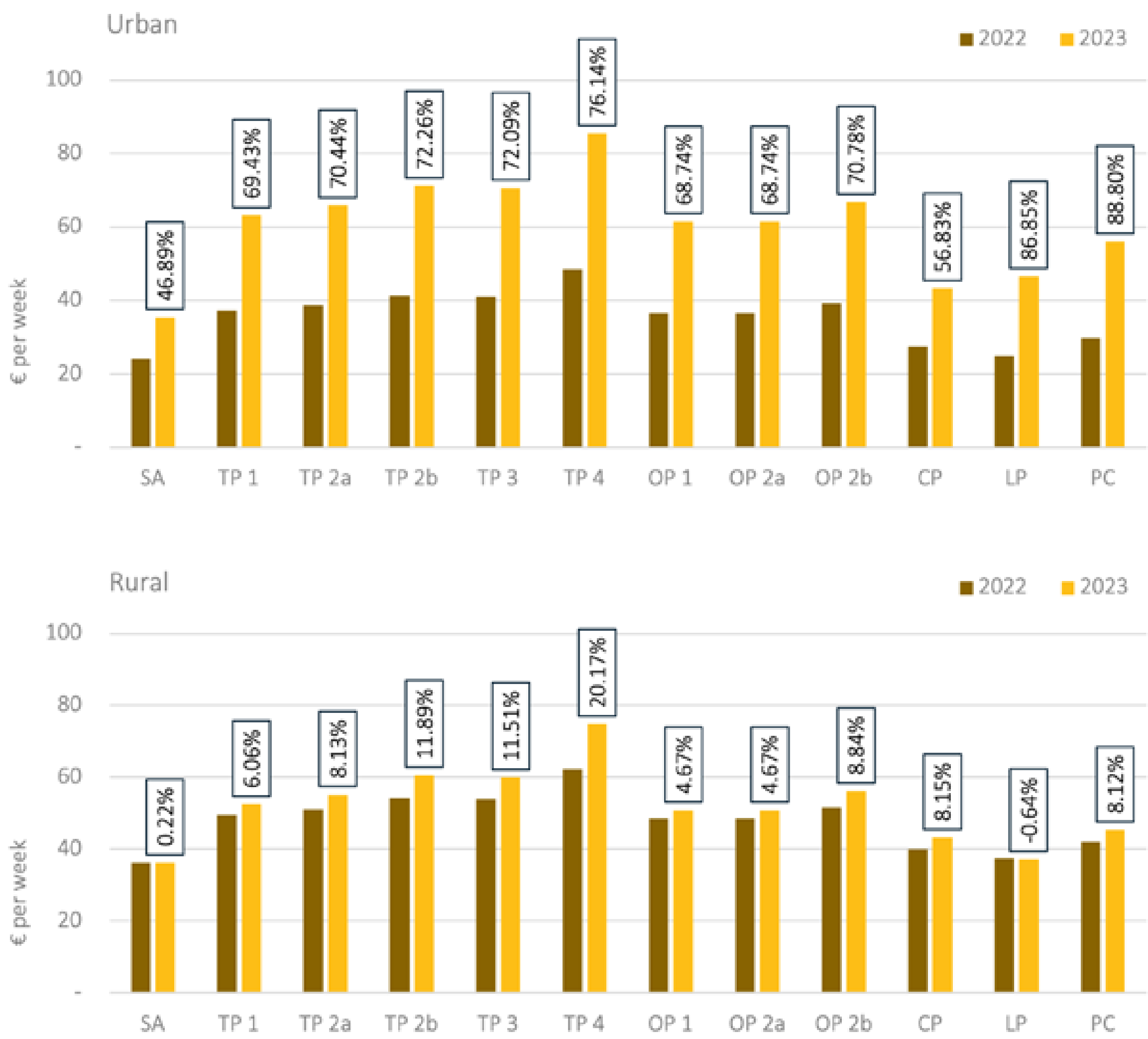
Energy

Household compositions in an urban area saw an average MESL Household Energy increase of over 64.1%, while the average increase in a rural area is 6.1%. Increases in electricity and fuel prices have been ongoing since late 2020 and have been further impacted following Russia's invasion of Ukraine. Cumulatively, from March 2020 to March 2023, the MESL home energy costs increased by 117.1% for urban based households and by 75.8% for rural based households.

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. In the MESL baskets, urban heating costs (based on the use of natural gas) have increased by an average of 92.7%. While heating fuel costs for rural households have decreased by an average of 12.8%.

The MESL research has previously found that heating the home using oil is more expensive than using natural gas. The 2023 MESL findings differs from those years previous, the price of gas has increased substantially while the price of home heating oil has decreased. This has reversed the situation, with the cost of the urban home energy basket now exceeding the rural.

Graph 5 Change in weekly MESL Household Energy, 2022 - 2023



Graph 5 illustrates the notable increase in the Household Energy budget area for MESL household compositions, demonstrating the impact of current rising electricity and fuel prices in Ireland. In 2023, Household Energy is now an average of 12.0% of the total urban MESL urban basket cost, a 3.9 percentage point increase from 2022 (8.1%).

Household types with older people living in an urban area show the greatest level of change in Household Energy costs. For an older person living alone total energy costs have increased by almost 87% from €24.94 in 2022 to €46.60 in the 2023 MESL. Home energy costs have also contributed to a large increase in minimum living costs for households with children. Two parent households in an urban area experienced a considerable increase in weekly Household Energy costs, increasing on average by 72%, ranging from €63.25 to €85.48 per week.

For a working age single adult living in an urban area, the total cost of gas per week has increased from €10.02 in 2022 to €18.74 in 2023, an 87% increase. Additionally, gas has increased by 162% from the year 2020, rising from €7.14 a week, to a weekly cost of €18.74 for the working age single adult household type in 2023. For the same household type in a rural area, the weekly cost of home heating oil is €17.21, a 74.4% increase from 2020 when oil was €9.87 per week.

The MESL research identifies the price of energy per unit, the standing charge, and the PSO levy for each household type. The Household Energy cost is based on a review of available plans, or 'shopping around' for a lower cost option, as multiple providers in the market offer discounted rates, contracts and cash-back for their plans. Accordingly, the re-pricing of the 2023 energy basket involved identifying the most cost-effective option for each household type. The net cost per annum is calculated for each household type based on usage and the other individual elements of plans as outlined above. For households with lower usage, a plan with a lower standing charge and higher unit price may be more cost effective. In comparison, for households with higher usage, a low unit price will be of more benefit, despite a higher standing charge.

In the MESL, urban households have been severely impacted by the increase in household energy prices. The price of gas per unit has increased significantly in all cases, more than doubling in the 12-months from March 2022-March 2023. The standing charge has also increased in all cases, by as much as 63% in several instances. The exact impact of the overall effect of these changes varies by household type, due to differences in minimum energy needs. However, on average, gas home heating costs increased by 92.7% in the 12-month period to March 2023 and a 172.4% increase since March 2020, in the MESL baskets.

The most significant increase in fuel costs for rural households was seen in 2022, when the unit price of home heating oil increased by 66.7% from €0.07 to €0.11. In 2023, the price of home heating oil per unit decreased by 12.8% to €0.10.*

The unit price of electricity has at least doubled for all households in the 2023 MESL basket. Additionally, the standing charge for all urban households has decreased at most by 23%. In comparison, for rural households, the standing charge has decreased by 15% where the unit price was higher and increased by 7% where the unit price was lower. On average, electricity costs increased by 39.2% for urban households, and 28.7% for rural households in 2023.

The second Electricity Cost Benefits Scheme was announced in Budget 2023. Under the scheme, each Irish household automatically received €600 over three instalments of €200. The first credit was issued between November and December 2022, and thus, is not included in the 2023 Household Energy cost calculations. The second payment was made between January and February 2023, and the final payment was made between March and April 2023. The MESL Household Energy cost includes the payments received by households in 2023 in its calculations. The PSO levy has been set to a negative number for 2023. All households are due to receive a credit of €97.12 for the year 2023 by monthly credits issued from March to September. The PSO levy is included as an item in the MESL energy basket.

Future trend

While headline inflation, as measured by CPI, would appear to have peaked and the upward pressure is easing, it is important to distinguish between a reduction in the rate of inflation and a reduction in prices. The CPI 12-month rate peaked at 9.2% in October 2022, while the March 2023 12-month rate is 7.7%, inflation rose by an average of 2.1% from October to March. In other words prices continued to rise, but at a slightly slower rate.

There is commentary that non-energy inflation is 'sticky' and is persisting despite the notable easing of energy price increases (Dept. of Finance, 2023). Furthermore, forecasts are not indicating a reduction in prices or a return to previous living cost levels. Instead, forecasts predict a moderating of inflation, with an easing to an average rate of 4.5 - 4.9% over 2023 and 2.5 – 3.5% in 2024 (Dept. of Finance, 2023; ESRI, 2023). The ESRI also note that: "overall price levels remain historically high, presenting vulnerable households with significant challenges in meeting cost of living pressures" (2023: 42).

The potential impact of these cost of living pressures on the adequacy of income supports is examined in the next section.

