

Minimum Essential Budgets for Six Household Types in Rural Areas

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Introduction

This research seeks to establish the cost of a minimum essential standard of living for six different household types in rural areas. It aims to:

1. Identify the additional, or different, costs faced by households in rural areas to ensure the same standard of living as urban households.
2. To present the cost of living in rural areas in a manner which informs social debate, provides data for policy-makers, and is of practical use to organisations working with people on the ground.

While the study draws on the budgets developed for urban areas (2006 and updated annually), the emphasis is on the different needs of rural households. The following are the six household types:

- Two Parents & Two Children (Aged 3 & 10)
- Two Parents & Two Children (Aged 10 & 15)
- One Parent & Two Children (Aged 3 & 10)
- Pensioner Couple (Aged 66 – 69)
- Female Pensioner, Living Alone (Aged 70+)
- Single Male, Living Alone (Aged 40 – 55)

The Research

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Key points

- The cost of a minimum essential standard of living for six household types in rural areas is higher than that for their urban counterparts.
- The cost difference between urban and rural households ranges between €69.91 and €108.61.
- The costs of transport and food are the two largest areas of difference.
- The deficiency of public transport in rural areas necessitates the inclusion of a car(s) for rural households.
- A lack of readily accessible major multiples with a comprehensive range of 'own-brand' items, increases food costs for rural households.
- In rural areas childcare, and social inclusion and participation for households with children, are less expensive, and this offsets some of the urban rural difference.
- There is only a minor difference between the heating of a Local Authority house, built to 2006 insulation standards, in a rural area and a similar house in an urban area. However, the difference is greater when privately owned older houses, insulated to 1990's building standards, are considered.
- A minimum essential standard of living is not possible for three of the six household types as social welfare rates and the national minimum wage do not provide an adequate income. The three household types are:
 - Female Pensioner, Living Alone (Aged 70+)
 - Two Parents and Two Children (Aged 10 & 15)
 - Single Male, Living Alone (Aged 40 – 55)

Background

The Vincentian Partnership for Social Justice (VPSJ) was established in 1995 to work for social and economic change tackling poverty and social exclusion, it consists of The Society of St Vincent de Paul, The Vincentian Congregation, The Daughters of Charity, and The Sisters of The Holy Faith.

Since 1999 the VPSJ has undertaken a number of studies to establish the cost of a minimum essential standard of living – the minimum required to make possible a standard of living which meets an individual/household’s physical, psychological, spiritual, and social needs – for six household types in urban areas.

A minimum income in itself does not guarantee a minimum essential standard of living. However, individuals or households with an income below that minimum cannot have a standard of living which meets their physical, psychological, spiritual, and social needs.

Current measures of income adequacy, e.g. the national minimum wage, and social welfare payments, are all arbitrary. They have been developed by negotiation between policy-makers at government level and not on informed social consensus about what households need in order to have a minimum essential standard of living.

It was decided to develop similar budget standards for rural areas. Focus groups were established in four different geographical areas and dealt with budgets for the household types to which they belong. The groups consisted of people of different socio economic backgrounds. The groups negotiated a consensus about what households need in order to have a minimum essential standard of living.

For details of the process used to develop the consensual budgets standard, see our website www.budgeting.ie.

Table* I: MESL Weekly Budgets† for Six Rural Household Types, Q4 2009 Prices

	Pensioner Couple (Aged 66 – 69)	Female Pensioner (Living Alone) (Aged 70+)	One Parent, Two Children (Aged 3 & 10)	Two Parents, Two Children (Aged 3 & 10)	Two Parents, Two Children (Aged 10 & 15)	Single Adult Male (Aged 40 – 55)
Food‡	€ 113.76	€ 82.74	€ 107.09	€ 127.71	€ 157.72	€ 83.82
Clothing	€ 27.58	€ 17.52	€ 22.84	€ 30.04	€ 39.33	€ 14.17
Personal Care	€ 15.01	€ 10.91	€ 13.99	€ 22.58	€ 27.37	€ 10.92
Health Related Costs	€ 15.41	€ 7.69	€ 5.90	€ 7.30	€ 7.63	€ 1.62
Household Goods	€ 26.47	€ 23.80	€ 23.15	€ 26.36	€ 28.27	€ 22.33
Household Services	€ 8.23	€ 7.70	€ 10.62	€ 10.96	€ 10.96	€ 8.27
Communications	€ 13.21	€ 13.32	€ 5.87	€ 11.44	€ 27.82	€ 10.70
Social Inclusion & Participation	€ 55.91	€ 43.76	€ 43.33	€ 66.14	€ 88.49	€ 60.77
Educational Costs	€ -	€ -	€ 7.02	€ 7.02	€ 22.38	€ 2.50
Transport	€ 51.77	€ 51.78	€ 64.48	€ 113.18	€ 113.18	€ 62.81
Household Fuel	€ 43.01	€ 41.57	€ 41.02	€ 41.22	€ 42.34	€ 33.32
Personal Costs	€ 6.49	€ 8.50	€ 6.00	€ 6.00	€ 6.00	€ 9.29
Childcare Costs	€ -	€ -	€ 208.10	€ -	€ -	€ -
Insurance Costs §	€ 43.72	€ 27.54	€ 33.86	€ 52.87	€ 52.87	€ 23.71
Savings & Contingency Costs	€ 31.00	€ 10.33	€ 14.03	€ 28.74	€ 28.74	€ 15.50
Total Weekly Costs	€ 451.57	€ 347.16	€ 607.30	€ 551.56	€ 653.10	€ 359.73

