
THE IMPACT OF THE DIFFERENTIAL RENT SYSTEM ON THE COST OF A MINIMUM ESSENTIAL STANDARD OF LIVING

A Vincentian Partnership *for*
Social Justice
Working Paper

NOVEMBER 2015



WORKING FOR
SOCIAL &
ECONOMIC
CHANGE

TACKLING
POVERTY
& SOCIAL
EXCLUSION

VPSJ PUBLICATIONS

2015	Minimum Essential Standard of Living Update
2014	Living Wage Technical Document
2014	Minimum Essential Standard of Living Update
2012	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: <i>Changes in the Cost of a Minimum Essential Standard of Living from 2006-2008</i>
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

VPSJ WORKING & TECHNICAL PAPERS

2015	Living Wage 2015 Update
2015	From Welfare to Work: Examining the impact of retaining benefits when returning to work
2015	Minimum Income Standard & The Cost of Childcare
2014	Minimum Household Energy Need – Technical Paper
2014	Housing Tenure & Its Impact on the Cost of a MESL
2014	Comparing the Cost of a MESL Between Ireland & The UK, for one household type
2014	A ‘Living Wage’ In Ireland: Examining the process & potential result of calculating a ‘Living Wage’ for working age households in Ireland
2014	An analysis of the addition of a cohabiting couple without children to the MESL dataset
2013	Changes in the Cost of a MESL in Comparison to CPI Inflation
2013	Comparison of the Household Budget Survey to MIS / MESL Data
2013	Comparison of the 2012 Poverty Line and the MESL Data
2012	Review of the MESL Baskets and Addition of 3 rd & 4 th Child to Household – Briefing Note

DISCLAIMER

This project was supported by the Department of Social Protection as part of its agreement for funding the Vincentian Partnership for Social Justice. The Vincentian Partnership for Social Justice is solely responsible for the views, opinions, findings, conclusions and recommendations expressed in the report and for the accuracy of the report.

The contents of the report are not attributable to the Minister for Social Protection or the Department of Social Protection.

THE IMPACT OF THE DIFFERENTIAL RENT SYSTEM ON THE COST OF A MINIMUM ESSENTIAL STANDARD OF LIVING

A Vincentian Partnership *for Social Justice* Working Paper

ABSTRACT

This paper demonstrates the variation in rents payable by local authority tenants paying a differential rent in the four Dublin local authorities, and the impact that this has on the cost of a Minimum Essential Standard of Living for four household types in two different income scenarios.

In Ireland, local authority accommodation operates on a differential rent system. Under the differential rent scheme rent paid is directly related to household income. Each local authority operates its own rental scheme and there is not a standard method for calculating rents across local authorities throughout the State.

Therefore, identical household types with the same income may pay different amounts in rent depending on the criteria stipulated by the local authority where they reside. This paper analyses the current model and the differential rent systems that are operational in the four local authorities in Dublin.

The paper underscores the lack of horizontal equity in the differential rent system and the need for a new rents framework that will significantly harmonize rents across local authorities throughout the state.

INTRODUCTION

In the research undertaken by the Vincentian Partnership for Social Justice (VPSJ) to establish the cost of minimum essential standard of living (MESL), housing costs are generally based on social housing. In the MESL urban scenarios rent is ordinarily based on social housing and the Dublin City Council differential rent scheme is used to calculate social housing costs. The rationale for choosing this housing tenure is that local authority accommodation represents an appropriate minimum housing standard. In Ireland, local authority accommodation operates on a differential rent system. Under the differential rent scheme rent paid is directly related to household income, so that if income goes up, the rent will rise; and if income falls the rent payable will similarly fall, subject generally to a minimum and maximum rent. Each local authority operates its own rental scheme and there is not a standard method for calculating rents across local authorities throughout the State. Therefore, two identical household types with the same income may pay different amounts in rent depending on the criteria stipulated by the local authority where they reside. A new scheme, the Housing Assistance Payment (HAP), which is in the process of being implemented nationwide, while using the private rented sector to provide social housing, also currently operates on the basis of the differential rent system¹.

While there are plans to develop a national differential rents framework that will result in a significant harmonisation of local authority rent levels nationally, this has not yet come into effect. This paper analyses the current model and the differential rent systems that are operational in the four local authorities in Dublin. The local authorities in Dublin are Dublin City Council, and three county councils, namely Fingal Co. Council, South Dublin Co. Council and Dún Laoghaire-Rathdown Co. Council. The aim of the paper is to demonstrate the rents paid by identical household types across the Dublin local authorities and the impact that this has on the cost of a Minimum Essential Standard of Living for four household types in two different income scenarios².

The four household types under consideration are³:

- Single adult of working age
- Cohabiting Couple of Working Age
- Two parents and two children, primary & secondary school going age
- Pensioner Couple (Contributory Pension & Qualified Adult)

¹ Further details of the Housing Assistance Payment are outlined later on in the Paper.

