

MESL Impact Briefing

Budget 2024

Social Welfare

Employed (NMW)

2023

2023Q4

2024 f

2023

2023Q4

2024 f

Two Parent & Two Children (Pre & Primary School)



MESL	566.58	569.75	610.82	693.79	697.98	746.87
Income (Net)	523.46	532.69	545.69	739.84	752.92	791.80
Adequacy	-43.12	-37.06	-65.13	46.05	54.94	44.93

Two Parent & Two Children (Primary & Second Level)



MESL	662.99	667.10	710.59	760.85	765.99	812.71
Income (Net)	538.87	548.10	559.17	747.24	760.32	797.28
Adequacy	-124.13	-119.00	-151.42	-13.61	-5.67	-15.43

One Parent & Two Children (Pre & Primary School)



MESL	438.50	440.39	473.59	626.96	628.86	675.70
Income (Net)	404.92	419.92	421.92	741.99	764.69	784.40
Adequacy	-33.58	-20.46	-51.67	115.03	135.82	108.69

One Parent & Two Children (Primary & Second Level)



MESL	534.92	537.73	573.37	672.36	675.81	719.62
Income (Net)	420.48	435.48	435.71	699.07	721.76	735.13
Adequacy	-114.44	-102.25	-137.65	26.70	45.95	15.51

Single Adult, Working Age



MESL	286.70	286.74	307.66	556.88	556.95	578.09
Income (Net)	220.00	220.00	232.00	394.97	394.97	442.43
Adequacy	-66.70	-66.74	-75.66	-161.92	-161.98	-135.67

Older Person, Living Alone



MESL	337.87	340.52	364.98			
Income (Net)	305.42	322.73	319.35			
Adequacy	-32.45	-17.79	-45.63			

The MESL data examined in this briefing, is based on the annual 2023 MESL expenditure data, adjusted MESL costs 2023Q4, and 2024f forecast estimate MESL costs for 2024.

See Notes for details of the income scenarios.

The 2024 income calculations are based on the information from Budget 2024, as published by the relevant Government Departments at this time.

Key Points

- › Budget 2024 has announced notable adjustments in core social protection rates, which will contribute to supporting recipient households. The Budget has also introduced a significant suite of supplementary ‘Cost of Living’ once-off payments. The majority of which are payable in the last quarter of 2023.
- › There has been exceptional pressure on living costs in recent years. In the last year, the cost of a Minimum Essential Standard of Living (MESL) increased by 10.6%. This compounded the previous increases. Cumulatively minimum living costs have risen by 18.9% from March 2020 to March 2023. The overall change in the MESL, from 2020, is projected to potentially reach 27.9% by the end of 2024.
- › The €12 nominal increase to the core adult rates, and associated increases for qualified children and adults, are forecast to meet a lower proportion of minimum living costs in 2024 than they did in 2023. The purchasing power of core social protection supports has not been maintained, as a result the adjustments are a real term cut. From 2020 to 2023 the real value of core working-age weekly social welfare supports has fallen by 6 to 12 percentage points.
- › These measures are likely to compound the deepening and widening of income inadequacy that developed this year. In 2024, 93% of cases are projected to demonstrate income inadequacy, with 7% of cases showing an adequate income.
- › The introduction of free schoolbooks and classroom resources for Junior Cycle students is very positive. The introduction of this scheme from September 2024 will reduce the MESL Education costs for families with children at Junior Cycle level.
- › The announcement that the DCEDIY will implement the White Paper proposal to provide an International Protection Child Payment for children under the age of 18, is very welcome.
- › The increased minimum subvention in National Childcare Scheme (NCS) is welcome. The minimum hourly subvention payable will increase to €2.14 per hour, from September 2024. However, it is regrettable that there is no adjustment of the income thresholds for the higher rates of means-tested subsidy.
- › The implementation of the Low Pay Commission recommendation, to increase the minimum wage to €12.70 per hour in 2024 is welcome. This is a noteworthy 12.4% increase and represents a significant step towards Government’s aim of reaching 60% of median wages by 2026. This is an appropriate front loading of progress towards this goal, given the pressure on living costs.
- › Budget 2024 adjusts the income thresholds for the Working Family Payment, in line with the increase to the minimum wage. However, the earnings disregard for the One-Parent Family Payment (OFP) and Jobseeker’s Transitional (JST) were not adjusted. As a result a one parent household in full-time NMW employment will qualify for less support from OFP / JST in 2024, this is despite the nominal increases to the personal and qualified child rates.

Introduction

The annual budget presents the opportunity for taking substantive steps towards achieving a social welfare system that ensures minimum income adequacy and enables a life with dignity. The MESL research provides an evidence base to inform policy decisions towards this goal.

This briefing analyses the impact of Budget 2024, applying the MESL data to examine the impact of the announced measures on income adequacy. This involves assessing the degree to which changes to incomes and services have protected the real value of supports in the face of rising living costs, and if they will progress towards enabling a socially acceptable minimum standard of living in the coming year.

There has been exceptional pressure on living costs in recent years. In the last year, the cost of a Minimum Essential Standard of Living (MESL) increased by 10.6%. This compounded the previous increases. Cumulatively minimum living costs have risen by 18.9% from March 2020 to March 2023.

While the rate of inflation has eased, overall living costs are still rising. The cost of a MESL has continued to increase, for example food rose by 3.1% in the six months to September 2023. The overall change in the

MESL, from 2020, is projected to potentially reach 27.9% by the end of 2024.

The MESL pre-budget submission detailed the adjustments required to restore and maintain the purchasing power of core social protection rates to 2020 levels. Such adjustments would align with the Programme for Governmentⁱ commitment to protect core weekly social welfare rates.

Budget 2024 has announced notable adjustments in core social protection rates, which will contribute to supporting recipient households. Budget 2024 has also introduced a suite of supplementary ‘Cost of Living’ once-off payments. The majority of which are payable in the last quarter of 2023.

The €12 nominal increase to the core adult rates, associated increases for qualified children and adults, are forecast to meet a lower proportion of minimum living costs in 2024 than they did in 2023. The purchasing power of core social protection supports has not been maintained, as a result the adjustments are a real term cut.

The analysis presented in this briefing sets out to assess the extent to which the temporary ‘Cost of Living’ measures will bridge the inflationary gap which has been allowed to open between core social welfare rates and the cost of a socially acceptable minimum standard of living – the MESL.

