

From Welfare to Work: Examining the impact of retaining benefits when returning to work

Working Paper

Vincentian Partnership for Social Justice



A Vincentian Partnership for Social Justice Working Paper

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The Vincentian Partnership for Social Justice was established in 1996 to work for social and economic change – tackling poverty and social exclusion.

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Introduction

The aim of this working paper is to examine three household types when they transition from long-term unemployment into employment. The paper examines measures that have been put in place to help individuals and households transition from long-term unemployment into employment. Such measures include being able to retain secondary benefits such as a medical card and Rent Supplement, and also being eligible for the newly introduced Back to Work Family Dividend (BTWFD). The paper details the Minimum Income Standard (MIS), i.e. the gross salary that these household types need to earn in order to be able to afford a Minimum Essential Standard of Living (MESL) when in receipt of secondary benefits associated with returning to work after long term unemployment. Finally, the paper details the MIS required for three identical household types who are not eligible for these benefits to demonstrate the income necessary to reach a MESL when benefits associated with returning to work are not applicable. The three household types under consideration in this paper are¹:

- Single Adult of Working Age, Living Alone
- Two Parents and Two Children, Pre-school and Primary School Age
- Two Parents and Two Children, Both Adolescents

This paper is timely as Ireland begins to tentatively emerge from a severe recession that resulted in tens of thousands of job losses and a sharp rise in the number of people on the Live Register. The National Economic and Social Council (NESC) regarded the large and sustained increase in unemployment, and in particular, the increase in the number of households where no one has a job, as the greatest social impact of the economic crisis in Ireland (NESC, 2013). The paper is divided into the following sections:

- A Minimum Essential Standard of Living
- The Current Context and Making Work Pay
- Returning to Work
- Discussion & Conclusion

¹ A lone parent household has not been considered in this paper due to changes to the One Parent Family Payment and it is anticipated that this will be the subject of another working paper.

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 and social needs. This is calculated by identifying the goods and services required by different household types in order to meet their minimum needs. A MESL is based on needs, not wants, but it is a standard of living that no one should be expected to live below.

HOW IS A MINIMUM ESSENTIAL STANDARD OF LIVING DETERMINED?

In order to ascertain what is needed for a MESL the Vincentian Partnership for Social Justice (VPSJ) uses Consensual Budget Standards (CBS) methodology. This methodology involves detailed research with members of the public specifying the items that need to be included in a minimum household budget. Focus groups are held for each household type. Each group consists of 8 – 10 people from a mixture of social and economic backgrounds, and represents the household under consideration, e.g. focus groups of parents with children determine the minimum requirements of such households. In order to ensure reliability and validity of the research three different focus groups are established for each household type. The process is detailed, time-consuming and thorough. 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. Where necessary, experts are consulted in order to ensure that the negotiated consensus meets basic criteria, such as nutritional standards and home heating standards. No single figure can be used to define the cost of a Minimum Essential Standard of Living, as the cost varies by household type, location and employment status.

WHAT DOES IT INCLUDE?

While a MESL is concerned with more than survival, its focus is on needs not wants. It identifies the minimum goods and services that everyone should be able to afford and represents a standard of living that no one should be expected to live below. There are approximately 2,000 items in the budget, tailored to the specific minimum needs of each household type, and these goods and services are subsequently categorised into 16 areas of expenditure. The 16 areas of expenditure are listed below:

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

The totals of each of the 16 categories of household budgets show the expenditure required to enjoy a minimum essential standard of living. The final weekly expenditure figure is the cost of all the goods and services broken down over the lifespan of each item and contains everything from shampoo to household furniture. While some items are bought on a weekly basis such as food, others are bought every couple of weeks, months or even years. To calculate the weekly cost of a MESL each item is assigned a lifespan of how long it is expected to last, and then the cost of the item is divided by the lifespan to ascertain how much this item would cost on a weekly basis, e.g. a 3 piece suite that costs €900 and has a lifespan of 780 weeks (15 years) costs €1.15 per week.

WHAT IS THE MINIMUM INCOME STANDARD?

The Minimum Income Standard (MIS) is the second element 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 full account of the potential tax liability and social welfare entitlements of the household in question.

The calculation of the Minimum Income Standard starts by calculating the household type's income on the basis of earning the National Minimum Wage (€8.65 per hour). Where the minimum wage does not provide the basis for an adequate household income (net salary plus any social welfare entitlements), the MIS method recalculates household income on the basis of incremental increases in salary, re-assessing the adequacy of household income at each increment. The MIS method involves multiple iterations of these calculations, each iteration representing a €0.10 incremental increase in hourly salary. The tax credits appropriate to the household composition and employment scenario are applied in each calculation. Additionally, where the household meets the basic eligibility criteria for social welfare payments the appropriate means test is applied at each iteration of the MIS calculations. Finally, household entitlement to the medical card is assessed with each salary iteration in the calculations. Where the household is assessed as eligible for a medical card the household's MESL expenditure need is adjusted to reflect this. The Minimum Income Standard for a

household is reached at the point where total household income meets the MESL expenditure need of the specified household type. Expenditure and subsequently the MIS will vary by household type, child age group, household location and employment scenario (Collins et al, 2012).²

Establishing the cost of a Minimum Essential standard of Living and the subsequent Minimum Income Standard provides a benchmark to assess the adequacy and the effectiveness of social welfare transfers and/or the national minimum wage for different household types. The MESL data can be applied to different income scenarios and can be used to examine the impact of moving from long-term unemployment to employment and the policies that have been put in place 'to make sure that, in financial terms at least, 'work always pays' no matter the nature of that work' (Government of Ireland, 2014: 5).

The next section of this paper outlines the current context and the policies that are in place to help ease the transition from long-term unemployment to work.

Current Context and Making Work Pay

Unemployment, and with it poverty, is regarded as a key social concern 'not only in terms of the quality of life of those affected but also their wasted potential, as well as the risks to the social fabric and social cohesion more generally' (Marx, Nolan & Olivera, 2014: 2). The recession had a detrimental impact on Irish society. It resulted in tens of thousands of job losses across a number of sectors in Ireland, and it caused a significant adjustment of Ireland's labour market.

Recent data shows that Ireland is beginning to emerge from the severe economic and fiscal crisis. The seasonally adjusted unemployment rate was 10.4% in Q4 2014, declining from 12.3% in Q4 2013 (CSO, 2015). Recent figures from the CSO shows that the standardised unemployment rate was 10% in April 2015. As Ireland begins to tentatively emerge from the recession and unemployment rates, although still high, begin to decrease, there has been debate regarding traps in the system that prevent people moving from welfare to work.

It has been recognised that barriers and traps, both real and perceived, and the interactions between the social welfare system, the taxation system, and access to services and employment are complex, and depending on people's circumstances, can facilitate, or in some cases hinder, the transition from social welfare into employment (NESC, 2014). While there is often the perception that people are financially better off in receipt of welfare than in paid employment, a report by the

² For a fuller description of the methodology for establishing the MIS see Collins, Mac Mahon, Weld & Thornton, 2012. *A Minimum Income Standard for Ireland*. Dublin: Policy Institute, Trinity College.

