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# MINIMUM INCOME STANDARD & THE COST OF CHILDCARE

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A Vincentian Partnership *for*  
Social Justice  
Working Paper

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MARCH 2015



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## 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.

# MINIMUM INCOME STANDARD & THE COST OF CHILDCARE

A Vincentian Partnership *for* Social Justice Working Paper

## ABSTRACT

This paper quantifies the additional earning burden imposed on households by the high cost of formal childcare in Ireland.

The MEBS model expenditure data and Minimum Income Standard approach, are applied to quantify the income need burden attributable to the high costs of formal childcare for urban based, one child household compositions.

The paper examines the gross salary required to afford the full cost of a Minimum Essential Standard of Living (MESL), including the cost of formal full-time childcare; this is the Minimum Income Standard (MIS). The analysis then sets out to identify how much of the MIS is attributable to the cost of childcare.

The MIS rate required to afford formal childcare and all the essential elements of a socially acceptable minimum standard of living, is up to 150% of the National Minimum Wage for Two Parent household compositions, and up to 260% of the National Minimum Wage for One Parent household compositions.

The effects of two alternative approaches to childcare subsidisation are modelled, examining the impact on the MIS earnings need of each approach:

- › An adjustment to the Family Income Supplement (FIS) which would take account of a household's childcare costs in the FIS means test
- › A Scandinavian model of childcare charges; capping childcare costs to the household at 30% of the actual cost

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## INTRODUCTION

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This paper quantifies the additional earning burden imposed on households by the high cost of formal childcare in Ireland. The exceptionally high cost of formal childcare in Ireland is repeatedly highlighted in international comparisons, and it is argued that the high costs acts as a significant barrier to work, and a notable factor in limiting female employment participation rates and under-employment.

The research by the VPSJ on Minimum Essential Budget Standards has repeatedly demonstrated the difficulty low income households face in affording a socially acceptable minimum standard of living, and has found that the high costs of formal childcare are a significant element in driving up the expenditure and income requirements of households with children.

The VPSJ Minimum Essential Budget Standards (MEBS) model establishes the expenditure required by a range of household types to maintain a Minimum Essential Standard of Living (MESL). The model also examines the Minimum Income Standard needed in specific income scenarios for households to afford an MESL.

This paper utilises the MEBS model expenditure data and Minimum Income Standard approach, to quantify the income need burden attributable to the high costs of formal childcare in Ireland. In this working paper the focus is on urban based households, with one child.

The paper examines the gross salary required to afford the full cost of a Minimum Essential Standard of Living (MESL), including the cost of formal full-time childcare; this is the Minimum Income Standard (MIS). The analysis then sets out to identify how much of the MIS is attributable to the cost of childcare, to quantify this a hypothetical scenario where childcare is free at the point of use is examined. By calculating the MIS gross salary need in this scenario (where households do not have to meet the cost of childcare directly) and comparing the results to the MIS which includes the full cost of childcare, the earning burden imposed by childcare costs is quantified.

Subsequently, the effects of two approaches to childcare subsidisation are modelled, examining the impact on the MIS earnings need of each approach:

- An adjustment to the Family Income Supplement (FIS) which would take account of a household's childcare costs in the FIS means test is examined
- The MIS is calculated for each household composition in a scenario where a Scandinavian model of childcare charges prevailed, capping childcare costs to the household at a percentage of the actual cost

The paper examines the MESL expenditure need and MIS income required in the above scenarios for urban One Parent and Two Parent household types with one child. In total six household compositions are examined, as the changing expenditure & income need is analysed for children in three age-groups:

- A baby – approximately 9 months old
- A pre-school age child – 3 years old
- A primary school age child – 6 years old<sup>1</sup>

The household expenditure needs MESL data used in the analysis in this paper is from VPSJ's 2014 update of the Minimum Essential Standard of Living data. The Minimum Income Standard calculations use 2015 tax and social welfare rates.

## MINIMUM ESSENTIAL BUDGET STANDARDS MODEL

The VPSJ Minimum Essential Budget Standards (MEBS) model establishes the expenditure required by a range of household types to maintain a Minimum Essential Standard of Living (MESL). The model also examines the Minimum Income Standard needed in specific income scenarios for households to afford an MESL. Over the course of multiple research projects, the MEBS model has been established for 89% of working age households in Ireland, and follows the internationally established Consensual Budget Standards methodology.

The Minimum Essential Budget Standards (MEBS) research establishes a consensus on what members of the public believe is a minimum standard of living that no individual or household should live below. Working with focus groups (and expert opinion where necessary e.g. nutrition), the cost of the minimum goods and services that everyone needs for a socially acceptable minimum standard of living are identified. Focusing on needs and not wants, the concern is with more than survival as this is a standard of living which must meet physical, psychological and social needs, at a minimum but acceptable level. It is not a standard for people in poverty; it is a standard for everyone, below which no one should be expected to live.

The MEBS dataset is the product of multiple research projects, each building on the previous tranche. The work on establishing Minimum Essential Standards in Ireland was begun by the Vincentian Partnership for Social Justice (VPSJ) in 1999. Since then the VPSJ has continued to use and develop the Consensual Budget Standards methodology to establish Minimum Essential Standard of Living (MESL) expenditure budgets for a variety of household types.

The research, conducted over multiple research projects, produces detailed itemised budgets establishing the actual cost of the over 2,000 goods and services required for a socially acceptable Minimum Essential Standard of Living. The MESL data establishes the average weekly cost of all the essential goods and services required by households in Ireland.

Establishing the cost of a socially acceptable standard of living opens up the space to assess the adequacy of the National Minimum Wage (and relevant social welfare supports) for various household compositions. In cases where the National Minimum Wage (NMW) does not provide the basis of an income which adequately meets the cost of a MESL, the gross salary needed to afford this standard of living can be calculated. The gross salary that enables a specific household composition afford the cost of a Minimum Essential Standard of Living is the Minimum Income Standard (MIS) for that household composition, in the defined scenario.

The MEBS model provides great detail on the expenditure and income needs of a large range of household compositions. There is not a single answer to what the cost of a Minimum Essential Standard of Living (MESL) or Minimum Income Standard (MIS) is. The result is complex, as the cost of an MESL varies by household type and composition, location, and employment pattern. The detail and flexibility of the MEBS model therefore provides an evidence based measure, grounded in the lived experience of households, with which to assess the adequacy of wage levels across a broad variety of household compositions.

## MINIMUM ESSENTIAL STANDARDS RESEARCH

The current dataset is built from the research established in the 2006 *Minimum Essential Budgets for Six Household Types* (Urban), and subsequently the 2010 research *Minimum Essential Budgets for Households in Rural Areas*<sup>2</sup>

*A Minimum Income Standard for Ireland*<sup>3</sup> was published in early 2012. This research added further detail to the dataset, enabling the examination of minimum expenditure and income needs for a broader range of household types. The completion of further research, later in 2012, on the additional needs of family households with up to four children (previously the data was limited to households with up to two children), has enabled a further expansion of the coverage and utility of the dataset<sup>4</sup>.

The entire MESL dataset is adjusted annually for all household types, in the second quarter of each year, to reflect changes in prices<sup>5</sup>. This paper utilises the VPSJ's 2014 update of the MESL expenditure data (VPSJ, 2014a).

The Minimum Income Standard model and process was established in the 2012 *A Minimum Income Standard for Ireland* study<sup>6</sup>. That research was conducted in 2011, and applied the income tax rates, tax credits, social welfare entitlements, means tests, etc., as they were at that time. The MIS model has been updated by the VPSJ each year to take account of any relevant changes in the tax and social welfare system in Ireland. In this paper, the MIS calculations are based on the model updated to reflect the Tax and Social Welfare system in 2015.

## EXPENDITURE NEED: THE COST OF A MESL

At its heart, the MEBS model defines the cost of a Minimum Essential Standard of Living (MESL) for various household compositions. This cost is directly based on the actual price of a detailed basket of over 2,000 items which the research has established as essential for enabling a socially acceptable minimum 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 daily food to household furniture. While some items are bought on a weekly basis such as food, others are bought less frequently, in terms of weeks, months or even years.

To calculate the weekly cost of each good and service, the cost of the item is divided by the number of weeks the item is reasonably expected to last e.g. a three piece suite of furniture may cost €900, which with a lifespan of 780 weeks (15 years) equates to a cost €1.15 per week.

The household budgets are broken down into a set of categories of expenditure. While the costs of the majority of these categories are fixed, others vary depending on the employment and income situation of the household in question.

The Core Cost of a Minimum Essential Standard of Living is summarised for each of the six household compositions in Table 1, below<sup>7</sup>, a category by category breakdown of the core MESL weekly expenditure needs budget is provided in Appendix 1.

**Table 1** Core Minimum Essential Standard of Living Expenditure Need, per week  
*Excluding Housing & Childcare and effect of secondary benefits*

|                  | TWO PARENT |            |                | ONE PARENT |            |                |
|------------------|------------|------------|----------------|------------|------------|----------------|
|                  | Baby       | Pre-School | Primary School | Baby       | Pre-School | Primary School |
| Core Expenditure | 439.16     | 403.78     | 436.74         | 318.37     | 282.99     | 315.95         |

## HOUSING COSTS

The MESL expenditure needs data does not specify housing costs, rather minimum housing costs appropriate to the household type in question are included when examining a particular household type and income scenario<sup>8</sup>.

Social Housing is the minority tenure in Irish housing<sup>9</sup>. In order to represent the cost of a Minimum Essential Standard of Living for the broad majority of households the analysis in this paper focuses on the market costs of housing which must be met by the majority of working-age household types.



To this end, the expenditure and income needs are calculated using data on the average cost of renting a suitably sized dwelling in Dublin<sup>10</sup>.

The Private Residential Tenancies Board (2015) average rent index is the source for the housing costs. As the household compositions in this paper are one child households, the housing cost is based on the average monthly rent for a two-bed dwelling in Dublin.

To reflect that households on lower incomes would tend to access housing at the lower end of the rental market, 90% of the average monthly rent is used in the scenarios examined.

The average monthly rent for all two bedroom dwelling types in Dublin was €1,059.04 in the first half of 2014 (PRTB, 2015)<sup>11</sup>. 90% of this rent is €953.14 per month, which equates to a weekly housing cost of €219.95.

## CHILDCARE

The MESL expenditure dataset includes childcare costs for three age-groups, infants, pre-school age children and primary school age children. The focus group consensus on the minimum needs for childcare, determined that childcare is a necessity (when required by parental employment) for children in these age-groups, but not for second level age children. The basis of the MESL childcare costs are discussed in more detail in *The Cost of A Child* report (Mac Mahon, et al., 2012a).

The MESL expenditure budgets have costs for both full and part-time childcare. In two parent household types part-time childcare costs are included in scenarios where one adult is employed full-time and the other part-time, and full-time childcare costs are included where both adults are employed full-time. In one parent household types, part-time childcare costs are included in scenarios where the parent is employed part-time, and full-time childcare costs where the parent is employed full-time.

The MESL childcare costs for an infant and pre-school age children are based on formal childcare providers in the Dublin area. The pre-school age cost takes account of the Early Childhood Care and Education (ECCE) scheme. The ECCE scheme provides three hours of free pre-school for five days a week, 38 weeks a year, for pre-school aged children. This indirect benefit reduces the cost of childcare for household compositions with a child in the pre-school age group. The MESL childcare costs for these age-groups are broadly in line with those found by a National Consumer Agency (2011) survey of childcare costs for infants and pre-school aged children.

For primary school age children, the MESL childcare costs include after school care when full-time childcare is required, and also care during school holidays. The cost agreed by the focus groups was based on informal care being provided by friend/neighbour/relative.

For the purposes of this paper, the focus is on the cost of formal childcare, the MIS salary required to afford it, and how the earning need may change under alternative childcare cost models. Therefore, informal childcare costs for a primary school age child are not appropriate for this research.

The Primary School childcare costs used in this paper are based on the average weekly price charged by a private formal childcare provider which operates multiple facilities across the Dublin area. The price listed in Table 2 is based on a service which includes school drop-off and pick-up, after school care, and full day care during school holidays.

**Table 2**      **Cost of Full-Time Formal Childcare, by Age-Group**

|                     | Infant | Pre-School | Primary |
|---------------------|--------|------------|---------|
| Childcare, per week | 209.94 | 179.82     | 122.42  |

## CHILDCARE COSTS IN CONTEXT

### COST OF A CHILD & CHILDCARE COSTS

The MESL dataset details the minimum expenditure required for children across four age groups. Developing the established MESL data for six household types (Mac Mahon, et al., 2006) the *Minimum Income Standard for Ireland* study individualised the expenditure needs dataset and established the cost of a child's minimum needs at four distinct age groups. The 2012 *Cost of A Child* (Mac Mahon, Weld, Thornton & Collins, 2012a) report detailed the direct cost of a child's Minimum Essential Standard of Living (when living as part of a household). The contents of the expenditure budgets for all four age groups were then reviewed with focus groups as part of an overall review of the MESL dataset, and also establishing the additional and different needs of households with three or four children (Mac Mahon, et al., 2012b).