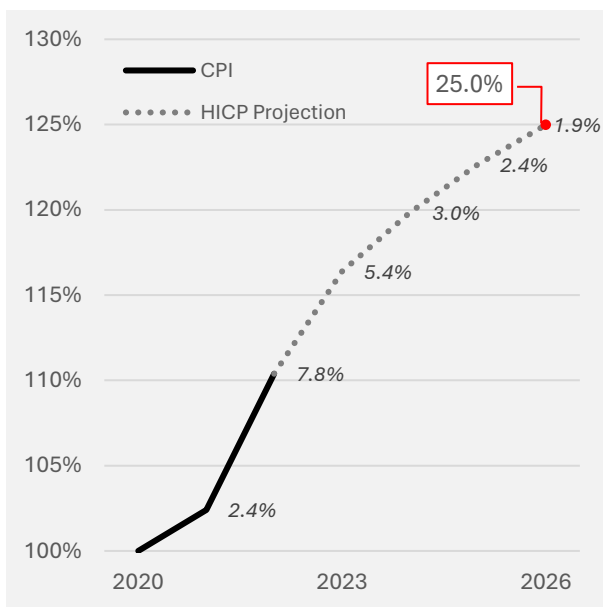
Area	MESL Recommendations	Budget 2024 – Permanent Measures
Working Age Personal Rates	Raise by €27.50 to €228 per week.	Nominally adjusted by €12 per week.
Qualified Adult	Maintain current nominal rate.	Nominally adjusted by €8 per week.
Qualified Child (under 12)	Increase by €10 to €52 per week.	Nominally adjusted by €4 per week.
Qualified Child (12 and over)	Increase by €15 to €65 per week.	Nominally adjusted by €4 per week.
Back to School Allowance	Retain €100 ‘Cost of Living’ uplift.	Returned to standard rate.
Working Family Payment	Adjust all thresholds in line with forecast changes in net earnings.	Adjusted weekly income thresholds by €54 for all household sizes.
Jobseeker’s Transitional	Extend eligibility until youngest child completes second level.	Eligibility age-limit for youngest child retained at 14.
Direct Provision	Align child DEA rate to QCI rates. Introduce the International Protection Child Payment at the Child Benefit rate.	Commitment to implement the International Protection Child Payment.
Fuel Allowance	Restore purchasing power in line with energy inflation, raising the annual value by €680.40. Re-instate 32 week season.	Weekly rate remains at €33 for third consecutive year, and the 28 week season retained.
Living Alone Allowance	Restore real value to ensure adequacy of State Pension for older people living alone.	Weekly rate remains at €22 for third year.
National Minimum Wage	Evidence based rate, progressive realisation of the real Living Wage.	Minimum wage increased by €1.40 to €12.70 per hour.

Inflation and changes in minimum living costs

There has been an exceptionally large increase in prices over the recent period. Following a dip in prices in 2020, high inflation has taken hold from mid-2021 reaching 2% in July 2021 and exceeding 5% by October 2021 (for the first time in 15 years). The 12-month rate of CPI has now remained above 5% for 24 months.

The annual inflation rate peaked at 7.8% in 2022, and for 2023 is projected to reach between 5.3 and 6.3%. Focusing on the HICP projections, which exclude the effect of mortgage interest increases, cumulative inflation from 2020 is anticipated to reach 16.4% by the end of this year and potentially amount to a 25.0% increase in average prices in 2026.

Graph 1 Cumulative inflation, to 2026



Much of the inflationary pressure has been driven by energy and food price increases. The inflation rate in food prices has reached exceptionally high levels. The annual increase was 6.8% in 2022, and is projected to be 7.6% in 2023.

The MESL annual update for 2023ⁱⁱ details the impact of this period of inflation on minimum living costs.

The core MESLⁱⁱⁱ basket cost increased by an average of 10.6% in the year to March 2023. With a cumulative increase in the core MESL costs of 18.9% 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 cost of the MESL food basket increased by 20.8% in the year to March 2023. MESL home energy costs increased by 117.1% for urban based households and by 75.8% for rural based households from March 2020 to March 2023.

These rates of increase exceed the average change in prices as measured by the CPI. The minimum basket is more exposed to the price increases in these essential areas of core expenditure than the CPI basket used to measure average price changes.

Estimating MESL costs for 2023 Q4

The 2023 MESL reflects price changes in the year to March 2023. Prices have continued to rise over the course of 2023, in the six months to September the CPI^{iv} measured an average increase of 2.6%. Within this, food (1.7%), gas (0.9%) and home heating oil (12.0%) continue to show increases, while electricity has shown a decrease (-4.4%).

As increases in food costs have a disproportional effect on the cost of a MESL, the MESL food basket was re-priced in September. The cost of the MESL food basket increased by 3.1% from March to September 2023. This is discussed on page 10.

The standard inflation uprating method has been followed, applying item level inflation adjustments to the remainder of the MESL basket. This provides an estimate of the MESL cost in September 2023, which is applied as an indicator of costs for 2023 Q4.

Core MESL costs have increased by an average of 1.4%, for urban households, in the six months to September. The impact of increasing food prices have been somewhat offset by a reduction in electricity prices over this period.

Applying the €150 electricity credit for 2023 Q4, announced in Budget 2024, reduces the increase in MESL costs to 0.7% above the March levels.

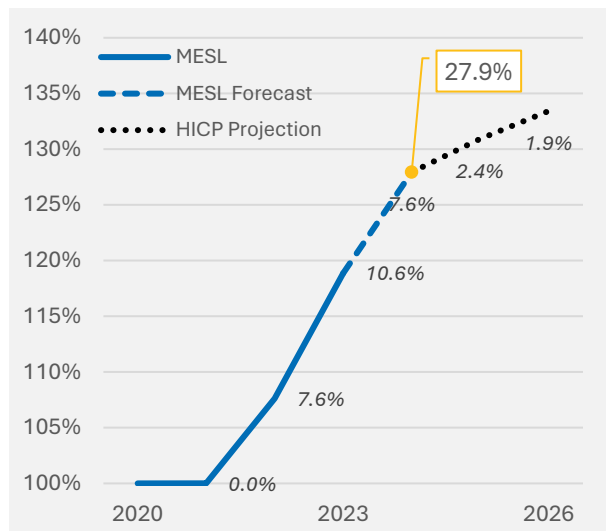
Forecast MESL for 2024

To forecast the average weekly cost of a MESL in 2024 inflation forecasts from the Central Bank^v are utilised. The projections give a breakdown of HICP, providing estimates for Food, Energy and Core inflation (i.e. headline inflation excluding food and energy).

To forecast for 2024, it is necessary to take account of the projections for 2023 and the continuing increases

over the course of 2024. Projecting forwards over 2023 and into 2024, suggests a 7.1% increase in average prices, with above average energy (9.1%) and food (8.7%) inflation and core inflation of 6.2%.

Graph 2 Change in MESL, projected to 2026



These projections are applied to estimate the change in MESL costs for the coming year. These indicate that the gross core MESL costs are likely to increase by 9.1% into 2024. However, the two electricity credits (€150 each) due to be paid in 2024 reduce the forecast net change to 7.6%.

This a reduction in the rate of change compared to 2022 – 2023. But it compounds the impact of the double digit inflation for essential goods and services experienced coming into 2023.

There is no indication that overall prices and living costs are expected to reduce, nor return to the levels prior to this period of inflation. While the projections from the Central Bank, ESRI & Department of Finance are for the rate of inflation to ease, this indicates continued price growth but at a slower rate. An easing of inflation is not a reduction in prices.

The current forecasts indicate the potential for an approximately 7.7% increase in MESL costs over the remainder of 2023 and 2024. Based on this projection, there is the potential for a cumulative increase in core MESL costs of 27.9% from 2020 to 2024, and possibly exceeding 30% by 2026.

