
MESL & SILC 2014 COMPARISON

An MESL Research Note

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TACKLING
POVERTY
& SOCIAL
EXCLUSION

INTRODUCTION

The CSO published the latest Survey on Income and Living Conditions (SILC) data for 2014, in November 2015. This data provides the key national poverty indicators, identifying the types of households 'at risk of poverty', experiencing deprivation and in consistent poverty, according to the official benchmarks. The MESL data on the cost of a socially acceptable minimum standard of living provides a counterpoint to the SILC data, and the space to ask what 'at risk of poverty' means in the context of an MESL.

This research note evaluates the SILC data in the context of the VPSJ's Minimum Essential Standard of Living (MESL) research.

A Minimum Essential Standard of Living is a standard which no one should be expected to live below. It is the minimum needed to live and partake in Irish society today, meeting the physical, psychological and social needs of individuals and households. It is a minimum standard for everyone, not just those in poverty, and identifies the cost of a dignified standard of living which allows participation in the norms of Irish life. An income below the MESL threshold means individuals & households must go without in order to make ends meet, and must forego items deemed essential for being part of Irish society.

Using the Consensual Budget Standards methodology, extensive work with focus groups, establishes detailed baskets of the goods and services vital to a household type's minimum needs. These baskets are comprised of over 2,000 goods & services and define the minimum needs for households to live at a socially acceptable level. The MESL specifies the average weekly cost of all the goods and services necessary to enable a socially acceptable minimum standard of living.

The analysis is carried out in the context of the VPSJ's 2015 MESL data, and examines the ability of various household types to afford a socially acceptable minimum essential standard of living.

POVERTY IN IRELAND

The official measurement of poverty in Ireland is based on relative poverty, and is measured in relation to average (median) incomes and the ability to afford basic necessities.

In 2014, 16.3% of people were found to be 'at risk of poverty', this equates to over 750,000 people living below the poverty line. As such, they are part of a household where the disposable income is so low as to put them at risk of not being able to take part in ordinary everyday social and economic activities. Groups with the highest 'at risk of poverty' rates include the unemployed (35.9%), one parent households (32.0%), adults of working age living alone (25.7%).*

In 2014 29% of the population experienced deprivation. This is a doubling of the deprivation rate since 2008, and means that in 2014 over 1.3 million people are unable to afford basic necessities. Groups with the highest deprivation rates include children (36.1%), the unemployed (53.4%), one

* CSO (2015) SILC 2014 – Table 2

parent households (58.7%), adults of working age living alone (32.1%) and two parent households (30.2%).*

THE MESL & SILC DATA

The 'At Risk of Poverty' threshold is based on net disposable income, including both income from employment (after taxes) and social welfare. The 'at risk of poverty' threshold, or poverty line, is equivalised in order to take account of different household structures. This is in recognition of the fact that households with more people (e.g. adults and children) have greater needs than smaller households (e.g. a single adult). Households which have a disposable income that is below 60% of median equivalised income are said to be 'at risk of poverty', or below the poverty line.

The MESL defines the minimum expenditure a specific household composition requires for an acceptable minimum standard of living. The MESL requirement changes to reflect the make-up of the household, varying in line with the adults and children (number and age) in the household. The MESL expenditure need also takes account of the additional needs associated with employment, primarily childcare costs, and reflects variation in housing costs.

The 'at risk of poverty' threshold is less nuanced than the MESL. Unlike the MESL, the SILC equivalence scale does not:

- Differentiate between the needs of working age and older adults
- Separate the minimum needs of children into four distinct age groups
- Allow for childcare costs, by age of child and employment pattern of parent(s)
- Take account of housing costs

While the 'at risk of poverty' threshold is an income measure, and the MESL an expenditure measure, they may be compared. The poverty threshold specifies a net income, below which households are regarded as 'at risk of poverty'. The MESL specifies the expenditure needed to afford an acceptable minimum standard of living. Therefore, the two measures aim to specify the amount of money which must be available to a household to spend in order to enable participation in the norms of Irish life.