** Home heating oil prices are sourced from the SEAI (2023) Domestic Fuels: Comparison of Energy Costs, quarterly survey. The annual MESL update the price published in April each year.*

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.

This section presents the MESL assessment of social welfare income adequacy for 2023. The analysis presents a broad evaluation of 214 test household cases identifying trends of income inadequacy. Subsequently, specific household's cases are discussed in more detail to illustrate particular characteristics which contribute to the household income inadequacy found.

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.

Changes to social welfare supports

Adjustments to core social welfare rates, announced in Budget 2023, came into effect from the start of 2023. These included a €12 increase in core weekly social welfare rates including Jobseekers payments and the One-Parent Family Payment, with proportionate adjustments to the Qualified Adult (€8), and a €2 increase to qualified child rates for both younger and older children. Weekly State Pension rates also increased by €12, with associated increases to the Qualified Adult, aged 66 or over (€10.80).

The second Electricity Cost Emergency Benefits Scheme was announced in Budget 2023 and builds on the electricity credit delivered in quarter two of 2022. Under the scheme, households receive a total of €600 over three instalments of €200. The first instalment was made at the end of 2022, and consequently, is not reflected in the MESL basket. The second and third payment were made in the first half of 2023, as such the value of these supports is included in the 2023 household energy costs.

The provision of free schoolbooks will be rolled out in primary schools from September 2023, with schools receiving €96 per pupil. This is reflected in the primary school age child MESL basket for 2023.

Other permanent measures introduced in Budget 2023 include the extension of the universal provision of a GP Visit Card for children aged 6 and 7 years, and an increase in the income threshold for the GP Visit Card to median incomes. However, at the time or preparing this report detail of the implementation of these measures has yet to be announced. As such, they are not included in the 2023 analysis.

There has also been an increase to the income limit for the Fuel Allowance for people over 70. For those under 70, the Fuel Allowance continues to be limited to those in receipt of a long-term social welfare payment such as the State Pension or the One-Parent Family Payment. However, those in receipt of Jobseeker's Allowance will now qualify if they have been in receipt of social welfare for over 12 months (a reduction from the previous 15 month requirement).*

** Due to the long-term requirement, the Fuel Allowance is not included in the standard Jobseeker social welfare scenarios modelled here. This includes Two Parent scenarios, the Working-Age Single Adult, and the Working-Age Co-habiting Couple household types.*

Budget 2023 'Cost of Living' measures

The Budget also introduced a set of once-off 'Cost of Living' measures that came into effect in quarter 4 of 2022. These include an Autumn Cost of Living Double Payment to social welfare recipients (October), a double payment of Child Benefit to support families with children (November), and a once-off €500 lump sum to those in receipt of the Working Family Payment (November). While the Living Alone Allowance rate of €22 per week is retained in 2023, an additional €200 lump sum was paid to recipients of the payment as part of the 'Cost of Living' measures in November 2022.

The core weekly rate of Fuel Allowance is retained in 2023 (€33). Recipients of the Fuel Allowance received a 'cost of living' once-off lump sum of €400 in November 2022.

The once-off 'Cost of Living' supports paid in 2022 are not included in the 2023 income scenarios.

Spring 2023 'Cost of Living' measures

Additional 'Cost of Living' measures were announced in early 2023.

- Those in receipt of long-term social welfare payments, including the Working Family Payment, the State Pension, and the One-Parent Family Payment received an extra €200 in April 2023.
- An additional once-off Child Benefit payment of €100 for families with children will be paid, per child, in June 2023
- A €100 bonus to families in receipt of the Back to School, Clothing & Footwear Allowance will be paid in July 2023.

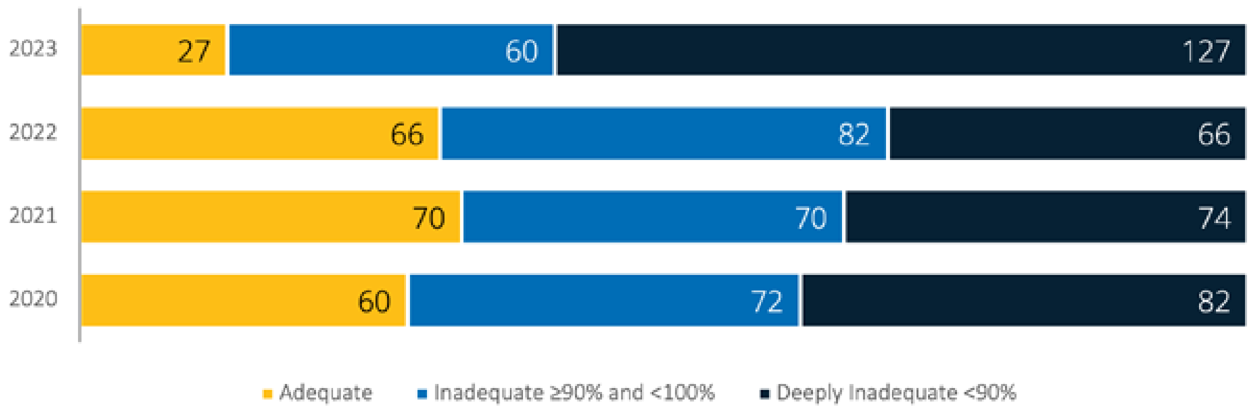
These additional 'Cost of Living' supports are included, as applicable, in the 2023 income calculations.

Social welfare adequacy trend

The MESL analysis examines trends in social welfare adequacy for a set of 214 test household cases[i]. The analysis identifies trends in income inadequacy with a focus on deep income inadequacy (income <90% MESL need). Patterns of income inadequacy are highlighted, identifying household characteristics and needs which are not adequately supported by the structures of the current social welfare system.

In 2023, a minority of cases (13%) demonstrate income adequacy with social welfare supports meeting minimum needs. While in the vast majority of cases (87%) the income supports provided from social welfare are inadequate to meet minimum needs. Of the 187 cases of income inadequacy, 60 (28%) are in a position where social welfare supports provide at least 90% of MESL need but fall short of fully meeting minimum living costs. A further 127 (59%) demonstrate deep income inadequacy, where social welfare supports provide for less than 90% of MESL expenditure needs.

Graph 6 - Benchmarking Social Welfare Adequacy, 214 test cases[ii]



In recent years between 60 and 70 cases demonstrated income adequacy, and there was a steady decline in deep income inadequacy from 82 cases in 2020 to 66 cases in 2022, as illustrated above. This trend has reversed significantly in 2023. The incidence of adequate income cases has fallen by more than half, and most cases are now concentrated in the deep income inadequacy category, with the incidence almost doubling.

There are 39 cases which demonstrated income adequacy in 2022 and now show inadequacy in 2023. Most of these cases (29) were in a position of marginal adequacy in 2022, with social welfare income exceeding the MESL threshold by no more than 5%.

Of the 214 cases examined, all show a dis-improvement with social welfare income representing a lower percentage of MESL expenditure need in 2023 compared to 2022. While 27 cases continue to demonstrate income adequacy, the proportion of income which exceeds minimum needs has contracted. The contraction of adequate and inadequate (≥90% and <100%) and the significant increase of deep income inadequacy, shows the impact of increases in living costs exceeding the adjustments to social welfare supports.

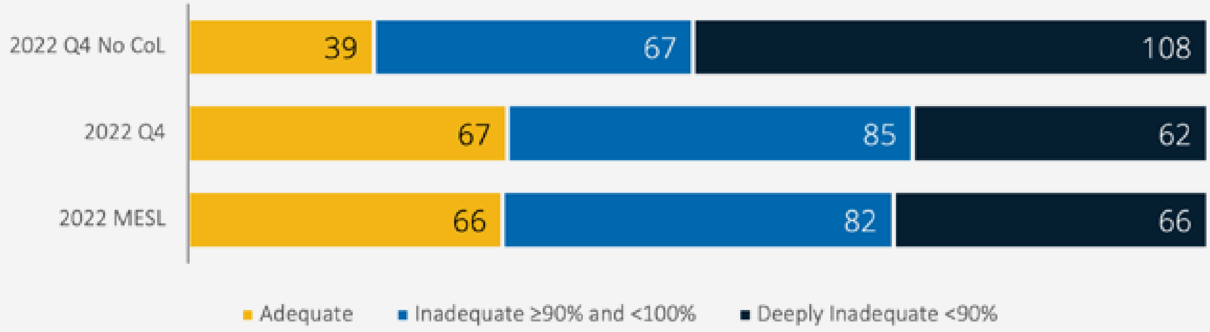
BOX 1 COST OF LIVING MEASURES IN 2022

There have been several tranches of exceptional Cost of Living 'once-off' supplementary payments and supports made over the course of 2022 and 2023. These included a significant package of measures announced in Budget 2023, which were paid to households in the last quarter of 2022 in response to the rapid inflationary pressure which developed over the course of 2022.

The 2022 MESL analysis was compiled and published prior to Budget 2023, and incorporated the standard social welfare rates and supplementary supports that were in place in the first half of 2022. The 2022 MESL report stands as an analysis of the position of minimum living costs and income adequacy at that point in time, and remains part of the annual series of MESL data and analysis.