Previous analysis^{vi} demonstrated that the real value of core social welfare rates in 2023 had fallen relative to the minimum living costs measured by the MESL.

The analysis below examines the change in core rates, and associated secondary supports, announced in Budget 2024. And also considers the impact of the temporary ‘Cost of Living’ measures introduced to bridge the gap between core rates and inflated living costs.

Minimum Essential Standard of Living

The MESL is decided on by members of the public, working together in deliberative focus groups to reach consensus on what is the minimum people need to live and partake in Irish society. It is 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 works with multiple phases of deliberative groups, to reach a social consensus on the goods and services people need to have for a minimum, but socially acceptable, standard of living. The MESL provides the weekly cost of this set of essential goods and services that are required to meet minimum needs and enable people to live with dignity.

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. It operationalises a direct measure of poverty and a life with dignity; providing an evidence-based benchmark for assessing income adequacy.

Social Welfare

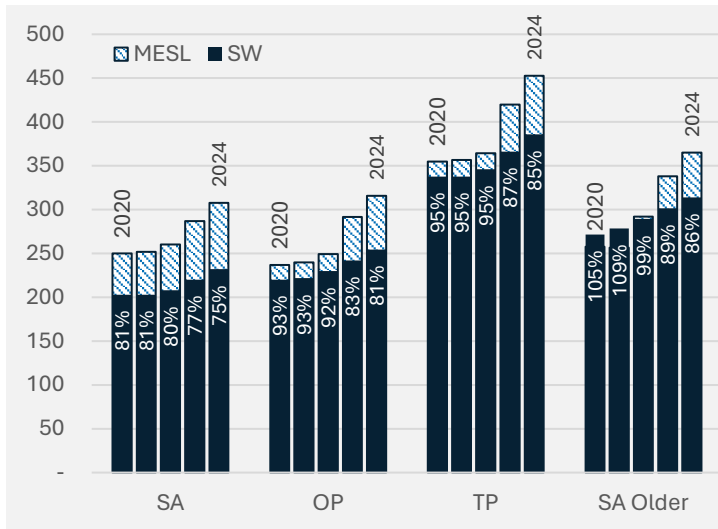
The real value of the core social welfare rate adjustments is examined here, relative to the estimated average 2024 weekly MESL needs of head of household adult(s) and children.

The analysis focuses on the permanent adjustments to core rates and secondary supports (e.g. Fuel

Allowance, Back to School Clothing & Footwear Allowance, etc.).

Targeted once-off 'Cost of Living' payments are not considered in this section, but the Christmas Bonus is included. MESL 2024 F expenditure is net of the universal electricity credits.

Graph 3 Social welfare core rates, % MESL met



The nominal rate adjustments from 2020 to 2024 have not maintained the real value relative to minimum living costs, and as such the real value of core social protection rates has been cut.

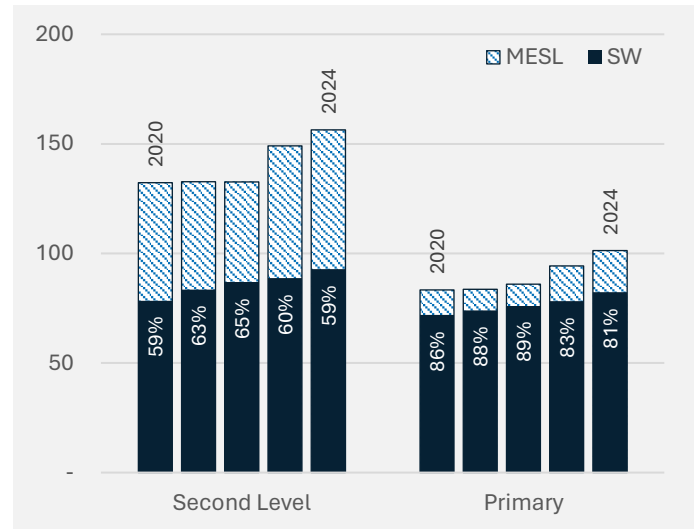
For a working-age single adult (SA), the core personal rate has fallen from meeting 81% of MESL need in 2020 to meeting an estimated 75% in 2024.

For the two adults in a Two Parent household (TP), the combination of the personal rate and increase for qualified adult, the value is forecast to fall by 10 percentage points, to meeting 85% of MESL needs.

For a lone parent in a One Parent household (OP), the value of the personal rate, Fuel Allowance (and Christmas Bonus) is forecast to have reduced by 12 percentage points. In 2024 the supports will meet an estimated 81% of MESL need.

In the case of an Older Single Adult (SA Older), the Non-Contributory State Pension and secondary supports met 105% of MESL need in 2020. In 2024 the relative value of these core social protection rates is forecast to have reduced, meeting 86% of MESL need.

Graph 4 Child related social welfare, % MESL met



The direct MESL cost of a child at Primary and Second Level age, adjusted for Medical Card eligibility, are measured against core child related social welfare supports – Qualified Child Increase, Back to School Clothing & Footwear Allowance (BSCFA), Child Benefit. The Christmas Bonus is also included in the assessment.

The effect of the introduction of free school books at primary level (2023) and junior cycle (2024) is also included.

The below inflation adjustments to the Qualified Child Increase and freezing of the core rate of BSCFA since 2020, have resulted in a reduction in the real value of child related social welfare supports.

For a primary school age child, the relative value was increasing up to 2022 reaching 89% of MESL need. In 2024, it is estimated that core social protection supports will meet 81% of MESL need.

For a second level age child, the relative value was also increasing, rising to meet 65% of MESL need in 2022. Projections indicate that the core social protection supports will meet 59% of MESL need for this age-group in 2024.

Adequacy trends

The MESL analysis examines trends in social welfare adequacy for a set of 214 test household cases^{vii}. 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 properly supported by the structures of the current social welfare system.

Graph 5 presents the findings of this analysis of the Budget 2024 measures. The results from the MESL 2023 analysis are provided as a baseline for comparison.

