
LOW HOUR WORK & INCOME ADEQUACY

An MESL Working Paper

Robert Thornton, VPSJ

MARCH 2016

Y INCENTIAN
P PARTNERSHIP
FOR SOCIAL JUSTICE

WORKING FOR
SOCIAL &
ECONOMIC
CHANGE

TACKLING
POVERTY
& SOCIAL
EXCLUSION

LOW HOUR WORK & INCOME ADEQUACY

A Vincentian Partnership for Social Justice MESL Working Paper

ABSTRACT

This MESL Working Paper examines the other side of the low pay coin, low hour employment. There is a growing trend of low hour employment, variable hour, part-time, and flexible employment, which does not correspond to the assumptions of traditional employment scenarios. This is part of the growing phenomenon of 'precarious work'.

The paper demonstrates situations of low hour (up to 20 hours) minimum wage employment, and the effects both on direct salary income and entitlement to additional social welfare supports. The analysis focuses on the income consequences of low hours; how the structure of the social welfare system supports and number of hours and days worked impacts overall household income, and places this in the context of the cost of an MESL and household income adequacy.

The paper focuses on minimum wage employment, as those in minimum wage employment are more likely to be working less than full-time hours and classified as part-time, and twice as likely to be in low hour employment as employees generally.

Two household types are examined: a Single Adult of working age, and a One Parent & One Child household.

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 paper are not attributable to the Minister for Social Protection or the Department of Social Protection.

INTRODUCTION

This MESL Working Paper examines the other side of the low pay coin, low hour employment. To date the Minimum Essential Standard of Living (MESL) research has examined the adequacy (and inadequacy) of the National Minimum Wage and low rates of pay in the context of adequate full-time and/or part-time hours. However, the other side of inadequate rates of pay is inadequate hours.

There is a growing trend of low hour employment, variable hour, part-time, and flexible employment, which does not correspond to the assumptions of traditional employment scenarios. This is part of the growing phenomenon of 'precarious work'. The paper examines situations of low hour employment, and the effects both on direct salary income and entitlement to additional social welfare supports. This paper focuses on analysing the income consequences of low hours, and how the structure of the social welfare system supports and number of hours and days worked impacts overall household income, and places this in the context of the cost of an MESL and household income adequacy.

The paper focuses on minimum wage employment, as those in minimum wage employment are more likely to be working less than full-time hours and classified as part-time, and twice likely to be in low hour employment as employees generally. Furthermore, the proportion of minimum wage workers in poverty is twice that of all employees (Collins, 2015). Earning the National Minimum Wage is not a perfect indicator of in-work poverty, as it can be the case that those earning the minimum wage are part of a higher income household. However, the minimum wage is the statutory wage floor and those experiencing low pay and in-work poverty will be earning the minimum wage or above. Thus the paper examines how the social welfare system interacts with minimum wage employment as an indicator for how the system supports those in low pay generally.

The analysis focuses on the situation of two household types, a working age Single Adult and a One Parent household, as these are the two household compositions with the highest risks of poverty, deprivation rates and rates of consistent poverty.¹ Furthermore, these household types fall under the remit of distinctly different social welfare supports. As examined in more detail below, there is not a specific in work social welfare support for low paid workers without dependent children, however it is possible for an individual to be classified as unemployed and receive a Jobseeker's payment while working part-time. On the other hand, the One Parent household type must navigate a range of social welfare supports, where eligibility is determined by the age of the youngest child in the household, and the combination of supports which will provide the greatest level of social welfare income will be determined by hours of work available.

¹ One Parent households have the highest rates: 'At Risk of Poverty' – 32.0%, Deprivation – 58.7%, and Consistent Poverty – 22.1%. Single Adults under 65 have the second highest rates, 'At Risk of Poverty' – 25.7%, Deprivation – 32.1%, and Consistent Poverty – 14.1% (CSO, 2015: Table 2)

The paper includes the following sections:

›	Context: Part-Time and Low Hour Work	Page 2
›	Social Welfare System and Part-Time Work	Page 2
›	Minimum Essential Standard of Living Research	Page 7
›	The Cost of an MESL by Household Type	Page 8
›	Single Adult – Social Welfare & Work	Page 11
›	One Parent – Social Welfare & Work	Page 18
›	Conclusion	Page 29

CONTEXT: LOW HOUR & PART-TIME WORK

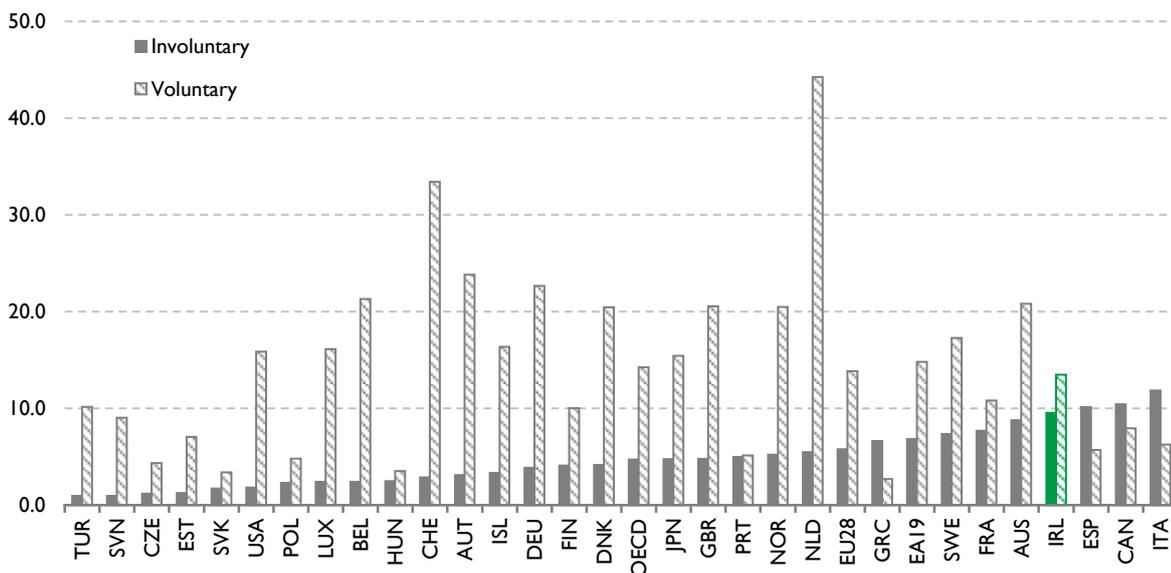
There has been a growing interest in minimum wages and the rate of the National Minimum Wage in recent years, reflecting concerns regarding issues of low pay and inadequate income. This interest can be seen in Ireland, in the establishment of the Low Pay Commission, the ongoing discussions regarding the appropriate level for the NMW, and the development of the Living Wage (in which the VPSJ's research has played a central role). This interest has not been exclusive to Ireland, and the OECD have observed a renewed interest in national minimum wages as a tool for ensuring fair pay, and the protection of workers, and their families, from poverty, internationally (OECD, 2015a).

The growing attention being paid to the rate of the minimum wage has been accompanied by concerns regarding the growth in part-time, low hour work and under-employment. The OECD has recently reported that over the course of the recession there has been a shift towards more part-time work, and that "most of the increase in part-time has been involuntary and reflects a shortage of opportunities for full-time employment" (OECD, 2015a: 20).

Since the start of the recession, Ireland has seen a notable increase in the level of part-time employment. The increase of 5.3 percentage points, from 17.4% to 23.0%, was the highest across EU and OECD countries (from 2007 to 2014). The OECD observed this trend internationally during the recession, and posited that much of this increase may be due to former full-time workers being compelled to accept part-time work as full-time work was unavailable. This would seem to be the case in Ireland as the level of involuntary part-time work, that is workers in part-time employment but who want a full-time employment, is 9.5% (of all workers) (OECD, 2015).

In 2014 Ireland had the fourth highest level of underemployment (as a per cent of total employment) in the EU, the rate was 1 ½ times the EU average rate of underemployment (Eurostat, 2015). The most recent figures for 2015 show that while the rate of underemployment in Ireland has declined, it continues to remain at the higher end in comparison to other EU countries (Eurostat, 2016).

Graph I Level of Voluntary & Involuntary Part-Time, as Per Cent of all Employees



(Source: OECD, 2015a)

LOW HOUR WORK

It is argued that “in-work poverty is often the result of low working hours, rather than low wage levels” (OECD, 2015b: 5), and so the focus needs to be not just on the rate of the NMW but also the net income minimum wage employment brings after tax and social transfers (OECD, 2015b). The minimum wage alone is a blunt tool for addressing poverty, particularly as a minimum wage does not guarantee adequate hours for safe guarding against poverty. Instead, it is argued:

“a careful combination of minimum wages and in-work benefits and tax credits can more effective in tackling poverty than either instrument on its own”
(OECD, 2015a: 22)

There is “no common or international definition of low hours work” (O’Sullivan et al, 2015: 14), the recent UL report on Zero Hour Contracts found a range of proposed thresholds from various representative bodies (both employers and employees) ranging from 8 to 22 hours per week, or a situation where hours are not adequate to provide a sustainable income. The report ultimately proposed part-time work as a proxy for low hour.

However, there is also not a clear definition of what constitutes part-time, other than the hours being less than full-time, and looking to the criteria of various social welfare supports does not provide a consistent answer. A minimum of 19 hours work is required for Family Income Supplement, by implication classifying work under 19 hours as too low to support. For those working and claiming a partial Jobseeker’s payment, a maximum of three days work is allowed, thereby classifying three days as the cut-off for part-time, but not setting a criteria in terms of hours. The Part-Time Jobs Incentive scheme classifies part-time as less than 24 hours per week.

The UL study found that younger people (15-24 age category) have the highest rate of constantly variable part-time hours and regularly work 1-8 and 9-18 hours (O'Sullivan et al, 2015: 28). Other recent research examining the profile of those in minimum wage employment (Collins, 2015) found that it is concentrated in those working less than full-time hours (35 hours per week), with those working up to 20 hours per week having double the chance of being in minimum wage employment compared to employees generally.