National Economic and Social Council in 2011 found that the number of people on the live register who were financially better off on welfare than in work was in fact low (NESC, 2011). Despite this, there are a number of traps that can act as barriers or disincentives to employment. For example, the Citizens Information Board (CIB) in their submission on Working Age Supports to the Advisory Group on Tax and Social Welfare highlighted the need to ameliorate the acute impact of the loss of secondary benefits which may hinder people from taking a job in some cases (CIB, 2012). Issues highlighted by the CIB included:

- The loss of the medical card
- The withdrawal of Rent Supplement— In general people working full-time (defined as 30 hours or over a week) are not eligible for Rent Supplement.
- The impact of the Universal Social Charge—especially for those working on the minimum wage or earning just above the minimum wage
- In-work costs, such as childcare and transport

The VPSJ data shows that employment status does have an effect on the cost of a Minimum Essential Standard of Living. When a household takes up employment the cost of a MESL changes and costs can rise for a number of areas of expenditure. Childcare, when needed for example, substantially increases the cost of a MESL and the subsequent MIS required for those returning to work. Households moving from welfare to work may also lose entitlements such as a medical card as their income may be above the income threshold to qualify for such benefits. Furthermore, those in local authority accommodation will also see their rent increase as they move from unemployment to work, and although it will still be set at below the market rate, it will nevertheless result in an increase in a household's weekly outgoings. Similarly, those in the private rented sector ordinarily can no longer claim Rent Supplement when they take up full-time employment. All of these factors can make the transition from unemployment into employment difficult. As a consequence a number of initiatives are in place to help those who have been long-term unemployed re-enter the workforce.

ADDRESSING TRAPS IN THE SYSTEM

A number of measures are in place, while new measures have been introduced, to help ease the transition from long-term unemployment to work, and to offset the increases in the cost of living and the loss of benefits that can occur when people transition from unemployment to employment. To that end a number of initiatives have been introduced to ensure 'that there is a strong financial incentive to return to work for all people who are unemployed' (Government of Ireland, 2015: 31).

These measures seek to offset some of the increased costs associated with returning to work by allowing those who are eligible retain benefits and qualify for additional benefits. However, it is important to point out that individuals and households have to meet certain criteria in order to be eligible to retain secondary benefits when returning to work after being unemployed, e.g. such as being in receipt of a social welfare payment for a year or more etc. The initiatives that are in place for those who have been long-term unemployed, i.e. unemployed for 12 months or more, are outlined below.

Retaining Medical Card

Those who have been unemployed for 12 months or more may be entitled to retain their medical card for a period of three years after taking up employment. On relatively low earnings, but no longer eligible for a medical card, people in employment in Ireland are liable to incur medical expenses for their families that are high by international standards, whereas their medical security is much greater if they remain on social-welfare (NESC, 2012). When a household is entitled to a medical card the cost of a MESL is reduced as the cost of primary health care, i.e. doctor, dentist and optician is covered by the medical card. Allowing households to retain their medical card for a period of three years after taking up employment enables them to move from welfare to work and maintain their medical security for a defined period of time. Furthermore, based on the views of focus groups used in the VPSJ research to establish the cost of a MESL, if an individual or household type is in a hypothetical scenario in which they qualify for a full medical card private health insurance is not included in the VPSJ MESL data. This is because focus groups did not regard private health insurance as a minimum essential item when an individual or household is entitled to a full medical card, as the medical card provides for some level of medical security.

Back to Work Family Dividend

The newly introduced Back to Work Family Dividend, which was announced in Budget 2015, aims to help families move from social welfare into employment by giving financial support to people with children who were getting jobseeker and one-parent family payments who take up employment. To be eligible for this payment households must have at least one qualified child and be getting one of the following payments; Jobseeker's Allowance or Jobseeker's Benefit for at least 12 months (312 days of unemployment) of which at least 6 months (156 days of unemployment) must have been in the last year; One-Parent Family Payment (OFP) or Jobseeker's Allowance Transition (this is only paid to certain former OFP recipients with children aged between 7 and 13 years). Those who qualify for this payment are paid the equivalent of any increases for Qualified Children that were being paid on a Jobseeker or One-Parent Family Payment (up to a maximum of 4 children) for the first year in employment. Half that amount is to be paid weekly for the second year. It is envisaged that this

payment will 'remove one of the last remaining welfare traps in the system and greatly assist families looking to return to work" (DSP, 2014).

Rent Supplement and the Housing Assistance Payment (HAP)

Rent Supplement is paid to people living in private rented accommodation who cannot provide for the cost of their accommodation from their own resources. The level of this allowance is capped with reference to prescribed maximum rent levels and also, depending on the region of the country where claimants reside, their family structure and type of accommodation. For those who are unemployed, living in the private rented sector and in receipt of Rent Supplement the transition to work can be particularly difficult as the loss of this crucial payment can leave people financially worse off in work than when they were unemployed. As noted in the Citizens Information Board (CIB) 2013 Quarterly report: 'ineligibility for any Rent Supplement when in full-time work, regardless of how low the pay is, can make the take up of such work a non-viable option. Thus people are trapped on part-time work or the live register' (CIB, 2013: 8). In an attempt to address this issue, if a person has been accepted as being in need of accommodation under the Rental Accommodation Scheme by a local authority and has been unemployed or not in full-time employment for at least 12 months before they start work they may be able to keep Rent Supplement.

A new payment, the Housing Assistance Payment (HAP) is being introduced to replace Rent Supplement for people with a long-term housing need, though Rent Supplement will continue to be available for people who need short-term support to pay their rent. HAP is provided by local authorities, and the local authorities will make the full rent payment on behalf of the HAP recipient directly to the landlord. The HAP recipient will then pay a rent contribution to the local authority. The rent contribution is a differential rent, that is, a rent based on income and the ability to pay. As Rent Supplement is generally not payable to people in full-time employment, it can be a disincentive to taking up work. However, people eligible for the HAP will be able to take up full-time employment, subject to the conditions of the scheme. It is hoped that this new scheme will remove one of the greatest barriers of moving from welfare to work. Both Rent Supplement and HAP will be examined in the welfare to work income scenarios in this paper.

Universal Social Charge (USC)

The Universal Social Charge (USC) came into effect in January 2011. The USC is a tax on gross income. Budget 2015 introduced changes to the rates and thresholds at which the USC is paid. Although these changes affect all workers, not just those returning to work, the USC was cited by the

Citizens Information Board as has having a negative impact of low wage and minimum wage workers (CIB, 2012). Budget 2015 made the following changes to the USC:

- Increased the entry point to the second rate of USC from just over €10,000 to just above €12,000 and the upper ceiling for this band increased from just over €16,000 to just above the level of the minimum wage
- Reduced the 2% USC rate to 1.5%
- Reduced the 4% USC rate to 3.5%

These changes are designed to help low and middle income earners, and according to the Minister for Finance Michael Noonan will enhance 'the *progressivity of our income tax system*' (Department of Finance, 2014).

