

**A MINIMUM INCOME STANDARD FOR IRELAND**  
**A consensual budget standards study examining household types across the lifecycle**

**MICHEÁL L. COLLINS, BERNADETTE MAC MAHON,  
GRÁINNE WELD AND ROBERT THORNTON**

In association with



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# Abbreviations

BSCFA	Back to School Clothing and Footwear Allowance
CB	Child Benefit
CCSS	Community Childcare Subvention Scheme
CIS	Child Income Support
CSW	Commission on Social Welfare
CBS	Consensual Budget Standards
CSO	Central Statistics Office
EAPN	European Anti-Poverty Network
ECCE	Early Childhood Care and Education Scheme
EPSCO	Employment, Social Policy, Health and Consumer Affairs Council
ESRI	Economic & Social Research Institute
EU	European Union
EU-SILC	European Union Survey on Income and Living Conditions
FIS	Family Income Supplement
GDP	Gross Domestic Product
JSB	Job Seekers Benefit
MESL	Minimum Essential Standard of Living
MIS	Minimum Income Standard
NAP inclusion	National Action Plan for Social Inclusion
NCNA	National Children's Nurseries Association
NESC	National Economic and Social Council
NMW	National Minimum Wage
OECD	Organisation for Economic Co-operation and Development
OPF	One Parent Family Payment
QCI	Qualified Child Increases
SEAI	Sustainable Energy Authority Ireland
UN	United Nations
UNICEF	United Nations International Children's Emergency Fund
USC	Universal Social Charge
VPSJ	Vincentian Partnership for Social Justice

# Executive Summary

## Why this study?

Current debates about the eradication of poverty are not sufficiently informed by socially agreed empirically based income standards. They have been developed by negotiation between policy-makers at national level and not by informed social consensus about what households need in order to have a minimum essential standard of living. Poverty is officially measured through income and deprivation measures, but these are not based on a standard of living which meets a household's minimum essential needs.

This research sets out to establish a minimum income standard for Ireland, based on the minimum needs of household types across the lifecycle, as determined through the consensual budget standards work of the Vincentian Partnership for Social Justice.

## Background

Since 2001 the Vincentian Partnership for Social Justice (VPSJ) has undertaken a number of studies to establish the level of expenditure required by different household types. Using focus group research, and following the consensual budget standards methodology, the VPSJ established minimum essential standard of living budgets for six urban household types (2006) and the same six household types in rural areas (2010). The six household types were:

- Two parents and two children (3 year old girl and 10 year old boy)
- Two parents and two children (10 year old girl and 15 year old boy/girl)
- One parent and two children (3 year old girl and 10 year old boy)
- Female pensioner (age 70+), living alone
- Pensioner couple (age 66 69)
- Single male (age 25+), living alone

The consensual budget standards method provides a socially agreed upon minimum standard of living, which society agrees it is

unacceptable to expect people to live below. This standard is arrived at through consensus, as focus groups of real people define, in detail, the minimum requirements for households to live at an acceptable level and participate in society. The focus is on needs, not wants.

### **Methodology**

The previous research, establishing the minimum expenditure baskets for six household types, provides the foundation upon which this study is built. There are four key stages to the research in this report:

- 1 Expansion of the coverage of the Minimum Essential Standard of Living (MESL) budgets across the lifecycle, by adding three new individual types
- 2 Individualising the data from the pre-existing aggregate household types, to facilitate examining a more representative range of household types across the lifecycle
- 3 Assessment of the adequacy of social welfare supports and the national minimum wage for household types at each stage of the lifecycle
- 4 Where these income levels were found to be inadequate the minimum income required for each household type is established.

This report seeks to establish the cost of a minimum essential standard of living across the lifecycle. Compared to previous research, it covers a broader range of child age groups and provides a more comprehensive picture of the needs of single adults of working age living alone. Therefore further focus group research is undertaken for additional individual types, including children in new age groups. The MESL budget dataset has been extended to include the following individual types:

- A nine month old baby
- A nineteen year old unemployed, male, living in the family home
- A single female, of working age<sup>1</sup>

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<sup>1</sup> Included to give a more comprehensive view of the needs of a single adult of this age profile.



As was the case with previous studies undertaken by the VPSJ, the consensual budget standards method was used to obtain the necessary data for the additional individual types. Focus groups were established in urban and rural areas for each of the new individual types and combined people from different economic and social backgrounds. Chapter 3 contains a further description of the consensual budget standards method and of the focus group location and composition.

When the data from the six existing households, urban and rural (2006 and 2010), is updated and combined with that from the three new individual types this report provides data on the essential living requirements of individuals across the entire lifecycle from children to pensioners.

In order to maximise the utility of the new data and to enable a more robust examination of changing minimum expenditure requirements across phases of childhood. The report also undertakes a process of individualising existing aggregate household data. To that end, the minimum expenditure requirements for each child age-group, and for parents, is derived from the existing data, producing minimum expenditure budgets for three child age-groups, and a two-parent and one-parent head of household. These individualised budgets (updated for inflation) are then examined in combination with the new data gathered in this research.

The individualised expenditure data is adjusted to the same pricing point as the newly gathered data, March 2011, and the MESL requirements of a broad range of household types are established. Households with children are examined in the context of two child households across seven age-group combinations, in both two and one-parent households, for urban and rural areas, amounting to a total of twenty-eight household types with children. Additionally, a composite single adult of working age is also examined, and the two pensioner household types are retained, to provide a complete picture of the lifecycle.

### **Summary of Key Findings**

The expenditure required by each household type for a minimum essential standard of living is outlined in Chapter 4. As the data tables in the chapter show, minimum expenditure needs rise and fall across the lifecycle. Examining all scenarios when housing, childcare and secondary benefits are excluded show that costs are lowest for

the single adult of working age living in an urban area. Costs are greatest for the rural two parent household with a fifteen and nineteen year old. The minimum expenditure necessary to have a standard of living that meets physical, psychological and social needs is not static, but rather changes across the lifecycle. Knowing the minimum that individuals' and households' need, opens up a space to examine the adequacy of the national minimum wage and social welfare payments, and implies the question what is the income people need to earn in order to meet their minimum expenditure costs.

In order to examine the capacity of household types to attain the minimum standard, each household type is considered across a range of income-expenditure scenarios. These scenarios are examined in Chapter 5, and encompass a variety of employment situations and social welfare eligibilities, benchmarking the adequacy of minimum wage salaries (€8.65 per hour) and basic welfare entitlements across the lifecycle.

The patterns of income adequacy and inadequacy are complex, and the detailed analysis and data is presented in Chapter 5. Overall, only nine out of the forty situations of social welfare dependency tested see the household type provided with an income sufficient to afford the minimum expenditure costs. The pattern of income adequacy and inadequacy for households reliant on minimum wage employment is also complicated. For households with children income inadequacy is significant at the first stage of a child's life, before declining at pre-school age and the inadequacy returns as children grow older. The minimum wage is also inadequate to meet the minimum requirements of both urban and rural single adult households.

Having benchmarked the adequacy of these primary standard income rates, Chapter 6 then addresses the central question this report sets out to answer: *'What is the gross minimum income required by different household types in order to ensure a MESL?'* The Minimum Income Standard (MIS) is defined as the gross salary necessary, taking account of the tax liabilities and social welfare entitlements of each household type, to enable a household to afford the expenditure required for a MESL.

This minimum income standard varies by household type, child age group, household location, and employment scenario. Nevertheless, it is a minimum standard grounded in a social consensus

around what the requirements for a socially acceptable minimum standard of living are and the reality of how much that standard costs. The tables presented in Chapter 6 detail the MIS for each household type, providing a full breakdown of the tax liability and welfare entitlements of each case examined. Furthermore, a detailed analysis of the MIS rates for several illustrative household types is presented.\*

Finally, this study shines a light on the income that is needed for a minimum essential standard of living across a spectrum of household types spanning the lifecycle. It demonstrates that many households in situations of reliance on social welfare or the national minimum wage live with an insufficient income. Income inadequacy means many households live below a level which has been defined as socially acceptable by Irish society. The consensual budgets standard method provides a socially agreed upon minimum measure below which households should not be expected to live. Failure to ground the national minimum wage and social welfare transfers in a tangible measure of adequacy, such as defined in this research, means that poverty and social exclusion will continue to be a reality in Ireland.

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\* The study establishes the minimum needs and incomes of each household type in the context of the social welfare and tax regime as it stands in Ireland in 2011.

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This research would have been impossible to undertake without the invaluable contribution of the focus groups consulted in urban and rural areas and we are indebted to the cooperation and insight these groups provided.

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## Introduction

*A minimum essential standard of living is one which meets an individual/household's physical, psychological, spiritual and social needs*

(UN definition of an adequate lifestyle)

This study attempts to answer the question “What level of income is needed to allow for a minimum essential standard of living in Ireland?”

Since 2001 the Vincentian Partnership for Social Justice (VPSJ) has undertaken a number of studies to establish the level of expenditure required by different household types in both urban and rural areas to ensure a minimum essential standard of living (MESL). The Consensual Budget Standard methodology was used by the VPSJ to develop Minimum Essential Standard of Living budgets for each household type. This method involves members of the public in reaching consensus on the goods and services people require in order to meet physical, psychological, spiritual and social needs. The emphasis is on needs and not on wants. This study seeks to extend the current data to include a broader and more representative group for households across the lifecycle, again using the Consensual Budget Standards method, and to establish the gross minimum income required by these households to afford the expenditure necessary to meet a minimum essential standard of living.

### Context

Current debates about the eradication of poverty are not sufficiently informed by socially agreed empirically based income standards. Politicians from all parties claim commitments to addressing income poverty. However they seek to do so without addressing the question, “What level of income is needed for a minimum acceptable standard of living”? Poverty is being measured in a number of ways including relative income measures and measures of deprivation but none of these methods show the cost of a standard of living which

meets the individual/households physical, psychological and social needs and the income necessary to ensure the required expenditure. These measures of income adequacy are arbitrary. They have been developed by negotiation between policy-makers at national level and not by informed social consensus about what households need in order to have a minimum essential standard of living. A minimum income in itself does not guarantee a minimum standard of living, however individuals or households with an income below that minimum cannot have a standard of living which meets their physical, psychological, spiritual and social needs.

The context for this study's development of minimum income standard (MIS) is an Ireland in which 15.8 per cent of the population is at risk of poverty (SILC 2010) and where there is recognition in the National Action Plan for Social Inclusion 2007 -2016 that:

*"People are living in poverty if their incomes and resources (material, cultural and social) are so inadequate as to preclude them from having a standard of living which is regarded as acceptable to Irish society generally. As a result of an inadequate income and resources people may be excluded and marginalised from participation in activities which are considered the norm for other people in society"* (NAP inclusion, 2007: 20).

Unfortunately, to date there has been limited commitment in Ireland to establish social consensus as to what constitutes adequate income and resources.

### **Minimum Income Standards – EU**

In recent years there has been increasing interest in the EU in developing national income standards as a means of assessing the adequacy of social assistance. A number of countries have already constructed reference budgets. However as they were not developed in co-operation with each other, and did not use similar methods based on the same underlying assumptions, it is not possible to use them for purposes of comparison.

Major international and European agreements recognise the right to a minimum income. The UN Universal Declaration on Human Rights (1948) recognises that 'everyone has the right to a standard of living adequate for health and the well being of him/herself and his/her family including food, clothing, housing and medical care...'

Regarding agreements at EU level on the basic right of a person

to sufficient resources to lead a life that is compatible with human dignity, the European Anti Poverty Network (EAPN) point out:

*“The EU has already agreed a strong basis for a common definition on adequacy of minimum income. The European Council Recommendation 92/441/EEC, on common criteria concerning sufficient resources and social assistance in social protection systems, was an important step forward in the recognition of all member states to the basic right of a person to sufficient resources. The same criteria were agreed in the 2008 Recommendations on Active Inclusion and endorsed by the EPSCO Council Conclusions in December 2008” (EAPN, 2010: 41).*

Despite these agreements at EU level and the establishment of national minimum income schemes in the majority of member states, evidence suggests that at present minimum income schemes do not fulfil the goal of moving people out of poverty in most member states. For example, an EU report found that ‘most countries MISs fall short of allowing all people to live life with dignity and many fall far short’ (Frazer & Marlier, 2009:11 cited in EAPN, 2010).

Subsequently, the Independent Experts Synthesis Report on Minimum Income Schemes across EU states concluded that member states should agree common criteria that could provide a basis for member states supporting ‘consultation to adopting an EU framework directive on the adequacy of minimum income’ (EAPN, 2010: 42).

The European Commission Recommendation 2008/897/FC issued on the active inclusion of people excluded from the labour market provides a basis for initiatives to combat poverty and to make them more successful in the active reduction of the number of people experiencing poverty. The recommendations acknowledge the complexity of the problem and the need for integrated policies. Member states were asked to develop and execute an integrated comprehensive strategy consisting of three elements: adequate income support; inclusive labour markets and access to quality services. The recommendations states that ‘active inclusion policies should facilitate the integration into sustainable, quality employment of those who can work and provide resources which are sufficient to live in dignity, together with support for social participation for those who cannot’ (Vranken, 2010: 7).

At a 2010 meeting of ministers responsible for poverty reduction, the Belgian government proposed a Peer Review which

concentrated on determining an adequate minimum income for all member states. This would necessitate a definition of common criteria and the development of a common methodology. Eight European countries with experience of Minimum Income Standards participated in the Peer Review. In late 2010 the Peer Review resulted in a number of recommendations, one of which was the establishment of a working group to develop a common understanding of adequacy and a common methodology which could be adapted to each national situation. The Peer Review participants agreed that the methodology should involve focus groups from different socio-economic backgrounds. It was agreed that the income level must facilitate social inclusion and participation in society.

### **Minimum Income Standards – Ireland**

Since 2004 the VPSJ has developed budgets to show the expenditure necessary for a minimum essential standard of living (MESL). A MESL is one which meets a person's physical, psychological, spiritual and social well being (UN definition of an adequate lifestyle). In 2006, the VPSJ published a report entitled '*Minimum Essential Budget Standards for Six Households*' (Urban). This report used the Consensual Budget Standards method to answer the question: 'how much does it cost to reach an acceptable standard of living?'

The following six households were examined:

- Two parents and two children (3 year old girl and 10 year old boy)
- Two parents and two children (10 year old girl and 15 year old boy/girl)
- One parent and two children (3 year old girl and 10 year old boy)
- Female pensioner (age 70+), living alone
- Pensioner couple (age 66-69)
- Single male (age 25+), living alone

The results of the 2006 study are updated on an annual basis to take into account changes in inflation for each category of expenditure e.g. clothing; food etc. Updating annually facilitates the tracking of the six household types over time and allows the impact of changes



to inflation and measures of social protection to be assessed on an ongoing basis.

In 2009 the VPSJ began to examine the additional and/or different costs faced by the same six household types in rural areas. In 2010, the VPSJ published *'Minimum Essential Budget Standards for Six Household Types in Rural Areas'*. By providing this evidence, the research carried out by the VPSJ serves to promote informed discussion about the expenditure required by rural households in order to achieve the same living standards as urban households.

### **From Expenditure Standards to Income Standards**

In order to provide data on a wider and more representative groups of households across the lifecycle this study, undertaken jointly by the VPSJ and Trinity College Dublin, extends the current material to include the following:

- A household with a nine month old baby
- A household with a nineteen year old unemployed male
- A household consisting of a single female of working age.

The extended household data is examined in the context of a variety of household types. Households with two children are examined for seven age-group sets, for one and two parent households in both urban and rural areas. In addition, single adults of working age living alone and pensioner households are also included to cover the spectrum of the lifecycle.

Having established the minimum expenditure needs for these household types the study then moves on to address the core question at the heart of this research. Which is, what is the gross minimum income required by different household types to afford the expenditure necessary to meet a minimum essential standard of living<sup>2</sup>?

Such an approach reflects the lifecycle focus of the *National Action Plan for Social Inclusion* and the *National Agreement Towards 2016*. It is hoped that the research findings will contribute to the formation of income support policies which will take account of poverty and social exclusion at each stage of the lifecycle.

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<sup>2</sup> The study establishes the minimum needs and incomes of each household type in the context of the social welfare and tax regime as it stands in Ireland in 2011.

## **Outline of Report**

The report is structured as follows:

- Chapter 2 Literature Review - presents a review of relevant literature
- Chapter 3 Methodology - describes the methodology used in each phase of the study and presents the full list of all the household and individual types examined in this study
- Chapter 4 Expenditure - presents the expenditure budgets for the household types
- Chapter 5 Benchmarking the Adequacy of Standard Income Rates - examines the adequacy of the standard income levels for each of the household types across a range of income circumstances/situations
- Chapter 6 Minimum Income Standard - ascertains the gross income required by different household types to allow for a minimum essential standard of living, presenting a Minimum Income Standard for these household types
- Chapter 7 Conclusion

## Literature Review

The principal objective of this chapter is to give an overview of literature relevant to this study. To this end, the literature review examines the following topics:

- The Lifecycle Approach to Understanding Poverty
- Adopting the Lifecycle Perspective in Ireland
- Child Income Supports in Ireland
- Broad Critique of Current Child Income Support System
- The Variation of Expenditure Across Childhood
- Child Income Supports and Child Poverty

The review of literature on aspects of the lifecycle is an integral part of this study as it helps to contextualise the question at the heart of this research; what level of income is required to allow households at different stages of the lifecycle experience a minimum essential standard of living.

### The Lifecycle Approach to Understanding Poverty

*‘The lifecycle approach places the individual at the centre of policy development and delivery by assessing the risks facing him or her and the supports available at key stages of the lifecycle’* (Government of Ireland, NAPS 2007: 21).

Whelan and Maitre (2008) point out that the concept of the lifecycle has a long and distinguished pedigree in the field of social policy and can be traced as far back as Rowntree’s 1901 study *‘Poverty. A Study of Town Life’*. This report drew attention to age related cycles of poverty in 19th century York. Rowntree distinguished between childhood, family formation and old age as life stages with heightened poverty risks.

Whelan and Maitre (2008) also note that Booth’s survey of *‘Life and Labour of the People of London’* and his assertion that the onset of

old age and inability to work were the principal causes of poverty was one of the driving forces behind the passing of the 1908 Old Age Pension Act (Whelan and Maitre, 2008). In more recent times, the concept of social protection from the 'cradle to the grave' as coined in 1942 Beveridge Report has become a common concept in academic and social policy discourse (Cain, 2009). However, what is actually meant by the lifecycle, why is it at the forefront of social policy discourse in the 21st Century and how can it contribute to our understanding of poverty?

Cain (2009) states that the meaning of the 'lifecycle' is twofold: In the first instance, the lifecycle reflects a continuum of age stages where the needs of an individual changes through their life, from conception to death. However, changing needs are not purely linked to chronological age and an individual does not conform to a linear sequence of life stages solely related to age. Therefore, in the second instance, the term lifecycle refers to the different stages and events of life which an individual or household passes through, and which often bring with it a different status given to individuals such as becoming unemployed, disabled, a lone parent or a widower etc (Cain, 2009).

Traditional welfare state intervention was designed to cater for well defined risks relating to short-term unemployment or lack of resources in childhood or old age. However, in more recent times 'the perception that changing life trajectories under globalisation have led to the emergence of 'new risks' dovetails with an emerging emphasis on the need to re-orient social policy towards flexibility and the individualisation of responsibility' (Gray, 2010: 13).

Whilst traditional factors such as gender, education and social class intersect with chronological age and life stages and continue to play a very significant role in exposure to poverty and social exclusion, 'new' risks according Taylor-Gooby (2004) are largely related to entering the labour market and establishing a position in it, as well as care responsibilities primarily at the stage of family building. Their emergence is linked to increased instability in career and family life, increased participation of women in the labour force and higher levels of marital breakdown to name but a few. 'New' risks therefore involve work and family and broaden the scope for state intervention 'into areas of life concerned with care and work-life conflict that had previously been seen as private from an 'old' risks perspective' (Taylor-Gooby, 2004: 8). The growing emphasis on the de-standardisation of everyday life, that is, a move away from events

and the sequences and the manner in which they occur becoming less consistent, and the ideas about what constitutes a normal biography being in flux means that the nature of lifecycle processes has been transformed on account of the emergence of substantial variation in the age patterning of events (Whelan and Maitre, 2008). However, Gray (2010), notes that these trends towards increased variability in the timing and sequences of events must be placed in the context of a longer trend towards greater predictability across the lifecycle as improvements in mortality, coupled with a greater ability to control fertility make it increasingly possible for people to plan their lives (Gray, 2010).

Whelan and Maitre (2008) point out that the lifecycle approach is a perspective that offers a means of interpreting and understanding important social and economic changes. It provides an opportunity to analyse issues in a new way because it links different life events whilst taking account of the interrelated nature of social risks and the manner in which risk processes unfold over time. Indeed whilst 'all modern welfare states redistribute resources over the life course...the lifecycle approach encourages us to ask whether such redistribution is occurring in a manner that effectively reconciles economic and social objectives (Whelan and Maitre, 2008: XII).

The development of new risks and the complexity of already existing risks raise key questions for economic and social policy. Changes in the nature of risks and the interactions between them suggest that policy needs to be able to respond to these risks, otherwise it runs the possibility of reinforcing rather than alleviating the very problems they are designed to overcome. The lifecycle perspective whilst not a panacea, in that it does not offer a readymade set of prescriptions for poverty and social exclusion, does nevertheless offer a set of lenses through which to look at such issues and can be useful as a framework in developing proactive socio-economic policies that better fit the changing lifecycle of individuals (OECD, 2007).

### **Adopting the Lifecycle Perspective in Ireland**

In 2005 *The Developmental Welfare State* (NESC, 2005) sparked renewed interest in the lifecycle in Ireland and called for a new line of thinking in Irish social policy with regard to income supports, activation measures and services at different stages of the lifecycle. The report highlighted the fundamental role that a lifecycle

perspective can play in judging the adequacy and effectiveness of social protection (Whelan and Maitre, 2008). As the report itself states 'a fundamental standpoint from which to judge the adequacy and effectiveness of overall social protection is to assess the risks and hazards which the individual person in Irish society faces and the supports available to them at different stages in the lifecycle (NESC, 2005: 226). The Council's report identified 5 stages in the lifecycle: 0-17; 18-29; 30-64; 65+ and people challenged in their personal autonomy.

With regard to children, NESC highlighted the need to give priority to the poorest children in the state in the allocation of further resources for child income support and that no child should be refused access to services essential to his or her development because of insufficient parental income (NESC, 2005). When focusing on those of working age the Council found it useful to distinguish between those of working age who are challenged in their autonomy due to a disability or long standing health problems and also to distinguish within the long period people are considered to be of working age – between young adults (18-29) who must make several key transitions (into the labour market, independent living, parenthood) and what might as the report terms 'anchor' adults (30-64) who usually bear a core set of responsibilities (mortgage, child rearing etc) (NESC, 2005: 226).

Focusing on those aged 65+ the NESC report acknowledged that 'across the lifecycle, it is in retirement that income transfers have least or nil disincentive effects on recipients' labour market participation. In other words, retired people living in poverty can do almost nothing anymore to avoid poverty' (NESC, 2005: 226). Therefore, the Council recommended that priority be given to increasing the rates of the Contributory and Non Contributory Pension in order to combat poverty and social exclusion at this stage of the lifecycle.

The 2005 NESC *Developmental Welfare State* report called for differentiated thinking, tailored universalism and the need to avoid thinking of social expenditure in a residual fashion and to understand the mutually reinforcing nature of economic and social investment (Whelan and Maitre, 2008).

Since the 2005 NESC report, other reports have adopted a lifecycle approach, using it as the foundations upon which a new social policy approach is to be built. *Towards 2016* (Department of the Taoiseach, 2006) was one such Government report that used the lifecycle

approach for a better understanding of poverty and social exclusion. In *Towards 2016* (2006) the key lifecycle stages identified are Children, People of Working Age, Older People and People with Disabilities. Within each of these stages a number of targets across various areas such as income, health and access to employment etcetera have been set out. With regard to children for example, the report set a target that the combined value of Child Income Support (CIS) measures be set at 33-35 per cent of the minimum adult social welfare payment rate (Department of the Taoiseach, 2006: 45). Similarly, for older people, the report called for the 'enhancement of social welfare pensions over the period, having regard to available resources, building on the existing Government commitment for a rate of €200 per week for social welfare pensions to be achieved by 2007' (Department of the Taoiseach, 2006: 60).

'*Towards 2016*' acknowledged that translating the lifecycle framework into such explicit policy terms was an ambitious exercise, however it argued that it offered the potential for a more 'streamlined, outcomes-focused approach to monitoring and reporting on progress within social partnership across key national strategies and for improved availability and use of data' (Department of the Taoiseach, 2006: 40).

Following on from '*Towards 2016*', *The National Action Plan For Social Inclusion 2007 – 2016* (NAP inclusion, 2007) has also adopted the lifecycle perspective to achieve its overall poverty goal of reducing the 'number of those experiencing consistent poverty to between 2 per cent and 4 per cent by 2012, with the aim of eliminating consistent poverty by 2016' (2007: 13). NAP inclusion identified 5 key life cycle groups: The following are the 5 groups identified: Children; People of Working Age; Older People; People with Disabilities and Communities.

The report stated that the main emphasis on using the lifecycle approach is on:

- Ensuring children reach their true potential
- Supporting working age people and people with disabilities, through activation measures and the provision of services to increase employment and participation
- Providing the type of supports that enable older people to maintain a comfortable and high-quality standard of living

- Building viable and sustainable communities, improving the lives of people in disadvantaged areas and building social capital (2007: 24).

The NAP inclusion 2007-2016 set out a wide ranging programme of action to address poverty and social exclusion and further increased the prominence of the lifecycle perspective in official Government lifecycle policy by placing the 'individual at the centre of policy development and delivery' (Government of Ireland, NAPS, 2007:21).

Whelan and Maitre (2008) in their study *'The Life Cycle Perspective on Social Inclusion in Ireland: An Analysis of EU-SILC'* take a different approach to the lifecycle in that they set about using the lifecycle perspective to analyze the 'variation over the lifecycle of both availability of economic resources and the needs to which such resources must be devoted and the consequences of such outcomes in terms of a dynamic and multidimensional concept of social exclusion' (Whelan and Maitre, 2008: 13). To this end, they used the 2005 EU-SILC data to assign individuals to stages that are guided by the lifecycle literature. In defining the stage in family life for each individual the following set of categories were used:

- Children age < 5 years.
- Children age 5 – 17.
- Living with others – working age.
- Living with partner (married or cohabiting) – working age 18-49 years
- Lone parent.
- Living with partner and children.
- Living alone – working age.
- Living with partner – working age 55-64 years.
- Living with partner – older people.
- Living with others – older people.
- Living alone – older people

Overall, Whelan and Maitre's (2008) study demonstrated that lone parent households, those living alone, children, and older people living alone are relatively consistently disadvantaged and that exposure to specific forms of deprivation varies across the lifecycle. In contrast, those aged less than fifty and living with a partner but



without children are, by some margin, the most advantaged lifecycle group.

The study also found that the lifecycle group most at risk is to an important extent dependent on the social outcome on which one focuses. They note that older people for example show significantly higher levels of 'at risk of poverty' rates than 'consistent poverty' levels and that their situation in relation to 'at risk of poverty' is fundamentally related on the level at which state pensions are set. In contrast consistent poverty is affected by a much broader range of factors including housing cost, benefits-in-kind and support from family members (Whelan and Maitre, 2008:99).

Undoubtedly, the lifecycle perspective has become popular in Irish social policy discourse and this reflects the growing need for welfare states to be able to cope with not only 'old' risks but also be able to cater for 'new' risks that have emerged due to a changing social and economic environment. However, as Whelan and Maitre (2008) note, overall lifecycle differences represent only part of the picture and the impact of socio-economic factors, such as educational qualifications on poverty and social exclusion should not be ignored. Furthermore, Whelan and Maitre highlight that the development of a full-blown lifecycle perspective calls for longitudinal data that goes further than what is available in the Irish situation and that 'while the notion of 'dynamic interrelated risks' has considerable analytical potential, from a research perspective it is demanding in terms of the quality and type of data and the sophistication of forms of analysis required to deliver on that potential (Whelan and Maitre, 2008: 97).

### **Social Protection Measures in Ireland during Childhood**

Ireland's social protection system is often referred to as hybrid in nature due to its combination of means-test, insurance based and universalist income supports and service arrangements. Whilst the State is not the only actor in providing social protection, it is nevertheless the principal one. It alone can guarantee standards and coverage for the entire population. The essence of social protection as provided by the State is often considered to be what is done by way of income transfers. However, access to services is also fundamental to enjoying social protection (NESC, 2005). The NESC Report (2005) also points out that social protection includes a lot of measures to prevent people who are not in poverty from falling into poverty and that 'social spending on preventive programmes from which the non

poor benefit frequently take the form of tax expenditures (it is easy to 'give' money to non poor by reducing their tax liabilities)' (NESC, 2005: 40). As Walsh points out *'welfare and tax policies are the most tangible government instruments to respond to poverty trends and are central to the preparation of anti-poverty policies, especially for groups outside the labour market such as children and older people'* (Walsh, 2007: 13).

The point made by Walsh (2007) is reinforced by data from the 2009 EU-SILC which highlights the impact that social welfare transfers have on individuals' ability to cope with poverty and social exclusion. In 2009 almost 27 per cent of overall gross household income (€56,522) was made of social welfare transfers. Overall, the 'at-risk of poverty' rate when social transfers were excluded was 46.2 per cent, falling by more than two thirds to 14.1 per cent when all social transfers are included (CSO, 2010: 36; Social Justice Ireland, 2011: 58-60). From these figures it is apparent that social welfare transfers play a pivotal role in bringing people out of poverty. Without state intervention, Fitzgerald (2001) argues, there would be a far more unequal command over resources in our society.

The next stage of this literature review will look at social protection measures in Ireland for children, the first stage of the lifecycle. It is insightful to examine supports specifically targeted at children as any benefits for children will in reality be received by their parents or guardians and therefore have an impact on household income.