* The figures in these tables represent the average (mean) costs across three geographic areas.

† Weekly budget excluding housing costs, based on one adult working full-time (where household has an adult of working age), and no entitlement to secondary benefits.

‡ Food demonstrated the largest variance across the three areas, e.g. for the Two Parent, Two Children (Aged 10 & 15) household type food costs vary from €146.11 in Area A to €174.37 in Area C, giving a range of €28.26 in this instance.

§ Comprised of health insurance, home contents insurance, and car insurance.

Table 2: Summary of Rural – Urban Expenditure Difference, Q4 2009 Prices

	Pensioner Couple (Aged 66 – 69)	Female Pensioner (Living Alone) (Aged 70+)	One Parent, Two Children (Aged 3 & 10)	Two Parents, Two Children (Aged 3 & 10)	Two Parents, Two Children (Aged 10 & 15)	Single Adult Male* (Aged 40 – 55)
Weekly Budget[†], Excluding Rent & Childcare						
Rural	€ 451.57	€ 347.16	€ 399.20	€ 551.56	€ 653.10	€ 359.73
Urban	€ 345.58	€ 257.88	€ 329.29	€ 442.95	€ 552.56	-
Difference	€ 105.99	€ 89.28	€ 69.91	€ 108.61	€ 100.54	-
Breakdown of Rural – Urban Difference						
Food	30.30%	18.03%	27.51%	22.15%	24.72%	-
Transport (Car, Fuel, Insurance, etc.)	53.62%	65.08%	62.34%	69.20%	74.76%	-
Remainder	16.09%	16.89%	10.16%	8.65%	0.53%	-

* Rural single male not comparable with urban single male due to different age and housing profiles.

[†] Based on one adult working full-time (where household has an adult of working age), and no entitlement to secondary benefits.

Trends

The cost of a minimum essential standard of living is higher for the six household types in rural areas when compared with their urban counterparts. There are a number of factors that can explain this difference.

There is a significant difference in transport costs between urban and rural areas. In the urban study, a car is not a minimum requirement as there are adequate transport links. However, the focus groups strongly felt that a car is a necessity in a rural area as there is insufficient public transport, and an analysis of rural public transport provision reflected this reality. For households with children two cars are necessary, except in cases where

neither parent is working. The cost of a car(s) including its running and maintenance costs is an expensive but unavoidable financial burden for rural dwellers and it is the principal cost difference between urban and rural households.

Food also makes up a significant proportion of the difference in cost between urban and rural households, and demonstrated one of the largest variances in price between rural areas. Overall, rural households cannot readily access major multiples and avail of a comprehensive range of 'own brand' goods, which are considerably less expensive than branded items. As a result, many rural dwellers pay more for food and this drives up their overall expenditure costs.

Table 3: Comparing MESL Budget Expenditure (including housing) to Weekly Cash Income

Two Parents, Two Children (10 & 15)	Weekly Cash Income*	Weekly Expenditure [†]	Shortfall	Poverty Line [‡]
In Receipt of Jobseekers Benefit (1 car)	€ 478.23	€ 612.22	€ 133.99	€ 532.27
One Adult Working Full-time (2 cars)	€ 570.08	€ 658.01	€ 87.93	€ 532.27
One Adult Working Full-time, One Adult Working Part-time (2 cars)	€ 636.69	€ 690.67	€ 53.98	€ 532.27
Female Pensioner, Living Alone (Aged 70+)				
Contributory Pension	€ 269.02	€ 347.78	€ 78.76	€ 229.47
Non Contributory Pension	€ 257.72	€ 347.78	€ 89.56	€ 229.47
Single Male, Living Alone (Aged 40 – 55)				
In Receipt of Jobseekers Benefit	€ 204.30	€ 358.93	€ 154.63	€ 229.47
Working Full-time	€ 324.38	€ 397.02	€ 72.64	€ 229.47

* When calculating the net cash income for each scenario, income from all social welfare entitlements is taken into account where applicable, e.g. Back to School Clothing and Footwear Allowance, Family Income Supplement etc.

[†] Less healthcare costs where applicable.