The MESL analysis of Budget 2023 included an estimate of the social welfare adequacy trends in the fourth quarter of 2022. From the point of the 2022 MESL annual update (March) to when the Budget was announced, the cost of the MESL basket had increased by an average of 5.6%. The effect of the suite of Cost of Living supplementary payments and the two electricity credits paid in 2022 provided over the course of 2022, are examined here against the adjusted MESL costs for 2022 Q4. A counterfactual scenario is also examined (No CoL), based on the standard 2022 social welfare rates only with no Cost of Living payments or electricity credits included.

Graph 7 Effect of 2022 Cost of Living measures



The analysis shows that the package of additional 'once-off' supports supplemented the base social rates in 2022. Consequently, the trend of income adequacy and inadequacy remained relatively stable between the first and last quarter of the year, despite the significant increase in MESL costs over the period in question. There was movement of marginal cases in and out of inadequacy, with a net change of one additional case with adequate income, and four fewer cases demonstrating deep income inadequacy.

One adult headed households and households with older children continued to show the greatest incidence and depth of deep income inadequacy. Income inadequacy is also found in the case of an older person living in an urban area. The non-contributory state pension and secondary supports met 99% of MESL needs.

In the counterfactual scenario, the impact of rising living costs on the real value of the base social welfare rates for 2022 is evident. Without the supplemental Cost of Living supports there would have been a significant contraction of income adequacy, by 27 cases. Deep income inadequacy would also have widened, by 42 cases, to include household compositions with younger children only and a greater incidence in two parent household compositions.

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 overarching trend of previous years found deep income inadequacy was concentrated in households with older children (aged 12 and over) and one adult headed households, i.e., one parent households and single working-age adult households. Deep income inadequacy in family household compositions was primarily limited to households with older children. For example, in 2022 there were 5 cases of household compositions with only younger children demonstrating deep inadequacy, and these were all one parent compositions.

Older children

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 €149 per week, approximately 60% more than the minimum needs of younger children. Social welfare supports meet 60.2% of the MESL costs for an older child, compared to meeting at least 83.1% of

MESL costs of children under 12. *Consequently, deep income inadequacy is found more frequently in household compositions with older children.

Single adult headed households

Deep income inadequacy is found to be associated with single adult headed households, when dependent on social welfare. The MESL analysis finds that one adult headed households have tended to 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 headed by one adult have the highest at-risk-of-poverty, deprivation, and consistent poverty rates.[III]

Analysis of the MESL data finds that the minimum needs† of a couple headed household cost approximately 1½ times that of a one adult headed household. This is not because the second adult consumes less than the first, it is due to the 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 households. This finding has been observed not only in Ireland but also in other countries with developed minimum budget standards research (Hirsch, et al., 2020).

2023 pattern of deep inadequacy

In 2023 the incidence of deep income inadequacy cases has increased significantly. The household types which previously demonstrated deep income inadequacy continue to do so. However, the incidence of deep income inadequacy has now spread to a wider range of household types and compositions.

The majority (80%) of one parent household cases examined now show deep income inadequacy, of the 69 cases examined in this scenario 55 demonstrate deep income inadequacy. Within this there are 21 compositions which do not have an older child.

One parent household cases continue to tend to demonstrate the greatest depth of income adequacy compared to equivalent two parent household cases. However, there is also a deterioration in the depth of income inadequacy found. 24 one parent cases now show income meeting less than 80% of MESL need (compared to 8 cases in 2022), with 3 cases showing income meeting less than 70% of needs.

For two parent household compositions, where social welfare income is based on one Jobseeker and a Qualified Adult, the incidence of deep income inadequacy has doubled compared to 2022. The majority (75%) of cases examined now show deep income inadequacy, of the 69 cases examined in this scenario 52 demonstrate deep income inadequacy.

Furthermore, in 2022 deep income inadequacy for two parent household compositions was only found when there was an older child in the household. Now in 2023, 18 of the deep inadequacy cases are compositions which do not have an older child. Of the 34 deep inadequacy cases which include an older child, 11 show income meeting less than 80% of MESL need (compared to 4 cases in 2022), with 4 cases showing income meeting less than 75% of needs.

For two parent household compositions, where social welfare income is based on two full Jobseeker payments, the incidence of deep income inadequacy is comparatively lower (26%). This is a significant increase compared to 2022. In all 18 deep inadequacy cases found in this scenario, all compositions include an older child. In one of these cases income meets less than 80% of MESL need.

In addition to one parent households, single adult households without dependent children also demon-

** See Cost of a Child on page 25 for further discussion, and Table 1 on page 27.*
† Based on urban MESL expenditure need, adjusted for Medical Card, and housing based on differential rent.

strate income inadequacy. This is the case for a working-age single adult, and now in 2023 older adults living alone also demonstrate income inadequacy.

Effect of 'cost of living' supports

The social welfare 'cost of living' supports payable in 2023 have provided some cushion against rising prices. Without these measures four fewer household cases would show income adequacy. Movement from inadequacy to deep inadequacy would see total deep income inadequacy increase to 134 cases.

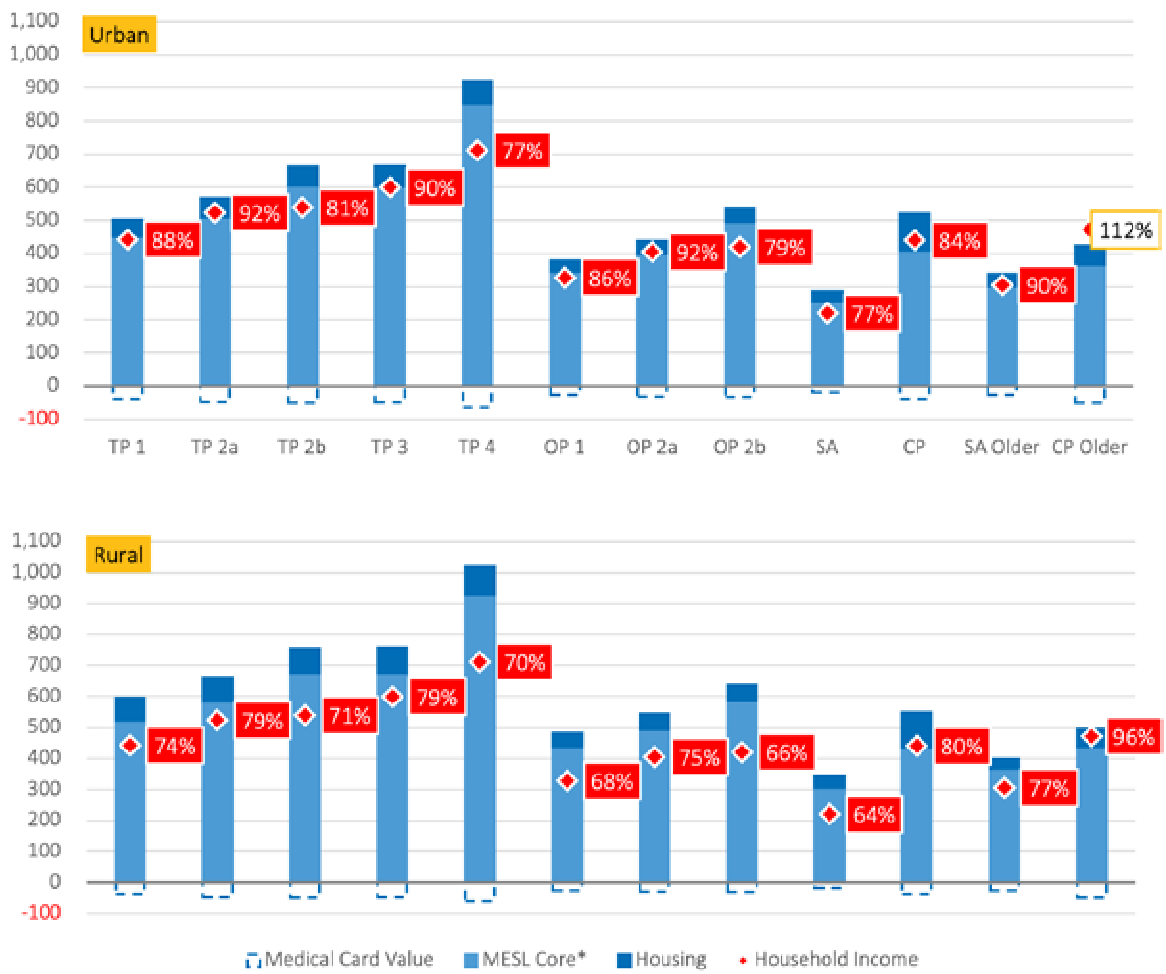
The two Electricity Credits paid in 2023 have reduced the potential living costs. Without this measure five fewer household cases would demonstrate income adequacy, and movement from income inadequacy to deep inadequacy would see the total deep inadequacy increase by seven to 134 cases.

Without either of these set of supports 195 of the test cases examined would demonstrate income inadequacy, with deep income inadequacy found in 141 cases. As such these set of supports have kept eight cases in a position of income adequacy, and prevented 18 cases from being pulled into deep income inadequacy.