Returning to Work

Focusing on three household types, this working paper explores the implications of returning to work for those who have been unemployed for twelve months or more, and the policies that have been introduced to help ease the transition for those moving from long-term unemployment to work. This paper will examine the income differential for three household types moving from long-term unemployment into employment and how the Minimum Income Standard is affected by the retention of benefits. Expenditure is based on the cost of a Minimum Essential Standard of Living in March 2015, while income is based on the tax and social welfare system as it stands in 2015.

In the in-work scenarios that include the retention of benefits it is assumed that all of the households have been unemployed for 12 months or more and are eligible to retain benefits associated with returning to work. However, it is important to point out that the scenarios are hypothetical and do not represent every household's experience when transitioning from unemployment to employment, and that many households may not be eligible or entitled to benefits that are designed to assist people back into the labour market. To that end, the MIS is also demonstrated for three identical household types who are in work but are not entitled or eligible for benefits associated with returning to work. This is done to highlight the income differential between the two in work scenarios and to demonstrate the income necessary to maintain a MESL when benefits associated with returning to work are not applicable.

SINGLE ADULT OF WORKING AGE

Single Adult of Working age - Rent Supplement

Unemployed

Table 1 details the expenditure and income for an unemployed single adult household type, living alone and dependent on social welfare. As this household type is unemployed it is assumed that they are entitled to a full medical card. This household is in private rented accommodation and is in receipt of Rent Supplement. Housing costs are set at the Rent Supplement ceiling limit of €520 per month for a single adult in Dublin, which equates to €120 per week. This household must make a contribution of €32.00 per week towards their rent. This household type's minimum essential costs including housing are €340.68 per week.

Table 1 Single Adult Jobseeker and in Receipt of Rent Supplement

<u>Unemployed</u>	Unemployed Single Adult Working Age - Private Rented Accommodation
Expenditure	
MESL Core Expenditure	€220.68
Housing	€120.00
Medical Card Eligibility	Full
Total MESL Expenditure	€340.68
Social Welfare	
Jobseeker's Personal Rate	€188.00
Rent Supplement	€88.00
Medical Card	Full
Total Social Welfare	€276.00
Shortfall/Discretionary Income	- €64.68

Table 2 Single Adult In Work - Retaining Benefits and in receipt of partial Rent Supplement

<u>Working - Retaining Benefits</u>	Single Adult Working Full -Time
Expenditure	
MESL Core Expenditure	€225.19
Housing	€120.00
Medical Card Eligibility	Full
Total MESL Expenditure	€345.19
Earned Income	
Gross Salary	€324.38
Income Tax	€1.38
USC	€6.73
PRSI	€00.00
Net Salary	€316.27
Social Welfare Entitlements	
Rent Supplement	€70.85
Medical Card	Full
Total Household Income	€387.12
Shortfall/Discretionary Income	+€41.93

This household type receives €188 per week from their Jobseekers Allowance. However, this payment is insufficient as the household's core costs (excluding housing) exceed this payment by approximately €32. In addition to the primary social welfare payment, this household type receives €88.00 in Rent Supplement. The total weekly income for this household type is €276 per week.

In this scenario, minimum essential expenditure exceeds income from social welfare, and as a consequence this household type has a shortfall of €65 per week, which when calculated on an annual basis is in excess of €3,300. The data demonstrates that this household type is facing income inadequacy and cannot afford a Minimum Essential Standard of Living when unemployed and dependent on social welfare.

Working - Retaining Benefits

Table 2 demonstrates the impact of a single adult household type in work and eligible to qualify for benefits associated with returning to work after being unemployed for 12 months or more. In this scenario it is assumed that this individual has been deemed eligible for Rental Accommodation Scheme (RAS) and therefore entitled to retain part of their Rent Supplement payment and is also entitled to retain a full medical card. The hypothetical scenario is based on this individual working full-time, 37.5 hours per week.

When this household type moves from long-term unemployment to work the cost of a MESL rises from €341 per week to €345 per week. The increase is due to the inclusion of a Trade Union membership subscription. In the MESL data it is assumed that urban based households have adequate access to public transport and transport costs do not change due to employment status. The focus groups used to establish the cost of a MESL reached a consensus that a seven day bus ticket should be allowed for regardless of employment status³.

In this scenario it is assumed that this household type is renting at the Rent Supplement ceiling of €520 per month for a single person in Dublin. Based on this household's earnings they must make a contribution of €49.15 per week towards their rent, and so the Rent Supplement they receive is €70.85 a week. It is also assumed that this household type is entitled to retain their full medical card as they are in a return to work situation. This reduces household expenditure as private health insurance is not included in the MESL costs and the cost of primary health care is also deducted.

The national minimum wage (NMW) and Rent Supplement provide an individual in this scenario with a sufficient income to meet their minimum essential needs. The MIS for this household is the NMW, which is €8.65 per hour. This household has a discretionary income of €41.93 per week.

In this scenario the national minimum wage (NMW) when coupled with Rent Supplement and a full medical card ensures that this household type is financially better off in full-time work than in

³ The same applies for transport costs for all other scenarios considered in this paper.

receipt of social welfare. The retention of secondary benefits such as Rent Supplement and a medical card, allows this household type to re-enter the labour market at the minimum wage rate and have a sufficient income to afford a MESL. However, it is important to point out that while housing costs in Tables 1 & 2 are based on the Rent Supplement ceiling limit for this household type, current levels of Rent Supplement have been criticised as unrealistic and that there are those in receipt of Rent Supplement who have to pay 'top-ups' to their landlord in order to secure or retain accommodation (Threshold, 2012 & 2013). As a result, actual housing costs could be higher those reported in Tables 1 & 2.

Working and not eligible to retain benefits

Table 3 demonstrates the Minimum Income Standard for an identical single adult working full-time (37.5 hour per week), but not entitled to retain secondary benefits. This demonstrates the income that this household requires in order to have the same standard of living as a household that is in a return to work scenario.

Table 3 Single Adult Employed - Private Rented Accommodation

<u>In Work Private Rented Accommodation</u>	Single Adult Working Full - Time
Expenditure	
MESL Core Expenditure	€241.97
Housing (Private Rented)	€180.72
Medical Card Eligibility	GP Visit Card
Total MESL Expenditure	€422.69
Income	
Gross Salary	€496.88
Income Tax	€35.26
USC	€18.33
PRSI	€19.88
Net Salary	€423.41
Medical Card	GP Visit Card
Total Household Income	€423.41

In this scenario housing costs are based on the average cost of renting a one-bedroom dwelling. The Private Residential Tenancies Board (PRTB) average rent index for Q4 2014 is the source of the housing costs. Given that high rents can distort the average, it was decided for the purposes of this

paper to base the calculation on a proportion of the reported average. The housing cost is 90% of the average monthly rent for a 1 bed unit in Dublin⁴.

