

# A Minimum Income Standard for Ireland

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1. Introduction
2. Methodology
3. Expenditure
4. Income & A Minimum Income Standard
5. Some Policy Implications

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# Introduction

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# Methodology

- **Some simple questions = focus of this research**
  - What is a basic standard of living?
  - How much does it cost?
  - How much income do you need to afford this?

## Previous Research

- 2000 One Long Struggle – A Study of Low Income Households
- 2004 Low Cost but Acceptable Budget Standards for Three Households
- 2006 Minimum Essential Budgets for Six Households Types (Urban)
- 2008 Minimum Essential Budgets for Six Households Types – Changes during the Period 2006-2008
- 2010 Minimum Essential Budgets for Six Rural Households Types
- 2012 A Minimum Income Standard for Ireland
- 2012 Minimum Income Standard Calculator ([www.MISc.ie](http://www.MISc.ie))
- 2012 The Cost of a Child
- 2012 Review of Contents of the Expenditure Areas – Baskets

## What is a Minimum Essential Standard of Living (MESL)?

- Derived from negotiated consensus on what households believe is a minimum.
- It is a standard of living which meets individual's/household's physical, psychological and social needs.

## **What is a Minimum Essential Standard of Living (MESL)?** Cont'd

- It is calculated by identifying the goods and services required by different household types in order to meet their minimum needs.
- A Minimum Income Standard is the income required in order to achieve a minimum essential standard of living.

## **How is a MESL Determined?**

- Focus groups are established for each household type. In a series of meetings the groups arrive at a negotiated consensus about the goods and services required to have a MESL.
- Experts are consulted to ensure that the negotiated consensus meets certain criteria e.g. Food is nutritionally balanced etc.
- Focus on needs not wants.

## What does it Include?

- 16 Areas of Expenditure
- Goods and services priced in shops and providers identified by Focus Groups (approx. 2,000)

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

## Focus Groups

- Include People from different socio-economic backgrounds (8 – 12 people per focus group).
- Focus Group work preceded by orientation meeting.
- 3 different focus groups for each household type:
  - Focus Group 1:* Produces an agreed list of items
  - Focus Group 2:* Reviews work of 1<sup>st</sup> group – reach consensus
  - Focus Group 3:* Rechecks items in each category  
Study total costs for each category  
Reaches final consensus

## Household Types (urban and rural)

- Single adult of working age
- One and two parent households with up to four children of different ages – infant to 19 years of age
- Pensioner couple and female pensioner living alone
- The data now covers the expenditure needs of 92% of households with children

## Future Directions

### Future Work

- Living Wage
- "Poverty Traps"
- Tracking Changes Over Time
- Annual Update
- Engagement in developing Minimum Income Standards at a European Level

# Expenditure

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## Categories of Expenditure

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

- Over 2000 items in the Baskets – goods and services
- Based on Needs, Not Wants – set at a minimum level
- Weekly cost of every good and service
- Expenditure for Urban and Rural Households

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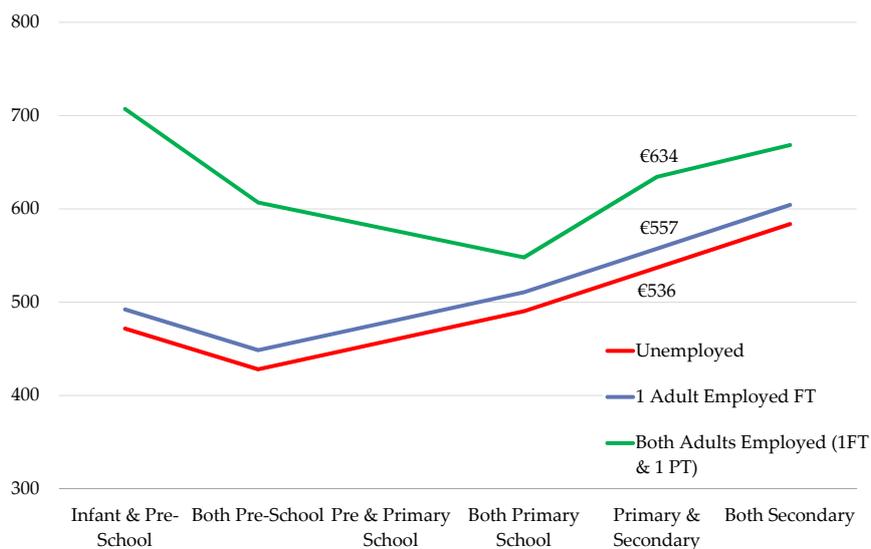
# Expenditure