Income inadequacy case studies

The position of a set of twelve representative household compositions is illustrated in Graph 7, below, to demonstrate specific instances of the issues outlined above. These compositions are representative of typical household make-ups and illustrate various aspects of the income adequacy and inadequacy found in the analysis.

Graph 8 - Social welfare benchmarked against MESL expenditure need, € per week, 12 representative household compositions



Single adult, working-age

Working age households and individuals without children, 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 76.7% of MESL expenditure need*, when living alone in an urban area. This represents a nominal income shortfall of €63 per week.

When in receipt of a Jobseekers payment for over 12 months, the Single Adult household may be eligible for the Christmas Bonus and the Fuel Allowance. These payments would contribute an additional €22.00† average weekly income, over the year. This would bring household income to 84.4% of MESL need. Long-term social welfare recipients also received an additional €200 once-off 'cost of living' support payment, paid in April 2023. The addition of this payment would see household income meet 85.7% of MESL expenditure needs.

Housing costs

Housing costs in the scenario above are based on the tenant contribution required when in receipt of Rent Supplement. If the household is in a HAP (Housing Assistance Payment) tenancy and required to pay a rent top-up in addition to the differential rent component, the depth of inadequacy would be greater.

The HAP rent limit in Dublin for a single person is €660 per month but may be increased to the couple limit, €900, on a case-by-case basis. The rent limit may also be increased by up to 35% on a case-by-case basis. This gives a maximum possible rent limit of €1,215.

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.

The average rent for a one-bedroom dwelling in Dublin is €1,435 per month‡ taking 90% of this as an indicative housing cost gives a monthly rent of €1,292. This exceeds maximum rent limit by €77 per month.

In the Dublin City Council area, the rent payable by a single person in receipt of the full rate of Jobseekers is €28.20 per week. The combination of top-up and differential rent brings total housing costs, to the household, to €46 per week. Based on these housing costs a full rate of Jobseeker's would provide for 73.2% of MESL expenditure need.

Households with children

The inadequacy of social welfare supports for households with children is demonstrated in each of the eight household compositions included in Graph 7. Depending on household composition social welfare supports met 77% to 90% of the MESL costs for two parent households and 79% to 92% of one parent households.

The example in Graph 8 examines the contribution of social welfare supports towards the minimum costs of the two households with children, comparing the MESL costs associated with the adult(s) and children to the related level of social welfare support. The inadequacy of social welfare supports at each level is illustrated, by the shaded area.

** Based on urban MESL costs (adjusted to reflect secondary benefits) and net housing costs when in receipt of Rent Supplement.*
† The Christmas Bonus is 100% of primary social welfare, this equates to an average weekly value of €4.23 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.
‡ 2022 Q3 average rent for a one-bedroom dwelling in Dublin (RTB, 2023)

Graph 9 MESL expenditure need and Social Welfare income, per week

Two Parent & One Parent household with two children (primary school & second-level age)

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 81.3% and 78.6% of household MESL need, respectively. Graph 8 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[IV] 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 25). 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 87.2% of the minimum needs. In the one parent household, One-Parent Family Payment / Jobseeker's Transitional, Fuel Allowance, and Christmas Bonus, and the April 'cost of living' payment meet 84.3% 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. The inadequacy of adult rates is compounded by the inadequacy of the child rates, and the further inadequacy of supports for one adult headed households and older children results in a deeper level of inadequacy for the one parent household composition.

If the two parent household were a long-term social welfare recipient, and thereby in receipt of Fuel Allowance, the Christmas Bonus and the April 'cost of living' payment, this would increase net household income. These additional supports would bring household income to a point where average weekly social welfare supports meet 85.9% of MESL need.

Older single adult, living alone

The older single adult household type has demonstrated greater vulnerability to income inadequacy. In 2017, an older person living alone in an urban area moved to income adequacy when reliant on the Non-Contributory State Pension and living in social housing.

In 2022, the Non-Contributory State Pension and secondary supports (Living Alone, Telephone Support and Fuel Allowances) provided an income that was marginally (0.6%) above the MESL expenditure need, when in urban social housing. In the case of a Contributory State Pension net household income was 4.0% above MESL need.

The nominal rates of the State Pension increased by €12.00 per week in 2023. There were no adjustments to the standard rate of payment for the Living Alone, Telephone Support or Fuel Allowances*, nor the Household Benefits Package energy allowance in 2023. However, in the first half of 2023 long-term social welfare recipients received an additional €200 once-off 'cost of living' support payment, this equates to an average of €3.85 over the course of 2023.

The cost of a MESL for an older single adult living alone has increased significantly from 2022. Income supports have not kept pace with this rate of change, consequently this household type now demonstrates income inadequacy in 2023. Net household income when in receipt of the Non-Contributory State Pension meets 90.4% of MESL needs, in the case of the Contributory State Pension net income meets 93.4% of MESL needs.

Deep income inadequacy continues for the older single adult 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 76.8% of MESL costs for a rural older person living alone. In the case of the Contributory State Pension net household income meets 79.4% 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 older adult households, in the MESL expenditure budgets. Meeting the transport needs of rural older adult households requires a car. Consequently, car related costs (fuel, maintenance, insurance, etc.) add an additional €83 per week to the MESL budget for older people 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 previously found that heating the home using oil was more expensive than using natural gas[V]. This differential has been inverted as within the MESL baskets the price of home heating with natural gas has increased by 92.7% while home heating with oil has decreased by 12.8%. The total home energy costs have increased by an average of 67.8% for urban households and 6.2% 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.

** The 'cost of living' measures introduced in latter part of 2022 included a once-off of €200 for Living Alone Allowance recipients and €400 for Fuel Allowance recipients.*

Energy poverty

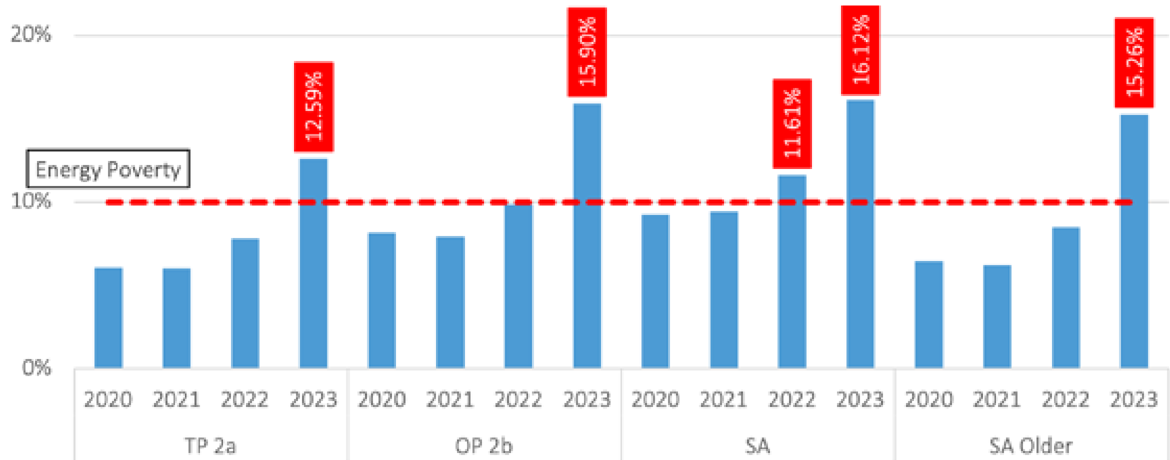
Household Energy was the MESL category with the largest increase in cost in 2023. In the MESL basket, home energy costs for urban households (assuming the use of natural gas and electricity) increased by an average of 67.8%%. Rural home energy costs (assuming the use of home heating oil and electricity) increased by an average of 6.2%. This rate of increase is net of the electricity credits, two instalments of €200, provided to all households in the first half of 2023.*

The Government's recent Energy Poverty Action Plan defines energy poverty as:

> ***"… an inability to heat or power a home adequately"***
>
> (Department of the Environment Climate and Communications, 2022:6).

The Action Plan identifies home energy needs costing more than 10% of a household's disposable income as a standard measurement of energy poverty in Ireland. Graph 9 presents MESL Household Energy as a percentage of social welfare income for four urban household types from 2020-2023.

Graph 10 - MESL Household Energy costs as a percentage of social welfare income, 2020 - 2023



In 2022, a higher proportion of household income was required to meet home energy costs compared to 2021, demonstrating the substantial increase in electricity and fuel prices. Almost 12% of the working age single adult's household income was required for home energy costs, while 9.9% of the one parent household with two children (ages 10 & 15) income was needed to meet minimum energy needs. 2022 SILC deprivation data found that one parent household compositions are most likely to have gone without heating at some stage in the last year (23.8%), while 18.3% of the same household type are unable to afford to keep the home adequately warm (CSO, 2023b).

The older single adult living alone household type shows the greatest level of change in terms of the proportion of income required for MESL Household Energy from 2020 to 2023, with 6% of household income needed to cover home energy costs in 2020, compared to 15.3% in 2023. This is followed by the one parent household with two children (ages 10 & 15), with the proportion of income allocated to Household Energy increasing by almost eight percentage points, from 8% in 2020 to 15.9% in 2023.