### **Child Income Supports in Ireland**

Child poverty is measured as the proportion of all children aged 17 years or younger who live in households that have an income below the 60 per cent of median income poverty line. The 2009 EU SILC survey indicates that children are the most at risk of poverty age group and 18.6 per cent of children were at risk of poverty in 2009. The rate in 2008 was 18.0 per cent (CSO, 2010). The Government uses a number of child income support programmes, as listed in Table 1 below, to assist households with children and to help alleviate the risk of poverty. According to the 2010 Report *'A Policy and Value for Money Review of Child Income Support and Associated Spending Programmes'* the two primary objectives of child income support policy are:

*‘...to provide, through a range of payments, assistance to all households with children in recognition of the higher costs incurred in child-raising and child care in a way which allows choice to parents in how this is undertaken, and targeted assistance to low-income households with children in a way which minimizes labour market disincentives or positively contributes to labour market participation in order to reduce poverty in such households’ (Department of Social Protection, 2010: 42).*

The 2010 *‘Policy and Value for Money Review’* draws attention to what it terms ‘horizontal redistribution’, that is universal assistance with the cost of child-raising to all families and ‘vertical redistribution’ which is targeted child-related assistance to families who are at risk of poverty. Child Benefit it notes is associated with the ‘horizontal redistribution’ objective while Qualified Child Increases (QCI’s) and Family Income Supplement (FIS) are associated with the ‘vertical redistribution’ objective (Government of Ireland, 2010).

*Table 1: Child Income Supports\**

<i>Type of Support</i>	<i>Name of Support</i>
Cash Payments through the social welfare system	Child Benefit
	Early Child Care Supplement (replaced in 2010 by ECCE - Early Childhood Care and Education Scheme)**
	QCIs (Increases to primary welfare payments linked with dependent children)
	Back to School Clothing and Footwear Allowance
	Family Income Supplement
	Guardians Payment
	One Parent Family Payment
	Maternity/Health and Safety Benefit
	Domiciliary Care Allowance
	Widowed Parent Grant

*Table 1: Child Income Supports\* (contd.)*

<i>Type of Support</i>	<i>Name of Support</i>
Cash equivalent supports provided through the tax system	Home Carers Tax Credit Exemption of CB from income tax Exemption of foster care payments from income tax One parent family tax credit Widowed parent tax credit
Other supports (including childcare related payments)	Early Childhood Care & Education (ECCE), Community Childcare Subvention Scheme 2008 – 2010 (CCSS) School meals programme Foster Care Allowance Capital allowances for childcare facilities Income tax exemption for childcare service providers Exemption of employer-provided childcare from benefit-in-kind charge

**Source:** Department of Social Protection 2010: 68.

\* It should be noted that not all families with children receive all of the supports set out in this table.

\*\* The ECCE Scheme is not a cash payment to parents. The State pays a capitation grant to participating childcare providers to cover the cost of 1 year of early childhood care and education. Children are eligible for the ECCE scheme if they are aged between 3 years 2 months and 4 years 7 months on 1st September of the year that they will be starting.

Sweeney (2008) points out that the 1986 Commission on Social Welfare (CSW) examined child income supports in-depth and that the basic contours of the social protection system that were conceptualised in the report continue to shape the current system. He highlights that the CSW rejected two extreme positions: (1) that the State is responsible for the full cost of child rearing, regardless of their families' resources and (2) that child income support provided by the State should only be given to a small group of low-income families. Instead, the CSW believed that the State should make 'a

contribution' to the income of all families but 'full provision' for children in families wholly reliant on social welfare (Commission on Social Welfare, 1986: 293).

Child Benefit, then known as Children's Allowance, was seen by the CSW as the instrument through which the State makes 'a contribution' to the costs of rearing children. However, the CSW did not, as Sweeney (2008) points out, address the question of the proportion of the cost of child rearing that should be socialised in this way. The CSW recommended that the then rate increase in real terms, noting it had been allowed to decrease from its peak in 1982 (Sweeney, 2008).

Child Dependent Allowances and Child Benefit were seen by the CSW as the instruments through which the State would cover the full costs of child rearing for families' dependent on social welfare. The CSW did not however try and establish the cost of rearing a child directly but deduced it instead by applying the appropriate equivalence scale to what constituted a minimally adequate weekly income for an adult (Sweeney, 2008). However, the failure of the CSW to examine what would be an adequate level of support for children was criticised by Callan et al., (1996) as it 'meant that a clear recommendation about child income support rates, to go alongside the recommendations on support rates for adults, could not be made – a serious drawback' (Callan et al., 1996).

### **Broad Critique of the Current Child Income Support System**

There has been much invested in child income supports since the CSW and in particular over the last decade to tackle child poverty. Despite a reduction in spending in 2010, total spending is estimated to represent 2 per cent of GDP which compares with roughly 1 per cent at the beginning of the decade. Indeed, the 2010 '*A Policy and Value for Money Review*' highlights that total expenditure on CIS payments since 1997 to 2008 had risen fourfold (from €900 million to €3.6 billion when the Early Childcare Supplement and the Back to School Clothing and Footwear Allowance are included). Whilst a rise in the number of births and migration played a part, increases in the rate of Child Benefit was the most significant factor in increased child income support spending (Department of Social Protection, 2010).

It is evident that child income supports have played a role in reducing child poverty. The 2010 '*Policy and Value for Money Review*'

cites an ESRI report<sup>3</sup> which suggests that child/family allowances affect the poverty rate in three ways (Department of Social Protection, 2010: 147):

- Firstly, along with other transfers, they reduce the poverty headcount by bringing households above the 'at risk of poverty' line (especially for those in the second income decile).
- Secondly, they reduce the 'depth of poverty' for very low incomes even if they are not sufficient to reduce the poverty headcount (especially for the first income decile).
- Thirdly, they offset the impact of taxes on disposable incomes which given the absence of tax credits for children (similar to those of adults) would otherwise have pulled incomes below the 'at risk of poverty' line.

Indeed, a report by UNICEF underscored the importance of child income supports in Ireland. The report demonstrated that whilst most countries would have child poverty rates of approximately 10 per cent to 15 per cent without government intervention and aid, Ireland's rate would increase to 34 per cent. Without benefits from social welfare payments and the use of tax exemptions, child poverty rates in Ireland would be three times greater than countries like Denmark and the Netherlands (UNICEF, 2010). Social Justice Ireland's poverty analysis has also highlighted the major role of social welfare transfers in reducing poverty and child poverty (2011:59).

However despite substantial increases in spending and investment in child income supports, child poverty remains stubbornly high in Ireland with 18.6 per cent of children considered to be at risk of poverty (CSO, 2010). The Children's Rights Alliance (2010) point out that even in 2006, when the country reached full employment, the number of children living in consistent poverty remained high at 11 per cent, despite the significant investment in child income supports during the boom years. In the same year the relative income child poverty rate stood at 19% (Social Justice Ireland, 2011:48).

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<sup>3</sup> Russell, H. Maitre, B. and Nolan, B., 2011. *Monitoring Poverty Trends in Ireland 2004 – 2007: Key Issues for Children, People of Working Age and Older People*. pp. 30-55.

There are numerous reports that have highlighted and documented how poverty damages children's lives in many ways. Though inadequate income is at the problem's core, it is the knock-on effects – exclusion from participation in everyday activities like education and play, poor quality housing and delayed access to healthcare and other services that can be detrimental to a child's future. It is argued, that the longer a child is poor, the greater the deprivation he or she is likely to experience in later life. Poor children become poor adults and the cycle continues, influencing the life chances of the next generation and the one after that (End Child Poverty Coalition, 2011).

Despite significant resources being spent on child income supports; there are a number of weaknesses in the system. It is argued that Child Benefit alone does not provide adequate support to children in families with low incomes. Qualified Child Allowances, if increased, risk creating an employment disincentive, while Family Income Supplement is complex by nature and its take up is low<sup>4</sup> (Children's Rights Alliance, 2010:3).

Several reforms of the system have been suggested that have included among others the introduction of a second tier child income support payment, which would replace FIS and QCI, and would give priority to low income households in allocating additional resources and would treat low income families equitably. Where a family income is below a certain threshold, the family receives a maximum payment per child, in addition to Child Benefit for that child. Unlike Child Benefit, however, this second level payment is not universal but gradually withdrawn accordingly as family income is higher than the set threshold. Therefore, families with high levels of income would only receive Child Benefit, whereas low income families would receive Child Benefit and the second tier payment (Sweeney, 2008: 73).

Other recommendations for reform have also been put forward, most recently in the Department of Social Protection's *'A Policy and Value for Money Review'*<sup>5</sup>. Whilst the review suggests that a mixed approach be maintained into the future, it suggests that the social

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<sup>4</sup> For an overview of CIS programmes and how they operate see Department of Social Protection (2010) Chapter 3 'CIS Programmes- broad description and spending trends' in *'A Policy and Value for Money Review of Child Income Support and Associated Spending Programmes'*.

<sup>5</sup> See pages 287 - 291 of the Review for an overview of recommendations.

welfare system could be tweaked in several places to improve outcomes and efficiencies: 'there remains some potential within the current system of income supports to make the system more effective in targeting child poverty without significantly weakening the level of assistance to all families' (Department of Social Protection, 2010: 291). The Review also recommends that more research is needed around the cost of a child and to what extent Child Benefit provides assistance with child raising. The next section of this literature review therefore focuses on literature relating to the cost of a child and whether Child Benefit should be age related.

### **The Variation of Expenditure across Childhood**

The cost of a child has remained a central theme in the ongoing debate on child income supports and it must be noted that since the 1986 CSW there have been a number of studies, using different methodological approaches that have attempted to establish the cost of a child in Ireland<sup>6</sup>.

In 1994 the Carney et al., study '*The Cost of a Child*' used the budget standards approach to examine direct costs associated with children e.g. food, clothing and education etc. The methodology for this study drew on previous family budget studies and particularly those of the UK Family Budget Unit. The budget standards approach, according to Carney et al., 'attempts to combine both absolute and relative concept of need [and]...combines both an assessment of physical needs and of social norms' (Carney et al., 1994: 5).

Whilst the study included direct costs associated with children and also costs associated with participation in society in the belief that what constitutes a minimum is more than just physical requirements for mere survival, it excluded costs shared in common with parents such as housing, heating, household furniture and equipment (other than furnishings for a child's room) as well as usage of the family car (Carney et al., 1994). More interestingly, the study also excluded indirect costs such as the income foregone by parents providing full-time care, or the cost of substitute childcare where parents work outside the home. Taking place before the growth of the Celtic Tiger economy, at a time of high unemployment and low rates of married females in particular in the labour market,

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<sup>6</sup> For example see Bargain, Donni and Gbakou, 2010. *The Measurement of Child Costs: Evidence from Ireland. The Economic and Social Review Vol.41. No. 1.*



the impact of excluding childcare costs were dramatically less than subsequently (Corrigan, 2004). Indeed this point is exemplified by research by the VPSJ (2009) which found that full-time childcare costs for a three year old in a private crèche and after school care for a ten year old ranged from €255.64 per week in urban areas to €208.10 per week in rural areas.

The 1994 study presented two estimates of the direct individual cost of rearing a child in Ireland: (1) Basic Minimum Budget Standard which provides for a basic diet, a modest wardrobe, essential schooling costs and limited spending on recreation, outings, holidays and gifts; and (2) a Modest-but-Adequate Budget Standard which provides for a more varied diet, for increased spending on toys and gifts and for additional expenditure such as pre-school participation and a visit to the Gaeltacht (Carney et al., 1994: 12).

Using the Basic Minimum Budget Standard, the study found that the average cost of rearing a child under this budget amounted to approximately £30 per week in 1992. However, as was noted in the study, these costs 'differ considerably depending on the age of the child' (Carney et al., 1994: 13). Using the Modest-but-Adequate Budget Standard, the cost of a child also rose steadily depending on the age of the child and amounted to £24.90 per week for those under 1 year to £49.15 per week for those age fifteen years and upwards. When compared against child support payments provided by the State the study found that:

*Child support payments provided by the State are falling short of even the minimal expenditure associated with the upbringing of a child. The study also demonstrates that the costs of rearing a child rise considerably with the age of the child and are about as twice as high for teenagers as they are for younger children (Carney et al., 1994: xii).*

In 2009 Harvey, on behalf of Barnardos published a 'Cost of a Child Briefing Paper' in which he used the Carney et al., (1994) data to determine a comparable cost of a child figure for 2009. Harvey (2009)<sup>7</sup> used the same methodology as Carney et al., (1994), revised in light of inflation (and deflation), but did not take into account changes in patterns of household spending since the fieldwork was done in 1992.

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<sup>7</sup> Figures relating to Harvey (2009) are represented in Euro and pre 1999 figures have been converted to Euro.

Table 2 below outlines the weekly cost of child in 1992 and 2009 for the Basic Minimum Standard and the Modest but Adequate Standard.

*Table 2: Cost of a Child 1992 and 2009*

<i>Basic Minimum Standard</i>			<i>Modest but Adequate Standard</i>		
<i>Age</i>	<i>1992</i>	<i>2009</i>	<i>Age</i>	<i>1992</i>	<i>2009</i>
Child 0 - 6	€26.28	€39.70	Child 0 - 6	€34.79	€52.55
Child 7 - 12	€36.18	€54.65	Child 7 - 12	€46.60	€70.40
Child 13 - 18	€47.48	€71.72	Child 13 - 18	€61.32	€92.63
<i>Average</i>			<i>Average</i>		
<i>– all ages</i>	€28.60	€43.20	<i>– all ages</i>	€39.90	€60.29

**Source:** Harvey, 2009: 2

Harvey also compared the level of Child Benefit in 1992 against 2009 in the context of the cost of a child in these two years and found that whilst Child Benefit improved considerably between 1992 and 2009 ‘at no stage has [it] ever met the full cost of rearing a child ... but was within sight (€1.39) of the cost for a child under 6 under the basic minimum standard’ (Harvey, 2009:6). Table 3 details weekly cost of a child in 1992 and 2009, and the value of Child Benefit in these two years.

The aforementioned studies have shed light on the cost of a child and in particular the fact that costs increase as children get older. Other studies too have also highlighted that the cost of a child varies across the lifecycle. The VPSJ in their 2006 study ‘*Minimum Essential Budgets for Six Households*’ demonstrated that costs increase when there is an adolescent in the household. This study, using the Consensual Budget Standards approach, examined the cost of a minimum essential standard of living for six household types in urban areas. Although this study did not individualise costs for each household member, but rather examined expenditure for a household as a whole, it nevertheless drew attention to the fact that certain areas of expenditure such as food, clothing, education and social inclusion and participation rose considerably for households with an adolescent when compared to a household with younger children (VPSJ, 2006). To that end, the study recommended Child Benefit should be increased, making a ‘particular allowance for the additional costs of teenage children’ (VPSJ, 2006: 90).

Table 3 Weekly Cost of a Child 1992 and 2009 and the Value of Child Benefit for these Years

Age	Basic Minimum Standard			Modest but Adequate		
	1992 Cost	1992 CB	2009 Cost	2009 CB	1992 Cost	2009 CB
Child 0 - 6	€26.28	€4.63	€39.70	€38.31	€34.79	€52.55
Child 7 - 12	€36.18	€4.63	€54.65	€38.31	€46.60	€70.40
Child 13 - 18	€47.48	€4.63	€71.72	€38.31	€61.32	€92.63
Average - all ages	€28.60	€4.63	€43.20	€38.31	€39.90	€60.29

Source: Harvey, 2009: 5

To date however, there has been no change in social welfare policy in relation to higher costs associated with adolescence, and the Back to School Clothing and Footwear Allowance is the only social welfare payment that is paid at a higher rate for older children. However, whilst these studies mentioned have highlighted the increased costs associated with adolescence, the 2010 *'A Policy and Value for Money Review'* by the Department of Social Protection points out that it is also the case that there are additional costs associated with younger children that may not arise in the case of older children such as childcare and that more illnesses are associated with early childhood and consequently healthcare and caring responsibilities in the home are greater during early childhood years (Department of Social Protection, 2010: 168).

The review also goes on to state that it could be argued that 'the practical effect of different payment rates would be muted by the fact that the spread of children's ages in a single family in effect achieves a similar effect to paying different payment rates for different ages' (Department of Social Protection, 2010: 168).

It is apparent that debates regarding the cost of a child and adequacy and appropriateness of social welfare payments would benefit from more up-to-date research on the cost of a child across the lifecycle. Indeed, the 2010 *'Policy and Value for Money Review'* recognises the need for such research:

*'In order to better understand policy development into the future, the review recommends that the Department of Social Protection should seek to ensure that estimates around the cost of a child are updated using the direct budget standards method (using an agreed minimum budget as well as higher standards) and the more indirect methods such as analysis of the household budget survey. These should allow for better understanding of the links between equivalence scales (used in the measurement of household income and poverty) and direct estimates of the cost of a child and therefore provide a better understanding of the extent to which Child Benefit provides assistance with child raising'* (Government of Ireland, 2010: 112).

### **Child Income Supports and Child Poverty**

Whilst the previous section focused on child income supports and the cost of a child, Sweeney (2008) draws attention to the fact that countries with low child poverty rates tend, in fact, not to have relied

on a 'magic bullet', but rather have focused on good services for children and good child income supports, high employment rates and good adult social welfare payments (Sweeney, 2008: 47). Child poverty cannot, Sweeney (2008) argues, be looked at in isolation from poverty as a whole and any policies aimed at reducing child poverty must also acknowledge the link between adult poverty and child poverty.

Sweeney (2008: 47) puts forward four propositions that he argues are central to advancing Ireland's overall strategy 'for reducing, even ending, child poverty':

- Families on low incomes need to have access to quality services for their children even while – or if – they remain on low incomes;
- Parental well-being is a major mediating factor determining whether and how low family income impacts negatively on child wellbeing, it needs to be independently addressed;
- Ensuring parents can earn without sacrificing their caring responsibilities remains the single best route to keeping children from poverty;
- Adult welfare payments influence 'children's incomes' as much, or more, than child income supports.

These propositions, Sweeney argues, contextualise the role of child income supports but they do not negate the vital role they still have to play. 'It remains the case that low household income can, and does, blight childhood, [and] that too many children in Ireland are still being reared in households with seriously low incomes' (Sweeney, 2008: 47).

Corrigan (2004) also points to the need to support families, not just children, if child poverty is to be reduced. Children, Corrigan argues, are not independent economic units and that any policy in respect of child income must be seen primarily in the context of supporting families with children. Children are rarely considered poor in their own right, but 'they are poor by virtue of living in poor households' (Corrigan, 2004: 28). Therefore, policies relating to child poverty and child income supports cannot be looked at in isolation from overall poverty objectives. Failure to take a holistic approach may result in policies inadvertently becoming part of the very problems they were designed to overcome.

It is evident from the literature that child income supports play an important role in addressing poverty; however these supports must be framed in the context of the households that receive them. Children are not independent of their parents and child poverty is intrinsically tied to parents' employment and socio economic status. Consequently, children and child poverty should be examined in the context of households as a whole. The review of literature on the aspects of the lifecycle therefore leads to the question at the centre of this study - what level of income is needed to allow households at different stages of the lifecycle experience a minimum essential standard of living.

## Methodology

### Central Research Question

*What level of income is needed to allow households at different stages of the lifecycle experience a minimum essential standard of living?*

To answer the central research questions, this project:

1. Broadens the number of households examined in previous studies by the VPSJ (2006, 2010) by compiling detailed MESL expenditure budgets for three individual types not included in the previous studies. These are:
  - A nine month old baby
  - A nineteen year old unemployed, male, living in the family home
  - A single female, of working age

When the data from the six existing households, urban and rural (2006 and 2010), is updated and combined with that from the three new individual types, data is provided on the essential living requirements of individuals across the entire lifecycle from children to pensioners. The individualised data for the minimum expenditure requirements of parents and children is only established in order to facilitate examining households comprised of parent(s) and two children of different age groups.

2. Examines the income, taxation and social welfare systems to establish the gross income required by each of these households to achieve a MESL.

Reflecting the nature of the proposed study, three methodological stages are used:

- A. Field Research using a Consensual Budget Standards approach
- B. Desk based research - individualising existing aggregate household type data
- C. Desk based research to calculate Minimum Income Standards

### **Field Research using Consensual Budget Standards**

To gather data on the MESL required by the three additional individual types, a Consensual Budget Standards (CBS) approach was used. CBS '*aims to develop a standard which will be rooted in social consensus about goods and services that everyone ... should be able to afford*' (Bradshaw, et al., 2008). The approach therefore required the establishment of focus groups for each of the three different types - three focus groups per type.

The VPSJ, in its work of the past fifteen years, has developed a network of community groups across Ireland. Contacts from within these community organisations have been used in this study to provide a pool of potential focus group participants. Each focus group included people from differing socio economic backgrounds. The groups acted as their own budget standard committees where 'the actual expenditure choices and judgements that are made by people in real life on the ground, as they manage their money contributes to the final consensus' (Middleton, 2000: 62-3) on minimum essential living standard requirements. Experts were consulted when necessary (e.g. Nutritionists and Energy experts).

There are four phases in the focus group stage of the CBS process<sup>8</sup>:

#### *1. Orientation Phase:*

The initial phase explores the language, concepts and priorities that people use in thinking about spending and consumption. During this phase the group develops a working definition of a MESL and identified the difference between needs and wants.

#### *2. Task Groups:*

In this phase, each budget component is considered in turn (i.e. food, clothing, personal care, household goods, household services, social

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<sup>8</sup> For a more detailed description of Consensual Budget Standards see Middleton, S. (2000) and Bradshaw et al., (2008).



inclusion, fuel, transport etc). Each item is then categorised as essential, desirable or luxury. Together, the participants produce an agreed list of items. The lists are reconsidered. Are they too restrictive or too generous?

### *3. Costing Phase:*

The items agreed by the focus group are costed by the researchers to compile a minimum essential budget. In general up to two thousand individual items are priced.

### *4. Checkback Phase:*

The final phase is particularly important and it involves the rechecking of items and costs in order to reach a final consensus. Before this can be done, the consensus must be tested. Firstly, participants are asked whether they think the amount allocated to provide the agreed list of items, is too high or too low. Secondly, the group is asked how much they would be prepared to reduce the budget at the request of the Minister for Finance (Middleton, 2000: 63 64).

### ***Focus Groups – Field Work***

The VPSJ began using the consensual budgets approach in 2005 to arrive at the cost of a MESL for six household types. Since then each new study expanded the work of previous studies. In 2006 and 2010 the cost of a MESL was developed for 6 household types in urban and rural areas.

For the present study this approach was continued and focus groups were established for each of the new household and individual types:

- A nine month old baby
- A nineteen year old unemployed, male, living in the family home
- A single female, of working age

Three focus groups for each individual type were drawn from three different areas in Dublin and consisted of ten – twelve members from different social backgrounds. The remaining two groups for each household type were drawn from two of the rural villages used in the 2010 VPSJ study. These towns were similar in composition regarding

population, distance from the nearest major hospitals, and provision of public services (the lack of: a secondary school, major supermarket, bank, Garda Station).<sup>9</sup>

It became obvious during the focus group work in Dublin that there was considerable agreement about the items comprising the different budget expenditure categories e.g. food, clothing, household goods etc. The construction of budgets for rural households in 2009 showed that there were only minor differences between the expenditure items identified by urban focus groups and those selected by their rural counterparts. For this reason, and for considerations of time and cost, it was decided that it was sufficient to establish focus groups in just two rural areas for each household type.

In prior studies (2006 for urban households<sup>10</sup> and 2010 for rural households) detailed expenditure budgets were constructed for sixteen areas of expenditure – food, clothing, health related costs, household goods, household services, communications, household fuel, childcare, insurance, savings, contingences, housing, social inclusion and participation, education, transport and personal care. The focus groups in the 2011 study began their work by studying in detail the 16 budgets developed in 2006 and 2010. They came to the conclusion, in relation to two of the new household types – the household with the nineteen year old unemployed male living in the family home and the household consisting of the single adult female of working age that it was unnecessary to construct completely new budgets for twelve of the sixteen areas. They agreed that minor changes only needed to be made to twelve of these budgets and that completely new budgets were required for four expenditure areas – social inclusion and participation, education, transport and personal care. Regarding the nine month old baby it was decided that new budgets should be developed for each of the sixteen areas of expenditure.

To summarise:

#### *2006 and 2010 - Expenditure Budgets for Six Household Types*

Detailed expenditure budgets were developed for sixteen areas of expenditure - food, clothing, personal care, health related costs, household goods, household services, communication, social

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<sup>9</sup> Minimum Essential Budgets for Households in Rural Areas (VPSJ, 2010).

<sup>10</sup> Minimum Essential Budgets for Six Households (VPSJ, 2006).

inclusion and participation, education, transport, household fuel, personal costs, childcare, insurance, housing, savings and contingencies.

### *2011 – Expenditure Budgets for Three ‘New’ Household Types*

1. For 2 of these household types - the nineteen year old unemployed male living at home and the single female of working age:
  - Minor changes were made to twelve of the sixteen existing areas of expenditure - food, clothing, health related costs, household goods, household services, communication, household fuel, personal costs, insurance, housing, childcare, savings and contingencies.
  - New expenditure budgets were developed for the remaining four areas – social inclusion and participation, transport, education and personal care.
2. Household with a 9 month old baby:
  - Completely new budgets were developed for each area of expenditure.

### *Current Focus Groups - Description*

#### *Nine Month Old Baby*

These focus groups composed of parents of babies at approximately nine months. With one exception the parents attended without the child. The majority of the fifty five parents who participated were women.

#### *Nineteen Year Old Unemployed Adult Male Living in the Family Home*

In the course of preliminary discussions with nineteen year olds and their parents it became obvious that both the nineteen year olds and their parents recognised the need to establish two distinct groups for this particular household type. The fact that the nineteen year old in the study remained in the family home and were integral members of the family with a limited income meant that they would be catered for in household expenditure. The young people referred to the fact that while they contributed what they could to the family income their unemployed status meant that their contribution would be relatively small and that they would be dependent on their parents for most of their living costs. They recognised that they were unaware of some of the more hidden household costs e.g. insurance.

Many of the young people also pointed out that would be inhibited by the presence of their parents.

The parent group had no difficulty in understanding the position of their sons. They also said they would be freer to discuss the costs of a nineteen year old unemployed family member in the absence of their son. While parents expected their sons to contribute to the family's finances they did not want to embarrass the young man who through no fault of his own could only make an inadequate contribution. They were also strongly of the opinion that the young person still living at home were likely to be unrealistic about the cost of maintaining them in the family unit. Because of these considerations separate focus groups were established for parents and nineteen year old males.

There were five focus groups for this household type, of which two were composed of nineteen – twenty year olds. The remaining participants were parents.

#### *Single Female of Working Age*

It was relatively easy to establish focus groups in urban areas for this household type. In contrast to the urban areas this study was unable to establish a MESL for single women in the rural areas. The majority of single women in rural areas leave the area to live in larger towns in which there are greater prospects for employment. The majority of single women of working age in rural areas were working in rural areas with a population exceeding four hundred. Single women of working age were not present in significant numbers in the rural villages from which the other rural focus groups were drawn. As it was not possible to establish focus groups of even six – eight participants it was decided not to develop MESL budget for this group – single women of working age living in rural areas.

The work with focus groups took place in February 2011. The pricing of the items in each expenditure area was completed in March 2011 and took place in shops identified by the members of the focus groups.

#### *Minimum Essential Standard of Living – Establishing a Group Consensus*

An understanding of what constitutes a minimum essential standard of living is at the core of this project. Each focus group spent time discussing this concept to arrive at a shared understanding. The

group studied the 1948 UN description of an adequate standard of living – ‘a standard which meets and individual’s physical mental, spiritual and social wellbeing’ and the NAPS definition of poverty (2007:20).

Time was also given to developing a shared understanding of minimum, and of the difference between needs and wants. In the course of discussion, focus groups, in addition to the obvious need for food, clothing and housing, identified access to education and health services as essential needs. Opportunities for social participation were also recognised as integral to this standard. Reference was made to the consequences of not having sufficient resources to socialise such as family breakdown, anti-social behaviour of young people and depression, in particular among elderly people. Participants also insisted that a minimum essential standard of living should allow for the allocation of a sum of money to ‘savings’. As one focus group participant stated:

*“If you have nothing in the Post Office or in the Credit Union what’s going to happen when something unexpected happens? You will be in trouble”.*

Participants in the focus groups had no difficulty in accepting the UN definition as a working description of a minimum essential standard of living. In order to avoid the possibility of basing decisions on the experience of particular individuals within the group, posters were displayed of each household type. The work of the focus group was directed towards a ‘case history family’ - on what they required at a minimum level to achieve a minimum essential standard of living. The consensual budget approach focuses on a negotiated consensus on the needs of particular household types in each budget expenditure area – e.g. clothing, education. The emphasis is on the need for particular expenditure in order to achieve a MESL not on actual spending patterns of focus group members. Since the focus groups consisted of people from a variety of socio-economic backgrounds the actual expenditure on different areas of household budgets e.g. food and clothing etc would vary according to household income. However, in the consensual budget standards approach the emphasis is on what is required a minimum but acceptable standard of living.

As was already explained in the focus group description for the 19 year old it was necessary to establish two separate focus groups

for this household type, parents and young adults age 19. Because of the focus on minimum standards and on needs rather than wants there were relatively few conflicting findings. When there was a difference in responses e.g. transport - it became clear that the majority of the young people were aware that the transport costs which they met were largely confined to travel associated with socialising. They had to be reminded of the more hidden transport costs e.g. journeys in the family car to the doctor for households in rural areas. The focus group work with the first group of parents and the first group of young people helped to identify the items where a consensus would need to be negotiated between the two groups e.g. food and clothing. As the discussion continued in the focus groups it became clear that there was an understanding of 'who paid for what'. The parents tended to meet the cost of basic items and the young person was responsible for expenditure on social participation and for discretionary items such as brand name clothing. Because of the very limited income of the young unemployed person parents recognised that they had no alternative but to meet the more basic needs of their son.

### **Individualisation**

At the heart of the previous research, which this study builds on, are the socially agreed upon minimum budgets which are required to enable a minimum essential standard of living. These budgets establish itemised baskets of goods and services for a range of household types, in urban areas (VPSJ, 2006) and rural areas (VPSJ, 2010), through dialogue and social consensus. The baskets were established for aggregate household types, and as such do not, in their current format, provide the cost of a minimum essential standard of living for each household member on an individual basis.

This project seeks to establish the cost of a minimum essential standard of living across the lifecycle, covering a broader range of child age groups than those established in the previous research. Therefore further focus group research was undertaken for additional individuals, including children in new age groups. In order to maximise the utility of the new data and to enable a more robust examination of changing minimum expenditure requirements across phases of childhood, it was determined that it would be necessary to individualise the aggregate household data. To that end, the minimum expenditure requirements for each child age-group,

and for parents, is derived from the existing data, producing minimum expenditure budgets for three child age-groups, and a two-parent and one-parent head of household. These individualised budgets (updated for inflation) can then be examined in combination with the new data gathered in this research. They are examined in the context of two child households across seven age-group combinations, in both two and one-parent households, for urban and rural areas, amounting to a total of twenty-eight household types with children.

