MINIMUM ESSENTIAL BUDGET STANDARDS RESEARCH CENTRE

VPSJ EST 1995

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Submission to Dept. of Social Protection

MESL PRE-BUDGET 2023

Key Points

The cost of a Minimum Essential Standard of Living is 5% higher in the first half of 2022, compared to 12 months earlier. The annual rate of increase is forecast to reach 11% by the end of the year. With Household Energy and Food comprising over a quarter of the MESL basket, households on low and fixed incomes are more exposed to the exceptional price increases in these essential areas of core expenditure.

The CSO and ESRI analysis of CPI inflation aligns with the MESL analysis. Lower income households, single adult and lone parent households, and rural households, are experiencing higher and above average rates of inflation, compared to other groups.

To protect core weekly social welfare rates, as committed to in the Programme for Government, it is vital that social welfare rates are adjusted in line with inflation and the living cost increases impacting households on low incomes. Based on the MESL analysis, the following core social welfare rate adjustments are required in Budget 2023:

€ 20.00	working-age Personal Rate
€ 7.00	Qualified Child Increase for children under 12
€ 12.00	Qualified Child Increase for children aged 12 and over

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Since 2017 the Non-Contributory Sate Pension has provided the basis of an adequate income to older people living alone, when in urban social housing. This adequacy is now at risk, inadequacy is forecast to return by the end of 2022. To protect against this a €12 increase to the Living Alone Allowance is recommended.

Households on low income are more exposed to increases in home energy costs. The exceptional rise in home energy prices to date is forecast to continue over the remainder of 2022. To insulate against the rising prices, it is recommended to increase the weekly Fuel Allowance rate to €48 and re-instate the 32-week season. This would maintain the purchasing power against the current forecast rise in home energy prices.

The need for a car adds €83 to the MESL costs of an older person living alone in a rural area. Improved public transport options for rural areas, would enable a MESL without the current reliance on (and cost of) a private car. This is crucial to enable people in rural areas to have an adequate income when reliant on social welfare, and particularly for older people to realise the full value of the free travel pass.

In-work social welfare supports (in conjunction with services) are vital for addressing the multiplicity of varying additional and different needs of households with children. It is essential that income thresholds and eligibility criteria are reviewed in line with increases to the National Minimum Wage, changes to taxation, and adjustments to core social welfare rates, to ensure the real value of these supports is retained.

Introduction

The **Vincentian Partnership for Social Justice** (VPSJ) welcomes the opportunity to make this submission to the Department of Social Protection presenting evidence-based policy recommendations for Budget 2023.

The Programme for Government[i] committed to the implementation of the Roadmap for Social Inclusion to 'improve outcomes for those who are struggling on low incomes' (2020: 75), the protection of core weekly social welfare rates and recognised the importance of secondary benefits and supports. The Programme also sets a mission to improve the wellbeing of Irish people and society, while the Roadmap makes it clear that poverty and social exclusion are the antithesis of wellbeing.

The Roadmap for Social Inclusion[ii] further develops the understanding of poverty and social exclusion and defines social inclusion as 'having access to sufficient income, resources and services to enable [people] to play an active part in their communities and participate in activities that are considered the norm for people in society generally' (2020: 5). This is a clear recognition that the improvement of wellbeing and achievement of social inclusion require adequate income.

Compared to 2021, the cost of a MESL has increased for all household types in 2022, by an average of 5%, and the annual rate of change is forecast to reach 11% by the end of 2022. This rate of increase is being driven by increases in the cost of home energy and food, which makeup a greater proportion of the MESL basket compared to the CPI average household basket.

The external factors driving the exceptional increases in the cost-of-living are well documented and present unprecedented challenges to households on low and fixed incomes being pushed further into income inadequacy and poverty. However, the issue of income inadequacy is not new and the gap between incomes and the cost of a Minimum Essential Standard of Living will grow if the Government response does not adequately invest in our social protection system to ensure more people are not pulled into poverty and pushed deeper into hardship.

The goal of an adequate income which enables a life with a dignity for all, remains a central aspiration of the VPSJ and the motivation for the MESL research. It is recognised that the achievement of this goal requires progressive realisation, through a series of evidence-based measures which would ultimately see rates of payment benchmarked to cost of a Minimum Essential Standard of Living, in parallel with ensuring the provision of services which effectively reduce minimum living costs.