- Expenditure is not static and is determined by a number of factors:
- Composition of the households, child age groups and specific minimum essential needs
- Employment status and the need for childcare
- Entitlement to secondary benefits and the provision of services e.g. Medical Card and ECCE (free pre-school year)
- Location

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**Urban Two Parent & Two Child Household Weekly MESL Cost (March 2012)**



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## Income

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## Household Income

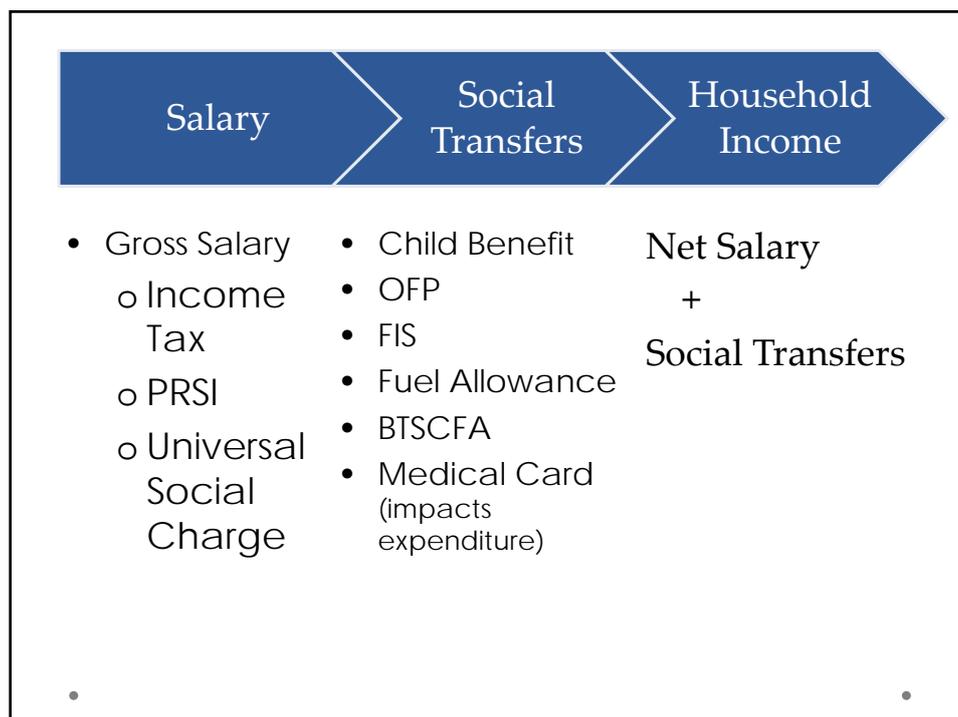
- Assess income against the minimum expenditure need. Income assessed in one of two ways:
  1. Households dependent on social welfare (Jobseeker / One Parent Family Payment / Pensions)
  2. Households with employment

## Households dependent on SW

- Assume entitlement to basic payments appropriate to the household situation
- Example – Unemployed Two Parent household  
Jobseekers payment, Qualified Adult & Qualified Child payments. Also Child Benefit, BTSCFA, and entitlement to Full Medical Card
- Example – Pensioner, Living Alone  
Full Pension (Contributory or Non), Living Alone Allowance. Also Fuel Allowance & entitlement to Full Medical Card

## Households with employment

- Assess total household income



## A Minimum Income Standard

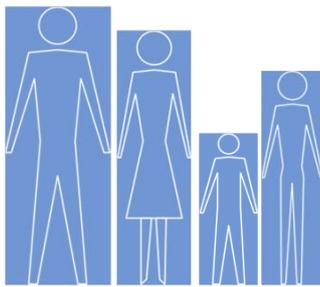
### *Definition:*

The Minimum Income Standard (MIS) is the gross salary necessary for a household's total income\* to adequately meet the cost of a Minimum Essential Standard of Living.

