MINIMUM ESSENTIAL BUDGET STANDARDS & THE LIVING WAGE

Vincentian 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
National Minimum Wage

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Living Wage

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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

<table>
<thead>
<tr>
<th>Food</th>
<th>Clothing</th>
<th>Personal Care</th>
<th>Health Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household Goods</td>
<td>Household Services</td>
<td>Housing (rent)</td>
<td>Communications</td>
</tr>
<tr>
<td>Social Inclusion &amp; Participation</td>
<td>Transport</td>
<td>Household Fuel</td>
<td>Childcare</td>
</tr>
<tr>
<td>Insurance Costs</td>
<td>Education</td>
<td>Personal Costs</td>
<td>Savings &amp; Contingencies</td>
</tr>
</tbody>
</table>

www.livingwage.ie  www.budgeting.ie
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

|                  | ONE PARENT
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Infant</strong></td>
</tr>
<tr>
<td><strong>DUBLIN 2014</strong></td>
<td></td>
</tr>
<tr>
<td>MESL EXP</td>
<td>578.99</td>
</tr>
<tr>
<td>Gross Salary (MIS)</td>
<td>626.25</td>
</tr>
<tr>
<td>Income Tax</td>
<td>30.00</td>
</tr>
<tr>
<td>USC</td>
<td>21.19</td>
</tr>
<tr>
<td>PRSI</td>
<td>25.05</td>
</tr>
<tr>
<td>Net Salary</td>
<td>550.01</td>
</tr>
<tr>
<td>Child Benefit</td>
<td>30.00</td>
</tr>
<tr>
<td>Medical Card</td>
<td>Full</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>580.01</td>
</tr>
<tr>
<td><strong>Hourly MIS Rate</strong></td>
<td>16.70</td>
</tr>
<tr>
<td><strong>Annual MIS</strong></td>
<td>32,565.00</td>
</tr>
</tbody>
</table>
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
<table>
<thead>
<tr>
<th>Regions</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>DUBLIN</td>
<td>Dublin City &amp; Suburbs, and other towns in Dublin County</td>
</tr>
<tr>
<td>CITIES</td>
<td>The City &amp; Suburbs of Cork, Galway, Limerick &amp; Waterford</td>
</tr>
<tr>
<td>TOWNS</td>
<td>All towns with a population of 5,000 and above</td>
</tr>
<tr>
<td></td>
<td>(excluding those towns in Dublin)</td>
</tr>
<tr>
<td>RURAL</td>
<td>All towns &amp; villages with a population of under 5,000 and all other rural areas</td>
</tr>
</tbody>
</table>
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

[www.livingwage.ie](http://www.livingwage.ie)  [www.budgeting.ie](http://www.budgeting.ie)
# Living Wage 2014 Calculation

<table>
<thead>
<tr>
<th></th>
<th>Dublin</th>
<th>Cities</th>
<th>Towns</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weekly Expenditure Need</td>
<td>409.93</td>
<td>347.95</td>
<td>372.52</td>
<td>378.96</td>
</tr>
<tr>
<td>Annual Gross Salary</td>
<td>25,214.90</td>
<td>20,537.95</td>
<td>22,368.06</td>
<td>22,876.43</td>
</tr>
<tr>
<td>Weighting</td>
<td>0.2922</td>
<td>0.0905</td>
<td>0.1986</td>
<td>0.4188</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Living Wage</th>
<th>Actual</th>
<th>Rounded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross per annum</td>
<td>23,247.19</td>
<td></td>
</tr>
<tr>
<td>Gross per week</td>
<td>445.86</td>
<td></td>
</tr>
<tr>
<td>Gross per hour</td>
<td>11.43</td>
<td>11.45</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Household</th>
<th>Child Age Groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two Parents, 1 Child</td>
<td>Infant</td>
</tr>
<tr>
<td>Two Parents, 2 Children</td>
<td>Pre-School, Primary</td>
</tr>
<tr>
<td>Two Parents, 3 Children</td>
<td>Infant, Pre-School, Primary</td>
</tr>
<tr>
<td>Two Parents, 4 Children</td>
<td>Two Primary, Two Secondary Level</td>
</tr>
<tr>
<td>One Parent, 1 Child</td>
<td>Primary</td>
</tr>
<tr>
<td>One Parent, 2 Children</td>
<td>Pre-School, Primary</td>
</tr>
<tr>
<td>Family Type</td>
<td>€ from</td>
</tr>
<tr>
<td>-------------------------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>Two parents and one child (an infant)</td>
<td>21,045</td>
</tr>
<tr>
<td>Two parents and two children (one in pre-school and one in primary)</td>
<td>20,540</td>
</tr>
<tr>
<td>Two parents and three children (an infant, one in pre-school and one in primary)</td>
<td>28,775</td>
</tr>
<tr>
<td>Two parents and four children (two in primary school and two in secondary school)</td>
<td>28,875</td>
</tr>
<tr>
<td>One parent and one child (in primary school)</td>
<td>17,590</td>
</tr>
<tr>
<td>One parent and two children (one in pre-school and one in primary school)</td>
<td>33,855</td>
</tr>
</tbody>
</table>
€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