On this basis, the paper treats low hour employment as up to 20 hours per week, and focuses on examining the position of low hour minimum wage employment and its treatment by the social welfare system. The paper measures adequacy of income from low hour minimum wage employment against the benchmark of the cost of a Minimum Essential Standard of Living.

TAX & SOCIAL WELFARE SYSTEM AND LOW HOUR WORK

SOCIAL WELFARE SYSTEM AND PART-TIME / LOW HOUR WORK

While there is a range of in work social welfare supports in the Irish system, they do not provide a comprehensive and consistent approach to supporting those in low hour and/or low pay employment. Each scheme of support has differing criteria for eligibility and differing conditions regarding working and claiming support. The conditionality of the various schemes varies in type of household targeted (e.g. available only to households with children or one parent households), or being focused on the long-term unemployed, while others set a requirement for a maximum or minimum amount of time worked, specified in terms of either hours or days.

Jobseeker's Allowance

There are no generally available in work social welfare supports for adults without children who face inadequate income due to low hours and / or low rates of pay. However, it is possible for an unemployed person to claim a Jobseeker's payment and work for up to three days per week, and subject to a means test receive a partial Jobseeker's payment, on the condition that the individual is seeking full-time employment.

The Jobseeker's Allowance (JA) is a means tested unemployment payment. The structure of JA allows a recipient to work part-time while claiming the payment, with the income from any employment assessed as parts of the means test for determining the rate of payment. The JA classifies part-time work as working three or less days per week, but does not stipulate a number of hours (maximum or minimum). Consequently, working for one hour a day for three days is treated in the same way as working for 10 hours a day for three days.

The JA means test for assessing income from part-time employment applies an 'earnings disregard'. This sets aside a portion of the recipient's income when assessing the level of payment the recipient will be entitled to. In the JA the earnings disregard is based on the number of days which the recipient has had work. There is a disregard of €20 per day, to a maximum of €60 (three days

work). Consequently, the rate of JA payable for a given level of salary, is higher if its earned from working over more days, with the caveat that if more than three days are worked in a week the recipient will be ineligible for a JA payment.

Long-Term Jobseeker's Recipient

If in receipt of a Jobseeker's payment for 15 months, or more, the recipient is classified as long-term. In this case the recipient may also be eligible for secondary benefits, including the Fuel Allowance and the Christmas Bonus.

Part-Time Jobs Incentive Scheme

The Part-Time Jobs Incentive (PTJI) Scheme is available to long-term Jobseeker's recipients. As with the JA, this scheme allows the recipient to take up part-time employment and continue to receive a social welfare payment. Unlike the JA the PTJI rate of payment is not means tested, but instead is paid at a flat rate of €119 to a single person.

The PTJI defines part-time work as working less than 24 hours per week, and does not set any restriction on the number of days worked. As a result the PTJI facilitates recipients in taking up part-time employment which may be spread across more than three days. Furthermore, as there is no daily earnings disregard recipients will not be disadvantaged by working the same hours, but spread across less than three days.

Family Income Supplement

In work social welfare supports are mainly focused on households with children. The primary in work social welfare payment for households with children is the Family Income Supplement (FIS). FIS is a means tested payment, which requires a minimum average of 19 hours work per week, and it is not contingent on the individual being unemployed and/or seeking full-time employment. The rate of payment is determined by the number of children in the household, and level of income from employment. FIS is paid at a rate of 60% of the difference between the household's assessable income and income threshold for the household composition.

One-Parent Family Payment

For One Parent households, the One-Parent Family Payment (OFP) for households with a child under 7, allows recipients to work and qualify for a reduced rate of the OFP. Provided gross income is below the OFP cut-off threshold, the means test assesses gross salary (less PRSI), and applies an earnings disregard, to determine the level of payment.

There are no criteria regarding hours worked or days worked, however the OFP does specify a maximum gross salary, above which the household does not qualify for this support. The cut-off is currently €425 per week, equivalent to 46 ½ hours of minimum wage employment.

An OFP recipient can also qualify for the Family Income Supplement, with the income from OFP being assessed as part of the FIS means test.

Jobseeker's Allowance Transition

The Jobseeker Transition (JST) payment is available to One Parent households where the youngest child is between the ages of 7 and 14. It assesses income from work in a different manner than the OFP, as the JST is based on the JA treatment of income from work. The JST follows the daily earnings disregard approach, however while the earnings disregard is capped at three days, a recipient can work for more than three days and still qualify for a JST payment.

Both the JST and OFP payments are subject to various eligibility criteria, are means tested, and the rate of payment is determined by the level of income from employment and composition of the household in question. However, a crucial difference between the payments is eligibility for FIS, an OFP recipient can also qualify for FIS, however a JST recipient cannot.

The consequences of this difference are examined in more detail below.

TAX TREATMENT OF LOW PAY AND LOW HOURS

INCOME TAX

The tax credits system precludes employees earning the minimum wage from paying PAYE Income Tax when working less than full-time hours. The tax credit reduces the tax payable, allowing a specified amount of income to be exempted from Income Tax.

Single Adult

- › An unmarried individual without dependent children is liable to pay the standard rate of Income Tax (20%) on earnings up to €33,800, and the marginal rate (40%) on earnings above that level
- › A single PAYE worker without dependent children will qualify for two tax credits, which together amount to €3,300 per annum²
- › Due to the tax credits the first €16,500 gross earnings per annum³ are exempt from PAYE Income Tax
- › This equates to €317 per week, or 34.68 hours of NMW employment

One Parent

- › In addition to the above, a one parent household will qualify for an additional tax credit of €1,650, for total tax credits of €4,950
- › The one parent household can have taxable income of €24,750 per annum which is not subject to PAYE Income Tax.
- › This is the equivalent of €476 per week, or 52 hours of NMW employment.
- › However, the One-Parent Family Payment (OFP) is subject to PAYE. Therefore, a recipient of OFP can work a maximum of 43.5 hours of NMW employment, without being liable for PAYE Income Tax

² The value of the tax credit is expressed in terms of the Income Tax which would otherwise be payable

³ 20% (the standard rate of Income Tax) of €16,500 is €3,300, the combined value of the Single Person and PAYE Tax Credits

While tax credits effectively preclude low hour minimum wage employment from PAYE Income Tax, minimum wage workers in low hour employment are not in a position benefit from the full value of their tax credits, as the Irish system does not operate a refundable tax credit model.

PRSI

Low hour minimum wage employment is also exempted from paying PRSI. If an individual earns less €352 per week the earnings are exempt from PRSI. This equates to slightly over 38 hours of minimum wage employment.

USC

The Universal Social Charge exempts anyone with gross earnings below €13,000 per annum. This equates to €250 per week, which is equivalent to 27.32 hours of minimum wage employment. The USC exemption will not preclude all minimum wage employees with less than full-time hours, but it does exclude those on lower hours from being liable.

MINIMUM ESSENTIAL STANDARD OF LIVING

BACKGROUND

The VPSJ's minimum budget standards research 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 (MIS) needed in specific income scenarios for households to afford an MESL. Over the course of multiple research projects, the MESL expenditure needs have been established for 90% of households in Ireland, and follows the internationally recognised Consensual Budget Standards methodology.

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

Using the Consensual Budget Standards methodology, the research establishes a consensus on what members of the public regard as a minimum standard of living that no individual or household should be expected to live below. Over the course of multiple research projects and extensive work with focus groups, detailed baskets of the goods and services vital to a household type's minimum needs have been established. These baskets are comprised of over 2,000 goods & services and define the minimum needs for households to live at a socially acceptable level. The MESL specifies the average weekly cost of all the goods and services necessary to enable a socially acceptable minimum standard of living.

The MESL data uniquely provides an evidence based benchmark against which to assess the adequacy of minimum rates of pay, and shines a light on the extent to which individuals and

households can afford a standard of living which enables participation in the social and economic norms of Irish society.

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*⁴. Further research in 2012 expanded and reviewed the dataset, enabling the examination of minimum expenditure and income needs for a broader range of household types⁵. The Minimum Income Standard model was also established, this approach enables the calculation of the gross salary required by a given household composition to afford the cost of an MESL.

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.

The MESL expenditure needs data is updated annually; the analysis in this paper uses the VPSJ's 2015 MESL expenditure needs data (VPSJ, 2015a). The MIS model is also updated annually to take account of any relevant changes in the Irish tax and social welfare system; the income calculations presented in this paper use the 2016 rates of Income Tax, PRSI, USC and social welfare, and applies the increased NMW rate of €9.15 per hour.

EXPENDITURE NEED: THE COST OF AN MESL

The cost of a Minimum Essential Standard of Living (MESL) 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 an MESL, before housing and childcare costs, is detailed for each of the household compositions examined in this paper in Table 1. The core MESL costs include minimum health costs, such as GP Visits, prescriptions, and a basic health insurance policy. When examining particular income scenarios if the individual / household is found to be eligible for a Medical Card or GP Visit Card, the MESL expenditure need is adjusted to reflect this.

⁴ See Mac Mahon et al. (2006) and Mac Mahon, et al. (2010)

⁵ See Collins, M., Mac Mahon, B., Weld, G., Thornton, R., 2012 and Mac Mahon, B., Weld, G., Thornton, R., 2012

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

2015	SINGLE ADULT	ONE PARENT & ONE CHILD (by age-group)			
		Baby	Pre-School	Primary School	Secondary School
Food	55.51	64.40	57.70	70.37	82.20
Clothing	10.06	22.65	11.93	13.54	18.82
Personal Care	13.40	17.32	8.33	9.59	15.08
Health	6.18	10.54	6.41	9.53	10.13
Household Goods	5.76	23.34	16.18	16.49	17.11
Household Services	4.02	7.58	7.58	7.58	7.58
Communications	9.33	9.30	9.30	9.30	13.91
Social Inclusion	38.24	33.14	35.42	45.38	56.31
Education	5.19	1.71	1.71	8.46	17.61
Transport	32.50	27.50	30.13	30.13	30.13
Household Energy	29.02	46.49	44.97	44.97	44.97
Personal Costs	7.60	6.25	6.25	6.25	6.25
Insurance	15.74	19.16	19.16	19.16	18.92
Savings & Contingencies	11.53	21.61	21.61	21.61	21.61
Core Expenditure	244.08	310.98	276.68	312.35	360.63
Medical Card Adjustment					
Full Medical Card	-18.89	-22.55	-22.36	-25.53	-25.57
GP Visit Card	-2.11	-2.11	-1.06	-4.23	-4.23

SINGLE ADULT

The core cost of an MESL for an urban working age Single Adult is €244 per week. This is the average weekly cost, excluding housing, of all the goods and services deemed essential for an acceptable minimum standard of living. In the case of the Single Adult household type, eligibility for a full Medical Card reduces the core weekly MESL cost by almost €19, from €244 to €225 per week.