² The income scenarios are (1) dependent on social welfare and (2) households working full-time and earning the national minimum wage (working age households only). Full-time work in this paper is calculated on the basis of working 37.5 hours per week.

³ Ordinarily in the MESL data single adult household type and the cohabiting couple household type are accommodated in the private rented sector, however for the purposes of this paper and to illustrate the impact of the differential rent system across the 4 Dublin local authorities this household type is situated in social housing.

While there are other considerations that need to be borne in mind when examining differential rents, including the challenge for local authorities to have sufficient income to maintain, manage and invest in housing stock given the relatively low levels of rent, this paper focuses exclusively on the rents paid by tenants in local authorities in Dublin. The paper underscores the lack of horizontal equity in the differential rent system and the need for a new rents framework that will significantly harmonize rents across local authorities throughout the state.

The paper is divided into the following sections:

- A Minimum Essential Standard of Living
- Social Housing & Differential Rent
- Differential Rents in Dublin
- Discussion
- Conclusion

A MINIMUM ESSENTIAL STANDARD OF LIVING

A Minimum Essential Standard of Living (MESL) is a standard of living that allows for an individual's/households physical, psychological and social needs to be met. It is a standard of living that is based on needs, not wants, but allows for meaningful engagement in society (Mac Mahon et al, 2006). In 2006 the VPSJ began using the Consensual Budget Standards methodology to ascertain the cost of a MESL for a number of individual and household types. The aim of Consensual Budget Standards methodology is to establish a standard which is rooted in social consensus about goods and services that everyone should be able to afford and represents a level which nobody should be expected to live below (Mac Mahon et al, 2006). To that end, focus groups are established, comprised of people from different socio-economic backgrounds, to ascertain their views on the goods and services that individuals and households need for a MESL. The views of focus groups are complemented by inputs from experts in areas such as food for example to ensure the food budgets allow for a healthy, nutritious and balanced diet (Mac Mahon et al, 2006). The data is updated on an annual basis to take into account changes in inflation and also changes to the tax and social welfare system.

The goods and services that go into making up the expenditure are compiled into 16 categories of expenditure. There are approximately 2,000 items in the budget that individuals and households need for a minimum standard of living. This includes food and clothes, but also the cost of household furniture and items such as a cooker, lightbulbs, towels, wardrobes, beds and curtains; the cost of education such as school books, school bags, stationery and uniforms; the cost of visiting the doctor and the dentist; taking the bus and paying trade union membership for those who are employed. These are just some

examples of the many items contained in the expenditure baskets.

Table 1 16 areas of expenditure

Food	Personal Care	Household Goods	Communications
Education	Housing (rent)	Personal Costs	Insurance Costs
Health Related Costs	Savings & Contingencies	Household Services	Social Inclusion & Participation
Transport	Clothing	Household Fuel	Childcare Costs

Among the basket of goods and services is housing. To date, in the Minimum Essential Standard of Living research urban social housing costs have been based on Dublin City Council's differential rent scheme. This paper examines housing (rent) costs in more detail and focuses on the four differential rent schemes in operation in Dublin. The paper demonstrates that because the current system allows local authorities to devise their own rent schemes an identical household type can pay substantially different amounts in rent depending on the criteria stipulated by each particular local authority.

SOCIAL HOUSING & DIFFERENTIAL RENT

The Local Authority Act of 1898 provided the basis for the local Government system and since then, local authorities have been providing housing. These dwellings provide accommodation of a reasonable standard to low income households who cannot meet the cost of accommodation from their own resources. Local authorities are the largest single providers of socially rented housing in Ireland, controlling 137,000 dwellings in 2014 (Government of Ireland, 2014: 8). As a consequence, social housing is a vital social policy and it affects a considerable proportion of the population. The subsidisation of housing helps reduce economic inequality and is of significant economic benefit to low income households.

From 1973 a national differential rents scheme operated in Ireland in which rents on all local authority dwellings were related to the income of the tenant. The method used to calculate rent was specified by central Government. This scheme was abolished in 1986 and the power to determine rent levels was devolved to local authorities. As part of this devolution the Department of the Environment and Local Government set out a range of considerations which local authorities should take into account in the design of rent determination schemes. In setting rent, local authorities were to follow four broad principles laid down by the Department of Environment and Local Government (Clark and Norris, 2001). The four broad principles were:

- The rent payable must be related to income and a smaller proportion of income should be required from low income households;
- An allowance should be made for dependent children;
- A contribution towards rent should be required from subsidiary earners in the household; and
- Provision should be made for lower rents in situations where the normal rent would give rise to hardship

However, within these guidelines there is scope for local authorities to devise their own rent schemes. Today, the system that was established in 1986 is still in place and each local authority determines their own rent scheme. Across local authorities the rents average about 15% of income, and in 2012-2013 averaged €52.95 per week (Government of Ireland, 2014: 8).