\*Taking account of the household's tax liabilities and social welfare entitlements

€553\* MINIMUM STANDARD OF LIVING

PER WEEK



An urban two parent household with two children, of primary school and secondary school age, needs to spend this much per week to have a minimum standard of living.

\*Excludes rent, childcare & medical card

When unemployed and dependent on a Jobseeker's payment, total household income is €445 (including Child Benefit & BTSCFA), €92.99\* short of what the household needs for an acceptable standard of living.

JOBSEEKER'S (PLUS CHILD BENEFIT, ETC.)



MINIMUM STANDARD OF LIVING



\*When paying €45 per week rent in local authority housing

When employed, one full-time and one part-time, on the Minimum Wage, total household income is €625 (including Child Benefit, FIS and GP Visit Card), €8.39\* short of what the household needs for an acceptable standard of living.

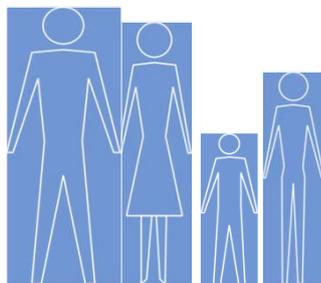
INCOME (NET SALARY + FIS & CB)

MINIMUM STANDARD OF LIVING

\*When paying €70 per week rent in local authority housing

€511 MINIMUM  
INCOME  
STANDARD

PER WEEK



An urban two parent household with two children, of primary school and secondary school age, needs this joint gross income per week to afford a minimum essential standard of living, (this includes paying rent and childcare costs etc).

## Policy Implications

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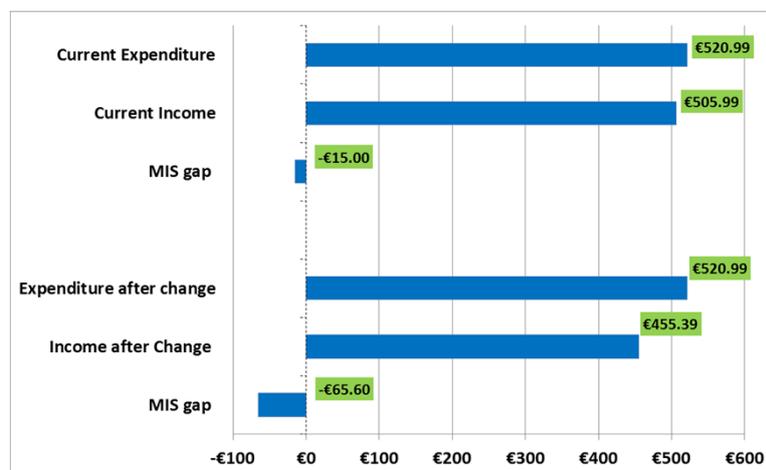
### **Some Policy Implications**

- 1. Changing benefits, taxes and prices**
- 2. The Cost of Work**
- 3. The Cost of a Child**
- 4. Debt Restructuring & Retention Money**
- 5. A Living Wage**
- 6. Maximum Incomes**

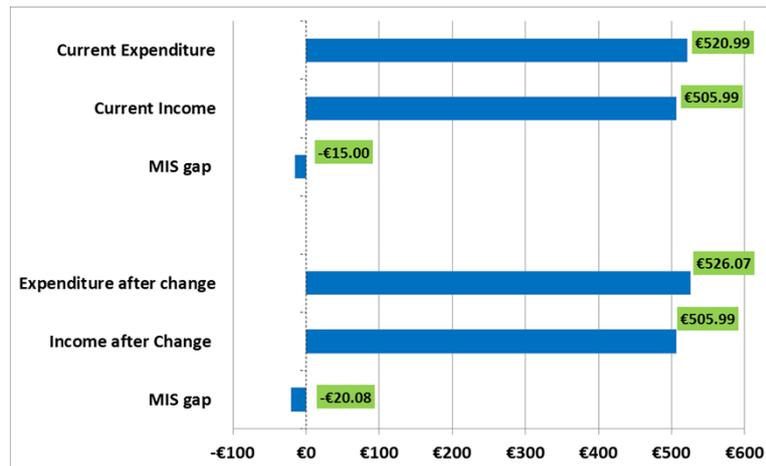
## 1. Changing benefits, taxes and prices