ONE PARENT & ONE CHILD

The core cost of an MESL for an urban one parent household with one child ranges from €275 to €360 per week, depending on the age of the child. This is the average weekly cost, excluding housing and childcare, of the all goods and services which are required for the household's minimum essential standard of living.

As with the Single Adult household type, the core MESL costs include minimum health costs, such as GP Visits, prescriptions, and a basic health insurance policy. A Medical Card reduces the core

MESL cost for the parent in a One Parent household by €19 per week. For compositions where the child is over 6, the Medical Card reduces the total core MESL cost by €25 per week, in comparison to being ineligible for a Medical Card. Where the child in the household is under 6, a Medical Card reduces the total core MESL cost by approximately €22 per week, as even when not eligible for a full Medical Card the child will qualify for the under 6's free GP Care.

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 scenario⁶.

SINGLE ADULT

Private Rented

For the Single Adult household type housing costs are based on private rented housing. 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 examined⁷. The PRTB average monthly rent index provides the data on the housing cost. At the time of writing the most recent data available was from 2015 Q3. The housing cost used is based on the average monthly rent for a one bed dwelling in Dublin, which was €941.68, 90% of which is €847.51. (PRTB, 2016)

Rent Supplement

The Single Adult household type is also examined when living in rental accommodation and in receipt of Rent Supplement (RS). Assuming other conditions are satisfied, it is possible to be eligible for RS if working less than 30 hours a week. In these scenarios it is assumed that housing costs are at the RS limit for the Dublin area for a single person, €520 per month. The level of RS payable is calculated on the basis of household income in each employment scenario examined⁸.

The Rent Supplement scenarios are included in acknowledgement of the fact that this support exists and is available to households in the situation of low hour employment, and supplementing social welfare income with part-time employment. However, there are ongoing issues regarding the chronic lack of availability of rental accommodation within the Rent Supplement limits⁹, the reported practice of top-up payments¹⁰, and questions regarding the quality of dwellings available to RS tenants¹¹. Combined these issues mean the results of the RS scenarios must be treated with caution. Scenarios which show income adequacy, may not in reality mean an individual could

⁶ For an analysis of how housing tenure impacts of the cost of MESL see VPSJ (2014b)

⁷ This follows the model established in the calculation of the Living Wage.

⁸ The calculation is carried out in accordance with the information published by the Department of Social Protection

⁹ The Simon Community have carried out a three availability surveys during 2015, and have found an ever dwindling number of units available within the RS limits nationally. In the most recent January 2016 survey only one property was found across the country with the RS limits for a single adult (Simon, 2016).

¹⁰ Threshold have reported that around half of Rent Supplement recipients pay additional 'top up' payments to landlords, in addition to the tenant contribution required under the RS scheme (Threshold, 2014).

¹¹ The gap between RS limits and average rents results in issues regarding the quality of those few properties available within the RS limits. Focus Ireland (2012) have reported on this issue, highlighting situations of damp, mould and infestation in the rental properties available within RS limits which often still require top-up payments.

maintain an MESL, as the apparent income adequacy may be achieved through living in a sub-standard dwelling, or through hidden expenditure in the form of payment of unofficial top ups to a landlord.

ONE PARENT

The One Parent household compositions housing costs are based on paying a differential rent. The differential rent is calculated on the basis of the household's income, following the Dublin City Council rent scheme, as such the housing cost varies in each employment scenario examined.

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 childcare costs included are based on the cost of formal childcare 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 Primary School childcare costs are the weekly average of the cost of childcare which includes full day care during school holidays and after school care in term time.¹²

In the scenarios examined, it is assumed that working hours up to 20 hours per week will require part-time childcare, while working over 20 hours may require full-time childcare.

Table 2 Cost of Formal Childcare, by Age-Group

	Infant	Pre-School	Primary
Part-Time, per week	€ 134.23	€ 75.82	€ 75.00
Full-Time, per week	€ 214.98	€ 184.13	€ 125.00

WORK AND SOCIAL WELFARE

SINGLE ADULT HOUSEHOLD TYPE

The core cost of an MESL for an urban working age single adult is €244 per week. This is the average weekly cost, excluding housing, of all the goods and services deemed essential for an acceptable minimum standard of living. A breakdown of the MESL expenditure need across 14 categories of expenditures, is provided in Table 1.

¹² For further detail on the basis of the childcare costs and discussion on the impact of these costs on the minimum income needs of households with children see the VPSJ (2015e) working paper *Minimum Income Standard and The Cost of Childcare*.

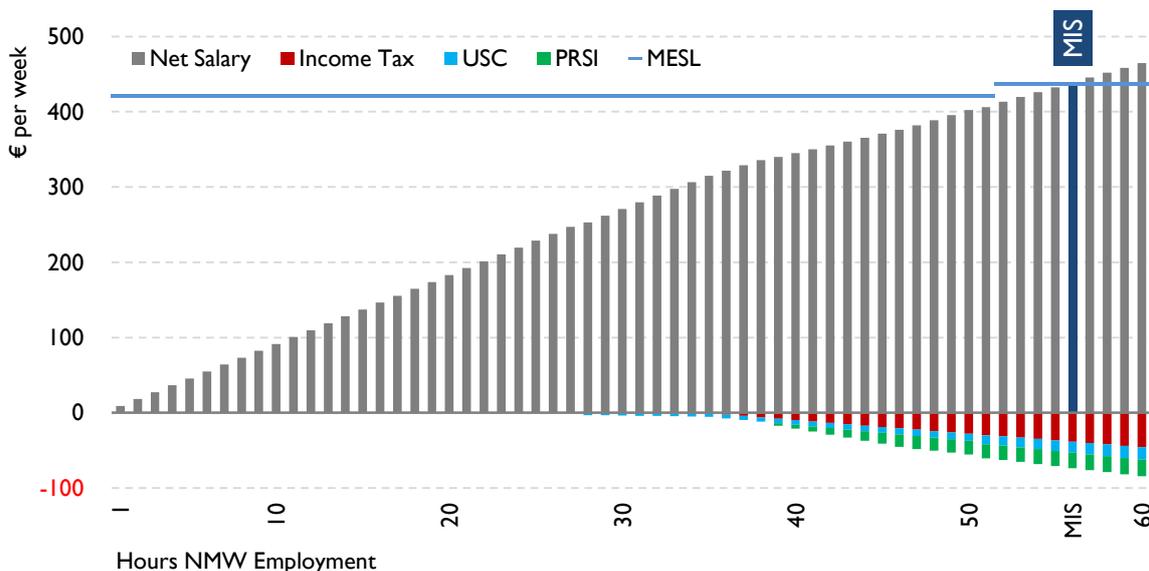
The full cost of a Minimum Essential Standard of Living for a single adult, working and living in Dublin is €421 per week. This cost includes all the items required for a socially acceptable minimum standard, reflects entitlement to a full Medical Card, and housing costs are based on paying 90% of the average rent for a one bedroom dwelling in Dublin.

Full-time National Minimum Wage (NMW) employment in 2016, of 37.5 hours, will provide a net income of €332 per week. This will meet 79% of the MESL expenditure need, leaving a weekly shortfall of €88.

Graph 2 illustrates the Single Adult household type’s weekly salary, by hours of NMW employment. It is clear that lower hour minimum wage employment will give a net income which meets even less of the MESL expenditure need. For example, the income from 20 hours employment would meet less than half of this household type’s minimum expenditure need.

Taxation also begins to reduce the net income from NMW employment at less than full-time hours. When earning the NMW, the Universal Social Charge (USC) will be payable with 28 hours of employment, PAYE income tax at 35 hours and PRSI at 39 hours. Consequently, while the gross salary from 46 hours of NMW employment is above the MESL expenditure need, taxation results in net salary being €45 below the MESL need.

Graph 2 Salary per week, by hours of NMW employment



The Minimum Income Standard (MIS) is the gross salary required to afford the minimum expenditure need of a given household scenario. In this case of the Single Adult household type, the MIS gross salary is slightly over €510 per week (when renting at 90% of the Dublin average).

Graph 2 illustrates the MIS in terms of hours of NMW employment. For a single adult minimum wage employee to afford an MESL, while living in Dublin, they would need to have at least 56 hours of paid work per week, on average. This is 1 ½ times the hours of a standard working week, and work of this level would leave an individual only marginally able to afford a socially acceptable minimum standard of living, with a weekly excess of €1.41 above the minimum needed. To earn an

adequate income while working a standard full-time week of 37.5 paid hours, an hourly rate of €13.65 would be required.¹³

The extremely high hours required to afford an MESL demonstrate the inadequacy of the current NMW rate, even for those in full-time employment. The VPSJ's MESL research has repeatedly demonstrated the inadequacy of minimum rates of pay for both single adult and various family household compositions, in scenarios of scenarios of full-time and part-time employment.

The development of the national Living Wage by VPSJ researchers, in conjunction with the Living Wage Technical Group, is a response to the inadequacy of the NMW rate. However, the Living Wage rate (€11.50 per hour in 2015) is predicated on the availability of adequate hours. The scenarios below examine the situation for a Single Adult household type in low hour employment, examining the adequacy of the NMW rate, tax and social welfare, for this type of employment situation.

IN WORK AND SOCIAL WELFARE

While there is not a FIS equivalent explicit social welfare support for people in low paid employment that do not have dependent children, it is possible for a person to be treated as unemployed while working part-time, and hence qualify for a partial Jobseeker's payment.

The Jobseeker's Allowance (JA) is a means tested payment, as discussed, it allows for a recipient to work for up to three days a week and receive a payment. As the JA is means tested, the level of payment an individual will receive is effected by their income from work. The JA means test focuses on the number of days worked, and does not pay regard to the number of hours. For each day worked an earnings disregard of €20 is applied, with 60% of remaining income being assessed.