The direct cost of a child's MESL, in an Urban area (updated to 2014) ranged from €53 to €135 per week (before childcare costs), varying by the age-group of the child. The most expensive child age-group (before childcare costs) is the teenage / second level school age-group.

Formal childcare costs can more than quadruple the direct cost of a child's MESL. While the cost of a MESL for a pre-school age child is €53 per week, the cost of full-time formal childcare is almost €180 per week. Childcare brings the total cost of a MESL to €233, more than four times the direct cost of an MESL, before childcare, for a child in this age-group. Budget standards research in the UK has similarly found that childcare "adds a large cost that falls with the child's age" (Hirsch, 2012: 7)

**Table 3** Weekly Cost of a Child's MESL & Full-Time Formal Childcare, by age-group

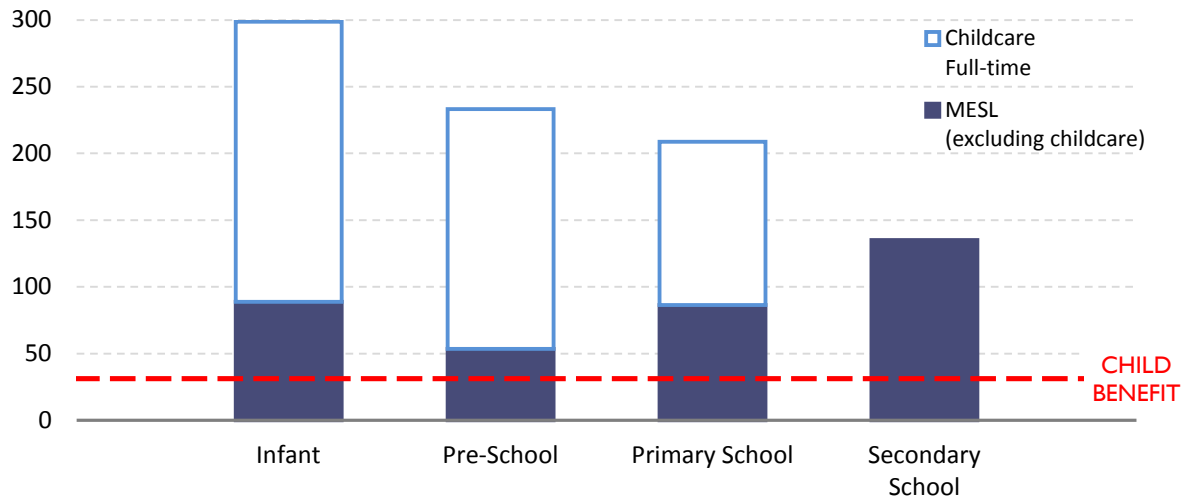
|                  | Infant | Pre-School | Primary School | Second Level |
|------------------|--------|------------|----------------|--------------|
| MESL             | 88.78  | 53.40      | 86.37          | 135.05       |
| Formal Childcare | 209.94 | 179.82     | 122.42         | ...          |
| Total            | 298.72 | 233.22     | 208.79         | 135.05       |

### VALUE OF CHILD BENEFIT

In a comparative analysis of child benefit measures (social payments and tax allowances) Bradshaw points out that the majority of EU countries have a universal child benefit payment. However, while Ireland is not an outstanding case in terms of child benefit, when childcare costs are taken into account Ireland is an outlier, as "net childcare costs effectively wipe out the value of the package" (2011: 15) of support provided by Child Benefit.

In 2015 Child Benefit is paid at the rate of €135 per month, equivalent to €31.15 per week. The rate of this universal social welfare support does not change with the age of the child, despite a child's costs changing. The payment provides for between 35% and 58% of the cost of a child's MESL (before childcare). However, when formal full-time childcare is required Child Benefit meets only between 10% and 15% of the overall cost of a child's MESL. The weekly cost of a child's MESL before and after full-time formal childcare, and the contribution of Child Benefit toward these costs is illustrated in Graph 1, below.

Graph 1 Weekly Cost of A Child & Weekly Value of Child Benefit



## INTERNATIONAL CHILDCARE COSTS

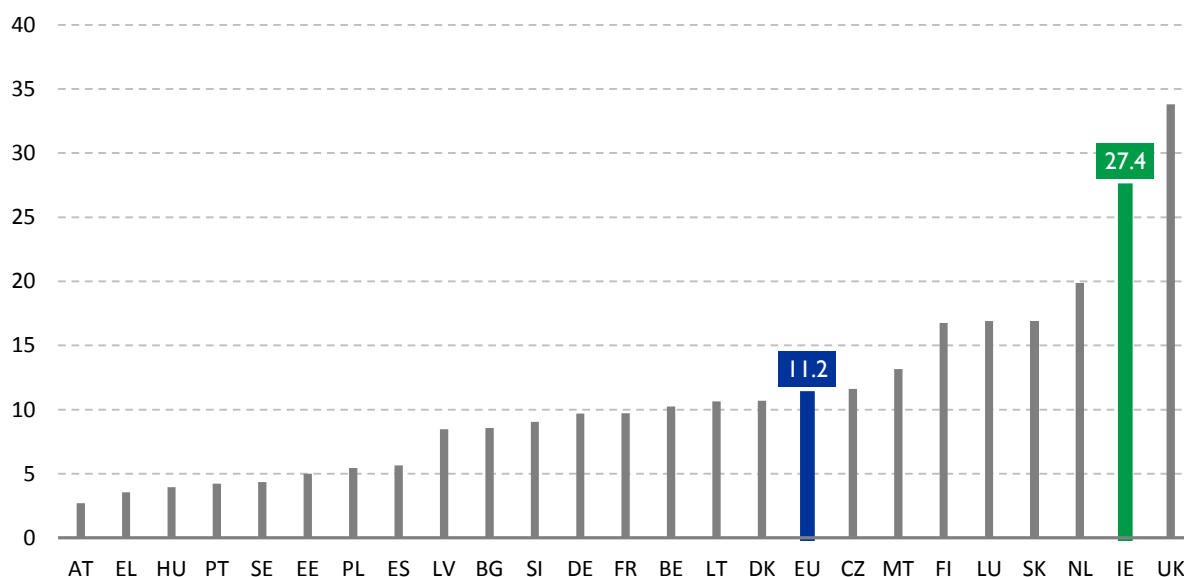
The cost of formal childcare in Ireland is consistently found to be very high by international comparisons. The comparison most frequently referred to is carried out by the OECD. This analysis compares the cost of full-time childcare to average wages (OECD, 2014).

Across the EU gross childcare fees are 23.8% of average wages. However, Ireland is noted as being one of only a few countries where gross childcare fees are in excess of 50% of average wages.

To reflect the out-of-pocket cost of childcare, net childcare costs are compared taking account of the various support payments (e.g. Child Benefit), tax credits, rebates, etc., which reduced the direct cost of childcare in different countries. Cross country analysis of net childcare costs to parents has consistently found that the costs in Ireland are amongst the highest in the OECD and EU. Graph 2, below, illustrates the position of net childcare costs in Ireland.

Net childcare costs in Ireland are 27.4% of the average earnings, second only to the UK, and more than double the EU average of 11.2%.

Graph 2 Net Childcare Costs as % of Average Earnings



Data source: OECD, 2014: PF 3.4

Across OECD countries, the two life-stages where individuals receive the most help from the state in the form of both direct cash social transfers and the provision of social services, is childhood and retirement (Bradshaw & Holmes, 2013). However, Ireland is an outlier as the only country “without sizeable childcare spending” (OECD, 2011).

In Ireland public spending on childcare and early education, as a percentage of GDP, is not only below average, but amongst the lowest in the OECD (2014: PF 3.1). By comparison Nordic countries spend two to four times the proportion of GDP on childcare and early education, as is spent in Ireland.

It is argued that the exceptionally high costs of formal childcare in Ireland are a direct result of this low investment, and furthermore that these high costs “can make employment seem unaffordable” (NWCI, 2014: 42).

### CHILDCARE COSTS AS A BARRIER TO WORK

The European Commission (2015) has noted that childcare costs in Ireland, as a percentage of wages, are the highest in the EU, and that the high costs and limited availability are a “significant barrier to increased female labour market participation” (2015: 59). The relationship between the high cost of childcare and prevalence of female part-time employment is found to be very high in Ireland (OECD, 2012).

OECD research comparing the outcome of childcare policies internationally, has found that access to childcare is crucial for parents, particularly mothers, of young children and that

“the absence of affordable, good-quality formal child and-out-school-hours (OSH) care can be a major barrier to being in paid work and/or working more hours” (OECD, 2007: 7).

“The affordability of good quality care services is decisive in parental employment choices, especially for single parents and second earners in lower-income families, many of whom are mothers” (OECD, 2012: 211).

It is argued that the cost of childcare associated with taking up work, or more work, can effectively be regarded as another tax on income. Consequently, a strong relationship is found internationally between childcare costs and the level of female part-time employment (OECD, 2011).

Booth & Cole (2004) identified a statistically significant correlation between childcare policies and female labour force participation, and argue that state subsidised childcare can potentially correct female under-participation and improve the financial return to participation in the labour market.

The high cost of childcare in Ireland means there can be “limited financial incentives to work” (OECD, 2011: 147), but this is not the case in Nordic countries “with heavily subsidised comprehensive childcare systems” (ibid). It has been found that “higher public childcare expenditure is associated with higher full-time female employment” (OECD, 2012: 211).

The European Commission has highlighted that Ireland is an outlier with its low level of support for childcare costs, noting that childcare is one of a suite of services which is essential in enabling “active, social and economic inclusion” (2013: 14), as the availability of affordable childcare “has a crucial influence on parents access to the labour market” (2013: 42). As a result of the high costs and low support in Ireland, childcare costs are said to create a “significant inactivity trap” (2013: 43), by reducing net income gain from employment to such an extent that childcare costs are a barrier to taking up work.

## SCANDINAVIAN CHILDCARE MODEL

The issues outlined above, illustrate how the current of high cost of private childcare in Ireland can effectively act as an additional tax on work, creating a barrier to taking up lower paid employment. Given these issues, it has been asked if the market approach is the most appropriate manner of providing childcare services (Penn, 2012). It is argued that childcare is not a typical good; that it is different from other goods and services, and its unique characteristics mean that childcare provision has been addressed outside of the private market in many countries (Paull, 2012).

The childcare systems of Finland and Sweden follow the overall model of the social welfare regime prevalent in those countries, and as such are “based on principles of universality and publicly financed and largely publicly provided” (Mahon, et al., 2012: 424). These systems

are at odds with those in other countries, where the high cost of childcare proves a barrier to combining work and caring for children. Consequently, the Nordic model of childcare has been noted and advocated for by various groups.

Paull (2012) notes the Norwegian approach of imposing fixed maximum fees on the market. The goal of the Norwegian system is to ensure access to affordable quality childcare, to achieve this the direct fees parents pay are capped at 20% of the cost of the service (Jacobsen & Vollset, 2012).

Barnardos and Start Strong (2012) have asked whether the Scandinavian Childcare Model can be developed in Ireland, and have highlighted the various approaches to ensure that quality childcare is accessible and affordable. They note that caps on fees are the norm in Denmark, Norway, Finland and Sweden. The mechanism for calculating the maximum fee may be based on parental income, or a proportion of the running costs, and in many cases services are free to low income households. The highest fees payable are in the Danish system, at 25% to 30% of total costs (Rostgaard, 2013).

As part of the analysis in this paper, the impact of capping childcare fees at 30% of the current costs is examined. It is examined in terms of the overall costs of a Minimum Essential Standard of Living and the Minimum Income Standard required to afford the reduced childcare fees in comparison to the current fees charged in the Irish childcare market.

## CALCULATION OF INCOME NEEDS

Having established the expenditure required for a Minimum Essential Standard of Living for the six household compositions in the previous section, this section will now examine the income required to afford the household composition's expenditure need.

The income calculation model is detailed in Box 1 (page 13).

The first step is to examine the adequacy of the National Minimum Wage (NMW) for each of the six household compositions, when meeting the full cost of formal childcare.