In order to enable this integration of the new data and the expansion of household types examined, the existing household types with children from the previous research have been individualised. In all, six household types were individualised, three urban and three rural. The household types are:

- Two parents and two children (3 year old girl and 10 year old boy)
- Two parents and two children (10 year old girl and 15 year old boy/girl)
- One parent and two children (3 year old girl and 10 year old boy)

The product of disaggregating these household budgets is a set of minimum essential standard budgets, one for each of the component individuals. However it must be borne in mind that these individual budgets demonstrate the minimum requirements for individuals who are part of a larger household, and do not correspond to the minimum requirements of such an individual living alone, e.g. the single adult and one parent individual budgets will not be identical. Individualised component budgets are derived for the adults as parents in a household with children, and for the children as members of the family household. Individual budgets were determined for the following:

- Two parents (mother and father)
- A 3 year old, or pre-school age child
- One parent (mother)
- A 10 year old, or primary school age child
- A 15 year old, or second level age child

A direct itemisation methodology was followed in order to ascertain the minimum expenditure requirements of each individual from the aggregate household budgets. This method entails an item by item, examination of the budgets and allocating the expenditure on each item to the appropriate individual(s). Where an item is exclusively used by an individual all expenditure on the item is allocated to that individual's budget. For example, an examination of the clothing category examines each item and service within the household budget, expenditure on each clothing item for the ten year old child is allocated to the ten year old child budget, all expenditure on clothing for the fifteen year old is allocated to the fifteen year old budget, and so on.

This process for allocating exclusive items involves in-depth examination of the household budgets, but is transparent and applies across the budget categories. A clear logic and rationale is followed, if an item is exclusively for a particular individual within the household the full cost is then associated with that individual. This applies across all budget categories and items, from clothing and personal care, through health insurance and childcare, all the way to bedroom furniture and towels. However, in many budget categories items will be used / consumed by multiple members of the household and so the allocation of expenditure to each individual must be deduced through a different approach.

When examining budget items with shared and/or multiple consumption, an approach involving further examination was required. Many basket items are common across the aggregate household budgets, but the rate of consumption varies between the different household structures. Thus a differential method was adopted; in comparing the consumption of the same item across the households it was possible to derive the consumption rate for different types of household member. For example, by examining the difference in rate of consumption of a shared item, in this case toothpaste, between a one-parent household with a three and ten year old, a two-parent household with a three and ten year old, and a two-parent household with a ten and fifteen year old, it was possible to deduce the appropriate proportion of the cost of toothpaste to be allocated to each of the parents, and the three, ten and fifteen year old children. This differential approach was utilised for all such items of shared consumption where consumption varied by the age of the children in the household. Where no such variance



existed, a direct per capita division of expenditure was applied.

In examining the household budgets it became apparent that many of the items and services were for shared household use, required by the parent(s) and children as a family unit, and not solely specific to any one individual's minimum requirements. These family-unit expenditures occur within several of the household budget categories (household goods, household services, social inclusion & participation, transport, household fuel, personal costs, insurance).

The household goods category includes all household furniture, floor covering and textiles, household appliances, home maintenance and cleaning items, utensils, tools, and home safety items. Within this category certain items can be directly itemised, for example all the items associated with a bedroom from carpet, blinds and furniture through to duvet and pillow case. However, the remaining items are for the family-unit household generally, and as the expenditure is not specific to any particular individual it is instead allocated to the parental budget. This is regarded as reasonable as these areas of expenditure become a minimum requirement when the adult transitions from being a single adult, living alone, to an adult heading a household with children. The change in life-style and style of dwelling is associated with this transition to parenthood, and not with the child(ren) being a particular age. Excluding costs not directly attributable to a child from the child's budget, follows the example of the Carney et al. *Cost of a Child* study which does not include "costs shared in common with parents such as housing, heating, household furniture and equipment (other than furnishings for the child's room)" (1994: 12).

This rationale is also followed for other areas of expenditure. In the case of household services, e.g. waste charges and boiler service; with certain household items required within the context of social inclusion, e.g. garden plants and seasonal Christmas decorations; home heating costs in the household fuel category; charitable contributions in the personal costs category; home contents insurance and car insurance for those households with a car. In the case of transport, rural households require a car or car(s) due to the inadequacy of public transport options, the cars are used for accessing employment, local services, shopping, etc. and also for transporting children to school and activities. However, it proved overly complex to isolate the proportion of the cost of owning, maintaining and

running a car, to allocate to the transporting of children, and therefore the example of Carney, et al. (1994: 12) was followed and the entire cost of the car(s) was allocated to the parental budget.

The approaches outlined above were applied, as appropriate for each basket item, for the contents of fifteen expenditure categories. However, the food category necessitated a different approach. It is apparent from reviewing the existing aggregate household budgets that there are notable economies of scale in food expenditure. For instance, food expenditure for a pensioner couple is only 22.5% higher than expenditure for a female pensioner living alone (€82.71 and €67.50 respectively, for urban households at March 2011 prices). In similar research in the UK setting out to derive the cost of a child from consensual budget standard household data, Oldfield identifies food as an area of expenditure having “major elements of shared cost and so ... potential for economies of scale” (1997: 74). To correctly ascertain the distribution of food expenditure within a household unit Oldfield utilised the findings of research on the eating habits of families and the distribution of food intake across household members. This research by Nelson produced a ‘Family-values’ factor scale estimating the proportion of food consumed by each family member in terms of the “intake of the male head of household” (Nelson, 1986: 271).

*Table 4: Nelson Scale, to allocate distribution of food in household of adults and two children*

	<i>Male</i>	<i>Female</i>
Adult (18 +)	1.00	0.70
Teen (11 - 17)	0.91	0.81
Child (5 - 10)	0.73	0.61
Under 5's	0.51	0.48

**Source:** Nelson (1986: 271)

The Nelson scale was used here to derive the appropriate allocation of food expenditure to each individual budget. Applying the scale to each of the aggregate household budgets provided a breakdown of food expenditure by individual. Minor variances for individuals of the same type in different households were to be expected, and when this occurred the average value was taken (as was the case in the

individualisation of other budget categories). The proportional division was applied to the two-parent and one-parent households. For the two-parent households it was possible to apply the scale directly to aggregate households containing each of the child age-groups to be individualised. The scale was also applied to the aggregate one-parent household type. Due to the lower economy of scale in this smaller household the actual expenditure for each individual was higher, while the proportional allocation remained the same. No aggregate one-parent household with a fifteen year old existed, however utilising the Nelson scale it was possible to extrapolate the expenditure for a fifteen year old in this household type.

The aggregate households contained minimum standards for a three year old girl, ten year old boy and ten year old girl, and fifteen year old girl and boy. The individualisation process outlined above produced minimum essential standard budgets for each of these individual types and the parents. Thus, fully individualised budgets were produced for male and female ten and fifteen year olds. However, in an attempt to avoid over-complicating the final analysis of the data, and maintain a reasonable degree of clarity and accessibility in the results, it was decided to simplify the child individual budgets by eliminating gender as a factor. Therefore, final individual budgets for children are presented by age-group only. The virtue of this approach is that it greatly reduces the possible permutations of household type combinations by having only combinations of sibling ages to examine<sup>11</sup>. However, as with any aggregation of data an appropriate methodology must be applied, and some subtle nuances of the data will be lost.

Before finalising this decision, and selecting an appropriate method, the individualised minimum budgets for the male and female ten and fifteen year olds were compared to one another. The total minimum expenditure requirements for males and females were very close at both ten and fifteen years of age, for instance the minimum expenditure requirement of an urban fifteen year-old female is 98% of that of the male requirement. While the overall differences between budgets were small, and for the majority of budget categories there was no difference, the different needs of the

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<sup>11</sup> This still leads to a situation of seven age-group pairings examined in two-parent and one-parent household types, in urban and rural areas, and analysed in three income scenarios, producing eighty-four household with children scenarios in total

genders did lead to small, but notable, differences in several categories, particularly food and personal care. To ensure that the category breakdown of the individual budgets would continue to represent the full minimum requirements of both genders when combined into a single budget, it was decided that a simple arithmetic mean of the male and female budgets would be insufficient. Instead the higher expenditure requirement in each budget category was taken, in order to ensure that the category breakdown of the individualised budgets would continue to represent the minimum essential requirements of either a male or female of each age-group. This approach produced overall expenditure requirements which were marginally higher than the simple mean but ensure the data is not over-simplified for the sake of convenience.

**Overview of Goods and Services**

The minimum budgets in both the rural and urban areas consist of sixteen budget categories, fifteen excluding housing. It is this basket of goods that make up individual's/household's expenditure. It is important to note that the expenditure baskets are based on needs not wants. They include items and services the public think are necessary to have a minimum essential standard of living. Whilst the baskets drawn up are set at a minimum level, they include more than what is needed for survival and allow for social inclusion and participation in society.

Table 5 details the sixteen areas of expenditure and an overview of the goods and services contained within each category of expenditure.

*Table 5: Basket of Goods and Services*

<i>Basket Category</i>	<i>Contents</i>
Food	All food and drink items regularly consumed by household members.
Clothing	All clothing and footwear, from socks to hat, scarf & gloves, and sandals to wellingtons. Also, various personal accessories e.g. a wallet, or watch and additional services: dry cleaning, and shoe repair.

Table 5: Basket of Goods and Services (contd.)

<i>Basket Category</i>	<i>Contents</i>
Personal Care	All personal hygiene and grooming items, and services, e.g. shampoo, razor blades, cosmetics and haircuts.
Health Related Costs	<p>This category covers both small healthcare items, (e.g. plasters, antiseptic, and over-the counter medicines) and main health service expenditure for visits to GP, Dentist, Optician, etc., and the purchase of prescription medications.</p> <p><i>When income-expenditure scenarios indicate medical card eligibility health expenditure is adjusted as appropriate.</i></p>
Household Goods	The miscellany of necessary household items and appliances, from washing machine to scissors; furnishings for every room, from kitchen table to bedside table; floor coverings & textiles; home maintenance supplies, from toilet brush to paint brush; home safety items, kitchen utensils.
Household Services	Vital household related services, e.g. boiler service, waste charges, and chimney sweep.
Communications	Telephone - landline and mobile, broadband (for households with an adolescent), and postal services.
Social Inclusion & Participation	<p>A broad range of goods and services necessary for social and cultural participation fall within this category. Includes a miscellany of items: from television licence to books &amp; stationery; a pet (for those households with a need); newspapers; children's</p>

Table 5: Basket of Goods and Services (contd.)

Basket Category	Contents
Educational Costs	<p>toys; Christmas tree; a minimum level of recreational and cultural activities, from a family outing to the cinema to attending local sporting events; also physical activities, e.g. football, Gaelic, or swimming, for different household members.</p> <p>The category also includes a short summer holiday in Ireland for the household. Unlike other individuals, the nineteen year old has a separate break – attending a music festival in Ireland.</p> <p><i>See Appendix A for a detailed illustration of the composition of this category for one household type.</i></p> <p>Includes school uniforms and expenditure for all the equipment required by children in the course of their education e.g. school books, past exam papers, school bag, stationery etc. Other school related costs, e.g. school trips, homework club, exam fees. Also a computer and the necessary accoutrements for households with a teenager.</p> <p>Furthermore, the cost of adult education courses, for those households which regarded it as a necessity.</p>
Transport	<p>For rural households with a car this entails the various costs associated with owning and operating one (or two) car(s). The two parent households in a rural area required a second car when at least one adult was in employment. For each</p>

*Table 5: Basket of Goods and Services (contd.)*

<i>Basket Category</i>	<i>Contents</i>
	household type a focus group consensus on the appropriate type of vehicle(s) was reached. Each of the household types utilised second hand vehicles, and the costing allows for an overall vehicle life of 10 years, e.g. if a 2005 car is purchased in 2009, the household would keep it until 2015 (a further 6 years).
	This category includes the weekly cost of the vehicle(s), maintenance costs, NCT, road tax, and petrol (VPSJ, 2010:34-6).
	For households in urban areas transport costs consist of bus tickets.
Household Fuel	The electricity and home heating fuel costs necessary for the reference dwelling utilized for each household type.
Personal Costs	Donations to charitable collections, and the cost of Trade Union membership for each household member in employment.
Childcare Costs	The cost of full or part-time childcare, either informally with a family member/friend, or in a childcare facility, determined by age of child and employment status for each household type examined.
Insurance Costs	Home insurance, motor insurance (for households with a car), and health insurance.
	<i>When income-expenditure scenarios indicate medical card eligibility health insurance expenditure is deducted.</i>

*Table 5: Basket of Goods and Services (contd.)*

<i>Basket Category</i>	<i>Contents</i>
Savings & Contingencies	Savings and life assurance for household types with dependents.
Housing	When calculating housing costs for various income-expenditure scenarios the households are located in local authority housing. For rural households the mean differential local authority rent across the three rural areas is calculated for each household type and scenario. For the urban areas local authority accommodation is based on Dublin City Council local authority rents. The single adult in urban areas is living in private rented accommodation.

### **Assumptions of Expenditure**

The following is an outline of the assumptions behind a number of expenditure categories which require further detail.

#### *Food*

To ensure a balanced diet which met the nutritional requirements of different age groups, menus (from which the food budgets were derived) were constructed to reflect the Food Pyramid (VSPJ, 2006: 25). Menus were examined by nutritionists to ensure their adequacy. In satisfying the requirements for protein, calorie consumption, iron and vitamin intake, the menus were also examined to ensure variety in diets.

The 2006 menus were analysed by nutritionists attached to the Family Budget Unit, University of York and the menus constructed for the nine month baby in 2011 were examined by an Irish nutritionist attached to a large health service.

Minor adjustments were made to the menus in light of these expert opinions. The adjustments in the 2006 menus included an increase in the amounts of green vegetables, brown bread and low fat milk (for adults). Expert changes to the focus group menus for the



9 month old baby involved an increase in the amount of fruit and the replacement of cod fish fingers by salmon fish fingers.

### *Health*

These budgets are based on the assumption that the household consists of healthy individuals who do not require special medication or diets. It is also assumed that none of the family members have a disability.

### *Tobacco and Alcohol*

These expenditure items were not regarded as contributing to a healthy lifestyle. It was recognised that alcohol costs could be covered by the budget for social inclusion and participation<sup>12</sup>.

### *Housing*

Because of the wide diversity of accommodation, housing costs for the most part were based on local authority differential rents. The shortage of social housing and the long waiting lists means that single adults are seldom accommodated in urban local authority housing. For this project the urban single adult is located in a rented 'bed-sit'. Bed-sits and one bedroom local authority houses are rarely available in rural areas. As a result the single adult of working age living alone in a rural area (for the purpose of this study) is housed in a two-bedroom local authority house.

### *Housing Size and Tenure - Urban and Rural*

Single Adult working age (Urban)	Private Rented bet-sit
Single Adult working age (Rural)	Local Authority House - 2 bedrooms
Single Pensioner	Local Authority House - 3 bedrooms (family home) <sup>13</sup>
Pensioner Couple	Local Authority House - 3 bedrooms (family home) <sup>13</sup>
One Parent with Two Children	Local Authority House - 3 bedrooms

<sup>12</sup> Possible alcohol consumption was not taken into consideration when calculating the nutritional and calorie balance of food baskets.

<sup>13</sup> It is the practice for older people to continue to occupy the local authority house they had as a family home with children, once those children have left the family home. We reflect that reality here by locating pensioner households in three bed local authority units.

Two Parent with Two Children

Local Authority House  
- 3 bedrooms*Transport*

It is assumed that the urban household types in this research have reasonable access to public transport, and therefore a car is not a minimum requirement. However, the findings for the rural household types in this research specified at least one car as a minimum need. In rural areas with no access to public transport, at specific times related to work, a car was recognised as the only acceptable form of transport. The VPSJ (2010: 34) rural study analysed the availability of public transport in rural areas and the findings confirmed the minimum need for private transport specified by the focus groups. Therefore, two parent rural household types where at least one adult is in employment require two cars as a minimum, all of the other rural household types and scenarios require one car. This is discussed in greater detail in the VPSJ rural report (2010).

*Household Fuel*

To standardise the home heating requirements for the household types a baseline standard of dwelling was established in the 2006 urban study<sup>14</sup>. This standard was also applied in the 2010 rural study. Households needs were calculated on the basis of a house built (or retro-fitted) to 2006 building regulation insulation standards. This baseline is used for calculating housing related costs, including home heating. The Sustainable Energy Authority of Ireland (SEAI) was consulted for calculating the necessary energy and expenditure, to maintain dwellings of this standard at an adequate heat. A full discussion of the household energy calculations is contained within the rural study (VPSJ, 2010:27, 37-9).

*Childcare*

Childcare costs are calculated on the basis of a full-time employee being assumed to work 37.5 hours per week, and a part-time employee working 19 hours per week.

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<sup>14</sup> The working age single adult households are an exception to this baseline. The urban single adult is located in a bed-sit, and the rural single adult in a two bed house.

## Expenditure

This chapter presents the expenditure individuals and households need in order to have a minimum essential standard of living. The expenditure is presented following the pattern of the lifecycle from childhood to old age. The data also demonstrates that the cost of a minimum standard of living is not static and varies according to the needs and particular circumstances of each individual and household. The chapter is divided into the following sections:

- Direct Minimum Expenditure Needs for Children as Part of a Household
- Households with Children across the Lifecycle
- Expenditure for other household types:
  - Single adult of working age
  - Single pensioner living alone
  - Pensioner couple

To give a fuller understanding of how costs fluctuate by children's ages, the direct individualised costs are presented for five age groups. However it must be borne in mind that these individual budgets demonstrate the minimum requirements for individuals who are part of a larger household, and do not correspond to the minimum requirements of such an individual living alone. Individualised component budgets are derived for the children as members of the family household and for the adults as the parents in a household with children.

To facilitate analysis the tables are accompanied by comment and discussion related to the relevant household type.

### **Rationale for Calculation of Expenditure**

In the 2006 and 2010 studies published by the VPSJ expenditure baskets were devised for the following households with children:

- One parent/two parent household and three year old girl and ten year old boy
- Two parent household and ten year old girl and fifteen year old boy/girl

For the current study it was decided to ascertain a single cost for a ten year old and fifteen year old. Where costs were worked out separately based on gender e.g. clothing and personal care, it was decided that the higher cost would be taken as the representative cost for that category<sup>15</sup>.

In previous studies the cost of a single adult of working age was based on the costs for a male. For the current research it was decided to add a single female to our data set to ascertain the cost of a single adult. Similar to the children, where costs were worked out separately based on gender it was decided that the higher cost be taken as the representative cost for that category. For example, for healthcare the costs for a single female is €4.80 per week, whilst for a single male the cost of healthcare is €2.33, and therefore the higher cost of €4.80 is taken as the representative cost for that category. For a number of categories such as education, communications and savings and contingencies there was no difference in cost between a male of working age and a female of working age.

For reasons explained in Chapter 3 the cost of a rural single adult is based solely on the costs of a rural single male.

### *Weekly Costs*

The expenditure tables present the weekly cost of goods and services. In actuality, some items in the budgets – such as clothes, household goods and education – are bought outright and not paid for on a weekly basis. However, for the purposes of this study, the costs for such items are spread so that the budgets include their weekly costs. To do this, the whole cost is divided by the number of weeks an item it is expected to last<sup>16</sup>.

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<sup>15</sup> For further explanation see Chapter 3.

<sup>16</sup> For example an Electric Cooker that costs €299.99 and has a lifespan of 520 weeks costs €0.58 per week

## **Direct Minimum Expenditure Needs for Children as Part of a Household**

In Chapter 2 it was noted that the overall objectives for child income support programmes in Ireland are two-fold. The first of these objectives is to provide, through a range of payments assistance to all households with children in recognition of the higher costs incurred in child-raising and child care in a way which allows choice to parents in how this is undertaken. However, as '*A Policy and Value for Money Review of Child Income Support and Associated Spending Programmes*' (2010) points out that 'while there is a broadly stated objective to redistribute some income towards families with children, there is no quantitative standard against which to assess this objective' (Department of Social Protection, 2010: 97). This study, using the Consensual Budget Standards approach, addresses this deficit by illustrating the minimum expenditure needs of a child at different ages. Although children ordinarily are part of a household, this section of the chapter examines direct costs of a child from infancy to post secondary school and examines how minimum needs fluctuate over the lifecycle.

The decision to include the 19 year old in the direct minimum expenditure needs for children as part of a household and not as an independent adult was taken to reflect the treatment of this age group in Irish welfare policy. Although 19 and technically an adult, this individual receives a lower level of Jobseekers Allowance based on age. In 2011 Jobseeker payments were age related and those in the 18 – 21 age bracket receive the lowest payment at €100.00 per week, whilst those age 22- 24 receive €144.00 per week and those age 25 and above receive the maximum payment of €188.00 per week. Therefore, the lower rate of Jobseekers Allowance places a proportion of the burden of caring for young adults on to parents and the inclusion of the 19 year with children mirrors current social policy.

Tables 6 and 7 present the direct weekly expenditure of a child by age group for urban and rural areas, without taking into account any entitlement to secondary benefits e.g. medical card. The tables detail costs which can be directly attributed to the child and exclude costs shared in common with parents such as heating, household furniture and equipment (other than furnishings for the child's room) as well as usage of the family car (except for the 19 year old in rural areas). All prices are for Q1 2011.

The tables highlight that there is not one cost of a child, but rather

costs change according to the needs of a child at a particular age and also change according to parents' employment status and the need for private childcare.

When childcare is excluded, a child of pre-school age has the lowest costs, followed by primary school, infancy, secondary school and then young adulthood (nineteen year old). However, when childcare is included, it is the primary school stage of the lifecycle that has the lowest costs followed by secondary school, young adulthood, pre-school and infancy. The next section will examine costs across a child's lifecycle, concentrating on a number of key areas of expenditure<sup>17</sup>.

*Table 6: Direct Costs of a Child, by Age Group (Urban)*

URBAN	€ per week				
	<i>Infant</i>	<i>Pre-School</i>	<i>Primary School</i>	<i>Secondary School</i>	<i>19 Year Old</i>
Food	31.22	18.69	28.43	35.44	50.16
Clothing	16.92	5.05	6.71	11.61	14.60
Personal Care	11.17	1.18	2.68	9.40	10.86
Health	6.50	2.65	2.60	3.28	3.18
Household Goods	12.03	3.59	4.24	5.50	5.49
Household Services	-	-	-	-	-
Communications	-	-	-	17.16	5.38
Social Inclusion & Participation	1.79	4.17	14.94	33.05	39.26
Education	-	-	6.09	15.32	2.90
<i>Uniforms</i>	-	-	1.95	2.51	-
<i>Books, Stationary, etc.</i>	-	-	3.41	5.57	-
<i>Computer Equipment</i>	-	-	-	1.49	-
<i>Other Education Costs</i>	-	-	0.73	5.75	2.90
Transport	-	2.66	2.66	2.66	24.00
Housing	-	-	-	-	10.20
Household Energy	1.20	-	-	1.22	2.42
<i>Electricity</i>	1.20	-	-	1.22	2.42
<i>Gas</i>	-	-	-	-	-
<i>Oil</i>	-	-	-	-	-

<sup>17</sup> Categories of expenditure not discussed in detail in this section can be found in the Appendix B.

Table 6: Direct Costs of a Child, by Age Group (Urban) (contd.)

URBAN		€ per week			
	<i>Infant</i>	<i>Pre-School</i>	<i>Primary School</i>	<i>Secondary School</i>	<i>19 Year Old</i>
Personal Costs	-	-	-	-	0.38
Childcare - Part-time	128.00	72.30	12.91	-	-
Childcare - Full-time (extra cost)	77.00	103.29	38.73	-	-
Insurance	5.30	5.30	5.30	5.30	14.56
<i>Home</i>	-	-	-	-	-
<i>Health</i>	5.30	5.30	5.30	5.30	14.56
<i>Car</i>	-	-	-	-	-
Savings & Contingencies	5.00	5.00	5.00	5.00	5.00
Total (full-time childcare)	296.13	223.87	130.30	144.92	188.39
Total (no childcare)	91.13	48.29	78.66	144.92	188.39
<i>Additional food costs for One Parent household*</i>					
	-	3.68	5.59	6.97	-

\* Lower economies of scale in food purchasing for a one adult head of household results in food costs being higher for children in these age groups.

Table 7: Direct Costs of a Child, by Age Group (Rural)

RURAL		€ per week			
	<i>Infant</i>	<i>Pre-School</i>	<i>Primary School</i>	<i>Secondary School</i>	<i>19 Year Old</i>
Food	32.56	22.58	34.34	42.81	55.71
Clothing	16.92	6.74	8.77	13.99	14.73
Personal Care	11.14	1.23	2.94	8.68	10.85
Health	6.23	2.13	2.13	2.53	2.47
Household Goods	12.57	3.35	3.94	5.47	6.15
Household Services	-	-	-	-	-
Communications	-	-	-	17.00	5.38
Social Inclusion & Participation	2.06	3.70	13.69	23.53	32.75

Table 7: *Direct Costs of a Child, by Age Group (Rural) (contd.)*

RURAL					€ per week
	Infant	Pre-School	Primary School	Secondary School	19 Year Old
Education	-	-	6.94	14.73	2.42
<i>Uniforms</i>	-	-	2.37	2.85	-
<i>Books, Stationary, etc.</i>	-	-	2.54	4.57	-
<i>Computer Equipment</i>	-	-	-	2.86	-
<i>Other Education Costs</i>	-	-	2.03	4.45	2.42
Transport	-	-	-	-	18.22
Housing	-	-	-	-	9.44
Household Energy	1.20	-	-	1.16	2.42
<i>Electricity</i>	1.20	-	-	1.16	2.42
<i>Gas</i>	-	-	-	-	-
<i>Oil</i>	-	-	-	-	-
Personal Costs	-	-	-	-	0.38
Childcare - Part-time	102.67	47.44	12.92	-	-
Childcare - Full-time					
(extra cost)	64.66	85.98	38.75	-	-
Insurance	5.30	5.30	5.30	5.30	14.56
<i>Home</i>	-	-	-	-	-
<i>Health</i>	5.30	5.30	5.30	5.30	14.56
<i>Car</i>	-	-	-	-	-
Savings & Contingencies	5.00	5.00	5.00	5.00	5.00
Total (full-time childcare)	260.31	183.44	134.72	140.20	180.48
Total (no childcare)	92.98	50.03	83.04	140.20	180.48
<i>Additional food costs for One Parent household</i>					
	-	4.68	7.12	8.88	-

*Food*

Apart from the infant's food costs which are based solely on individual infants' food requirements, the children's food costs are derived from the aggregate household food costs through the use of the Nelson Food Scale (Nelson, 1986). For the nineteen year old, the food costs are derived from the aggregate household food basket to



reflect the adult male head of households' food costs and certain items such as a 'take away' were added to the food basket to reflect discussions with focus groups.<sup>18</sup>

Analysis of expenditure on food shows that the cost of food varies depending on the age of a child. A child of pre-school age has the lowest food costs, costing €18.69 per week in urban areas and €22.58 per week in rural areas. Unsurprisingly, a nineteen year old on the other hand, has the most expensive food costs ranging from €50.16 per week in urban areas to €55.71 per week in rural areas.

The diet of infants is significantly different from that of older children. Obviously, the cost of food for a baby will depend on whether a baby is breast fed or bottle fed. For the purpose of this study and based on discussions with focus groups, it was decided that the food basket would be based on a child being bottle fed. For that reason, a significant proportion of an infant's food costs are derived from the cost of formula. An infant at nine months will use approximately 1.5 tins (900g) of formula a week, costing on average €9.79 per tin or €14.69 per week.

Further analysis of expenditure on food also draws attention to the urban – rural cost disparity. The cost of food per week for a child of secondary school age ranges from €35.44 in an urban area to €42.81 in a rural area, a difference of €7.37. Research by the VPSJ in 2010 found that rural dwellers spend more on food than their urban counterparts. Urban dwellers are readily able to access large multiples that stock a broad range of 'own brand' items that are considerably cheaper than their branded counterparts. However, for rural dwellers large multiples and as a consequence 'own brand' goods and lower cost shopping options are not as readily accessible and therefore food can cost more for rural dwellers. Furthermore, rural focus groups also indicated that they do a proportion of their shopping locally e.g. bread, milk, butter and meat and this also contributes to higher food costs in rural areas (VPSJ, 2010).

It is interesting to note that the urban – rural price disparity is not reflected to the same degree in the food costs for an infant. The focus groups in urban and rural areas indicated that, as a minimum, food purchased for a baby would be *'well known and trusted brands until the baby is at least one year'*. As a result, 'branded' items were priced

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<sup>18</sup> For further discussion on the individualisation of food costs and the use of the Nelson Food Scale, see Chapter 3.

in both urban and rural locations and there was very little difference in the price of branded goods between supermarkets. As a consequence there is only a €1.34 difference in the cost of the food basket for an infant between urban and rural areas.

### *Clothing*

The minimum expenditure on clothing during a child's lifecycle is for a child of pre-school age, costing €5.05 per week in an urban area and €6.74 per week in a rural area. This is in contrast to an infant whose clothing costs are €16.92 per week in rural and urban areas. Parents in the focus groups in rural and urban areas indicated the same preference for shops when shopping for an infant, resulting in the same cost being given for the two locations. The sizes in which baby clothes are sold indicate the length of time they are expected to fit an average baby e.g. three-six months; six-nine months etc. The higher expenditure costs for an infant can therefore be attributed to the fact that clothes are outgrown before they are outworn; this results in higher costs because of the shorter timeframe over which the cost can be spread.

After infants, the nineteen year old has the second highest expenditure on clothing, amounting to approximately 7 per cent of their weekly overall costs in urban areas and 8 per cent in rural areas. For those of secondary school age spending on clothing makes up 8 per cent of their weekly overall costs in urban areas and 10 per cent in rural areas.

### *Household Goods*

It is important to note that the costs given in the tables 6 and 7 for household goods do not assume that articles will be passed from one child to the next. This is particularly relevant for items relating to an infant. The weekly cost of items for the infant have been calculated based on the purchase price divided by the length of time an infant will need that particular item as opposed to how long the item may last. For example, the cost of a sterilizer has been calculated based on the purchase price divided by 52 weeks, the length of time it is recommended that bottles be sterilized for.