The decision to base housing costs on 90% of the average monthly rent as opposed to the Rent Supplement ceiling is because of the widespread criticism of the Rent Supplement ceiling limits. The Society of St Vincent de Paul (2013) and Threshold (2012 & 2013) have argued that many people find it difficult to find suitable accommodation within the rent limits allowed under Rent Supplement⁵. Moreover, figures from the CSO show that private rents increased by 8.0% between December 2013 and December 2014, which suggests that the actual gap between the cost of private rented accommodation and Rent Supplement ceilings are widening.⁶

In this scenario, this household type must earn almost €497 per week if they are to afford the cost of a MESL, which includes the cost of private rented accommodation. At this wage rate, which equates to €13.25 per hour, an individual in this scenario only qualifies for a GP visit card. As a consequence the cost of a MESL increases because the cost of private health insurance and the cost of primary health care, with the exception of GP visits, are included in household expenditure.

The data demonstrates that benefits such as a medical card and access to subsidised housing can make low pay work a viable option, and can help households reach a MESL. However, as Table 3 demonstrates the Minimum Income Standard rises considerably for this household type when entitlements linked to returning to work are not applicable. In this situation, this household type must earn €4.60 more per hour in order to have the same standard of living as an identical household who is entitled to retain benefits associated with returning to work. This particular scenario underscores the financial burden of having to access private rented accommodation, and illustrates the need for a housing system that facilitates access to affordable and quality housing for individuals and families.

Overall, the single adult household type is financially better off in work than in receipt of social welfare, as social welfare falls far short of what is required to meet the cost of a MESL. While return to work benefits do assist this household type reach a MESL, the data demonstrates that in order to

⁴ The monthly cost of a 1 bed unit (all dwelling types) in Q4 2014 is €870.14. 90% of this cost equates to €783.14, which gives a weekly housing cost for this paper of €180.72. The same approach was taken in the calculation of the Living Wage, see www.livingwage.ie

⁵ If the housing costs in this scenario (Table 3) were based on the Rent Supplement ceiling of €520 per month this household would need to earn €10.95 per hour, which is €2.30 above the NMW in order to meet the cost of a MESL.

⁶ CSO Consumer Price Index December 2014. Available online at: <http://www.cso.ie/en/releasesandpublications/er/cpi/consumerpriceindexdecember2014/#.VNtPhvmsUvM>

maintain a MESL, a household type in this situation would need to earn €13.25 per hour when they are in private rented accommodation and entitlements linked to returning are not applicable.

Single Adult of Working Age - Housing Assistance Payment

The second scenario for a single adult household type examined in this paper explores the impact of the Housing Assistance Payment scheme, as opposed to Rent Supplement, when transitioning from welfare to work.

The Housing Assistance Payment (HAP), which is administered by local authorities, is for people who have a long term housing need and who qualify for social housing support. HAP is being introduced to replace Rent Supplement for people with a long-term housing need, though Rent Supplement will continue to be available for people who need short-term support to pay their rent. As Rent Supplement is generally not payable to people in full-time employment, it can be a disincentive to taking up work. However, people on HAP will be able to take up full-time employment, subject to the conditions of the scheme⁷. Under HAP it is up to the tenant to find accommodation in the private rented sector and then the local authority pays rent directly to the landlord on the tenants behalf. While this scheme is a welcome development, and eligibility is not determined by employment status, it should be noted that the limits for HAP payments are based on the current Rent Supplement limits, which as highlighted above have been criticised as being unrealistic, particularly given the current rent inflation in the private rented sector.

In Dublin, the HAP scheme is only currently available in South Dublin County Council (SDCC). Therefore, the housing costs given in Table 4, 5 & 6 are based on SDCC's differential rent scheme⁸. A differential rent scheme operates in local authorities in Ireland, and rent is based on household income and ability to pay. Each local authority operates their own rent scheme and the cost of rent is dependent on the criteria stipulated by each individual local authority.

⁷ For further information on HAP see:

http://www.citizensinformation.ie/en/housing/renting_a_home/housing_assistance_payment.html &
<http://www.irishstatutebook.ie/2014/en/act/pub/0021/index.html>

⁸ For further information on South Dublin County Council's differential rent scheme see:
<http://www.sdcc.ie/differential-rents-scheme-2009>

Unemployed -HAP

Table 4 Single Adult Unemployed - Housing Assistance Payment

Unemployed	Single Adult Working Full -Time
Expenditure	
MESL Core Expenditure	€220.68
Housing	19.80
Medical Card Eligibility	Full
Total MESL Expenditure	€240.48
Income	
Jobseekers Personal Rate	€188.00
Medical Card	Full
Total Household Income	€188.00
Shortfall/Discretionary Income	-€52.48

Table 5 Single Adult in Work, Retaining Benefits Housing Assistance Payment

Working - Retaining Benefits	Single Adult Working Full -Time
Expenditure	
MESL Core Expenditure	€225.18
Housing	€32.63
Medical Card Eligibility	Full
Total MESL Expenditure	€257.81
Income	
Gross Salary	€324.38
Income Tax	€1.38
USC	€6.73
PRSI	€00.00
Net Salary	€316.27
Medical Card	Full
Total Household Income	€316.27
Shortfall/Discretionary Income	+€58.46

Table 4 shows the expenditure and income for an unemployed single adult in receipt of the full personal rate of Jobseekers Allowance and eligible for the HAP scheme. It is also assumed that an individual in this scenario is entitled to a full medical card. The cost of a MESL for this household type is €240.48 per week, which includes rent of €19.80. An individual in this scenario receives €188 per week in social welfare. As income is less than expenditure this household type is experiencing income inadequacy and has a weekly shortfall of €52.48, and cannot, as a consequence, meet the cost of a MESL. While an individual in this scenario has a significant weekly shortfall, it is worth noting that the household type that is in receipt of HAP is financially better off than their counterpart who is unemployed and in receipt of Rent Supplement (Table 1). In this scenario, rent on HAP is lower than the contribution that a single adult in receipt of Rent Supplement must make towards their rent⁹. Nevertheless, despite having access to subsidised housing, be it the HAP scheme or Rent Supplement, both household types are still unable to afford a Minimum Essential Standard of Living when unemployed and solely dependent on social welfare.

⁹ Rent on HAP may not always be lower than the Rent Supplement contribution as each local authority sets their own criteria for calculating rent.

Working - Retaining Benefits - HAP

In this scenario (Table 5), the cost of a MESL rises when this household type moves from unemployment to employment. This is mostly due to an increase in the cost of rent, which increases as income rises. Personal costs also increase due to the need to include a Trade Union membership subscription in the MESL expenditure. As this is a return to work scenario it is assumed that this household type is eligible to retain a full medical card. In this scenario total weekly expenditure is €257.81, while net earned income from work is €316.27. The HAP scheme and the retention of the full medical card, which effectively subsidise the cost of housing and health, ensure that this household has a sufficient income on the NMW to meet their minimum expenditure need. In this particular scenario, this household type's income is approximately 41% higher than an identical household dependent on social welfare. It is evident from the data that in this hypothetical scenario this household type is financially better off in work and moves from having a shortfall of €52 per week when long-term unemployed to having a discretionary income of €58 per week when in work and retaining benefits.