Where the NMW does not enable a household composition to afford a Minimum Essential Standard of Living, including the cost of formal childcare, the Minimum Income Standard is calculated. The Minimum Income Standard (MIS) is the gross salary required (by each employed adult in the household) to afford the cost of the households MESL.

### CHILDCARE COST SCENARIOS

The MIS is calculated for the six household compositions in the following childcare cost scenarios.

- › **The actual cost of full-time formal childcare**  
The gross salary needed to afford childcare and all the other elements of a Minimum Essential Standard of Living.
- › **Capped childcare costs**  
Examining the MIS salary needs in a scenario where the cost of formal childcare is capped at 30% of the current actual costs, following the model prevalent in a number of European countries.
- › **FIS Childcare Disregard**  
An adjustment to the Family Income Supplement means test to include a 'disregard'<sup>12</sup> for childcare costs is examined, and the impact on the MIS for the six household compositions calculated.
- › **Childcare free at point of use**  
The MIS required in a hypothetical scenario where childcare is provided free at the point of use. This scenario shall demonstrate the scale of the additional earnings burden which is attributable to high childcare costs, as opposed to other aspects of the cost of a MESL for Irish household types.
- › **Social Welfare Supports**  
This scenario presents the results of a situation where each household composition is in a position to access childcare from a community provider and avail of the Community Childcare Subvention scheme. Additionally, the household expenditure is reduced as housing costs are based on accessing social housing.  
*The results of this scenario are detailed in Table 19, page 40.*



## BOX I INCOME CALCULATION MODEL

### THE INCOME CALCULATIONS ARE BASED ON THE FOLLOWING:

- › All adults in the household being employed full-time, i.e. both adults employed in the Two Parent household compositions
- › The adults in the Two Parent household composition are jointly assessed for income tax
- › It is assumed that households are claiming all applicable tax credits and tax reliefs, as outlined
- › Where the household meets the basic eligibility criteria for the social welfare payments (listed below) the appropriate means test is applied
- › Medical Card entitlement is assessed in accordance with the national guidelines (HSE, 2015).

| Tax                     | Tax Credits             | Social Welfare Transfers                             |
|-------------------------|-------------------------|--|
| Income Tax              | Single Person           | Medical Card (Full & GP Visit)                       |
| PRSI                    | Married Couple          | Child Benefit  |
| Universal Social Charge | OPF (One Parent Family) | One-Parent Family Payment (OFP)                      |
|                         | PAYE                    | Family Income Supplement (FIS)                       |
|                         | Health (Tax Relief)     | Back to School Clothing & Footwear Allowance (BSCFA) |

### CONTRIBUTION OF SOCIAL WELFARE

The contribution of direct and indirect benefits reduces both the expenditure and income need of the household compositions. For example, in scenarios where a household composition is eligible for a full Medical Card, this reduces both the expenditure need of the household and the amount of Universal Social Charge levied on the household's gross salary. If a household composition is not eligible for a full Medical Card, but would qualify for a GP Visit card, this has a more modest impact on reducing expenditure need.

A number of direct income supports are included in the income calculations.

- › All the households are in receipt of child benefit.
- › In each scenario the household compositions are assessed for eligibility for Family Income Supplement (FIS), and the Back to School Clothing and Footwear Allowance, and where a household composition is found to be eligible the appropriate rate of payment is included in the household income calculations
- › One Parent household compositions are assessed for the One-Parent Family Payment (OFP) (as the children in each composition are under 7), and where the household's earnings from work are below the means test threshold the appropriate rate of payment is included
- › Where a One-Parent household is found to be entitled to the OFP, it is assumed that the household is a long-term social welfare recipient and so is also eligible for the Fuel Allowance

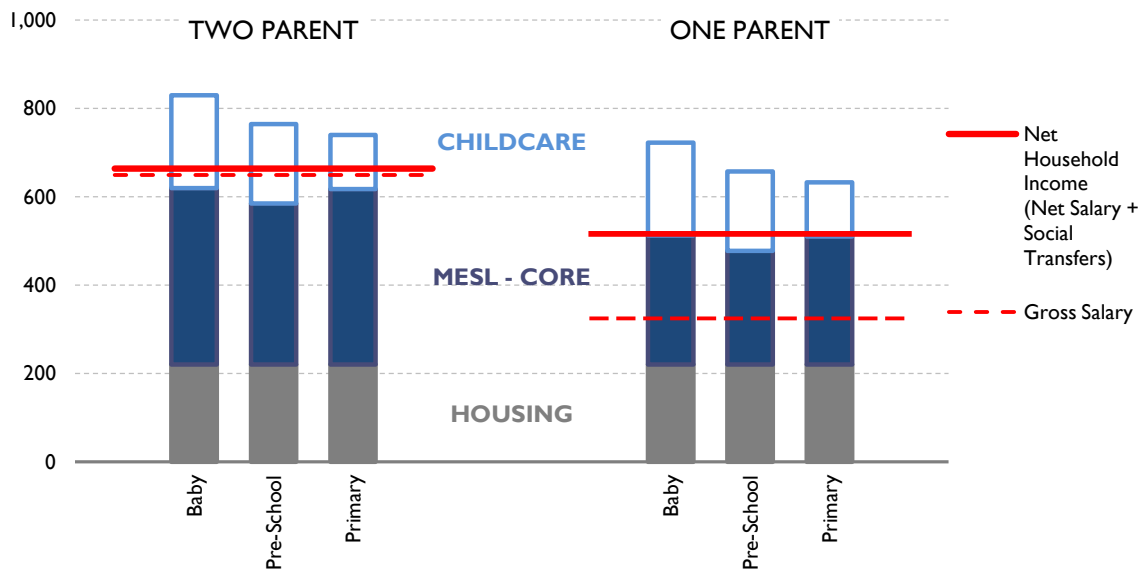
**Table 4 Full Cost of Formal Childcare, National Minimum Wage Scenarios**

|                           | TWO PARENT |            |            | ONE PARENT |            |            |
|---------------------------|------------|------------|------------|------------|------------|------------|
|                           | Baby       | Pre-School | Primary    | Baby       | Pre-School | Primary    |
| <b>EXPENDITURE</b>        |            |            |            |            |            |            |
| MESL Core                 | 399.73     | 364.54     | 397.50     | 292.25     | 257.06     | 290.02     |
| Housing                   | 219.95     | 219.95     | 219.95     | 219.95     | 219.95     | 219.95     |
| Childcare                 | 209.94     | 179.82     | 122.42     | 209.94     | 179.82     | 122.42     |
| Total MESL Expenditure    | 829.62     | 764.31     | 739.88     | 722.14     | 656.84     | 632.40     |
| <b>INCOME</b>             |            |            |            |            |            |            |
| Gross Salary 1            | 324.38     | 324.38     | 324.38     | 324.38     | 324.38     | 324.38     |
| Income Tax (Joint)        | 2.75       | 2.75       | 2.75       | ...        | ...        | ...        |
| USC 1                     | 6.73       | 6.73       | 6.73       | 6.73       | 6.73       | 6.73       |
| PRSI 1                    | ...        | ...        | ...        | ...        | ...        | ...        |
| Gross Salary 2            | 324.38     | 324.38     | 324.38     |            |            |            |
| USC 2                     | 6.73       | 6.73       | 6.73       |            |            |            |
| PRSI 2                    | ...        | ...        | ...        |            |            |            |
| Net Salary (Household)    | 632.53     | 632.53     | 632.53     | 317.64     | 317.64     | 317.64     |
| <b>SOCIAL WELFARE</b>     |            |            |            |            |            |            |
| Child Benefit             | 31.15      | 31.15      | 31.15      | 31.15      | 31.15      | 31.15      |
| Family Income Supplement  | ...        | ...        | ...        | 49.00      | 49.00      | 49.00      |
| BSCFA                     | ...        | ...        | ...        | ...        | ...        | ...        |
| One-Parent Family Payment |            |            |            | 107.80     | 107.80     | 107.80     |
| Fuel Allowance            |            |            |            | 10.00      | 10.00      | 10.00      |
| Total Social Welfare      | 31.15      | 31.15      | 31.15      | 197.95     | 197.95     | 197.95     |
| Medical Card              | Full       | Full       | Full       | Full       | Full       | Full       |
| Net Household Income      | 663.69     | 663.69     | 663.69     | 515.60     | 515.60     | 515.60     |
| Weekly Shortfall          | -165.94    | -100.63    | -76.19     | -206.55    | -141.24    | -116.81    |
|                           | Inadequate | Inadequate | Inadequate | Inadequate | Inadequate | Inadequate |

## TESTING NATIONAL MINIMUM WAGE ADEQUACY

The National Minimum Wage does not provide the basis of an adequate household income for any of the six household compositions examined. Consequently, when working full-time and earning the national minimum wage, these households cannot afford the cost of a socially acceptable minimum standard of living.

**Graph 3 National Minimum Wage Inadequacy**



### TWO PARENTS

A Two Parent household type with both adults employed full-time (37.5 paid hours per week) earning the NMW, will have a combined gross salary of €649 per week. At this combined salary the household will pay Income Tax and Universal Social Charge, and have a combined weekly net salary of €633 per week.

The Two Parent household type, with one child, will also receive Child Benefit, but will not qualify for any means tested social welfare payments when both adults are employed full-time.

- › The net household income (Joint Net Salary + Social Welfare) comes to almost €664 per week for the Two Parent, one child household compositions.
- › The total MESL expenditure need for the Two Parent household compositions ranges from €740 to €830 per week, including housing and formal childcare.
- › Net household income meets 80% to 90% of the MESL expenditure need.
- › The net household income is inadequate for each of the child-age compositions examined, and the inadequacy ranges from €76 to €166 per week.

## ONE PARENT

A One Parent household type in the same full-time employment scenario, will earn a gross salary of €324 per week, when earning the NMW. At this salary level the household will not be liable for Income Tax, but will pay Universal Social Charge, and will have a weekly net salary of €318.

The One Parent household type, with one child, will receive Child Benefit and also qualify for a partial One-Parent Family Payment (OFP), once the child in the household is under 7<sup>13</sup>; the Fuel Allowance is also included. The household will also qualify for the Family Income Supplement (FIS).

Social welfare contributes almost €200 per week, on average, to the household income, in a scenario of full-time minimum wage employment.

- › The net household income (Net Salary + Social Welfare) comes to almost €516 per week for the One Parent, one child household compositions.
- › The total MESL expenditure need for the One Parent household compositions ranges from €632 to €722 per week, including housing and formal childcare.
- › Net household income meets 71% to 82% of the MESL expenditure need.
- › The net household income is inadequate for each of the child-age compositions examined, and the inadequacy ranges from €117 to €207 per week.

Furthermore, as illustrated in the chart above, if expenditure on childcare was not required the National Minimum Wage would provide the basis of an adequate household income in all six cases.

## MINIMUM INCOME STANDARD

As the income calculations presented above demonstrate, the National Minimum Wage does not provide the basis of an adequate household income for any the six household compositions examined. Therefore, this section presents the calculation of the Minimum Income Standard for each of the six household compositions. The Minimum Income Standard (MIS) is the gross salary required (by each employed adult in the household) to afford the cost of the households Minimum Essential Standard of Living.

## MIS METHOD

The calculation of the MIS follows the income calculation model laid out in Box 1 (page 13). The first step is calculating the household's income on the basis of each employed adult earning the National Minimum Wage (€8.65 per hour). The MIS method, calculates the PAYE income tax liability, PRSI contribution and amount of USC payable, and also assesses eligibility for any social welfare entitlements applicable to the household type.

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 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.