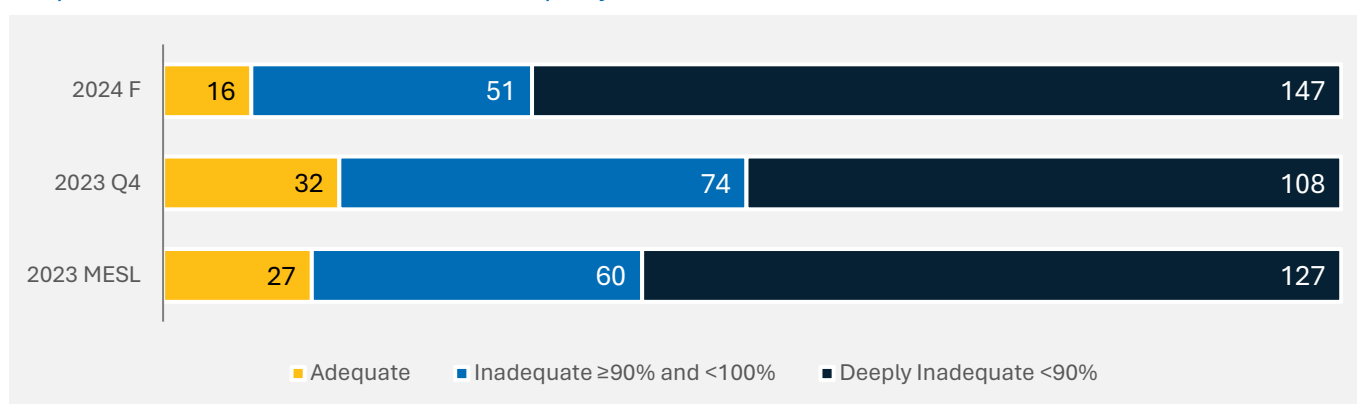
‘Cost of Living’ measures

Budget 2024 has again introduced a suite of temporary ‘Cost of Living’ measures, which target recipients of various social protection payments. The majority of the once-off measures are due to be paid in the last quarter of the current year.

The annualised value of all relevant ‘Cost of Living’ measures provided in 2023, including those announced in Budget 2024, are assessed for 2023 Q4.

The 2024 core rate adjustments and ‘Cost of Living’ measures due in 2024, are assessed in 2024 F.

Graph 5 Social welfare income adequacy assessment, 214 test cases



2023 Q4

In 2022, the Budget 2023 announcement similarly included a range of once-off ‘Cost of Living’ measures, a set of which were paid in the last quarter of 2022. These set of once-off supports were found to top-up the reduced purchasing power of core rates. The MESL analysis found that the trend of income adequacy and inadequacy remained relatively stable between the first and last quarter of the year.ⁱⁱ

The analysis for 2023 Q4 finds similar results. The estimated 1.4% increase in MESL costs since March 2023, is reduced to 0.7% due to the €150 electricity credit due in December 2023.

The double Child Benefit and €100 payment for each Qualified Child will provide significant support. As will the €300 Fuel Allowance lump sum and the €200 for Living Alone allowance recipients.

The additional income supports result in a contraction of deep income inadequacy, from 59% of cases in the first half of 2023 to 50% of cases in 2023 Q4. There is a slight increase in the number of cases demonstrating adequacy and a larger number of cases moving to have an inadequate income, within 10% of MESL costs.

2024 F

In 2024 the increased core social welfare rates are due to be supported by a January ‘cost of living’ bonus providing a double week to long-term recipients. Two further €150 electricity credits will reduce living costs.

As detailed above, the cumulative impact of inflation has resulted in the real value of core social welfare rates reducing relative to minimum living costs.

The supplementary supports announced for 2024 do not adequately address the inflation gap which has grown between social protection rates and expenditure needs.

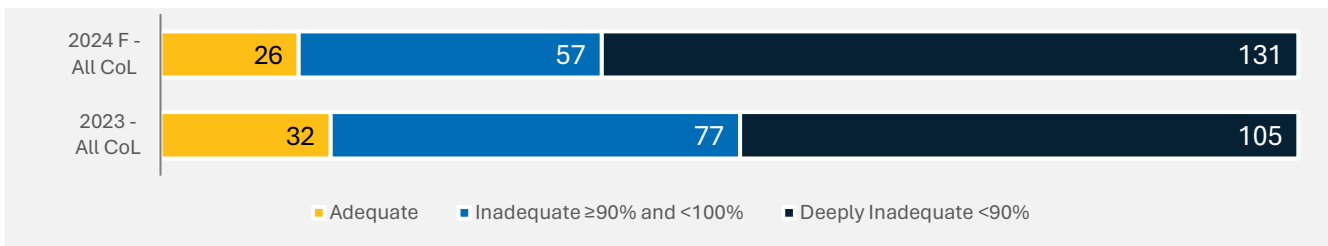
For example, an urban older adult living alone is forecast to demonstrate deep income inadequacy. The Non-Contributory State Pension and secondary supports are projected to meet 87% of MESL needs in 2024.

The MESL analysis forecasts a widening of deep income inadequacy to 69% of cases examined. 24% of cases demonstrate an inadequate income within 10% of MESL needs. Overall, 93% of cases are projected to demonstrate income inadequacy, with 7% of cases showing an adequate income in 2024.

In the primary analysis presented above, illustrated in Graph 5, the effect of the ‘Cost of Living’ measures are examined in the calendar year in which they are provided. Consequently, in the primary analysis for 2024, 2024 F, only income measures which are to be provided in 2024 are assessed against the estimated MESL costs for 2024. This follows the standard practice in the MESL analysis of considering income on a calendar year basis against living costs for the same calendar year.

However, to examine the potential effect of the full suite of Budget 2024 income supports in 2024, an alternative assessment is presented here. In this 2024 F – All CoL analysis, the full set of Budget 2024 temporary ‘Cost of Living’ supports are treated as 2024 income, this is compared to the same treatment of all Budget 2023 ‘Cost of Living’ measures treated as 2023 income (and the subsequent Spring 2023 ‘Cost of Living’ measures).

Graph 6 Social welfare income adequacy assessment, 214 test cases, Full suite of Cost of Living payments for 2023 & 2024



This approach demonstrates a similar contraction of cases demonstrating adequate income or income within 10% of meeting MESL needs and an expansion of deep income inadequacy, from 2023 to 2024.

The full suite of ‘Cost of Living’ measures announced in Budget 2024 is less than the additional temporary supports provided between Budget 2023 and the supplementary measures announced in February 2023. This reduction in additional support, combined with the growth in MESL costs, results in a contraction in cases demonstrating adequacy, and a growth in the incidence of deep income inadequacy, from 49% in 2023 to 61% of cases in 2024.

The increase in living costs has eroded the real value of core social protection rates. Given the projections of further inflation building on already increased costs over the coming years, it will be necessary for serious consideration to be given to the benchmarking of core social protection rates. Temporary, irregular, once-off ‘Cost of Living’ supplements cannot be a long term policy option. A significant policy response will be required to address the growing inadequacy of the permanent social protection floor.

