

## PRESS RELEASE

### Study establishes cost of a minimum standard of living for Irish families

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#### **Overview**

A study to be published by the Trinity College Dublin Policy Institute on Monday February 6<sup>th</sup> will present the results of a year long research project which has established the cost of a minimum standard of living for a variety of Irish family types. Entitled '*A Minimum Income Standard for Ireland*', the research establishes the cost of a minimum essential standard of living for individuals and households across the entire lifecycle; from children to pensioners. Subsequently the study calculates the minimum income households require to be able to afford this standard of living.

A minimum essential standard of living is defined by the United Nations as one which meets a person's physical, psychological, spiritual and social needs. To establish this figure, the research adopts a consensual budgets standards approach whereby representative focus groups established budgets on the basis of a households minimum needs, rather than wants. These budgets, spanning over 2,000 goods, were developed for sixteen areas of expenditure including: food, clothing, personal care, health related costs, household goods, household services, communication, social inclusion and participation, education, transport, household fuel, personal costs, childcare, insurance, housing, savings and contingencies. These budgets were then benchmarked, for their nutritional and energy content to ensure they were sufficient to provide appropriate nutrition and heat for families, and priced.

The study establishes the weekly cost of a minimum essential standard of living for five household types, these are:

- A single person of working age living alone
- A two parent household with two children
- A single parent household with two children
- A pensioner couple
- A female pensioner living alone

And within these the analysis distinguishes between the expenditure for urban and rural households and between those whose members are unemployed or work (part-time/full-time). The study also establishes the expenditure needs of a child and how these change across childhood.

## Key findings from the study

### Minimum Essential Standard of Living for a 2 adult 2 child urban household

Table 8 (from pages 66-68 of the report – reproduced below) summarises the finding of the research regarding the cost of a minimum essential standard of living for a 2 adult and 2 child household in an urban area.

The first section of the table details a households expenditure costs excluding housing, childcare and secondary benefits such as the medical card. The purpose of this is to isolate variable costs such as housing and childcare and to illustrate what the minimum expenditure is before benefits such as the medical card come into play. The table then demonstrates how costs, including housing and childcare, change for certain categories of expenditure depending on the employment situation of parents and their entitlement to a medical card. Whilst areas of expenditure such as food, clothing, personal care and so forth do not change because of parental participation in the labour force, it is the case that if one or both parents are working, the cost of childcare, personal costs (for example trade union membership), local authority housing, car insurance and transport increases.

**Table 8: Minimum Essential Standard of Living for a 2 adult 2 child urban household (€ per week)**

	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
<b>All households</b>							
Excluding Housing, Childcare & Secondary Benefits	470.54	427.7	458.07	488.44	554.70	620.96	654.24
<b>Certain household types</b> (all costs including housing, childcare and the impact of secondary welfare benefits)							
Unemployed, dependent on JSB	464.03	421.14	451.50	481.87	547.77	613.67	648.85
1 Adult Employed Full-Time (Earning NMW)	484.44	441.55	471.92	502.28	568.18	634.08	660.56
Both Adults Employed, 1 Full-Time & 1 Part-Time (Earning NMW)	696.05	597.46	568.44	539.41	640.13	693.48	729.55

**Notes:** NMW = national minimum wage

JSB = job seekers benefit

There are similar results for rural households – see Table 9 p69-71 of the publication.

Further details on these findings are on pages 64-92 of the publication.

### Comparisons of minimum expenditure levels with certain income levels for a 2 adult 2 child urban household

Finally the study compares this minimum expenditure with the income received by the household. For the two parent households three scenarios are examined, a dual income scenario where one adult is employed full-time and one part-time, a single income scenario with one adult employed full-time, and an unemployment scenario with the household dependent on Jobseekers Benefit.

The scenarios examine income from all sources and therefore take account of social transfers in addition to net salary income. In addition to the universal child benefit, targeted income supports

appropriate for each scenario are examined, where the household income-expenditure scenario indicates eligibility the rate of payment indicated by the means test guidelines is applied. The income supports examined are: Family Income Supplement; Back to School Clothing & Footwear Allowance; and One-Parent Family Payment & Fuel Allowance.