## MIS CALCULATIONS

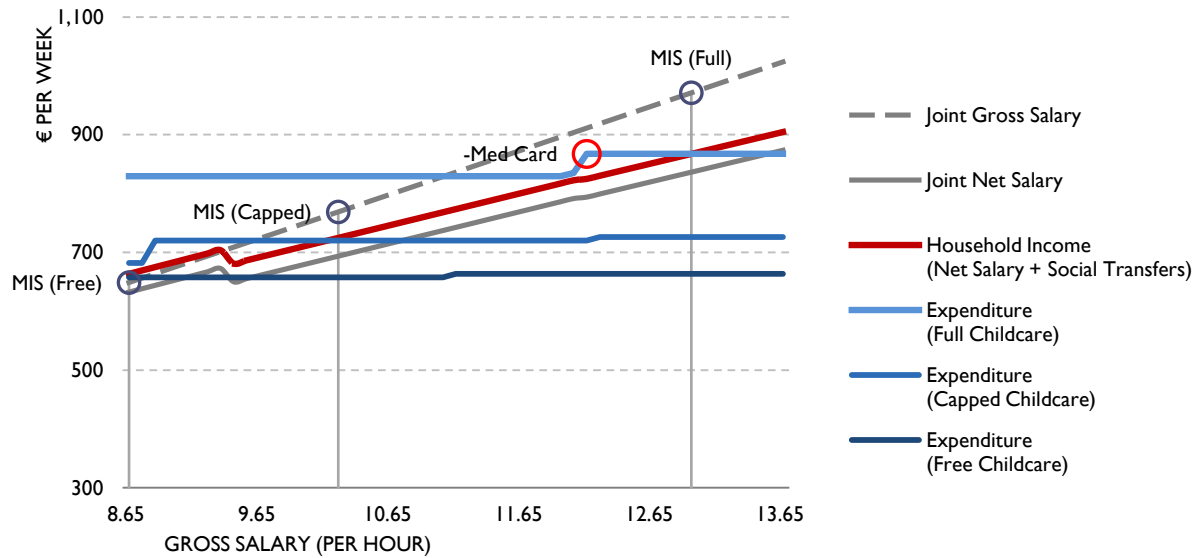
The tables in following pages provide a breakdown of the Minimum Income Standard for each household composition, for each of the childcare cost scenarios examined. The section details the MIS requirements for a set of six sample household compositions to afford a socially acceptable Minimum Essential Standard of Living, when working and living in Dublin, and paying for formal childcare. Clearly each household composition has different expenditure needs, as the cost of a MESL varies by the household type (Two Parent or One Parent), age of the child, and the childcare scenario in question. Consequently, the MIS gross wage requirement also varies for each case examined, in line with the variation in MESL expenditure need.<sup>14</sup>

The accompanying graph illustrates total household income when on the National Minimum Wage, and the progression of household income against MESL expenditure need until the Minimum Income Standard is reached for each childcare scenario modelled.

The first section of the table summarises the household's total MESL expenditure need. The MESL expenditure need (adjusted for medical card entitlement<sup>15</sup>), housing and childcare costs (as detailed above) are included for each childcare cost scenario. The second section of the table details the MIS household income for each household composition.

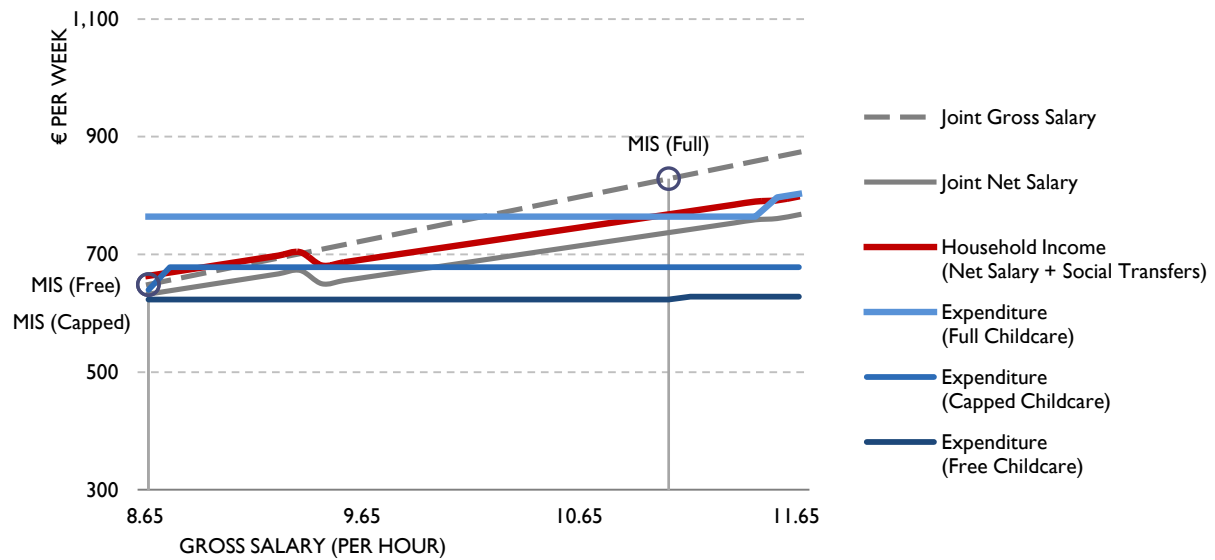
In each case the final Minimum Income Standard for the household is expressed in the terms of the gross full-time salary each adult in the household would need to earn to ensure the household could afford a Minimum Essential Standard of Living. The MIS is expressed as a full-time weekly gross rate, and hourly equivalent rate.

Table 5 Two Parents, Baby – MIS by Childcare Scenario



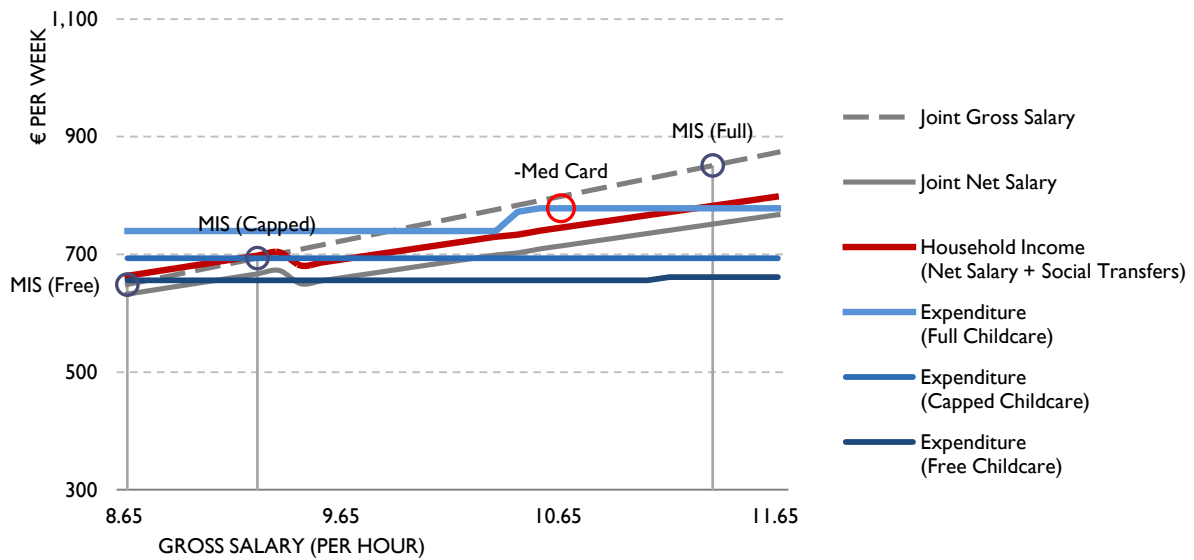
|                           | FULL     | FIS DISREGARD | CAPPED   | FREE     |
|---------------------------|----------|---------------|----------|----------|
| <b>EXPENDITURE</b>        |          |               |          |          |
| MESL Core                 | 437.41   | 437.41        | 437.41   | 437.41   |
| Housing                   | 219.95   | 219.95        | 219.95   | 219.95   |
| Childcare                 | 209.94   | 209.94        | 62.50    | ...      |
| Total MESL Expenditure    | 867.31   | 867.31        | 719.87   | 657.37   |
| <b>INCOME</b>             |          |               |          |          |
| Gross Salary 1            | 489.38   | 489.38        | 384.38   | 324.38   |
| Income Tax (Joint)        | 67.68    | 67.68         | 25.68    | 1.68     |
| USC 1                     | 17.81    | 17.81         | 10.46    | 6.73     |
| PRSI 1                    | 19.58    | 19.58         | 15.38    | ...      |
| Gross Salary 2            | 489.38   | 489.38        | 384.38   | 324.38   |
| USC 2                     | 17.81    | 17.81         | 10.46    | 6.73     |
| PRSI 2                    | 19.58    | 19.58         | 15.38    | ...      |
| Net Salary (Joint)        | 836.31   | 836.31        | 693.03   | 633.60   |
| <b>SOCIAL WELFARE</b>     |          |               |          |          |
| Child Benefit             | 31.15    | 31.15         | 31.15    | 31.15    |
| FIS                       | ...      | ...           | ...      | ...      |
| BSCFA                     | ...      | ...           | ...      | ...      |
| Total Social Welfare      | 31.15    | 31.15         | 31.15    | 31.15    |
| Medical Card              | GP Visit | GP Visit      | GP Visit | GP Visit |
| Total Household Income    | 867.46   | 867.46        | 724.18   | 664.76   |
| MIS Rate (gross per hour) | 13.05    | 13.05         | 10.25    | 8.65     |

Table 6 Two Parents, Pre-School – MIS by Childcare Scenario



|                           | FULL   | FIS DISREGARD | CAPPED | FREE     |
|---------------------------|--------|---------------|--------|----------|
| <b>EXPENDITURE</b>        |        |               |        |          |
| MESL Core                 | 364.54 | 364.54        | 364.54 | 403.09   |
| Housing                   | 219.95 | 219.95        | 219.95 | 219.95   |
| Childcare                 | 179.82 | 179.82        | 55.00  | ...      |
| Total MESL Expenditure    | 764.31 | 764.31        | 639.50 | 623.04   |
| <b>INCOME</b>             |        |               |        |          |
| Gross Salary 1            | 414.38 | 414.38        | 324.38 | 324.38   |
| Income Tax (Joint)        | 38.75  | 38.75         | 2.75   | 1.51     |
| USC 1                     | 9.88   | 9.88          | 6.73   | 6.73     |
| PRSI 1                    | 16.58  | 16.58         | ...    | ...      |
| Gross Salary 2            | 414.38 | 414.38        | 324.38 | 324.38   |
| USC 2                     | 9.88   | 9.88          | 6.73   | 6.73     |
| PRSI 2                    | 16.58  | 16.58         | ...    | ...      |
| Net Salary (Joint)        | 737.08 | 737.08        | 632.53 | 633.77   |
| <b>SOCIAL WELFARE</b>     |        |               |        |          |
| Child Benefit             | 31.15  | 31.15         | 31.15  | 31.15    |
| FIS                       | ...    | ...           | ...    | ...      |
| BSCFA                     | ...    | ...           | ...    | ...      |
| Total Social Welfare      | 31.15  | 31.15         | 31.15  | 31.15    |
| Medical Card              | Full   | Full          | Full   | GP Visit |
| Total Household Income    | 768.24 | 768.24        | 663.69 | 664.93   |
| MIS Rate (gross per hour) | 11.05  | 11.05         | 8.65   | 8.65     |

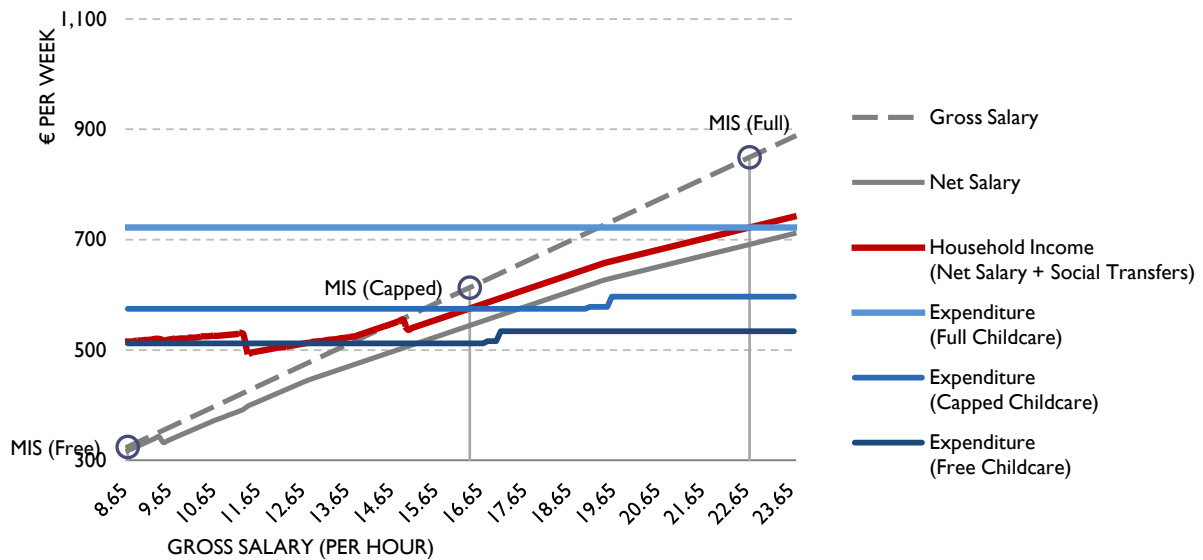
Table 7 Two Parents, Primary School – MIS by Childcare Scenario