Social welfare income adequacy case studies

Single adult of working age (SA)

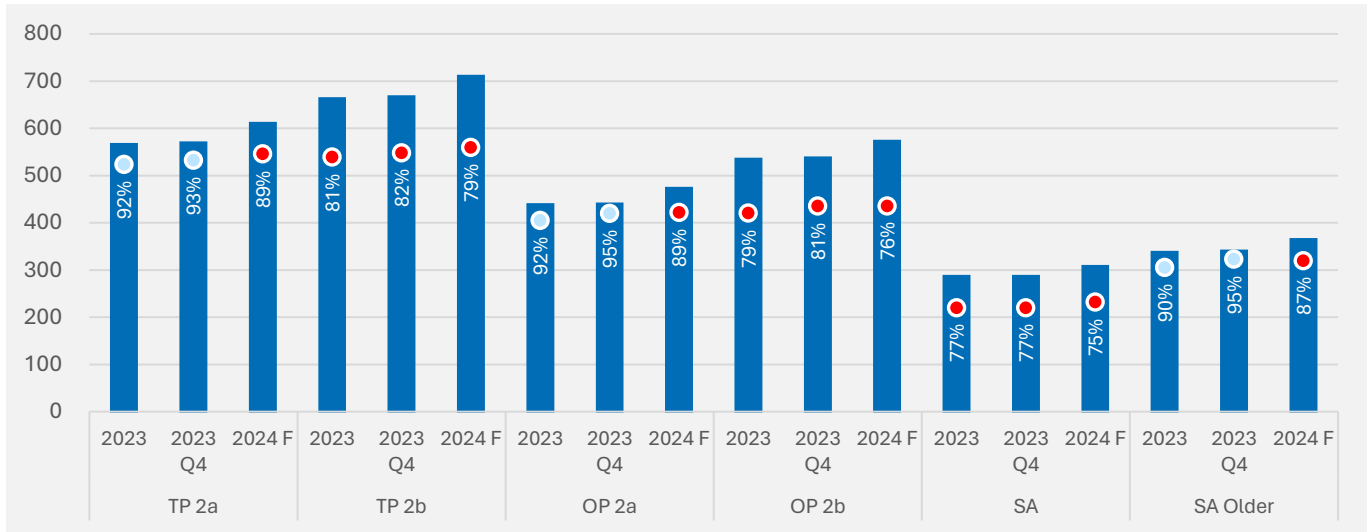
The standard working-age personal rate for social welfare payments such as Jobseekers is increased by €12 per week in Budget 2024. This is a 5.5% adjustment but falls short of the recommended €27.50 required to keep pace with MESL costs.

Working-age single adult household types consistently demonstrate deep income inadequacy when reliant on a Jobseekers payment. For an unemployed adult living alone in urban private rented accommodation, the combination of a full Jobseekers payment and Rent Supplement was deeply inadequate in 2023, meeting 76.7% of MESL need.

It is forecast that in 2024 the cost of a MESL for this household type will have increased by approximately €21 per week. Consequently, income inadequacy is projected to deepen, with social welfare providing for 75.4% of MESL need.

If in receipt of a long-term Jobseekers payment, this household would be eligible for the Fuel Allowance, ‘Christmas Bonus’, and January ‘Cost of Living’ lump sum. In 2024, these would bring social welfare supports to 84.1% of MESL need.

Graph 7 Social welfare income adequacy, six illustrative household types, € per week



Households with children

Deep income inadequacy is found most frequently in household compositions with older children. Older children in one parent households are further impacted due to the additional deep inadequacy risk faced by one adult headed households.

The MESL research has consistently identified older children as having additional and different needs distinct from children in younger age-groups. The MESL cost is highest for older children, aged 12 and over. This is projected to be €156 per week in 2024, after the reduction from the extension of free school books to Junior Cycle students.

As detailed on page 5 the value of core rates for adults and children have not been maintained relative to the increase in MESL costs. Consequently, the depth of income inadequacy presented to each family household type examined in Graph 7 is projected to deepen in 2024.

The deep income inadequacy already faced by household compositions with older children (TP 2b and OP 2b) is forecast to deepen. The household compositions with younger children, pre-school and primary school age (TP 2a and OP 2a) are likely to move into deep income inadequacy in 2024.

Older Person, Living Alone (SA Older)

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.

The cost of a MESL for an older single adult living alone has increased significantly. Income supports have not kept pace with this rate of change, consequently in 2023 this household type demonstrates income inadequacy. 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.

The Living Alone and Telephone Support Allowances makes a vital contribution towards supporting this group of older people which have a higher risk of poverty and have tended to demonstrate income inadequacy. The core rates of these rates have not been adjusted in Budget 2024.

Furthermore, the Fuel Allowance core rate is remaining at the 2022 level, despite rising energy costs.

The €12 increase to the State Pension rate in Budget 2024, and the once-off January ‘Cost of Living’ lump sum, will see household income increase by 4.6% for this household type.

In 2024, an urban older person living alone, in receipt of the Non-Contributory Pension is forecast to face deep income inadequacy. Social welfare supports are projected to meet 87.5% of MESL needs. The Contributory Pension is also forecast to be inadequate for this household situation, with social welfare supports meeting 90.3% of MESL needs.

Household Energy

In 2023, Household Energy was the MESL category with the largest increase in cost. In the MESL basket, household energy costs for urban households (assuming the use of natural gas for heating) increased by an average of 67.8%, while rural household energy (assuming the use of natural oil for heating) costs increased by an average of 6.2%, compared to 12-months earlier.

There has been an exceptional increase in home energy prices over the last two years, increasing household energy costs to unprecedented levels. Household Energy was repriced for the 2023 MESL annual update, at March price levels (the reference point for 2023 MESL data). At that point, there had been a significant increase in home energy fuels, most notable being the exceptional increase in gas and electricity prices, combined with a slight decrease in home heating oil, in the 12-months to March 2023.

Energy price increases were a significant driver in 2022 inflation levels, peaking in October 2022. Across the analysis of trends in energy inflation, evidence suggests that increases in energy prices have eased from the exceptionally high levels demonstrated in 2022. The ESRI are predicting that energy prices will decline over the coming months and will help ease overall inflation.^{viii} The Central Bank are also predicting the moderation in the increase of energy prices, they highlight that gas and electricity prices remain higher, noting the lag between wholesale and retail prices.^{ix}

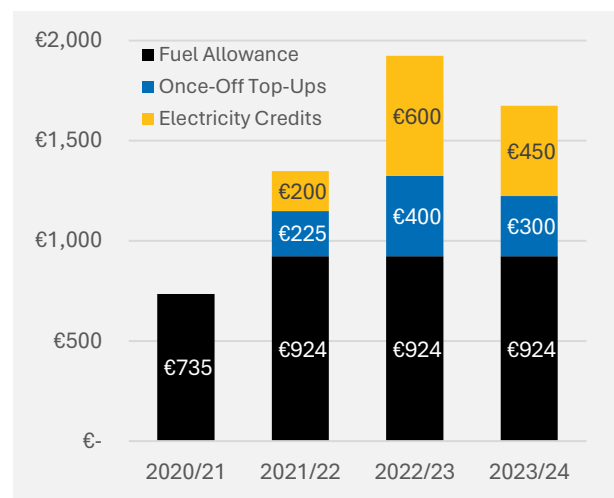
The Central Bank estimate that the rate of inflation is forecast to ease, with energy price increases of 5.0% in 2024 and 3.1% in 2025.

Budget 2024 has retained the core weekly rate of Fuel Allowance (€33) for a 28-week season. Those who qualify for the payment will also receive an additional one-off €300 Cost of Living lump-sum payment in November 2023, at a cost of €123m. This budget also announced three electricity credits of €150 each to be paid to all households, at a cost of €900m.