While local authorities are a major channel of social housing provision in Ireland, the private rented sector also has a role to play in providing housing support for low income households. The *Social Housing Strategy 2020* (Government of Ireland, 2014) recognises the role of the private rented sector as a means for providing housing support. The *Strategy* has three main pillars, of which Pillar 2 focuses on 'Providing Housing Supports Through the Private Rental Sector'. This Pillar includes the new Housing Assistance Payment (HAP) which aims to provide housing support for up to 75,000 households.

The Housing Assistance Payment (HAP) is currently being rolled out and is a new form of housing support provided by local authorities. One of the objectives of introducing HAP is to transfer responsibility for households in receipt of Rent Supplement, but who have an established housing need, from the Department of Social Protection to housing authorities. The introduction of HAP means that local authorities can now provide housing assistance for households who qualify for social housing support, including many long-term Rent Supplement recipients.⁴ The HAP scheme, unlike Rent Supplement, allows recipients' remain in the scheme if they gain full-time employment, and therefore does not act as a barrier to employment, which is one of the criticisms of Rent Supplement (Government of Ireland, 2014).

Under HAP, local authorities make the full rent payment on behalf of the HAP recipient directly to the landlord. The HAP recipient then pays a rent contribution to the local authority. The rent contribution is based on the differential rent system and follows the differential rent model as established by the local authority in each particular area.

⁴ Information on HAP taken from the Department of Environment, Heritage and Local Government website. Accessed 07/07/2015.
<http://www.environ.ie/en/DevelopmentHousing/Housing/SocialHousingSupport/HousingAssistancePayment/>

The differential rent system in operation in Ireland therefore affects thousands of households, mostly in social housing and but also in subsidised private rented accommodation. While each local authority determines their own rent scheme Coates and Norris (2006:5) note that local authorities in general use the following five stage process to calculate housing rent:

- Identify the principal and subsidiary earners in the relevant household
- Identify the household income which is taken into account for the purposes of rent assessment (in other words, the assessable income)
- Employ whatever formula is used by the local authority to calculate the amount of this assessable income that should be paid in rent
- Make any deductions from the rent for special cases, such as to take account of the costs of dependent children
- Increase or decrease this rent as appropriate if it falls below the minimum or maximum rent stipulated by the local authority.

However, while local authorities in general use this five stage process, the way in which these various stages are implemented varies considerably between authorities. This raises issues of horizontal equity, as it means that households with identical incomes may pay notably different rents depending on where they live (Coates and Norris, 2006).

Given the lack of uniformity in calculating local authority rents and the issue of horizontal equity Pillar 3 of the *Social Housing Strategy 2020* which is entitled 'Reform: Creating Flexible and Responsive Social Housing Supports' sets out to create a more responsive and flexible housing system, which includes a new framework for rents. The *Strategy* highlights that Section 31 of the Housing (Miscellaneous Provisions) Act 2009, as amended, provides for a national framework for rents and related charges for local authority housing and other forms of social housing, including the new Housing Assistance Payment Scheme (Government of Ireland, 2014: 51). This legislation will result in a significant harmonisation of local authority differential rent levels nationally, while retaining some discretion for individual authorities in setting rents in their areas.

Under the new framework, elected members of each local authority will determine the council's rents policy, which must comply with regulations made by the Minister. The rationale for the new rent framework is to introduce a more equitable rental model for local authority rents and rent contributions, by providing that households throughout the country in similar circumstances should pay broadly the same amount in rent, thereby harmonising significantly the amounts of social housing rents charged across the country (Government of Ireland, 2014: 51). However, this new rents framework is not yet operational and its commencement requires preparation of regulations by the Minister, which had yet to be completed at the time of writing this paper.

The cost and financial burden often associated with housing accommodation underscores the need for a social housing system that facilitates access to affordable and quality housing for low income individuals and families. While the differential rent system makes housing affordable to tenants and it does not tend to create poverty or employment traps, the current system does not treat identical households equally. The next section examines the variation in the rents charged and the impact that this has on the cost of a Minimum Essential Standard of Living for four identical household types.

DIFFERENTIAL RENTS IN DUBLIN

The Dublin Region comprises the constituent city/county council administrative areas of Dublin City, South Dublin County Council, Dún Laoghaire-Rathdown County Council and Fingal County Council. The latest statistics from the Department of Environment, Community and Local Government show that a total of 43,739 local authority dwellings were rented across the four Dublin local authority areas and accounted for approximately 33% of all rented local authority dwellings throughout the state as of 31st December 2013 (DECLG, 2015)⁵.

The HAP scheme is currently operational in South Dublin County Council and 225 households are in receipt of HAP⁶. The HAP scheme is also operational in Dublin City Council. However, the roll out of HAP in Dublin City Council has focused on those in the Homeless Unit, who are allowed to pay up to 20 per cent more than the usual rent limits in order to assist homeless people in finding accommodation. Therefore Dublin, as a whole, has the largest number of local authority tenants; however the rents that these households pay vary by area.