Household goods are least expensive for a child of pre-school age and most expensive for an infant. There are a considerable number of items that are included in the household goods basket for an infant that are not found in the household goods basket for

children of other ages. It is for this reason that there is a difference in cost for this category between an infant and children of other ages. Included in the basket are items such as a cot, sterilizer, bottles, high chair, buggy/pram, changing mat, thermostat bag and hand-held blender amongst others. As a consequence, across both urban and rural areas approximately thirteen per cent of overall expenditure for an infant (excluding childcare) is made up by the cost of household goods.

### *Social Inclusion and Participation*

Social inclusion and participation is considered a vital component of a MESL and an important part of a child's developmental needs. Occasional outings to the cinema, weekly sporting activities such as swimming and a holiday in Ireland once a year are considered to be an important part of childhood and adolescence. Indeed, a recent survey by UNICEF Ireland found that adolescent respondents linked happiness to playing music, taking part in a past-time, exercising and going on holidays amongst other things (UNICEF Ireland, 2011).

The cost of social inclusion and participation increases at each stage of a child's lifecycle. As children get older, additional expenditure is needed on social inclusion and participation as children engage in more activities. Whilst the costs for social inclusion and participation are low for an infant and child of preschool age, this changes significantly when children enter formal education. Increased number of activities as well as the inclusion of more goods in the basket e.g. a bike and roller blades for example increases costs.

The highest social inclusion and participation costs are for a nineteen year old, amounting to twenty per cent of the overall cost of a MESL in an urban area and eighteen per cent in a rural area. This is in stark contrast to a child of pre-school age, whose social inclusion and participation costs amount to an average 8 per cent of overall costs (excluding childcare) between urban and rural areas.

The social inclusion and participation budget for the nineteen year old includes the cost of sports activities and associated costs e.g. football boots and a helmet, occasional trips to the cinema, the cost of attending one music festival per year and also €15 per week spending money for socialising.

A final point to note on this expenditure category is that the costs vary according to location. The 2010 study by the VPSJ on the cost of

*'Minimum Essential Budgets for Households in Rural Areas'* found that the lower cost of social inclusion and participation in rural areas can be attributed to children in rural areas participating in less expensive activities such as Gaelic football and hurling and having fewer social outings than their urban counterparts (VPSJ, 2010: 40).

### *Education*

For primary school and secondary school children education costs comprise of school books, stationary, uniforms and school trips. For the adolescent additional costs such as state examination fees, the cost of a computer and a voluntary contribution to the school are also included in the cost of education.

For the nineteen year old, whom for the purposes of this study, is unemployed and not in any formal education e.g. college, post leaving certificate course or apprenticeship, education costs are made up of attending a night course e.g. language course or ECDL (European Computer Driving Licence) course. Undoubtedly, costs would increase dramatically if the 19 year old was participating in any type of formal education.

The cost of education is a significant cost for children at primary and secondary school. On average, across urban and rural areas, 8 per cent of overall costs (excluding childcare) for a child of primary school going age can be attributed to the cost of education. For an adolescent, this rises to approximately ten per cent of overall costs. Calculated on a per annum basis, the average cost of education across urban and rural areas for an adolescent is €781.30 per annum. When compared against the Back to School Clothing and Footwear Allowance<sup>19</sup> of €305.00<sup>20</sup> given by the state to low income families, the state's contribution falls far short of the actual cost of education.

### *Childcare*

The need for childcare is dependent on a parent's/guardian's employment situation. If parents need to avail of childcare, the direct costs of a child can change dramatically. In Ireland childcare has received extensive coverage and has been the subject of much debate

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<sup>19</sup> The Back to School Clothing and Footwear Allowance is a means tested payment available for families who are on social welfare or have an income below a certain threshold.

<sup>20</sup> 2011 Rate for Back to School Clothing and Footwear Allowance for 12+ age group.

and discussion. A 2009 OECD Report *'Doing Better for Families'* calculated that the cost of childcare as a proportion of family income is just under thirty per cent, only the UK is higher at thirty three per cent (OECD, 2009). The figures given for childcare seem to support the findings of the OECD. Childcare is a very significant cost in the first stages of a child's lifecycle, and if childcare is included in minimum expenditure it is at infancy that the costs are most pronounced. Full time childcare for an infant is €205.00 per week in an urban area and €167.33 in a rural area, declining to €175.59 for a child of pre-school age in an urban area and €133.42 for a child of the same age in a rural area. The decline in cost can in part be attributed to the impact of the Early Childhood Care and Education Scheme that pays a subsidy to childcare providers to provide a certain number of hours per day of free childcare to children aged between 3 years and 2 months and 4 years and 7 months. The cost of childcare declines further as children reach primary school going age and need for childcare diminishes.

The costs given above underscore the significant difference in the cost of childcare between urban and rural childcare providers. However, this price disparity is not unusual as a report by the National Children's Nurseries Association found that 'when reviewed by region, Dublin still proves to be the most expensive area for childcare....generally Connacht is the cheapest area for childcare but Munster and Ulster prove to be on a similar scale' (NCNA, 2010: 4).

To summarise expenditure for children as part of a household fluctuates over the lifecycle. Expenditure is dependent on the needs of children at particular stages and also on parents' employment status and the need for private childcare. The data shows that costs are significant in infancy before declining at pre-school age and then steadily increasing as children get older. The cost of private childcare at infancy and pre-school stages of the lifecycle dramatically increases the minimum expenditure needed. However, whilst the issue of childcare diminishes as children get older other areas of expenditure increase such as social inclusion and participation and education. It is therefore apparent that a greater awareness of how, why and when expenditure changes over the lifecycle can assist in deciding how income should be redistributed to families with children.

### Household Expenditure

The previous section examined the direct costs of children as part of households. However there are a variety of costs associated with children that cannot be directly attributed to one particular age group and rather are overall household costs which can only be identified by examining parents and children together as part of a household unit. The next section will examine household expenditure based on one adult/ two adults and two children as the children age across the lifecycle. This is followed by an examination of expenditure for a single adult of working age living alone.

The following tables (Table 8 – Table 11) for rural and urban households examine the cost of a MESL for households with children at different stages of the lifecycle and in different employment situations<sup>21</sup>. The first section of the tables details costs for each category of expenditure excluding housing, childcare and secondary benefits such as the medical card. The purpose of this is to isolate variable costs such as housing and childcare and to illustrate what the minimum expenditure is for each category of expenditure before benefits such as the medical card come into play.

The tables will then demonstrate how costs, including housing and childcare, change for certain categories of expenditure depending on the employment situation of parents and their entitlement to a medical card. Whilst areas of expenditure such as food, clothing, personal care and so forth do not change because of parental participation in the labour force, it is the case that if one or both parents are working, the cost of childcare (whilst earlier referred to as a direct cost of a child), personal costs (Trade Union membership), local authority housing, car insurance and transport, particularly in rural areas, increases.

In addition, the tables also demonstrate how expenditure changes if a household is entitled to a medical card. To qualify for a medical card, income must be below a certain amount for a particular household size. 'Reasonable expenses' incurred in respect of childcare and also rent/mortgage is also taken into account. It is

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<sup>21</sup> As the urban and rural data has been adjusted for inflation from different periods there may be very minor discrepancies' in certain categories which contain the same items e.g. communications.

important to note that the Citizen Information Service points out that there is no actual definition of what ‘reasonable expenses’ actually means in relation housing and childcare<sup>22</sup>. Furthermore, allowances are also made for weekly travel costs to work. However, if a household’s income is solely derived from social welfare payments and benefits a household will in general qualify for a medical card.

With regard to the nineteen year old living at home and unemployed, although an adult and in receipt of his own social welfare payment, he is assessed along with his parents for entitlement to a medical card. Therefore, if the household qualifies for a medical card, he too also qualifies, if however the family qualifies for a GP visit card only, he too only qualifies for a GP visit card only.

If a household is entitled to a medical card the following costs have been deducted from the MESL calculation:

- The cost of primary care e.g. doctor, dentist and optician visits
- Prescriptions<sup>23</sup>
- The cost of private health insurance<sup>24</sup>
- Bin charge waiver for urban households<sup>25</sup>

If a household is entitled to a GP visit card<sup>26</sup> (also means tested) only the costs of GP visits have been deducted.

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<sup>22</sup> See [http://www.citizensinformation.ie/en/health/entitlement\\_to\\_health\\_services/medical\\_card.html](http://www.citizensinformation.ie/en/health/entitlement_to_health_services/medical_card.html) for more information on medical cards.

<sup>23</sup> If you are a medical card holder, there is a charge of €0.50 per prescription, capped at €10.00 per month per household

<sup>24</sup> Focus groups felt that as a minimum, if a household is entitled to a medical card, private health insurance was not needed.

<sup>25</sup> The bin waiver charge only applies to urban households because the waste management in the urban area is run by the local authority and deductions are made for medical card holders. In the rural areas referred to in this report, private companies cater for waste management and no allowances are made for medical card holders.

<sup>26</sup> To qualify for a GP visit card the criteria is largely the same as those for a medical card, except the income guidelines are 50 per cent higher. For details of income guidelines for a GP visit card see, [http://www.citizensinformation.ie/en/health/entitlement\\_to\\_health\\_services/gp\\_visit\\_cards.html](http://www.citizensinformation.ie/en/health/entitlement_to_health_services/gp_visit_cards.html)

Table 8: Expenditure – Two Parent, Two Child Household (€ per week)

URBAN	9 Months & Pre-School	Both Pre-School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
Excluding Housing, Childcare & Secondary Benefits							
Food	116.11	103.58	113.32	123.05	130.06	137.07	151.79
Clothing	34.10	22.23	23.89	25.55	30.44	35.34	38.33
Personal Care	29.22	19.23	20.73	22.23	28.95	35.68	37.14
Health	13.89	10.04	9.99	9.95	10.62	11.30	11.20
Household Goods	33.17	24.73	25.38	26.04	27.29	28.54	28.53
Household Services	8.28	8.28	8.28	8.28	8.28	8.28	8.28
Communications	12.12	12.12	12.12	12.12	29.28	46.44	34.66
Social Inc & Participation	62.32	64.70	75.47	86.24	104.35	122.46	128.67
Education	0.00	0.00	6.09	12.18	21.41	30.63	18.22
Transport	51.13	53.79	53.79	53.79	53.79	53.79	75.13
Household Fuel	35.58	34.38	34.38	34.38	35.60	36.82	38.02
Personal Costs	2.17	2.17	2.17	2.17	2.17	2.17	2.55
Insurance	43.88	43.88	43.88	43.88	43.88	43.88	53.14
Savings & Contingencies	28.58	28.58	28.58	28.58	28.58	28.58	28.58
Medical Card Eligibility	None	None	None	None	None	None	None
<b>Weekly Expenditure</b>	<b>470.54</b>	<b>427.70</b>	<b>458.07</b>	<b>488.44</b>	<b>554.70</b>	<b>620.96</b>	<b>654.24</b>



Table 8: Expenditure – Two Parent, Two Child Household (€ per week) (contd.)

URBAN	9 Months & Pre-School	Both Pre-School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
Unemployed, Dependent on JSB							
Health	-9.13	-9.18	-9.18	-9.19	-9.55	-9.91	-9.94
Household Services	-1.92	-1.92	-1.92	-1.92	-1.92	-1.92	-1.92
Housing	44.26	44.26	44.26	44.26	44.26	44.26	55.46
Childcare	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Insurance	-39.72	-39.72	-39.72	-39.72	-39.72	-39.72	-48.98
Medical Card Eligibility	Full	Full	Full	Full	Full	Full	Full
<b>Weekly Expenditure</b>	<b>464.03</b>	<b>421.14</b>	<b>451.50</b>	<b>481.87</b>	<b>547.77</b>	<b>613.67</b>	<b>648.85</b>
1 Adult Employed Full-Time (Earning NMW)							
Health	-9.13	-9.18	-9.18	-9.19	-9.55	-9.91	-9.94
Household Services	-1.92	-1.92	-1.92	-1.92	-1.92	-1.92	-1.92
Housing	61.64	61.64	61.64	61.64	61.64	61.64	64.14
Personal Costs	3.03	3.03	3.03	3.03	3.03	3.03	3.03
Childcare	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Insurance	-39.72	-39.72	-39.72	-39.72	-39.72	-39.72	-48.98
Medical Card Eligibility	Full	Full	Full	Full	Full	Full	Full
<b>Weekly Expenditure</b>	<b>484.44</b>	<b>441.55</b>	<b>471.92</b>	<b>502.28</b>	<b>568.18</b>	<b>634.08</b>	<b>660.56</b>

Table 8: Expenditure – Two Parent, Two Child Household (€ per week) (contd.)

URBAN	9 Months & Pre-School	Both Pre-School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
Both Adults Employed, 1 Full-Time & 1 Part-Time (Earning NMW)							
Health	-9.13	-9.18	-9.18	-9.19	-3.39	-3.39	-3.39
Household Services	-1.92	-1.92	-1.92	-1.92	0.00	0.00	0.00
Housing	70.89	70.89	70.89	70.89	70.82	70.82	73.62
Personal Costs	5.09	5.09	5.09	5.09	5.09	5.09	5.09
Childcare	200.30	144.60	85.21	25.82	12.91	0.00	0.00
Insurance	-39.72	-39.72	-39.72	-39.72	0.00	0.00	0.00
Medical Card Eligibility	Full	Full	Full	Full	GP Visit	GP Visit	GP Visit
<b>Weekly Expenditure</b>	<b>696.05</b>	<b>597.46</b>	<b>568.44</b>	<b>539.41</b>	<b>640.13</b>	<b>693.48</b>	<b>729.55</b>

Table 9: Expenditure – Two Parent, Two Child Household (€ per week)

RURAL	9 Months & Pre-School	Both Pre-School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
Excluding Housing, Childcare & Secondary Benefits							
Food	135.11	125.13	136.89	148.65	157.11	165.58	178.48
Clothing	40.91	30.73	32.76	34.79	40.01	45.23	45.97
Personal Care	29.27	19.37	21.07	22.78	28.52	34.26	36.43
Health	11.79	7.69	7.69	7.69	8.09	8.49	8.43
Household Goods	34.01	24.79	25.38	25.97	27.49	29.02	29.70
Household Services	10.21	10.21	10.21	10.21	10.21	10.21	10.21
Communications	11.88	11.88	11.88	11.88	28.88	45.89	34.26
Social Inc & Participation	55.84	57.48	67.47	77.46	87.31	97.15	106.37
Education	0.00	0.00	6.94	13.88	21.67	29.46	17.15
Transport	68.28	68.28	68.28	68.28	68.28	68.28	86.50
Household Fuel	55.90	54.70	54.70	54.70	55.86	57.01	58.28
Personal Costs	3.16	3.16	3.16	3.16	3.16	3.16	3.54
Insurance	51.97	51.97	51.97	51.97	51.97	51.97	61.24
Savings & Contingencies	28.58	28.58	28.58	28.58	28.58	28.58	28.58
Medical Card Eligibility	None	None	None	None	None	None	None
<b>Weekly Expenditure</b>	<b>536.91</b>	<b>493.96</b>	<b>526.97</b>	<b>559.99</b>	<b>617.14</b>	<b>674.29</b>	<b>705.13</b>

Table 9: Expenditure – Two Parent, Two Child Household (€ per week) (contd.)

RURAL	9 Months & Pre-School	Both Pre-School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
Unemployed, Dependent on JSB							
Health	-7.19	-7.07	-7.07	-7.07	-7.11	-7.16	-7.16
Childcare	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Insurance	-39.72	-39.72	-39.72	-39.72	-39.72	-39.72	-48.98
Housing	54.97	54.97	54.97	54.97	54.97	54.97	64.41
Medical Card Eligibility	Full	Full	Full	Full	Full	Full	Full
<b>Weekly Expenditure</b>	<b>544.97</b>	<b>502.14</b>	<b>535.16</b>	<b>568.17</b>	<b>625.28</b>	<b>682.39</b>	<b>713.40</b>
1 Adult Employed Full-Time (Earning NMW)							
Health	-7.19	-7.07	-7.07	-7.07	-7.11	-7.16	-7.16
Transport	51.56	51.56	51.56	51.56	51.56	51.56	51.56
Personal Costs	2.76	2.76	2.76	2.76	2.76	2.76	2.76
Childcare	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Insurance	-33.73	-33.73	-33.73	-33.73	-33.73	-33.73	-43.00
Housing	44.67	44.67	44.67	44.67	44.67	44.67	56.01
Medical Card Eligibility	Full	Full	Full	Full	Full	Full	Full
<b>Weekly Expenditure</b>	<b>594.97</b>	<b>552.15</b>	<b>585.17</b>	<b>618.18</b>	<b>675.29</b>	<b>732.40</b>	<b>765.31</b>

Table 9: Expenditure – Two Parent, Two Child Household (€ per week) (contd.)

RURAL	9 Months & Pre-School	Both Pre-School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
Both Adults Employed, 1 Full-Time & 1 Part-Time (Earning NMW)							
Health	-7.19	-7.07	-7.07	-7.07	-7.11	-7.16	-7.16
Transport	51.56	51.56	51.56	51.56	51.56	51.56	51.56
Personal Costs	4.63	4.63	4.63	4.63	4.63	4.63	4.63
Childcare	150.11	94.87	60.36	25.85	12.92	0.00	0.00
Insurance	-33.73	-33.73	-33.73	-33.73	-33.73	-33.73	-43.00
Housing	62.10	62.10	62.10	62.10	62.10	62.10	73.31
Medical Card Eligibility	Full	Full	Full	Full	Full	Full	Full
<b>Weekly Expenditure</b>	<b>764.39</b>	<b>666.33</b>	<b>664.83</b>	<b>663.33</b>	<b>707.52</b>	<b>751.70</b>	<b>784.48</b>

Table 10: Expenditure – One Parent, Two Child Household (€ per week)

URBAN	9 Months & Pre-School	Both Pre-School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
Excluding Housing, Childcare & Secondary Benefits							
Food	86.21	77.35	89.00	100.65	109.04	117.43	125.18
Clothing	28.75	16.89	18.55	20.21	25.10	29.99	32.99
Personal Care	21.23	11.24	12.74	14.24	20.97	27.69	29.15
Health	12.57	8.72	8.67	8.63	9.31	9.98	9.88
Household Goods	30.66	22.22	22.87	23.53	24.78	26.03	26.02
Household Services	6.70	6.70	6.70	6.70	6.70	6.70	6.70
Communications	6.21	6.21	6.21	6.21	23.37	40.52	28.75
Social Inc & Participation	40.24	42.62	53.39	64.17	82.27	100.38	106.59
Education	0.00	0.00	6.09	12.18	21.41	30.63	18.22
Transport	26.89	29.56	29.56	29.56	29.56	29.56	50.89
Household Fuel	35.36	34.16	34.16	34.16	35.38	36.60	37.80
Personal Costs	2.17	2.17	2.17	2.17	2.17	2.17	2.55
Insurance	29.32	29.32	29.32	29.32	29.32	29.32	38.58
Savings & Contingencies	18.94	18.94	18.94	18.94	18.94	18.94	18.94
Medical Card Eligibility	None	None	None	None	None	None	None
<b>Weekly Expenditure</b>	<b>345.26</b>	<b>306.09</b>	<b>338.38</b>	<b>370.66</b>	<b>438.30</b>	<b>505.94</b>	<b>532.24</b>

Table 10: Expenditure – One Parent, Two Child Household (€ per week) (contd.)

URBAN	9 Months & Pre-School	Both Pre-School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
Dependent on One-Parent Family Payment							
Health	-7.85	-7.91	-7.91	-7.91	-8.27	-8.64	-8.67
Household Services	-1.54	-1.54	-1.54	-1.54	-1.54	-1.54	-1.54
Housing	30.34	30.34	30.34	30.34	30.34	30.34	39.54
Childcare	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Insurance	-25.16	-25.16	-25.16	-25.16	-25.16	-25.16	-34.42
Medical Card Eligibility	Full	Full	Full	Full	Full	Full	Full
<b>Weekly Expenditure</b>	<b>341.05</b>	<b>301.83</b>	<b>334.11</b>	<b>366.39</b>	<b>433.67</b>	<b>500.95</b>	<b>527.16</b>
1 Adult Employed Part-Time (Earning NMW)							
Health	-7.85	-7.91	-7.91	-7.91	-8.27	-8.64	-8.67
Household Services	-1.54	-1.54	-1.54	-1.54	-1.54	-1.54	-1.54
Housing	71.82	71.82	71.82	71.82	71.82	71.82	72.55
Personal Costs	2.06	2.06	2.06	2.06	2.06	2.06	2.06
Childcare	200.30	144.60	85.21	25.82	12.91	0.00	0.00
Insurance	-25.16	-25.16	-25.16	-25.16	-25.16	-25.16	-34.42
Medical Card Eligibility	Full	Full	Full	Full	Full	Full	Full
<b>Weekly Expenditure</b>	<b>584.89</b>	<b>489.97</b>	<b>462.87</b>	<b>435.76</b>	<b>490.12</b>	<b>544.49</b>	<b>562.23</b>

Table 10: Expenditure – One Parent, Two Child Household (€ per week) (contd.)

URBAN	9 Months & Pre-School	Both Pre-School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
1 Adult Employed Full-Time (Earning NMW)							
Health	-7.85	-7.91	-7.91	-7.91	-8.27	-8.64	-8.67
Household Services	-1.54	-1.54	-1.54	-1.54	-1.54	-1.54	-1.54
Housing	76.32	76.32	76.32	76.32	76.32	76.32	87.36
Personal Costs	3.03	3.03	3.03	3.03	3.03	3.03	3.03
Childcare	380.59	351.17	227.23	103.29	51.64	0.00	0.00
Insurance	-25.16	-25.16	-25.16	-25.16	-25.16	-25.16	-34.42
Medical Card Eligibility	Full	Full	Full	Full	Full	Full	Full
<b>Weekly Expenditure</b>	<b>770.65</b>	<b>702.01</b>	<b>610.35</b>	<b>518.69</b>	<b>534.33</b>	<b>549.96</b>	<b>578.01</b>



Table 11: Expenditure – One Parent, Two Child Household (€ per week)

RURAL	9 Months & Pre-School	Both Pre-School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
Excluding Housing, Childcare & Secondary Benefits							
Food	99.58	94.29	108.49	122.69	132.91	143.14	147.16
Clothing	32.52	22.33	24.36	26.39	31.62	36.84	37.58
Personal Care	22.07	12.17	13.87	15.58	21.32	27.06	29.23
Health	10.18	6.08	6.08	6.08	6.48	6.88	6.82
Household Goods	31.71	22.49	23.08	23.67	25.20	26.72	27.41
Household Services	9.80	9.80	9.80	9.80	9.80	9.80	9.80
Communications	6.09	6.09	6.09	6.09	23.10	40.10	28.48
Social Participation	35.05	36.69	46.67	56.66	66.51	76.36	85.57
Education	0.00	0.00	6.94	13.88	21.67	29.46	17.15
Transport	68.28	68.28	68.28	68.28	68.28	68.28	86.50
Household Fuel	55.69	54.49	54.49	54.49	55.65	56.81	58.07
Personal Costs	3.16	3.16	3.16	3.16	3.16	3.16	3.54
Insurance	37.13	37.13	37.13	37.13	37.13	37.13	46.39
Savings & Contingencies	18.94	18.94	18.94	18.94	18.94	18.94	18.94
Medical Card Eligibility	None	None	None	None	None	None	None
<b>Weekly Expenditure</b>	<b>430.20</b>	<b>391.94</b>	<b>427.39</b>	<b>462.84</b>	<b>521.75</b>	<b>580.66</b>	<b>602.63</b>

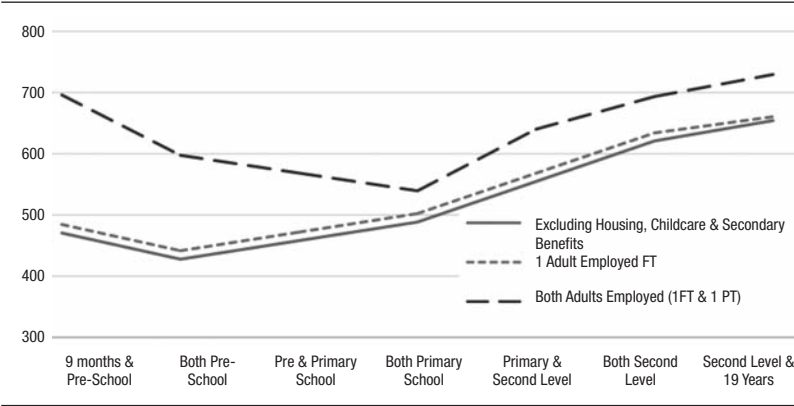
Table 11: Expenditure – One Parent, Two Child Household (€ per week0 (contd.)

RURAL	9 Months & Pre-School	Both Pre-School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
Dependent on One-Parent Family Payment							
Health	-5.63	-5.51	-5.51	-5.51	-5.55	-5.60	-5.60
Childcare	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Insurance	-25.16	-25.16	-25.16	-25.16	-25.16	-25.16	-34.42
Housing	33.87	33.87	33.87	33.87	33.87	33.87	43.31
Medical Card Eligibility	Full	Full	Full	Full	Full	Full	Full
<b>Weekly Expenditure</b>	<b>433.28</b>	<b>395.14</b>	<b>430.60</b>	<b>466.05</b>	<b>524.92</b>	<b>583.78</b>	<b>605.92</b>
1 Adult Employed Part-Time (Earning NMW)							
Health	-5.63	-5.51	-5.51	-5.51	-5.55	-5.60	-5.60
Personal Costs	1.87	1.87	1.87	1.87	1.87	1.87	1.87
Childcare	150.11	94.87	60.36	25.85	12.92	0.00	0.00
Insurance	-25.16	-25.16	-25.16	-25.16	-25.16	-25.16	-34.42
Housing	60.73	60.73	60.73	60.73	60.73	60.73	66.97
Medical Card Eligibility	Full	Full	Full	Full	Full	Full	Full
<b>Weekly Expenditure</b>	<b>612.13</b>	<b>518.75</b>	<b>519.70</b>	<b>520.64</b>	<b>566.58</b>	<b>612.52</b>	<b>631.45</b>

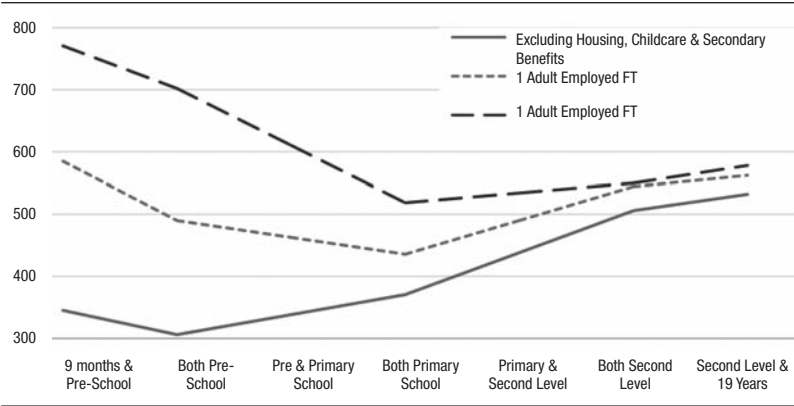
Table 11: Expenditure – One Parent, Two Child Household (€ per week) (contd.)

RURAL	9 Months & Pre-School	Both Pre-School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
1 Adult Employed Full-Time (Earning NMW)							
Health	-5.63	-5.51	-5.51	-5.51	-5.55	-5.60	-5.60
Personal Costs	2.76	2.76	2.76	2.76	2.76	2.76	2.76
Childcare	300.74	266.83	185.09	103.35	51.68	0.00	0.00
Insurance	-25.16	-25.16	-25.16	-25.16	-25.16	-25.16	-34.42
Housing	71.27	71.27	71.27	71.27	71.27	71.27	74.17
Medical Card Eligibility	Full	Full	Full	Full	Full	Full	Full
<b>Weekly Expenditure</b>	<b>774.19</b>	<b>702.13</b>	<b>655.85</b>	<b>609.56</b>	<b>616.75</b>	<b>623.94</b>	<b>639.53</b>

*Graph 1: Urban Two Parent, Two Child Household – Weekly Expenditure Trend (€)*



*Graph 2: Urban One Parent, Two Child Household – Weekly Expenditure Trend (€)*



### Factors which Impact on the Cost of Living

Tables 8 – 11 highlight that food, household fuel and social inclusion and participation are among the most expensive components of the baskets, whilst personal costs and household services are among the least expensive. Furthermore, as Graph 1 and 2 illustrate the cost of living is not static and fluctuates depending on parents' participation in employment and the age of the children in the

household. The overall trend is that costs are high for a household with an infant and pre-school child, before falling for a household with pre-school children and then rising consistently as children grow older.

In general, when childcare is excluded the cost of a MESL is cheapest for households where both children are of pre-school age and most expensive for households with a child of secondary school age and a nineteen year old. If we examine the urban two parent, two child household for example we see that the cost of a minimum essential standard of living (excluding housing, childcare and secondary benefits) for a household with two children of pre-school age is €427.70 per week rising to €654.24 a week for a household with a child at secondary school and a nineteen year old, a substantial difference of €226.54. If we examine an urban one parent family, also excluding the cost of housing, childcare and entitlement to secondary benefits, the cost of a minimum essential standard of living follows the same trajectory as the two parent household with costs being lowest when both children are of pre-school age and most expensive for households with a child at secondary school and a nineteen year old.

The exclusion of housing, childcare and entitlement to secondary benefits allows us to isolate variables and highlight the minimum that is needed when these costs are excluded. However it is the case that different situations, such as, participation in the labour market, will necessitate that households may need to spend more on certain areas, whilst in other cases households will not need to spend as much on certain areas of expenditure due to entitlement to a medical card. Whilst the cost of food, clothing and personal care for example remain constant regardless of employment status or entitlement to benefits, there are a number of budget components that are not static. The next paragraph will examine how and why costs change for certain categories of expenditure as a result of participation in the labour market and entitlement to benefits.

