

## A Minimum Essential Standard of Living and A Minimum Income Standard

### Why this Research?

Current debates about the eradication of poverty are not sufficiently informed by socially agreed empirically based income standards. The question is rarely asked ‘What level of income is needed for a minimum acceptable standard of living?’ For the most part 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 to have a minimum essential standard of living (MESL).

### What is a Minimum Essential Standard of Living?

A Minimum Essential Standard of Living (MESL) is derived from a negotiated consensus on what people believe is a minimum. It is a standard of living which meets an individual’s / household’s physical, psychological, social and spiritual needs. This is calculated by identifying the goods and services required by different household types in order to meet their minimum needs. A Minimum Income Standard (MIS) is the income required in order to achieve a minimum essential standard of living in Ireland.

### How is MESL determined?

Focus groups are held for each household type. In a series of sessions the groups arrive at a negotiated consensus about the goods and services a household requires to have a minimum essential standard of living. Experts are consulted in order to ensure that the negotiated consensus meets basic criteria e.g. nutritional standards. Each group consists of 8 – 10 people from a mixture of social and economic backgrounds, and represents the household under consideration e.g. focus groups of parents with children determine the minimum requirements of such households. In order to ensure reliability and validity three different focus groups are established for each household type. The process is detailed, time-consuming and thorough.

### What does it include?

***The MESL is concerned with more than survival. It focuses on needs not wants. It identifies the minimum goods and services that everyone should be able to afford. It is based on the assumption that individuals, and all the members of the household, enjoy good health and do not have a disability. While a minimum income standard in itself cannot guarantee a minimum essential standard of living, an individual or a household with an income which falls below the minimum income standard is unlikely to achieve this standard of living.***

***A Minimum Essential Standard of Living is not a poverty standard, or a standard for particular groups in society. It is a standard that is not luxurious but allows for physical, psychological and social needs to be met and represents a level below which nobody should be expected to live.***

*The goods and services that go into making up the expenditure are compiled into 16 categories of expenditure. There are approximately 2,000 items in the budget that individuals and households need for a minimum standard of living. This includes food, clothes and shelter, but also the cost of household furniture and items such as a cooker, lightbulbs, towels, wardrobes, beds and curtains; the cost of education such as schools books, school bags, stationery and uniforms; the cost of visiting the doctor and the dentist and also putting petrol in the car or taking the bus and paying trade union membership if you are employed. These are just some examples of the many items contained in the expenditure baskets.*

The 16 areas of expenditure are listed below:

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

How is the MESL expenditure standard arrived at?

In devising budget standards for different household types the goods and services (shopping baskets) which are the outcome of the final negotiated consensus are priced in stores identified by the focus groups. The totals of each of the 16 categories of household budgets show the expenditure required to enjoy a minimum essential standard of living. The final weekly expenditure figure is the cost of all the goods and services broken down over the lifespan of each item and contains everything from shampoo to household furniture. While some items are bought on a weekly basis such as food, others are bought every couple of weeks, months or even years. To calculate the weekly cost of each good and service, the cost of the item is divided by the number of weeks the item is expected to last e.g. a 3 piece suite that costs €900 and with a lifespan of 780 weeks (15 years) costs €1.15 per week.

What is the Minimum Income Standard?

The Minimum Income Standard (MIS) is the second side of the consensual budget standards research. It is derived from the MESL expenditure budget. The MIS defines the gross income a household needs in order to reach their minimum essential standard of living. It takes full account of the potential tax liability and social welfare entitlements of the household in question.

## Minimum Income Standard Calculator [www.MISc.ie](http://www.MISc.ie)

The 2012 '*Minimum Income Standard for Ireland*' introduced the MIS for an enlarged range of household types. To do this we shifted our focus from the MESL needs of aggregate households to the MESL needs of specific individual types within the context of an entire household. In the *Minimum Income Standard for Ireland* report, this allowed us to compile individualised MESL expenditure budgets for a fuller spectrum of household types. In future work it will enable even more flexibility.

Now that the scope and flexibility of the MESL expenditure budgets have been extended, the development of a web based calculator application has been undertaken, so as to make the data readily available and accessible to a wider audience. The Minimum Income Calculator, allows a user to specify a household type of their choosing, and in return be provided with a breakdown of the minimum expenditure such a household would require to enable a minimum essential standard of living. In addition the Calculator also provides information on the MIS for that household in an employment scenario specified by the user, indicating any possible eligibility for social welfare transfer payments, e.g. Family Income Supplement.

To whom does it apply?

Two parent & one parent families with up to four children, single adults of working age, co-habiting couples with out children, pensioner couples and pensioners living alone.

When and how is it being updated?

The original research began in 1999 and findings presented in 2001, 2004, 2006, 2008 and 2010. Since 2006 the material has been updated annually taking into consideration changes in inflation rates. The appropriate CPI sub indices rates are applied to each category. Updating annually allows changes in the cost of goods and services to be tracked and provides up-to-date information on the cost of a minimum essential standard of living.

For the *Minimum Income Standard for Ireland* study, published in 2012, the dataset was extended to include an infant, an unemployed 19 year old living in the family home, and a female single adult of working age.