The table below compares the 2014 'At Risk of Poverty' threshold for five household compositions, to the 2015 MESL expenditure need for the five household compositions when living in an urban area, in scenarios of social welfare dependency[†]. Additional household compositions and employment scenarios are illustrated in Graph 1 & 2, below.

The 2014 'at risk of poverty' threshold for one adult is €10,926 per annum, equivalent to €210.12 per week.[‡] The 2015 MESL for an unemployed working age single adult in Dublin is €340.68 per week, over €130 above the poverty threshold. In this case the poverty threshold allows for only 62% of an MESL. The poverty threshold for a pensioner living alone is also €210.12 per week. The

* CSO (2015) SILC 2014 – Table 2

† VPSJ (2015) MESL Annual Update

‡ CSO (2015) SILC 2014 – Table 4c

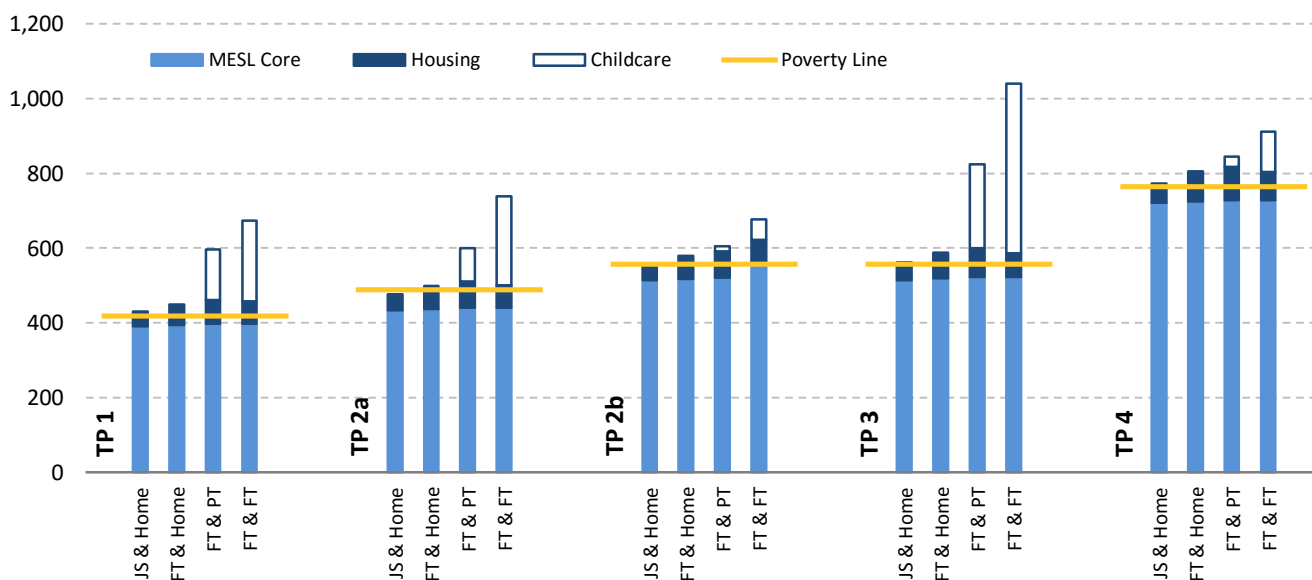
2015 MESL for a pensioner, living alone, in social housing in Dublin is €254.07, almost €45 more than the 'at risk of poverty' threshold.

In the case of households with children, the 'at risk of poverty' threshold is closer to the cost of an MESL for unemployed/social welfare dependent scenarios based in social housing. In the three cases outlined in Table 1, the poverty threshold allows for between 97% and 102% of the MESL need.