### **Medical Card Eligibility's Impact on Expenditure**

The cost of health and the inclusion of health insurance are dependent on a household's eligibility for a medical card. If a household qualifies for a medical card, their health expenditure is reduced as certain medical expenses are covered by the medical card. Furthermore, the focus groups believed that as a minimum,

eligibility for a medical card negates the need for private health insurance. For example for the urban two parent, two child household, health costs are reduced by approximately €9.00/€10.00 when entitled to a medical card. Furthermore, excluding private health insurance, results in an additional saving of €39.72 per week increasing to €48.98 a week when a nineteen year old is included in the household<sup>27</sup>. Overall, when the bin charge waiver reduction (household services) is added to the savings from health costs and health insurance, eligibility for a medical card means that an urban household with two children across the lifecycle need to spend between €60.84 and €50.77 less a week to achieve the MESL. The figures for the equivalent rural household are between €56.14 and €40.80 a week.

However, not all scenarios examined qualify for a medical card. There are three urban households who only qualify for a GP visit card<sup>28</sup>. In the following scenarios, the urban two parent family, 1 adult working full-time and 1 adult working part-time and children in the age categories primary and second level; both second level; and second level and nineteen years qualify for a GP visit card only. As a consequence expenditure costs for these households are more pronounced as costs are inclusive of private health insurance which is a substantial expense.

Rural household costs are consistently higher than their urban counterparts. This expenditure differential is so substantial, in particular due to higher food, transport and home energy costs, that in the situation where a rural household qualifies for a full medical card and the urban equivalent qualifies for only a GP visit card, the reduction in health related expenditure for the rural household is not enough to offset the overall urban-rural difference.

### **Transport and Car Insurance**

Urban households are assumed to be situated in a central urban location, served by a public transport system which sufficiently meets their transport needs. For this reason a car is not a minimum requirement. Transport costs are therefore based on the cost of

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<sup>27</sup> The greater reduction in health insurance costs is due to the nineteen year being distinguished from the other children as an adult and so his insurance costs are greater than children of other ages.

<sup>28</sup> See Chapter 5 for breakdown of income and entitlement to medical card and GP visit card.

Dublin Bus tickets. However, the lack of public transport in rural areas underscores the need for a car. Rural households require at least one vehicle as a minimum, whilst two parent households require two cars, except in the case where neither parent is working (see Chapter 3). It is for this reason that transport costs increase for rural households when either one or both parents are working. The cost of a car and all its associated costs such as petrol, maintenance, tax and insurance is a considerable financial burden on rural households and contributes to the disparity in the cost of a MESL between urban and rural areas<sup>29</sup>.

### **Childcare**

As already discussed the cost of childcare is a substantial cost for households in rural and urban areas and dramatically increases the cost of a MESL. In the case of an urban one parent household full-time worker, with a nine month old and a child of pre-school going age the cost of full-time childcare is €380.59 per week. Earned income from paid employment for this household is €324.38 before tax, based on working 37.5 hours a week at the rate of the national minimum wage. The cost of private childcare undoubtedly can have a prohibitive impact on parent's participation in the labour force as the cost of providing full-time childcare offsets the benefits of paid employment.

Whilst the cost of and the need for childcare diminishes as children get older, it nevertheless remains a considerable cost until children reach second level school.

### **Housing**

Housing costs are based on renting local authority accommodation. In Ireland, local authority accommodation is calculated using a differential rent system. From 1973 a national differential rents scheme operated in which rents on all local authority dwellings were related to the income of the tenant. This scheme was abolished in 1986 and the power to determine rent levels was devolved to local authorities (Department of Environment and Local Government,

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<sup>29</sup> For further discussion of transport costs see the VPSJ 2010 Report '*Minimum Essential Budgets for Households in Rural Areas*' (full reference in Bibliography) pp 34-36.

2001: 8). It is this scheme which is still in place today and as a consequence there is no standard formula for calculating local authority rent and the cost of renting varies across the country according to the criteria set by local authorities. For urban households in this study rent is based on Dublin City Council differential rent scheme. For rural households rent is an average differential rent across three local authorities. The cost of renting local authority accommodation therefore varies by location and employment status.

In each of the scenarios rent stays constant across the age of the children. However, when a nineteen year old is included in the household the cost of rent increases. The nineteen year old is unemployed and in receipt of €100.00 Jobseekers Allowance, however he is considered a subsidiary earner by local authorities and rent increases by approximately €10.00 because of the Jobseeker payment.

Examining the cost of local authority rent across the different employment scenarios highlights that there are a number of idiosyncrasies with the differential rent scheme. If for example the rural two parent household is examined, the household dependent on Jobseekers Benefit pays €54.97 per week for rent, whilst the same household with one adult working full-time pays a lesser rate of €44.67 a week for rent. Furthermore, if the same household is compared between locations the urban household pays €44.26 per week for rent, €10.71 a week less than their rural counterparts. Whilst in theory the differential rental schemes across local authorities are supposed to reflect tenants' ability to pay, it is apparent that the lack of standardisation results in households with the same income, living in different parts of the country, paying significantly different amounts in local authority rent. Subsequently, 'ability to pay' is open to interpretation and subject to the opinion of each particular local authority.

Consequently, the cost of a MESL is not static and no single figure can be used to define it. It fluctuates as the needs of children change across the lifecycle and also is dependent on parents' participation in the labour force and entitlement to secondary benefits.

### **Single Adult of Working Age**

The next section of this chapter will examine expenditure for a single adult living alone. Table 12 follows the same outline as the previous



tables detailing expenditure for one/two adults and two children. For the single adult the table details the minimum expenditure needed excluding housing and entitlement to secondary benefits in urban and rural areas. The table then proceeds to detail expenditure as it changes when employment and secondary benefits are taken into account.

Similar to the tables presented above for the one parent/two parent households, transport costs for the urban single adult are based on a 30 day Dublin Bus ticket, whilst transport in rural areas is based on the cost of running a car. Whilst all other housing costs discussed in this chapter are based on renting local authority accommodation, the urban single adult is situated in the private rented sector. For this reason a direct comparison cannot be made with the rural single adult of working age, who for the purposes of this study is located in a two bedroom local authority house.

*Table 12: Expenditure – Single Adult of Working Age (€ per week)*

	URBAN	RURAL
<b>Excluding Housing &amp; Secondary Benefits</b>		
Food	73.65	84.91
Clothing	13.29	13.65
Personal Care	13.25	10.58
Health	4.80	1.70
Household Goods	8.80	21.50
Household Services*	0.00	7.70
Communications	16.63	11.11
Social Engagement	54.22	59.38
Education	2.90	2.42
Transport	29.23	50.59
Household Fuel	8.95	44.52
Personal Costs	2.16	6.40
Insurance	14.56	26.17
Savings & Contingencies	15.64	15.64
Medical Card Eligibility	None	None
<b>Weekly Expenditure</b>	<b>258.09</b>	<b>356.28</b>

Table 12: *Expenditure – Single Adult of Working Age (€ per week)*  
(*contd.*)

	URBAN	RURAL
<b>Unemployed, Dependent on JSB</b>		
Health	-4.25	-1.54
Insurance	-14.56	-14.56
Housing	115.96	27.83
Medical Card Eligibility	Full	Full
<b>Weekly Expenditure</b>	<b>355.23</b>	<b>368.00</b>
<b>Employed Full-Time (Earning NMW)</b>		
Health	-4.25	-0.46
Transport	0.00	15.91
Personal Costs	2.77	2.76
Insurance	-14.56	0.00
Housing	115.96	50.07
Medical Card Eligibility	Full	GP Visit
<b>Weekly Expenditure</b>	<b>358.00</b>	<b>424.56</b>

\* As the urban single adult is in private rented accommodation bin charges and other household services are covered by the Landlord.

### *Medical Card Eligibility*

Eligibility for the medical card reduces health and health insurance costs for the urban single adult both in receipt of Jobseekers Benefit and also employed full-time. As the cost of rent/mortgage is taken into account for assessing eligibility for a medical card, it is evident that the high cost of private rent contributes to this household's eligibility for a full medical card. The qualification for a medical card results in this household's expenditure being reduced by €18.81 per week as private health insurance is no longer regarded as a necessity and the financial burden of primary care falls under the jurisdiction of the medical card.

The rural single adult employed full-time qualifies for a GP visit card only. As a consequence the rural single adult pays €14.56 per week in health insurance and also has to cover all costs of health bar the cost of GP visits. Whilst this household has higher overall expenditure costs than their urban counterpart, medical card criteria only makes allowances for the cost of rent, travel costs to work and

the cost of childcare and therefore whilst the rural single adult faces higher costs for items such as food and household fuel for example, no allowances are made for this when assessing eligibility for a medical card.

### *Transport*

Whilst employment does not affect the cost of transport in urban areas as both the jobseeker and the full-time employee receive a 30 day Dublin Bus ticket once a month, the rural single adult's transport costs fluctuate with employment status. If employed the rural single adult spends an additional €15.91 per week to cover the cost of petrol driving to and from work in the nearest large town. Overall transport costs for this household then are €66.50 per week, or fifteen per cent of their total expenditure. Furthermore a car necessitates car insurance and this adds an additional €11.61 per week to the cost of a MESL. Therefore, it is apparent that the need for a car substantially increases the cost of living for this household, but their rural location means that an efficient alternative is not readily available.

### *Urban Single Adult of Working Age and the Cost of Private Rented Accommodation*

Expenditure costs for an urban single adult of working age, including housing (bedsit) and working full-time are €358.00 in urban areas. The cost of private rented accommodation is the largest area of expenditure for this household, costing €115.96 per week or thirty two per cent of their overall expenditure costs. The cost of private rented accommodation has fallen in Ireland in the last number of years, falling 12 per cent in 2008 and 16 per cent in 2009 (Daft Rental Report, 2011: 2). However, a recent report of the rental situation in Ireland found that rents are stabilising and that rents in fact rose by 0.5 per cent during the first three months of 2011. Furthermore, the report goes on to state that rents in Dublin have risen in three of the four last quarters, whereas rents continue to fall outside the main cities (Daft Rental Report, 2011: 5). Nevertheless, despite the fall in the cost of rent in recent years, it remains a very significant and unavoidable financial burden for those who have no other option other than renting from the private sector.

*Rural Single Adult of Working Age and Local Authority Housing*

The rural single adult is situated in a two bedroom local authority house. For the household in receipt of Jobseekers Benefit the weekly cost of rent is €27.73. This increases to €50.07 when this individual is in full-time employment at the rate of the National Minimum Wage. The cost of local authority accommodation is in sharp contrast to the cost of private rented accommodation and underscores the necessity of local authority accommodation for those in receipt of social welfare or on low incomes.

*Other Areas of Expenditure*

Food, social inclusion and transport are significant areas of expenditure in rural and urban areas. For rural households the cost of household fuel is a considerable weekly expense and the rural single adult household spends €44.52 per week on household fuel. Of the €44.52 per week spent on household fuel €12.89 is the cost of electricity, whilst the remaining €31.63 is the cost of oil to heat the home. The cost given represents the amount that needs to be spent to ensure the house is adequately heated. The cost of home heating oil has increased substantially in the last number of years and because many rural areas are not connected to the gas grid, oil remains the primary method to heat the home. As a result the rural single adult has a significant weekly outgoing that would be substantially reduced if this household was connected to the gas grid, which is a notably cheaper fuel.

Overall, the cost of living alone for a full-time worker including housing and taking account of entitlement to secondary benefits ranges from €358.00 in urban areas to €424.56 in rural areas. If we compare this against the cost of the nineteen year old living at home, the direct cost of a nineteen year old is €188.39 in urban areas and €180.48 in rural areas. This comparison helps us gauge the additional costs of living alone and the substantial increase that people face when they make the transition from the family home to living independently<sup>30</sup>.

**Pensioner Households**

The final section of this chapter will complete our analysis of expenditure across the lifecycle by focusing pensioners, including a pensioner couple and a female pensioner living alone.

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<sup>30</sup> This point requires further examination and it is hoped to examine this one in future research.

Tables 13 and 14 present the minimum expenditure for the following households:

- Female Pensioner age 70+ - Urban and Rural
- Pensioner Couple age 66-69 - Urban and Rural

*Table 13: Expenditure – Female Pensioner, Living Alone, Aged 70+ (€ per week)*

	URBAN	RURAL
<b>Excluding Housing &amp; Secondary Benefits</b>		
Food	67.50	83.82
Clothing	11.14	16.88
Personal Care	9.80	10.57
Health	9.71	8.01
Household Goods	19.31	22.91
Household Services	7.00	7.17
Communications	13.87	13.83
Social Engagement	42.80	42.76
Transport	00.00	54.83
Household Fuel	38.96	56.03
Personal Costs*	7.39	8.38
Insurance	27.38	34.04
Savings & Contingencies	10.43	10.43
Medical Card Eligibility	None	None
<b>Weekly Expenditure</b>	<b>265.29</b>	<b>369.66</b>
<b>In Receipt of Non-Contributory Pension</b>		
Health	-9.01	-7.41
Household Services	-1.54	-
Insurance	-23.00	-23.00
Housing	29.21	24.67
Medical Card Eligibility	Full	Full
<b>Weekly Expenditure</b>	<b>260.95</b>	<b>363.93</b>

\* For this household, personal costs include the cost of a personal alarm.

*Table 13: Expenditure – Female Pensioner, Living Alone, Aged 70+ (€ per week) (contd.)*

	URBAN	RURAL
<b>In Receipt of Contributory Pension</b>		
Health	-9.01	-7.41
Household Services	-1.54	-
Insurance	-23.00	-23.00
Housing	30.90	25.17
Medical Card Eligibility	Full	Full
<b>Weekly Expenditure</b>	<b>262.64</b>	<b>364.42</b>

*Table 14: Expenditure – Pensioner Couple, Aged 66 - 69 (€ per week)*

	URBAN	RURAL
<b>Excluding Housing &amp; Secondary Benefits</b>		
Food	82.71	115.24
Clothing	17.83	26.57
Personal Care	14.15	14.55
Health	19.60	16.06
Household Goods	21.34	25.49
Household Services	7.10	7.66
Communications	13.74	13.72
Social Engagement	54.67	54.63
Transport	00.00	54.82
Household Fuel	40.47	57.52
Personal Costs	5.41	6.40
Insurance	50.39	55.69
Savings & Contingencies	31.28	31.28
Medical Card Eligibility	None	None
<b>Weekly Expenditure</b>	<b>358.69</b>	<b>479.6</b>
<b>Contributory Pension &amp; Qualified Adult</b>		
Health	-18.58	-14.80
Household Services	-1.54	0.00
Insurance	-46.01	-46.01
Housing	55.89	39.17
Medical Card Eligibility	Full	Full
<b>Weekly Expenditure</b>	<b>348.54</b>	<b>458.01</b>

Table 14: *Expenditure – Pensioner Couple, Aged 66 - 69 (€ per week) (contd.)*

Both in Receipt of Non-Contributory Pension		
Health	-18.58	-14.80
Household Services	-1.54	0.00
Insurance	-46.01	-46.01
Housing	47.05	39.17
Medical Card Eligibility	Full	Full
<b>Weekly Expenditure</b>	<b>339.61</b>	<b>457.34</b>
Contributory & Non-Contributory Pension		
Health	-18.58	-14.80
Household Services	-1.54	0.00
Insurance	-46.01	-46.01
Housing	48.75	39.17
Medical Card Eligibility	Full	Full
<b>Weekly Expenditure</b>	<b>341.31</b>	<b>458.01</b>

#### *Pensioner Households*

For pensioner households, the first section of the Tables 13 and 14 details the cost of minimum expenditure excluding housing and secondary benefits. The second section examines how the cost of local authority housing changes depending on pension entitlement and also when the medical card is taken into account.

The weekly cost of food is the most expensive area of expenditure for pensioner households. There is however a considerable difference in the cost of food between urban and rural locations. As the VPSJ study *‘Minimum Essential Budgets for Households in Rural Areas’* published in 2010 found (VPSJ, 2010: 33):

*‘rural households cannot as easily access ‘own brand’ goods unlike their urban counterparts, and the lack of availability and accessibility of lower cost shopping options in rural areas accounts for the significant difference in food costs between urban and rural locations’.*

Indeed, the 2010 Report states that the urban female pensioner household carried out the entirety of her food shopping with a large

international multiple and eighty per cent of her food basket comprise of own brand items (VPSJ, 2010: 33). Therefore, whilst food is a significant cost for both urban and rural pensioners, it is nevertheless more expensive for rural pensioners.

Further examination of expenditure for pensioner households also reveals the lack of transport costs for urban households. There are no transport costs for urban pensioners due to the free travel pass, which as a minimum is sufficient to meet their transport costs. Anyone over the age of 66 and living permanently in Ireland is entitled to a free travel pass. The pass entitles the holder to free travel on all State public transport. However, although rural dwellers too are entitled to a free travel pass a car is the minimum transport requirement due to the inadequacy of public transport in rural areas. Inevitably, rural dwellers have higher transport costs and insurance costs due to the cost of car insurance.

Another striking observation is the similarity in costs for certain categories between a pensioner couple and a female pensioner living alone. Whilst the female pensioner has lower costs for certain categories, expenditure on areas such as household services, household fuel, communications and transport in rural areas are by and large the same price as a pensioner couple household. Overall, a female pensioner in an urban area, excluding housing and secondary benefits needs €265.29 per week in order to be able to afford a minimum essential standard of living. An urban pensioner couple on the other hand need €358.69 per week. Therefore, a female pensioner living alone spends seventy three per cent of the amount that a pensioner couple spends. This draws attention the fact that expenditure does not necessarily diminish relative to the number of people in the household and that those who live alone do not necessarily have a greatly reduced cost of living because they are the sole occupant of a house.

## Conclusion

As the summary table (Table 15) shows, across the lifecycle minimum expenditure rises and falls. Examining all scenarios when housing, childcare and secondary benefits are excluded show that costs are lowest for the single adult of working age, living in an urban area. Costs are greatest for the rural two parent household and a fifteen and nineteen year old.

The cost of a MESL changes according to employment status,



Table 15: Summary of the Cost of a Minimum Essential Standard of Living, Excluding Housing, Childcare and Secondary Benefits

URBAN								€ 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	Single Adult	Pensioner Couple	Female Pensioner
Two Parent	470.54	427.70	458.07	488.44	554.70	620.96	654.24	258.09	358.69	265.29
One Parent	345.26	306.09	338.38	370.66	438.30	505.94	532.24			
RURAL								€ 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	Single Adult	Pensioner Couple	Female Pensioner
Two Parent	536.91	493.96	526.97	559.99	617.14	674.29	705.29	356.28	479.63	369.66
One Parent	430.20	391.94	427.39	462.84	521.75	580.66	602.63			

entitlement to secondary benefits, location and the needs of individuals at particular stages of the lifecycle. As children grow and develop their needs change. Therefore, there is no one single cost that captures the cost of a child as part of a household, rather costs rise and fall depending on the needs of children at particular ages.

Likewise, for parents too, certain items must be included in the budget to reflect their needs such as life assurance which is regarded as a minimum essential item by the focus groups for families with children. Employment status also impacts on the cost of local authority housing, Trade Union membership, childcare and transport in rural areas. Whilst entitlement to medical card impacts on the cost of health care, household services (urban areas) and the need for private health insurance.

The minimum expenditure necessary to have a standard of living that meets physical, psychological and social needs is not static, but rather changes across the lifecycle. Knowing the minimum that individuals and households need opens up a space to examine the adequacy of the national minimum wage and social welfare payments and begs the question what is the income people need in order to meet their minimum expenditure costs.

The next chapter benchmarks the adequacy of standard income rates

## **Benchmarking the Adequacy of Standard Income Rates**

The basic expenditure necessary for household types across the lifecycle to maintain a socially agreed upon minimum essential standard of living (MESL) has been established in detail in Chapter Four. In order to examine the capacity of household types to attain the minimum standard each household type is considered across a range of income-expenditure scenarios. These scenarios encompass a variety of employment situations and social welfare eligibilities, benchmarking the adequacy of minimum wage salaries (€8.65 per hour) and basic welfare entitlements across the lifecycle.

For the two parent households three scenarios are examined, a dual income scenario where one adult is employed full-time and one part-time, a single income scenario with one adult employed full-time, and an unemployment scenario with the household dependent on Jobseekers Benefit. Similarly the one parent households are also examined across three scenarios, full-time employment, part-time employment, and solely dependent on the One-Parent Family Payment. Two scenarios are presented for the single adult of working age, employed full-time and unemployed dependent on Jobseekers Benefit. For households not of working age (65 years +) the scenarios are based upon being in receipt of the Contributory or Non-Contributory Pension.

These income scenarios are examined for all the households across the lifecycle, for both urban and rural areas. As detailed in Chapter 4 certain areas of expenditure vary according to the scenario conditions. In particular the cost of local authority differential rent is dependent on income, the level of childcare required varies, in some cases transport costs vary by employment status, Trade Union membership subscriptions, and health related expenditure is affected by medical card eligibility.

The scenarios examine income from all sources and therefore take account of social transfers in addition to net salary income. In addition to the universal child benefit, targeted income supports

appropriate for each scenario are examined, where the household income-expenditure scenario indicates eligibility the rate of payment indicated by the means test guidelines is applied. The income supports examined are:

- Family Income Supplement
- Back to School Clothing & Footwear Allowance
- One-Parent Family Payment & Fuel Allowance
- Rent Supplement (in the case of the urban Single Adult of Working Age)

The following tables (16-22) present the total household expenditure for each scenario, and a brief breakdown of the household income for each scenario. The level of income adequacy (or inadequacy) is then measured for each household type and scenario. Furthermore, where a household type has a weekly income less than €5.00 above the minimum essential standard, the income is indicated as marginally adequate. For the purposes of this report any income which is more than €5.00 above the expenditure requirements of the household type is described 'discretionary'. Chart 1 summarises the results outlined across tables 16-22.

### **Single Adult, of Working Age Living Alone**

#### *Table 16*

An urban single adult of working age requires €258 per week, excluding rent and any possible expenditure reductions arising from medical card entitlement, to maintain a MESL. Due to the increased minimum costs associated with a rural area, this figure rises to €356 per week for a rural single adult.

When unemployed the Jobseekers Benefit (JSB) payment does not provide an adequate income to allow a MESL in either urban or rural areas. The urban single adult, living in private rented accommodation, also receives a Rent Supplement payment. However the cost of private rented accommodation as discussed in Chapter 4, places a significant financial burden on this household and the additional Rent Supplement payment on top of the JSB still fails to provide for an adequate income. As a result this household has a weekly shortfall of €77 and is unable to meet the cost of a minimum essential standard of living.

For unemployed rural single adults income falls far short of what is needed and this household has a weekly shortfall of €180. As this household is living in local authority accommodation, they do not qualify for Rent Supplement. Although this household has significantly lower housing costs than their urban counterpart, the costs of food, household fuel and transport alone, in rural areas are almost equivalent to the weekly Jobseekers Benefit Payment and as a result the cost of living for this household far exceeds the basic rate social welfare payment.

Although the single urban adult who is working full-time, earning the national minimum wage, and residing in private rented accommodation may qualify for a medical card he or she still has an inadequate income. The rural single adult in this scenario is accommodated in local authority housing, and therefore pays a differential rent which is notably lower than that paid by the urban single adult. Nevertheless, the minimum wage does not provide an adequate income for this household type either. Table 16 details the inadequacy of the minimum wage and Jobseekers benefit to both the urban and rural single adult household types.

## **Two Parent, Two Child Household Type**

### *Tables 17 & 18*

When unemployed the Two Parent, Two Child household type's income is comprised of the JSB personal rate, a qualified adult payment, and child dependant payment for each eligible child in the household (the 19 year old, living at home, and unemployed qualifies for their own Jobseekers Allowance payment). In addition the household receives the universal Child Benefit payment and the Back to School Clothing and Footwear Allowance (BTSCFA). This combined household income is inadequate to meet the minimum needs of this household type across all child age-groups in rural areas and all but one in urban areas.

As discussed in Chapter 4, the minimum expenditure needs of a child vary over the lifecycle. Costs are high in infancy before falling at pre-school age and then consistently increasing as children grow older. Income adequacy therefore follows the same trajectory and is only adequate for the urban two parent household with two children of pre-school age. At all other stages, both urban and rural, income is inadequate, peaking at a weekly shortfall of €232 for the

rural two parent household with a child at second level and a nineteen year old.

Whilst it is clear that by and large social welfare transfers are inadequate for this household, it is also evident that having the BTSCFA as the only age related payment means that households with adolescents are more exposed to poverty and social exclusion as the higher costs of an adolescent are not recognised in welfare policy. While the Early Childhood Care and Education (ECCE) scheme recognises the substantial burden childcare places on parents at the pre-school stage of a child's life cycle, no such scheme or payment (bar the BTSCFA) is in place that provides assistance to parents with the additional financial costs of raising an adolescent.

The combination of net salary income from full-time minimum wage employment, Child Benefit (CB), Family Income Supplement (FIS) and the BTSCFA, provides an adequate income for an urban two parent, two child household (see Table 17) until at least one child reaches the second level school age group. However, in a rural area this is not the case, with the aggregate household income in this scenario only proving marginally adequate for one age-group stage out of seven. The rural two parent household with two children of pre-school age has a weekly discretionary income of less than €1, and therefore is perilously close to income inadequacy. As can be seen in Table 17, the combination of a minimum wage salary and social transfers proves to be grossly inadequate to the minimum needs of this household type as the two children rise in age, with household income ultimately meeting only 75% of the minimum expenditure requirements.

The dual income scenario incongruously demonstrates a greater frequency and magnitude of income inadequacy than the single income scenario, for the two parent household types. Increased expenditure requirements and reduced entitlements to FIS (due to higher household salary income) contribute to this situation. Only three of the urban age-group households, two children of pre-school age to two children of primary school age, can afford a MESL; in this income scenario, and the level of discretionary income is lower than the one adult employed scenario. Moreover, none of the rural age-group households have an income adequate to provide a MESL when one parent is employed full-time and one employed part-time at the national minimum wage.

## One Parent, Two Child Household Type

### *Tables 19 & 20*

The status of One Parent household types is examined in two employment scenarios, adult employed part-time and adult employed full-time. In both scenarios the entitlement to a partial One-Parent Family Payment (OFP) and FIS contribute greatly to household income, and eligibility for a full medical card is maintained across income scenarios and age groups for both the urban and rural household types.

When not in employment this household type's primary income is the One-Parent Family Payment (OFP), household income<sup>32</sup> is also added to by Child Benefit, the BTSCFA (as appropriate to children's ages) and a Fuel Allowance. This combined household income is inadequate for this household type across the age-groups in rural and urban areas, with the exception of the urban household with both children of pre-school age. Whilst the urban household with both children of pre-school age have a surplus of €23, income is inadequate for all other one parent households in receipt of the OFP, with income inadequacy peaking for both urban and rural households with two children at second level.

Over-indebtedness is therefore a serious issue for this household. People are defined as over-indebted 'if their net resources (income and realisable assets) render them persistently unable to meet essential living expenses and debt repayments as they fall due' (Stamp, 2009 as quoted in Russell, Maitre and Donnelly, 2011: 14). Undoubtedly, over-indebtedness and living on an inadequate income can have a detrimental effect on households, leading to financial hardship and not having enough resources to maintain an acceptable standard of living. Furthermore, over-indebtedness can cause ill health, stress and anxiety and can create further problems for households already struggling to cope (Russell, Maitre & Donnelly, 2011). It is clear therefore that insufficient social welfare transfers may lead to over-indebtedness for some households and a standard of living that does not meet their minimum essential needs.

The urban one parent household type, Table 19, in part-time employment maintains income adequacy across all age-groups, and

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<sup>32</sup> In both the two parent and one parent household types the 19 year old, living at home, and unemployed qualifies for their own Jobseekers Allowance payment. The rate of payment is assessed for each income scenario.

has a significant discretionary income (after the minimum essential standard is met) across the majority of age groups. However, the rural one parent household type in this scenario faces income inadequacy at either end of the child age-group spectrum, Table 20. The household with a 9 month old baby and pre-school age child, and the household with a second school age child and post second level unemployed 19 year old, both face income inadequacy. Additionally, the household with two children of second level age is on the edge of income inadequacy, with a marginal €0.30 weekly discretionary surplus.

When viewing the status of the one parent household in part-time employment with regards to income adequacy, it is important to be aware that this scenario depicts a household positioned at a key balancing point which maximises potential social welfare entitlements. Being in employment for 19 hours per week (or 38 hours per fortnight) means the household meets the minimum employment criteria for the Family Income Supplement, while the level of salary income is low enough so as to have a minimal impact on the rate of OFP payable to the household. If the individual was employed for even one hour less per week FIS entitlement would be lost, and overall household income would drop by €124,<sup>33</sup> placing all the age groups of the rural household type and all but two of the urban household type in a position of income inadequacy.

As with the dual income two parent household types, the status of the one parent household types in the full-time employment scenario goes against initial expectations, as in the majority of cases they are in a worse position than the equivalent household in the part-time employment scenario. For each of the households with at least one child below second level age, the level of income adequacy is less than for the equivalent household with only part-time employment. The frequency and depth of income inadequacy is higher, and for those households with an adequate income the

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<sup>33</sup> The combined loss of FIS (€118.00) and drop in net earnings (€8.47) amounts to €126.47, but a slight increase in OFP (€2.50) leads to an overall reduction of €123.97. In the case of the household types with a 19 year old, the reduction is less (€83.97) as the rates of payment with only one qualifying child in the household are lower.



degree of surplus discretionary income is lower. As detailed in the expenditure chapter earlier, childcare costs are considerable for the full-time one parent household type for children below the second level school age group. The move from part-time employment to full-time employment results in only a €30 increase in overall household income as the rate of entitlement of FIS and OFP reduce considerably as salary income increases. In contrast, expenditure increases considerably for those household age groups requiring childcare.

### **Female Pensioner, Living Alone**

*Table 21*

For female pensioner households two scenarios are examined: in receipt of the Non-Contributory Pension and in receipt of the Contributory Pension. For female pensioners living in urban areas, income is sufficient for the household in receipt of the Contributory Pension, whilst inadequate for the household in receipt of the Non-Contributory Pension. The small surplus for the household in receipt of the Contributory pension highlights the vulnerability of this household to poverty and social exclusion as a small reduction in pension rates or a change to the Household Benefits Package<sup>34</sup> could impact negatively on this individual's ability to meet their minimum expenditure requirements.

