
COMPARISON OF HOUSEHOLD BUDGET SURVEY TO MESL/MIS DATA



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ABSTRACT

This paper compares the findings of the CSO (2012) Household Budget Survey 2009-2010, to the VPSJ Minimum Essential Standard of Living/Minimum Income Standard (MESL/MIS) expenditure needs data. The comparisons illustrate the value of the nuanced MESL/MIS expenditure data as it facilitates examining the minimum needs of very specific household compositions in precise scenarios.

This analysis focuses on two household compositions, a single adult living alone and two parents with children. The paper demonstrates that the expenditure required to meet the minimum needs of these household types is notably lower than the average of the actual expenditure of households of the corresponding composition. That is to say that the minimum requirement is lower than that spent by the average household.

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Introduction

This paper sets out to compare the findings of the CSO (2012) Household Budget Survey 2009-2010, to the VPSJ Minimum Essential Standard of Living/Minimum Income Standard (MESL/MIS) expenditure needs data. While both datasets detail the expenditure of households, the rationale, approach and findings of the two differ, and consequently a comparison between the two datasets is not straightforward. Therefore, this paper shall:

- First outline the Household Budget Survey (HBS) data and how it differs from the MESL/MIS expenditure needs data
- Secondly detail how the comparison is made, and what exactly is being compared
- Finally, comparisons between the HBS data and MESL data will be made for two household compositions:
 - i. Single adult, living alone
 - ii. Two parent and children

This analysis will demonstrate two important points. It will show that the HBS average expenditure is notably higher than the corresponding household types' minimum expenditure needs as established in the MESL/MIS data. Additionally, the comparisons will illustrate the value of the nuanced MESL/MIS expenditure data as it facilitates examining the minimum needs of very specific household compositions in precise scenarios versus the average expenditure of broad household compositions in the HBS.

Household Budget Survey data

The most recent HBS data is from research conducted in 2009/2010 and published in 2012. It provides detailed information on the expenditure of Irish households. The results of the Household Budget Survey are presented in a series of tables, each of which present average weekly household expenditure with the results aggregated by either location, region, income decile, housing tenure, social group, livelihood status, household composition or household size. For this comparison Table 7 of the Household Budget Survey, which presents the average weekly expenditure by household composition, is the most relevant.

This summary of the data presents average expenditure for six household compositions. This is an average of the expenditure for household compositions across income levels, location, housing tenure and livelihood status, and all household sizes within each household composition. Of the six household compositions four are similar to the household types included in the MESL/MIS dataset. These four HBS household compositions and corresponding MESL/MIS household types are:

Household Budget Survey	MESL/MIS Dataset
1 adult	Single Adult of Working Age, Living Alone Pensioner, Living Alone
1 adult with children	One Parent Households
2 adults	Pensioner Couple Couple of Working Age, no children ¹
2 adults with 1 – 3 children	Two Parent Households

These household compositions are significantly broader than those presented in the MESL/MIS data. The HBS 1 adult household type presents the average expenditure of both working age single adults and lone pensioner household types in Urban and Rural areas. In the case of households with children, the HBS data presents the average expenditure of all households with 1 to 3 children up to the age of 14, in both Urban and Rural areas.

The MESL/MIS data differentiates between each of these household types by both composition and location. It also allows for greater nuance by presenting the expenditure need for households by age-group of children. The MESL expenditure need can be calculated for any combination of 1 to 4 children in any of four age groups, also allowing for household location and parental employment situation.

Finally, while the Household Budget Survey gives a very broad answer to questions regarding the average expenditure of households the MESL/MIS gives specific answers regarding the minimum needs of a particular household composition, location and employment situation. Furthermore, the MESL/MIS answer is fundamentally different as it calculates what a household would need to spend in order to maintain a socially acceptable minimum standard of living, rather than illustrating what is actually spent by households.