- MIS / MESL useful for monitoring impact of these changes or policy options on living standards
- For example:
  - reducing working-age welfare payments
  - already a shortfall in most welfare dependent households
  - make this worse
  - e.g. 3% welfare cut = €600m
- Looking at:
  - 2 adult and 2 children in urban area, both unemployed, social housing and children aged 4 and 6 years

### A 3% ↓ in social welfare

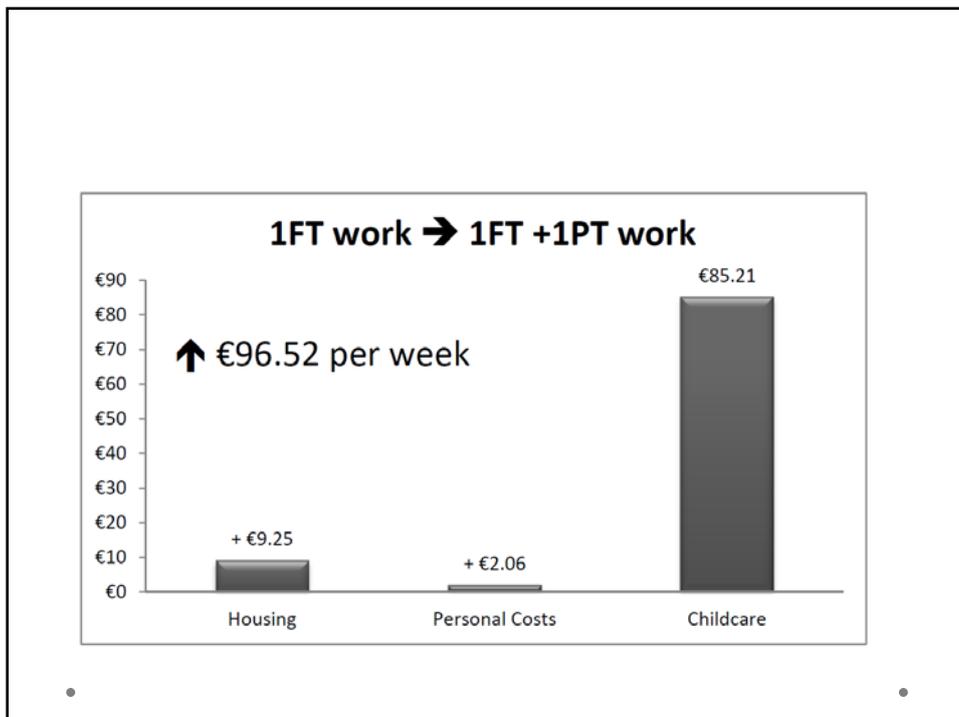
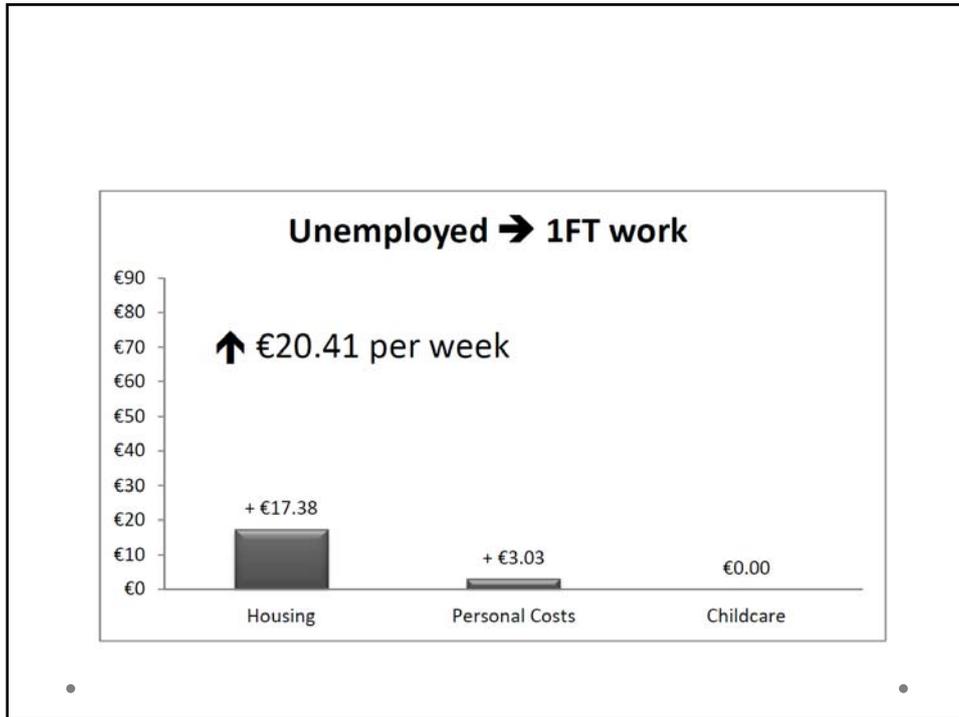