The effect of the structure of the means test results in the same level of income from work leading to different levels of JA payment depending on the number of days worked, as for each day worked the amount of earnings 'disregarded' increases. However, if more than three days are worked, no JA payment is made, regardless of hours.

To illustrate this point, if an individual had 10 hours of NMW employment per week, the person would earn a salary of €91.50 per week. If these hours were worked across three days, the individual would qualify for a JA payment of €169.10. However if the hours were worked in one day the JA payment would be €145.10. Consequently, working the same number of hours / earning the same salary, but over a different number of days results in a €24.00 difference in the level of social welfare support paid. Furthermore, an individual with the same earnings as the result of working on more than three days would not be eligible for any JA payment.

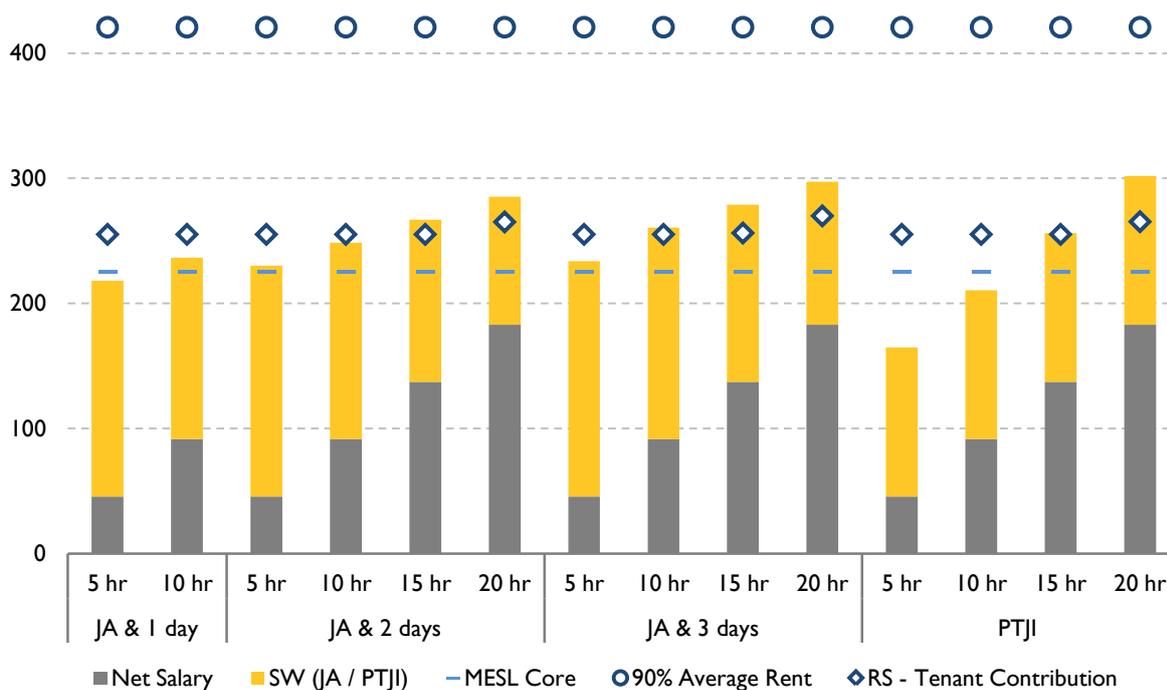
Graph 3 illustrates the income adequacy position of working from 5 to 20 hours over 1 to 3 days. The Net Salary and social welfare payment are listed for each scenario, and compared against the

¹³ This is the MIS hourly salary for a Single Adult in Dublin, in the scenario described. The Living Wage figure of €11.50 per hour is the weighted average hourly gross salary required for a Single Adult working full-time (39 hours) across Ireland in 2015.

MESL expenditure need when living in private rented accommodation. The MESL expenditure and income data is summarised for each scenario illustrated in Table 3.

The MESL cost based on paying 90% of the Dublin average rent is examined, and also the MESL cost when in receipt of Rent Supplement¹⁴. The total MESL cost is based on eligibility for a full Medical Card, in all cases illustrated.

Graph 3 Household Income Adequacy, by NMW Hours & Days worked



JOBSEEKER'S ALLOWANCE

5 hours per week

The combination of 5 hours of NMW employment and a JA payment does not provide an adequate income either when in receipt of Rent Supplement, or paying 90% of the average Dublin rent.

Five hours of NMW employment results in a net salary of €45.75. If the 5 hours are worked over the course of three days, the salary is less than the cumulative earnings disregard of €60 and so a full JA payment of €188 would be payable. If the hours are worked over one or two days, then a reduced JA payment would apply.

¹⁴ Rent Supplement (RS) is paid directly to the individual. For clarity of comparison and analysis the RS is not included in the household income, but instead the net housing cost after RS (the Tenant Contribution) is included in the MESL expenditure need.

Table 3 Household Income and MESL Expenditure Need, by NMW Hours & Days worked
90% of Dublin Average Rent & Rent Supplement Scenarios

Single Adult	JA & 1 day		JA & 2 days				JA & 3 days				PTJI				
	Hours worked (NMW)	5 hr	10 hr	5 hr	10 hr	15 hr	20 hr	5 hr	10 hr	15 hr	20 hr	5 hr	10 hr	15 hr	20 hr
Net Salary		45.75	91.50	45.75	91.50	137.25	183.00	45.75	91.50	137.25	183.00	45.75	91.50	137.25	183.00
SW (JA / PTJI)		172.55	145.10	184.55	157.10	129.65	102.20	188.00	169.10	141.65	114.20	119.00	119.00	119.00	119.00
Total Household Income		218.30	236.60	230.30	248.60	266.90	285.20	233.75	260.60	278.90	297.20	164.75	210.50	256.25	302.00
MESL Expenditure															
MESL Core		225.19	225.19	225.19	225.19	225.19	225.19	225.19	225.19	225.19	225.19	225.19	225.19	225.19	225.19
Housing Cost															
90% Average Rent		195.58	195.58	195.58	195.58	195.58	195.58	195.58	195.58	195.58	195.58	195.58	195.58	195.58	195.58
RS - Tenant Contribution		30.00	30.00	30.00	30.00	30.00	39.90	30.00	30.00	31.05	44.78	30.00	30.00	30.00	40.13
TOTAL MESL (MESL Core + Housing)															
90% Average Rent		420.77	420.77	420.77	420.77	420.77	420.77	420.77	420.77	420.77	420.77	420.77	420.77	420.77	420.77
Rent Supplement		255.19	255.19	255.19	255.19	255.19	265.09	255.19	255.19	256.24	269.96	255.19	255.19	255.19	265.31
Income Adequacy, by Housing Scenario															
90% Average Rent		-202.47	-184.17	-190.47	-172.17	-153.87	-135.57	-187.02	-160.17	-141.87	-123.57	-256.02	-210.27	-164.52	-118.77
Rent Supplement		-36.89	-18.59	-24.89	-6.59	11.71	20.11	-21.44	5.41	22.66	27.24	-90.44	-44.69	1.06	36.69

10 hours per week

Having 10 hours of NMW employment, structured across three days, may allow for a Minimum Essential Standard of Living if housing costs are based on living in Rent Supplement accommodation. However, this apparent income adequacy is subject to the caveats regarding availability of suitable accommodation, and the prevalence of top-up payments, as outlined earlier.

The structure of the working week has a notable impact on total household income. When the 10 hours of NMW employment are spread over three days, the JA payment is €24.00 higher than when the hours are worked in one day. This amounts to a 10% difference in total household income.

15 hours per week

Working 15 hours over two or three days, could provide the basis of an adequate income in Rent Supplement scenarios, when combined with the JA payment. Working the hours over three days, increases household income by 4.5% compared to working on only two days, due to the increase in JA payment.

20 hours per week

20 hours NMW employment over the course of three days provides the highest total household income, with a net salary of €183.00 and JA payment of €114.20. The total household income of almost €300, still remains nearly €125 short of the weekly cost of an MESL when paying 90% of the average Dublin rent.

However, even in this case the total income of almost €297.20 per week falls almost €125 short of the weekly cost of an MESL when living in private rented housing, and not in receipt of Rent Supplement.

Long Term Jobseeker's Recipients

When in receipt of a Jobseeker's payment for over 15 months, the recipient may then become eligible for certain additional supports which are not included in the analysis carried out in this paper.

Long-term Jobseeker's recipients may qualify for secondary payments, including the Fuel Allowance and the Christmas Bonus. The Fuel Allowance is €22.50 per week, paid for weekly for 26 weeks of the year (an average of €11.25 per week over the year). The Christmas Bonus is an additional payment to long-term social welfare recipients paid once a year, it is currently 75% of a standard weekly payment and is paid at the start of December. For a Single Adult long-term JA recipient working 20 hours per week, over 3 days, the standard JA payment is €114.20, the Christmas Bonus would provide an additional €85.65 (an average of €1.65 per week over the year).

Combined these additional payments equate to a further €12.90 to the average weekly income of a long-term JA recipient. The cases illustrated here, do not include this €12.90 as it is not available to all JA recipients.

PART-TIME JOBS INCENTIVE

The position of household income adequacy for a Single Adult taking up the Part-Time Jobs Incentive (PTJI) is also examined. As explained above this scheme is available to those who have been in receipt of a Jobseeker's payment for at least 15 months. The scheme allows the recipient take up part-time employment, and work less than 24 hours per week over any number of days. The PTJI is a flat payment of €119 per week for a single person¹⁵.

In the cases illustrated, the PTJI provides a higher net weekly income at 20 hours of NMW employment per week. The net income from PTJI at 20 hours NMW is €302 per week, almost €5 higher than working the same hours over three days while claiming JA, and €17 higher than working the hours over two days while claiming JA.

However, as the PTJI will continue to provide a social welfare support when the hours are worked over four or more days, the true value of the payment lies in the schemes focus on the number of hours worked rather than days with work.

As the PTJI is only available to long term Jobseeker's recipients, in purely financial terms the net income from participating in the PTJI would need to be at least €12.90 per week greater than the net income from working and receiving a partial JA payment. However, other considerations regarding the flexibility of the PTJI scheme which enables the spread of the working hours over more than three days may make the PTJI a more viable option than JA which imposes a limit of three days employment.