Table 2 outlines the main components of the differential rent system in each of the four local authorities in Dublin. While Table 2 gives a broad overview of the four schemes, it should be noted that not all elements of the differential rent systems in operation in the four local authorities are captured in this table.

⁵ Data taken from the Department of Environment, Community and Local Government (DECLG). Accessed 9th July 2015.

<http://www.environ.ie/en/Publications/StatisticsandRegularPublications/HousingStatistics/>

⁶ HAP figures received from personal correspondence (10th July 2015) with the Department of Environment, Heritage and Local Government.

Table 2 Differential Rent in the four local authorities in Dublin⁷

	Fingal	Dublin City	South Dublin	Dún Laoghaire-Rathdown
Assessable Income Principal Earner	12% of assessable income	15% of the principal earner's assessable income which exceeds €32.00 in the case of a single person principal earner and €64.00 in the case of a couple principal earner	10% of total aggregate (principal and subsidiary) assessable income + €1.00	16% of the principal earner's assessable income which exceeds €35.00
Assessable Income Subsidiary Earner	12% of assessable income up to a maximum of €40	15% of assessable income which exceeds €32.00 up to a maximum of €19.00	This scheme does not assess the income of a subsidiary earner independently	16% of the subsidiary earner's assessable income which exceeds €35.00, up to a maximum of €18.00
Income Disregarded	Child benefit <ul style="list-style-type: none"> Fuel Allowance Living Alone Allowance 	Child Benefit <ul style="list-style-type: none"> Fuel Allowance Living Alone Allowance 	Child Benefit <ul style="list-style-type: none"> Fuel Allowance Living Alone Allowance Family Income Supplement The first €100 for any person over the age of 65 	Child benefit <ul style="list-style-type: none"> Fuel Allowance. Living Alone Allowance
Allowances for Dependent Children	N/A	Rent will be reduced by €1.00 per child	Assessable income will be reduced by €5.00 per child	Rent will be reduced by €1.00 per child
Minimum Rent	€22.00	€23.40	€19.50	€22.00

⁷ This table is not an exhaustive list of the rent schemes in the four Dublin local authorities and only examines aspects of the rent scheme that are relevant for this paper.

As Table 2 demonstrates each local authority has a different method of calculating rent. Each local authority calculates rent based on a percentage of the principal earner's income⁸. While both Dublin City Council and Dún Laoghaire-Rathdown disregard a certain proportion of income when calculating rent, e.g. Dún Laoghaire-Rathdown calculate rent on the basis of 16% of a principal earner's assessable income which exceeds €35.00, no such income disregard is allowed for in either Fingal or Dublin City. Similarly, each local authority has different methods for dealing with subsidiary earners. South Dublin Co Council for example calculates rent based on aggregate household income, while the other three councils calculate the contribution of a subsidiary earner based on a percentage of income, subject to a maximum contribution. However, while Dublin City Council and Dún Laoghaire-Rathdown cap the contribution of a subsidiary earner at €19.00 and €18.00 respectively, the cap applied by Fingal is €40.00.

The four local authorities also apply income disregards, and while there is some similarity in how they approach this, South Dublin is the outlier in this regard as they do not include income from Family Income Supplement (FIS) when calculating local authority rent, and they also disregard the first €100 of income for any person over the age of 65. In addition, South Dublin also reduces assessable income by €5.00 per child, while Dublin City and Dún Laoghaire-Rathdown reduce rent by €1.00 per dependent child. Fingal's rent scheme does not include any allowances for dependent children.

It is apparent that while the rent schemes have some similarities in how they calculate rent, there are also very clear differences between the schemes. The following tables show the weekly differential rent paid by four identical household types across the four local authorities. The households are identical in every respect, with the exception of which local authority they reside in. The tables also demonstrate the impact that this has on the cost of a Minimum Essential Standard of Living. The social welfare and income data in the tables is based on the social welfare and tax systems as they stand in 2015.

⁸ The principal earner is broadly defined as the person who is in receipt of the highest assessable income.

SINGLE ADULT HOUSEHOLD

Table 3 Single Adult of Working Age, Jobseekers Benefit

	Fingal	Dublin City	South Dublin	Dún Laoghaire-Rathdown
MESL Core ⁹	€220.68	€220.68	€220.68	€220.68
Housing	€22.56	€23.40	€19.50	€24.48
Total	€243.24	€244.08	€240.18	€245.16
<i>Primary Social Welfare</i>				
Jobseekers' Benefit	€188.00	€188.00	€188.00	€188.00
<i>Secondary Social Welfare</i>				
Medical Card	Full	Full	Full	Full
Total Income	€188.00	€188.00	€188.00	€188.00
Income Adequacy	-€55.24	-€56.08	-€52.18	-€57.16