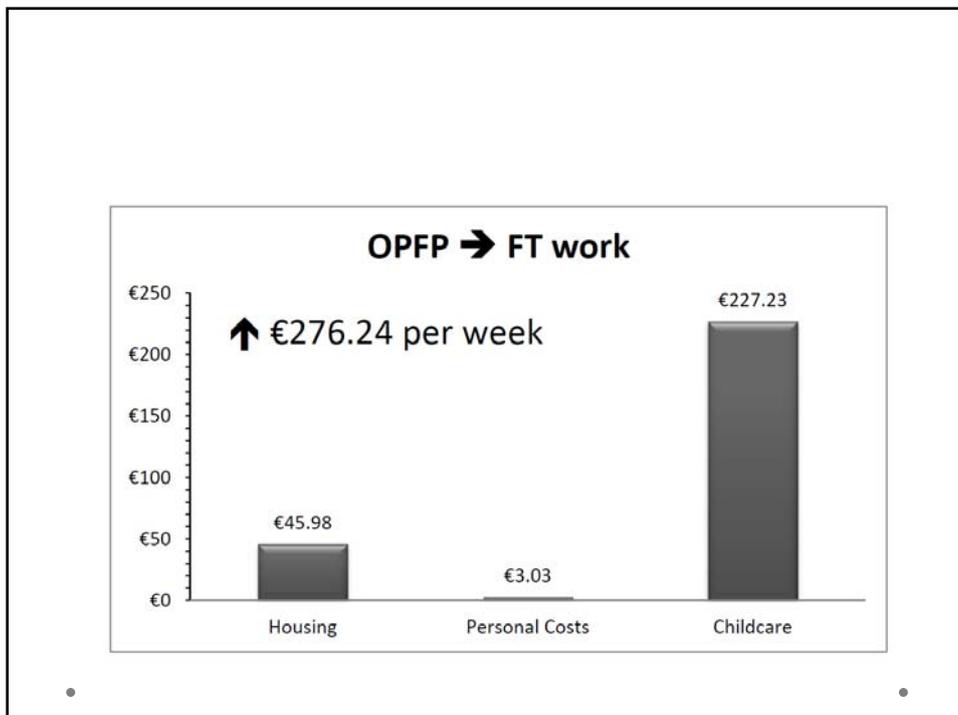
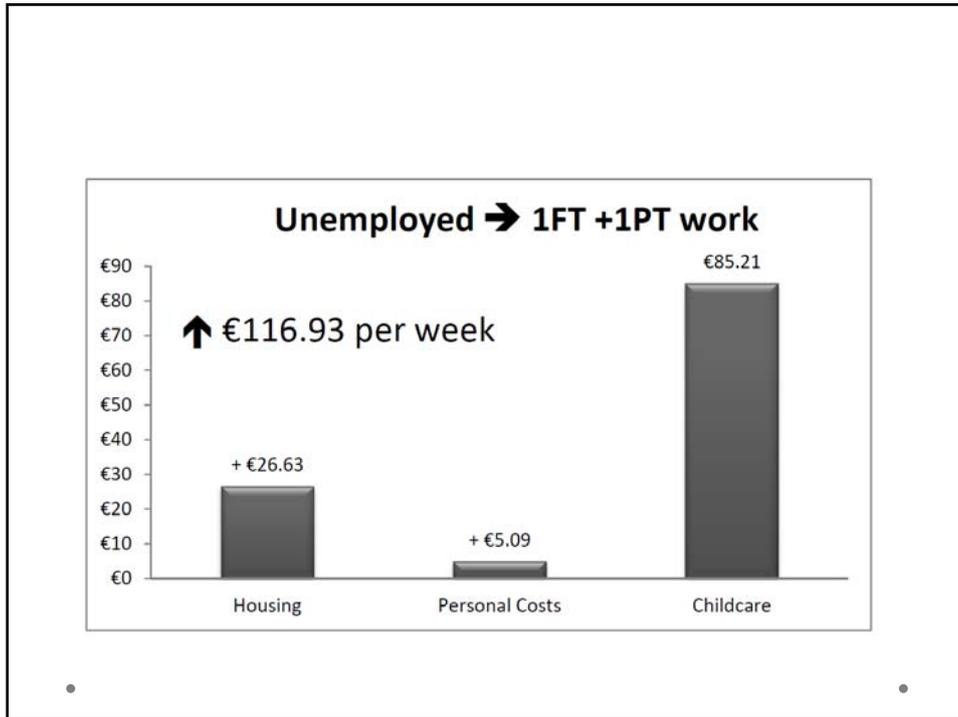
### A 5% ↑ in bus tickets, fuel prices and insurance