CONCLUSION

The Jobseeker's Allowance, by focusing on days with work rather than income earned and/or hours worked advantages those able to arrange and predict the distribution of their hours of work over the week.

Where an individual can arrange working hours across three days the daily earnings disregard is maximised, thereby giving the greatest level of JA payment for the same earnings level, as compared to spreading the hours over one or two days. Furthermore, if a work schedule arranged hours over more than three days, the recipient would not be eligible for a JA payment despite not having earned any additional salary. Consequently, those in a position of precarious work, with irregular working patterns, face income uncertainty both from the employer and from the social welfare support from the state.

The Jobseeker's Allowance Transition (JST) is a social welfare support for One Parent households moving from the One-Parent Family Payment. It is examined in more detail in the following section, however one aspect of its structure is relevant at this point. The JST treats income from work in a similar manner as the JA, but crucially it does not limit part-time employment to three days per week. The JST applies a daily earnings disregard per day with work, and is capped at a maximum of

¹⁵ While not relevant to the Single Adult scenarios examined here, the PTJI does not pay a Qualified Child Increase. But unlike with JA, a recipient of the PTJI can also qualify for the Family Income Supplement if working at least 19 hours per week.

three days, and assess a percentage of the remaining income to determine the level of social welfare payment applicable.

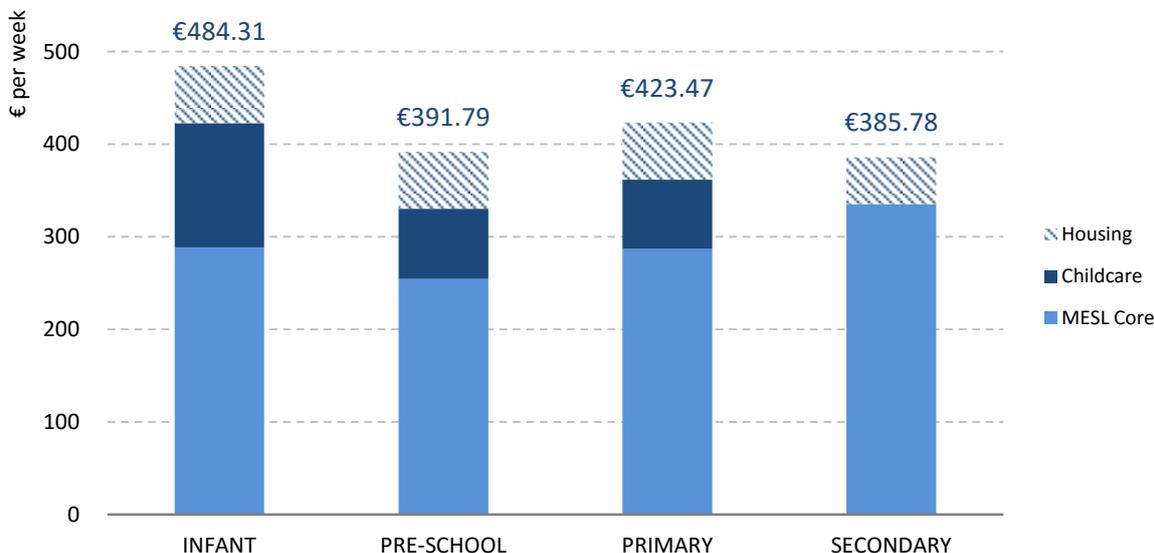
If the approach of the JST was applied generally it would mean a Single Adult in low hours employment could spread the hours over four or more days, if required by the employer, and receive the same level of JA support as when the hours are worked over the course of three days. This approach still effectively penalises the recipient for earning the same salary over the course of less days, as in both cases the daily disregard is accumulated on the basis of the number of days worked.

ONE PARENT, ONE CHILD HOUSEHOLD TYPE

MINIMUM ESSENTIAL STANDARD OF LIVING

The core cost of an MESL for an urban one parent household with one child ranges from €275 to €360 per week, depending on the age of the child. This is the average weekly cost, excluding housing and childcare, of all the goods and services deemed essential for an acceptable minimum standard of living. A breakdown of the MESL expenditure need across all categories of expenditure is provided in Table 1.

Graph 4 One Parent & One Child MESL, by Child Age-Group
€ expenditure need per week



The variation in the overall cost of an MESL for a One Parent, One Child household is illustrated in the graph below, for each of the four child age-groups. For the One Parent household types in the housing cost is based on paying a differential rent, e.g. living in social housing¹⁶. The full cost of MESL illustrated includes part-time childcare, and the cost of social housing, and reflects entitlement to a full Medical Card.

¹⁶ The rent is calculated on the basis of the Dublin City Council rent scheme. The rents illustrated in **Error! Reference source not found.** are based on a household income from part-time (19 hours) NMW employment and applicable social welfare supports, e.g. One-Parent Family Payment, Family Income Supplement, etc.

WORK AND SOCIAL WELFARE

When examining the minimum income needs of One Parent household types a part-time NMW employment scenario is part of the standard MESL income adequacy analysis. This scenario is based on working 19 hours per week, as this is the minimum hours required (on average) to be eligible for the Family Income Supplement. The Family Income Supplement (FIS) is vital to ensuring part-time minimum wage employment provides an adequate income to the majority of one parent household scenarios examined.

The primary supports available to One Parent households vary with the age of the child, the following are examined:

Under 7	One-Parent Family Payment	AND	Family Income Supplement
Aged between 7 and 14	Jobseeker's Allowance Transition	OR	Family Income Supplement
Aged 14+	Jobseeker's Allowance	OR	Family Income Supplement

Family Income Supplement

The Family Income Supplement (FIS) is a means tested social welfare payment targeted at individuals with dependent children, who are employed, working a minimum of 19 hours per week and have earnings below a specified threshold (determined by the size of the household). The means test for the payment calculates the difference between a household's *assessable income* and the income limit specified for the household size (determined by number of children). A household's assessable income, is the average weekly net salary (salary after Income Tax, PRSI and Universal Social Charge), and certain social welfare payments including the One-Parent Family Payment, but not Child Benefit.

Table 4 Family Income Supplement, Assessable Income Limits

Number of Children	Income Limit
1 Child	€506
2 Children	€602
3 Children	€703
4 Children	€824

One-Parent Family Payment and Jobseeker's Allowance Transition

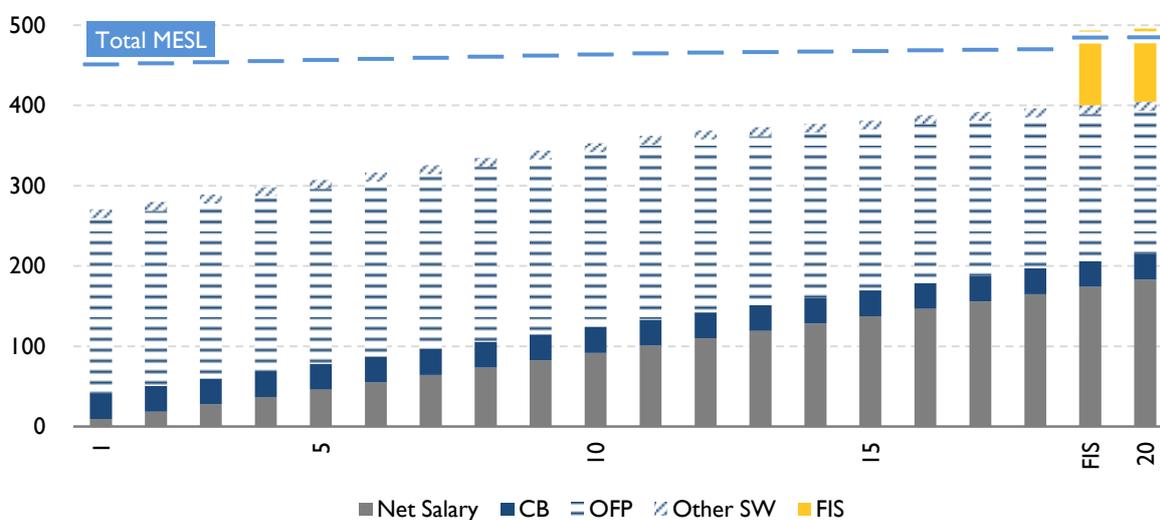
As discussed above, eligibility for the One-Parent Family Payment is contingent on the youngest child in the household being under 7. Where the child is over this age limit, but under 14, the household can qualify for the Jobseeker's Allowance Transition (JST). As with the OFP, the JST does not impose a limit on the number of days work allowed. However, as discussed earlier, the JST assesses income from work in a similar manner to the standard JA payment, applying a daily disregard. Consequently, to maximise the rate of payment received the recipient must endeavour to spread the hours worked across three or more days.

The crucial difference between the OFP and the JST is not the treatment of income from work in the means test, it is eligibility for the Family Income Supplement. It is possible to qualify for both OFP and FIS, this is not the case with JST, the recipient must choose which support will provide the best payment for their circumstance. In the case of having 19+ hours minimum wage employment, the value of the Family Income Supplement is consistently greater than the potential payment under JST, in the scenarios examined.

CHILD UNDER 7

The One Parent household with one child is examined separately for the child in each of three age groups: infant, pre-school and primary school age.