However, Budget 2023 is being prepared at a time of exceptional rises in living costs. This submission builds on the evidence from the MESL to detail the rate adjustments which are required to protect households from being pushed further into income inadequacy. The recommendations focus primarily on maintaining the current real value of social welfare supports, relative to the changing cost of minimum basket as established in the MESL.

To buffer against increases in minimum living costs, the following social welfare rate increases are recommended:

Personal Rate, working-age	€20.00
QCI for children under 12	€7.00
QCI for children aged 12 and over	€12.00
Living Alone Allowance	€12.00
Fuel Allowance	€15.00, extend season by 4 weeks

MESL – an evidence-based adequacy benchmark

The Minimum Essential Standard of Living (MESL) research works with members of the public in deliberative focus groups to reach consensus on the minimum people need to live and partake in Irish society. It is a standard of living which people agree no one should be expected to live below. It represents the minimum required to meet physical, social and psychological needs, and enable a life with dignity.

The research is iterative, working through multiple phases of deliberative groups, to establish a negotiated social consensus on what people regard as essential for households to have a minimum, but socially acceptable, standard of living. In this way the MESL is a tangible measure, grounded in lived experience and derived from social consensus, of what is required for participation, dignity and avoiding poverty.

The MESL research operationalises the concepts which underpin the Irish Government definition of poverty and social inclusion, the human right to an adequate standard of living, and the key principle set out in the European Pillar of Social Rights that all have a right to an adequate minimum income which enables a life with dignity.

The MESL translates these concepts and ideals into a practical benchmark, as it specifies the average weekly cost of the goods and services deemed necessary to enable a socially acceptable minimum standard of living. It provides a unique measure of what is required to avoid poverty, enable participation and inclusion, and live a life with dignity. In this way, the MESL data provides an evidence-based benchmark to assess the adequacy of social welfare rates.

This submission draws on the analysis in the 2022 MESL assessment of minimum expenditure and income needs, to inform evidence-based policy recommendations.[iii]

Inflation & Cost of a MESL in 2022

The MESL has been updated to reflect costs in the first half of 2022[iv]. Compared to 2021, the cost of a MESL has increased for all household types in 2022, by an average of 5% in an urban area and 14% in a rural area. The MESL costs for both urban and rural households show similar level of change in most basket categories, the higher rate of change in rural areas is due to increases in household energy and transport related prices.

Household energy costs show the largest increase. The MESL energy basket is based on the use of natural gas for home heating in an urban area and home heating oil in a rural area. The 2022 MESL cost also takes account of the €200 electricity credit, provided to households in the second quarter of 2022. The net increase in MESL home energy costs, was an average of 32% for urban households and 50% for rural households; the difference being due to the greater degree of price increase in home heating oil compared to natural gas.

Transport costs in the MESL basket for urban households are based on the use of public transport. The urban MESL transport costs have fallen by an average of 9%, due to the temporary reduction in public transport costs introduced from April/May 2022.

The rural MESL transport costs are based on the requirement for a car. The basket for households in this situation has not benefited from the public transport fare reduction, and instead reflects rising fuel prices and the increased cost of second-hand vehicles, resulting in an average increase of 37%. However, car insurance costs in the rural MESL basket have reduced by an average of 10%.

Other areas of the MESL basket have shown a similar level of change for both urban and rural areas. However, of note is an increase in MESL food costs of 2.4%, as of March 2022. This rate of food inflation is exceptional, having been flat or negative for most of the last decade, and below 1% since 2013.[v] However, as discussed below, food inflation is expected to continue increasing over the course of the year.

MESL basket composition and greater exposure to food and energy price increases

The composition of the MESL basket is different from the average consumption basket used to measure inflation, with basics such as food and household energy making up a larger share of the minimum basket. Food accounts for a significantly greater proportion of the MESL basket (21.3% urban; 18.3% rural) than in the CPI[vi] basket (11.4%). Household energy also comprises approximately double the proportion of the MESL basket (8.1% urban; 9.1% rural) compared to the proportion of the CPI basket (4.7%). Similarly transport in the MESL basket (9.1% urban; 22.5% rural) diverges notably from the CPI basket[vii] (12.8%).

