

The VPSJ and MABS National Development Ltd. present a Minimum Income Standard calculator (MISc) web app for Irish households.

The MISc allows the general public to see how the Minimum Essential Standard of Living (MESL) work of the VPSJ applies to their situation.

By visiting www.MISc.ie and answering a few simple questions about their circumstances, the MISc app calculates the cost of a Minimum Essential Standard of Living for the user's own household. This cost is broken down across sixteen areas of expenditure. It is accompanied by the calculation of the Minimum Income Standard for the household, i.e. the income the household needs in order to afford the minimum standard of living.

The MISc aims to be a broad tool covering as much of the general population as possible. It currently applies to approximately 70% of households in Ireland, and it is planned to extend this to 81% in the near future.

BACKGROUND

This Minimum Income Standard calculator (MISc) makes the Minimum Essential Standard of Living (MESL) work of the VPSJ readily accessible to the general public, and readily applicable to real household situations.

Since 2004 the VPSJ has undertaken work establishing the expenditure necessary for a MESL for a range of household types. This work establishes a consensus on what members of the public believe is a minimum standard that no individual or household should live below. Working with focus groups, the minimum goods and services that everyone needs for a MESL are identified. With a focus on needs not wants, the concern is with more than survival as a MESL is a standard of living which meets physical, psychological and social needs, at a minimum but acceptable level.

The recently published study, *A Minimum Income Standard for Ireland* (February 2012), establishes the income necessary to afford this standard of living, for a broad range of model household types; providing the data at the core of this calculator.

What is a Minimum Essential Standard of Living?

A Minimum Essential Standard of Living (MESL) is derived from a negotiated consensus on what people believe is a minimum. It is a standard of living which meets an individual's / household's physical, psychological & social needs. This is established by identifying the goods and services required by different household types in order to meet their minimum needs. A Minimum Income Standard (MIS) is the income required in order to achieve a minimum essential standard of living in Ireland.

What is the Minimum Income Standard?

The Minimum Income Standard (MIS) is the second side of the consensual budget standards research. It is derived from the MESL expenditure budget. The MIS defines the gross income a household needs in order to reach their minimum essential standard of living. It takes account of the likely tax liability and social welfare entitlements of the household in question.

To whom does it apply?

- Families with children – Two parent & One parent households
- Adults of working age, living alone
- Pensioner couple households
- Pensioners living alone

How is the MESL determined?

Focus groups are held for each household type. In a series of sessions the groups arrive at a negotiated consensus about the goods and services a household requires, to have a minimum essential standard of living. Experts are consulted in order to ensure that the negotiated consensus meets basic criteria e.g. nutritional standards. Each group consists of 8 – 10 people from a mixture of social and economic backgrounds, and represents the household under consideration. In order to ensure reliability and validity three different focus groups are established for each household type. The process is detailed, time-consuming and thorough.

What does it include?

The MESL is concerned with more than survival. It focuses on needs not wants. It identifies the minimum goods and services that everyone should afford. It is based on the assumption that individuals, and all the members of the household, enjoy good health and do not have a disability. While a minimum income standard in itself cannot guarantee a minimum essential standard of living an individual or a household with an income which falls below the minimum income standard is unlikely to achieve this standard of living.

How is the MESL expenditure standard arrived at?

The goods and services (shopping baskets) which are the outcome of the final negotiated consensus are priced in stores identified by the focus groups. The baskets cover 16 areas of expenditure. The totals of each of the categories of household budgets show the expenditure required to enjoy a minimum essential standard of living.

How is the Minimum Income Standard related to the Poverty Line?

While it is relevant to the discussion on poverty it is not a poverty threshold. The participants in the focus groups concentrated on MESL for all household types. However the MIS is relevant to debates on poverty and in particular to considerations of income poverty.

Who produced it?

The research is undertaken by the Vincentian Partnership for Social Justice. The initial work was under the guidance of Professor Jonathan Bradshaw from the Family Budget Unit, University of York. The

latter research conducted by the VPSJ has been in consultation with the Centre for Research on Social Policy, University of Loughborough.

The most recent tranche of the research was carried out in co-operation with Dr. Micheál Collins from the Department of Economics, Trinity College Dublin and co-funded by the IRCHSS.

When and how is it being updated?

The original research began in 1999 and findings presented in 2001, 2004, 2006, 2008 and 2010. Since 2006 the material has been updated annually taking into consideration changes in inflation rates. The appropriate CPI sub indices rates are applied to each category. Updating annually allows changes in the cost of goods and services to be tracked and provides up-to-date information on the cost of a minimum essential standard of living.

For the *Minimum Income Standard for Ireland* study, published in 2012, the dataset was extended to include an infant, an unemployed 19 year old living in the family home, and a female single adult of working age.

Currently the VPSJ is undertaking a review of the contents of the household budgets, going back to focus groups to establish how the attitudes about what constitutes a minimum may be changing over time.

What research has been published to date?