## 2. The Cost of Work

- Data allows us to examine how minimum standards change as households status changes
- NERI paper ([www.NERInstitute.net](http://www.NERInstitute.net))
- Relevance re. key socio-economic transitions:
  - labour force changes
  - family formation
  - children
  - relocation
- Look at the cost of work for:
  - 2 adult 2 child urban household
  - Single parent urban household (1 child)

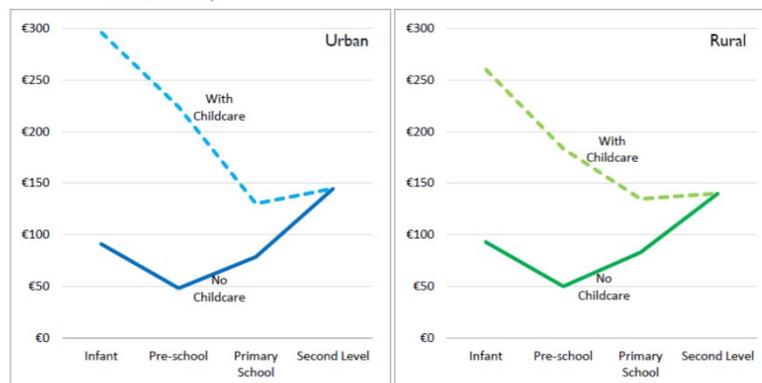




### 3. The Cost of a Child

- Data allows examination of cost of children
- Report published ([www.budgeting.ie](http://www.budgeting.ie))
- Costs vary across childhood
- Relevance for child benefit...

Graph 1 Expenditure from Infancy to Secondary school age (excluding entitlement to a medical card)



## 4. Debt Restructuring & Retention Money

- Relevance to current household debt problems
- Restructuring of debt and insolvency legislation
- Key questions around ‘retention money’
- Given a household’s income:
  - How much should they hold onto to give them a reasonable standard of living
  - Not remove their incentive to continue to work etc
  - Not be overly generous given debt-write off and situation
- MIS / MESL providing an answer
- AIB, BOI,...

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## Urban 2 Adults and 2 Child Household

Table 2: MESL and the cost of taking-up work – Urban 2 Adults, 2 Child Household (€ per week)

	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
<b>MESL for each household type</b>							
Unemployed, Dependent on JSB	464.03	421.14	451.50	481.87	547.77	613.67	648.85
1 Adult Employed Full-Time	484.44	441.55	471.92	502.28	568.18	634.08	660.56
Both Adults Employed, 1 Full-Time & 1 Part-Time	696.05	597.46	568.44	539.41	640.13	693.48	729.55

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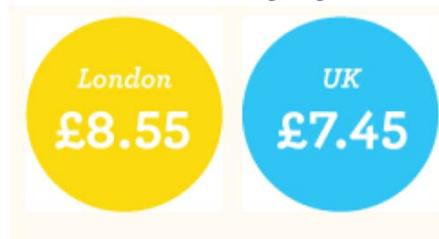
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## 5. A Living Wage