For rural households, income is noticeably inadequate in both scenarios examined. Whilst pensioners in urban areas have the benefit of being able to utilise their free travel pass, the lack of adequate public transport in rural areas means that this benefit cannot be relied upon as the sole means of transport in rural areas and for that reason a car is required. The inclusion of a car coupled with higher costs for categories such as household fuel, for example,

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<sup>34</sup> The Household Benefits Package is made up of three allowances, Electricity or Gas Allowance, Telephone Allowance and Free Television Licence. These allowances provide contributions towards your electricity or natural gas or bottled gas refill bill and telephone bill and cover the cost of your Television Licence each year. The allowances are applied directly to your bills, where applicable. The package is available to people aged over 70 who are resident in the State and to people under age 70 who are also resident in the State in certain circumstances. Only one person in a household can qualify for the package at any time. For more information visit <http://www.welfare.ie/EN/Schemes/HouseholdBenefits/Pages/default.aspx>

explains the disparity in terms of income adequacy between rural and urban households.

In three of the four scenarios examined (urban and rural), only one household has an income sufficient to meet their basic expenditure needs. Pensioners living alone receive an additional €7.70 per week to cover the costs of living alone. A comparison of expenditure between a female pensioner living alone and a pensioner couple highlights that expenditure on communications, household fuel and transport are, by and large, the same for the two households. Whilst pensioner couples have two pensions or an allowance of €206.30 for a Qualified Adult<sup>35</sup>, to meet their expenditure costs, it is apparent that the €7.70 Living Alone Allowance is meagre and clearly underestimates the financial costs that must be met by those who live alone.

### **Pensioner Couple**

*Table 22*

For the pensioner households' three income scenarios are examined: both in receipt of the Non-Contributory Pension, in receipt of the Contributory Pension and Qualified Adult Payment and in receipt of the Contributory and Non-Contributory Pension. Total income, from pension entitlement and Household Benefits Package, is sufficient to meet minimum expenditure for both urban and rural households.

Urban households have a significant financial advantage over their rural counterparts. The necessity for private transport and higher food costs, amongst other things, means that the cost of a MESL is noticeably higher in rural areas and for this reason rural households have a much smaller surplus above what they need to meet their minimum expenditure costs.

### **Conclusion**

It is clear that the patterns of income adequacy are complex. The expenditure necessary for a household type to have the

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<sup>35</sup> A Qualified Adult Payment is payable in respect of a person wholly or mainly maintained by the claimant and is either (a) spouse/civil partner or cohabitant or (b) a person over 16 years of age who is caring for a child dependent of the claimant. State pension scheme (Non Contributory) and Blind Person's pension have different rules. For more information visit <http://www.welfare.ie/EN/OperationalGuidelines/Pages/depsqa.aspx>

opportunity to live life at a minimum standard as defined through social consensus is clear. For those households solely reliant on social welfare transfers with an inadequate income, the inadequacy of these supports is also clear. In total, of the forty household situations (two parent/one parent households with children at different stages of the lifecycle, single adults of working age and pensioners) that are solely reliant on social welfare transfers as their only source of income, only nine have an income sufficient to meet their minimum expenditure costs. For households with children income inadequacy is significant at the first stage of a child's life, before declining at pre-school age and then increasing as children grow older. Whilst minimum expenditure on food, social inclusion and participation and education for example increases as children age, all social welfare payments, bar the Back to School Clothing and Footwear Allowance, remain constant and do not encompass an age related dimension to them. It is for this reason, that income inadequacy is more pronounced at the latter stages of a child's lifecycle.

For both urban and rural unemployed single adults of working age, there is a significant gap between income and expenditure, and income from Jobseekers Benefit falls far short of what this household requires to meet their minimum expenditure costs. Likewise, female pensioners living alone also have an inadequate income unlike pensioner couple households. The €7.70 Living Alone Allowance is ineffective at addressing the additional costs faced by those who live alone. It is clear that in order for those dependent on social welfare transfers to have a standard of living that meets their minimum essential requirements income from these payments need to reflect the minimum cost of living.

The inadequacy of the minimum wage at key stages of the lifecycle is also clear and the next chapter examines the gross salary necessary for each household type to maintain a MESL. This minimum income standard is set out in the context of the tax and welfare regime prevailing in March 2011.



Chart 1: Income Adequacy Status by Household Type (contd.)

RURAL One Parent Household									
Dependent on OFP Adult Employed	Inadequate	Inadequate	Inadequate	Inadequate	Inadequate	Inadequate	Inadequate	Inadequate	Inadequate
	Inadequate	Adequate	Adequate	Adequate	Adequate	Adequate	Marginal	Inadequate	Inadequate
	Inadequate	Inadequate	Inadequate	Adequate	Adequate	Adequate	Adequate	Inadequate	Inadequate
SINGLE ADULT Unemployed Adult Employed	URBAN Inadequate	RURAL Inadequate	FEMALE PENSIONER, LIVING ALONE Non-Contributory Pension				URBAN Inadequate	RURAL Inadequate	
	Inadequate	Inadequate	Contributory Pension				Adequate	Inadequate	
	PENSIONER COUPLE Both Non-Contributory Pension Contributory Pension & Qualified Adult Contributory & Non-Contributory Pension						URBAN Adequate	RURAL Adequate	

Table 16: Single Adult of Working Age, Living Alone (€ per week)

	URBAN	RURAL
Unemployed, Dependent on Jobseekers		
<b>Weekly Expenditure</b>	355.23	359.01
Medical Card Eligibility	Full	Full
<b>Social Transfers</b>		
Jobseekers Benefit	188.00	188.00
Rent Supplement	89.96	0.00
<b>Household Income</b>	<b>277.96</b>	<b>188.00</b>
<b>Income - Expenditure</b>	<b>-77.27</b>	<b>-180.00</b>
<b>Income Adequacy</b>	<b>Inadequate</b>	<b>Inadequate</b>
Employed Full-Time (Earning NMW)		
<b>Weekly Expenditure</b>	358.00	424.56
Medical Card Eligibility	Full	GP Visit
<b>Gross Salary</b>	324.38	324.38
Income Tax	1.41	1.20
USC	9.12	9.61
PRSI	0.00	0.00
<b>Net Salary</b>	313.85	313.57
<b>Social Transfers</b>		
None applicable	0.00	0.00
<b>Household Income</b>	<b>313.85</b>	<b>313.57</b>
<b>Income - Expenditure</b>	<b>-44.15</b>	<b>-110.98</b>
<b>Income Adequacy</b>	<b>Inadequate</b>	<b>Inadequate</b>

Table 17: Two Parent, Two Child Household (€ per week)

URBAN	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
Unemployed, Dependent on Jobseekers							
<b>Household Expenditure</b>	<b>464.03</b>	<b>421.14</b>	<b>451.50</b>	<b>481.87</b>	<b>547.77</b>	<b>613.67</b>	<b>648.85</b>
Medical Card Eligibility	Full	Full	Full	Full	Full	Full	Full
<b>JSB</b>							
Personal Rate	188.00	188.00	188.00	188.00	188.00	188.00	188.00
Qualified Adult	124.80	124.80	124.80	124.80	124.80	124.80	124.80
Child Dependant	59.60	59.60	59.60	59.60	59.60	59.60	29.80
<b>Total</b>	<b>372.40</b>	<b>372.40</b>	<b>372.40</b>	<b>372.40</b>	<b>372.40</b>	<b>372.40</b>	<b>342.60</b>
<b>Social Transfers</b>							
Child Benefit	64.62	64.62	64.62	64.62	64.62	64.62	32.31
BTSCFA	0.00	0.00	3.85	7.69	9.71	11.73	5.87
JSA for 19 Year Old							100.00
<b>Household Income</b>	<b>437.02</b>	<b>437.02</b>	<b>440.87</b>	<b>444.71</b>	<b>446.73</b>	<b>448.75</b>	<b>480.78</b>
<b>Income - Expenditure</b>	<b>-27.02</b>	<b>15.88</b>	<b>-10.64</b>	<b>-37.17</b>	<b>-101.04</b>	<b>-164.92</b>	<b>-168.07</b>
<b>Income Adequacy</b>	<b>Inadequate</b>	<b>Adequate</b>	<b>Inadequate</b>	<b>Inadequate</b>	<b>Inadequate</b>	<b>Inadequate</b>	<b>Inadequate</b>

Table 17: Two Parent, Two Child Household (€ per week) (contd.)

URBAN	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
1 Adult Employed Full-Time (Earning NMW)							
<b>Household Expenditure</b>	<b>484.44</b>	<b>441.55</b>	<b>471.92</b>	<b>502.28</b>	<b>568.18</b>	<b>634.08</b>	<b>660.56</b>
Medical Card Eligibility	Full	Full	Full	Full	Full	Full	Full
<b>Gross Salary</b>	<b>324.38</b>	<b>324.38</b>	<b>324.38</b>	<b>324.38</b>	<b>324.38</b>	<b>324.38</b>	<b>324.38</b>
Income Tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Universal Social Charge	9.12	9.12	9.12	9.12	9.12	9.12	9.12
PRSI	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net Salary</b>	<b>315.26</b>	<b>315.26</b>	<b>315.26</b>	<b>315.26</b>	<b>315.26</b>	<b>315.26</b>	<b>315.26</b>
<b>Social Transfers</b>							
Child Benefit	64.62	64.62	64.62	64.62	64.62	64.62	32.31
FIS	173.00	173.00	173.00	173.00	173.00	173.00	115.00
BTSCFA	0.00	0.00	3.85	7.69	9.71	11.73	5.87
JSA for 19 Year Old							100.00
<b>Household Income</b>	<b>552.88</b>	<b>552.88</b>	<b>556.73</b>	<b>560.57</b>	<b>562.59</b>	<b>564.61</b>	<b>568.44</b>
<b>Income - Expenditure</b>	<b>68.43</b>	<b>111.32</b>	<b>84.81</b>	<b>58.28</b>	<b>-5.60</b>	<b>-69.48</b>	<b>-92.12</b>
<b>Income Adequacy</b>	<b>Adequate</b>	<b>Adequate</b>	<b>Adequate</b>	<b>Adequate</b>	<b>Inadequate</b>	<b>Inadequate</b>	<b>Inadequate</b>



Table 17: Two Parent, Two Child Household (€ per week) (contd.)

URBAN	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
Both Adults Employed, 1 Full-Time & 1 Part-Time (Earning NMW)							
<b>Household Expenditure</b>	<b>696.05</b>	<b>597.46</b>	<b>568.44</b>	<b>539.41</b>	<b>640.13</b>	<b>693.48</b>	<b>729.55</b>
Medical Card Eligibility	Full	Full	Full	Full	GP Visit	GP Visit	GP Visit
<b>Joint Gross Salary</b>	<b>488.73</b>	<b>488.73</b>	<b>488.73</b>	<b>488.73</b>	<b>488.73</b>	<b>488.73</b>	<b>488.73</b>
Income Tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Universal Social Charge	12.40	12.40	12.40	12.40	12.40	12.40	12.40
PRSI	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Joint Net Salary</b>	<b>476.32</b>	<b>476.32</b>	<b>476.32</b>	<b>476.32</b>	<b>476.32</b>	<b>476.32</b>	<b>476.32</b>
<b>Social Transfers</b>							
Child Benefit	64.62	64.62	64.62	64.62	64.62	64.62	32.31
FIS	76.00	76.00	76.00	76.00	76.00	76.00	20.00
BTSCFA	0.00	0.00	3.85	7.69	9.71	11.73	5.87
JSA for 19 Year Old							100.00
<b>Household Income</b>	<b>616.94</b>	<b>616.94</b>	<b>620.79</b>	<b>624.63</b>	<b>626.65</b>	<b>628.67</b>	<b>634.50</b>
<b>Income - Expenditure</b>	<b>-79.11</b>	<b>19.48</b>	<b>52.35</b>	<b>85.21</b>	<b>-13.48</b>	<b>-64.81</b>	<b>-95.06</b>
<b>Income Adequacy</b>	<b>Inadequate</b>	<b>Adequate</b>	<b>Adequate</b>	<b>Adequate</b>	<b>Inadequate</b>	<b>Inadequate</b>	<b>Inadequate</b>



Table 18: Two Parent, Two Child Household (€ per week) (contd.)

RURAL	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
Unemployed, Dependent 1 Adult Employed Full-Time (Earning NMW)							
Household Expenditure	594.97	552.15	585.17	618.18	675.29	732.40	765.31
Medical Card Eligibility	Full	Full	Full	Full	Full	Full	Full
Gross Salary	324.38	324.38	324.38	324.38	324.38	324.38	324.38
Income Tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Universal Social Charge	9.12	9.12	9.12	9.12	9.12	9.12	9.12
PRSI	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Salary	315.26	315.26	315.26	315.26	315.26	315.26	315.26
Social Transfers							
Child Benefit	64.62	64.62	64.62	64.62	64.62	64.62	32.31
FIS	173.00	173.00	173.00	173.00	173.00	173.00	115.00
BTSCFA	0.00	0.00	3.85	7.69	9.71	11.73	5.87
JSA for 19 Year Old							100.00
Household Income	552.88	552.88	556.73	560.57	562.59	564.61	568.44
Income - Expenditure	-42.10	0.72	-28.44	-57.62	-112.70	-167.79	-196.87
Income Adequacy	Inadequate	Marginal	Inadequate	Inadequate	Inadequate	Inadequate	Inadequate



Table 19: One Parent, Two Child Household (€ per week)

URBAN	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
Not Employed, Dependent on One-Parent Family Payment							
<b>Household Expenditure</b>	<b>341.05</b>	<b>301.83</b>	<b>334.11</b>	<b>366.39</b>	<b>433.67</b>	<b>500.95</b>	<b>527.16</b>
Medical Card Eligibility	Full	Full	Full	Full	Full	Full	Full
<b>OFF</b>							
Personal Rate	188.00	188.00	188.00	188.00	188.00	188.00	188.00
Child Dependant	59.60	59.60	59.60	59.60	59.60	59.60	29.80
<b>Total</b>	<b>247.60</b>	<b>247.60</b>	<b>247.60</b>	<b>247.60</b>	<b>247.60</b>	<b>247.60</b>	<b>217.80</b>
<b>Social Transfers</b>							
Child Benefit	64.62	64.62	64.62	64.62	64.62	64.62	32.31
BTSCFA	0.00	0.00	3.85	7.69	9.71	11.73	5.87
Fuel Allowance	12.31	12.31	12.31	12.31	12.31	12.31	12.31
JSA for 19 Year Old							100.00
<b>Household Income</b>	<b>324.53</b>	<b>324.53</b>	<b>328.38</b>	<b>332.22</b>	<b>334.24</b>	<b>336.26</b>	<b>368.29</b>
<b>Income - Expenditure</b>	<b>-16.52</b>	<b>22.69</b>	<b>-5.74</b>	<b>-34.18</b>	<b>-99.44</b>	<b>-164.69</b>	<b>-158.87</b>
<b>Income Adequacy</b>	<b>Inadequate</b>	<b>Adequate</b>	<b>Inadequate</b>	<b>Inadequate</b>	<b>Inadequate</b>	<b>Inadequate</b>	<b>Inadequate</b>



Table 19: One Parent, Two Child Household (€ per week) (contd.)

URBAN	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
1 Adult Employed Full-Time (Earning NMW)							
Household Expenditure	770.65	702.01	610.35	518.69	534.33	549.96	578.01
Medical Card Eligibility	Full	Full	Full	Full	Full	Full	Full
Gross Salary	324.38	324.38	324.38	324.38	324.38	324.38	324.38
Taxable OFP	167.60	167.60	167.60	167.60	167.60	167.60	137.80
Income Tax	2.74	2.74	2.74	2.74	2.74	2.74	0.00
Universal Social Charge	9.12	9.12	9.12	9.12	9.12	9.12	9.12
PRSI	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Salary	312.52	312.52	312.52	312.52	312.52	312.52	315.26
Social Transfers							
Child Benefit	64.62	64.62	64.62	64.62	64.62	64.62	32.31
FIS	74.00	74.00	74.00	74.00	74.00	74.00	32.00
BTSCFA	0.00	0.00	3.85	7.69	9.71	11.73	5.87
OFP	167.60	167.60	167.60	167.60	167.60	167.60	137.80
Fuel Allowance	12.31	12.31	12.31	12.31	12.31	12.31	12.31
JSA for 19 Year Old							100.00
Household Income	631.04	631.04	634.89	638.74	640.76	642.78	635.54
Income - Expenditure	-139.60	-70.97	24.54	120.04	106.43	92.82	57.53
Income Adequacy	Inadequate	Inadequate	Adequate	Adequate	Adequate	Adequate	Adequate





Table 20: One Parent, Two Child Household (€ per week) (contd.)

RURAL	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
1 Adult Employed Part-Time (Earning NMW)							
Household Expenditure	612.13	518.75	519.70	520.64	566.58	612.52	631.45
Medical Card Eligibility	Full	Full	Full	Full	Full	Full	Full
Gross Salary	164.35	164.35	164.35	164.35	164.35	164.35	164.35
Taxable OFP	245.10	245.10	245.10	245.10	245.10	245.10	215.30
Income Tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Universal Social Charge	3.29	3.29	3.29	3.29	3.29	3.29	3.29
PRSI	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Salary	161.06	161.06	161.06	161.06	161.06	161.06	161.06
Social Transfers							
Child Benefit	64.62	64.62	64.62	64.62	64.62	64.62	32.31
FIS	118.00	118.00	118.00	118.00	118.00	118.00	78.00
BTSCFA	0.00	0.00	3.85	7.69	9.71	11.73	5.87
OFP	245.10	245.10	245.10	245.10	245.10	245.10	215.30
Fuel Allowance	12.31	12.31	12.31	12.31	12.31	12.31	12.31
JSA for 19 Year Old							100.00
Household Income	601.09	601.09	604.94	608.78	610.80	612.82	604.84
Income - Expenditure	-11.04	82.33	85.24	88.14	44.22	0.30	-26.61
Income Adequacy	Inadequate	Adequate	Adequate	Adequate	Adequate	Marginal	Inadequate

Table 20: One Parent, Two Child Household (€ per week) (contd.)

RURAL	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
1 Adult Employed Full-Time (Earning NMW)							
Household Expenditure	774.19	702.13	655.85	609.56	616.75	623.94	639.53
Medical Card Eligibility	Full	Full	Full	Full	Full	Full	Full
Gross Salary	324.38	324.38	324.38	324.38	324.38	324.38	324.38
Taxable OFP	167.60	167.60	167.60	167.60	167.60	167.60	137.80
Income Tax	2.74	2.74	2.74	2.74	2.74	2.74	0.00
Universal Social Charge	9.12	9.12	9.12	9.12	9.12	9.12	9.12
PRSI	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Salary	312.52	312.52	312.52	312.52	312.52	312.52	315.26
Social Transfers							
Child Benefit	64.62	64.62	64.62	64.62	64.62	64.62	32.31
FIS	74.00	74.00	74.00	74.00	74.00	74.00	32.00
BTSCFA	0.00	0.00	3.85	7.69	9.71	11.73	5.87
OFP	167.60	167.60	167.60	167.60	167.60	167.60	137.80
Fuel Allowance	12.31	12.31	12.31	12.31	12.31	12.31	12.31
JSA for 19 Year Old							100.00
Household Income	631.04	631.04	634.89	638.74	640.76	642.78	635.54
Income - Expenditure	-143.14	-71.09	-20.96	29.17	24.01	18.84	-3.99
Income Adequacy	Inadequate	Inadequate	Inadequate	Adequate	Adequate	Adequate	Inadequate

Table 21: Female Pensioner 70+, Living Alone (€ per week)

	URBAN	RURAL
<b>Non-Contributory Pension</b>		
<b>Weekly Expenditure</b>	260.95	363.93
Medical Card Eligibility	Full	Full
<b>Pension</b>		
Non-Contributory	230.30	230.30
Living Alone Allowance	7.70	7.70
<b>Net Pension Income</b>	<b>226.70</b>	<b>226.70</b>
<b>Household Benefits Package</b>		
Television Licence	3.08	3.08
Electricity Allowance*	10.11	10.11
Fuel Allowance	12.31	12.31
Telephone	6.00	6.00
<b>Household Income</b>	<b>258.20</b>	<b>258.20</b>
<b>Income - Expenditure</b>	<b>-2.75</b>	<b>-105.73</b>
<b>Income Adequacy</b>	<b>Inadequate</b>	<b>Inadequate</b>
<b>Contributory Pension</b>		
<b>Weekly Expenditure</b>	262.64	364.42
Medical Card Eligibility	Full	Full
<b>Pension</b>		
Contributory	238.30	238.30
Living Alone Allowance	7.70	7.70
<b>Net Pension Income</b>	<b>238.00</b>	<b>238.00</b>
<b>Household Benefits Package</b>		
Television Licence	3.08	3.08
Electricity Allowance	10.11	10.11
Fuel Allowance	12.31	12.31
Telephone	6.00	6.00
<b>Household Income</b>	<b>269.50</b>	<b>269.50</b>
<b>Income - Expenditure</b>	<b>6.86</b>	<b>-94.92</b>
<b>Income Adequacy</b>	<b>Adequate</b>	<b>Inadequate</b>

\* Electricity Allowance covers normal standing charges and up to 400 units of electricity in each two-monthly billing period throughout the year.

Table 22: Pensioner Couple, Aged 66 – 69 (€ per week)

	URBAN	RURAL
<b>Both Non-Contributory Pension</b>		
<b>Weekly Expenditure</b>	339.61	457.34
Medical Card Eligibility	Full	Full
<b>Pension</b>		
Non-Contributory	219.00	219.00
Non-Contributory	219.00	219.00
<b>Net Pension Income</b>	<b>438.00</b>	<b>438.00</b>
<b>Household Benefits Package</b>		
Television Licence	3.08	3.08
Electricity Allowance*	10.11	10.11
Fuel Allowance	12.31	12.31
Telephone	6.00	6.00
<b>Household Income</b>	<b>469.50</b>	<b>469.50</b>
<b>Income - Expenditure</b>	<b>129.89</b>	<b>12.16</b>
<b>Income Adequacy</b>	<b>Adequate</b>	<b>Adequate</b>
<b>Contributory Pension &amp; Qualified Adult</b>		
<b>Weekly Expenditure</b>	348.45	458.01
Medical Card Eligibility	Full	Full
<b>Pension</b>		
Personal Rate	230.30	230.30
Qualified Adult	206.30	206.30
<b>Net Pension Income</b>	<b>436.60</b>	<b>436.60</b>
<b>Household Benefits Package</b>		
Television Licence	3.08	3.08
Electricity Allowance	10.11	10.11
Fuel Allowance	12.31	12.31
Telephone	6.00	6.00
<b>Household Income</b>	<b>468.10</b>	<b>468.10</b>
<b>Income - Expenditure</b>	<b>119.65</b>	<b>10.09</b>
<b>Income Adequacy</b>	<b>Adequate</b>	<b>Adequate</b>

Table 22: Pensioner Couple, Aged 66 – 69 (€ per week) (contd.)

	URBAN	RURAL
<b>Contributory &amp; Non-Contributory Pension</b>		
<b>Weekly Expenditure</b>	341.31	458.01
Medical Card Eligibility	Full	Full
<b>Pension</b>		
Contributory	230.30	230.30
Non-Contributory	219.00	219.00
<b>Net Pension Income</b>	<b>449.30</b>	<b>449.30</b>
<b>Household Benefits Package</b>		
Television Licence	3.08	3.08
Electricity Allowance	10.11	10.11
Fuel Allowance	12.31	12.31
Telephone	6.00	6.00
<b>Household Income</b>	<b>480.80</b>	<b>480.80</b>
<b>Income - Expenditure</b>	<b>139.49</b>	<b>22.79</b>
<b>Income Adequacy</b>	<b>Adequate</b>	<b>Adequate</b>

\* Electricity Allowance covers normal standing charges and up to 400 units of electricity in each two-monthly billing period throughout the year.

## A Minimum Income Standard

Chapter 4 has laid out the expenditure required for a minimum essential standard of living for household types across the lifecycle. Chapter 5 then examined the adequacy of standard income rates (the national minimum wage of €8.65 per hour, and basic social welfare entitlements) against the benchmark of a MESL, across a variety of employment and eligibility scenarios. Having benchmarked the adequacy of these primary standard income rates, the central question this report now sets out to answer, what is the gross minimum income required by different household types in order to ensure a MESL. This minimum income standard will vary by household type, child age group, household location, and employment scenario. Nevertheless, it is a minimum standard grounded in a social consensus around what the requirements for a socially acceptable minimum standard of living are and the reality of how much that standard costs.

This chapter attempts to establish that standard on a case by case basis, defining the Minimum Income Standard (MIS), as the gross salary necessary, taking account of the tax liabilities and social welfare entitlements of each household type, to enable a household to afford the expenditure required for a MESL. The focus here is only on those household types in scenarios involving employment. As detailed in chapters 3, 4 & 5, of this report there are certain assumptions underlying the expenditure baskets and employment scenarios; these are based on the minimum standards defined by the focus groups. In particular assumptions directly pertinent to tax liability and social welfare entitlement assessments include:

- It is assumed that households are claiming all possible tax credits and reliefs, in particular:
  - It is assumed that full tax relief is claimed on all eligible health expenses

- The household types (with the exception of the single adult) in urban areas pay the local authority for waste collection, and are therefore eligible to tax relief on this expenditure. (This relief is to be phased out from 2012)
- The adult heads of the two parent household type are jointly assessed for tax
- Where a household type is eligible for a full medical card, in a particular scenario, the reduced rate of Universal Social Charge is applied in calculating the household's overall tax liability
- Medical card eligibility is determined in accordance with the Medical Card Assessment Guidelines (2009)
  - Transport costs for assessing medical card eligibility are based on bus travel for urban household types and car travel for rural household types
  - The allowance for housing cost is based on the local authority rent due for the particular household and income level, with the exception of the urban single adult in private rented accommodation
  - Childcare costs are allowed for at the full budgeted cost in the expenditure basket, as appropriate to the employment scenario of the household type in question

The tables in this chapter detail the MIS for each case where the minimum wage (€8.65 per hour) was found to be an inadequate basis for a minimum household income.<sup>36</sup> The MIS gross salary is provided for each case, along with a breakdown of the tax liabilities and social welfare entitlements of the household type. Rather than engage in an exhaustive discussion of each case, illustrative examples for each household type are selected and discussed in detail below.

The full MIS tables for each urban and rural household type are provided at the end of this chapter. The first section of each table reports the gross salary required for each household type, in a hypothetical scenario where the household is ineligible for any targeted social welfare transfers or the medical card. This 'no

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<sup>36</sup> For each case where the minimum wage was found to be adequate, the minimum wage household income breakdown is provided in the table to differentiate from those cases where the MIS is higher than the national minimum wage.

social transfers or secondary benefits' scenario is based on one adult in the household engaged in full-time employment, childcare costs are included where necessary for the one-parent household types, housing is based on the appropriate local authority differential rent, and child benefit is included as it is a universal social transfer. The subsequent sections of each table then detail the MIS for each scenario taking account of possible social welfare entitlements, and it is therefore possible to assess the support role currently provided by social welfare transfer payments and secondary benefits.

In all the cases examined here, household types are reliant on a variety of direct social transfer payment income supports and secondary benefits, primarily the medical card, when earning the minimum wage. These supports increase household income on top of salary income, and the medical card reduces the minimum necessary household expenditure on health.<sup>37</sup> Entitlement to a full medical card also affects household tax liability, as the household will pay a lower rate of Universal Social Charge. However, as the gross salary of earner(s) in the household rises these entitlements reduce, and are ultimately lost, similarly eligibility for the full medical card and GP visit card is lost as income rises. Furthermore, as gross salary rises the minimum expenditure requirement also increases, firstly due to increased housing costs under the differential rent assessment and secondly due to increased health related expenditure as medical card entitlement is lost.<sup>38</sup> The progress along this path of increasing salary and reducing entitlement is examined for illustrative cases of each household type in the following discussion and graphs.

### **Single Adult of Working Age, Living Alone**

#### *Table 23*

The single adult of working age household type in both urban and rural areas does not receive an adequate minimum income when

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<sup>37</sup> For urban household types examined here medical card eligibility can also entitle them to a reduction in waste charges, see Chapter 4 for full details.

<sup>38</sup> It is for this reason, minimum expenditure requirements changing with household income, that the expenditure totals presented in the MIS tables within this chapter do not correspond to the expenditure totals presented in previous chapters.

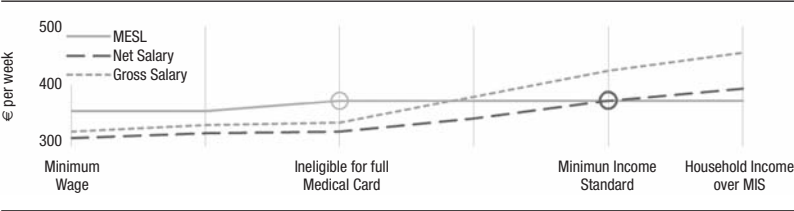


employed at the minimum wage rate. Table 23 details the MIS required for this household type in urban and rural areas. As explained previously, the minimum expenditure requirements of the rural household are higher than the urban household and therefore the MIS is necessarily higher for the rural household type.

*Table 23: Minimum Income Standard, Single Adult of Working Age (€)*

	URBAN	RURAL
<b>MIS Gross Salary, no transfers or benefits</b>		
<b>Weekly Expenditure</b>	<b>376.81</b>	<b>446.85</b>
Medical Card Eligibility	None	None
<b>Gross Salary</b>	<b>426.75</b>	<b>529.13</b>
Income Tax	21.04	42.05
Universal Social Charge	16.77	23.94
PRSI	11.99	16.09
<b>Net Salary</b>	<b>376.95</b>	<b>447.05</b>
<b>Universal Social Transfers</b>		
Child Benefit	0.00	0.00
<b>Household Income</b>	<b>376.95</b>	<b>447.05</b>
<b>Gross MIS Salary</b>		
€ per week	426.75	529.13
€ per hour	11.38	14.11
€ per annum	22,251.96	27,590.09
<b>MIS Gross Salary, 1 Adult Employed FT</b>		
<b>Weekly Expenditure</b>	<b>376.25</b>	<b>446.87</b>
Medical Card Eligibility	Doctor Only	None
<b>Gross Salary</b>	<b>426.00</b>	<b>529.13</b>
Income Tax	21.00	42.05
Universal Social Charge	16.72	23.94
PRSI	11.96	16.09
<b>Net Salary</b>	<b>376.32</b>	<b>447.05</b>
<b>Social Transfers</b>		
None applicable	0.00	0.00
<b>Household Income</b>	<b>376.32</b>	<b>447.05</b>
<b>Gross MIS Salary</b>		
€ per week	426.00	529.13

Graph 3: Minimum Income Standard for Urban Single Adult of Working Age



Graph 3 illustrates how the cost of a MESL rises as the household's salary income rises, for an urban single adult. In this case the household resides in private rented accommodation and so, unlike the other household types, income does not affect rent, thereby simplifying this scenario. However, when earning the minimum wage this household qualifies for a full medical card and has a weekly income shortfall of €44. When gross earnings exceed €9.00 per hour (€340 per week), the individual is no longer eligible for a full medical card, now qualifying for a GP visit only card. The increased expenditure on health sees the overall cost of a MESL rise, and in addition tax liability also increases due to increased USC; the household now has a weekly shortfall of €51. In order to reach a MESL the urban single adult household type requires a MIS of €426 per week.