The analysis finds that in 2023, the four households in social welfare scenarios examined here, will have been pushed into energy poverty, needing to spend more than 10% of the household's net income to

** See discussion on the change in the price of Energy in the MESL basket on page 10* meet minimum energy needs. The sharp increase in energy prices is evident by the stark difference in proportion of household income spent on home energy costs in 2020 compared to 2023.

Income supports have failed to progress at the same rate as soaring energy costs, broadening the gap between MESL Household Energy needs and related social welfare supports.

The Fuel Allowance is included in the household income of the One Parent and Older Single Adult household types, examined above. The Older Single Adult's energy costs are also reduced by the Household Benefits Package. In 2023, these energy related supports meet less than half (47.3%) of the older single adult household type's Household Energy costs, a 37.8 percentage point decrease from 2020. For the One Parent household type, Fuel Allowance meets 26.6% of the Household Energy costs, a 18.5 percentage point decrease from 2020.

Because multiple energy providers offer discounted rates in the market, the cost of the MESL energy basket is based on 'shopping around' for the most cost-effective option. The energy market offers contracts, with discounts for bundling (getting electricity and gas from the same provider) paying by direct debit and online billing. Therefore, the costs in the Household Energy basket are based on a contract and paying by direct debit.

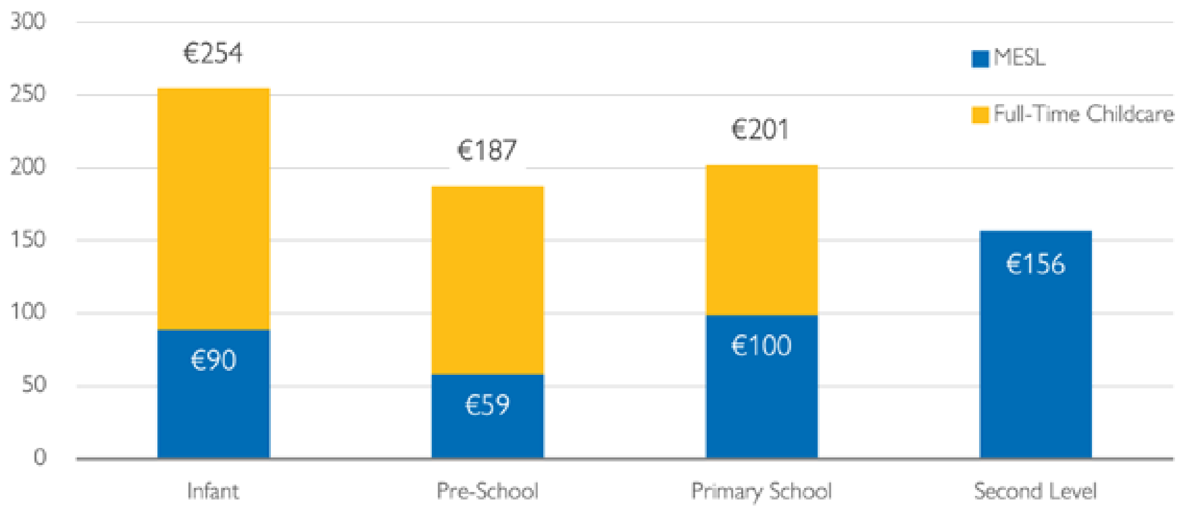
Despite the cost of energy being considerably lower when availing of discounts for bundling and paying by direct debit, these deals are often not an accessible or realistic option for low income households. These households frequently opt for pay-as-you-go as it can offer some control over budgeting. However, pay-as-you-go is often more expensive due to higher unit pricing, a higher standing charge, and an additional service charge. For pay-as-you-go plans, urban households could be paying on average 20% more for their household energy, and 25% more for rural households (electricity only). *This demonstrates the presence of the poverty premium in the energy market.

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-groups, are included in the parental head of household MESL baskets.

Graph 11 - Direct Cost of a Child's MESL by child age group, € per week *(Excludes the effect of secondary benefits)*



** The MESL assumes the use of home heating oil for households living in a rural area.*

The cost of a child's core MESL expenditure (excluding the effect of secondary benefits) ranges from €59 at pre-school age to €156 for children of second level school age.

The MESL analysis has consistently identified older children as having additional and different needs distinct from younger children. The core MESL cost is highest for older children, aged 12 and over, at €156 per week. In 2023, this is at least 56.6% more than the minimum needs of younger children. The cost of a child's core MESL needs, before childcare, are lowest for pre-school age children with an average expenditure need of €59 per week.

When eligible for a full Medical Card, the core MESL cost is lower. This reduction has the most significant impact on the MESL costs for the child of second level school age, reducing the MESL expenditure need by €7 to €149 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 infants and pre-school aged children, while social inclusion costs are the second largest area for school age children.

Education

For primary school age children education costs are the fourth 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. The introduction of the Government's Free Primary Schoolbooks Scheme helped to reduce the 2023 MESL Education cost for household compositions with primary school-aged children. Under the new scheme, primary schools will receive €96 per pupil, eliminating the cost from parents of funding schoolbooks. Parents will no longer need to make any contribution towards the cost of schoolbooks, workbooks, copybooks, and where funding permits, some related classroom resources*

As the scheme is scheduled to be implemented in advance of September 2023, its effect is reflected in the 2023 MESL Education cost for the primary school age child. The book grant must, at a minimum, cover costs for schoolbooks, copybooks and workbooks, however it may not be sufficient to cover related classroom resources. Therefore, the cost of schoolbooks, workbooks and copybooks were removed from the primary school aged child's MESL Education budget. Without the scheme, these items would have amounted to almost 30% of the total education budget for urban and rural households. The scheme reduces the primary school aged child's MESL Education budget by €170.83 annually, or €3.29 a week.

For secondary school age children education costs are the third largest area of expenditure. The cost of equivalent items for the secondary level age child covers up to an estimated 18% of overall Education costs for urban households, and up to 20% for rural households. If the Free Schoolbooks Scheme were to be expanded to secondary schools, household compositions with teenagers would see the removal of equivalent items at an estimated cost of €174.49 annually or €3.36 per week. This does not include the cost of exam papers, which total at €26.33 per annum.

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.

Childcare

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

** Related classroom resources may include items such as pens, pencils, erasers, sharpeners, colouring pencils, and whiteboard markers. For children in senior classes, this may include dictionaries, calculators, and mathematic sets. It is expected that related classroom resources will vary from school to school, as the scheme does not provide a prescriptive list of all items to be included by schools.*

When full-time childcare is required, 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 three times the core MESL for a pre-school age child and over two and a half times the core MESL for an infant.

An increase to the upper age eligibility for the NCS Universal Award from 3 years to 15 years of age was introduced in the third quarter of 2022. Additionally, the increase to the minimum rate for the NCS from €0.50 to €1.40, announced as part of Budget 2023, came into effect from the start of January 2023. These changes are reflected in the net MESL costs for childcare.

While the core MESL is highest for an older child, the MESL costs are highest for an infant when full-time childcare is required, with a weekly expenditure need of €254. The net average weekly childcare costs for this age category totals at €164 after the reduction from the universal element of the NCS.

The net annual cost of urban full-time childcare for an infant is €8,534 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, while the NCS universal subsidy reduces childcare costs for the hours spent outside of pre-school. Therefore, the net annual cost of urban full-time care for a pre-school age child is €6,647. Full-time childcare accounts for approximately two thirds 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 means tested 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 shows how effective services can reduce minimum living costs. This support contributes to the (relatively) low 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 extension of the universal provision of a GP Visit Card for children aged 6 and 7 years was announced as part of Budget 2023. The progressive extension of free GP care to children in all age groups would contribute to lower MESL costs across all age groups.

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 1.

Table 2 - MESL by child age-group and child related social welfare adequacy

	INFANT	PRE-SCHOOL	PRIMARY SCHOOL	SECOND LEVEL
MESL (core adjusted*)	89.38	53.83	94.28	149.05
Child Benefit	34.23	34.23	34.23	34.23
Qualified Child Increase	42.00	42.00	42.00	50.00
Back to School Allowance	...	...	5.00	7.40
Total Social Welfare	76.23	76.23	81.23	91.63
% of MESL met be SW	85.3%	141.6%	86.2%	61.5%

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

The second level child, aged 12 and over, demonstrates 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 had contributed to a progressive improvement in the level of MESL needs met.

Adjustments to the QCI in 2023, a €2 increase for both younger and older children, saw a smaller increase in rates for older children compared to those years previous (2019-2022). Despite the gradual progress towards adequacy of income supports for an older child, 2023 saw a 3.2 percentage point drop to 61.5% in the share of MESL needs met. This represents a nominal income shortfall of €57 per week.

The QCI has increased by €2 year-on-year from 2019-2023 for younger children (aged 12 and under). The share of minimum needs met by social welfare supports decreased across these child-age groups by an average of 5.0 percentage points. In 2023, income supports meet 86% of the MESL needs of a primary school aged child, this represents a nominal income shortfall of €13 per week.