Comparing the HBS with the MESL/MIS data

As outlined so far, the differences between the HBS and MESL/MIS make direct comparison difficult. To undertake the comparison, adjustments must be made to mitigate the basic differences between a dataset which presents a broad average and a dataset which provides scenario specific information. In particular there are four areas which must be addressed, housing, household location (urban or rural), employment situation, and finally the differences between the broad HBS household compositions and more specific MESL/MIS household types. The steps taken to overcome these differences and facilitate the comparison are outlined below.

¹ The addition of this household type to the MIS/MESL dataset is forthcoming. The research to establish the minimum needs for this household type is currently underway and it is intended to add this household type to the dataset upon completion of this work later in 2013.

The Household Budget Survey expenditure data is based on costs between August 2009 and September 2010. To enable as accurate a comparison as possible the MESL expenditure data for the household types under consideration has been adjusted to March 2010 (the approximate mid-point of the HBS period).

Housing

The HBS data includes the average expenditure of households in various forms of housing tenures. The data encompasses households' expenditure on housing when privately renting, on social housing, housing owned with a mortgage and housing owned outright. The base MESL/MIS expenditure data does not include expenditure on direct housing costs e.g. rent or mortgage, rather when examining a specific household scenario, appropriate housing costs are included. To overcome the differences in treatment of housing, this comparison shall exclude all direct housing costs from both datasets.

Household Location – Urban or Rural

The MESL/MIS data differentiates between the expenditure and income needs of urban and rural households. The HBS provides data on the average expenditure by region within the country and overall averages for urban and rural areas; however, the published data does not give the urban and rural expenditure by household compositions. The average expenditure by household composition is presented as a national average. To enable comparison with the MESL/MIS a weighted average is calculated for each household type being compared; the weightings are taken from the Census 2011 data.

Employment Situation

As with household location the HBS provides expenditure data classified by livelihood status but not then differentiated by household composition. The MESL/MIS data differentiates by employment status of the head of household adult(s); this differentiation is most evident in childcare expenditure. Within the HBS data, childcare expenditure is an average of those households spending with different levels of childcare need, while the MESL childcare cost is only included when required by the situation. For the purposes of this comparison expenditure on childcare is excluded from the both MESL/MIS and the HBS figures.