- Forthcoming – The Cost of A Child
- 2012
A Minimum Income Standard for Ireland
- 2010
Minimum Essential Budgets for Households in Rural Areas
- 2008
Minimum Essential Budgets for Six Households – Changes in the Cost of a Minimum Essential Standard of Living from 2006-2008
- 2006
Minimum Essential Budgets for Six Households (Urban)
- 2004
Low Cost but Acceptable Budgets for Three Household Types
- 2001
One Long Struggle – A Study of Low Income Households

Ongoing research – building on our work to date

The most recent work introduced the MIS for an enlarged range of household types. To do this we shifted our focus from the MESL needs of aggregate households to the MESL needs of specific individual types within the context of an entire household. In the Minimum Income Standard for Ireland report, this allowed us to compile individualised MESL expenditure budgets for a fuller spectrum of household types. It is this flexibility in the data which has enabled the calculator.

Future work

- To expand the MESL expenditure data to apply to households with up to 4 children, and in turn enable the MISc to calculate the needs of such households.
- Updating and reviewing the Minimum Income Standard calculator, and related data, on an annual basis.
- Expanding the range of household situations included in the MIS dataset
- Currently the VPSJ is examining the direct cost of a child from infancy to young adulthood, using the dataset that was expanded in the course of the 2012 A Minimum Income Standard for Ireland study.

What are other applications of the research?

- Having a benchmark about what it costs for household types to have an acceptable standard of living opens up a space to examine the adequacy of the National Minimum Wage and social welfare transfers.

These findings are presented in pre-budget and policy submissions to highlight individuals and families living on an inadequate income.

- The VPSJ met with representatives of Government Departments, e.g. the Department of Social Protection, and with the Department of Finance to discuss how the research could be used with regard to income retention and debt resolution, in the context of households with mortgage arrears.
- The research is being used by a number of organizations such as MABS, the Society of St Vincent de Paul, Age Action and FLAC who are involved with people experiencing poverty, social exclusion and debt; and requiring assistance with their household budgeting.
- The VPSJ has for the last number of years being invited to make a presentation to the Minister and the Department of Social Protection at the Pre-Budget Forum.
- The VPSJ has been involved with the development of minimum income standards at EU level.

Where can I learn more about this research?

You can visit the VPSJ's website dedicated to this research, www.budgeting.ie, where you can access copies of each of the research reports providing detailed information on the methodology and data upon which this calculator is built.

The detailed budgets for each of the component individual types are also available. Sample budgets for model household types and their potential incomes across a range of scenarios are also published on www.budgeting.ie

MESL EXPENDITURE CATEGORIES

| | | | |
|--------------------|------------------------------------------------------|-------------------------|----------------------------------------------------------------------------------------|
| Food | Food for a nutritionally balanced diet | Education | Uniform, books & stationary, school trips |
| Clothing | Clothing & footwear for all seasons | Transport | Weekly bus tickets or car(s) and associated running costs |
| Personal Care | Personal hygiene & grooming items | Housing | User's specified weekly cost |
| Health | Medications, visits to GP, Optician, Dentist, etc. | Household Energy | Electricity and home heating fuel |
| Household Goods | Furniture, appliances, cleaning products | Personal Costs | Donations to charity, TU membership (as appropriate) |
| Household Services | Waste charges, maintenance services | Childcare | Weekly cost of childcare |
| Communications | Telephone, post, internet (for household with teens) | Insurance | Home contents, Private health (when not entitled to medical card), Car (as applicable) |
| Social Inclusion | The minimum for participation & inclusion | Savings & Contingencies | Savings and life assurance (for households with children) |

MINIMUM INCOME STANDARD CALCULATOR

www.MISc.ie

The Minimum Income Standard calculator (MISc) applies to 4 broad household types

1. One Parent households*
2. Two Parent households*
3. Adults of working age, living alone
4. Pensioner households – couples and individuals living alone

There are 3 key stages to its operation

Define the household

The MISc allows the user describe their household situation on the basis of:

- Location – Urban or Rural
- Structure & Employment / Income situation
- Children (where applicable)
- Housing type & housing cost.

Calculate expenditure needs

The calculator then presents the weekly cost of a Minimum Essential Standard of Living for the household type described. The breakdown of the budget across 16 categories of expenditure can be accessed.

This budget is dynamically assembled for the household from the VPSJ's individualised component expenditure budgets (these may be viewed directly at www.budgeting.ie).

Calculate income needs

The MISc then examines the income needs of the household, following one of two routes.

Income for households with employment

The MISc determines the gross salary the household would need to afford a Minimum Essential Standard of Living. The calculator assesses the Income Tax, PRSI and USC payable by the household, the entitlement to Medical Card and eligibility for applicable Social Welfare payments (Child Benefit, Family Income Supplement, One-Parent Family Payment, Back to School Clothing & Footwear, Fuel Allowance), calculating the appropriate rates of payment.

The details of total household income at the required gross salary level are presented on a weekly income basis.

Income for households dependent on social welfare

The MISc assumes eligibility for the full rate of Jobseeker's payments, One-Parent Family Payment, or State Pensions as applicable to the household, and any secondary benefits appropriate.

This household income is then measured against the cost of the household's Minimum Essential Standard of Living, and assessed as adequate or inadequate to their minimum needs.