⁹ MESL Core Costs adjusted for effect of secondary benefits (e.g. Medical Card), and personal costs associated with employment scenario

Table 4 Single Adult of Working Age, Full-Time NMW

	Fingal	Dublin City	South Dublin	Dún Laoghaire-Rathdown
MESL Core	€241.96	€241.96	€241.96	€241.96
Housing	€38.03	€42.73	€32.68	€45.10
Total	€279.99	€284.69	€274.64	€287.06
<i>Income</i>				
Gross	€324.38	€324.38	€324.38	€324.38
Income Tax	€0.76	€0.76	€0.76	€0.76
USC	€6.73	€6.73	€6.73	€6.73
PRSI	€00.00	€00.00	€00.00	€00.00
Net Salary	€316.89	€316.89	€316.89	€316.89
<i>Secondary Social Welfare</i>				
Medical Card	GP card	GP Card	GP Card	GP Card
Total net Income	€316.89	€316.89	€316.89	€316.89
Income Adequacy	€36.90	€32.20	€42.25	€29.83

SINGLE ADULT HOUSEHOLD

UNEMPLOYED AND DEPENDENT ON SOCIAL WELFARE

This scenario examines four households who are identical in every respect, with the exception of where they live in Dublin. It is assumed that the four households have identical core costs and are also in an identical income scenario. Across the four local authorities South Dublin has the lowest rent at €19.50 per week for this household type, while Dún Laoghaire-Rathdown charges the highest rent at €24.48 per week. The difference between the two weekly local authorities rents is almost €5.00, which when calculated on an annual basis is approximately €260.

In this scenario the households are dependent on social welfare and receive €188 per week. Rent as a proportion of household income varies between the households, and while rent as a proportion of household income is broadly similar between Fingal and South Dublin City at 12% and 12.45% respectively, rent as a proportion of household income is lowest in South Dublin at 10.37% and highest in Dún Laoghaire-Rathdown at 13.02%.

Despite being able to access social housing all four households are unable to afford the cost of a Minimum Essential Standard of Living; however the degree to which they are experiencing income inadequacy is affected by the differential rent system in operation in each of the four areas.

EMPLOYED FULL-TIME, NATIONAL MINIMUM WAGE

This scenario for a single adult employed full-time demonstrates that the differential rent system is progressive, in that rent is related to household income, and so a household in full-time National Minimum Wage (NMW) employment pays more in rent than a household in receipt of social welfare. However, while the schemes may be progressive in that regard, the system does not allow for horizontal equity and this is evident in this particular scenario, as although the households have an identical income, they pay notably different rents depending on where they live.

In this scenario, a single adult household type working full-time on the national minimum wage pays the least rent in South Dublin at €32.68 per week, and the highest in Dún Laoghaire-Rathdown at €45.10 a week, this is a difference of €12.42 per week. This difference when calculated on an annual basis is €645.84, which is almost equivalent to two weeks gross NMW income. Rent as a proportion of net earned income is 10.31% in South Dublin, while it is 14.23% in Dún Laoghaire-Rathdown. In the four local authority scenarios shown all of the households are able to afford a MESL, but the amount of discretionary income at their disposal is determined by the differential rent system in operation in each area.

COHABITING COUPLE HOUSEHOLD

Table 5 Cohabiting Couple, Social Welfare

	Fingal	Dublin City	South Dublin	Dún Laoghaire-Rathdown
MESL Core	€337.81	€337.81	€337.81	€337.81
Housing	€45.12	€42.40	€38.60	€42.48
Total	€382.93	€380.21	€376.41	€380.29
<i>Primary Social Welfare</i>				
Jobseekers Benefit -Adult 1	€188.00	€188.00	€188.00	€188.00
Jobseekers Benefit - Adult 2	€188.00	€188.00	€188.00	€188.00
<i>Secondary Social Welfare</i>				
Medical Card	Full	Full	Full	Full
Total Income	€376.00	€376.00	€376.00	€376.00
Income Adequacy	-€6.93	-€4.21	-€0.41	-€4.29

Table 6 Cohabiting Couple, both Employed Full-time NMW

	Fingal	Dublin City	South Dublin	Dún Laoghaire-Rathdown
MESL Core	€382.15	€382.15	€382.15	€382.15
Housing	€76.09	€61.76	€64.41	€63.13
Total	€458.24	€443.91	€446.56	€445.28
<i>Income</i>				
Gross Salary-Adult 1	€324.38	€324.38	€324.38	€324.38
Income Tax 1	€0.59	€0.59	€0.59	€0.59
USC 1	€6.73	€6.73	€6.73	€6.73
PRSI 1	€00.00	€00.00	€00.00	€00.00
Gross Salary-Adult 2	€324.38	€324.38	€324.38	€324.38
Income Tax 2	€0.59	€0.59	€0.59	€0.59
USC 2	€6.73	€6.73	€6.73	€6.73
PRSI 2	€00.00	€00.00	€00.00	€00.00
<i>Secondary Social Welfare</i>				
Medical Card	None	None	None	None
Total Net Income	€634.12	634.12	€634.12	634.12
Income Adequacy	€175.88	€190.21	€187.56	€188.84