MESL costs are lowest at pre-school age, and social welfare supports provide almost 1 ½ 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 the 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 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 adequacy can only be fully addressed when the minimum needs of the whole household are met.

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.

Additional 2023 once-off 'Cost of Living' measures are included as appropriate. These measures include the €100 additional Child Benefit per child, the €200 payment for recipients of long-term social welfare supports (e.g. Working Family Payment or One-Parent Family Payment or Jobseekers Transitional), and a €100 increase to the standard rates of Back to School, Clothing & Footwear Allowance.

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[VI] (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 support from the National Childcare Scheme and adjust childcare costs as applicable (for children up to primary school age[VIII]).

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, 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, 13 cases demonstrate income adequacy (eight show inadequacy, up from four in 2022). 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 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, 11 (up from nine in 2022) 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. With the adjustments to HAP (Housing Assistance Payment) from the second half of 2022, the national minimum wage would now provide the basis of an adequate income for a working-age single adult in a HAP tenancy.

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 in-

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

come 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 2023 the National Minimum Wage (NMW) was increased by €0.80 to €11.30 per hour, an adjustment of 7.6%. This below both the rate of inflation in the last year and the rate of increase in the cost of a MESL.

Nevertheless, this change has increased the gross weekly salary of a full-time (37.5 hours) minimum wage employee by €30.00 per week. The additional PAYE, PRSI and USC liable on this salary reduces the net gain to €20.09 (5.5%). The new Rent Tax Credit, €500, will reduce the PAYE payable on a full-time minimum wage salary for an employee in the private rented sector and not in receipt of any housing support e.g., HAP. Where eligible to claim this credit, net income for a full-time NMW employee increased by €29.70 per week (8.1%).

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 33%, for a full-time worker not eligible for the Rent Tax Credit.

The cost of a MESL basket for an urban single adult in full-time minimum wage employment increased by 7.8% in the year to March 2023. Within this rise in minimum expenditure need 2.7 percentage points are due to rising rents. Home energy costs increased by 46.9% and food costs increased by 21.8%, combined these contributed over half of the increase in MESL costs (€22 per week, or 4.2 percentage points of the 7.8% increase).

In 2023 the increase in MESL costs has resulted in the inadequacy of a full-time minimum wage salary deepening, with an income shortfall of €162 per week. The NMW will provide for only 70.9% 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.

New HAP rent limits, for single adult households, and flexibility in the rent limit came into effect from July 2022. These adjustments have made a significant difference to the potential housing costs in this scenario.

In a scenario where this household is in a HAP tenancy, in Dublin City, when in full-time NMW employment the differential rent is €53.00 per week. With the rent limit of €900 per month, a top-up of €90.42 per week would also be required. If the rent limit was increased by the permitted 35%, the top-up would reduce by €17.72 per week. The support with housing costs from HAP has the potential to reduce the degree of income inadequacy, from NMW meeting 70.9% of MESL need when paying a market rent to NMW meeting between 92.1% and 111.5% of MESL need depending on the degree to which the rent limit is extended.

Under the new maximum HAP rent limit full-time NMW employment would provide the basis of an adequate income for working-age single adult in Dublin.

When living in private rented housing, without support for housing costs, a single adult would need a gross weekly salary of €675.00, to the meet the cost of a MESL in 2023. This Minimum Income Standard (MIS) is 59% higher than the gross salary from minimum wage employment. It equates to 60 hours of minimum wage employment per week.

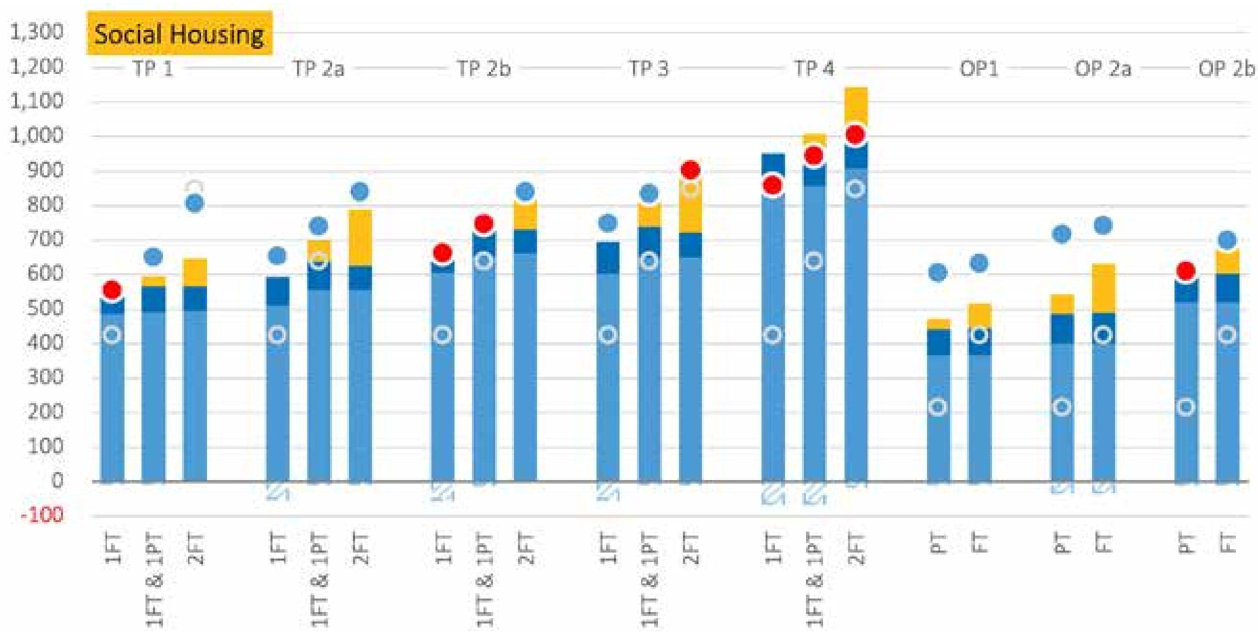
Households with children

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.

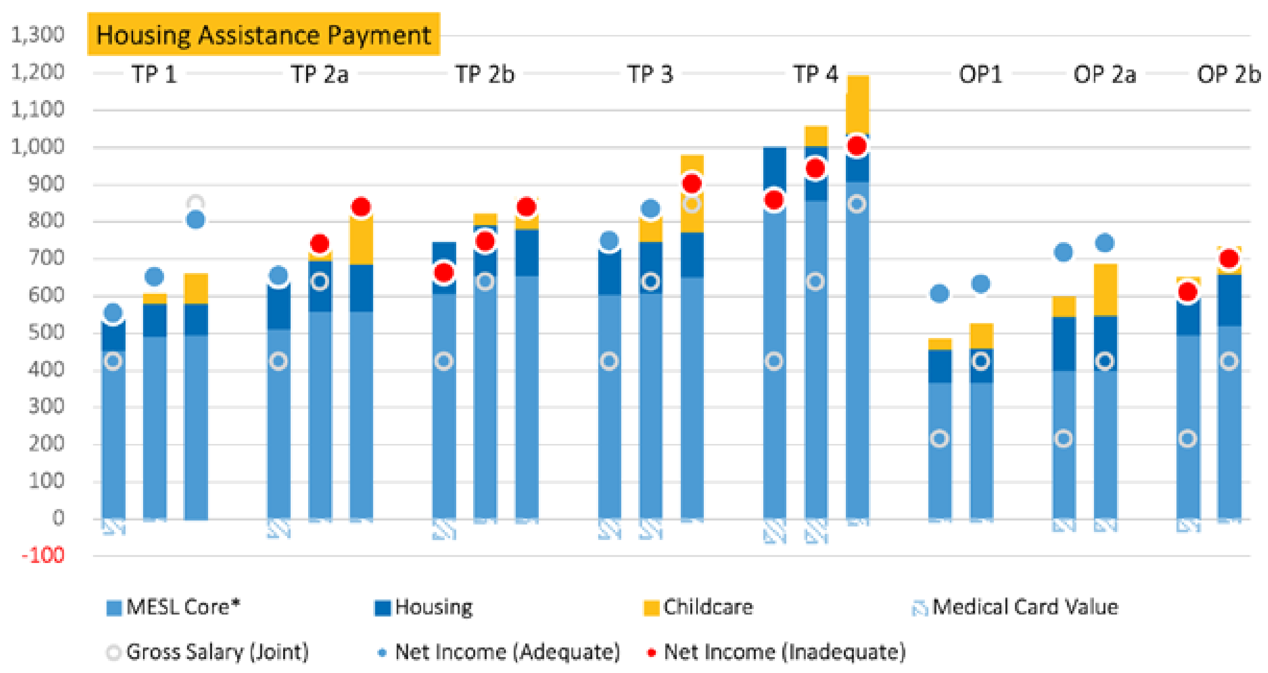
This section examines the degree to which the current suite of supports available to households with children enable income adequacy when earning the minimum wage. This includes direct income supports such as Working Family Payment (WFP) and One-Parent Family Payment (OFP), and supports which reduce 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 discussion in the following pages examine employed income scenarios for eight household compositions with children when earning the National Minimum Wage (NMW), as illustrated in Graph 11.