The temporary Cost of Living payments (lump sum payment to Fuel Allowance (FA) recipients & electricity credits) and the annual value of FA combined for 2023/2024, will act as a buffer against energy price inflation. Graph 8 illustrates the annual value of FA in combination with any once-off top-up payments to FA recipients, as well as energy credits provided, during the FA season (October to April of each year).^x

The base rate of FA has not increased since Budget 2022, leaving the payment frozen for a third year despite persistent high energy costs over the current inflationary period. Failing to increase the core weekly rate of FA in line with average energy price inflation erodes the real value of the payment. Cumulatively, from 2020 to 2024, projected energy inflation is estimated to be 77%. This is particularly concerning given the three year freeze of the core weekly FA rate. The PBO highlight that while the one-off lump sum payments and electricity credits provide immediate support to households, they “come at a risk of ignoring the adequacy of core rates of social welfare payments”.^{xi}

Graph 8 Annual value of energy supports



The eligibility criteria for FA remains restrictive and continues to be unavailable to low-income and social welfare dependent households including Working Family Payment recipients and those recently unemployed. Many will not qualify for the payment, leaving vulnerable and low-income households without adequate support to access essential energy.

Budget 2024 announced that Carbon Tax will increase by €7.50 per tonne of CO₂ emitted, from the current rate of €48.50 to €56.00. While the increase applies to motor fuels immediately, it will apply to home heating fuels from May 2024. Households living in energy inefficient homes need to consume more fuel to achieve an adequate standard of warmth, and therefore, the impact of the Carbon Tax increase will be greater for such households. Additionally, there are many vulnerable households that do not currently qualify for FA due to its highly targeted nature, and yet will be subject to the increase in Carbon Tax.

The announced extension on the reduced VAT rate of 9% on electricity and gas bills to the end of October 2024 is welcome given the current price volatility of energy and fuel prices.

MESL food cost

The 2023 MESL update included food prices as of March 2023. As is widely reported, food inflation has continued to impact households across Ireland throughout the year. In order to capture the impact of increasing food costs on the MESL, the food baskets have been repriced to September 2023.

Table 1 below shows the change in weekly MESL food prices over the six months from March to September 2023 for six household types. The cost of the weekly MESL food basket has increased on average by 2.92% for these Household types. The largest increase is seen in the Pensioner Living Alone household, whose MESL food cost has increase by 3.67% over the six months.

Price increases were seen across many of the items included in the MESL food baskets, with a number of key points emerging from the analysis:

- The majority of vegetable items included in the MESL basket have increased in price from March to September 2023. Considerable increases were seen in the price of a bag of onions (50%), a head of lettuce (29%), a head of cauliflower (13%) and a bag of carrots (10%). The price of a bag of potatoes included in the MESL basket has increased by 7%.

- A number of the frozen food items included in the MESL basket have seen a substantial increase in price, notably frozen peas (23%), frozen fish (20%) and oven chips (19%).
- The MESL food costs for an Infant Child (0-2 years of age) has increased by nearly 9% over the six months to September 2023. This is due to significant increases in the cost of Liga biscuits (32%), jars of baby food (20%), and baby formula (6%), included in the Infant’s MESL food basket.
- The 2023 MESL update reported an increase in the price of milk of 54% in the 12 months to March 2023. From March to September 2023 the price of milk included in the MESL food basket has decreased by over 8%, from €2.29 to €2.09.

In 2024 purchasing the MESL food basket is projected to require a significant proportion of a household’s social welfare income. For example, over a third (37%) for a one parent household with primary & second level child and almost a quarter (23%) for an older person living alone.

Table 1 MESL food cost, by household type, € per week

	March 2023	Sept 2023	€ Increase	% Increase
Two Parent & Two Children (Pre & Primary School)	€ 151.52	€ 155.47	€ 3.95	2.61%
Two Parent & Two Children (Primary & Second Level)	€ 185.10	€ 190.36	€ 5.26	2.84%
One Parent & Two Children (Pre & Primary School)	€ 114.56	€ 117.75	€ 3.19	2.78%
One Parent & Two Children (Primary & Second Level)	€ 148.14	€ 152.64	€ 4.50	3.04%
Single Adult, Working Age	€ 59.27	€ 60.78	€ 1.51	2.55%
Older Person, Living Alone	€ 68.63	€ 71.15	€ 2.52	3.67%

Other ‘cost of living’ reduction measures

The continuation of the 20% fare discount on public transport in 2024 is a welcome step to maintain Transport costs at an affordable level.

However, people living in rural areas who cannot rely on the public transport services in their area do not benefit equally from this measure.

The extension of the excise duty cut on petrol and diesel, until the end of March 2024 is also a necessary

step given the current uncertainty relating to fuel and energy prices.

The announced extension on the reduced VAT rate of 9% on electricity and gas bills to the end of October 2024 is welcome given the current price volatility of energy and fuel prices.

Disability & Caring

The budget measures introduced to support carers and people with disabilities are welcomed. These include the €400 lump sum payment for those in receipt of Carer's Support Grant, Disability Allowance, Blind Pension, Invalidity Pension, and Domiciliary Care Allowance. As well as the €12 increase to weekly payments, such as Carer's Allowance, Carer's Benefit and Disability Payments and the €10 per month increase to Domiciliary Care Allowance. Increases to Home Carer and Incapacitated Child Tax Credits are also welcomed.

The increase of the income disregard for Carer's Allowance from €350 to €450 for a single person and from €750 to €900 for a couple, means that family carers that were previously unable to avail of the support due to the means test may now qualify for the financial support.

These measures acknowledge the significant additional costs that come with living with a disability, as well as caring for someone with a disability, which have been highlighted in the VPSJ's 2017 report

Education

The Research Centre welcomes the introduction of free schoolbooks and classroom resources for Junior Cycle students.

The cost of schoolbooks, copies and workbooks^{xiii} included in the 2023 MESL data for Second level students amounts to €174.49 annually or €3.36 per week. As of the 2023 MESL update, education costs are the third largest area of MESL expenditure for secondary school aged children.

The introduction of this scheme from September 2024 will greatly reduce the MESL Education costs for families with children at Junior Cycle level, however families with children in Senior Cycle will not benefit from this reduction in Education costs.

The introduction of this scheme for Primary School aged children in Budget 2023 saw the primary school aged child's MESL Education budget reduce by €170.83 annually, or €3.29 per week.

The expansion of the Hot School Meals scheme to a further 900 primary schools throughout 2024 is also a welcome step to help reduce costs experienced by families with children in primary level education.

“Minimum Income Needs for People with a Vision Impairment” and the 2022 report with Family Carers Ireland “Care at Home: Costs of Care Arising from Disability.”

It is important to note, however, the lump sum payment for recipients of Carer's Support Grant, Disability Allowance, Blind Pension, Invalidity Pension, and Domiciliary Care Allowance has reduced from €500 in Budget 2023 to €400 in Budget 2024. This signifies a fall in the level of support for households living with and caring for disabilities, while the cost of living continues to rise.

The failure to introduce a targeted weekly Cost of Disability payment to support people with disabilities and those caring for them, which has long been recommended by stakeholders and has been under consideration by the Department, is disappointing. A Cost of Disability payment would provide long term, sustained support for people with disabilities and their households to address the additional costs associated with disability.