### Two Parents, Two Child Households

Tables 24 & 25

#### One Adult Employed Full-Time

As established in the previous chapter, for urban households of this type with children under the age of thirteen years, the combination of full-time employment earning the national minimum wage (€8.65), Family Income Supplement (FIS) and the benefits of a full medical card, provides an adequate household income when resident in local authority housing. However, each of the urban households with teenage children faces an income shortfall, with the inadequacy of their income growing as the two children age. Furthermore, all but one of the rural households of this type faces income inadequacy when earning the minimum wage. Tables 24 & 25, detail the MIS necessary for the urban and rural household types across the age groups.

Table 24: MIS Gross Salary with 1 Adult Employed FT (€)

	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
URBAN							
Household Expenditure	484.44	441.55	471.92	502.28	569.18	709.09	749.45
Medical Card Eligibility	Full	Full	Full	Full	Full	None	None
Gross Salary	324.38	324.38	324.38	324.38	342.75	742.88	703.13
Income Tax	0.00	0.00	0.00	0.00	0.00	34.74	26.78
Universal Social Charge	9.12	9.12	9.12	9.12	9.85	38.90	36.12
PRSI	0.00	0.00	0.00	0.00	0.00	24.64	23.05
Net Salary	315.26	315.26	315.26	315.26	332.90	644.60	617.18
Social Transfers							
Child Benefit	64.62	64.62	64.62	64.62	64.62	64.62	32.31
FIS	173.00	173.00	173.00	173.00	162.00	0.00	0.00
BTSCFA	0.00	0.00	3.85	7.69	9.71	0.00	0.00
JSA for 19 Year Old							100.00
Household Income	552.88	552.88	556.73	560.57	569.23	709.22	749.49
Gross MIS Salary							
€ per week	324.38	324.38	324.38	324.38	342.75	742.88	703.13

Table 24: MIS Gross Salary with 1 Adult Employed FT (€) (contd.)

	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
RURAL							
Household Expenditure	594.97	552.15	664.96	704.51	771.52	835.20	870.64
Medical Card Eligibility	Full	Full	GP Visit	GP Visit	None	None	None
Gross Salary	521.25	324.38	647.63	739.50	849.75	982.13	915.00
Income Tax	0.00	0.00	17.93	36.31	67.40	121.66	94.14
Universal Social Charge	16.99	9.12	32.23	38.67	46.38	55.65	50.95
PRSI	15.77	0.00	20.83	24.50	28.91	34.21	31.52
Net Salary	488.49	315.26	576.63	640.03	707.06	770.61	738.39
Social Transfers							
Child Benefit	64.62	64.62	64.62	64.62	64.62	64.62	32.31
FIS	69.00	173.00	20.00	0.00	0.00	0.00	0.00
BTSCFA	0.00	0.00	3.85	0.00	0.00	0.00	0.00
JSA for 19 Year Old							100.00
Household Income	622.11	552.88	665.09	704.64	771.67	835.22	870.70
Gross MIS Salary							
€ per week	521.25	324.38	647.63	739.50	849.75	982.13	915.00

Table 25: MIS Gross Salary with 2 Adults Employed, 1 FT & 1 PT (€)

	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
URBAN							
Household Expenditure	699.26	597.46	568.44	539.41	640.43	696.71	742.53
Medical Card Eligibility	Full	Full	Full	Full	GP Visit	GP Visit	None
Joint Gross Salary	672.35	488.73	488.73	488.73	526.02	633.37	644.10
Income Tax	6.85	0.00	0.00	0.00	0.00	0.00	0.00
Universal Social Charge	17.85	12.40	12.40	12.40	14.88	20.99	21.63
PRSI	12.77	0.00	0.00	0.00	0.00	11.74	12.02
Joint Net Salary	634.88	476.32	476.32	476.32	511.14	600.64	610.45
Social Transfers							
Child Benefit	64.62	64.62	64.62	64.62	64.62	64.62	32.31
FIS	0.00	76.00	76.00	76.00	55.00	20.00	0.00
BTSCFA	0.00	0.00	3.85	7.69	9.71	11.73	0.00
Other							100.00
Household Income	699.50	616.94	620.79	624.63	640.47	696.99	742.76
Gross MIS Salary							
€ per week - FT	446.25	324.38	324.38	324.38	349.13	420.38	427.50
€ per week - PT	226.10	164.35	164.35	164.35	176.89	212.99	216.60

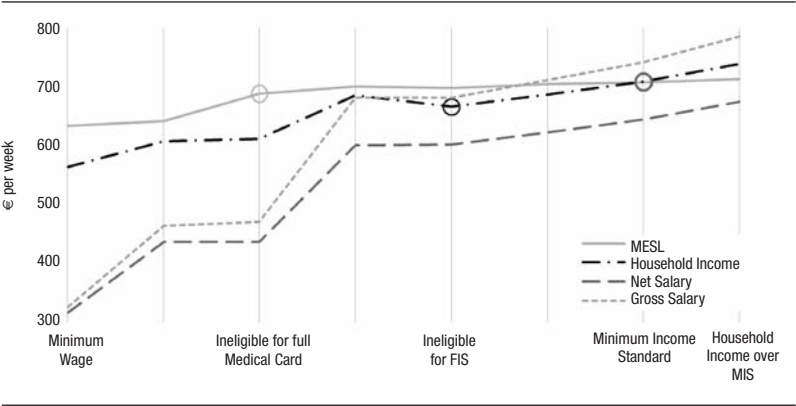
Table 25: MIS Gross Salary with 2 Adults Employed, 1 FT & 1 PT (€) (contd.)

	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
RURAL							
Household Expenditure	788.82	682.00	678.26	676.33	774.72	826.08	862.22
Medical Card Eligibility	Full	Full	Full	Full	GP Visit	None	None
Joint Gross Salary	793.26	650.32	617.55	611.90	785.35	856.54	812.47
Income Tax	31.73	3.14	0.00	0.00	29.31	42.95	34.14
Universal Social Charge	21.06	17.27	16.40	16.25	30.09	34.36	31.72
PRSI	15.98	12.19	11.32	11.17	15.77	17.66	16.49
Joint Net Salary	724.49	617.73	589.84	584.49	710.18	761.57	730.12
Social Transfers							
Child Benefit	64.62	64.62	64.62	64.62	64.62	64.62	32.31
FIS	0.00	0.00	20.00	20.00	0.00	0.00	0.00
BTSCFA	0.00	0.00	3.85	7.69	0.00	0.00	0.00
JSA for 19 Year Old							100.00
Household Income	789.11	682.34	678.30	676.79	774.79	826.19	862.43
Gross MIS Salary							
€ per week - FT	526.50	431.63	409.88	406.13	521.25	568.50	539.25
€ per week - PT	266.76	218.69	207.67	205.77	264.10	288.04	273.22

The urban two parent household with one child of primary school age and one of second level age requires €555 per week before housing and childcare costs, and excluding any possible expenditure reductions arising from medical card entitlement. However, with one adult working full-time, earning the national minimum wage, total household income is inadequate. There is a weekly income shortfall of €5.60, almost €300 per year. However, a full-time gross salary of €343 per week (€9.14 an hour), in conjunction with the support of the FIS, Back to School Clothing & Footwear Allowance (BTSCFA), and benefits of the Medical Card, is enough to provide an income adequate for the household to maintain a MESL.

As the cost of a MESL rises with older children the income supports which assist the household type with children of younger age groups prove evermore inadequate as eligibility expires before a minimum standard is reached. This situation is further exacerbated as the cost of local authority housing continues to rise as salary income increases, making the minimum income necessary to maintain a MESL an elusive target. Graph 4 demonstrates this situation for an urban two parent household, with two children of second level age, in the one adult employed full-time scenario.

*Graph 4: MIS for Urban, Single Income, Two Parent & Two Children of Second Level Age Household*



The two parent, with two children of second level age household type requires €621 per week before housing costs, and excluding the possible expenditure reductions of the medical card. With one adult

working full-time, the national minimum wage rate and additional low-income supports are inadequate, with a weekly shortfall of almost €70. Ultimately, the income necessary for this household to maintain a MESL places them above the eligibility threshold for both the medical card and FIS. As illustrated in Graph 6, when the gross weekly salary exceeds €465 this household loses eligibility for the full medical card, necessitating a significant increase in expenditure in the area of primary health care and on private health insurance. Just prior to losing medical card eligibility the household would face a weekly income shortfall of approximately €35. The shortfall rises to €77 when the medical card is lost. As the household gross salary rises entitlement to FIS also expires. A €682 gross salary per week sees this final targeted support removed in this case, at this point total household income dips despite the increase in salary and the household has a weekly income shortfall of €33. A MIS gross weekly salary of €743 (€38,735 per annum) is required for an urban two parent household with two children of second level age, living in local authority housing, to maintain a MESL.

### *Both Adults Employed, One Full-Time & One Part-Time*

In addition to the one adult working full-time employment scenario, a dual income scenario is also examined for the two parent household. This dual income is based on one adult employed full-time and one employed part-time. In the model depicted here it is assumed that a full-time week is based on 37.5 hours and a part-time week consists of 19 hours.

While a dual income household has the potential for higher earnings, it also faces additional costs associated with having a second adult in employment; e.g. this is particularly the case with the added need for expenditure on childcare.<sup>39</sup> Furthermore, the combined impact of additional expenditure and reduced entitlements (for both FIS and Medical Card) due to higher household income leads to a contradictory situation where a two parent, two child household type with two adults earning the national minimum wage can be worse off than the identical household type with only one adult in employment and earning the national minimum wage. The net household salary increase when a

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<sup>39</sup> For a full discussion of how expenditure changes between employment scenarios and across age groups refer to Chapter 4.



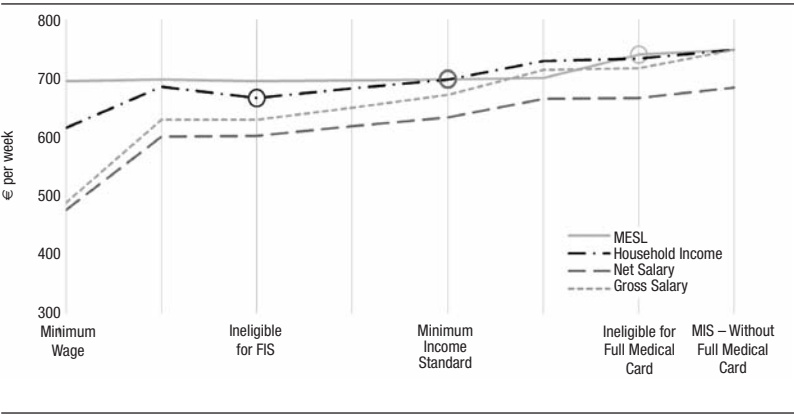
second adult is engaged in employment, part-time, is €161.06 per week. However, when household income increases the support from FIS reduces by €97.00, in this scenario. Thus, the overall gain in household income from the second adult engaging in employment is only €64.06. The costs of childcare for children under primary school age, as detailed in the Chapter 4, significantly outweighs the increase in household income for both urban and rural household types.

As is apparent from the tables in the previous chapter benchmarking the adequacy of the minimum wage to the households' minimum requirements, the dual income minimum wage household faces a similar situation to the single income minimum wage household regarding the inadequacy of income. Rural household types are consistently in a situation of income inadequacy across child age groups in this scenario, and the magnitude of the inadequacy is far greater for households with children in primary school in this scenario than for those in the single income scenario. In the case of urban household types, for the types with children under primary school age their discretionary income is notably lower than that of the equivalent single income household types. Furthermore, the urban household type with a 9 month old baby and pre-school age child faces a significant weekly income shortfall in this scenario, while the equivalent household in the one adult full-time scenario had an adequate household income.

The urban household type with a 9 month old baby and pre-school age child, in this income scenario, also demonstrates the complexity of welfare supports and medical card entitlement, as illustrated in Graph 5. This household type requires €437 per week before housing and childcare costs, and excluding any possible expenditure reductions arising from medical card entitlement. In order to maintain a MESL this household type requires a joint gross salary of €672 per week. At this income level this household type retains eligibility for a full medical card. However, support from FIS expired when household income rose to €630, causing the drop in total household income highlighted. Just prior to this point the household faced a weekly €13 shortfall. However, at the point where FIS eligibility is lost the household experiences a weekly shortfall of €30. The joint gross salary must reach €672 a week for the household to meet a MESL. However, if income was to rise slightly above this MIS, to €717 a week, the household would lose entitlement to the full medical card and be returned to a situation of income

inadequacy. Thus, a further increase in joint gross salary to €749 may be required to secure the MIS.

*Graph 5: MIS for Urban, Dual Income Household, Two Parents, 9 Month Baby & Pre-school Age Child*



### One Parent, Two Child Households

Table 26

#### *Adult Employed Part-Time*

As discussed in Chapter 5 , the part-time employment scenario for the one parent household types presents a situation which maximises potential social welfare transfer payment eligibility. Thus, minimum wage salary and a combination of five separate social welfare transfer payments result in a household income which is adequate across the child age-groups for the urban household, and is only inadequate for two of the seven rural cases.<sup>40</sup> The rural inadequacy occurs at either end of the age-group spectrum examined. Table 30 provides the details of the MIS for the rural household type in both this and the full-time scenario. For both households where the minimum wage scenario proved inadequate, aggregate household income reaches adequacy at a gross salary rate which is within the

<sup>40</sup> Thus the MIS tables for the urban one parent household do not include the part-time employment scenario as in all cases the minimum wage provides an adequate household income in conjunction with social welfare transfer payment supports.

eligibility for both OFP and FIS, and allows the household to retain a full medical card.

### *Adult Employed Full-Time*

In this employment scenario the minimum wage provides an adequate income, in conjunction with social welfare transfer payments, for five of the seven urban and three of the seven rural age-group household types. As discussed in the previous chapter, in this income scenario the household has a higher salary income but lower social welfare transfer payment eligibility, while having significantly higher minimum expenditure requirements due to being in full-time employment, primarily childcare costs. For those household age-groups where the minimum wage is adequate social welfare transfers comprise approximately half of total household income, with the OFP and FIS accounting for 38% of total household income. However, in addition to being subject to a variety of eligibility criteria these supports are means tested, and thus their value reduces and ultimately expires as household salary income increases. For each of the households of this type with children in the younger age groups, these two income supports are totally removed at a salary which is inadequate to enable a MESL, see Table 29 & 30.

The case of the urban one parent household with a 9 month old baby and pre-school age child illustrates this reality, in Graph 6 below. This household requires €345 per week before housing and childcare costs, and excluding any possible expenditure reductions arising for medical card entitlement. When employed full-time and earning the national minimum wage the household requires €771 per week in order to afford a MESL. However, at that salary level the household experiences a €140 income shortfall per week, despite being in receipt of four social transfer payments and qualifying for a full medical card.

As the earner's gross salary increases this household experiences two key points of household income reduction due to lost eligibility. When the gross salary is approximately €420 per week the household's income is inadequate by €130. However, when gross salary increases to €425 the inadequacy grows to €179, as eligibility for the OFP is lost. While FIS entitlement increases at this point, it does not fully compensate for the loss and overall household income drops, as illustrated on the graph, from €641 to €587. A second dip

Table 26: MIS Gross Salary with 1 Adult Employed FT (€)

	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
URBAN							
Household Expenditure	797.46	716.72	610.35	518.69	534.33	549.96	578.01
Medical Card Eligibility	Full	Full	Full	Full	Full	Full	Full
Gross Salary	940.50	782.25	324.38	324.38	324.38	324.38	324.38
Taxable OFP	0.00	0.00	167.60	167.60	167.60	167.60	137.80
Income Tax	141.34	76.45	2.74	2.74	2.74	2.74	0.00
Universal Social Charge	33.76	27.43	9.12	9.12	9.12	9.12	9.12
PRSI	32.54	26.21	0.00	0.00	0.00	0.00	0.00
Net Salary	732.86	652.16	312.52	312.52	312.52	312.52	315.26
Social Transfers							
Child Benefit	64.62	64.62	64.62	64.62	64.62	64.62	32.31
FIS	0.00	0.00	74.00	74.00	74.00	74.00	32.00
BTSCFA	0.00	0.00	3.85	7.69	9.71	11.73	5.87
OFP	0.00	0.00	167.60	167.60	167.60	167.60	137.80
Fuel Allowance	0.00	0.00	12.31	12.31	12.31	12.31	12.31
JSA for 19 Year Old							100.00
Household Income	797.48	716.77	634.89	638.74	640.76	642.78	635.54
Gross MIS Salary							
€ per week	940.50	782.25	324.38	324.38	324.38	324.38	324.38

Table 26: MIS Gross Salary with 1 Adult Employed FT (€) (contd.)

	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
RURAL							
Household Expenditure	800.59	720.23	666.35	609.56	616.75	623.94	640.03
Medical Card Eligibility	Full	Full	Full	Full	Full	Full	Full
Gross Salary	947.63	790.13	663.38	324.38	324.38	324.38	348.38
Taxable OFP	0.00	0.00	0.00	167.60	167.60	167.60	125.30
Income Tax	144.72	80.14	37.48	2.74	2.74	2.74	0.00
Universal Social Charge	34.05	27.75	22.68	9.12	9.12	9.12	10.08
PRSI	32.83	26.53	21.46	0.00	0.00	0.00	0.00
Net Salary	736.04	655.71	581.76	312.52	312.52	312.52	338.30
Social Transfers							
Child Benefit	64.62	64.62	64.62	64.62	64.62	64.62	32.31
FIS	0.00	0.00	20.00	74.00	74.00	74.00	26.00
BTSCFA	0.00	0.00	0.00	7.69	9.71	11.73	5.87
OFP	0.00	0.00	0.00	167.60	167.60	167.60	125.30
Fuel Allowance	0.00	0.00	0.00	12.31	12.31	12.31	12.31
JSA for 19 Year Old							100.00
Household Income	800.66	720.33	666.38	638.74	640.76	642.78	640.08
Gross MIS Salary							
€ per week	947.63	790.13	663.38	324.38	324.38	324.38	348.38

in household income is experienced when the FIS entitlement is lost. When gross salary is at €688 per week the household experiences an income shortfall of €96. However, when the gross salary reaches €691 per week the eligibility for FIS is exceeded and household income drops, as illustrated, resulting in an income shortfall of €111. At this point the household is still entitled to a full medical card. The gross salary for this urban household must rise to over €940 per week in order to enable a MESL, while residing in local authority housing.

*Graph 6: MIS for One Parent, 9 Month Baby & Pre-school Age Child, Urban Household*

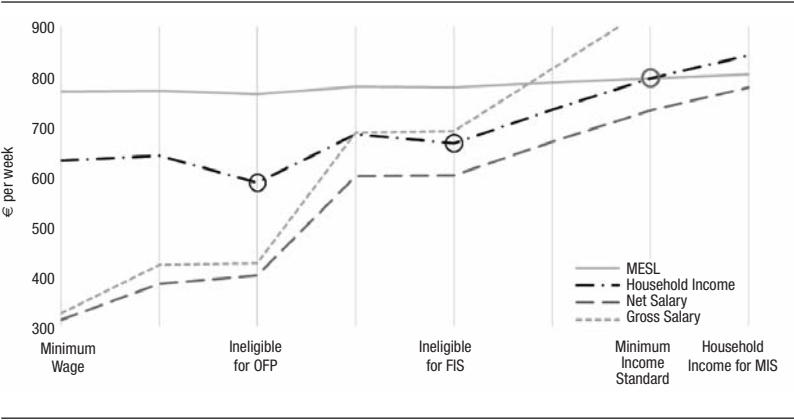


Table 27: Minimum Income Standard for Two Parent, Two Child Household (€)

URBAN	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
MIS Gross Salary, no social transfers or secondary benefits							
<b>Household Expenditure</b>	<b>532.14</b>	<b>481.74</b>	<b>517.46</b>	<b>553.19</b>	<b>631.13</b>	<b>709.09</b>	<b>755.11</b>
Medical Card Eligibility	None	None	None	None	None	None	None
<b>Gross Salary</b>	<b>505.13</b>	<b>448.50</b>	<b>488.63</b>	<b>528.75</b>	<b>630.00</b>	<b>742.88</b>	<b>879.38</b>
Income Tax	0.00	0.00	0.00	0.00	12.24	34.74	77.89
Universal Social Charge	22.26	18.30	21.10	23.91	31.00	38.90	48.46
PRSI	15.13	12.86	14.47	16.07	20.12	24.64	30.10
<b>Net Salary</b>	<b>467.74</b>	<b>417.35</b>	<b>453.06</b>	<b>488.77</b>	<b>566.64</b>	<b>644.60</b>	<b>722.93</b>
<b>Universal Social Transfers</b>							
Child Benefit	64.62	64.62	64.62	64.62	64.62	64.62	32.31
<b>Household Income</b>	<b>532.36</b>	<b>481.96</b>	<b>517.67</b>	<b>553.38</b>	<b>631.26</b>	<b>709.22</b>	<b>755.24</b>
<b>Gross MIS Salary</b>							
€ per week	505.13	448.50	488.63	528.75	630.00	742.88	879.38
€ per hour	13.47	11.96	13.03	14.10	16.80	19.81	23.45
€ per annum	26,338.66	23,386.07	25,478.30	27,570.54	32,850.00	38,735.63	45,853.13

Table 27: Minimum Income Standard for Two Parent, Two Child Household (€) (contd.)

URBAN	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
MIS Gross Salary with 1 Adult Employed FT							
<b>Household Expenditure</b>	<b>484.44</b>	<b>441.55</b>	<b>471.92</b>	<b>502.28</b>	<b>569.18</b>	<b>709.09</b>	<b>749.45</b>
Medical Card Eligibility	Full	Full	Full	Full	Full	None	None
<b>Gross Salary</b>	<b>324.38</b>	<b>324.38</b>	<b>324.38</b>	<b>324.38</b>	<b>342.75</b>	<b>742.88</b>	<b>703.13</b>
Income Tax	0.00	0.00	0.00	0.00	0.00	34.74	26.78
Universal Social Charge	9.12	9.12	9.12	9.12	9.85	38.90	36.12
PRSI	0.00	0.00	0.00	0.00	0.00	24.64	23.05
<b>Net Salary</b>	<b>315.26</b>	<b>315.26</b>	<b>315.26</b>	<b>315.26</b>	<b>332.90</b>	<b>644.60</b>	<b>617.18</b>
<b>Social Transfers</b>							
Child Benefit	64.62	64.62	64.62	64.62	64.62	64.62	32.31
FIS	173.00	173.00	173.00	173.00	162.00	0.00	0.00
BTSCFA	0.00	0.00	3.85	7.69	9.71	0.00	0.00
JSA for 19 Year Old						100.00	100.00
<b>Household Income</b>	<b>552.88</b>	<b>552.88</b>	<b>556.73</b>	<b>560.57</b>	<b>569.23</b>	<b>709.22</b>	<b>749.49</b>
<b>Gross MIS Salary</b>							
€ per week	324.38	324.38	324.38	324.38	342.75	742.88	703.13
€ per hour	8.65	8.65	8.65	8.65	9.14	19.81	18.75
€ per annum	16,913.84	16,913.84	16,913.84	16,913.84	17,871.96	38,735.63	36,662.95



Table 27: Minimum Income Standard for Two Parent, Two Child Household (€) (contd.)

URBAN	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
MIS Gross Salary with 2 Adults Employed, 1 FT & 1 PT							
<b>Household Expenditure</b>	<b>699.26</b>	<b>597.46</b>	<b>568.44</b>	<b>539.41</b>	<b>640.43</b>	<b>696.71</b>	<b>742.53</b>
Medical Card Eligibility	Full	Full	Full	Full	GP Visit	GP Visit	None
<b>Joint Gross Salary</b>	<b>672.35</b>	<b>488.73</b>	<b>488.73</b>	<b>488.73</b>	<b>526.02</b>	<b>633.37</b>	<b>644.10</b>
Income Tax	6.85	0.00	0.00	0.00	0.00	0.00	0.00
Universal Social Charge	17.85	12.40	12.40	12.40	14.88	20.99	21.63
PRSI	12.77	0.00	0.00	0.00	0.00	11.74	12.02
<b>Joint Net Salary</b>	<b>634.88</b>	<b>476.32</b>	<b>476.32</b>	<b>476.32</b>	<b>511.14</b>	<b>600.64</b>	<b>610.45</b>
<b>Social Transfers</b>							
Child Benefit	64.62	64.62	64.62	64.62	64.62	64.62	32.31
FIS	0.00	76.00	76.00	76.00	55.00	20.00	0.00
BTSCFA	0.00	0.00	3.85	7.69	9.71	11.73	0.00
Other							100.00
<b>Household Income</b>	<b>699.50</b>	<b>616.94</b>	<b>620.79</b>	<b>624.63</b>	<b>640.47</b>	<b>696.99</b>	<b>742.76</b>
<b>Gross MIS Salary</b>							
€ per week - FT	446.25	324.38	324.38	324.38	349.13	420.38	427.50
€ per week - PT	226.10	164.35	164.35	164.35	176.89	212.99	216.60
€ per hour	11.90	8.65	8.65	8.65	9.31	11.21	11.40
€ per annum - FT	23,268.75	16,913.84	16,913.84	16,913.84	18,204.38	21,919.55	22,291.07
€ per annum - PT	11,789.50	8,569.68	8,569.68	8,569.68	9,223.55	11,105.91	11,294.14

Table 28: Minimum Income Standard for Two Parent, Two Child Household (€)

RURAL	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
MIS Gross Salary, no social transfers or secondary benefits							
Household Expenditure	682.15	634.20	670.92	707.80	771.52	835.20	874.74
Medical Card Eligibility	None	None	None	None	None	None	None
Gross Salary	706.13	636.75	690.00	743.25	849.75	982.13	1,131.75
Income Tax	29.02	15.17	25.82	36.47	67.40	121.66	183.01
Universal Social Charge	36.33	31.47	35.20	38.93	46.38	55.65	66.12
PRSI	23.17	20.39	22.52	24.65	28.91	34.21	40.19
Net Salary	617.61	569.72	606.46	643.20	707.06	770.61	842.43
Universal Social Transfers							
Child Benefit	64.62	64.62	64.62	64.62	64.62	64.62	32.31
Household Income	682.23	634.34	671.08	707.82	771.67	835.22	874.74
Gross MIS Salary							
€ per week	706.13	636.75	690.00	743.25	849.75	982.13	1,131.75
€ per hour	18.83	16.98	18.40	19.82	22.66	26.19	30.18
€ per annum	36,819.38	33,201.96	35,978.57	38,755.18	44,308.39	51,210.80	59,012.68

Table 28: Minimum Income Standard for Two Parent, Two Child Household (€) (contd.)

RURAL	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
MIS Gross Salary with 1 Adult Employed FT							
Household Expenditure	594.97	552.15	664.96	704.51	771.52	835.20	870.64
Medical Card Eligibility	Full	Full	GP Visit	GP Visit	None	None	None
Gross Salary	521.25	324.38	647.63	739.50	849.75	982.13	915.00
Income Tax	0.00	0.00	17.93	36.31	67.40	121.66	94.14
Universal Social Charge	16.99	9.12	32.23	38.67	46.38	55.65	50.95
PRSI	15.77	0.00	20.83	24.50	28.91	34.21	31.52
Net Salary	488.49	315.26	576.63	640.03	707.06	770.61	738.39
Social Transfers							
Child Benefit	64.62	64.62	64.62	64.62	64.62	64.62	32.31
FIS	69.00	173.00	20.00	0.00	0.00	0.00	0.00
BTSCFA	0.00	0.00	3.85	0.00	0.00	0.00	0.00
JSA for 19 Year Old							100.00
Household Income	622.11	552.88	665.09	704.64	771.67	835.22	870.70
Gross MIS Salary							
€ per week	521.25	324.38	647.63	739.50	849.75	982.13	915.00
€ per hour	13.90	8.65	17.27	19.72	22.66	26.19	24.40
€ per annum	27,179.46	16,913.84	33,769.02	38,559.64	44,308.39	51,210.80	47,710.71

Table 28: Minimum Income Standard for Two Parent, Two Child Household (€) (contd.)