Graph 5 One Parent & One Child – Infant
Household Income Adequacy, by NMW Hours

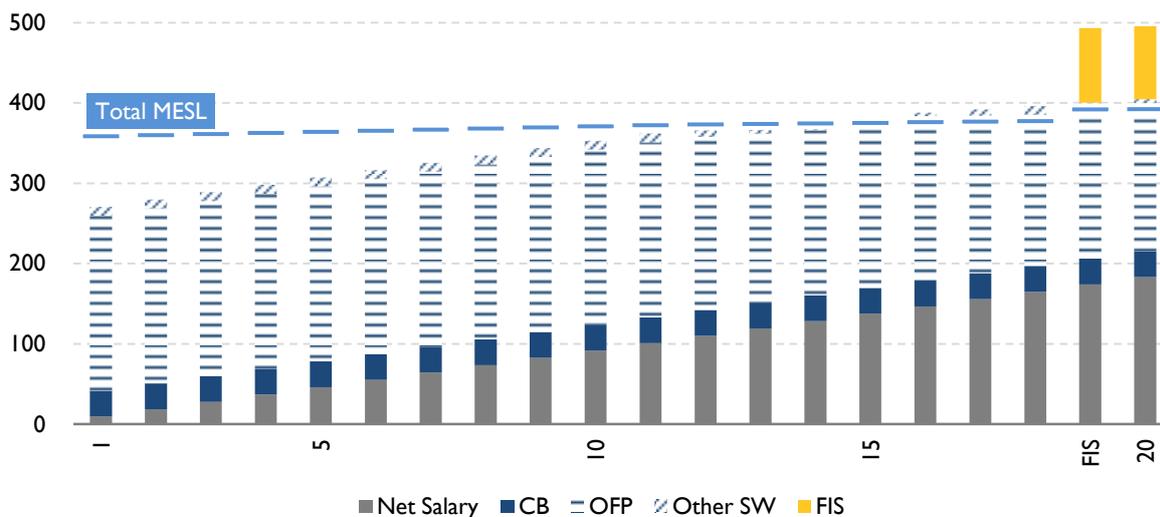


When the child is an infant the cost of an MESL, including part-time childcare, is €484 per week (when working 19 hours per week¹⁷). When working 19 hours per week the household will receive FIS, bringing combined social welfare support to an average of €319 per week. The social welfare income includes Child Benefit, the One-Parent Family Payment (OFP), Family Income Supplement (FIS), and also the Fuel Allowance. The salary from 19 hours NMW employment brings total household income to €493 per week, and enables the household to afford an MESL.

Having adequate hours for FIS is vital for this household to have an adequate income. Working 18 hours, and not qualifying for FIS means social welfare support is €231 per week (€88 less than the situation with 19 hours employment). Consequently, a household of this type with less than 19 hours NMW employment faces an income shortfall of at least €74 per week.

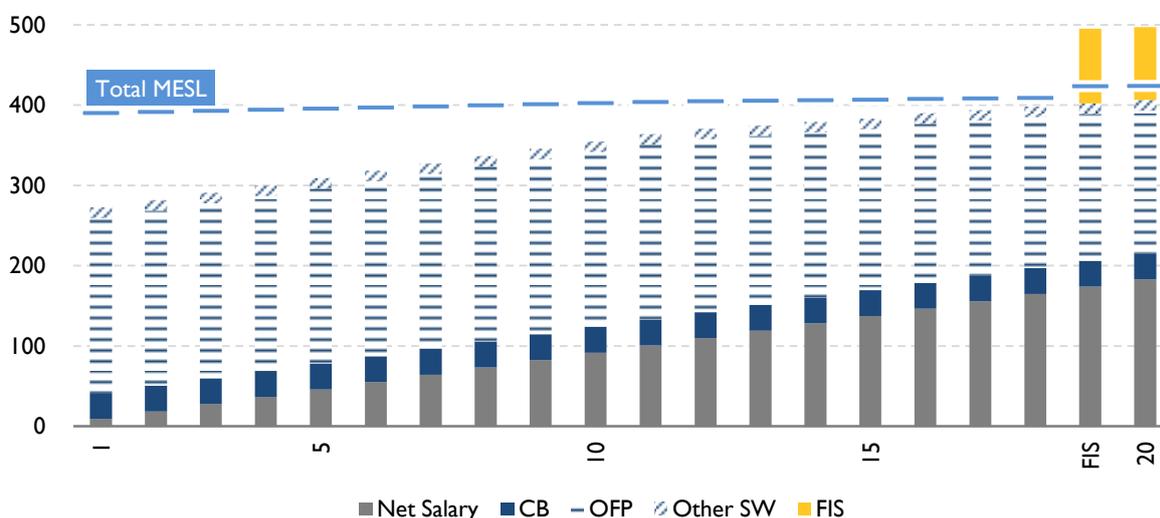
¹⁷ As the housing costs are based on a differential rent, the cost of housing increases slightly with each additional hour of employment undertaken

Graph 6 One Parent & One Child – Pre-School Age
Household Income Adequacy, by NMW Hours



A household with a pre-school age child would have an adequate income when employed for 14+ hours. This modest discretionary income above the cost of an MESL is due to the ECCE scheme reducing the household’s childcare costs by an average of €45 per week over the course of the year. If the ECCE was not available, being ineligible for FIS would mean this household composition would also face an income shortfall of over €25 per week, when employed for 18 hours.

Graph 7 One Parent & One Child – Primary School Age (Under 7)
Household Income Adequacy, by NMW Hours



Having adequate hours to qualify for FIS is vital for this household to afford an MESL. When employed for 19 hours the combination of social welfare supports, including FIS, provides an adequate income. When the primary school age child is under 7 the household remains eligible for the One-Parent Family Payment, the combination of OFP, FIS, Child Benefit, Fuel Allowance and the Back to School Allowance provide an average weekly social welfare income of €321. This combined with 19 hours of NMW employment provides an overall income of €495 per week.

Where there are inadequate hours to qualify for FIS this household composition cannot afford an MESL when earning the NMW. The combination of NMW employment, OFP, and other social welfare supports, is not enough to meet the cost of an MESL including childcare for after-school and school holidays, while the parent is employed. Consequently, working 18 hours or less leads to an income shortfall of at least €10 per week.

Table 5 One Parent & Infant, Household Income and MESL Expenditure Need

Hours worked (NMW)	5 hr	10 hr	15 hr	18 hr	19 hr	20 hr
Net Salary	45.75	91.50	137.25	164.70	173.85	183.00
OFP	217.80	217.80	200.30	187.80	182.80	177.80
FIS	...	...	...	...	93.00	91.00
CB	32.31	32.31	32.31	32.31	32.31	32.31
Other SW	11.25	11.25	11.25	11.25	11.25	11.25
Total Income	307.11	352.86	381.11	396.06	493.21	495.36
MESL Expenditure						
MESL Core	288.43	288.43	288.43	288.43	288.43	288.43
Childcare	134.23	134.23	134.23	134.23	134.23	134.23
Housing	33.73	40.60	44.83	47.08	61.65	61.97
Total MESL	456.39	463.25	467.49	469.73	484.31	484.63
Income Adequacy						
Income - Total MESL	-149.28	-110.40	-86.38	-73.68	8.90	10.73
	Shortfall	Shortfall	Shortfall	Shortfall	Adequate	Adequate

Table 6 One Parent & Pre-School, Household Income and MESL Expenditure Need

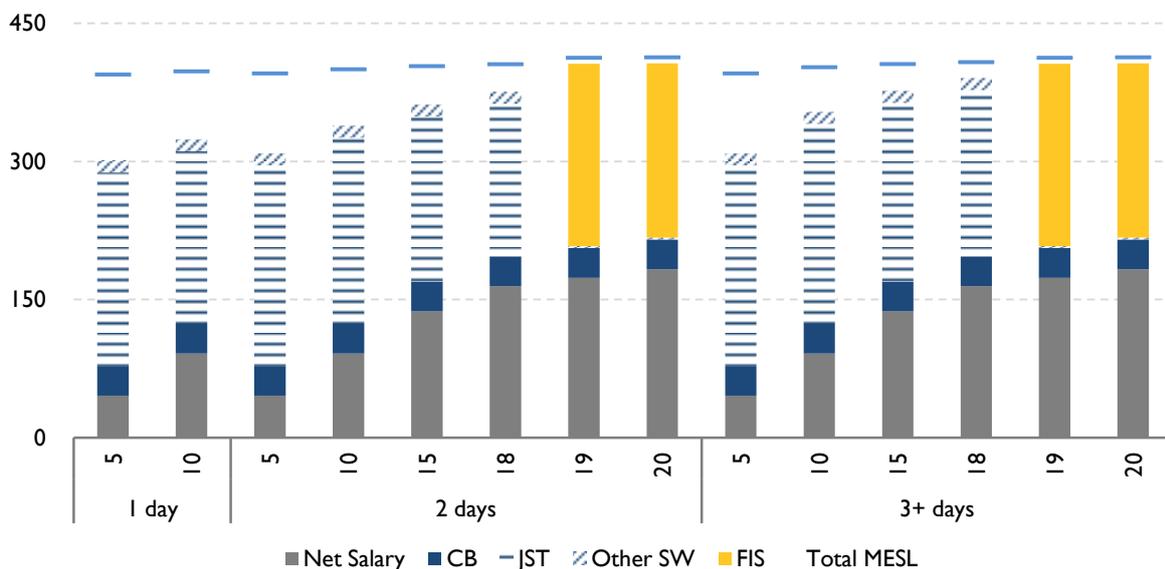
Hours worked (NMW)	5 hr	10 hr	15 hr	18 hr	19 hr	20 hr
Net Salary	45.75	91.50	137.25	164.70	173.85	183.00
OFP	217.80	217.80	200.30	187.80	182.80	177.80
FIS	...	...	...	...	93.00	91.00
CB	32.31	32.31	32.31	32.31	32.31	32.31
Other SW	11.25	11.25	11.25	11.25	11.25	11.25
Total Income	307.11	352.86	381.11	396.06	493.21	495.36
MESL Expenditure						
MESL Core	254.32	254.32	254.32	254.32	254.32	254.32
Childcare	75.82	75.82	75.82	75.82	75.82	75.82
Housing	33.73	40.60	44.83	47.08	61.65	61.97
Total MESL	363.88	370.74	374.98	377.22	391.79	392.11
Income Adequacy						
Income - Total MESL	-56.77	-17.88	6.13	18.84	101.42	103.24
	Shortfall	Shortfall	Adequate	Adequate	Adequate	Adequate

Table 7 One Parent & Primary School (under 7),
Household Income and MESL Expenditure Need

Hours worked (NMW)	5 hr	10 hr	15 hr	18 hr	19 hr	20 hr
Net Salary	45.75	91.50	137.25	164.70	173.85	183.00
OPF	217.80	217.80	200.30	187.80	182.80	177.80
FIS	...	...	...	...	93.00	91.00
CB	32.31	32.31	32.31	32.31	32.31	32.31
Other SW	13.17	13.17	13.17	13.17	13.17	13.17
Total Income	309.03	354.78	383.03	397.98	495.13	497.28
MESL Expenditure						
MESL Core	286.82	286.82	286.82	286.82	286.82	286.82
Childcare	75.00	75.00	75.00	75.00	75.00	75.00
Housing	33.73	40.60	44.83	47.08	61.65	61.97
Total MESL	395.55	402.41	406.65	408.89	423.47	423.79
Income Adequacy						
Income - Total MESL	-86.52	-47.63	-23.62	-10.91	71.66	73.49
	Shortfall	Shortfall	Shortfall	Shortfall	Adequate	Adequate

CHILD AGED 7 TO 14

Graph 8 One Parent & One Child – Primary School Age (Over 7)
Household Income Adequacy, by NMW Hours



These scenarios examine a One Parent household with a Primary School aged child, over the age of 7. Due to the child's age the household is not eligible for the One-Parent Family Payment, the Jobseeker's Allowance Transition (JST) payment is included in the scenarios examined here.