Direct Provision

The Research Centre welcomes the DCEDIY's announcement that they will implement the proposal in the White Paper that an International Protection Child Payment would be provided in respect of children under the age of 18.

The Research Centre's working paper, “Estimating the MESL costs for families in Direct Provision” found that, based on 2022 MESL data, the income provided by the State for both one parent and two parent families with two children, covered approximately just 50% of their estimated MESL need.

Although no further information on the rate of this payment or when it will be implemented has been provided, the timely introduction of this new payment will work to improve the income adequacy of families with children living in the Direct Provision system.

Further improvements to the Daily Expenses Allowance rates, as well as to the level of service provided within the system, are also necessary to provide everyone living in Direct Provision in Ireland with a Minimum Essential Standard of Living.

Income adequacy in employment

Employment should enable people to have a Minimum Essential Standard of Living for themselves and their families. Having an income below this standard of living means doing without goods and services which are seen as vital for taking part in the norms of everyday life.

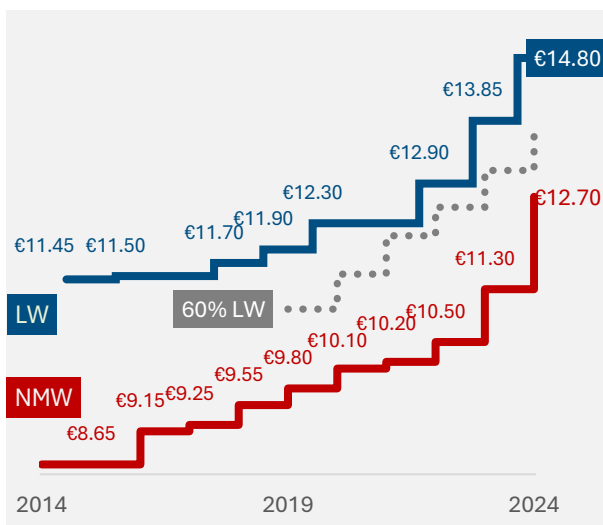
Budget 2024 has announced the implementation of the Low Pay Commission recommendation, to increase the minimum wage to €12.70 per hour in 2024. This is a noteworthy 12.4% increase and represents a significant step towards Government’s aim of reaching 60% of median wages by 2026. This is an appropriate front loading of progress towards this goal, given the pressure on living costs.

The Vincentian MESL Research Centre welcomes any improvement in wages for those on low pay. However, the use of a fixed threshold approach based on median wages, particularly when set at 60%, does not ensure employees can afford minimum living costs.

The Living Wage, as produced by the Living Wage Technical Group since 2014, is based on the MESL research. This approach provides an evidence-based rate which reflects the real living costs faced by employees. While earning the Living Wage rate will not guarantee an adequate income for individuals and households in all circumstances, it provides a base for social supports to build from.

The 2024 NMW is 86% of 2023/24 Living Wage rate of €14.80 per hour

Graph 9 Living Wage & National Minimum Wage



Single adult

The net income from minimum wage employment will increase in 2024, due to the €1.40 increase in the National Minimum Wage (NMW) rate and related tax adjustments.

The increased Rent Tax Credit, €750, 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.

Net income for a single adult in full-time (37.5 hour) NMW (if in private rented housing and eligible to claim the Rent Tax Credit), will increase by approx. €47 per week, a 12% increase.

If not eligible for the Rent Tax Credit, net income from full-time NMW employment will increase by approx. €43 per week, a 11% increase from 2023.

It is estimated that a standard full-time NMW salary will meet 76.5% of MESL needs. Falling over €135 short per week, for a single person living alone and renting a one-bedroom dwelling in the Dublin area.

Based on the 2023 estimate, a single adult would need to work over 58 hours of NMW employment per week to afford a MESL in Dublin in the coming year.

Households with children

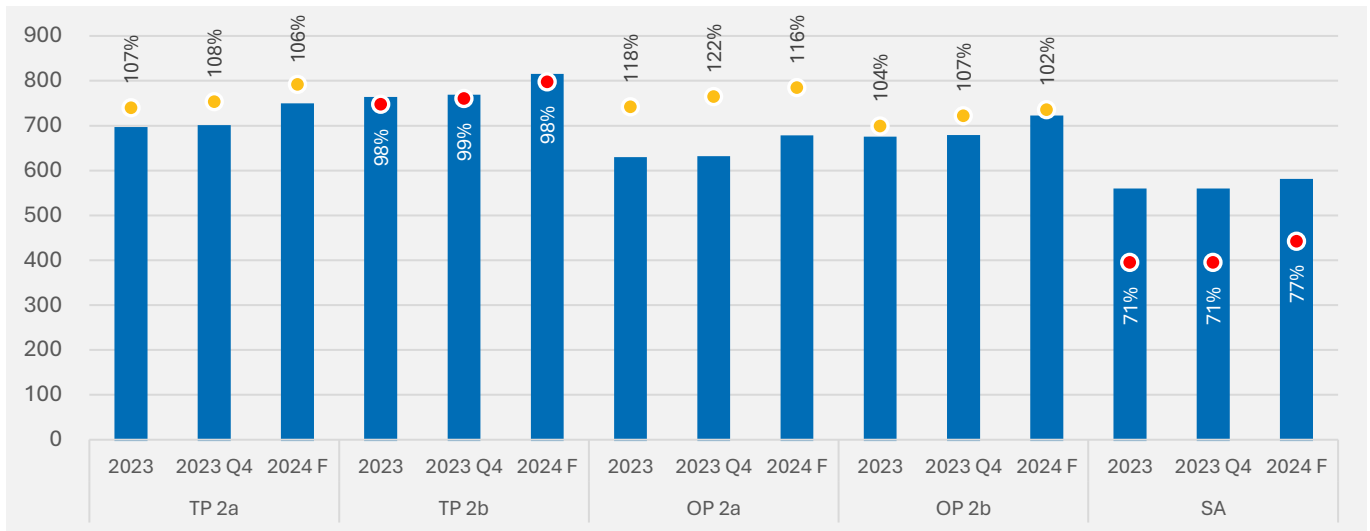
Working Family Payment

There is a welcome increase to Working Family Payment (WFP) earnings thresholds, of €54 per week. This measure applies to the thresholds for households of all sizes and comes into effect from the start of 2024.

The €54 increase reflects the change in the NMW rate. This ensures that the increase to a single NMW salary in 2024 will not be offset by a reduction in WFP.

In the case of a one-parent household, with a pre-school and primary school child (OP 2a), in full-time NMW employment. The adjustments to NMW and WFP will see net household income increase by €42 per week.

Graph 10 Income adequacy in NMW employment, 5 illustrative household types, € per week



For a two-parent household, with one adult in full-time and one in part-time NMW employment, net household income will increase due to the adjustments to the NMW rate.

For a two-parent and two child household in this scenario, there will be a €11 reduction in the level of weekly support from WFP in 2024. The tapering of WFP in this situation leads to a Marginal Effective Tax Rate (METR) of 34% on the change in NMW earnings.