Working and not eligible to retain benefits - HAP

Table 6 Single Adult Employed- Housing Assistance Payment

<u>In Work - HAP</u>	Single Adult Working Full -Time
Expenditure	
MESL Core Expenditure	€241.96
Housing (HAP)	€32.69
Medical Card Eligibility	GP Visit Card
Total MESL Expenditure	€274.65
Income	
Gross Salary	€324.38
Income Tax	€0.76
USC	€6.73
PRSI	€00.00
Net Salary	€316.88
Medical Card	GP Visit Card
Total Household Income	€316.88
Shortfall/Discretionary Income	+€42.23

Table 6 demonstrates the expenditure and income for an identical single adult of working age household who is working but not entitled to benefits associated with returning to work. This household type is availing of the HAP scheme and working full-time, based on a 37.5 hour week.

In this scenario this household type only qualifies for a GP visit card when working full-time on the NMW and availing of the HAP scheme. This increases expenditure as health insurance and primary health care, with the exception of GP visits, are included in the minimum essential expenditure. As a consequence, this household type has a lower discretionary income than an identical household who can retain a full medical card when returning to work after being long term unemployed (Table 5). Nevertheless, this household type has a sufficient income on the NMW to meet their minimum essential needs.

This scenario demonstrates the benefit of the Housing Assistance Payment (HAP), which has been introduced to replace Rent Supplement. On the HAP scheme this household type has a sufficient income on the NMW to meet their minimum essential costs. This is in contrast to an identical household in private rented accommodation (Table 3) who has to earn €13.25 per hour in order to maintain the same standard of living as a household availing of HAP. This particular scenario underscores the financial benefit of this scheme, which is not determined by employment status and allows recipients to take up full-time employment, while still receiving housing support.

The hypothetical scenarios (both Rent Supplement and HAP) demonstrate the benefit to this household type when they re-enter the labour market after being long-term unemployed. Be it on HAP or Rent Supplement, this single adult household type moves from income inadequacy when dependent on social welfare to income adequacy when working and retaining benefits. The data demonstrates that access to services such as subsidised housing can play a crucial role in reducing household expenditure. Such supports can make a Minimum Essential Standard of Living possible for low wage workers transitioning from welfare to work.

TWO PARENTS AND TWO CHILDREN, PRE-SCHOOL AND PRIMARY SCHOOL

Unemployed

The first scenario presented for two parents and two children, pre-school and primary school age, in Table 7 is based on one parent seeking work, while the other is engaged in home duties. This household is in social housing and housing costs are based on Dublin City Council's differential rent scheme¹⁰. As this household is dependent on social welfare it is assumed that they qualify for a full medical card which exempts them from paying for primary health care.

The minimum expenditure need for this household type is €477.00 per week, which includes a social housing cost of €44.26 per week. In this hypothetical scenario, this household type receives a total

¹⁰ For the purposes of the expenditure and income scenarios the VPSJ ordinarily uses Dublin City Council as the basis for social housing costs.

of €436 per week in social welfare payments, including Child Benefit and the Back to School Clothing and Footwear Allowance (BSCFA).

Despite being in social housing this household type has a shortfall of €40 per week when solely dependent on social welfare, which when calculated on an annual basis is in excess of €2,000. In this scenario this household is experiencing income inadequacy and does not have sufficient income to meet their minimum essential costs.

Table 7 Unemployed - Social Housing

<u>Unemployed</u>	1 Parent Unemployed, 1 Stay at Home
Expenditure	
MESL Core Expenditure	€432.74
Housing	€44.26
Childcare	€00.00
Medical Card Eligibility	Full
Total MESL Expenditure	€477.00
Income	
Jobseekers Personal Rate	€188.00
Qualified Adult	€124.80
Qualified Child Increase	€59.80
Child Benefit	€62.31
BSCFA	€1.92
Total Household Income	€436.63
Shortfall/Discretionary Income	-€40.36

Table 8 In Work Retaining Benefits- Social Housing

<u>Working - Retaining Benefits</u>	1 Parent working full-time, 1 working part-time
Expenditure	
MESL Core Expenditure	€440.29
Housing	€79.74
Childcare	€89.36
Medical Card Eligibility	Full
Total MESL Expenditure	€609.39
Income	
Gross Salary 1	€324.38
Income Tax (joint)	€00.00
USC 1	€6.73
PRSI 1	€00.00
Gross Salary 2	€164.35
USC 2	€00.00
PRSI 2	€00.00
Household Net Salary	€481.99
Social Welfare	
Child Benefit	€62.31
FIS	€73.00
BSCFA	€1.92
BTWFD	€59.60
Total Social Welfare	€196.83
Total Household Income	€678.82
Shortfall/Discretionary Income	+€69.43

Working - Retaining Benefits

Table 8 shows the implications of this household type returning to work after being unemployed for 12 months or more. The scenario presented in Table 8 is based on one parent working full-time, and one parent working part-time. Full-time work is based on a 37.5 hour week, while part-time work is based on working 19 hours per week. This household is in social housing and rent is based on Dublin City Council's differential rent scheme.

The cost of a MESL rises from €477.00 when unemployed to €609.39 when returning to work. The main reason for the increase in expenditure is the need for part-time childcare for the pre-school child. This increases household expenditure by €89 per week. While only part-time child care is required in this scenario, it is important to note that the cost of childcare would be substantially higher if full-time childcare was required, which in turn would impact on the MIS required to meet a MESL.¹¹ Housing costs also increase when this household type moves from welfare to work. In this scenario, this household type pays €35 more per week in local authority rent when compared to an identical household that is unemployed and solely reliant on social welfare. Personal costs also increase for the household when in a return to work scenario as Trade Union membership is included for both parents. Overall, the cost of a MESL increases by €135 when this household transitions from welfare to work.

While expenditure increases when this household type moves from welfare to work, so too does income. The net salary for this household type is €482 per week and at this wage level the household only pays €6.73 in USC and is not liable for tax or PRSI. As this household is in a return to work situation they are entitled to keep their full medical card. In addition, they also qualify for the newly introduced Back to Work Family Dividend (BTWFD) which increases their income by €59.60 per week. Based on their earned income this household type also qualifies for FIS and the Back to School Clothing and Footwear Allowance. The household also receives Child Benefit. The income from social welfare payments is €196.83 per week, which brings their total income (earned net income and social welfare) to €678.82 per week. In this instance, the secondary benefits that this household type receives when in work is 45% of the total social welfare income that an identical household type would receive if unemployed and dependent on social welfare. As a consequence, the national minimum wage when combined with social welfare entitlements provides a sufficient income to meet the cost of a MESL for this household type.

¹¹ The VPSJ has recently published a paper 'Minimum Income Standard and the Cost of Childcare' (2015). It can be accessed here: http://budgeting.ie/images/stories/Publications/Papers/VPSJ_2015_MIS_-_Cost_of_Childcare.pdf

In this scenario this household type is financially better off returning to work than in receipt of social welfare. The household moves from a shortfall of €40 per week when dependent on social welfare to having a discretionary income of €69 per week when they return to work and retain benefits. The newly introduced BTWFD makes a notable contribution to this household's income and offsets some of the increase in expenditure when transitioning from welfare to work. However, it must be noted that if full-time childcare was required the cost of a Minimum Essential Standard of Living would be considerably higher, and while the BTWFD would offset a proportion of the cost of full-time childcare, it would nevertheless be insufficient to meet the cost of full-time private childcare.