Table 17 summarises these results (there are outlined in greater detail from pages 105-107 in the publication). The level of income adequacy (or inadequacy) is then measured for each scenario. Furthermore, where a household type has a weekly income less than €5.00 above the minimum essential standard, the income is indicated as marginally adequate. For the purposes of this report any income which is more than €5.00 above the expenditure requirements of the household type is described 'discretionary'.

**Table 17: Comparisons of minimum expenditure levels with certain income levels for a 2 adult 2 child urban household (€ per week)**

	9 Months & Pre- School	Both Pre-School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
<b>Unemployed, dependent on JSB</b>							
Household Expenditure	464.03	421.14	451.5	481.87	547.77	613.67	648.85
Household Income	437.02	437.02	440.87	444.71	446.73	448.75	480.78
Income - Expenditure	<b>-27.02</b>	<b>15.88</b>	<b>-10.64</b>	<b>-37.17</b>	<b>-101.04</b>	<b>-164.92</b>	<b>-168.07</b>
Income Adequacy	Inadequate	Adequate	Inadequate	Inadequate	Inadequate	Inadequate	Inadequate
<b>I Adult Employed Full-Time (Earning NMW)</b>							
Household Expenditure	484.44	441.55	471.92	502.28	568.18	634.08	660.56
Household Income	552.88	552.88	556.73	560.57	562.59	564.61	568.44
Income - Expenditure	<b>68.43</b>	<b>111.32</b>	<b>84.81</b>	<b>58.28</b>	<b>-5.60</b>	<b>-69.48</b>	<b>-92.12</b>
Income Adequacy	Adequate	Adequate	Adequate	Adequate	Inadequate	Inadequate	Inadequate
<b>Both Adults Employed, I Full-Time &amp; I Part-Time (Earning NMW)</b>							
Household Expenditure	696.05	597.46	568.44	539.41	640.13	693.48	729.55
Household Income	616.94	616.94	620.79	624.63	626.65	628.67	634.5
Income - Expenditure	<b>-79.11</b>	<b>19.48</b>	<b>52.35</b>	<b>85.21</b>	<b>-13.48</b>	<b>-64.81</b>	<b>-95.06</b>
Income Adequacy	Inadequate	Adequate	Adequate	Adequate	Inadequate	Inadequate	Inadequate

**Notes:** Household income is calculated after the receipt of all welfare entitlements (job seekers benefit, FIS, Back to school allowances) and after the payment of all taxes and social insurance contributions.

NMW = national minimum wage

JSB = job seekers benefit

There are similar results for rural households – see Table 18 p108-110 of the publication.

Further details on these findings are on pages 105-107 of the publication.

Given that the minimum expenditure needs of a child vary over the lifecycle - costs are high in infancy before falling at pre-school age and then consistently increasing as children grow older. Income adequacy follows the same trajectory and for the welfare dependent household, income is only sufficient to provide a minimum essential standard of living when the two children are of pre-

school age. At all other stages, both urban and rural, income is inadequate, peaking at a weekly shortfall of €168 for the urban two parent household with a child at second level and a nineteen year old.

For the single income family, the combination of net salary income from full-time minimum wage employment, Child Benefit, Family Income Supplement and the Back to School Clothing & Footwear Allowance, provides an adequate income for an urban two parent, two child household until at least one child reaches the second level school age group. As can be seen in Table 17, the combination of a minimum wage salary and social transfers proves to be inadequate to the minimum needs of this household type as the two children rise in age.

The dual income scenario incongruously demonstrates a greater frequency and magnitude of income inadequacy than the single income scenario, for the two parent household types. Increased expenditure requirements and reduced entitlements to FIS (due to higher household salary income) contribute to this situation. Only three of the urban age-group households, two children of pre-school age to two children of primary school age, can afford a minimum essential standard of living; in this income scenario, and the level of discretionary income is lower than the one adult employed scenario.