In 2012 the contents of the baskets were reviewed. Focus groups were held to examine the baskets and ascertain any changes that should be made to a minimum essential standard of living. The review of the baskets was completed in August 2012 and the detailed baskets are available on [www.budgeting.ie](http://www.budgeting.ie)

## Who produced it?

The research is undertaken by the Vincentian Partnership for Social Justice. The initial work was under the guidance of Professor Jonathan Bradshaw from the Family Budget Unit, University of York. The latter research conducted by the VPSJ has been in consultation with the Centre for Research In Social Policy, University of Loughborough. The most recent tranche of the research was carried out in co-operation with Dr. Micheál Collins from the Department of Economics, Trinity College Dublin and co-funded by the IRCHSS. It has been funded largely by the former Combat Poverty Agency, Department of Social Protection and the Vincentian Partnership for Social Justice.

### Research to Date

- 2001 One Long Struggle – A Study of Low Income Households
- 2004 Low Cost but Acceptable Budgets for 3 Household Types
- 2006 Minimum Essential Budgets for Six Households (Urban)
- 2008 Minimum Essential Budgets for Six Households – Changes in the Cost of a Minimum Essential Standard of Living from 2006-2008
- 2010 Minimum Essential Budgets for Six Households (Rural)
- 2012 A Minimum Income Standard for Ireland
- 2012 Minimum Income Standard Calculator [www.MISc.ie](http://www.MISc.ie)
- 2012 The Cost of a Child
- 2014 Living Wage for the Republic of Ireland

## Minimum Income Standards Internationally

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...'

The recognition of the need for reference budgets (as this research is referred to in the EU) is gathering pace, particularly at EU level. In 2010 the European Commission published a synthesis report 'Using Reference Budgets for Drawing up the Requirements of a Minimum Income Scheme and Assessing Adequacy'. This report, was a result of a Peer Review which the VPSJ participated in, focused on determining an adequate income across the EU. Furthermore, the report points out that in its Europe 2020 strategy conclusions, the European Council emphasised the need to

improve the measurement of poverty and “using reference budgets for drawing up the requirements of a minimum income scheme and assessing adequacy” is pertinent<sup>1</sup>. More recently a Staff Working Document from the European Commission highlighted that measuring adequacy is problematic and reference budgets could be used as an alternative or complement to the poverty line.<sup>2</sup> While the VPSJ has been at the forefront of developing budget standards in Ireland, our colleagues at the Centre for Research in Social Policy (CRSP) at the University of Loughborough have been developing budget standards for the UK, while NIBUD ( National Institute for Family Finance Information) an independent foundation in the Netherlands has been at the forefront of developing and promoting budget standards in the Netherlands. Furthermore, reference budgets have also been developed in other countries including Austria, Finland and Belgium.<sup>3</sup>

### Application of Research

- Having a benchmark about what it costs for household types to have an acceptable standard of living opens up a space to examine the adequacy of the National Minimum Wage and social welfare transfers. The VPSJ have identified gaps in social welfare provision and the inadequacy of the minimum wage for a number of household types. These findings are presented in pre-budget and policy submissions to highlight individuals and families living on an inadequate income. Furthermore, ongoing annual updates maintain the relevancy of the research in light of inflation and changes to income tax, PRSI, USC, charges, etc. and adjustments to social welfare supports, e.g. Child Benefit, Family Income Supplement and One-Parent Family Payment.
- By producing evidence based policy research the VPSJ has the ability to demonstrate how the minimum income standard can change in the light of changes to services, income supports and taxation policy.
- The VPSJ has for the last number of years being invited to make a presentation to the Minister and the Department of Social Protection at the Pre-Budget Forum.
- The VPSJ was invited to make a presentation to the Office of the UN Special Rapporteur on Extreme Poverty and Human Rights.
- The VPSJ Minimum Essential Standard of Living Research was used as the basis for the Reasonable Living Expenses as established by the Insolvency Service of Ireland.

<sup>1</sup> Vranken, J. 2010. *Using Reference Budgets for Drawing up the Requirements of a Minimum Income Scheme and Assessing Adequacy*. European Commission, Employment Social Affairs and Inclusion.

<sup>2</sup> Commission Staff Working Document (SWD 2013 39 Final) Follow-up on the implementation by the Member States of the 2008 European Commission recommendation on active inclusion of people excluded from the labour market - Towards a Social Investment Approach

<sup>3</sup> Further information on reference budgets at EU level can be found on [www.referencebudgets.eu](http://www.referencebudgets.eu)

- The research is being used by a number of organizations such as MABS, the Society of St Vincent de Paul, Age Action and FLAC who are involved with people experiencing poverty, social exclusion and debt.
- The VPSJ has been involved with the development of minimum income standards at EU level.

Detailed budgets for each of household type, and their potential incomes across a range of case studies are published online, along with information on the methodology.

These budgets and income case studies are updated for inflation adjustments and budgetary changes annually.

Data from 2006 through to 2014 is available on our website.

See [www.budgeting.ie](http://www.budgeting.ie) for more information

*Vincentian Partnership for Social Justice, Ozanam House 53 Mountjoy Square Dublin 1.*

*Telephone 01 8780425*

*Email: [vpj@eircom.net](mailto:vpj@eircom.net)*