|                           | FULL     | FIS DISREGARD | CAPPED   | FREE     |
|---------------------------|----------|---------------|----------|----------|
| <b>EXPENDITURE</b>        |          |               |          |          |
| MESL Core                 | 436.05   | 436.05        | 436.05   | 436.05   |
| Housing                   | 219.95   | 219.95        | 219.95   | 219.95   |
| Childcare                 | 122.42   | 122.42        | 37.50    | ...      |
| Total MESL Expenditure    | 778.43   | 778.43        | 693.51   | 656.01   |
| <b>INCOME</b>             |          |               |          |          |
| Gross Salary 1            | 425.63   | 425.63        | 346.88   | 324.38   |
| Income Tax (Joint)        | 42.01    | 42.01         | 10.51    | 1.51     |
| USC 1                     | 13.34    | 13.34         | 7.83     | 6.73     |
| PRSI 1                    | 17.03    | 17.03         | ...      | ...      |
| Gross Salary 2            | 425.63   | 425.63        | 346.88   | 324.38   |
| USC 2                     | 13.34    | 13.34         | 7.83     | 6.73     |
| PRSI 2                    | 17.03    | 17.03         | ...      | ...      |
| Net Salary (Joint)        | 748.50   | 748.50        | 667.58   | 633.77   |
| <b>SOCIAL WELFARE</b>     |          |               |          |          |
| Child Benefit             | 31.15    | 31.15         | 31.15    | 31.15    |
| FIS                       | ...      | ...           | ...      | ...      |
| BSCFA                     | ...      | ...           | ...      | ...      |
| Total Social Welfare      | 31.15    | 31.15         | 31.15    | 31.15    |
| Medical Card              | GP Visit | GP Visit      | GP Visit | GP Visit |
| Total Household Income    | 779.66   | 779.66        | 698.73   | 664.93   |
| MIS Rate (gross per hour) | 11.35    | 11.35         | 9.25     | 8.65     |

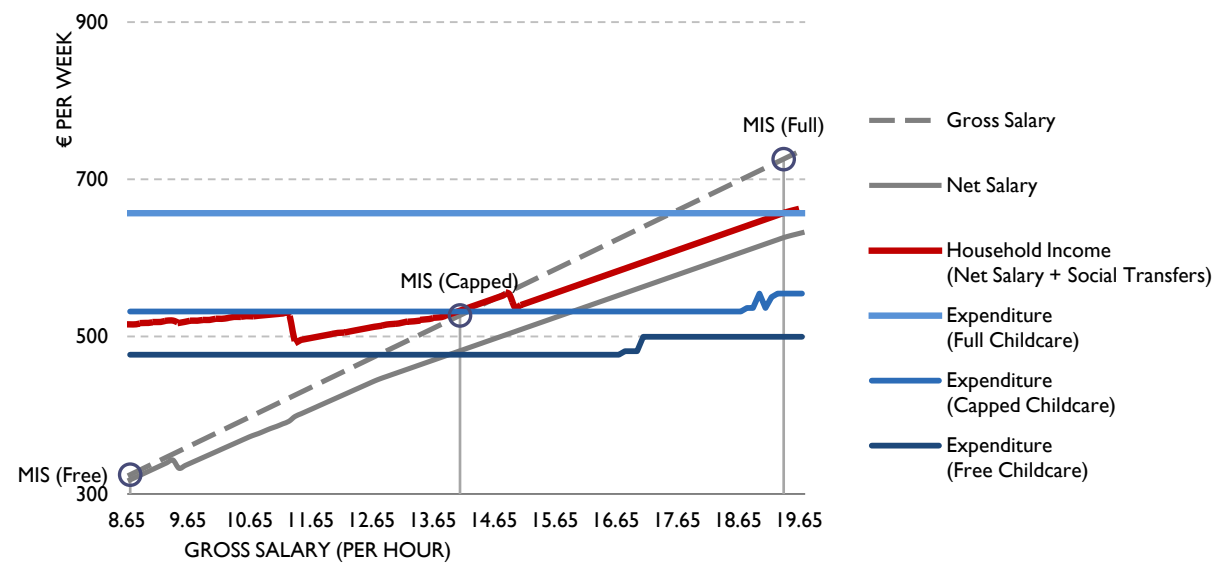


Table 8 One Parent, Baby – MIS by Childcare Scenario



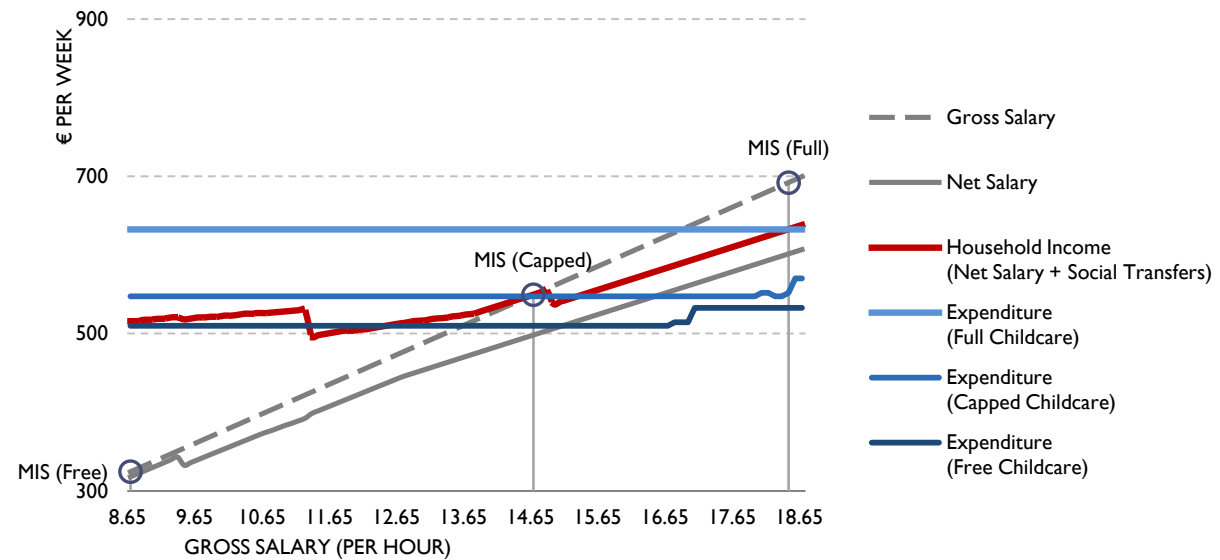
|                                  | FULL   | FIS DISREGARD | CAPPED | FREE   |
|----------------------------------|--------|---------------|--------|--------|
| <b>EXPENDITURE</b>               |        |               |        |        |
| MESL Core                        | 292.25 | 292.25        | 292.25 | 292.25 |
| Housing                          | 219.95 | 219.95        | 219.95 | 219.95 |
| Childcare                        | 209.94 | 209.94        | 62.50  | ...    |
| Total MESL Expenditure           | 722.14 | 722.14        | 574.70 | 512.20 |
| <b>INCOME</b>                    |        |               |        |        |
| Gross Salary                     | 849.38 | 778.13        | 613.13 | 324.38 |
| Income Tax                       | 99.12  | 70.62         | 27.38  | ...    |
| USC                              | 25.11  | 22.61         | 16.84  | 6.73   |
| PRSI                             | 33.98  | 31.13         | 24.53  | ...    |
| Net Salary                       | 691.18 | 653.77        | 544.39 | 317.64 |
| <b>SOCIAL WELFARE</b>            |        |               |        |        |
| Child Benefit                    | 31.15  | 31.15         | 31.15  | 31.15  |
| FIS                              | ...    | 38.00         | ...    | 49.00  |
| BSCFA                            | ...    | ...           | ...    | ...    |
| One-Parent Family Payment        | ...    | ...           | ...    | 107.80 |
| Fuel Allowance                   | ...    | ...           | ...    | 10.00  |
| Total Social Welfare             | 31.15  | 69.15         | 31.15  | 197.95 |
| Medical Card                     | Full   | Full          | Full   | Full   |
| <b>Total Household Income</b>    |        |               |        |        |
|                                  | 722.33 | 722.92        | 575.54 | 515.60 |
| <b>MIS Rate (gross per hour)</b> |        |               |        |        |
|                                  | 22.65  | 20.75         | 16.35  | 8.65   |

Table 9 One Parent, Pre-School – MIS by Childcare Scenario



|                                  | FULL   | FIS DISREGARD | CAPPED | FREE   |
|----------------------------------|--------|---------------|--------|--------|
| <b>EXPENDITURE</b>               |        |               |        |        |
| MESL Core                        | 257.06 | 257.06        | 257.06 | 257.06 |
| Housing                          | 219.95 | 219.95        | 219.95 | 219.95 |
| Childcare                        | 179.82 | 179.82        | 55.00  | ...    |
| Total MESL Expenditure           | 656.84 | 656.84        | 532.02 | 477.02 |
| <b>INCOME</b>                    |        |               |        |        |
| Gross Salary                     | 725.63 | 601.88        | 526.88 | 324.38 |
| Income Tax                       | 49.88  | 25.13         | 10.13  | ...    |
| USC                              | 20.78  | 16.45         | 13.82  | 6.73   |
| PRSI                             | 29.03  | 24.08         | 21.08  | ...    |
| Net Salary                       | 625.95 | 536.23        | 481.85 | 317.64 |
| <b>SOCIAL WELFARE</b>            |        |               |        |        |
| Child Benefit                    | 31.15  | 31.15         | 31.15  | 31.15  |
| FIS                              | ...    | 90.00         | 20.00  | 49.00  |
| BSCFA                            | ...    | ...           | ...    | ...    |
| One-Parent Family Payment        | ...    | ...           | ...    | 107.80 |
| Fuel Allowance                   | ...    | ...           | ...    | 10.00  |
| Total Social Welfare             | 31.15  | 121.15        | 51.15  | 197.95 |
| Medical Card                     | Full   | Full          | Full   | Full   |
| <b>Total Household Income</b>    |        |               |        |        |
|                                  | 657.10 | 657.38        | 533.01 | 515.60 |
| <b>MIS Rate (gross per hour)</b> |        |               |        |        |
|                                  | 19.35  | 16.05         | 14.05  | 8.65   |

Table 10 One Parent, Primary School – MIS by Childcare Scenario



|                           | FULL   | FIS DISREGARD | CAPPED | FREE   |
|---------------------------|--------|---------------|--------|--------|
| <b>EXPENDITURE</b>        |        |               |        |        |
| MESL Core                 | 290.02 | 290.02        | 290.02 | 290.02 |
| Housing                   | 219.95 | 219.95        | 219.95 | 219.95 |
| Childcare                 | 122.42 | 122.42        | 37.50  | ...    |
| Total MESL Expenditure    | 632.40 | 632.40        | 547.48 | 509.98 |
| <b>INCOME</b>             |        |               |        |        |
| Gross Salary              | 691.88 | 635.63        | 549.38 | 324.38 |
| Income Tax                | 43.13  | 31.88         | 14.63  | ...    |
| USC                       | 19.60  | 17.63         | 14.61  | 6.73   |
| PRSI                      | 27.68  | 25.43         | 21.98  | ...    |
| Net Salary                | 601.48 | 560.70        | 498.17 | 317.64 |
| <b>SOCIAL WELFARE</b>     |        |               |        |        |
| Child Benefit             | 31.15  | 31.15         | 31.15  | 31.15  |
| FIS                       | ...    | 41.00         | 20.00  | 49.00  |
| BSCFA                     | ...    | ...           | ...    | ...    |
| One-Parent Family Payment | ...    | ...           | ...    | 107.80 |
| Fuel Allowance            | ...    | ...           | ...    | 10.00  |
| Total Social Welfare      | 31.15  | 72.15         | 51.15  | 197.95 |
| Medical Card              | Full   | Full          | Full   | Full   |
| <b>TOTAL</b>              |        |               |        |        |
| Total Household Income    | 632.63 | 632.85        | 549.32 | 515.60 |
| MIS Rate (gross per hour) | 18.45  | 16.95         | 14.65  | 8.65   |