Working and not eligible to retain benefits

Table 9 Working not eligible to retain benefits

<u>Working - not eligible to retain benefits</u>	1 Parent working full-time, 1 working part-time
Expenditure	
MESL Core Expenditure	€440.29
Housing	€70.80
Childcare	€89.36
Medical Card Eligibility	Full
Total MESL Expenditure	€600.45
Income	
Gross Salary 1	€324.38
Income Tax (joint)	€00.00
USC 1	€6.73
PRSI 1	€00.00
Gross Salary 2	€164.35
USC 2	€00.00
PRSI 2	€00.00
Household Net Salary	€481.99
Social Welfare	
Child Benefit	€62.31
FIS	€73.00
BSCFA	€1.92
Total Social Welfare	€137.23
Total Household Income	€619.22
Shortfall/Discretionary Income	+€18.77

Table 9 demonstrates the MIS for an identical household type when in work, but not in receipt of benefits associated with returning to work after being long-term unemployed. Housing costs in this scenario are again based on Dublin City Council's differential rent scheme.

The cost of a MESL when in work, but not automatically entitled to retain secondary benefits, is €600.45 per week. This is approximately €9.00 lower when compared to an identical household in a back to work scenario (Table 8). The fall in the cost of a MESL is due to this household paying less for their local authority rent as they are not entitled to the BTWFD, which is included as income in the assessment of rent for Dublin City Council. While the household in the back to work scenario may receive an additional €59.60 because of the BTWFD, the full benefit of the payment is lost due to an increase in their local authority rent because of this payment.

In this particular scenario the NMW is sufficient to meet the expenditure need of this household type when in work, but not entitled to benefits associated with returning to work. This household type is still eligible for a full medical card as their income is below that threshold stipulated in the medical card guidelines¹². This household also qualifies for FIS and the BSCFA. The household also receives Child Benefit for each child. The total income from social welfare is €137.23, which when combined with earned net income gives this household a weekly income of €619.22. In this scenario the household has a sufficient income when both parents are working on the national minimum wage.

In both of the in-work scenarios for this household type (Tables 8 & 9) the two household types have a sufficient income on the NMW and are financially better off than an identical household type seeking work and reliant on social welfare. The in work scenarios demonstrate the positive impact of secondary benefits for those who are eligible for them, and the significant role they can make in helping households meet the cost of a Minimum Essential Standard of Living.

TWO PARENTS AND TWO CHILDREN, BOTH ADOLESCENTS

Unemployed

The final household type examined in this working paper is a two parent household with two adolescent children. The unemployed scenario presented for this household type is based on one parent seeking work, while the other is a stay at home parent. It is assumed that this household type is living in social housing and is also entitled to a full medical card as they are dependent on social

¹² The medical card assessment takes into account housing, childcare and transport costs.

welfare. Total weekly MESL expenditure for this household is €605.96 per week, which includes a social housing cost of €44.26 per week.

The data demonstrates that the cost of a MESL rises considerably when there is an adolescent in the household, or as in this case, two adolescents. This household's expenditure is almost €129 greater than an unemployed household with a pre-school and primary school child. However, with the exception of the Back to School Clothing and Footwear Allowance, social welfare supports are paid at a single rate and do not account for the fact that costs rise significantly in adolescence. As a consequence, the gap between expenditure and income is significant for this household type. This household has a shortfall of €163.96 per week, which equates to €8,525.92 per annum. The outcome in this scenario is severe income inadequacy for this household type, and an inability to meet the cost of a MESL when unemployed and dependent on social welfare.

Table 10 Unemployed - Social Housing

Unemployed	1 Parent Unemployed, 1 Stay at Home
Expenditure	
MESL Core Expenditure	€561.70
Housing	€44.26
Medical Card Eligibility	Full
Total MESL Expenditure	€605.96
Income	
Jobseekers Personal Rate	€188.00
Qualified Adult	€124.80
Qualified Child Increase	€59.60
Child Benefit	€62.31
BSCFA	€7.69

Total Household Income	€442.40
Shortfall/Discretionary Income	-€163.56

Table 11 In Work -Retaining Benefits - Social Housing

Working - Retaining Benefits	1 Parent working full-time, 1 working part-time
Expenditure	
MESL Core Expenditure	€569.26
Housing	€79.74
Medical Card Eligibility	Full
Total MESL Expenditure	€649.00
Income	
Gross Salary 1	€324.3
Income Tax (joint)	€00.00
USC 1	€6.73
PRSI 1	€00.00
Gross Salary 2	€164.35
USC 2	€00.00
PRSI 2	€00.00
Household Net Salary	€481.99
Social Welfare	
Child Benefit	€62.31
FIS	€73.00
BSCFA	€7.69
BTWFD	€59.60
Total Social Welfare	€202.60
Total Household Income	€684.59
Shortfall/Discretionary Income	+€35.60

Working - Retaining Benefits

This scenario examines the implications for an identical household type transitioning from long-term unemployment into employment. This scenario is based on one parent working full-time and one parent working part-time.¹³ Housing costs are based on Dublin City Council's differential rent scheme.

When in work the cost of a MESL for this household type is €649.00. The rise in the cost of a MESL can be attributed to an increase in personal costs, which include Trade Union membership subscriptions, and a €35 increase in the cost of local authority rent as their income is higher when in work than it is when dependent on social welfare.

In this scenario the NMW serves as the Minimum Income Standard for this household type. As this household type is returning to work it is assumed that they are entitled to retain their full medical card. This household also receives the Back to Work Family Dividend (BTWFD). The household is also in receipt of Child Benefit, FIS and the Back to School Clothing and Footwear Allowance. In total, this household receives just over €200 per week in social welfare payments. This is approximately 46% of the total income that an identical household would receive in income supports if dependent on social welfare. When the NMW is combined with social welfare entitlements this household type has a sufficient income to meet their needs. At this wage rate neither parent is liable for tax (when jointly assessed) and only the parent working full-time pays the Universal Social Charge (USC). The substantial contribution of in-work social welfare supports ensures that this household has a sufficient income on the NMW to meet their minimum essential costs.

Comparing an identical household type dependent on welfare and then returning to work after being long-term unemployed demonstrates that in this scenario this household type moves from having a shortfall in the region of €163 per week to having a discretionary income of almost €35 per week. This underscores the value of in work supports such as FIS and the newly introduced BTWFD to low wage minimum wage workers. In this case, such supports, and the fact that this household type is situated in social housing, negates the need for earnings in excess of the NMW.

Working and not eligible to retain benefits

This scenario examines the MIS for an identical household type in work but not entitled to benefits associated with returning to work after being long-term unemployed. Therefore, it is assumed that this household type is not in receipt of the BTWFD and is not automatically entitled to a full medical card. This scenario is based on one parent in full-time employment and one parent in part-time employment.

¹³ Full-time work based on 37.5 hours per week, while part-time work is based on 19 hours per week.

As with all in work scenarios in the MESL research the NMW is taken as the starting point to assess income adequacy. Where the NMW is adequate, it serves as the Minimum Income Standard. However, in this instance and as demonstrated in Table 12, the NMW is not sufficient for this household to meet their minimum essential needs when in work, but not in receipt of benefits associated with returning to work. While the NMW is adequate for an identical household type in a return-to-work scenario, it is not sufficient in this situation.