COHABITING COUPLE HOUSEHOLD

UNEMPLOYED AND DEPENDENT ON SOCIAL WELFARE

In this scenario it is assumed that this household type is dependent on social welfare and each adult in the household is in receipt of a full jobseekers Benefit payment. Again, rent is lowest in South Dublin at €38.60 per week, which is 10.27% of this household's income from social welfare. Although this household is experiencing income inadequacy and cannot afford a MESL, it is marginal at €0.41 cent per week, and so this household is nevertheless financially better off than the three other identical households who are living in different local authority areas.

In this scenario rent is most expensive in Fingal at €45.12 per week, which is 12% of this household's income from social welfare. The difference between the highest and lowest rent is €6.52 per week, which when calculated on an annual basis is €339. Both Dublin City and Dún Laoghaire-Rathdown cap rent for a subsidiary earner at a lower rate than Fingal and this is the reason why rent is most expensive for this household type in Fingal when compared to the other local authority areas.

BOTH ADULTS EMPLOYED FULL-TIME, NATIONAL MINIMUM WAGE

In this scenario, in which both adults are employed full-time on the NMW, all households have a discretionary income when in social housing and are able to afford a MESL. While Dublin City, South Dublin and Dún Laoghaire-Rathdown charge broadly similar rents for this household type in this particular income scenario, Fingal's rent is substantially higher at €76.09 per week. Rent in Fingal absorbs 12% of this household's earned net income, while rent in Dublin City absorbs 9.74% of earned net income. The difference between the highest (Fingal) and lowest (Dublin city) rent is €14.33 per week, which when calculated on an annual basis is €745.16 per year.

The lack of harmonization in how rents are calculated is evident and demonstrates that households in identical income situations can pay significantly different rents depending on where they live. In this particular case, a household in Fingal must pay €745 more per year than their counterpart living in the Dublin City Council area. Such a considerable difference demonstrates that although local authority rents are based on the fundamental principle of ability to pay, how this is interpreted and applied in practice can vary considerably by local authority.

TWO PARENTS AND TWO CHILDREN, PRIMARY SCHOOL & SECONDARY SCHOOL

Table 7 Two Parents and Two Children, Social Welfare

	Fingal	Dublin City	South Dublin	Dún Laoghaire-Rathdown
MESL Core	€513.46	€513.46	€513.46	€513.46
Housing	€44.68	€44.26	€37.24	€51.98
Total	€558.14	€557.72	€550.70	€565.44
<i>Social Welfare</i>				
Jobseekers - Adult 1	€188.00	€188.00	€188.00	€188.00
Qualified Adult - Adult 2	€124.80	€124.80	€124.80	€124.80
Qualified Child Increase	€59.60	€59.60	€59.60	€59.60
<i>Secondary Social Welfare</i>				
Child Benefit	€62.31	€62.31	€62.31	€62.31
BSCFA	€5.77	€5.77	€5.77	€5.77
Medical Card	Full	Full	Full	Full
Total Income	€440.48	€440.48	€440.48	€440.48
Income Adequacy	-€117.66	-€117.25	-€110.22	-€124.96

Table 8 Two Parents and Two Children, Primary & Second Level, One Adult Working Full-Time

	Fingal	Dublin City	South Dublin	Dún Laoghaire-Rathdown
MESL Core	€517.97	€517.97	€517.97	€517.97
Housing	€58.64	€61.70	€31.76	€70.58
Total	€576.61	€579.67	€549.73	€588.55
<i>Income</i>				
Gross Salary-Adult 1	€324.38	€324.38	€324.38	€324.38
Income Tax 1 (joint assessment)	€00.00	€00.00	€00.00	€00.00
USC	€6.73	€6.73	€6.73	€6.73
PRSI	€00.00	€00.00	€00.00	€00.00
Net Salary	€317.64	€317.64	€317.64	€317.64
<i>Secondary Social Welfare</i>				
Child Benefit	€62.31	€62.31	€62.31	€62.31
FIS	€171.00	€171.00	€171.00	€171.00
BSCFA	5.77	5.77	5.77	5.77
Medical Card	Full	Full	Full	Full
Total Net Income	€556.72	€556.72	€556.72	€556.72
Income Adequacy	-€19.89	-€22.95	€6.99	-€31.83

TWO PARENTS AND TWO CHILDREN, PRIMARY SCHOOL & SECONDARY SCHOOL

UNEMPLOYED AND DEPENDENT ON SOCIAL WELFARE

This scenario is based on one adult seeking work, while the other adult is engaged in home duties. Again, households are identical in every respect with the exception of the local authority that they live in. In this particular income scenario a household living in the South Dublin County Council area pays the least in local authority rent, at €37.24 per week. At this rate, the cost of local authority rent absorbs 8.45% of this household's income from social welfare. South Dublin Council reduces assessable income by €5.00 per dependent child, which is the most generous disregard for children across the four local authorities. This is in contrast to an identical household living in Dún Laoghaire-Rathdown who pays €51.98 per week in local authority rent, which is 11.80% of this household's total income from social welfare. The difference between the highest (Dún Laoghaire-Rathdown) and lowest (South Dublin) rent is €14.74, which when calculated on an annual basis is €766.48.