Graph 12 - National Minimum Wage adequacy benchmark, household types with children*, Social Housing and Housing Assistance Payment scenarios



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

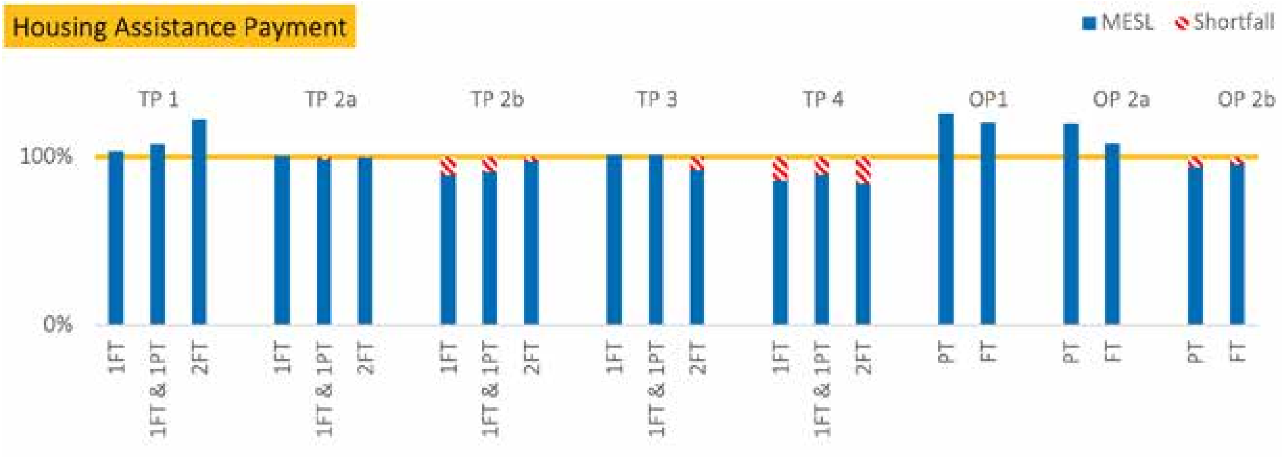


The eight household compositions with children are examined in a variety of full and part-time single and dual income scenarios[VIII]. In total 21 cases are assessed, based on the households having access to social housing paying a differential rent. Of these, eight cases demonstrate income inadequacy. The same 21 cases are also assessed with housing costs based on HAP, here eleven 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, increased housing costs, or reduced support from the National Childcare Scheme, resulting in increased MESL costs.

Graph 13 - Net household income as percentage of MESL expenditure need by household type, employment scenario and housing tenure



Two Parents, One Child, Infant - TP 1

This household composition shows income inadequacy in a single income scenario, with one adult in full-time NMW employment, when living in social housing but not when in a HAP tenancy.

This is due to the interaction of two means-tested supports. The means test for assistance with health costs, testing eligibility for a Medical Card or GP visit card, takes account of housing, childcare and travel to work costs. When in social housing the household has a lower rent (€66.80 per week) than when in a HAP tenancy (€79.08 per week). When in social housing the household's weekly assessable income is €3 above the threshold for a full Medical Card, but in a HAP tenancy the higher rent brings the household within the eligibility threshold.

The total MESL costs for this household, in a single income scenario, are slightly higher in a social housing scenario than in a HAP scenario. Consequently, the same net income from employment and rate of support from Working Family Payment (WFP) is inadequate in the social housing case, but adequate in the HAP case.

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 111% 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 107% of MESL needs. In a scenario with both adults in full-time NMW employment net income also provides for 107% of MESL needs.

Comparing the single income scenario to dual income scenario (based one full-time and one part-time), shows a high Marginal Effective Tax Rate (METR). This shows that of the gross salary gain from the second adult engaging in part-time NMW employment, 84.7% 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 (due to paying both an income related differential rent and rent top-up). In this case while a single income scenario shows a marginally adequate income, the dual income scenarios each demonstrate income inadequacy meeting 98.5% - 99.7% of MESL costs. This is due to increased earnings from employment, being insufficient to match higher costs (housing, health and childcare) and the reduced income supports (Working Family Payment).

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. Last year NMW employment provided the basis for an adequate income in the working pattern scenarios examined, when in social housing. However, this year the increase in MESL costs has exceeded the increase in household income, and now only a dual full-time employment scenario shows income adequacy.

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 89% 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 97% of MESL need.

In a HAP scenario with both adults in full-time employment, the household's MIS gross salary requirement would be €442.50 per week, per adult (equivalent to a rate €0.50 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 €671 per week, per adult (equivalent to €6.60 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 an inadequate income when in social housing (meeting 97% of MESL need) and when in a HAP tenancy (meeting 92% 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 €235 per week. Tapering of WFP sees this support reduce to €106 if the second adult is engaged in part-time NMW employment and €20 when in full-time NMW employment. Furthermore, in the dual employment scenarios the household would not be eligible for a means tested Medical Card, qualifying for a GP visit card only.

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 84.9%. Comparing the two dual income scenarios shows a METR of 58.8% 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. 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 supports meet 76% of gross childcare costs, in the dual full-time scenario this reduces to 65%.

With both adults in full-time employment, the household's MIS gross salary requirement would be €483.75 per week, per adult (equivalent to a rate €1.60 per hour above the NMW), in a social housing scenario.

When in a HAP tenancy, this would increase to €555.00 per week, per adult (equivalent to a rate €3.50 above the hourly NMW).

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.

The Medical Card reduces the potential health related MESL costs, for this household type, by an average of €64 per week. In a dual income scenario, with one adult in full-time NMW employment and the other in part-time NMW employment, the household would be eligible for a Medical Card. This is based on a social housing scenario and 19 hours of part-time employment, if the part-time worker is employed for 20 hours per week, the household would not be eligible for a Medical Card.

In a dual full-time NMW employment scenario the household is not be eligible for a means-tested Medical Card, qualifying for a GP visit card which reduces potential costs by an average of €13 per week.

With both adults earning the NMW full-time the household would be eligible for several means-tested supports. The Working Family Payment would provide €68 per week in direct income support. The household would also receive the Back to School Clothing & Footwear Allowance, and additional 'Cost of Living' supports for 2023. These would add a further package of means-tested income supports, averaging €28.65 per week. Lastly, the household would qualify for a contribution from the National Childcare Scheme (NCS), reducing potential childcare costs by an average of €110 per week.

As earnings increase the WFP is tapered, and the eligibility for other income supports may be lost. The NCS subvention is also tapered, resulting in rising childcare costs to the household. Housing costs will also increase due to the differential rent calculation. Eligibility for a means tested GP visit card is also 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 €622 per adult when in social housing, rising to €667 when in a HAP tenancy.

Key points in the income progression for this household are 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. However, 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:

€460	Household is ineligible for Back to School Clothing and Footwear Allowance, WFP is tapered to €37 per week. Income inadequacy at this earnings level is €190 short of minimum needs (compared to €185 shortfall when earning the NMW).
€505	The household would not be eligible for the Working Family Payment. Income inadequacy at this earnings level is €171 short of MESL needs.

€615	The household would not be eligible for a GP visit card, adding €13 to average weekly MESL costs.
€622	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 €48 per week.
€667	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 continue to qualify for support for childcare fees with a subvention averaging €68 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 or a HAP tenancy. 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 86.8% 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 or in a HAP tenancy.

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, e.g. there would be a significant income shortfall of almost €100 per week when in social housing. However, it is notable that when in the part-time scenario childcare supports meet 70% of gross childcare costs, this reduces to 61% in the full-time employment scenario.

One-Parent Family Payment 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.

The income trough is now evident at the point where means tested eligibility for OFP is lost. The loss of OFP, including Qualified Child Increase (QCI), 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 €44 per week. Consequently, gross salaries from €641 to €710 per week result in a lower net income than a full-time NMW salary.

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

The one parent household compositions examined above are eligible for One-Parent Family Payment (OFP), subject to a means test, as the youngest child in the household is under seven. In this composition the youngest child is over seven but under 14, and therefore the household is ineligible for OFP but may qualify for the Jobseeker Transitional (JST) payment. Both of these supports are subject to a means test, and the household may receive a partial payment in addition to income from employment. However, while the Working Family Payment (WFP) can be paid in conjunction with OFP, this is not the case with JST.

In a part-time NMW scenario, this household composition would qualify for JST (and secondary supports), receiving an average of €330 per week in means-tested income supports. This, in conjunction with salary from employment and Child Benefit, provides a net household income which meets 99% of MESL need in a social housing scenario (94% of MESL costs are met in a HAP scenario).

Compared to the previous household composition with two younger children (OP 2a), which is eligible for OFP and WFP, the net household income in this case is €100 less per week for the same employment scenario. Consequently, the household with younger children demonstrates income adequacy while this composition shows an inadequate income when in part-time NMW employment.