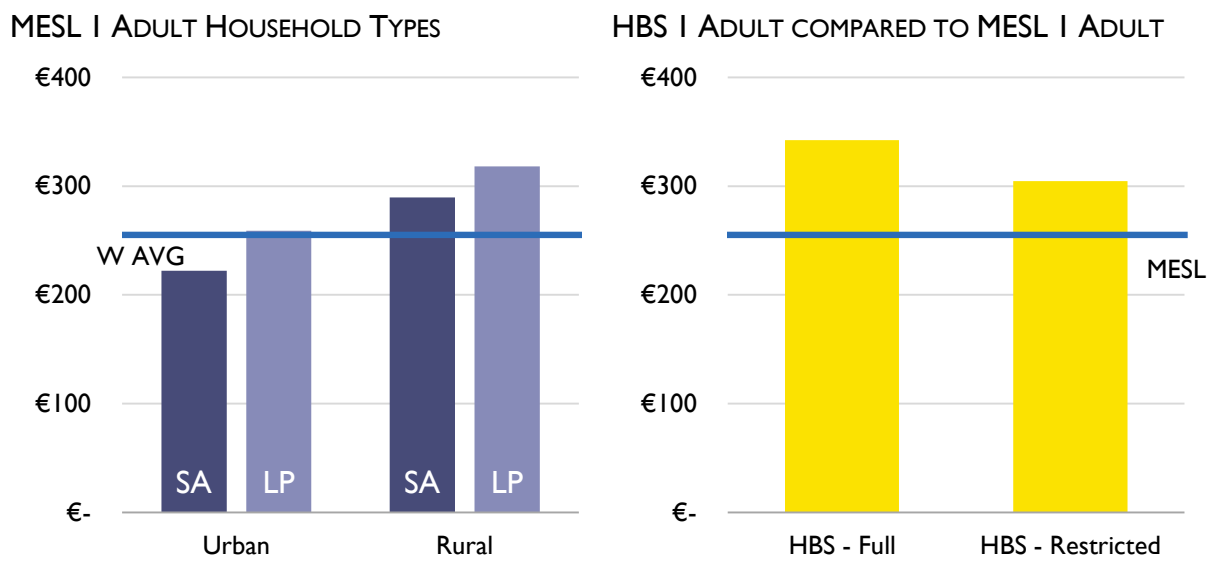
HBS Full versus HBS Restricted

There is a clear methodological reason for excluding housing and childcare expenditure from this comparison. However, it is debatable as to whether other areas of expenditure which are in the Household Budget Survey but not a component of the Minimum Essential Standard of Living expenditure should be included in this comparison. For example the MESL expenditure does not include any expenditure on alcohol, tobacco, or gambling, nor is there any allowance made for the expenditure associated with having a second home. Furthermore, the MESL data is based on the assumption of good health and so does not include expenditure on home help or residential home fees for the elderly.

In the comparison carried out below, HBS Full corresponds to the full Household Budget Survey expenditure for the household composition, excluding childcare and direct housing costs e.g. mortgage or rent (for both primary and secondary dwellings). A secondary comparison is then made with a restricted selection of the Household Budget Survey expenditure where key broad areas of expenditure which are not present in the MESL data are excluded. This HBS Restricted set also excludes housing and childcare, and additionally excludes expenditure on alcohol and tobacco, and all gambling expenditure from the Betting & Lotteries category in the HBS. Expenditure on pets, home help and residential home fees for the elderly, money given to other households, money sent abroad and expenditure on maintenance/separation allowance is also excluded from the HBS Restricted total.

Household Composition – 1 Adult

The HBS data provides the average expenditure for 1 adult households of all ages, and therefore corresponds to both the working age and pensioner household types in the MESL/MIS data. 34% of the HBS 1 adult household sample is aged 65 years and over. Conversely, only 1% of the 2 adult with children HBS household sample is aged 65 years and over, and 0% of the 1 adult with children household. Therefore a weighted average of urban and rural working age single adult and pensioner living alone household types is calculated to enable comparison with the HBS 1 adult household composition.



The weighted average is compared against the MESL for each of the urban and rural household types in the chart above left. The MESL weighted average for a 1 adult household type is €255 per week. The MESL expenditure need is lowest for an urban single adult of working age, €222 per week, and highest for a rural pensioner living alone, €318 per week (all costs exclude housing). The second chart, above right, compares the weighted average MESL expenditure for a 1 Adult household to the HBS 1 Adult average expenditure. It is clear that the weighted average MESL expenditure is lower than both sets of HBS data.

The Full HBS expenditure for the 1 adult household composition is €342 per week. This is €87 a week more than the weight average MESL expenditure. The Full HBS expenditure for the 1 adult household composition is greater than for any of the MESL 1 adult household types, and is over 1.5 times the MESL expenditure need of an urban working age single adult household type.