[‡] Predicted 2009 60% median income poverty line, CORI Poverty Policy Briefing (2009).

Income-Expenditure Scenarios

Overall, there are 16 income-expenditure scenarios in the study, i.e. working full-time; working part-time or in receipt of Social Welfare (Jobseekers Benefit, Contributory Pension etc). When each household's income is compared with their expenditure costs, a minimum essential standard of living is only possible in 8 of the 16 rural household scenarios. Whereas 13 of the 16 urban household

scenarios have an income that allows a minimum essential standard of living.

The table above shows the reality of living on an inadequate income. It demonstrates the inadequacy of current income levels for the above households, as weekly cash income falls short of the expenditure necessary for a minimum essential standard of living. The 2009 poverty line underestimates the income necessary for an adequate, but minimum, lifestyle.

Income – A ‘Living Wage’

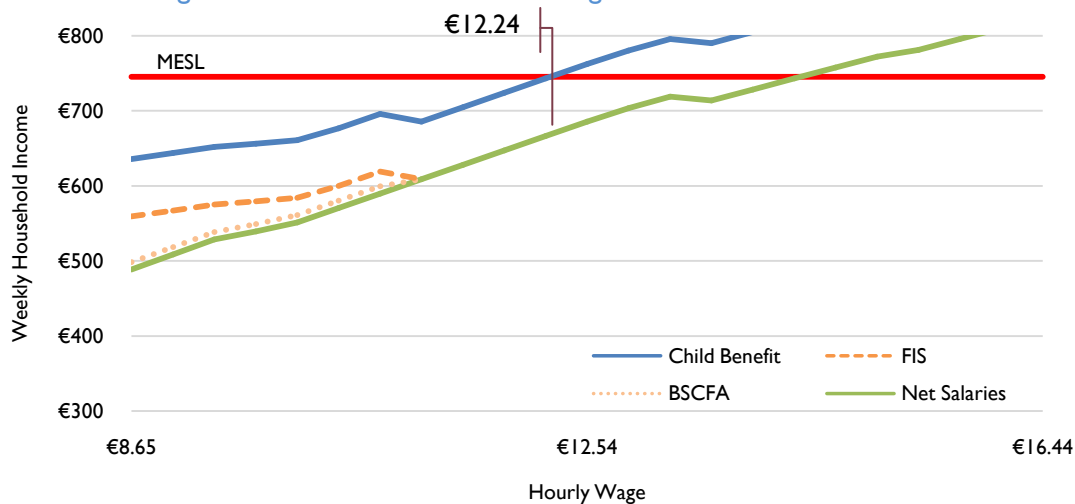
A two parent household with a teenager, in a rural area, whether single income (one adult working full-time) or dual income (one adult working full-time and one working part-time) at national minimum wage rates, does not earn enough to realise a minimum essential standard of living. Thus, an analysis of the tax and welfare system, as it pertained in Q4 2009, is undertaken to examine what level of pre-tax salary the adults in this situation would require in order to attain a net income sufficient to meet the expenditure required for a minimum essential standard of living.

The chart below illustrates the income scenario for the household with one adult working full-time and one working part-time. In addition to income from salary, the cumulative contribution of transfer payments (universal Child Benefit, the means-tested Family Income Supplement, and targeted Back to School, Clothing & Footwear Allowance) to the weekly household income is demonstrated. When two adults are working, one full-time and one part-time, earning the national minimum wage, a quarter (25%) of household income is derived from state transfer payments. Despite this financial support, the scenario presents a situation where household income is below the level necessary for a minimum essential standard of living.

The relationship between salary and household income is not linear, as the level of financial support offered by targeted payments, in this case Family Income Supplement (FIS) and Back to School, Clothing & Footwear Allowance (BSCFA), will decline and ultimately cease. Additionally, as wages rise, medical card eligibility will expire, and the burden of income tax, PRSI, and levies, will increase, widening the gap between salary and net income. Furthermore, the housing costs in this situation are based on an average of local authority differential rents across the three rural areas examined in this study. As the differential rent is based on household income, the rent will also rise as income rises, increasing the level of income required to attain a minimum essential standard.

In the two scenarios examined, the households exceed the eligibility criteria for FIS and BSCFA at a level of income inadequate to provide a minimum essential standard of living. However, as child benefit is a universal and untaxed benefit, it continues to contribute (€76.62) to the weekly household income, thus reducing the potential hourly salary required to that highlighted. Thus, for a rural household of this type, a ‘living wage’ of €20.13 is required for a single full-time worker; however, when the household has two incomes, one adult working full-time and one adult working part-time, a ‘living wage’ of €12.24 is necessary for each earner.

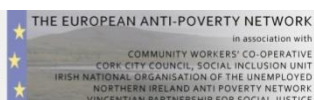
Chart 1: One Adult Working Full-time and One Adult Working Part-time



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