



PROJECT TEAM

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MINIMUM ESSENTIAL BUDGET STANDARDS & THE LIVING WAGE

Vincientian Partnership for Social Justice

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- Two main approaches to achieve our goal

**1. Active citizenship
/ voter education
programme** with
communities alienated
from the electoral
democratic process:
‘Your vote is your voice’

2. Development of
facts and figures on
**Minimum Essential
Budget Standards**
for household types in
Ireland

Minimum Essential Budget Standards Methodology

Some simple questions = focus of this research

- What is a basic standard of living?
- How much does it cost?
- How much income do you need to afford this?
- How much is A Living Wage?

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

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

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

Expenditure:

- A Minimum Essential Standard of Living is calculated by identifying the goods and services required by different household types in order to meet their minimum needs.

Income:

- A Minimum Income Standard is the income required in order to achieve a minimum essential standard of living.

What is The Living Wage

- The Living Wage is based on the concept that work should provide an adequate income to enable individuals to afford a socially acceptable minimum standard of living.
- The Living Wage is the average gross salary which will enable full-time employed adults (without dependents) across Ireland afford a socially acceptable minimum standard of living.

Minimum Wage

- €8.65 per hour
- A rate which is set by policy makers
- Is arbitrarily determined, and does not reflect the cost of a standard of living
- Does not change as living costs change

Living Wage

- €11.45 per hour
- A rate which is based on evidence and research
- Benchmarked against the cost of minimum standard of living
- Updated each year to reflect changes in the cost of a Minimum Essential Standard of Living

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Establishing the Expenditure

- To establish the expenditure 3 focus groups are held for each household type
- Negotiated consensus on goods & services to be included in the baskets (approx 2000 items)
- Experts are consulted in order to ensure that the negotiated consensus meets basic criteria e.g. nutritional standards
- Focus is on needs, not wants

Focus Groups

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

What does it include?

- 16 Areas of Expenditure
- Goods and services priced in shops and providers identified by Focus Groups

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

The Income Needed to Afford Expenditure

- The expenditure establishes the benchmark of what household types need. From this the income need of household types can be examined
- **Minimum Income Standard (MIS)**
This is the gross income a household needs in order to afford a minimum standard of living. It takes account of the potential tax liability and social welfare entitlements of the household in question.

Minimum Income Standard

DUBLIN 2014

ONE PARENT

Infant

| | |
|--------------------|-----------|
| MESL EXP | 578.99 |
| Gross Salary (MIS) | 626.25 |
| Income Tax | 30.00 |
| USC | 21.19 |
| PRSI | 25.05 |
| Net Salary | 550.01 |
| Child Benefit | 30.00 |
| Medical Card | Full |
| Total Income | 580.01 |
| Hourly MIS Rate | 16.70 |
| Annual MIS | 32,565.00 |

Calculating the Living Wage

- The 'Living Wage' is the average gross salary needed for a single person to afford a minimum standard of living
- It is calculated on the basis of the Minimum Essential Standard of Living research in Ireland, conducted by the VPSJ
- The MESL data uniquely provides an evidence based measure for assessing the minimum income need of households in Ireland

Regional Differences

- The minimum expenditure required varies in different parts of the country
- This is due to the different cost of the items required to enable this minimum essential standard of living in different regions, and some regional variation in what is required
- MESL data includes Urban & Rural needs
- Most significant differences are in Housing and Transport

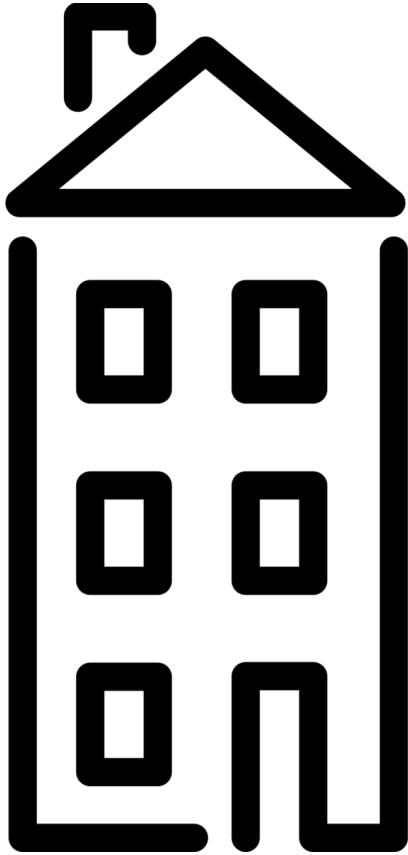
Regions

| | |
|--------|---|
| DUBLIN | Dublin City & Suburbs, and other towns in Dublin County |
| CITIES | The City & Suburbs of Cork, Galway, Limerick & Waterford |
| TOWNS | All towns with a population of 5,000 and above (excluding those towns in Dublin) |
| RURAL | All towns & villages with a population of under 5,000 and all other rural areas |