Across the four local authorities all of the households are experiencing income inadequacy and cannot afford a MESL, but the degree to which households are experiencing insufficient income is affected by the differential rent system in their area. When households are operating within a finite and limited budget every cent matters, but the differential rent system as it currently stands does not treat identical households equally and so the cost of a Minimum Essential Standard of Living will be higher for some households by virtue of the local authority area they live in.

EMPLOYED, I ADULT WORKING FULL-TIME (NMW) & I ADULT STAY AT HOME

This scenario in Table 8 is based on one adult working full-time on the national minimum wage and one adult engaged in stay at home duties. Of all the scenarios demonstrated in this paper, this scenario in particular highlights the lack of horizontal equity in the differential rent system. The variation in the weekly rent for an identical household type with an identical income is striking. While Fingal and Dublin city rents are broadly similar, there is a notable difference between the lowest rent in South Dublin at €31.76 per week and highest in Dún Laoghaire-Rathdown at €70.80 per week. This is a difference of €38.82 per week, which when calculated on an annual basis is €2,018.64.

South Dublin, unlike the other local authorities disregards income from FIS when calculating rent. As a consequence, the rent charged by this local authority is considerably lower, and so a household in this particular income scenario can afford a MESL, while identical households in the other three local authorities are experiencing income inadequacy. This demonstrates the impact that the differential rent system has on households and their ability to meet the cost of a minimum standard of living.

PENSIONER COUPLE, CONTRIBUTORY PENSION & QUALIFIED ADULT

Table 9 Pensioner Couple, In Receipt of Contributory Pension & Qualified Adult Payment

	Fingal	Dublin City	South Dublin	Dún Laoghaire-Rathdown
MESL Core	€273.59	€273.59	€273.59	€273.59
Housing	€46.05	€47.97	€29.38	€55.81
Total	€319.64	€321.56	€302.97	€329.40
<i>Social Welfare</i>				
Contributory Pension	€230.30	€230.30	€230.30	€230.30
Qualified Adult	€153.50	€153.50	€153.50	€153.50
Fuel Allowance	€10.00	€10.00	€10.00	€10.00
<i>Secondary Social Welfare</i>				
Household Benefits Package	Yes	Yes	Yes	Yes
Medical Card	Full	Full	Full	Full
Total Income	€393.80	€393.80	€393.80	€393.80
Income Adequacy	€74.16	€72.24	€90.83	€64.40

PENSIONER COUPLE, CONTRIBUTORY PENSION & QUALIFIED ADULT

CONTRIBUTORY PENSION & QUALIFIED ADULT PAYMENT

This scenario is based on this household type in receipt of the Contributory Pension and Qualified Adult Payment. The rents vary considerably depending on the local authority. Fingal and Dublin City charge broadly similar rents, but again in this scenario there is a very considerable difference between the rent charged by South Dublin and Dún Laoghaire-Rathdown.

The weekly rent for this household type in South Dublin is €29.38, which is 7.46% of this household's weekly income. In contrast, the weekly rent charged by Dún Laoghaire-Rathdown is €55.81, which is 14.17% of this household's income. The difference between the two rents is €26.43, which when calculated on an annual basis is €1,374.36. Unlike the other local authorities in Dublin, South Dublin disregard the first €100 for any person over the age of 65, and hence rent is lower in this local authority when compared to the three other local authorities in Dublin.

While this household type can afford a MESL in all four local authorities, the difference in the rent charged by local authorities is noticeable. The differential rent system that is in operation in each local authority has an impact on the discretionary income afforded to each household. This scenario, like the other scenarios demonstrated in this paper, highlights the need to introduce a new national rents framework so that identical household types are paying broadly similar rents.

DISCUSSION

While the paper demonstrates that the differential rent system is progressive in that those with higher incomes pay more in rent, the analysis reveals very significant problems in relation to horizontal equity. The monetary implications of this for tenants in local authorities in Dublin is summarised in Table 10.

In all but one scenario South Dublin Co Council charges the least rent and so households living in social housing in this area are financially better off than an identical household type living in any of the three other local authority areas in Dublin.¹⁰ South Dublin Co. Council have in many aspects the most generous differential rent scheme in Dublin, in that unlike the other local authorities they disregard income from FIS and they also disregard the first €100 for any person over the age of 65. South Dublin also reduce assessable income by €5.00 per dependent child, both Dún Laoghaire-Rathdown and Dublin City reduce rent by €1.00 per dependent child, while Fingal does not have any concessions for children.