Two Parents and Two Adolescent, MIS when Back to Work Entitlements Cease

Table 12 Employed- Social Housing

Employed NMW	1 Parent working full-time, 1 working part-time
Expenditure	
MESL Core Expenditure	€610.58
Housing	€70.80
Medical Card Eligibility	GP Visit Card
Total MESL Expenditure	€681.38
Income	
Gross Salary 1	€324.3
Income Tax (joint)	€00.00
USC 1	€6.73
PRSI 1	€00.00
Gross Salary 2	€164.35
USC 2	€00.00
PRSI 2	€00.00
Household Net Salary	€481.99
Social Welfare	
Child Benefit	€62.31
FIS	€73.00
BSCFA	€7.69
Total Social Welfare	€143.00
Total Household Income	€624.99
Shortfall/Discretionary Income	-€56.39

Table 13 Employed - Social Housing

Employed MIS	1 Parent working full-time, 1 working part-time
Expenditure	
MESL Core Expenditure	€610.58
Housing	€72.54
Medical Card Eligibility	GP Visit Card
Total MESL Expenditure	€683.12
Income	
Gross Salary 1	€436.88
Income Tax (joint)	€2.99
USC 1	€14.13
PRSI 1	€17.38
Gross Salary 2	€221.35
USC 2	€00.00
PRSI 2	€00.00
Household Net Salary	€623.63
Social Welfare	
Child Benefit	€62.31
FIS	€00.00
BSCFA	€00.00
Total Social Welfare	€62.31
Total Household Income	€685.94
Shortfall/Discretionary Income	+€2.81

The reason that the NMW is not adequate in this instance is because the household's overall expenditure increases as the household is not entitled to a full medical card and only qualify for a GP visit card, and so the cost of private health insurance and primary health care costs, with the exception of GP visits, are included in the expenditure. This increases this household type's total

weekly expenditure to €681.38 per week¹⁴. Despite receiving FIS, Child Benefit, and the Back to School Clothing and Footwear Allowance, this household has an insufficient income on the NMW and is experiencing income inadequacy.

As the NMW is inadequate, Table 13 outlines the Minimum Income Standard necessary for this household to meet their minimum essential needs. Based on one adult working full-time and one adult working part-time, this household type needs to earn a combined gross salary of €658 per week, which equates to an hourly wage for each adult of €11.65 per hour, in order to meet their minimum essential needs.

Figure 1 MIS for two parents and two children of second level age household

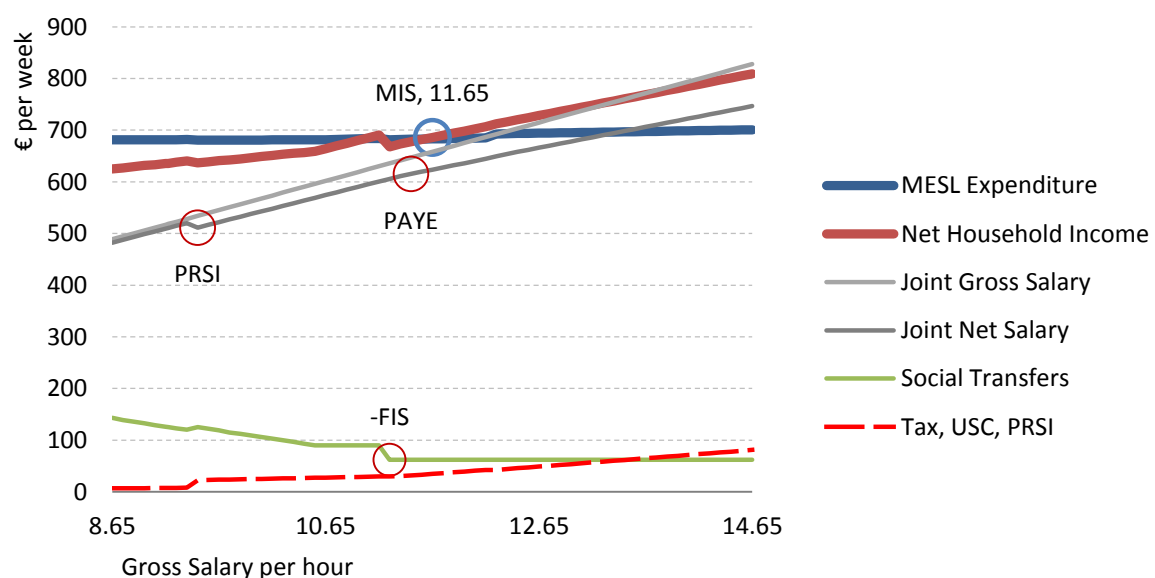


Figure 1 highlights that as this household type's gross salary increases their entitlement to secondary benefits reduce and ultimately cease. While Child Benefit is a universal entitlement, means tested social welfare payments such as Family Income Supplement cease before this household type reaches income adequacy, and as a consequence, this household must earn significantly more in order to have the same standard of living as an identical household who is returning to work after a period of long-term unemployment. In addition as earnings increase so too does liability for tax, USC and PRSI. In the scenarios presented above a household earning €11.65 per hour pays €34.50 per

¹⁴ In the scenario outlined in Table 12 housing costs are lower than that reported in the back to work scenario in Table 11. This is because in the back to work scenario the BTWFD is included in household income when housing costs are assessed under the differential rent scheme.

week in tax, USC and PRSI, compared to paying only USC (€6.73) for an identical household type earning the NMW.

The scenario for this particular household type demonstrates the severe income inadequacy that this household faces when unemployed and solely dependent on social welfare. In a welfare dependent situation this household type does not have sufficient income to meet their minimum essential costs. The situation notably improves when this household transitions from long-term unemployment into employment. In this scenario, the household moves from having a shortfall in the region of €163 per week to having a discretionary income of €35 per week. The household benefits from the BTWFD and other in work supports such as FIS. The household also benefits from being able to retain their full medical card. In this instance the NMW when coupled with social welfare transfers provides an adequate income for this household type when in a return to work scenario.

However, the NMW is inadequate for an identical household type who is working but is not receiving entitlements associated with returning to work, demonstrating the challenge of low wage workers in meeting the cost of a MESL. In this case this household type must earn €11.65 per hour to meet the cost of a MESL. This scenario demonstrates the value of supports that have been put in place to help ease the transition from welfare to work, but the data also demonstrates that in order to maintain a MESL this household type would need earnings in excess of the National Minimum Wage when in a situation where entitlements linked to returning to work are not applicable.

Discussion and Conclusion

This working paper has examined three household types moving from long-term unemployment into employment, however it is important to point out that the scenarios are hypothetical and do not represent every household's experience when transitioning from unemployment to employment, and that many households may not be eligible or entitled to benefits that are designed to assist people back into the labour market. While further analysis is required on this issue, a number of points can be drawn from the data. These points are detailed below.