RURAL	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
MIS Gross Salary with 2 Adults Employed, 1 FT & 1 PT							
<b>Household Expenditure</b>	<b>788.82</b>	<b>682.00</b>	<b>678.26</b>	<b>676.33</b>	<b>774.72</b>	<b>826.08</b>	<b>862.22</b>
Medical Card Eligibility	Full	Full	Full	Full	GP Visit	None	None
<b>Joint Gross Salary</b>	<b>793.26</b>	<b>650.32</b>	<b>617.55</b>	<b>611.90</b>	<b>785.35</b>	<b>856.54</b>	<b>812.47</b>
Income Tax	31.73	3.14	0.00	0.00	29.31	42.95	34.14
Universal Social Charge	21.06	17.27	16.40	16.25	30.09	34.36	31.72
PRSI	15.98	12.19	11.32	11.17	15.77	17.66	16.49
<b>Joint Net Salary</b>	<b>724.49</b>	<b>617.73</b>	<b>589.84</b>	<b>584.49</b>	<b>710.18</b>	<b>761.57</b>	<b>730.12</b>
<b>Social Transfers</b>							
Child Benefit	64.62	64.62	64.62	64.62	64.62	64.62	32.31
FIS	0.00	0.00	20.00	20.00	0.00	0.00	0.00
BTSCFA	0.00	0.00	3.85	7.69	0.00	0.00	0.00
JSA for 19 Year Old						100.00	100.00
<b>Household Income</b>	<b>789.11</b>	<b>682.34</b>	<b>678.30</b>	<b>676.79</b>	<b>774.79</b>	<b>826.19</b>	<b>862.43</b>
<b>Gross MIS Salary</b>							
€ per week - FT	526.50	431.63	409.88	406.13	521.25	568.50	539.25
€ per week - PT	266.76	218.69	207.67	205.77	264.10	288.04	273.22
€ per hour	14.04	11.51	10.93	10.83	13.90	15.16	14.38
€ per annum - FT	27,453.21	22,506.16	21,372.05	21,176.52	27,179.46	29,643.21	28,118.04
€ per annum - PT	13,909.63	11,403.12	10,828.51	10,729.44	13,770.93	15,019.23	14,246.47

Table 29: Minimum Income Standard for One Parent, Two Child Household (€)

URBAN	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
MIS Gross Salary, no social transfers or secondary benefits							
<b>Household Expenditure</b>	<b>838.11</b>	<b>757.44</b>	<b>649.60</b>	<b>541.76</b>	<b>560.60</b>	<b>579.40</b>	<b>617.22</b>
Medical Card Eligibility	None	None	None	None	None	None	None
<b>Gross Salary</b>	<b>1,060.88</b>	<b>892.88</b>	<b>680.25</b>	<b>523.88</b>	<b>551.25</b>	<b>578.25</b>	<b>679.88</b>
Income Tax	188.81	119.92	38.51	7.23	12.64	17.96	38.28
Universal Social Charge	61.16	49.40	34.52	23.57	25.49	27.38	34.49
PRSI	37.36	30.64	22.13	15.88	16.97	18.05	22.12
<b>Net Salary</b>	<b>773.55</b>	<b>692.92</b>	<b>585.09</b>	<b>477.20</b>	<b>496.16</b>	<b>514.86</b>	<b>584.99</b>
<b>Universal Social Transfers</b>							
Child Benefit	64.62	64.62	64.62	64.62	64.62	64.62	32.31
<b>Household Income</b>	<b>838.16</b>	<b>757.53</b>	<b>649.71</b>	<b>541.81</b>	<b>560.77</b>	<b>579.48</b>	<b>617.29</b>
<b>Gross MIS Salary</b>							
€ per week	1,060.88	892.88	680.25	523.88	551.25	578.25	679.88
€ per hour	28.29	23.81	18.14	13.97	14.70	15.42	18.13
€ per annum	55,317.05	46,557.05	35,470.18	27,316.34	28,743.75	30,151.61	35,450.63

Table 29: Minimum Income Standard for One Parent, Two Child Household (€) (contd.)

URBAN	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
MIS Gross Salary with 1 Adult Employed FT							
Household Expenditure	797.46	716.72	610.35	518.69	534.33	549.96	578.01
Medical Card Eligibility	Full	Full	Full	Full	Full	Full	Full
Gross Salary	940.50	782.25	324.38	324.38	324.38	324.38	324.38
Taxable OFP	0.00	0.00	167.60	167.60	167.60	167.60	137.80
Income Tax	141.34	76.45	2.74	2.74	2.74	2.74	0.00
Universal Social Charge	33.76	27.43	9.12	9.12	9.12	9.12	9.12
PRSI	32.54	26.21	0.00	0.00	0.00	0.00	0.00
Net Salary	732.86	652.16	312.52	312.52	312.52	312.52	315.26
Social Transfers							
Child Benefit	64.62	64.62	64.62	64.62	64.62	64.62	32.31
FIS	0.00	0.00	74.00	74.00	74.00	74.00	32.00
BTSCFA	0.00	0.00	3.85	7.69	9.71	11.73	5.87
OFP	0.00	0.00	167.60	167.60	167.60	167.60	137.80
Fuel Allowance	0.00	0.00	12.31	12.31	12.31	12.31	12.31
JSA for 19 Year Old							100.00
Household Income	797.48	716.77	634.89	638.74	640.76	642.78	635.54
Gross MIS Salary							
€ per week	940.50	782.25	324.38	324.38	324.38	324.38	324.38
€ per hour	25.08	20.86	8.65	8.65	8.65	8.65	8.65
€ per annum	49,040.36	40,788.75	16,913.84	16,913.84	16,913.84	16,913.84	16,913.84

Table 30: Minimum Income Standard for One Parent, Two Child Household (€)

RURAL	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
MIS Gross Salary, no social transfers or secondary benefits							
<b>Household Expenditure</b>	<b>834.94</b>	<b>754.46</b>	<b>702.97</b>	<b>651.36</b>	<b>659.36</b>	<b>667.36</b>	<b>697.15</b>
Medical Card Eligibility	None	None	None	None	None	None	None
<b>Gross Salary</b>	<b>1,056.75</b>	<b>889.13</b>	<b>781.88</b>	<b>684.75</b>	<b>696.00</b>	<b>707.63</b>	<b>837.00</b>
Income Tax	188.33	119.63	75.66	40.66	42.90	45.21	98.24
Universal Social Charge	60.87	49.14	41.63	34.83	35.62	36.43	45.49
PRSI	37.19	30.49	26.20	22.31	22.76	23.23	28.40
<b>Net Salary</b>	<b>770.35</b>	<b>689.87</b>	<b>638.39</b>	<b>586.95</b>	<b>594.72</b>	<b>602.75</b>	<b>664.87</b>
<b>Universal Social Transfer</b>							
Child Benefit	64.62	64.62	64.62	64.62	64.62	64.62	32.31
<b>Household Income</b>	<b>834.97</b>	<b>754.48</b>	<b>703.00</b>	<b>651.57</b>	<b>659.34</b>	<b>667.37</b>	<b>697.18</b>
<b>Gross MIS Salary</b>							
€ per week	1,056.75	889.13	781.88	684.75	696.00	707.63	837.00
€ per hour	28.18	23.71	20.85	18.26	18.56	18.87	22.32
€ per annum	55,101.96	46,361.52	40,769.20	35,704.82	36,291.43	36,897.59	43,643.57

Table 30: Minimum Income Standard for One Parent, Two Child Household (€) (contd.)

RURAL	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
MIS Gross Salary with 1 Adult Employed PT							
Household Expenditure	620.03	518.75	519.70	520.64	566.58	612.52	639.15
Medical Card Eligibility	Full	Full	Full	Full	Full	Full	Full
Gross Salary	256.88	164.35	164.35	164.35	164.35	164.35	332.88
Taxable OFP	200.10	245.10	245.10	245.10	245.10	245.10	132.80
Income Tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Universal Social Charge	3.86	3.29	3.29	3.29	3.29	3.29	3.86
PRSI	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Salary	253.02	161.06	161.06	161.06	161.06	161.06	329.02
Social Transfers							
Child Benefit	64.62	64.62	64.62	64.62	64.62	64.62	32.31
FIS	90.00	118.00	118.00	118.00	118.00	118.00	27.00
BTSCFA	0.00	0.00	3.85	7.69	9.71	11.73	5.87
OFP	200.10	245.10	245.10	245.10	245.10	245.10	132.80
Fuel Allowance	12.31	12.31	12.31	12.31	12.31	12.31	12.31
JSA for 19 Year Old							100.00
Household Income	620.04	601.09	604.94	608.78	610.80	612.82	639.30
Gross MIS Salary							
€ per week	256.88	164.35	164.35	164.35	164.35	164.35	332.88
€ per hour	13.52	8.65	8.65	8.65	8.65	8.65	17.52
€ per annum	13,394.46	8,569.68	8,569.68	8,569.68	8,569.68	8,569.68	17,357.31



Table 30: Minimum Income Standard for One Parent, Two Child Household (€) (contd.)

RURAL	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
MIS Gross Salary with 1 Adult Employed FT							
Household Expenditure	800.59	720.23	666.35	609.56	616.75	623.94	640.03
Medical Card Eligibility	Full	Full	Full	Full	Full	Full	Full
Gross Salary	947.63	790.13	663.38	324.38	324.38	324.38	348.38
Taxable OFP	0.00	0.00	0.00	167.60	167.60	167.60	125.30
Income Tax	144.72	80.14	37.48	2.74	2.74	2.74	0.00
Universal Social Charge	34.05	27.75	22.68	9.12	9.12	9.12	10.08
PRSI	32.83	26.53	21.46	0.00	0.00	0.00	0.00
Net Salary	736.04	655.71	581.76	312.52	312.52	312.52	338.30
Social Transfers							
Child Benefit	64.62	64.62	64.62	64.62	64.62	64.62	32.31
FIS	0.00	0.00	20.00	74.00	74.00	74.00	26.00
BTSCFA	0.00	0.00	0.00	7.69	9.71	11.73	5.87
OFP	0.00	0.00	0.00	167.60	167.60	167.60	125.30
Fuel Allowance	0.00	0.00	0.00	12.31	12.31	12.31	12.31
JSA for 19 Year Old							100.00
Household Income	800.66	720.33	666.38	638.74	640.76	642.78	640.08
Gross MIS Salary							
€ per week	947.63	790.13	663.38	324.38	324.38	324.38	348.38
€ per hour	25.27	21.07	17.69	8.65	8.65	8.65	9.29
€ per annum	49,411.88	41,199.38	34,590.27	16,913.84	16,913.84	16,913.84	18,165.27

## Conclusion

This chapter of the report consists of two sections:

1. Summary
2. Conclusions

### Summary

This research has set out to establish a minimum income standard (MIS) for Ireland, based on the minimum needs of household types across the lifecycle, as determined through the consensual budget standards methodology. There have been four key stages to this work:

- Expansion of the coverage of the VPSJ MESL budgets across the lifecycle, adding three new individual types
- Individualising the data from the pre-existing aggregate household types, to facilitate examining a more representative range of household types across the breadth of the lifecycle
- Assessment of the adequacy of social welfare supports and the national minimum wage for household types at each stage of the lifecycle
- Where these income levels were found to be inadequate the minimum income required for each household type was established.

Using focus group research, and following the consensual budget standards methodology, previous research by the VPSJ established minimum essential standard of living (MESL) budgets for six urban household types (2006) and the same six household types in rural areas (2010). The six household types were:

- Two parents and two children (3 year old girl and 10 year old boy)

- Two parents and two children (10 year old girl and 15 year old boy/girl)
- One parent and two children (3 year old girl and 10 year old boy)
- Female pensioner (age 70+), living alone
- Pensioner couple (age 66-69)
- Single male (age 25+), living alone

This project sought to establish the cost of a minimum essential standard of living across the lifecycle, covering a broader range of child age groups and a fuller picture of the needs of single adults of working age living alone, than those established in the previous research. Therefore further focus group research was undertaken for additional individuals, including children in new age groups. The MESL budget dataset was extended to include the following individual types:

- A nine month old baby
- A nineteen year old unemployed male, living in the family home
- A single female of working age<sup>41</sup>

When the data from the six existing households, urban and rural (2006 and 2010), is updated and combined with that from the three new individual types, this report provides data on the essential living requirements of individuals across the entire lifecycle from children to pensioners.

## Conclusions

- The minimum expenditure and income required by each household varies according to household type, child age group, household location, and employment status.
- For households with children, in scenarios where childcare is not required, expenditure is highest when

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<sup>41</sup> Included to give a more comprehensive view of the needs of a single adult of this age profile.

the household has one or more adolescent children (of school going age or above).

- Patterns of income adequacy or inadequacy are complex for households dependent on the national minimum wage and/or social welfare payments.
- Fourteen household types with children are examined across 84 situations, of these 54 do not have an adequate income based on social welfare or national minimum wage rates.
- Single adults of working age do not receive an adequate income from the minimum wage or social welfare transfers.
- Whilst pensioner couples have a sufficient income to meet their minimum requirements, pensioners who live alone tend not to receive adequate support from state pension rates.
- The consensual budgets standard method provides a socially agreed upon minimum measure below which households should not be expected to live.
- Failure to ground the national minimum wage and social welfare transfers in a tangible measure of adequacy, such as defined in this research, means that poverty and social exclusion will continue to be a reality in Ireland.

In order to maximise the utility of the new data generated by this study and to enable a more robust examination of changing minimum expenditure requirements across phases of childhood, it was determined that it would be necessary to individualise the existing aggregate household data. To that end, the minimum expenditure requirements for each child age-group, and for parents, has been derived from the existing data, producing minimum expenditure budgets for three child age-groups, and a two-parent and one-parent head of household. These individualised budgets (updated for inflation) were then examined in combination with the new data gathered in this research. Further, the addition of the single female extends the data on the minimum needs of single adults to cover both genders.

The individualised expenditure data was adjusted to the same pricing point as the newly gathered data, March 2011, and the MESL

Table 31: Summary of the Cost of a MESL (Excluding Housing, Childcare and Secondary Benefits)

URBAN										€ per week	
Households With Two Children										Other Households	
9 Months & Pre-School	Both Pre-School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years	Single Adult	Pensioner Couple	Female Pensioner		
Two Parent	470.54	427.70	458.07	488.44	554.70	620.96	258.09	358.69	265.29		
One Parent	345.26	306.09	338.38	370.66	438.30	505.94					
RURAL										€ per week	
Households With Two Children										Other Households	
9 Months & Pre-School	Both Pre-School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years	Single Adult	Pensioner Couple	Female Pensioner		
Two Parent	536.91	493.96	526.97	559.99	617.14	674.29	356.28	479.63	369.66		
One Parent	430.20	391.94	427.39	462.84	521.75	580.66					

Table 32: Summary of Income Adequacy Benchmarks\*

Household with Two Children						
	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level 19 Years
URBAN	Two Parent Household					
Unemployed	Inadequate	Adequate	Inadequate	Inadequate	Inadequate	Inadequate
1 Adult Full-Time	Adequate	Adequate	Adequate	Adequate	Inadequate	Inadequate
1 Full-Time & 1 Part-Time	Inadequate	Adequate	Adequate	Adequate	Inadequate	Inadequate
URBAN	One Parent Household					
Dependent on OPP	Inadequate	Adequate	Inadequate	Inadequate	Inadequate	Inadequate
Adult Employed						
Part-Time	Adequate	Adequate	Adequate	Adequate	Adequate	Adequate
Adult Employed						
Full-Time	Inadequate	Inadequate	Adequate	Adequate	Adequate	Adequate
RURAL	Two Parent Household					
Unemployed	Inadequate	Inadequate	Inadequate	Inadequate	Inadequate	Inadequate
1 Adult Full-Time	Inadequate	Marginal	Inadequate	Inadequate	Inadequate	Inadequate
1 Full-Time & 1 Part-Time	Inadequate	Inadequate	Inadequate	Inadequate	Inadequate	Inadequate

Table 32: *Summary of Income Adequacy Benchmarks (contd.)\**

RURAL		One Parent Household					
Dependent on OFF Adult Employed		Inadequate	Inadequate	Inadequate	Inadequate	Inadequate	Inadequate
	Part-Time	Inadequate	Adequate	Adequate	Adequate	Adequate	Marginal
	Adult Employed Full-Time	Inadequate	Inadequate	Inadequate	Adequate	Adequate	Inadequate
Other Households							
Single Adult Unemployed Adult Employed Full-Time		URBAN	RURAL	Female Pensioner, Living Alone		URBAN	RURAL
		Inadequate	Inadequate	Non-Contributory Pension		Inadequate	Inadequate
		Inadequate	Inadequate	Contributory Pension		Adequate	Inadequate
				Pensioner Couple		URBAN	RURAL
				Both Non-Contributory Pension		Adequate	Adequate
				Contrib Pension & Qualified Adult		Adequate	Adequate
				Contrib & Non-Contrib Pension		Adequate	Adequate

\*. Incomes are labelled inadequate where they fall short of the minimum expenditure needs of a given household type, conversely an income is deemed adequate where it makes a minimum essential standard of living affordable. The marginal cases are those where income is marginally adequate i.e. less than a €5 per week surplus.

requirements of a broad range of household types established. Households with children are examined in the context of two child households across seven age-group combinations, in both two and one-parent households, for urban and rural areas, amounting to a total of twenty-eight household types with children. Additionally, a composite single adult of working age is also examined, and the two pensioner household types are retained, to provide a complete picture of the lifecycle.

The expenditure required by each household type for a minimum essential standard of living was examined in Chapter 4. As the summary tables (Table 31 and 32) show, across the lifecycle minimum expenditure rises and falls. Examining all scenarios when housing, childcare and secondary benefits are excluded show that costs are lowest for the single adult of working age, living in an urban area. Costs are greatest for the rural two parent household and a fifteen and nineteen year old. The minimum expenditure necessary to have a standard of living that meets physical, psychological and social needs is not static, but rather changes across the lifecycle. Knowing the minimum that individuals' and households' need, opens up a space to examine the adequacy of the national minimum wage and social welfare payments, and implies the question what is the income people need to earn in order to meet their minimum expenditure costs.

In order to examine the capacity of household types to attain the minimum standard each household type has been considered across a range of income-expenditure scenarios. These scenarios encompass a variety of employment situations and social welfare eligibilities, benchmarking the adequacy of minimum wage salaries (€8.65 per hour) and basic welfare entitlements across the lifecycle.

It is clear that the patterns of income adequacy are complex, they are analysed in detail in Chapter 5. Overall, only nine out of forty situations of social welfare dependency see the household type with an income sufficient to meet minimum expenditure costs. The pattern of income adequacy and inadequacy for households reliant on minimum wage employment (and for households with children social welfare supports) is complex. For households with children income inadequacy is significant at the first stage of a child's life, before declining at pre-school age and the inadequacy returns as children grow older. The minimum wage is also inadequate to meet the minimum requirements of both urban and rural single adult households.



Table 33: Summary of Weekly MIS by Household Type (€ per week, gross salary)\*

	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
URBAN	Two Parent Household						
1 Adult Full-Time 1 Full & 1 Part-Time (Joint)**	324.38	324.38	324.38	324.38	342.75	742.88	703.13
URBAN	One Parent Household						
Adult Part-Time	1,060.88	892.88	680.25	523.88	551.25	578.25	679.88
Adult Full-Time	940.50	782.25	324.38	324.38	324.38	324.38	324.38
RURAL	Two Parent Household						
1 Adult Full-Time 1 Full & 1 Part-Time (Joint)**	521.25	324.38	647.63	739.50	849.75	982.13	915.00
RURAL	One Parent Household						
Adult Part-Time	256.88	164.35	164.35	164.35	164.35	164.35	332.88
Adult Full-Time	947.63	790.13	663.38	324.38	324.38	324.38	348.38

Table 33: Summary of Weekly MIS by Household Type (€ per week, gross salary)\* (contd.)

Single Adult	URBAN	RURAL
Adult Employed Full-Time	426.00	529.13

\* Pensioner households are not included in this table as they are considered retired and therefore not earning. Their income is derived from the State Pension only.

\*\* For the dual income employment scenario, a situation of one adult employed full-time and one employed part-time is examined. The adults are jointly assessed for tax, and their combined gross salary is presented here.

Having benchmarked the adequacy of these primary standard income rates, the central question this report set out to answer is: what is the gross minimum income required by different household types in order to ensure a MESL. The Minimum Income Standard (MIS) is defined as the gross salary necessary, taking account of the tax liabilities and social welfare entitlements of each household type, to enable a household to afford the expenditure required for a MESL.

This minimum income standard will vary by household type, child age group, household location, and employment scenario. Nevertheless, it is a minimum standard grounded in a social consensus around what the requirements for a socially acceptable minimum standard of living are and the reality of how much that standard costs. Table 23 below presents a summary of the MIS rates ascertained and discussed in detail in Chapter 6. For those household types and scenarios where the minimum wage was found adequate, the minimum wage serves as the MIS. However in each case of inadequacy the minimum necessary gross weekly salary is provided.

This study shines a light on the income that is needed for a minimum essential standard of living across a spectrum of household types spanning the lifecycle. It demonstrates that many households in situations of reliance on social welfare or the national minimum wage live with an insufficient income. Income inadequacy means many households live below a level which has been defined as socially acceptable by Irish society. The consensual budgets standard method provides a socially agreed upon minimum measure below which households should not be expected to live. Failure to ground the national minimum wage and social welfare transfers in a tangible measure of adequacy, such as defined in this research, means that poverty and social exclusion will continue to be a reality in Ireland.

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# Appendix A

## Detailed Expenditure Basket for Social Inclusion & Participation

This appendix details the composition of the Social Inclusion and Participation category of the minimum essential standard of living expenditure budgets. The category has been broken into eight sub-categories, and the sub-totals for each of these are provided on a per-individual basis. The makeup of this expenditure category is illustrated for the case of an urban Two Parent household with two children, one of primary school age and one of second level age.

The individualised expenditure costs are based on the minimum needs of each of the individuals as part of a household, and are not equivalent to those of an individual of the same age profile living alone.

*Table A1: Social Inclusion & Participation, Urban Weekly Budgets, Two Parent Two Child Household (Primary & Second Level Age) Breakdown by individual & budget sub-category*

<i>March 2011 Prices</i>	<i>Two Parents</i>	<i>Primary</i>	<i>Second Level</i>	<i>Household Total (per week)</i>
Toys	0.02	2.36	0.77	3.16
Newspapers, Books & Magazines	8.69	0.00	1.48	10.16
Household Items	4.12	0.02	0.02	4.16
Holiday	16.96	2.74	3.40	23.10
Exercise / Sport Activities	10.52	5.07	8.81	24.40
Family Outings	3.68	4.76	12.10	20.54
Parents' Socialising	12.66	0.00	0.00	12.66
Pet	0.00	0.00	6.17	6.17
<b>Total (per week)</b>	<b>56.73</b>	<b>14.94</b>	<b>33.05</b>	<b>104.35</b>

### **Newspapers/Books and Magazines**

This allows for one newspaper per day. Also allowed for are a number of books that are for the household. This includes one cook book, a dictionary, a bible, a first aid book, a telephone and address book, an atlas and an encyclopaedia. These books have a life expectancy of between 5 and 20 years. Two novels and a pocket diary are allowed for per year. For the adolescent a magazine is allowed for every two weeks.

### **Toys**

This category contains a minimum number of items for the children. Included in this category are 2 colouring books, 2 jigsaws and a football per year. A board-game set that is expected to last 10 years and a deck of playing cards that are expected to last five years are also contained in the basket. Also in this category is a bicycle and helmet for each child, both of which are expected to last five years. The basket also contains one game console expected to last 5 years and the purchase of one game for the console per year is allowed for. There is also a skipping rope and 1 pair of rollerblades, both are expected to last 3 years.

### **Household Items for Social Inclusion**

This category contains a number of household items that are necessary for social inclusion. Included is the cost of the television license each year (cable/satellite television is not allowed for), seasonal items such as an artificial Christmas tree which is expected to last 10 years and Christmas tree lights, a garland and one box of tree decorations, all of which are expected to last five years.

Also allowed for is a camera and the development/printing of photographs 3 times a year. One set of Passport photos are also allowed for each household member.

The last items in the budget relate to the garden/plants. Allowed for is the purchase of two packs of bulbs (30 bulbs per bag) per year and the purchase of 4 shrubs every 10 years.

### **Exercise/Sport**

This category contains a number of items necessary for a healthy lifestyle for each household member.

It allows for one activity per week, such as aerobics for the female



head of household and football for the male head of household. For the children dancing or football once a week is allowed for.

The basket also allows for swimming once a week over the summer months, so each member of the household has swimming included 12 times a year.

### **Family Outings**

This category contains a minimal number of family items per year. Included in the basket are 3 trips to the cinema per year and 3 trips to a fast food outlet such as McDonalds per year.

There is one trip to the zoo per year. For the younger children a trip to the pantomime with one of their parents is included. For the adolescent they are allowed 2 outings per month to the youth disco and one concert per year accompanied by a parent. For the 10 year old there is an allowance in the basket for hosting one birthday party per year.

Pocket money for the children is also included in the basket. A modest allowance is included varying by age.

### **Parents' Socialising**

This component of the budget allows for the parents to go out 4 times a year together. An allowance is also included for each parent to socialise independently of each other up to 6 times a year.

### **Pet**

Households with an adolescent have a pet included in the social inclusion and participation basket. Included in the basket is the price of the dog, dog license, vet charges and supermarket 'own brand' dog food.

### **Holiday**

The basket contains a one week holiday per year to a mobile home park in Ireland. Also included is the cost of the train journey to the holiday destination for each household member. Whilst there is an allowance for holiday spending money it is set at a minimum level as the food basket contains the weekly cost of food for 52 weeks of the year, and therefore it is assumed that the family will avail of the self-catering option of the mobile home.

## Appendix B

### Direct Minimum Expenditure Needs for Children as Part of a Household\*

#### Personal Care

Personal care items are a significant cost in infancy before declining significantly at pre-school and primary school age and rising again for those of secondary and post secondary school age.

A significant proportion of an infant's personal care expenditure costs are due to the cost of nappies. Based on discussions with focus groups, 1 pack of nappies (36 per pack) per week was costed, amounting to an average of €7.99 per week across urban and rural areas. 1 pack of baby wipes per week also considered by focus groups as a minimum adds an average of €1.35 per week to the personal care basket. The remainder of an infant's personal care basket is comprised of items such as baby shampoo, and baby bath and sun cream.

As children reach secondary school age personal costs begin to climb again as toiletries such as shower gel for example are used more frequently and also more hygiene and personal care products are added to the basket. This includes items such as deodorant, razors and blades and hair products etc. As a consequence, personal care costs are significant at the latter stages of a child's life cycle, amounting to €11.61 per week in urban areas and €13.99 per week in rural areas.

#### Health Care

The cost for health care assumes good health. Health costs for a child with diabetes or asthma for example would cost considerably more than the costs given. The figures given for healthcare also assume no entitlement to a medical card.

Whilst the cost of healthcare does not change to a great degree

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\* All costs are from March 2011.

between pre-school age and nineteen years of age, it does cost more during infancy, costing €6.50 per week in urban areas and €6.23 per week in rural areas. The higher costs in infancy can be attributed to more frequent visits to the doctor; 3 visits per annum as opposed to 2 for children of other ages, as well as the inclusion of items such as Bonjella and teething rings, Capol, Neurofen (baby) and nappy rash cream which contribute to health care being most expensive during the first stage of a child's life cycle.

### **Communications**

The early stage of a child's life does not necessitate any cost for communications. However costs become a significant factor for children of secondary school going age. The inclusion of broadband for educational purposes, deemed a minimum essential item by focus groups, accounts for the large proportion lion's share of the €17.00/€17.16 spent on communications.

Also included in the communications basket for children of secondary school going age and a nineteen year old is a mobile phone, costing €0.38 cent per week, based on a 3 year lifespan and €5.00 phone credit per week.

### **Transport**

As noted in Chapter 4, the cost of the family car is not attributed as a direct cost to the children, except for the 19 year old in a rural area. The total transport cost for a nineteen year old in a rural area is €18.22. Of this, €5.00 is the cost of a shared taxi for a night out and the remainder €13.22 is the average cost, across three rural locations, of petrol (based on petrol costing €149.9 a litre) for 5 round trips to the nearest town. The 2009 study by the VPSJ found that access to a car is not a luxury in a rural area but rather a necessity as public transport is not widely available. Based on an analysis of the available public transport in rural areas and also discussions with focus groups, a car is seen as 'vital' for accessing services, facilities and activities, but notes that 'this indispensable tool comes with a substantial financial burden' (VPSJ, 2009: 36). Indeed, the cost of transport for a nineteen year old in a rural area makes up ten per cent of their overall weekly costs.

In urban areas, transport costs for the nineteen year old are made up of the cost of ten journey Dublin Bus ticket and 1 Night-link ticket per week, costing €24.00 in total. This amounts to approximately

thirteen per cent of their overall costs. For children from pre-school to secondary school, transport costs are a result of the cost of bus journeys on Dublin Bus.

### **Housing**

Housing is a cost that is only associated with the nineteen years old. For the purposes of this study, the nineteen year old is unemployed and in receipt of €100.00 Jobseekers Payment. As a result, he is considered a subsidiary earner by local authorities and subject to paying rent. The different housing cost for rural and urban areas is a consequence of the differential rent scheme operated by local authorities.

### **Household Energy**

Household energy is made up of electricity and the cost to heat a home e.g. oil/gas. The heating expenditure is derived from consultation with the Sustainable Energy Authority of Ireland (SEAI). The heating requirements are based on a three bed semi detached house, insulated to the prevailing building standards of 2006. Therefore, as the home is adequately heated a child will not necessitate additional heating. The household energy costs in relation to the direct costs of a child solely relate to the additional cost of electricity. The household energy costs are for the most part costs attributed to the household. The cost given for children in relation to household energy reflects the additional costs of electricity used at particular stages of the lifecycle. The use of a steriliser and hand-held blender and additional uses of the washing machine during infancy or with regard to a nineteen year old additional use of the computer and extra costs of lighting due to staying up later for example, increases the cost of electricity and it is these additional costs that are shown in relation to the direct costs of a child.

### **Personal Costs**

Personal costs are a cost only associated to a nineteen year old. Children of other ages do not have any personal costs. Personal costs for the nineteen year old are donations to charity/sports club etc. Based on discussions with focus groups, it was felt that €20.00 per year was needed to cover costs such as buying raffle tickets or making a donation to a charity or local fundraiser.

**Insurance**

The cost of health insurance remains constant between infancy and secondary school, rising dramatically in young adulthood from €5.30 per week to €14.56 per week. This change in the cost of insurance between childhood and young adulthood highlights how costs for services can change dramatically as people age.

**Savings & Contingencies**

Savings and contingencies remain constant from infancy to young adulthood at €5.00 per week. The €5.00 reflects the minimum amount of money focus groups felt that should be put aside each week for savings and to cover contingencies. The consensus among focus groups was that a small sum of money should be put aside each week and that having savings is an important aspect of a MESL.

The Policy Institute at Trinity College Dublin aims to advance new and innovative ideas in public policy by promoting active debate and engagement between the academic and policy communities in Ireland and by supporting the analysis and development of effective policy solutions. The Policy Institute publishes its outputs in the series, *Studies in Public Policy*, which provide short, rigorous, but accessible analyses of policy issues of major importance.

'A minimum essential standard of living is one which meets a person's physical, psychological, spiritual and social needs' (UN definition of an adequate lifestyle). Since 2004 the Vincentian Partnership for Social Justice (VPSJ) has undertaken work to establish the expenditure necessary for this standard of living among a selected group of Irish households (six in total). In this report, Trinity College Dublin and the VPSJ update and extend this research to include a broader, and more representative, group of households. Together with the six existing household types, this report uses a consensual budget standards methodology to provide data on the essential living requirements of individuals and households across the entire lifecycle; from children to pensioners.

Building on this analysis, the report proceeds to establish the minimum gross income required by these individuals and households to afford the expenditure necessary to meet this standard of living. By establishing this Minimum Income Standard the report provides a new benchmark grounded in the lived experience of people, one which complements other poverty measures and assists in the formation of income support policies to tackle poverty and enhance social inclusion at each stage of the lifecycle.

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