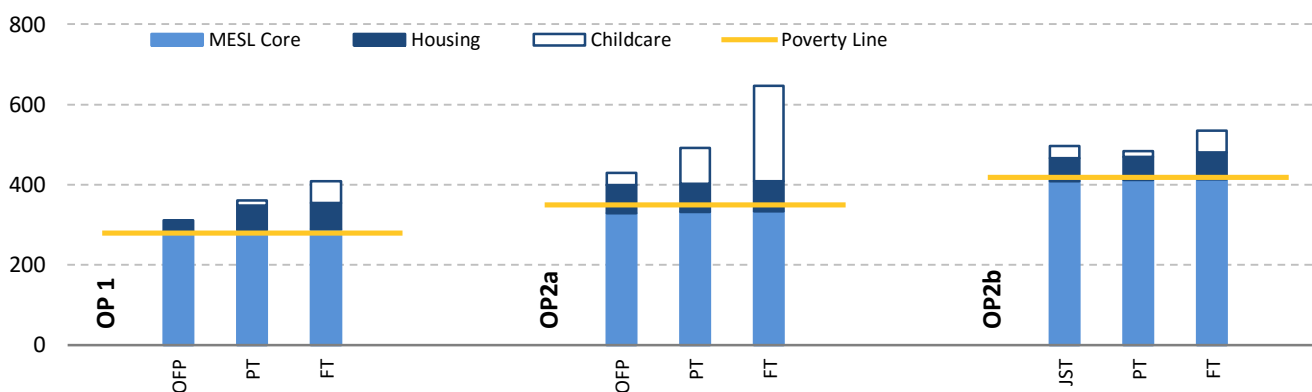
Table 1 MESL need in Urban Social Welfare Dependent Scenarios

| | Two Parent 3 & 10 | Two Parent 10 & 15 | One Parent 3 & 10 | Single Adult Living Alone | Pensioner Living Alone |
|--------------------|----------------------|-----------------------|----------------------|------------------------------|---------------------------|
| MESL Need* | 477.00 | 557.72 | 358.72 | 340.68 | 254.07 |
| At Risk of Poverty | 487.47 | 556.81 | 348.79 | 210.12 | 210.12 |
| Poverty - MESL | 10.47 | -0.92 | -9.93 | -130.57 | -43.96 |

Graph 1 Two Parent household composition[†] MESL need, by employment scenario



Graph 2 One Parent household composition[†] MESL need, by employment scenario



* Housing costs are based on living in social housing, paying a differential rent, with the exception of the Single Adult household where costs are based on renting at the Rent Supplement ceiling in Dublin, and receiving Rent Supplement.

[†] See tables on page 7, for summary of MESL expenditure need and details of the household compositions

The graphs above illustrate the MESL expenditure need for a further range of household compositions with children in scenarios of social welfare dependency and minimum wage employment. In all cases, housing costs are based on living in social housing and a paying a differential rent. In all but one case, (a Two Parents, with a pre-school and primary school age child, unemployed), the 'at risk of poverty' threshold under-estimates the expenditure needed for an MESL.

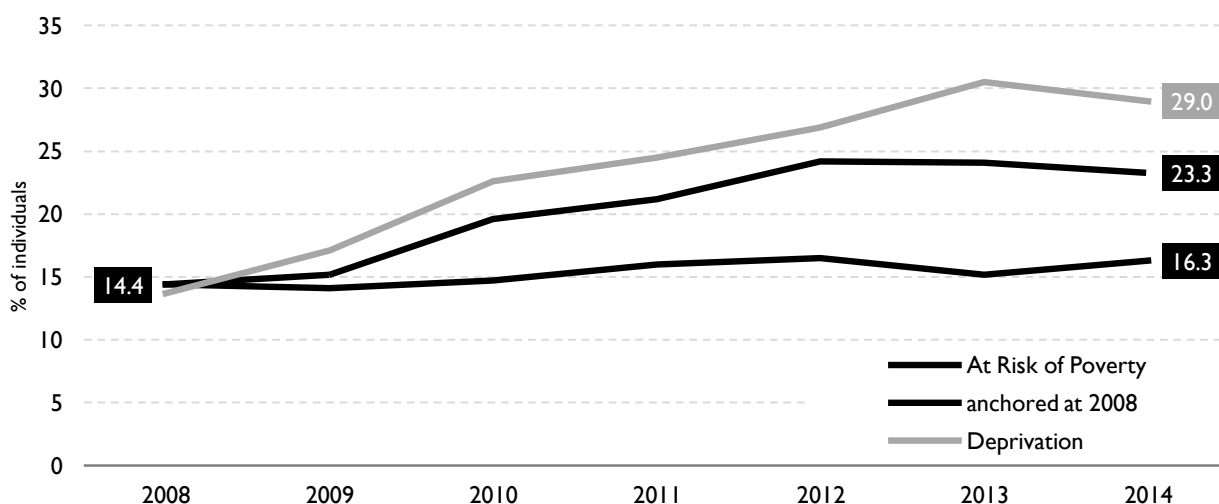
The MESL expenditure need increases in the employment scenarios, primarily due to the addition of childcare costs. However, the 'at risk of poverty' threshold does not adjust to take account of additional costs associated with employment. Consequently, the poverty threshold allows for only 55% to 65% of the MESL need for households with young children in full-time childcare.