- Relevance of research to all households
- Gaps between minimum expenditure and income most visible for welfare dependent and low income households
- Low income workers...the incentive to work...the cost of work
- UK MIS work lead to development of a living wage campaign
- Employers should pay their employees a wage that gives them a decent living standard
- Good for all...broad support



Current Living Wage



Current minimum wage



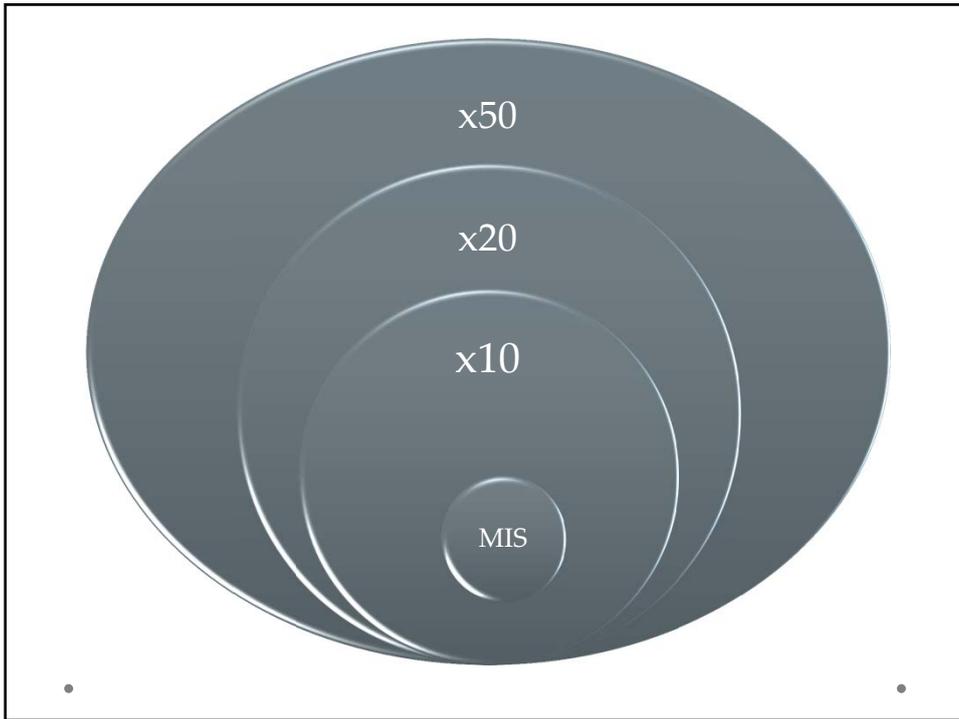
## 6. Maximum Incomes

- Limited understanding of incomes at two extremes of the income distribution
- Both need reform
- How much is enough: the minimum = MESL/MIS
- How much is enough: the maximum:
  - multiples of the minimum give an insight

- **2 Adult 2 children urban household:**

- adults both work
- children aged 10 and 12 years
- owner occupiers @ €3,000 per month mortgage
- Gross income = €7,165 needed
- Net income = €7,725
  
- More basis:
- in social housing
- Gross income = €3,735
- Net income = €6,125

[www.MISC.ie](http://www.MISC.ie)



The slide contains several logos and a book cover. On the left, there is the 'INCENTIAN PARTNERSHIP FOR SOCIAL JUSTICE' logo, the logo for 'An Roinn Coimirce Sóisialaí / Department of Social Protection' with the website 'www.welfare.ie', 'THE POLICY INSTITUTE AT TRINITY COLLEGE DUBLIN', and the 'IRCHSS' logo. On the right is a book cover with a yellow top bar containing the number '27' and the text 'STUDIES IN PUBLIC POLICY'. The book title is 'A MINIMUM INCOME STANDARD FOR IRELAND: A consensual budget standards study examining household types across the lifecycle' by MICHEÁL L. COLLINS, BERNADETTE MAC MAHON, GRÁINNE WELD AND ROBERT THORNTON. The cover also features the Incentian Partnership logo and the text 'In association with'.