### ***Implications and use of the study's findings – quotes from the authors***

#### ***Dr Micheál Collins, one of the authors of the report, states that:***

*“The results of this research are relevant to a variety of public policy areas. Knowing the minimum essential standard of living for a household type provides us with a useful benchmark to assess:*

- *The adequacy and appropriateness of current welfare payments.*
- *The challenges that low income working families face.*
- *The adequacy of the minimum wage and the effectiveness of the interaction between low income households and the welfare system (FIS etc).*

*It is also relevant when considering households that are managing debt issues as the minimum essential standard of living is the same for all households irrespective of their income level – i.e. the minimum is the minimum for all and above this people can consume more given their incomes, however, below this level a household is unable to experience a basic standard of living. Consequently, the results are of relevance to situations where households are working with MABS, the courts and banking institutions to manage debt issues”*

#### ***Sr Bernadette Mac Mahon, one of the authors of the report, states that:***

*“this study shines a light on the income that is needed for a minimum essential standard of living across a spectrum of household types spanning the lifecycle. It demonstrates that many households in situations of reliance on social welfare or the national minimum wage live with an insufficient income. Income inadequacy means many households live below a level which has been defined as socially acceptable by Irish society. The consensual budgets standard method provides a socially agreed upon minimum measure below which households should not be expected to live. Failure to ground the national minimum wage and social*

*welfare transfers in a tangible measure of adequacy, such as defined in this research, means that poverty and social exclusion will continue to be a reality in Ireland.”*

***Dr Micheál Collins, one of the authors of the report, states that:***

*“By establishing this Minimum Income Standard the report provides a new benchmark grounded in the lived experience of people, one which complements other poverty measures and assists in the formation of income support policies to tackle poverty and enhance social inclusion at each stage of the lifecycle”*

## **About the study**

### **Authors**

**Dr Micheál Collins** was Assistant Professor of Economics at Trinity College Dublin (to September 2011) and is Senior Research Officer at the ERU (Economic Research Unit). - a think-tank on the Irish Economy established in September 2011. His research interests are in the areas of income distribution, taxation, economic evaluation, public policy and development. Micheál was a member of the Commission on Taxation (2008-09) and served as chairman of the Commission subgroup on Tax Expenditures/Tax Breaks. In 2011 he was appointed a member of the Government Advisory Group on Tax and Social Welfare.

**Dr. Bernadette Mac Mahon, D.C.** has been the Director of the Vincentian Partnership for Social Justice (VPSJ) since its establishment in 1995. She was Head of the Department of Education at the Mater Dei Institute of Education from 1971 – 1985 and Provincial Leader of the Daughters of Charity from 1986-1995. The VPSJ is a NGO working for social and economic change tackling poverty and social exclusion. The VPSJ uses two main approaches in its work for a more just and inclusive Ireland – the promotion of active citizenship among communities in disadvantaged areas and the establishment of the cost of a minimum essential standard of living.

**Gráinne Weld** is a Research Associate at the Vincentian Partnership for Social Justice. A graduate of Trinity College Dublin and Dublin City University, Gráinne joined the VPSJ in 2007. Her research interests are in the development of consensual budget standards, income supports, poverty and social exclusion.

**Robert Thornton** is a Research Associate at the Vincentian Partnership for Social Justice. A graduate of Trinity College Dublin and Queen's University Belfast, Robert joined the VPSJ in 2010. His research interests are in the development of consensual budget standards, taxation and income adequacy.

### **Funding**

Financial support for this joint research project was received from the Department of Social Protection, via a research grant from the Irish Research Council for Humanities and Social Sciences (IRCHSS), and from the Board of the Vincentian Partnership for Social Justice (VPSJ).