As with the standard Jobseeker's Allowance (JA) payment, the means test for assessing income from work allows a daily 'earnings disregard' for each day worked, up to a maximum of three daily disregards. However, unlike the JA the JST allows for more than three days worked. The JST 'earnings disregard' is higher than the JA (€30 per day as opposed to €20) and the percentage of remaining income assessed is lower (50% as opposed to 60%).

Additionally, a JST recipient cannot qualify for FIS (this is also the case with JA), the recipient must choose between either JST or FIS, this is different from the OFP which allows both supports to be claimed simultaneously.

The scenarios illustrated in Graph 8 examine the position of the household's income adequacy by number of hours worked, and the distribution of those hours across days.

The JST does not provide an adequate income for this household composition, when in minimum wage employment. Even in a situation with the maximum earnings disregard and 18 hours of NMW employment across three (or more) days, there is an income shortfall of €17 per week.

The JST provided a payment of €180 to the household when working 18 hours of NMW employment over three or more days, and €165 when the hours are spread across two days. The Family Income Supplement provides a payment of €203 for this household when in 19 hours of NMW employment. At 19 hours employment FIS and Child Benefit are the only primary social welfare supports payable to this household composition. However, even when reaching the FIS requirement of 19 hours work, the household faces an income shortfall.¹⁸

The household requires 20 hours of NMW employment, in conjunction with FIS, Child Benefit and the Back to School Allowance, to have a marginally adequate income of slightly over €1 per week.

This compares to a One Parent household with a primary school aged child under 7, with 20 hours of NMW employment, having a discretionary income of over €70 per week in excess of the MESL need.

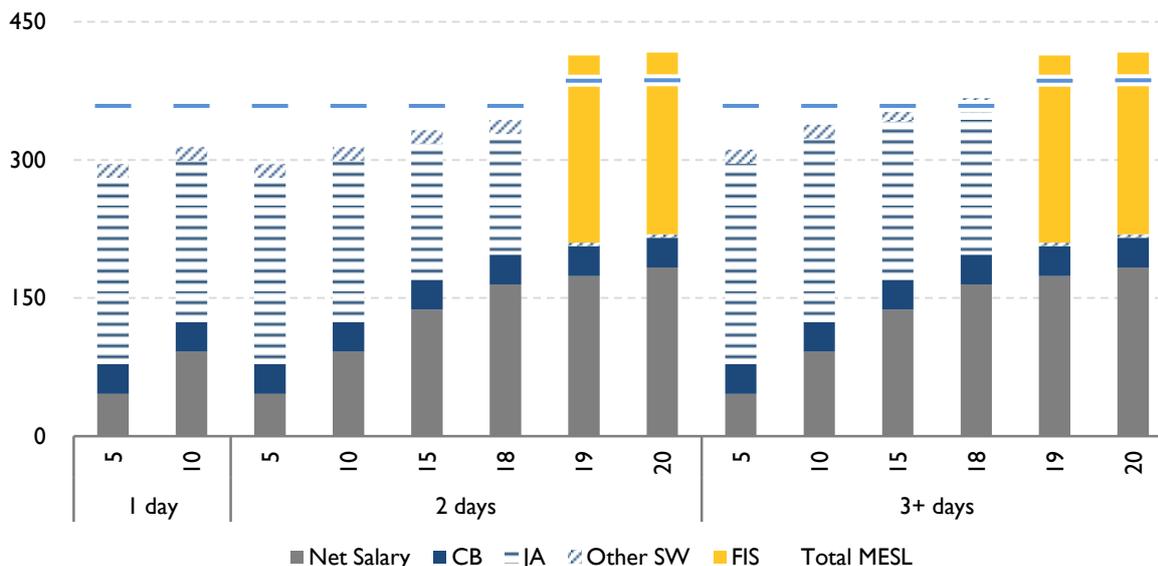
¹⁸ In the case of a household of this type exiting from receiving the One-Parent Family Payment, Job Seeker Transition, or Job Seeker Allowance (for at least 12 months), the household would also qualify for the Back To Work Family Dividend. This would allow the additional retention of the Qualified Child Increase, in full for 12 months, and a half rate for the subsequent 12 months. Also, the Back To Work Family Dividend can be claimed in conjunction with the Family Income Supplement.

Table 8 One Parent & One Child – Primary School Age (Over 7) – Household Income Adequacy by NMW Hours & Days Worked

Hours worked (NMW)	JST & 1 day		JST & 2 days						JST & 3+ days					
	5 hr	10 hr	5 hr	10 hr	15 hr	18 hr	19 hr	20 hr	5 hr	10 hr	15 hr	18 hr	19 hr	20 hr
Net Salary	45.75	91.50	45.75	91.50	137.25	164.70	173.85	183.00	45.75	91.50	137.25	164.70	173.85	183.00
JST	209.93	187.05	217.80	202.05	179.18	165.45	...	...	217.80	217.05	194.18	180.45	...	...
FIS	...	...	...	...	...	...	203.00	197.00	...	...	...	...	203.00	197.00
CB	32.31	32.31	32.31	32.31	32.31	32.31	32.31	32.31	32.31	32.31	32.31	32.31	32.31	32.31
Other SW	13.17	13.17	13.17	13.17	13.17	13.17	1.92	1.92	13.17	13.17	13.17	13.17	1.92	1.92
Total Income	301.16	324.03	309.03	339.03	361.91	375.63	411.08	414.23	309.03	354.03	376.91	390.63	411.08	414.23
MESL Expenditure														
MESL Core	286.82	286.82	286.82	286.82	286.82	286.82	286.82	286.82	286.82	286.82	286.82	286.82	286.82	286.82
Childcare	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00
Housing	32.55	35.98	33.73	38.23	41.66	43.72	50.73	51.20	33.73	40.48	43.91	45.97	50.73	51.20
Total MESL	394.37	397.80	395.55	400.05	403.48	405.54	412.55	413.02	395.55	402.30	405.73	407.79	412.55	413.02
Income Adequacy														
Income - Total MESL	-93.21	-73.77	-86.52	-61.02	-41.58	-29.91	-1.47	1.21	-86.52	-48.27	-28.83	-17.16	-1.47	1.21
	Shortfall	Shortfall	Shortfall	Shortfall	Shortfall	Shortfall	Shortfall	Marginal	Shortfall	Shortfall	Shortfall	Shortfall	Shortfall	Marginal

CHILD AGED 14+

Graph 9 One Parent & One Child – Secondary School Age (14+) Household Income Adequacy, by NMW Hours



A One Parent household with a child aged over 14 is not eligible for the JST. These scenarios examine the position of the household when combining low hour minimum wage employment and Jobseeker’s Allowance, as was examined above for the Single Adult household composition. In the scenarios examined here, the households JA payment will include a Qualified Child Increase for the dependent child in the household.

The household cannot afford an MESL when working over one or two days and receiving a partial JA payment, as illustrated in Graph 9. Having 19 hours of NMW employment and qualifying for FIS is required for the household to afford an MESL. In a scenario of working 19 hours over two days, the household would qualify for a FIS payment of €203 compared to a JA payment of €131 when working 18 hours over two days.

If the 18 hours of NMW employment were spread across three days, the household would receive a JA payment of €155 per week. In this situation the household would have an adequate income without qualifying for FIS. However, if the hours are not reliably structured across three days, the household’s income adequacy will be precarious as the situation will vary from week to week.

CONCLUSION

The scenarios above demonstrate that for households with children the difference 18 hours and 19 hours of minimum wage employment can be far greater than €9.15, one hour of NMW salary. It is the difference between qualifying for a vital social welfare support or not qualifying.

For the one parent household types examined which are eligible for the One-Parent Family Payment 19 hours versus 18 hours, is a difference of €88 per week in social welfare supports. It is the difference between a weekly shortfall of €74 for a One Parent household with an infant, and having an income which enables the household afford the full cost of an MESL.

In the case of the One Parent household with one primary school child aged over 7, the option of combining FIS and the OFP is not available. The household must now choose between the JST, if working less than 19 hours or week, or FIS if the recipient is in a position to reliably have 19+ hours of employment per week. The JST will not provide an adequate income for the household in any of the NMW scenarios examined. Furthermore, the inability to combine JST and FIS, means even 19 hours of NMW employment and FIS does not provide an adequate income. The household requires at least 20 hours of NMW employment and the support from FIS to enable an MESL.

For a One Parent household with a child aged 14, or over, the Family Income Supplement is again vital for enabling the household afford an MESL. If the adult in the household is in a position to seek full-time employment and receive JA while working part-time, an adequate income is achievable with 18 hours of NMW employment, spread across three days and a JA payment. If the employment is structured over less (or more) than three days, then 19 hours and FIS are required in order to enable an MESL.