The Inadequacy of Social Welfare

The latest SILC data highlights the relationship between unemployment and poverty. In 2013 those most at risk of poverty were individuals who were unemployed (36.7%) and the 'at risk of poverty' rate for individuals living in households where there was no person at work was 34.5% (CSO, 2015). Unemployment, and in particular long-term unemployment, has negative consequences for the

individual and society, and while social welfare provides a safety net for those who find themselves out of work, it does not necessarily ensure that people have a sufficient income to meet their minimum essential needs.

For the three household types under consideration in this paper, social welfare was inadequate and did not provide these households with a sufficient income to meet their minimum essential needs. While this paper only concentrated on three household types recent research by the VPSJ has found that social welfare does not meet the cost of a MESL for 191 of 214 urban sample household types examined in the research in 2015 (VPSJ, 2015). The welfare dependent scenarios demonstrated in this paper highlight that there can be a significant gap between social welfare rates and the cost of a MESL as established in the VPSJ research, even when households are able to access subsidised or social housing. This counters the often made argument that people are financially better off on welfare than in work.

The Valuable Contribution of In-Work Supports

While the three household types experienced income inadequacy when dependent on social welfare, all of the households had a sufficient income when in a return to work scenario and eligible for benefits associated with returning to work after being long-term unemployed. While the newly introduced Back to Work Family Dividend does offset some of the costs associated with returning to work, it must be borne in mind that this working paper did not examine the impact that full-time private childcare would have on a household's MESL, and so the extent to which the BTWFD meets this cost was not tested in this paper.

Households returning to work after being long term unemployed are also able to retain a medical card and this provides households with a degree of medical security. In the MESL data entitlement to a full medical card removes expenditure on primary health care and negates the need for private health insurance. Also, the entitlement to retain part of the Rent Supplement payment ensures that households can return to work and still receive financial help towards meeting the cost of accommodation. As a consequence the three household types analyzed in this working paper had sufficient income on the NMW to afford their minimum essential expenditure when entitled to retain secondary benefits. The measures that have been introduced to ease the transition from welfare to work supplement household income and reduce expenditure, thereby enabling the three household types in this paper to re-enter the work force at the minimum wage rate and still have an adequate income to meet their minimum essential needs.

The in work scenarios in this paper also demonstrate the role of other in work supports (that are not specific back to work supports). In work supports such as FIS, and universal supports such as Child

Benefit, make a valuable contribution to household income and assist low wage families meet their minimum expenditure need and help reduce exposure to being at risk of poverty. This point is underscored by recent SILC data which showed that in 2013 if all social welfare transfers were excluded from income, the 'at risk of poverty' rate would have been 49.8% (CSO, 2015a).

The Challenge of Maintaining a Minimum Essential Standard of Living

The final step in the paper was to examine the MIS for three identical household types when in employment, but not in a specific back to work scenario, and therefore not automatically entitled to retain secondary benefits associated with returning to work. In two of the scenarios the NMW was insufficient when return to work entitlements were not applicable. For the single adult household the NMW was no longer sufficient when this household was not in a specific back to work scenario and not entitled to a partial Rent Supplement Payment. Paying the going market rate for private rented accommodation this household needed to earn €4.60 more per hour in order maintain the same standard of living as an identical household in receipt of Rent Supplement. While the impact of private rented accommodation was only examined for the single adult household type, it is evident that the cost of housing has a significant bearing on a household's ability to afford a Minimum Essential Standard of Living.¹⁵

From the analysis in this paper it would appear that without subsidisation, either through social housing or schemes such as HAP, the national minimum wage is insufficient and cannot meet the full cost of private market rent, and all other costs necessary for a Minimum Essential Standard of Living. The high cost of accommodation in the private rented sector and the need for earnings significantly higher than the national minimum wage demonstrates not only the value of a social/subsidised housing system and the benefit that incurs for those able to access it, but also the need for such a system for low income earners, who are unable to meet the full cost of private rented accommodation from their own resources.

The NMW also proved to be insufficient for a two parent household type with two adolescent children when working, but not in a specific back to work scenario. While the NMW was sufficient for this household type in the back to work scenario because the household was eligible for a full medical card and the BTWFD, it was insufficient for this household type when entitlement to these secondary benefits was not applicable. In this instance this household type, which is based on one parent working full-time and one parent working part-time, each adult must earn €11.65 per hour to afford their minimum essential costs. At this wage rate tax liability increases while entitlement to

¹⁵ The VPSJ (2014) has published a paper on 'Housing Tenure and its Impact on the Cost of a Minimum Essential Standard of Living'. It can be accessed here:
http://budgeting.ie/images/stories/Publications/Papers/VPSJ_2014_Working_Paper_-_Housing_Tenure.pdf

secondary benefits reduce and eventually cease resulting in this household having to earn more in order to maintain a MESL.

The two scenarios that demonstrated the inadequacy of the NMW for households working but not in a specific back to work scenario highlights the challenge faced by low wage workers in meeting the cost of a MESL and also underscores that those who are returning to work will need to move into a position in which their wages have increased sufficiently beyond the national minimum wage to absorb the loss of secondary benefits if they are to maintain a Minimum Essential Standard of Living.

This working paper demonstrates that both income and services are required if households are to have a standard of living that meets their physical, psychological and social needs. Services such as health, housing and childcare play a major role in addressing inequality and can reduce the financial burden on individuals and households. Affordable services can subsequently lower the cost of living and the need for higher wages. Tackling unemployment is a complex issue and requires a multi-faceted response, but adequate income and access to affordable, quality services are essential to ensuring that 'work always pays' no matter the nature of that work' (Government of Ireland, 2014: 5).

The need for decent wages and stable employment

Finally, this working paper demonstrates that having a job is and of itself no guarantee that a household will have an adequate income to meet their minimum essential needs and that many households have to rely on secondary social welfare supports such as Family Income Supplement (FIS) to help bridge the gap between expenditure and income. In a recent policy briefing Social Justice Ireland (2015) highlighted that the cost of FIS for example has risen from €45m in 2003 to €261m per annum in 2013, with the number of families increasing from 12,300 to just over 44,000 in the same period. The latest data, for 2013, show that there are almost 100,000 children living in these FIS supported families. Secondary social welfare supports such as FIS while needed, subsidise low wage work and can remove the onus from employers to pay decent wages. As more households return to the workforce it is important to recognise that employers have an important role to play in enabling households reach a Minimum Essential Standard of Living.

In addition, while the scenarios in this paper assume full-time work¹⁶ there is a very real issue of precarious work and under-employment in Ireland. In Q4 2014 there were in excess of 115,000 people who were part-time unemployed and wished to work full-time but could not find a full-time job (CSO, 2015b). Under-employment has many negative consequences, including the

¹⁶ In the case of the two parent households' employment is based on one parent working full-time and one parent working part-time.

underutilisation of skills, and not providing people with a sufficient income to meet their needs. The issue of work security and uncertain and irregular hours must also be addressed. Under-employment and precarious work represents a challenge to the labour market, and while employment figures are improving it is imperative that job creation policies have regard for the quality of jobs that are being created. While efforts must continue to support people back into the workforce, providing sustainable, quality work should be one of the cornerstones of Irish employment policy.

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