Similarly, the 'at risk of poverty' threshold does not adjust to take account of housing costs. In the example of the working age single adult household, the MESL need when unemployed and living in rent supplement eligible accommodation is €340.68 per week. The weekly poverty threshold of €210.12 is 62% of the MESL need. However, in an employed scenario with average private rental costs*, the MESL need is €405.91. In this case the 'at risk of poverty' threshold meets only 52% of the household type's MESL expenditure need.

CHANGES IN POVERTY OVER TIME

The 'at risk of poverty' measure is a relative income poverty measure. An individual or household is said to be at risk, where their total disposable income (net salary and social transfers) is less than 60% of median disposable income. Median income measures the midpoint of all income in the country, consequently as incomes declined during the recession so too did the 'at risk of poverty' threshold.

Graph 3 At Risk of Poverty and Deprivation Trends, 2008 to 2014



Between 2008 and 2014, the 'at risk of poverty' rate rose by 1.9%, from 14.4% to 16.3%. However, as incomes dropped over this period the actual 'at risk' income threshold fell, in 2014 the 'at risk' threshold for one adult, is 12.3% lower in 2008. The SILC report also includes a measure of what the

* PRTB Average Monthly Rent Report - 2014Q4 90% of Dublin average rent for a one bedroom dwelling, €783.13

'at risk of poverty' rate would be if the rate was measured on the basis of 2008 incomes adjusted for inflation only^{*}. On the basis of this measure, anchoring the at risk threshold in 2008, the 'at risk' rate in 2014 would be 23.3%. By this measure, over a million people in Ireland would be at risk of poverty; this implies that reductions in median income are potentially hiding up to 325,000 people who are truly at risk of poverty.

A person is said to be 'deprived' if they cannot afford at least two items from a list of eleven basic necessities. These basic necessities include indicators relating to the ability to afford adequate food, maintain a warm home, buy appropriate clothes and maintain social inclusion with family and friends. The rate of deprivation has risen in a similar manner to the anchored 'at risk of poverty' rate, from 2008 to 2014. These figures signal that while the numbers of households officially recognised as 'at risk of poverty' may not have risen significantly, a very notable proportion of people living in Ireland today are doing without essentials.

The trend in rising deprivation rates echoes the findings of the VPSJ's MESL research, which has found that the average core cost of an MESL is 5.4% higher in 2015 than in 2010[†]. The increasing cost of an MESL is compounded by reductions in social welfare income. VPSJ analysis has found that the gap between social welfare income and the cost of an MESL has widened due to increasing costs and reductions in social welfare supports. The combined effect has resulted in social welfare meeting a reduced proportion of MESL expenditure needs for many household compositions.[‡]

CONCLUSION

The 'at risk of poverty' measure and SILC equivalence scales do not operate at the same level of detail and nuance as the MESL data. Consequently, the difference between the MESL need and the poverty threshold varies greatly between household types and scenarios. However, as demonstrated above the 'at risk of poverty threshold' tends to fall below what is needed for an MESL. This suggests that there is a cohort of household types which are not recognised as 'at risk of poverty' but are in fact living below a Minimum Essential Standard of Living.