Table 9 One Parent & One Child – Secondary School Age (Over 14) – Household Income Adequacy by NMW Hours & Days Worked

	JA & 1 day		JA & 2 days						JA & 3 days					
	5 hr	10 hr	5 hr	10 hr	15 hr	18 hr	19 hr	20 hr	5 hr	10 hr	15 hr	18 hr	19 hr	20 hr
Net Salary	45.75	91.50	45.75	91.50	137.25	164.70	173.85	183.00	45.75	91.50	137.25	164.70	173.85	183.00
JA	202.35	174.90	202.35	174.90	147.45	130.98	...	...	217.80	198.90	171.45	154.98	...	...
FIS	...	...	...	...	...	...	203.00	197.00	...	...	...	...	203.00	197.00
CB	32.31	32.31	32.31	32.31	32.31	32.31	32.31	32.31	32.31	32.31	32.31	32.31	32.31	32.31
Other SW	15.10	15.10	15.10	15.10	15.10	15.10	3.85	3.85	15.10	15.10	15.10	15.10	3.85	3.85
Total Income	295.50	313.80	295.50	313.80	332.10	343.08	413.00	416.15	310.95	337.80	356.10	367.08	413.00	416.15
MESL Expenditure														
MESL Core	335.05	335.05	335.05	335.05	335.05	335.05	335.05	335.05	335.05	335.05	335.05	335.05	335.05	335.05
Childcare	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Housing	23.40	23.40	23.40	23.40	23.40	23.40	50.73	51.20	23.40	23.40	23.40	23.40	50.73	51.20
Total MESL	358.45	358.45	358.45	358.45	358.45	358.45	385.78	386.25	358.45	358.45	358.45	358.45	385.78	386.25
Income Adequacy														
Income - Total MESL	-62.95	-44.65	-62.95	-44.65	-26.35	-15.37	27.22	29.90	-47.50	-20.65	-2.35	8.63	27.22	29.90
	Shortfall	Shortfall	Shortfall	Shortfall	Shortfall	Shortfall	Adequate	Adequate	Shortfall	Shortfall	Shortfall	Adequate	Adequate	Adequate

CONCLUSION

In recent years there has been a growing interest in the rate of the minimum wage, and the establishment of the Low Pay Commission in 2015 brought the first increase in the NMW rate in Ireland since 2007. This new concern with the minimum wage and the appropriate rate for enabling income adequacy is welcome, however changing employment patterns mean the minimum wage rate alone cannot address income adequacy. Over the course of the recession there has been a notable shift toward part-time work, and more crucially a growth in the level of under-employment. This has seen an increase in the proportion of workers reporting inadequate hours, and the desire for further employment.

This MESL Working Paper examines the other side of the low pay coin, low hour employment. The paper demonstrates situations of low hour employment, and the effects both on direct salary income and entitlement to additional social welfare supports. The analysis focuses on the income consequences of low hours, and how the structure of the social welfare system supports and number of hours and days worked impacts overall household income, and places this in the context of the cost of an MESL and household income adequacy.

The paper focuses on minimum wage employment, as those in minimum wage employment are more likely to be working less than full-time hours and classified as part-time, and twice as likely to be in low hour employment as employees generally. Two household types are examined, a working age Single Adult and a One Parent household, in situations of low hour employment (up to 20 hours per week) and earning the National Minimum Wage.

The paper lays out the tax and social welfare treatment of low hour and low pay work for these two household types. It demonstrates that there is not a specific in work social welfare support for low paid workers without dependent children, however it is possible for an individual to be classified as unemployed and receive a Jobseeker's payment while working part-time. On the other hand, the One Parent household type must navigate a range of social welfare supports, where eligibility is determined by the age of the youngest child in the household, and the combination of supports which will provide the greatest level of social welfare income will be determined by hours of work available.

The analysis finds that a Single Adult, living in Dublin, would need 56 hours of minimum wage employment to afford an MESL. This is one and half times a standard full-time week of 37.5 hours. Consequently low hour minimum wage employment supplemented by either a partial Jobseeker's Allowance payment or the Part-Time Jobs Incentive does not enable an MESL for this household type. However, the combination of part-time work and social welfare can at least improve the income position of this household type compared to relying on a Jobseeker's payment alone.

The scenarios presented demonstrate how the structure of the Jobseeker's Allowance advantages those able to arrange and predict the distribution of their hours of work over the week, by focusing on days with work rather than income earned and/or hours worked. Consequently, those in a

position of precarious work, with irregular working patterns, face income uncertainty both from the employer and from the social welfare support from the state.

In the case of the One Parent household types examined, the analysis finds the Family Income Supplement is crucial for closing the gap between household income and the cost of a social acceptable minimum standard of living, in the majority of cases. This highlights how the difference between 18 hours and 19 hours of minimum wage employment can be far greater than €9.15 (one hour of NMW salary). It is the difference between qualifying for a vital social welfare support or not qualifying. For the one parent household types examined which are eligible for the One-Parent Family Payment 19 hours versus 18 hours employment results in a difference of €88 per week in social welfare supports. This is the difference between a weekly shortfall of €74 for a One Parent household with an infant, and having an income which enables the household afford the full cost of an MESL.

The paper goes on to demonstrate the complexity of the changing entitlements for One Parent household compositions, as the eligibility for supports changes with the age of the child. Furthermore, due to the complexities of the system the eligibility for particular schemes not only changes, but also the ability to qualify for Family Income Supplement simultaneously with other supports is withdrawn when the youngest child reaches the age of seven.

The impact of this is demonstrated by comparing the adequacy of net household income from 19 hours of NMW employment and social welfare supports for a One Parent household with a primary school child aged under seven, to the inadequacy of the net income from the same employment but reduced social welfare supports for a One Parent household with a primary school child aged over seven.

To conclude, the paper illustrates the complexity of the range of social welfare supports available for these two household types, when in low hour and/or low paid employment. It shines a light on the inconsistent approach to supporting part-time work, with payments setting maximum and minimum thresholds for support in terms of days or hours worked, or gross salary. Furthermore, the paper highlights how the variation in treatment of the same salary, determined only by the number of days work, places those in variable hour employment in a precarious situation.

A system which moves away from a daily disregard to a scheme based on hours of work and actual earnings, may be more equitable in the face of new trends in the structure of the working week and low hour part-time employment. However, even such an adjustment made to the existing JA scheme would retain the contingency of only supporting those who are in part-time employment but seeking full-time employment.

Alternative approaches such as refundable tax credits and a basic income may need to be examined as an approach to ensure a Minimum Essential Standard of Living is achievable for those in positions of low hour and precarious employment.

Any change such as this would need to be modelled in further detail, to examine its effects not just for those earning the NMW but also the impact on those earning above the NMW but still on a low rate of pay. This is beyond the scope of the current paper, but may be the topic of a future VPSJ research.

BIBLIOGRAPHY

Collins, M. 2015. 'A Profile of Those on the Minimum Wage', *NERI Working Paper Series*

Collins, M., Mac Mahon, B., Weld, G., Thornton, R., 2012. *A Minimum Income Standard for Ireland*. Dublin: The Policy Institute

Eurostat, 2013. *Eurostat Glossary*. Online glossary
http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Underemployed_part-time_worker

Eurostat, 2015. *Labour Force Survey 2014, News Release 75/2015*.
<http://ec.europa.eu/eurostat/documents/2995521/6800423/3-27042015-APEN.pdf/08a0ac51-c63d-44d0-ad29-248127fd01c3>

Eurostat, 2016. *Online database: Supplementary indicators to unemployment by sex and age - quarterly average, 1 000 persons and % (Table code lfsi_sup_age_q)*

Focus Ireland, 2012. *Out of Reach: The impact of changes in Rent Supplement*. Published online:
www.focusireland.ie/files/out%20of%20reach%20-%20final%20full%20report.pdf

Mac Mahon, B., Carey, J., & Stokes, A., 2006. *Minimum Essential Budget Standard for Six Household Types*. Dublin: Vincentian Partnership for Social Justice.

Mac Mahon, B., Weld, G., & Thornton, R., 2010. *Minimum Essential Budgets for Households in Rural Areas*. Dublin: Vincentian Partnership for Social Justice.

Mac Mahon, B., Weld, G., Thornton, R., & Collins, M. 2012. *Briefing Note: Review of the Minimum Essential Standard of Living Baskets*. Dublin: Vincentian Partnership for Social Justice.

O'Sullivan, et al., 2015. *A Study on the Prevalence of Zero Hours Contracts among Irish Employers and their Impact on Employees*. Limerick: University of Limerick

OECD, 2015a. *OECD Employment Outlook 2005*. OECD: Paris.
Available online: http://dx.doi.org/10.1787/empl_outlook-2015-en

OECD, 2015b. *Minimum wages after the crisis: Making them pay*. OECD: Paris.
Available online: www.oecd.org/social/Focus-on-Minimum-Wages-after-the-crisis-2015.pdf

PRTB, 2015. *PRTB Average Monthly Rent Report (Euro) by Location, Property Type and Number of Bedrooms - Quarter, Half and Year*. On-line database, accessed 6th January 2016
www.cso.ie/px/pxeirestat/pssn/prtb/homepagefiles/rent_index_statbank.asp

Simon, 2016. *Locked Out of the Market III: The Gap between Rent Supplement/HAP Limits and Market Rents*. Published online:

www.simon.ie/Portals/1/1Locked%20out%20of%20the%20Market%20III%20-%20January%202016%20-Final.pdf

Threshold, 2014. *Pre-Budget Advisory on Rent Supplement*. Published online:
www.threshold.ie/download/pdf/threshold_advisory_report_on_rent_supplement.pdf

VPSJ 2015a. MESL Annual Update. Published online:
www.budgeting.ie/images/stories/Publications/MESL_Update_Paper/VPSJ_2015_Minimum_Essential_Standard_of_Living.pdf

VPSJ, 2015b. *Submission to the Low Pay Commission – 2105*. Published online:
www.budgeting.ie/images/stories/Publications/Submissions/VPSJ_2015_Submission_to_the_Low_Pay_Commission.pdf

VPSJ, 2015c. *MESL Analysis of Sub-Minima Rates Adequacy – Submission to LPC*. Published online:
www.budgeting.ie/images/stories/Publications/Submissions/VPSJ_2015_MESL_Analysis_of_Sub-Minima_Rates_Adequacy_-_LPC_Submission.pdf

VPSJ, 2015d. *Budget 2016 – Minimum Essential Budget Standard Impact Briefing*. Published online:
www.budgeting.ie/images/stories/Publications/Budget_Analysis/Budget_2016_-_MEBS_Impact_Briefing.pdf

VPSJ, 2015e. *Minimum Income Standard and The Cost of Childcare*. Published online:
http://www.budgeting.ie/images/stories/Publications/Papers/VPSJ_2015_MIS_-_Cost_of_Childcare.pdf