Calculating the Living Wage rate

- The core weekly cost of a Minimum Essential Standard of Living is compiled for each region
- The appropriate minimum housing cost is identified for each region
- The Minimum Income Standard salary rate required to afford the cost of an MESL is calculated for each region
- The Living Wage rate is calculated from this range of MIS rates by producing an average wage requirement, weighted by the proportion of the labour force in each region

Housing



- Private Rented
- 1 bed dwelling type for Single Adult
- Data from PRTB
- 90% of the average price for each region
- Rent accounts for 18% to 40% of overall expenditure

Transport

Dublin & Other Cities

- Public Transport
 - Monthly Bus Ticket (12 per year)
 - Night bus or Taxi share once a week



Towns & Rural

- Car
 - Small used car, e.g. Nissan Micra
 - Tax & Insurance
 - An allowance for fuel
 - Annual Service
 - NCT



Living Wage 2014 Calculation

| | DUBLIN | CITIES | TOWNS | RURAL |
|-------------------------|-----------|-----------|-----------|-----------|
| Weekly Expenditure Need | 409.93 | 347.95 | 372.52 | 378.96 |
| Annual Gross Salary | 25,214.90 | 20,537.95 | 22,368.06 | 22,876.43 |
| Weighting | 0.2922 | 0.0905 | 0.1986 | 0.4188 |

| LIVING WAGE | Actual | Rounded |
|-----------------|------------------|--------------|
| Gross per annum | 23,247.19 | |
| Gross per week | 445.86 | |
| Gross per hour | 11.43 | 11.45 |

Family Living Income

- Calculated in same manner as Living Wage
- All adults in household employed Full-Time
- MESL expenditure and MIS salary calculated for a set of common family household compositions
- Establish the range of gross salary need for each composition
- Also take account of social welfare entitlements

Family Household Compositions

| Household | Child Age Groups |
|-------------------------|----------------------------------|
| Two Parents, 1 Child | Infant |
| Two Parents, 2 Children | Pre-School, Primary |
| Two Parents, 3 Children | Infant, Pre-School, Primary |
| Two Parents, 4 Children | Two Primary, Two Secondary Level |
| One Parent, 1 Child | Primary |
| One Parent, 2 Children | Pre-School, Primary |

FAMILY LIVING INCOMES - Annual Gross Salary Per Adult

| Family Type | € from | € to |
|--|--------|--------|
| Two parents and one child (an infant) | 21,045 | 26,620 |
| Two parents and two children (one in pre-school and one in primary) | 20,540 | 26,030 |
| Two parents and three children (an infant, one in pre-school and one in primary) | 28,775 | 36,600 |
| Two parents and four children (two in primary school and two in secondary school) | 28,875 | 32,535 |
| One parent and one child (in primary school) | 17,590 | 31,010 |
| One parent and two children (one in pre-school and one in primary school) | 33,855 | 50,940 |



€11.45 *per hour*

This is the gross hourly salary required by a single adult working full-time in Ireland in 2014, to afford a socially acceptable minimum standard of living

For more information and the Living Wage Technical Document visit
www.livingwage.ie



The Household Types Covered in the Research (Urban & Rural)

- Families with children: Two Parent & One Parent households (1- 4 children)
- Adults of working age, living alone
- Pensioner couple households
- Pensioners living alone
- Cohabiting couple of working age, no children

Previous Research

- 2000 One Long Struggle – A Study of Low Income Households
- 2004 Low Cost but Acceptable Budget Standards for Three Households
- 2006 Minimum Essential Budgets for Six Households Types (Urban)
- 2008 Minimum Essential Budgets for Six Households Types – Changes during the Period 2006-2008
- 2010 Minimum Essential Budgets for Six Rural Households Types
- 2012 A Minimum Income Standard for Ireland
- 2012 Minimum Income Standard Calculator (www.MISc.ie)
- 2012 The Cost of a Child
- 2012 Review of Contents of the Expenditure Areas – Baskets
- 2014 Living Wage Technical Document

Further Information

- www.budgeting.ie
- www.MISc.ie
- www.VPSJ.ie
- www.livingwage.ie