¹⁰ In the couple scenario in which both adults are working on the NMW Dublin City charged the least rent of the four local authorities.

Table 10 Summary of Weekly Rents for Four Household Types in Dublin Local Authorities

Household Type / Scenario	Fingal	Dublin City	South Dublin	Dún Laoghaire-Rathdown
SINGLE ADULT				
SW	€22.56	€23.40	€19.50	€24.48
NMW	€38.03	€42.73	€32.68	€45.10
COUPLE				
SW	€45.12	€42.40	€38.60	€42.48
NMW	€76.09	€61.76	€64.41	€63.13
TWO PARENTS & TWO CHILDREN				
SW	€44.68	€44.26	€37.24	€51.98
NMW	€58.64	€61.70	€31.76	€70.58
PENSIONER COUPLE				
Contributory Pension & Qualified Adult	€46.05	€47.97	€29.38	€55.81

The impact of South Dublin's differential rent scheme is most evident in the two parent household earning the national minimum wage. In this scenario the rent varies from €31.76 in South Dublin to €70.58 in Dún Laoghaire-Rathdown, which is a difference of €38.82 per week. While this household type receives €171 per week in FIS, South Dublin unlike the other local authorities in Dublin disregard income from FIS and because of this rent is considerably lower for FIS recipient tenants living in South Dublin when compared to the three other local authorities.

Overall, Dún Laoghaire-Rathdown is the most expensive for rent in 5 of the 7 income situations examined in this paper. The percentage at which rent is calculated by Dún Laoghaire-Rathdown is higher than the other local authorities. Dún Laoghaire-Rathdown calculate rent on the basis of 16% of the principal earner's assessable income which exceeds €35.00, and applies the same criteria to subsidiary earners but caps rent at €18.00.

Fingal is the most expensive for rent in two of the seven income scenarios examined, namely the couple household in both income situations (social welfare & NMW) analysed in this paper. In Fingal the cap for subsidiary earners is set at €40.00, which is significantly

higher than the cap set by the other local authorities and so dual income households pay more rent in Fingal compared to the other Dublin local authorities.

CONCLUSION

Affordability is a key consideration for those who are in need of social housing support and is a consideration for those reliant on social welfare and those in low paid employment. While relatively low levels rents, which are set considerably below the going market rate, are of economic benefit for those able to access the social housing system, the paper clearly illustrates that the differential rent system as it currently stands does not treat identical households equally and so local authority rents may be more affordable to some households than to others. As a consequence the gain of being able to access social housing is not evenly felt by local authority tenants.

The latest statistics from the Housing Needs Assessment, which are from May 2013, found that for the most part, those who qualify for social housing support were dependent on social welfare, one in eight (15%) were in some form of employment and a further 2% were on an incentivised back to work scheme. It also found that social welfare was the only source of income for 72% of households, while a further 6% had income from employment and social welfare, and 11% had income from employment only (Housing Agency, 2013: 5). Therefore, given that most people in need of social housing are dependent on social welfare it should follow that identical household types receiving the same level of income supports should be paying broadly similar local authority rents.

The paper has demonstrated the need for a new rents framework that will significantly synchronize local authority rents throughout the state. The current system means that because of geography identical household types are paying considerably different rents irrespective of the quality or size of their accommodation. Such inequality needs to be addressed so that a Minimum Essential Standard of Living is not put beyond the reach of some household types simply because of administrative boundaries.

BIBLIOGRAPHY

Clark, J. & Norris, M. 2001. *Rent Assessment, Collection, Accounting and Arrears Control*. Dublin: The Housing Unit.

Coates, D. & Norris, M. 2006. *Local Authority Housing Rents: Equity, Affordability and Effectiveness in Administration*, vol. 54, no. 2 (2006), 3-26. Available online at: ftp://78.153.208.68/bkp/ipa/PDF/B2_54_local_authority_housing_rents.pdf

Department of Environment, Community and Local Government, (DECLG) 2015. *Housing Statistics* Accessed 9th July 2015. Available online at:

Fahey, T. Norris, M. McCafferty, D. and Humphreys, E. 2011. *Combating Social Disadvantage in Social Housing Estates: The policy implications of a ten-year follow-up study*. Dublin: Combat Poverty Agency.

Government of Ireland, 2014. *Social Housing Strategy 2020. Support, Supply and Reform*. Dublin: Government Publications.

Housing Agency, 2013. *Summary of Housing Needs Assessment 2013*. Dublin: Department of Environment, Community and Local Government: <http://www.environ.ie/en/Publications/StatisticsandRegularPublications/HousingStatistics/>

Mac Mahon, B. Carey, J. and Stokes, A. 2006. *Minimum Essential Budgets for Six Households*. Dublin: Vincentian Partnership for Social Justice.