In the full-time NMW employment scenario examined, the household would be eligible for income support through the Jobseeker's Transitional (JST) payment (and secondary benefits including Fuel Allowance and Christmas Bonus) providing an average of €233 per week in means-tested targeted income supports, in addition to Child Benefit. The NCS also provides a means-tested subvention of €64 per week to reduce childcare costs. These supports, in conjunction with full-time NMW earnings, amount to an adequate income in a social housing scenario but are inadequate in a HAP tenancy where income meets 96% of MESL need.

Conclusion

This report provides an update of the MESL baskets to reflect prices in 2023, 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 direct pricing of food, energy and childcare, and item level inflation adjustments to estimate the MESL costs of other basket categories.

The 2023 MESL comes at a period of severe increases in living costs. In times of normal levels of price fluctuations increases in some areas of expenditure have tended to be offset by decreases in other areas, with relatively modest changes in the overall cost of a MESL from year to year. The overall inflationary pressure during the 12 months to March 2023 has been relentless, with increases in minimum livings costs in almost all areas of expenditure.

The core MESL* basket cost has increased by an average of 10.6% nationally (12.9% for urban households and 5.7% for rural households) in the year to March 2023. There has been significant pressure on minimum living costs from mid-2021 to date. This has led to cumulative increases in the core MESL costs of 18.9% nationally (17.8% for urban based households and 21.2% for rural based households) over the three years from March 2020 to March 2023.

The overall level of change has been primarily driven by the rising cost of home energy (over the last two years) and food in the year to March 2023. The analysis finds that cost of the MESL food basket has increased by an average of 20.8%, in the year to March 2023. The MESL basket is more exposed to increases in staples such as milk, butter and bread which have each increased significantly in price.

In the MESL household energy basket, rising gas and electricity prices have pushed urban home energy costs up by an average of 67.8%. While a reduction in home heating oil prices combined with rising electricity prices have seen rural energy costs rise by 6.2% in the year to March 2023. Cumulatively, from March 2020 to March 2023, the MESL home energy costs increased by 117.1% for urban based households and by 75.8% for rural based households. Previously, the MESL analysis has found that rural home energy costs (based on the use of home heating oil) were higher than urban home energy costs (based on the use of natural gas), this position has now reversed.

The report also identifies the rising risk of energy poverty. This is due to the base rate of income supports generally, and particularly energy related supports (Fuel Allowance and Household Benefits Package), not being maintained relative to rising energy and minimum living costs.

The findings show that the majority of MESL basket categories have increased in costs. For rural based households Transport and Car Insurance each showed decreases of -0.9% and -5.7% respectively. Education is notable with an average decrease of -6.0%, this was primarily due to the introduction of the new Free Primary Schoolbooks Scheme. The potential effect of extending the Schoolbooks Scheme to second level students was also examined.

While the extraordinary inflation levels peaked in October 2022, the current levels remain extremely high. Furthermore, the MESL shows the additional pressure on minimum living costs due to the vulnerability of the minimum basket to volatility in energy and food prices. Current forecasts (Dept. of Finance, 2023; ESRI, 2023) see inflation continuing to ease over 2023 and 2024, but there is no indication of an overall reduction in prices or return to previous levels of living costs. The current forecasts indicate the potential for approximately 6.3% increase in MESL costs over the remainder of 2023 and into 2024.

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.

** 'Core MESL basket excludes housing, childcare, and the effect of secondary benefits – these are included as appropriate when examining household income scenarios.*

The analysis in the report provides an evaluation of social welfare income adequacy for 214 test household cases. In 2023, the analysis finds that the incidence of deep income inadequacy has almost doubled to 59% of cases examined; in the first half of 2022 deep income inadequacy was found in 31% of cases examined. This year, income adequacy has contracted significantly to 13% of cases (from 31% in 2022). The remaining 28% of cases show a position of income adequacy, where social welfare supports are inadequate but meet at least 90% of MESL expenditure needs.

The incidence of deep income inadequacy has now spread to a wider range of household types and compositions. There has also been a deepening of the inadequacy found amongst households with older children and one adult headed households as social welfare meets a lower proportion of MESL need.

This report focuses on the position of minimum living costs and adequacy of incomes in 2023. However, a tranche of 'once-off' supplementary payments were announced alongside Budget 2023. These were paid to households in the last quarter of 2022 in response to the rapid inflationary pressure which developed over the course of 2022. The impact of these supports falls between the points in time examined in the annual MESL series. A supplementary overview of the effects of these additional supports finds that the package of additional 'once-off' supports supplemented the base social rates in 2022. Consequently, the trend of income adequacy and inadequacy remained relatively stable between the first and last quarter of the year, despite the significant increase in MESL costs over the period in question.

A detailed examination of the 2023 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 €149 per week, and social welfare supports meet 61.5% of these costs. This demonstrates an erosion of the progress towards providing an adequate income for this age group, as the relative value of the higher QCI rate for children aged 12 and over has not been maintained.

The cost of a MESL for an older single adult living alone has increased significantly from 2022. Income supports have not kept pace with this rate of change, consequently this household type now demonstrates income inadequacy in 2023. When in an urban area net household income from the State Pension (and secondary supports) is found to meet 90.4 – 93.4% of MESL needs (Non-Contributory and Contributory pension respectively).

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 7.8% in the year to March 2023. Home energy costs increased by 46.9% and food costs increased by 21.8%, combined these contributed over half of the increase in MESL costs (€22 per week, or 4.2 percentage points of the 7.8% increase). The increase in MESL costs has resulted in the inadequacy of a full-time minimum wage salary deepening, with an income shortfall of €162 per week. The NMW will provide for 70.9% of this household's MESL expenditure need.

For households with children 21 NMW employment cases are examined, in a variety of full and part-time single and dual income scenarios. These are based on reliable and adequate hours of minimum wage employment, 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. Of these, eight cases demonstrate income inadequacy.

The analysis for households with children also examines the position of these cases if in a Housing Assistance Payment (HAP) tenancy and thereby facing higher housing costs. Income is found to be inadequate in 11 cases due to the higher housing costs associated with 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., change in support from the National Childcare Scheme, or a change in Medical Card eligibility.

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.

The full set of MESL 2023 data, for all household types and compositions, and the suite of income scenarios are available on the Vincentian MESL Research Centre at SVP's website, budgeting.ie.

The full catalogue of the ongoing MESL research is also available, Research Papers & Reports, the Annual MESL Update report series, policy submissions to Government, and the MESL Budget Impact Briefings.

References

CSO (2023a) Estimated Inflation by Household Characteristics, March 2023. Cork: CSO, https://www.cso.ie/en/releasesandpublications/fp/fp-eihc/estimatedinflationbyhouseholdcharacteristicsmarch2023/

CSO, (2023b) Survey on Income and Living Conditions (SILC) 2022. Cork: CSO, https://www.cso.ie/en/releasesandpublications/ep/p-silc/surveyonincomeandlivingconditionssilc2022/

CSO, (2023c) Consumer Price Index (CPI) and Harmonised Index of Consumer Prices (HICP) expenditure weights by COICOP Division 2017-2023. Cork: 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_2017-2023.xlsx

Department of Finance (2023) Draft Stability Programme Update – April 2023. Dublin: Government of Ireland, https://www.gov.ie/en/publication/e4f3a-stability-programme-update-2023/

ESRI (2023) Quarterly Economic Commentary, Spring 2023. Dublin: ESRI, https://doi.org/10.26504/qec2023spr

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. https://doi:10.1017/S0047279419001004

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/

RTB (2023) RTB Average Monthly Rent Report, https://data.cso.ie/table/RIQ02 Accessed: 17th April 2023.

SEAI (2023) Domestic Fuel Cost Comparison Archive. Online resource, https://www.seai.ie/publications/Domestic-Fuel-Cost-Archive.xlsx Accessed: 27th April 2023.

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/

Notes

I)

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 Adult, No Children	Single & Couple	Rent Supplement	Jobseeker	2 cases
Older Adult	Single & Couple	Social Housing	State Pension	5 cases

II) 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 onwards it is included in the standard calculation for households in receipt of a long-term social welfare payment, in the cases examined these are the 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.

III) The three highest AROP rates in 2022 were seen in 1 adult headed households, older adults living alone (33.6%), working-age single adults (32.0%) and lone parent households (23.8%). The highest deprivation rates were also found in working-age one adult headed households, lone parent households (43.5%) and working-age single adults (25.2%). While consistent poverty was also highest for working-age one adult headed households, working-age single adults (14.5%) and lone parent households (14.1%). (CSO, 2023b)

IV) 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. The 2023 'cost of living' additional payments are included as appropriate, including the €100 increase to Back to School Clothing & Footwear Allowance, the once-off €100 payable for Child Benefit and the once-off €200 payment to long-term social welfare recipients in April 2023 (one parent household composition only).

V) 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.

VI) 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.

VII) 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 are required, costs are based on the use of formal childcare providers.

In these cases ECCE and/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 (National Childcare Scheme).

VIII)

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)

Vincentian MESL Research Centre
Society of St Vincent de Paul National Office,
SVP House: 91/92 Sean McDermott Street,
Dublin 1, D01 WV38
Tel: 01-0884 8200 / **Fax:** 01-838 7355 /
Email: mesl@svp.ie / **Website:** www.budgeting.ie
Twitter: @mesl_research