One Parent Households

Unlike the adjustments to Working Family Payment, the earnings disregard for the One-Parent Family Payment (OPF) and Jobseeker's Transitional (JST) were not adjusted in line with changes in the NMW.

As a result a one parent household in full-time NMW employment and receiving a partial OPF or JST payment, will qualify for €5 less support in 2024. This is despite the nominal increases to the personal and qualified child rates.

For a household with younger children (OP 2a), and so qualifying for OPF and WFP, the reduction in OPF is partially offset by the increase in WFP. However, a one parent household with children above 7 and in receipt of JST, will not also qualify for WFP. In this JST scenario, a one parent and two child household (OP 2b) will experience a 31% METR on the change in minimum wage.

It is regrettable that Budget 2024 has not reviewed the age limits for JST. A one parent household will lose eligibility to JST when the youngest child reaches 14. A one parent household with two children over 14, and in full-time NMW employment would be eligible for WFP. In this scenario in 2024, net household income when in

receipt of WFP will be 5% less than for a one parent and two child household on JST. The support from WFP is less than from JST, and unlike JST the WFP scenario will not qualify for the Fuel Allowance.

National Childcare Scheme

Budget 2024 builds on the adjustments to the National Childcare Scheme (NCS) announced in Budget 2023. The minimum hourly subvention payable will increase from €1.40 per hour to €2.14 per hour. However, this change will not come into effect until September 2024.

The increased minimum universal subvention is welcome, but it is regrettable that there is no adjustment of the income thresholds for the higher rates of means-tested subsidy.

The NCS pays the maximum rate of subvention (€3.75 to €5.10 per hour, varying by child age-group), to households with a reckonable income below €26,000 per annum (€500 per week). For reckonable incomes between €26,000 and €60,000, a tapered rate of subsidy is calculated. The minimum universal subsidy is applied for those above these limits.

The NCS assesses net salary and most standard social welfare supports (including Child Benefit, Working Family Payment, One-Parent Family Payment, Jobseeker's Transitional and Fuel Allowance) as reckonable income.

As the means test threshold has not been revised, the adjustments to NMW and income supports for 2024 could be partially offset by a reduction in NCS subvention – resulting in higher net childcare costs.

For example, a one parent household with a pre-school and primary school age-child (OP2a) in full-time NMW

employment would qualify for subvention of €212.36 based on 2023 rates. If assessed on 2024 rates, the subvention would reduce by €9.10 per week to €203.26. This would result in a METR of 36.6% on change in NMW for this household type.

When the increased minimum subvention comes into effect, September 2024, the OP2a household type in full-time NMW employment would be eligible for NCS support of €214 per week. This is an increase on the 2023 rate, but remains below the €216 which would have been provided in this scenario in 2020.

Qualifying thresholds

The issues demonstrated above with One-Parent Family Payment and the National Childcare Scheme highlight the importance of reviewing means test and income eligibility criteria.

The Roadmap for Social Inclusion includes a commitment (17) to review the earnings thresholds of in-work income supports for low income families every two years.

The earning disregard for the One-Parent Family Payment has remained at €165 since 2020.

The income thresholds for the National Childcare Scheme have also remained static since established in 2020.

It is important that all thresholds are reviewed regularly to ensure that the value and adequacy of supports is not eroded over time, as core rates, NMW, etc. are adjusted to reflect changes in living costs.

Notes

Social welfare scenarios

Housing costs are based on social housing (differential rent), except for the Single Adult which is based on Private Rented and receiving Rent Supplement.

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

Two Parents	JS Personal Rate + Qualified Adult + Qualified Child, Child Benefit, Back to School Clothing & Footwear
One Parent	One-Parent Family Payment / Jobseeker's Transition + Qualified Child, Child Benefit, Back to School Clothing & Footwear, Fuel Allowance, Christmas Bonus
Single Adult	JS Personal Rate, Rent Supplement
Pensioner	Non-Contributory Pension + Living Alone Increase, Fuel Allowance, Telephone Support Allowance, Christmas Bonus, Household Benefits Package

Assumed all social welfare dependent households are eligible for a full Medical Card.

Employed scenarios

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

Two Parent households based on 1 adult in full-time (37.5 hours) and 1 in part-time (19 hours), One Parent & Single Adult households based on 1 adult in full-time (37.5 hours).

Childcare costs are net of the NCS and/or ECCE scheme as appropriate for child age and household eligibility.

Childcare costs, for a two parent household in a full and part-time employment scenario, are based on the use of a formal provider for a pre-school age child and informal care from a relative/friend for the primary school age child.

Childcare costs, for a one parent household, are based on the use of a formal provider for both pre-school and primary school age children, when the adult is in full-time employment.

The income scenarios examined here focus on broadly applicable situations. Therefore, the employed scenarios are not specific to return to work situations which may include limited term retention of secondary benefits.

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

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

ⁱ *Programme for Government: Our Shared Future*, 2020 assets.gov.ie/130911/fe93e24e-dfe0-40ff-9934-def2b44b7b52.pdf

ⁱⁱ Vincentian MESL Research Centre (2023) *MESL 2023: Annual Update*. <https://www.budgeting.ie/publications/mesl-2023/>

ⁱⁱⁱ Core MESL basket excludes housing, childcare, and the effect of secondary benefits.

^{iv} CSO (2023) *Consumer Price Index: Detailed Sub-Indices – CPM16*. Online database: <https://data.cso.ie/table/CPM16>. Accessed 12/10/2023.

^v Central Bank of Ireland (2023) *Quarterly Bulletin QB3 – September 2023*. Dublin: Central Bank of Ireland, <https://www.centralbank.ie/publication/quarterly-bulletins/quarterly-bulletin-q3-2023>

^{vi} Vincentian MESL Research Centre (2023) *Pre-Budget 2024 Submission*. <https://www.budgeting.ie/publications/budget-2024/>

^{vii} For a breakdown of the 214 test cases, see the 2023 MESL Annual Update report, page 15.

^{viii} ESRI (2023) *Quarterly Economic Commentary, Autumn 2023*. <https://www.esri.ie/publications/quarterly-economic-commentary-autumn-2023>

^{ix} Central Bank of Ireland (2023) *Quarterly Bulletin Q3*. <https://www.centralbank.ie/publication/quarterly-bulletins/quarterly-bulletin-q3-2023>

^x Budget 2021 announced a €3.50 increase to the core weekly rate of Fuel Allowance, which was implemented in January of 2021. As such, the beginning of the Fuel Allowance season was based on the 2020 rate, and the new rate came into effect in the second half of the season. This is reflected in the graph illustrated in this briefing. More recent budgets have introduced any increases to Fuel Allowance at the beginning of seasons.

^{xi} Parliamentary Budget Office (2023) *Preliminary Review of Budget 2024*. https://data.oireachtas.ie/ie/oireachtas/parliamentaryBudgetOffice/2023/2023-10-10_preliminary-review-of-budget-2024_en.pdf

^{xii} This does not include the cost of exam papers, which total at €26.33 per annum.

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