## DISCUSSION OF RESULTS

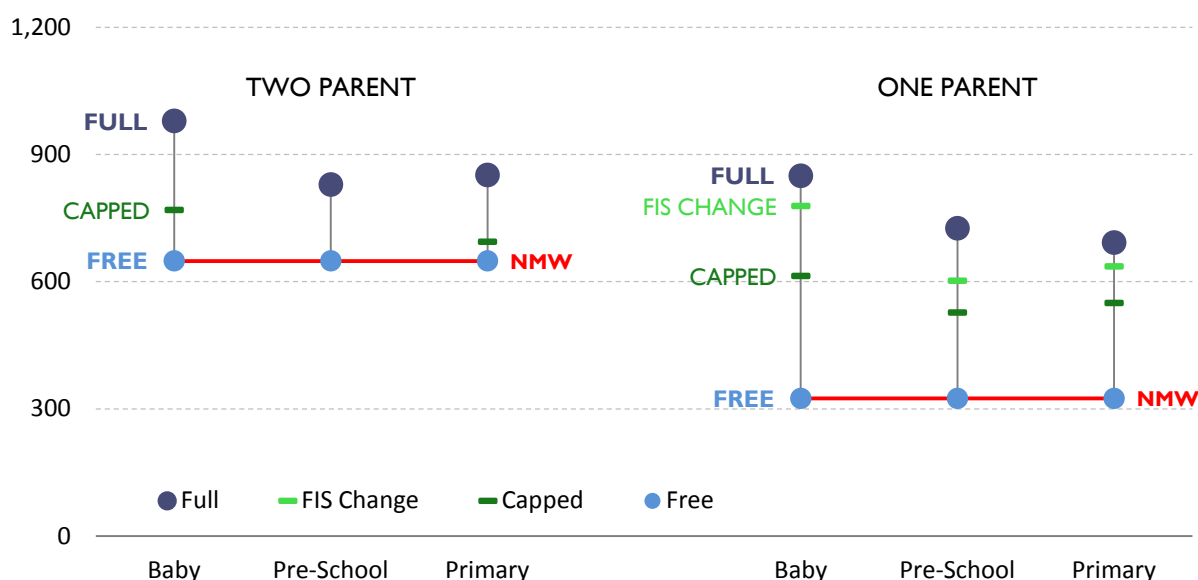
The preceding tables (Table 5 to Table 10) detail the Minimum Income Standard gross salary requirements for each of the six household compositions, across the childcare cost scenarios examined.

The primary findings from the data presented in the preceding tables are:

If childcare was free at the point use, i.e. if the household compositions did not pay for childcare directly, the National Minimum Wage would provide the basis of an adequate income for all six household compositions.

- › The 'Free' column of each table details the household MESL expenditure and the adequacy of the NMW in this childcare cost scenario for each of the household compositions
- › This demonstrates that the entire difference between the National Minimum Wage and the MIS gross salary needed to afford the full cost of formal childcare is attributable to the costs of childcare
- › Furthermore, any reductions in the cost of childcare inevitably reduce the cost of a MESL, for these household compositions, and so reduce the MIS earnings requirement

**Graph 4 Household MIS Requirement, by Household Composition & Childcare Scenario**



### FULL COST OF FORMAL CHILDCARE

The Minimum Income Standard gross salary need for the six household compositions ranges from €414 to €849, per adult, per week. This wide variance is explained by differences in household composition and child age-group.

Table 11 Weekly MIS Earning Requirement, per adult in the household

|          | TWO PARENT |            |                | ONE PARENT |            |                |
|----------|------------|------------|----------------|------------|------------|----------------|
|          | Baby       | Pre-School | Primary School | Baby       | Pre-School | Primary School |
| MIS Full | 489.38     | 414.38     | 425.63         | 849.38     | 725.63     | 691.88         |

- › Each adult in a Two Parent household composition must earn between €90 (Pre-School age child) and €165 (Baby) per week, above a full-time National Minimum Wage salary. This equates to an additional hourly earnings need of between €2.40 and €4.40 above the NMW.
- › The MIS rate for Two Parent household compositions ranges from €414 to €489 per week.
  - When comparing with the One Parent household compositions, it must be remembered that in a Two Parent household type the earnings burden is divided between two adults equally. This, obviously, is not the case for a One Parent household type.
  - On a household basis, the Two Parent household needs to earn an additional €180 to €330 per week, above a dual NMW income.
- › In a One Parent household composition the adult must earn between €367 (Primary School age child) and €525 (Baby) per week, above a full-time National Minimum Wage salary. This equates to an additional hourly earnings need of between €9.80 and €14.00 above the NMW.
- › The One Parent household compositions will not qualify for the One-Parent Family Payment or Family Income Supplement, due to means, at salary levels which are below the MIS required.
  - When earnings exceed €425 per week a household is not eligible for the One-Parent Family Payment
  - The entitlement to FIS is lost when earnings reach €460 per week (€14.95 per hour), which is below the MIS rate for the three One Parent household compositions

## FIS CHILDCARE DISREGARD

When earning the NMW the Two Parent household compositions did not have an adequate income, and did not qualify for any means tested social welfare payments, e.g. FIS.

Table 12 Weekly MIS Earning Requirement, per adult in the household

|                   | TWO PARENT |            |                | ONE PARENT |            |                |
|-------------------|------------|------------|----------------|------------|------------|----------------|
|                   | Baby       | Pre-School | Primary School | Baby       | Pre-School | Primary School |
| MIS FIS Disregard | 489.38     | 414.38     | 425.63         | 778.13     | 601.88     | 635.63         |

- › The adjustment to the FIS means test would enable a Two Parent household with a Baby or Pre-School age child to qualify for a FIS payment when earning the NMW. (See Table 16, page 37)
  - This adjustment does provide adequacy at the NMW rate.
- › The Two Parent MIS earnings need is not changed in this scenario.
  - The adjustment does not enable FIS to be retained at a salary rate below the MIS rate calculated under the actual FIS model.
  - Consequently, this change would not resolve the issue of affording formal childcare and a MESL for these household compositions.

When earning the NMW the One Parent household compositions did not have an adequate income. Under the actual means test for FIS, the household composition would qualify for a weekly FIS payment of €49, a quarter (24.75%) of the household's social welfare income.

- › The adjustment to the FIS means test would enable the One Parent household compositions to qualify for a higher rate of FIS (from €122 to €175 per week) when earning the NMW. (See Table 16, page 37)
  - The FIS adjustment would not make the NMW adequate for any of the compositions.
- › The childcare disregard adjustment would lower the MIS salary required by the three One Parent compositions.
  - The inclusion of a childcare disregard in the means test, would enable the compositions to retain FIS eligibility at a salary rate which enables an MESL; therefore the FIS change would assist these household compositions.
  - The FIS Childcare Disregard would lower the MIS requirement for One Parent household compositions by between €56 (Primary School age) and €124 (Pre-School age) per week.

## EFFECT OF CAPPING CHILDCARE COSTS AT 30%

The capping of childcare costs makes a significant difference to the expenditure need of all six household compositions examined.

Table 13 Weekly MIS Earning Requirement, per adult in the household

|                      | TWO PARENT |            |                | ONE PARENT |            |                |
|----------------------|------------|------------|----------------|------------|------------|----------------|
|                      | Baby       | Pre-School | Primary School | Baby       | Pre-School | Primary School |
| MIS Childcare Capped | 384.38     | 324.38     | 346.88         | 613.13     | 526.88     | 549.38         |

For the Two Parent compositions:

- › The NMW would be adequate for a household with a Pre-School age child.

- › In the other two compositions, earnings of €22 to €60 per week above the NMW are required. This equates to an hourly rate which €0.60 to €1.60 above the NMW.

For One Parent compositions:

- › The additional earning above the NMW is significantly reduced, to between €202 (Pre-School) and €229 (Baby) per week.
  - These equate to an hourly rate which is €5.40 to €7.70 above the NMW.
  - These MIS rates all exceed the OFP income cut-off point of €425 per week.
  - Two compositions would qualify for the minimum FIS payment of €20 per week.
- › For One Parent compositions the MIS requirement is still notably above the National Minimum Wage rate. The MIS rate required is between 62% and 89% above a full-time NMW salary, in the scenario of capped childcare costs.
- › By comparison the MIS rate for a Two Parent, Baby composition is 18% above the NMW, and for Two Parent, Primary School composition it is 7% above the NMW.

## SOCIAL HOUSING & COMMUNITY CHILDCARE SUBVENTION

In scenarios based on the household compositions living in social housing, paying a differential rent, and being able to access community childcare providers. The National Minimum Wage would provide the basis of an adequate income for the six household compositions examined.

Details of the MESL expenditure need and household income are provided in Table 19, page 40.

## CHILDCARE COSTS AS PERCENTAGE OF NET HOUSEHOLD INCOME

Table 14 Childcare Costs as percentage of Net Household Income

|                                     | TWO PARENT |            |         | ONE PARENT |            |         |
|-------------------------------------|------------|------------|---------|------------|------------|---------|
| <i>As % of NMW Household Income</i> | Baby       | Pre-School | Primary | Baby       | Pre-School | Primary |
| Full Childcare Cost                 | 31.63%     | 27.09%     | 18.45%  | 40.72%     | 34.88%     | 23.74%  |
| Capped Childcare Cost               | 9.42%      | 8.29%      | 5.64%   | 12.12%     | 10.67%     | 7.27%   |
| <i>As % of MIS Household Income</i> | Baby       | Pre-School | Primary | Baby       | Pre-School | Primary |
| Full Childcare Cost                 | 24.20%     | 23.41%     | 15.70%  | 29.06%     | 27.37%     | 19.35%  |
| Capped Childcare Cost               | 8.63%      | 8.29%      | 5.37%   | 10.86%     | 10.32%     | 6.83%   |

When household income is based on earning the National Minimum Wage, the depth of the inadequacy faced by each household composition is directly related to the scale of childcare costs faced by these household types.

Childcare costs are highest for a baby and reduce with the child's age. However, social welfare supports such as Child Benefit, Family Income Supplement and One-Parent Family Payment, do not vary with the age of the child.

The proportion of net household income (net salary + social welfare) required to pay for formal childcare is listed in Table 14.

- › Net household income, when earning the NMW, is €664 per week for a Two Parent household composition and €516 for a One Parent household composition with one child.
- › Full childcare costs can account for over two fifths of net NMW household income.
  - Formal childcare costs can amount to almost a third (31.63%) of net household income for a Two Parent household type
  - Formal childcare costs can amount to over a two fifths (40.72%) of net household income for a One Parent household type
- › As the MIS represents the income needed to afford the MESL, including the full cost of childcare, when the NMW is inadequate, childcare costs account for a lower proportion of the MIS income than NMW income.
  - The MIS salary need, and net household income, varies by household composition
  - The full cost of formal childcare accounts for up to 24% of a Two Parent household type MIS net income
  - The full cost of formal childcare accounts for up to 29% of a One Parent household type MIS net income
- › Capping childcare costs at 30% of the current rate dramatically reduces the proportion of household income required for formal childcare
  - Capped childcare costs would require between 6% and 12% of net NMW household income
  - Capped childcare costs would require between 5% and 11% of the net MIS household income
  - The costs would be highest for the household compositions with a baby, and lowest at primary school age
- › For both One Parent & Two Parent household types the proportion of income required by formal childcare costs reduces in line with the child's age.



## CONCLUSION

This paper quantifies the additional earning burden imposed on households by the high cost of formal childcare in Ireland. The cost of formal childcare is clearly out of line with the norms prevalent in other EU and OECD countries, and there is clear evidence that these high costs can negate the value of lower paid employment.

This paper utilises the VPSJ MEBS model expenditure data and Minimum Income Standard approach, to quantify the income need burden attributable to the high costs of formal childcare in Ireland.

Six household compositions, with one child, are examined in the paper:

- |                                |                               |
|--------------------------------|-------------------------------|
| 1. Two Parents, Baby           | 4. One Parent, Baby           |
| 2. Two Parents, Pre-School     | 5. One Parent, Pre-School     |
| 3. Two Parents, Primary School | 6. One Parent, Primary School |

The expenditure required for a Minimum Essential Standard of Living is calculated for each of the household compositions, when the adults in the household are employed full-time, using formal childcare and living in private rented accommodation in Dublin.

Net household income from the National Minimum Wage (net salary + social welfare) is calculated. In this scenario a Two Parent household, with one child, and both adults employed full-time would have a net household income of €664 per week. A One Parent household, with one child, and the adult employed full-time would have a net income of €516 per week.

Childcare costs are most expensive for a baby, and reduce as a child gets older. Formal full-time childcare costs, for a baby, are over 30% of dual NMW household income (Two Parent household), and over 40% of single NMW household income (One Parent household). A One Parent, one child, household is in receipt of significant social welfare support, almost €200 per week when earning the NMW. However, a Two Parent, one child, household will not qualify for means tested social welfare payments when both adults are employed full-time, earning the NMW.

The National Minimum Wage does not provide the basis of an adequate household income for any of the six household compositions examined in this working paper. Consequently, when earning the National Minimum Wage these households cannot afford a socially acceptable minimum standard of living.