* Currently limited to households with one or two children (aged from 0 – 18). This is to be extended to households with up to 4 children in the near future.

... a walkthrough of www.MISc.ie

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Okay, let's get started, simply click on start: Start

Choose an option that best describes you.

| | |
|-----------------------------------------------------|-----------------------------------------------------|
| Living In An Urban Area | Living In An Rural Area |
| ▶ One Parent Household i | ▶ One Parent Household i |
| ▶ Two Parent Household i | ▶ Two Parent Household i |
| ▶ Adult Of Working Age, living alone i | ▶ Adult Of Working Age, living alone i |
| ▶ Pensioner Household i | ▶ Pensioner Household i |

The user chooses from one of four broad household types in Urban and Rural areas, to describe their own household situation.

They are then asked to describe the employment / income situation for the household.

The options presented apply to the household type selected.

Step 1 of 3 1. Employment 2. Children Info 3. Housing Type

Head Of Household Adults - Your Employment Status

| | | |
|-------------------------|---|----------------|
| Employed Full-Time | 0 | i |
| Employed Part-Time | 0 | i |
| Unemployed - Job Seeker | 0 | i |
| Stay At Home | 0 | i |

2

3

Step 2 of 3 1. Employment 2. Children Info 3. Housing Type

Your Household - Children's Ages

| | | |
|--------------|------------|----------------|
| First Child | 15 | i |
| Second Child | Choose Age | i |

Choose Age
Under 1
1
2
3
4
5

Next

For households with children, the user then enters the age of their children (Under 1 to 18).

The MISc will soon expand to cover households with up to 4 children (covering 92% of households with children).

The user chooses their own housing type

- Social Housing
- Private Rented
- Owner Occupied

And enters **their** housing cost

Step 3 of 3 1. Employment 2. Children Info 3. Housing Type

Your Housing Type & Information

| | | |
|-----------------|---------------|----------------|
| Type Of Housing | Please Select | i |
|-----------------|---------------|----------------|

Housing Type: Owner Occupied
Your home is owned by the occupant, you. You either own the home outright or have a mortgage.

Mortgage Repayment per Month

4

The user is presented with initial results. The weekly expenditure for a MESL and household income is displayed. For employed households the income is their MIS, for other households it is the basic social welfare entitlements for the situation described.

Results

As a minimum, your household needs:

Earnings of:
€46,507.76 per year

So that your total household income, including earnings after tax and social welfare entitlements, covers your household's minimum expenditure needs.

| Household Expenditure | Household Income |
|------------------------------------|------------------------------------|
| €792.35 per week <i>i</i> | €792.90 per week <i>i</i> |
| Detailed Breakdown | Detailed Breakdown |

Help Guide & Information

Important User Information
The calculation of your tax and social welfare entitlements may not be fully accurate for your situation, as not all assumptions made may apply to your particular circumstances.
[View to Learn More](#)

Assumptions Used In Calculations
We've had to make certain assumptions about your circumstances in order to complete our calculations. You can adjust some of these by clicking the link below.
[Adjust Assumptions](#)

Adjustable Costs - Enter Your Actual Details Below *i*

| | |
|--------------------------------|------------------------------------|
| Childcare | <input type="text" value="0.00"/> |
| Electricity | <input type="text" value="20.21"/> |
| Home Heating | <input type="text" value="21.04"/> |
| Public Transport is Inadequate | <input type="checkbox"/> |

[Recalculate](#)

For calculating your minimum home heating costs we have based our calculations off a specific standard of house and fuel usage. However, your home may be less, or more, efficient than in our assumptions and so your heating costs may need to be adjusted. Any unavoidable fuel bills are a part of your costs for reaching a minimum essential standard of living, and you may adjust for that here

There are 3 areas of expenditure which the household has little control over. These have a direct impact on the cost of a minimum standard of living. The user can adjust these costs to reflect their situation.

The results are recalculated on the basis of user adjustments.

A detailed breakdown of expenditure and income is available, and the user can print their results.

| Household Expenditure | Household Income |
|------------------------------------|------------------------------------|
| €797.14 per week <i>i</i> | €798.30 per week <i>i</i> |
| Detailed Breakdown | Detailed Breakdown |

| Taxable Income (per week) | | Social Welfare Entitlements (per week) | |
|---------------------------|-----------------|----------------------------------------|----------|
| Gross Salary | € 905.63 | Child Benefit | € 64.62 |
| Income Tax | - € 90.50 | Total Social Welfare | € 64.62 |
| PRSI | - € 31.15 | Medical Card Eligibility | GP Visit |
| Universal Social Charge | - € 50.29 | | |
| Net Salary | € 733.68 | | |
| | | Total Income € 798.30 | |

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- The ongoing and indispensable input of the Research Advisory Group
- Base Creative, for their professionalism and commitment to the project
- The project team of the VPSJ, including Gráinne Weld, and in particular to Robert Thornton for the meticulous and painstaking work in developing the calculator and for his considerable initiative and dedication.

Now try the Minimum Income Standard calculator.
www.MISc.ie