The study builds on a series of studies by the Vincentian Partnership for Social Justice which have examined minimum expenditure standards in Ireland. These include: One Long Struggle – A Study of Low Income Families (2000); Low Cost but Acceptable Budgets for Three Household Types (2004); Minimum Essential Budgets for Six Household Types in Urban Areas (2006); Minimum Essential Budgets for Six Household Types in Urban Areas - Policy Implications of Changes in Minimum Essential Budgets from 2006 – 2008 (2008) and Minimum Essential Budgets for Six Household Types in Rural Areas (2010).

### ***The Policy Institute***

The Policy Institute aims to promote active debate and engagement between the academic and policy communities. Based in the School of Social Sciences and Philosophy at Trinity College Dublin, the Institute's programme of activities includes delivering conferences and lectures which highlight the contribution of philosophy and social science to current public issues. This includes the Henry Grattan Public Lecture Series which aims to promote informed and non-partisan debate and to offer new ideas to decision-makers and opinion-formers on long-term social, political and economic challenges.

The Institute also publishes a series of Studies in Public Policy (informally known as 'Blue Papers') which provide short, rigorous, but accessible analyses of policy issues.

### ***The Studies in Public Policy Series***

The series *Studies in Public Policy* is published by The Policy Institute at Trinity College Dublin. It aims to bridge the gap between the academic and professional policy communities and make a real difference to public policy debate in Ireland. Each *Study* takes a practical policy problem and analyses it in a way that is academically rigorous yet accessible

### ***Availability of M Collins***

Dr Micheál Collins is available to discuss/comment on the above. Please contact at 086-8499751 or [mlcollin@tcd.ie](mailto:mlcollin@tcd.ie)

*Text of invitation to the launch*

## **PUBLICATION LAUNCH AND POLICY SEMINAR**

### **A Minimum Income Standard for Ireland**

**A consensual budget standards study examining household types  
across the lifecycle**

**Monday 6 February 2012 at 11am**

*followed by tea and coffee*

**The Long Room Hub, Trinity College Dublin**

The Policy Institute, TCD would like to invite you to the launch of *A Minimum Income Standard for Ireland: a consensual budget standards study examining household types across the lifecycle* - the 27<sup>th</sup> publication in Policy Institute's [Studies in Public Policy](#) series.

'A minimum essential standard of living is one which meets a person's physical, psychological, spiritual and social needs' (UN definition of an adequate lifestyle). Since 2004 the Vincentian Partnership for Social Justice (VPSJ) has undertaken work to establish the expenditure necessary for this standard of living among a selected group of Irish households (six in total). In this report, Trinity College Dublin and the VPSJ update and extend this research to include a broader, and more representative, group of households. Together with six existing household types, this report uses a consensual budget standards methodology to provide data on the essential living requirements of individuals and households across the entire lifecycle; from children to pensioners. Building on this analysis, the report proceeds to establish the minimum gross income required by these individuals and households to afford the expenditure necessary to meet this standard of living.

By establishing this Minimum Income Standard the report provides a new benchmark grounded in the lived experience of people, one which complements other poverty measures and assists in the formation of income support policies to tackle poverty and enhance social inclusion at each stage of the lifecycle.

The research has been funded through a research grant from the Irish Research Council for Humanities and Social Sciences (IRCHSS) with support from the Department of Social Protection.

***The report will be launched by:***

- **Dr Donald Hirsch**, Head of Income Studies and Leader of the Minimum Income Research Programme at the Centre for Research in Social Policy, Loughborough University, UK.

***Policy Seminar Speakers:***

- **Dr Micheál Collins**, TCD and Economic Research Unit (ERU), report author
- **Dr Bernadette Mac Mahon D.C.**, Director VPSJ, report author
- **Gráinne Weld**, Research Associate VPSJ, report author
- **Robert Thornton**, Research Associate VPSJ, report author
- **Tony McCashin**, School of Social Work and Social Policy, TCD (Chair)

The Long Room Hub is located in Fellows Square on the Trinity campus, a map of is available at: [www.tcd.ie/Maps/map.php](http://www.tcd.ie/Maps/map.php) See also: [www.tcd.ie/longroomhub/](http://www.tcd.ie/longroomhub/)