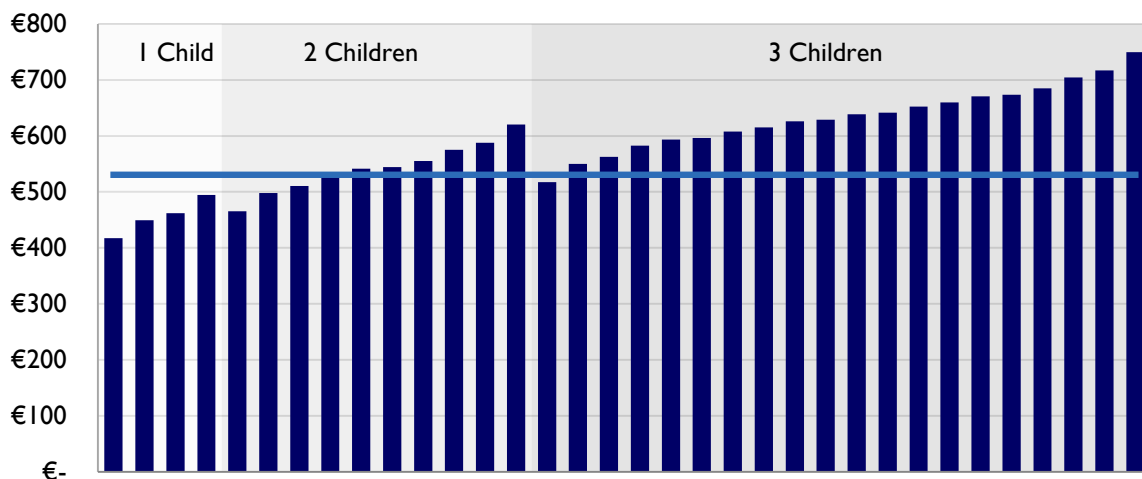
Only the rural pensioner living alone MESL household type* exceeds the Restricted HBS average expenditure. However, as is apparent in the chart above, the weighted average MESL expenditure is below the Restricted HBS expenditure. The Restricted HBS expenditure for this household composition is €305 per week, €50 greater than the weighted average MESL expenditure.

Household Composition – Two Adults and 1 to 3 children

As discussed above the HBS presents the average expenditure of all two adult households with one to three children. The MESL/MIS data covers the minimum expenditure needs of Two Parent household types with one to four children, and provides the specific minimum expenditure needs based on the composition of the household with regard to age-group and number of children. As with the 1 adult household, in order to enable comparison between the MESL and HBS expenditure, a weighted average MESL expenditure is calculated for this household type.

The MESL/MIS data can produce the expenditure needs for 68 possible permutations of the Two Adult with 1 to 3 children household composition. There are 34 permutations of the four child age groups, and the MESL expenditure needs vary between urban and rural areas. The chart below illustrates the weighted urban-rural average for each of the 34 possible household composition permutations (the lowest weekly expenditure is for a household with one child of pre-school age, €417, and the highest is a household with three children of second level age, €749)[†]. The overall weighted average for this household type was calculated as €530 per week, this value is highlighted by the horizontal blue line.

MESL WEIGHTED AVERAGE OF TWO PARENT HOUSEHOLD TYPES WITH 1 TO 3 CHILDREN

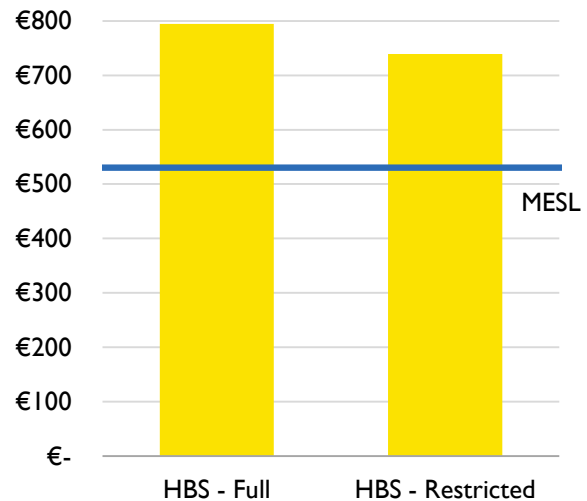


Comparing the weighted average MESL to the HBS data once again demonstrates that the Minimum Essential Standard of Living expenditure needs of the household are markedly lower than the actual average expenditure of households of this composition.

The MESL weighted average is €530 per week. The average weekly expenditure of this household composition in the Full HBS is €792 per week. This is almost one and a half times the MESL weighted average expenditure, and consistently higher than all of the 34 MESL household composition permutations. The HBS Full is between €375 and €43 greater than the highest and lowest MESL expenditure need within this household composition.