The latest SILC data shows that there are over $\frac{3}{4}$ of a million people 'at risk of poverty' and over 1.3 million people experiencing deprivation in Ireland. The trend in incomes, deprivation and the cost of an MESL over recent years, suggest that the numbers forgoing essentials and living below an MESL is likely to be notably above the official 'at risk of poverty' rate.

This is an area that the VPSJ plans to conduct further research into, examining which household types have the greatest risk of living below a Minimum Essential Standard of Living. Carrying out this research will enable the identification of the at risk households which are not captured by the official measurement of 'at risk of poverty', but are nevertheless unable to take part in ordinary everyday social and economic activities and forced to go without essentials in order to make ends meet.

^{*} CSO (2015) SILC 2014 – Table 5

[†] See VPSJ 2015 MESL Annual Update Paper for further discussion

[‡] See VPSJ 2015 MESL Budget Impact Briefing, and VPSJ 2015 MESL Annual Update Paper for further discussion

Table 2 Two Parent MESL need & 'At Risk of Poverty' comparison, by employment scenario

| | TP 1 | TP 2a | TP 2b | TP 3 | TP 4 |
|------------------------------|---------|---------|---------|----------|---------|
| At Risk of Poverty | 418.13 | 487.47 | 556.81 | 556.81 | 764.82 |
| Social Welfare | | | | | |
| MESL Need | 430.51 | 477.00 | 557.72 | 561.82 | 772.27 |
| Poverty - MESL | -12.38 | 10.47 | -0.92 | -5.01 | -7.45 |
| 1 Full-Time & 1 Stay at Home | | | | | |
| MESL Need | 448.37 | 498.94 | 579.66 | 588.44 | 805.22 |
| Poverty - MESL | -30.24 | -11.47 | -22.86 | -31.63 | -40.40 |
| 1 Full-Time & 1 Part-Time | | | | | |
| MESL Need | 595.36 | 600.45 | 605.36 | 824.04 | 844.46 |
| Poverty - MESL | -177.23 | -112.98 | -48.55 | -267.23 | -79.64 |
| 2 Full-Time | | | | | |
| MESL Need | 672.70 | 738.02 | 676.13 | 1,039.81 | 911.64 |
| Poverty - MESL | -254.57 | -250.56 | -119.33 | -483.01 | -146.82 |

Table 3 One Parent MESL need & 'At Risk of Poverty' comparison, by employment scenario

| | OP 1 | OP 2a | OP 2b |
|--------------------|---------|---------|---------|
| At Risk of Poverty | 279.45 | 348.79 | 418.13 |
| Social Welfare | | | |
| MESL Need | 310.63 | 358.72 | 439.45 |
| Poverty - MESL | -31.18 | -9.93 | -21.32 |
| Part-Time | | | |
| MESL Need | 361.33 | 491.24 | 483.01 |
| Poverty - MESL | -81.88 | -142.45 | -64.88 |
| Full-Time | | | |
| MESL Need | 407.79 | 646.02 | 534.27 |
| Poverty - MESL | -128.34 | -297.22 | -116.14 |

Table 4 Household Types & Compositions

| | | | |
|-------|-------------------------|--|-----------------------|
| TP 1 | Two Parent, 1 Child | an infant | (aged under 1) |
| TP 2a | Two Parents, 2 Children | one in pre-school & one in primary school | (ages 3 & 6) |
| TP 2b | Two Parents, 2 Children | one in primary school & one in secondary school | (ages 10 & 15) |
| TP 3 | Two Parents, 3 Children | an infant, one in pre-school & one in primary school | (aged under 1, 3 & 6) |
| TP 4 | Two Parents, 4 Children | two in primary school & two in secondary school | (ages 8, 11, 14 & 17) |
| OP 1 | One Parent, 1 Child | in primary school | (aged 6) |
| OP 2a | One Parent, 2 Children | one in pre-school & one in primary school | (ages 3 & 6) |
| OP 2b | One Parent, 2 Children | one in primary school & one in secondary school | (ages 10 & 15) |