As the NMW does not provide an adequate income, the Minimum Income Standard is calculated for each of the six compositions. The MIS is the gross salary rate which, in conjunction with any applicable social welfare entitlements (e.g. FIS, OFP, Child Benefit), will provide a household income which meets the household's MESL expenditure needs.

The MIS rate required to afford formal childcare and all the essential elements of a socially acceptable minimum standard of living, is up to 150% of the National Minimum Wage for Two Parent household compositions, and up to 260% of the National Minimum Wage for One Parent household compositions.

For a Two Parent household with a baby, each adult needs gross earnings of over €25,500 per annum. For a One Parent household with a baby, the adult needs to have gross earnings of over €44,250.

The analysis in the paper then examines a hypothetical scenario, where childcare is free at the point of use, i.e. the direct cost of childcare to the household is zero. In this scenario the National Minimum Wage would enable each of the household compositions to afford a Minimum Essential Standard of Living.

This demonstrates that the entire difference between the National Minimum Wage and the MIS gross salary needed to afford the full cost of formal childcare is attributable to the costs of childcare. Furthermore, any reductions in the cost of childcare inevitably reduce the cost of a MESL, for these household compositions, and so reduce the MIS earnings requirement.

Subsequently, the effects of two approaches to childcare subsidisation are modelled, examining the impact on the MIS earnings need of each approach:

- An adjustment to the Family Income Supplement (FIS) which would take account of a household's childcare costs in the FIS means test
- A Scandinavian model of childcare charges; capping childcare costs to the household at 30% of the actual cost

The adjustment to FIS does not reduce the MIS needs of the Two Parent household compositions. However, the childcare disregard adjustment would lower the MIS salary required by all three One Parent compositions. A FIS childcare disregard would lower the MIS requirement for One Parent household compositions by between €56 (Primary School age) and €124 (Pre-School age) per week.

The capping of childcare costs makes a significant difference to the expenditure need of all six household compositions examined. For Two Parent compositions, the NMW would be adequate in one case (Pre-School aged child), and it reduces the MIS salary requirement for the other compositions to between €347 and €384 per week, €23 to €60 above the NMW.

For One Parent household compositions, capping childcare costs significantly reduces the MIS earnings need. However, the reduced need remains significantly above the NMW, at €527 to €613 per week. The MIS rates for One Parent compositions are 162% to 189% of a full-time NMW salary; by comparison, the Two Parent compositions need a salary of between 107% and 118% of the NMW.

To conclude, the findings in this paper demonstrate the burden of formal childcare costs. Full-Time employment at the National Minimum Wage rate does not enable a Minimum Essential Standard of Living for any of the six household compositions examined. The amount of income inadequacy faced by households in this situation varies by the composition, but amounts to thousands of euro per year in all cases.

Households in such a scenario have to choose to do without essential items and live below a socially acceptable minimum level, in order to meet the costs of formal childcare and pay for housing.

Multiples of the national minimum wage are required to afford the full cost of formal childcare and a Minimum Essential Standard of Living, particularly for One-Parent household compositions. Given this, and the evidence found elsewhere, it seems only logical that the high cost of formal childcare must make low paid work and full-time employment an un-economic choice, in some cases.

## NOTES

<sup>1</sup> The MEBS dataset includes the expenditure needs at four age groups, including primary school age. While the data does not differentiate by the age of the child within the age-group, the age is specified for the calculation of social welfare payments determined by age. In this case, the age of the primary school age child is relevant in determining the One Parent household type's eligibility to the One-Parent Family Payment.

<sup>2</sup> See Mac Mahon et al. (2006) and Mac Mahon, et al. (2010)

<sup>3</sup> See Collins, M., Mac Mahon, B., Weld, G., Thornton, R., 2012

<sup>4</sup> See Mac Mahon, B., Weld, G., Thornton, R., 2012

<sup>5</sup> The adjustment process utilises Consumer Price Index detailed sub-indices rates from the CSO, and the process is detailed in a recent VPSJ research note (VPSJ, 2013).

<sup>6</sup> See Collins, M., Mac Mahon, B., Weld, G., Thornton, R., 2012

<sup>7</sup> The Core Costs listed include the full health expenditure budget for each household composition for primary health care, e.g. GP visits and prescriptions, and basic private health insurance. However, the minimum need for health related expenditure varies according to a household's medical card eligibility. As part of the MIS income need calculations, Medical Card eligibility is determined for each household composition in the specific income scenario. Reductions are made to the household expenditure need to reflect Medical Card eligibility, where necessary.

<sup>8</sup> For an analysis of how housing tenure impacts of the cost of MESL see VPSJ (2014b)

<sup>9</sup> Nationally, 70% of housing is owner occupied and 19% is private rented. Social housing, from both Local Authorities and Voluntary & Co-Operative bodies combined, accounts for only 9% of housing units. The proportion of social housing varies between urban and rural areas, 11% and 4.5% of housing units respectively, but not to a degree that changes the minority position of social housing overall (CSO, 2012a). The output of new social housing units has declined by over 90% between 2008 and 2014 (DoEC&LG, 2015), and there are approximately 90,000 households awaiting a place in social housing (Housing Agency, 2013). Furthermore, of the households waiting for social housing, only 15% are in employment, while 73% are not employed and reliant on either a Job Seeker's or One-Parent Family Payment, and 52% of those on the waiting list are in receipt of Rent Supplement (ibid).

<sup>10</sup> Scenarios of employment and entitlement to Rent Supplement or the Housing Assistance Payment are not examined in this paper

<sup>11</sup> The rental cost data is used from this period in order to correspond with the MESL expenditure data, which was most recently updated to March 2014 prices.

<sup>12</sup> In social welfare means tests, a 'disregard' allows a household's expenditure on certain essentials to be excluded when calculating the household's income. For example, the Medical Card means test includes income disregards allowing reasonable expenses for rent/mortgage, travelling to work, and childcare (HSE, 2015). This scenario examines the effect of including a disregard for childcare costs in the FIS means test. In effect the portion of income going to childcare costs is not counted (disregarded) when assessing for FIS eligibility, and the rate of payment.

<sup>13</sup> If the Primary School age child is seven years of age, or over, the household's MESL expenditure need remains the same (almost €318 per week) but household income decreases. The withdrawal of the One-Parent Family Payment, when the child is 7 or older, results in a reduction in household income. While this reduction is partially offset by an increase in the Family Income Supplement, overall the net household income decreases by €50.88.

The household income for a One-Parent household with a 7 year old child is detailed in Table 20, page 30.

<sup>14</sup> The MIS detailed are based on the assumptions laid out above; if the circumstances of a household are different the MIS wage requirements will also be different. However, the MIS is not a guarantee to meet every households' needs, but rather a minimum floor that no household should be expected to live below.

<sup>15</sup> The core MESL expenditure (detailed in Table 2, page 15) includes full health costs for each household composition. The medical card eligibility of each household composition is tested as part of the MIS calculation, and a deduction is made to the expenditure need to reflect any medical card entitlement. The household may be entitled to a Full Medical Card, GP Visit Card, or no medical card. The calculation of the Universal Social Charge (USC) also reflects the household's medical card entitlement. A fuller explanation of the impact of medical card entitlement on a household compositions MESL expenditure need may be found in *A Minimum Income Standard of Ireland* (Collins, et al., 2012: 79-80, 121-2).

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## APPENDIX I EXPENDITURE & INCOME TABLES

Table 15 Core Minimum Essential Standard of Living Expenditure Budget  
*Excluding Housing & Childcare and effect of secondary benefits*

| 2014                             | TWO PARENT |            |                | ONE PARENT |            |                |
|----------------------------------|------------|------------|----------------|------------|------------|----------------|
|                                  | Baby       | Pre-School | Primary School | Baby       | Pre-School | Primary School |
| Food                             | 95.16      | 88.27      | 101.30         | 66.19      | 59.30      | 72.32          |
| Clothing                         | 29.58      | 18.40      | 20.08          | 23.62      | 12.44      | 14.12          |
| Personal Care                    | 25.43      | 16.20      | 17.49          | 17.78      | 8.56       | 9.84           |
| Health                           | 16.63      | 12.50      | 12.44          | 13.72      | 9.59       | 9.54           |
| Household Goods                  | 25.25      | 17.81      | 18.12          | 24.08      | 16.63      | 16.94          |
| Household Services               | 6.46       | 6.46       | 6.46           | 6.46       | 6.46       | 6.46           |
| Communications                   | 13.77      | 13.77      | 13.77          | 9.18       | 9.18       | 9.18           |
| Social Inclusion & Participation | 55.43      | 57.71      | 67.71          | 33.24      | 35.52      | 45.52          |
| Education                        | 1.98       | 1.98       | 8.70           | 1.98       | 1.98       | 8.70           |
| Transport                        | 56.77      | 59.54      | 59.54          | 28.38      | 31.15      | 31.15          |
| Household Energy                 | 46.34      | 44.84      | 44.84          | 46.07      | 44.57      | 44.57          |
| Personal Costs                   | 8.52       | 8.46       | 8.46           | 8.25       | 8.19       | 8.19           |
| Insurance                        | 33.18      | 33.18      | 33.18          | 19.48      | 19.48      | 19.48          |
| Savings & Contingencies          | 24.66      | 24.66      | 24.66          | 19.93      | 19.93      | 19.93          |
| Core Expenditure                 | 439.16     | 403.78     | 436.74         | 318.37     | 282.99     | 315.95         |



**Table 16 Full Cost of Formal Childcare, FIS Childcare Disregard, NMW Scenarios**

|                           | TWO PARENT |            |            | ONE PARENT |            |            |
|---------------------------|------------|------------|------------|------------|------------|------------|
|                           | Baby       | Pre-School | Primary    | Baby       | Pre-School | Primary    |
| <b>EXPENDITURE</b>        |            |            |            |            |            |            |
| MESL Core                 | 399.73     | 364.54     | 397.50     | 292.25     | 257.06     | 290.02     |
| Housing                   | 219.95     | 219.95     | 219.95     | 219.95     | 219.95     | 219.95     |
| Childcare                 | 209.94     | 179.82     | 122.42     | 209.94     | 179.82     | 122.42     |
| Total MESL Expenditure    | 829.62     | 764.31     | 739.88     | 722.14     | 656.84     | 632.40     |
| <b>INCOME</b>             |            |            |            |            |            |            |
| Gross Salary 1            | 324.38     | 324.38     | 324.38     | 324.38     | 324.38     | 324.38     |
| Income Tax (Joint)        | 2.75       | 2.75       | 2.75       | ...        | ...        | ...        |
| USC 1                     | 6.73       | 6.73       | 6.73       | 6.73       | 6.73       | 6.73       |
| PRSI 1                    | ...        | ...        | ...        | ...        | ...        | ...        |
| Gross Salary 2            | 324.38     | 324.38     | 324.38     |            |            |            |
| USC 2                     | 6.73       | 6.73       | 6.73       |            |            |            |
| PRSI 2                    | ...        | ...        | ...        |            |            |            |
| Net Salary (Household)    | 632.53     | 632.53     | 632.53     | 317.64     | 317.64     | 317.64     |
| <b>SOCIAL WELFARE</b>     |            |            |            |            |            |            |
| Child Benefit             | 31.15      | 31.15      | 31.15      | 31.15      | 31.15      | 31.15      |
| Family Income Supplement  | 51.00      | 32.00      | ...        | 175.00     | 157.00     | 122.00     |
| BSCFA                     | ...        | ...        | ...        | ...        | ...        | ...        |
| One-Parent Family Payment |            |            |            | 107.80     | 107.80     | 107.80     |
| Fuel Allowance            |            |            |            | 10.00      | 10.00      | 10.00      |
| Total Social Welfare      | 82.15      | 63.15      | 31.15      | 323.95     | 305.95     | 270.95     |
| Medical Card              | Full       | Full       | Full       | Full       | Full       | Full       |
| Net Household Income      | 714.69     | 695.69     | 663.69     | 641.60     | 623.60     | 588.60     |
| Weekly Shortfall          | -114.94    | -68.63     | -76.19     | -80.55     | -33.24     | -43.81     |
|                           | Inadequate | Inadequate | Inadequate | Inadequate | Inadequate | Inadequate |