The comparison with the Restricted HBS expenditure finds the HBS average to be €206 greater per week than the MESL weighted average. At €736 per week the Restricted HBS expenditure is higher than all but one of the 34 MESL household composition permutations.

HBS AND MESL COMPARISON FOR TWO ADULTS, 1 TO 3 CHILDREN HOUSEHOLD COMPOSITION



HBS Restricted comparison

The comparison with the Restricted HBS carried out for each of the household compositions excluded additional areas of expenditure which are present in the complete HBS dataset but are not in the MESL/MIS dataset. The MESL/MIS dataset does not include expenditure on items such as gambling (e.g. betting and lotteries) nor on tobacco and alcohol, as the social consensus reached through the research process did not regard these as necessary for a minimum essential standard of living.

While this secondary analysis was informative it would be incorrect to take the lower difference between the minimum and the average as the actual difference. The Household Budget Survey contains expenditure on items such as tobacco and alcohol, and gambling, because the average household spends money on them. The MESL/MIS data does not include them as they were not specified as necessary for a minimum standard, not because they do not exist. Expenditure in these areas is expenditure which goes beyond minimum needs, but so too is expenditure on higher standard and luxury items in other areas. Therefore for a true comparison of the minimum with the average it is necessary to include all areas of expenditure, i.e. the full Household Budget Survey expenditure.

Conclusion

This paper has examined how the MESL/MIS data on household's minimum expenditure needs compares to actual average household expenditure as measured in the 2009-2010 Household Budget Survey. The paper first outlined how the HBS presentation of household compositions differed from the array of specific household types which can be compiled from the MESL/MIS data, demonstrating both how the MESL/MIS data distinguishes between working age adults and older adults of working age, and how the MESL/MIS differentiates the needs of households with children by the number and ages of children in the household.

Two HBS household compositions were chosen for the comparison, the One Adult composition and the Two Adults with One to Three Children composition. The discussion then moved on to examine how the issue of MESL/MIS household specificity versus HBS broad average was to be addressed in order to facilitate comparison between the two datasets. The adjustments to be made to the two datasets to facilitate comparison were then detailed. This firstly entailed excluding expenditure on direct housing costs (rent/mortgage), and expenditure on childcare from both sets. Secondly, as the MESL/MIS dataset differentiates between the expenditure needs of urban and rural household types and the HBS gives the average of both urban and rural expenditure by household composition, a weighted average of the MESL/MIS expenditure was calculated for each household type under consideration, with Census 2011 data used to provide the appropriate weightings.

The comparison was first made with the One Adult HBS household composition. This entailed compiling a weighted average of the MESL/MIS Single Adult of Working Age and Pensioner Living Alone household types. The comparison found that the Household Budget Survey average weekly expenditure is €87 greater than the MESL weighted average expenditure need for this One Adult household composition (HBS €342, MESL €255).

The comparison was then presented for the Two Parent and Children household composition. For this household composition the MESL/MIS expenditure need was calculated for the 68 possible permutations of the household composition in the dataset, and a weighted average then produced. The comparison again found the Household Budget Survey weekly average expenditure to be greater than the MESL weighted average, the HBS is €262 greater per week than the MESL for this household composition (HBS €792, MESL €530).

This analysis has demonstrated that the expenditure required to meet the minimum needs of these household types is notably lower than the average of the actual expenditure of households of the corresponding composition. That is to say that the minimum requirement is lower than that spent by the average household.

* The various factors contributing to the higher cost of a MESL for rural household types include greater home heating costs and the need for private transport. For a fuller explanation see the VPSJ's 2010 rural study 'Minimum Essential Budgets for Households in Rural Areas: Six Household Types in Rural Areas'.

† For a full explanation of how minimum expenditure needs vary by age of child see the VPSJ's 2012 research report 'The Cost of A Child'.