**Table 17** Childcare Charge Capped at 30%, NMW Scenarios

|                           | TWO PARENT |            |            | ONE PARENT |            |            |
|---------------------------|------------|------------|------------|------------|------------|------------|
|                           | Baby       | Pre-School | Primary    | Baby       | Pre-School | Primary    |
| <b>EXPENDITURE</b>        |            |            |            |            |            |            |
| MESL Core                 | 399.73     | 364.54     | 397.50     | 292.25     | 257.06     | 290.02     |
| Housing                   | 219.95     | 219.95     | 219.95     | 219.95     | 219.95     | 219.95     |
| Childcare                 | 62.50      | 55.00      | 37.50      | 62.50      | 55.00      | 37.50      |
| Total MESL Expenditure    | 682.18     | 639.50     | 693.51     | 574.70     | 532.02     | 547.48     |
| <b>INCOME</b>             |            |            |            |            |            |            |
| Gross Salary 1            | 324.38     | 324.38     | 324.38     | 324.38     | 324.38     | 324.38     |
| Income Tax (Joint)        | 2.75       | 2.75       | 1.51       | ...        | ...        | ...        |
| USC 1                     | 6.73       | 6.73       | 6.73       | 6.73       | 6.73       | 6.73       |
| PRSI 1                    | ...        | ...        | ...        | ...        | ...        | ...        |
| Gross Salary 2            | 324.38     | 324.38     | 324.38     |            |            |            |
| USC 2                     | 6.73       | 6.73       | 6.73       |            |            |            |
| PRSI 2                    | ...        | ...        | ...        |            |            |            |
| Net Salary (Household)    | 632.53     | 632.53     | 633.77     | 317.64     | 317.64     | 317.64     |
| <b>SOCIAL WELFARE</b>     |            |            |            |            |            |            |
| Child Benefit             | 31.15      | 31.15      | 31.15      | 31.15      | 31.15      | 31.15      |
| Family Income Supplement  | ...        | ...        | ...        | 49.00      | 49.00      | 49.00      |
| BSCFA                     | ...        | ...        | ...        | ...        | ...        | ...        |
| One-Parent Family Payment |            |            |            | 107.80     | 107.80     | 107.80     |
| Fuel Allowance            |            |            |            | 10.00      | 10.00      | 10.00      |
| Total Social Welfare      | 31.15      | 31.15      | 31.15      | 197.95     | 197.95     | 197.95     |
| Medical Card              | Full       | Full       | GP Visit   | Full       | Full       | Full       |
| Net Household Income      | 663.69     | 663.69     | 664.93     | 515.60     | 515.60     | 515.60     |
| Weekly Shortfall          | -18.49     | 24.19      | -28.58     | -59.11     | -16.42     | -31.88     |
|                           | Inadequate | Adequate   | Inadequate | Inadequate | Inadequate | Inadequate |

Table 18 Childcare Free (at point of use), NMW Scenarios

|                           | TWO PARENT |            |          | ONE PARENT |            |          |
|---------------------------|------------|------------|----------|------------|------------|----------|
|                           | Baby       | Pre-School | Primary  | Baby       | Pre-School | Primary  |
| <b>EXPENDITURE</b>        |            |            |          |            |            |          |
| MESL Core                 | 399.73     | 364.54     | 397.50   | 292.25     | 257.06     | 290.02   |
| Housing                   | 219.95     | 219.95     | 219.95   | 219.95     | 219.95     | 219.95   |
| Childcare                 | ...        | ...        | ...      | ...        | ...        | ...      |
| Total MESL Expenditure    | 682.18     | 639.50     | 693.51   | 574.70     | 532.02     | 547.48   |
| <b>INCOME</b>             |            |            |          |            |            |          |
| Gross Salary 1            | 324.38     | 324.38     | 324.38   | 324.38     | 324.38     | 324.38   |
| Income Tax (Joint)        | 2.75       | 1.51       | 1.51     | ...        | ...        | ...      |
| USC 1                     | 6.73       | 6.73       | 6.73     | 6.73       | 6.73       | 6.73     |
| PRSI 1                    | ...        | ...        | ...      | ...        | ...        | ...      |
| Gross Salary 2            | 324.38     | 324.38     | 324.38   |            |            |          |
| USC 2                     | 6.73       | 6.73       | 6.73     |            |            |          |
| PRSI 2                    | ...        | ...        | ...      |            |            |          |
| Net Salary (Household)    | 632.53     | 633.77     | 633.77   | 317.64     | 317.64     | 317.64   |
| <b>SOCIAL WELFARE</b>     |            |            |          |            |            |          |
| Child Benefit             | 31.15      | 31.15      | 31.15    | 31.15      | 31.15      | 31.15    |
| Family Income Supplement  | ...        | ...        | ...      | 49.00      | 49.00      | 49.00    |
| BSCFA                     | ...        | ...        | ...      | ...        | ...        | ...      |
| One-Parent Family Payment |            |            |          | 107.80     | 107.80     | 107.80   |
| Fuel Allowance            |            |            |          | 10.00      | 10.00      | 10.00    |
| Total Social Welfare      | 31.15      | 31.15      | 31.15    | 197.95     | 197.95     | 197.95   |
| Medical Card              | GP Visit   | GP Visit   | GP Visit | Full       | Full       | Full     |
| Net Household Income      | 663.69     | 664.93     | 664.93   | 515.60     | 515.60     | 515.60   |
| Weekly Shortfall          | 7.39       | 41.88      | 8.92     | 3.39       | 38.58      | 5.62     |
|                           | Adequate   | Adequate   | Adequate | Marginal   | Adequate   | Adequate |

Table 19 Maximum Social Welfare Support Scenario, NMW Scenarios

|                           | TWO PARENT |            |          | ONE PARENT |            |          |
|---------------------------|------------|------------|----------|------------|------------|----------|
|                           | Baby       | Pre-School | Primary  | Baby       | Pre-School | Primary  |
| <b>EXPENDITURE</b>        |            |            |          |            |            |          |
| MESL Core                 | 437.41     | 403.09     | 436.05   | 292.25     | 257.06     | 290.02   |
| Housing                   | 60.59      | 60.62      | 60.62    | 65.37      | 65.37      | 65.37    |
| Childcare                 | 110.00     | 110.00     | 63.00    | 65.00      | 65.00      | 48.65    |
| Total MESL Expenditure    | 608.00     | 573.71     | 559.67   | 422.61     | 387.43     | 404.04   |
| <b>INCOME</b>             |            |            |          |            |            |          |
| Gross Salary 1            | 324.38     | 324.38     | 324.38   | 324.38     | 324.38     | 324.38   |
| Income Tax (Joint)        | 1.68       | 1.51       | 1.51     | ...        | ...        | ...      |
| USC 1                     | 6.73       | 6.73       | 6.73     | 6.73       | 6.73       | 6.73     |
| PRSI 1                    | ...        | ...        | ...      | ...        | ...        | ...      |
| Gross Salary 2            | 324.38     | 324.38     | 324.38   |            |            |          |
| USC 2                     | 6.73       | 6.73       | 6.73     |            |            |          |
| PRSI 2                    | ...        | ...        | ...      |            |            |          |
| Net Salary (Household)    | 633.60     | 633.77     | 633.77   | 317.64     | 317.64     | 317.64   |
| <b>SOCIAL WELFARE</b>     |            |            |          |            |            |          |
| Child Benefit             | 31.15      | 31.15      | 31.15    | 31.15      | 31.15      | 31.15    |
| Family Income Supplement  | ...        | ...        | ...      | 49.00      | 49.00      | 49.00    |
| BSCFA                     | ...        | ...        | ...      | ...        | ...        | ...      |
| One-Parent Family Payment |            |            |          | 107.80     | 107.80     | 107.80   |
| Fuel Allowance            |            |            |          | 10.00      | 10.00      | 10.00    |
| CCS Band                  | B          | B          | B        | A          | A          | A        |
| Total Social Welfare      | 31.15      | 31.15      | 31.15    | 197.95     | 197.95     | 197.95   |
| Medical Card              | GP Visit   | GP Visit   | GP Visit | Full       | Full       | Full     |
| Net Household Income      | 664.76     | 664.93     | 664.93   | 515.60     | 515.60     | 515.60   |
| Income Adequacy           | 56.75      | 91.22      | 105.26   | 92.98      | 128.17     | 111.56   |
|                           | Adequate   | Adequate   | Adequate | Adequate   | Adequate   | Adequate |

Table 20 One Parent Household, NMW, Primary School Age 6 versus Age 7

|                           | Primary<br>Age 6 | Primary<br>Age 7 |
|---------------------------|------------------|------------------|
| <b>EXPENDITURE</b>        |                  |                  |
| MESL Core                 | 290.02           | 290.02           |
| Housing                   | 219.95           | 219.95           |
| Childcare                 | 122.42           | 122.42           |
| Total MESL Expenditure    | 632.40           | 632.40           |
| <b>INCOME</b>             |                  |                  |
| Gross Salary 1            | 324.38           | 324.38           |
| Income Tax (Joint)        | ...              | ...              |
| USC 1                     | 6.73             | 6.73             |
| PRSI 1                    | ...              | ...              |
| Gross Salary 2            |                  |                  |
| USC 2                     |                  |                  |
| PRSI 2                    |                  |                  |
| Net Salary (Household)    | 317.64           | 317.64           |
| <b>SOCIAL WELFARE</b>     |                  |                  |
| Child Benefit             | 31.15            | 31.15            |
| Family Income Supplement  | 49.00            | 114.00           |
| BSCFA                     | ...              | 1.92             |
| One-Parent Family Payment | 107.80           | ...              |
| Fuel Allowance            | 10.00            | ...              |
| Total Social Welfare      | 197.95           | 147.08           |
| Medical Card              | Full             | Full             |
| Net Household Income      | 515.60           | 464.72           |
| Weekly Shortfall          | -116.81          | -167.68          |
|                           | Inadequate       | Inadequate       |

**Table 21 MIS by Childcare Scenario – One Parent, Primary School (Age 7)**

|                                  | FULL   | FIS DISREGARD | CAPPED | FREE   |
|----------------------------------|--------|---------------|--------|--------|
| <b>EXPENDITURE</b>               |        |               |        |        |
| MESL Core                        | 290.02 | 290.02        | 290.02 | 290.02 |
| Housing                          | 219.95 | 219.95        | 219.95 | 219.95 |
| Childcare                        | 122.42 | 122.42        | 37.50  | ...    |
| Total MESL Expenditure           | 632.40 | 632.40        | 547.48 | 509.98 |
| <b>INCOME</b>                    |        |               |        |        |
| Gross Salary                     | 691.88 | 635.63        | 549.38 | 470.63 |
| Income Tax                       | 43.13  | 31.88         | 14.63  | ...    |
| USC                              | 19.60  | 17.63         | 14.61  | 11.85  |
| PRSI                             | 27.68  | 25.43         | 21.98  | 18.83  |
| Net Salary                       | 601.48 | 560.70        | 498.17 | 439.95 |
| <b>SOCIAL WELFARE</b>            |        |               |        |        |
| Child Benefit                    | 31.15  | 31.15         | 31.15  | 31.15  |
| FIS                              | ...    | 41.00         | 20.00  | 49.00  |
| BSCFA                            | ...    | ...           | ...    | ...    |
| One-Parent Family Payment        | ...    | ...           | ...    | ...    |
| Fuel Allowance                   | ...    | ...           | ...    | ...    |
| Total Social Welfare             | 31.15  | 72.15         | 51.15  | 71.15  |
| Medical Card                     | Full   | Full          | Full   | Full   |
| <b>Total Household Income</b>    |        |               |        |        |
|                                  | 632.63 | 632.85        | 549.32 | 511.10 |
| <b>MIS Rate (gross per hour)</b> |        |               |        |        |
|                                  | 18.45  | 16.95         | 14.65  | 12.55  |

## APPENDIX 2      ASSUMPTIONS

### EXPENDITURE

|                  |  |
|------------------|--|
| Core expenditure | Minimum Essential Standard of Living expenditure needs data. VPSJ (2014)   |
| Housing          | 90% of average rent in Dublin, for 2 bed dwelling. PRTB (2015) data  |
| Childcare        | Derived from MESL expenditure needs dataset<br>Based on full-time care in formal childcare provider<br>Pre-School cost is net of ECCE scheme |

### INCOME

|                       |  |
|-----------------------|--|
| Employment Hours      | 37.5 paid hours in a full-time week<br>All adults in household composition employed full-time  |
| National Minimum Wage | €8.65 per hour   |
| Net Salary            | Calculated following MIS income model, applying 2015 PAYE Income Tax, PRSI and USC rates, as detailed in Box 1, page 13<br><br>Two Parent household type is jointly assessed for PAYE Income Tax |
| Social Welfare        | 2015 rates of payment and means test are applied, for appropriate social welfare supports, as detailed in Box 1, page 13   |
| Net Household Income  | Net Salary + Social Welfare supports   |
| Medical Card          | Means test applied following HSE (2015) guidelines   |