These differences underlie the previous MESL findings, that the CPI does not adequately measure the change in living costs for households on social welfare and low incomes. A minimum basket of goods and services is significantly more vulnerable to changes in food, energy and transport costs in particular.

CSO[viii] analysis of CPI trends supports the findings of the MESL. In the twelve months to March 2022, households in the lower income deciles, single adult and one parent households, and rural households have experienced higher rates of inflation, than the average CPI rate. Conversely, below average inflation was experienced by households in the upper four income deciles. These differences are due to the different composition of household expenditure, with increases in energy and food prices having a greater impact on the lower decile, single adult and one parent households. In addition, increases in transport related costs also contributed to the higher inflation experienced by rural households. These findings align with findings from MESL analysis of the change in minimum costs from 2021 to 2022.

Recent ESRI analysis has also found that low income households are amongst those “experiencing substantially higher levels of inflation” (ESRI, 2022: 57) [ix], this was also found to be the case during the ‘great recession’.[x]

Future trend

Both the Central Bank and ESRI[xi] are predicting continued inflation over 2022, being driven by rising energy prices and the knock-on effect in other areas, particularly food. The current forecasts for inflation are an average increase of 6.5% - 7.1% over the course of 2022, and within that are a 5.7% increase in food prices and a 30.9% increase in energy prices[xii]. While all forecasts come with caveats, particularly due to the unpredictability of the current situation, both foresee inflation continuing over 2023, by 2.8% - 4.0%.

Given the degree of the potential ongoing price increases, and especially within the core areas of household energy and food which comprise over a quarter of the MESL basket, it is prudent to estimate the potential further increase in the cost of a MESL over 2022 to provide an indication of potential MESL costs by 2023. Applying the more conservative of the above forecast rates, indicates that by the end of 2022 the cost of a MESL could potentially have increased by 11.1% compared to 2021.

MESL assessment of social welfare adequacy

The findings from the 2022 MESL assessment of social welfare income adequacy show a decline in the number of cases demonstrating income adequacy in the first half of 2022 compared to 2021. Compared to 2021 the incidence of inadequacy cases has increased, the number of inadequate cases (where income is ≥90% and <100% of MESL need) has increased by 12, while the number of deep income inadequacy cases (income meeting <90% of MESL need) has decreased by eight; a net increase in inadequate cases of four.

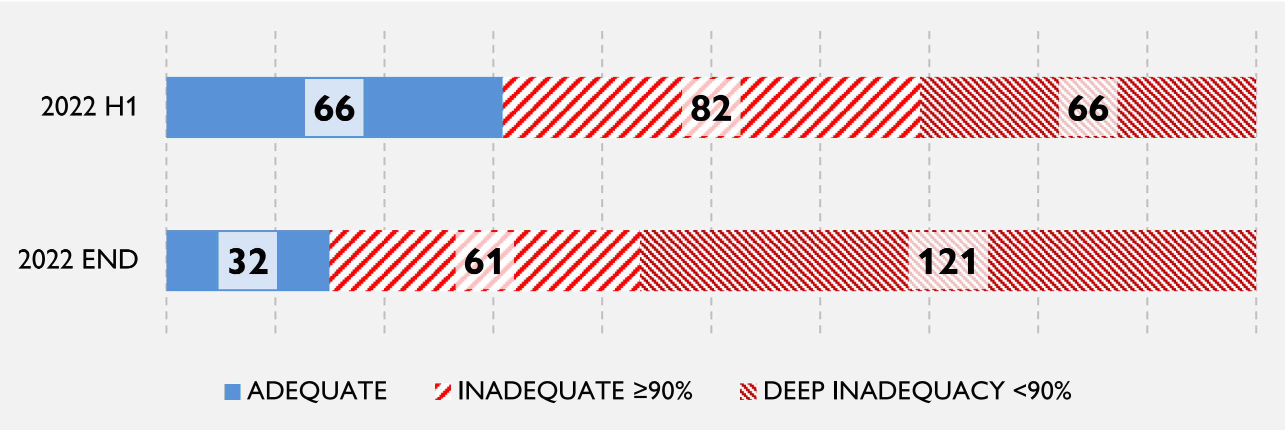
Deep income inadequacy continues to be concentrated in households with older children (aged 12 and over) and one adult headed households, i.e. lone parent households and single working-age adult households. This is consistent with the findings of the MESL analysis in previous years.

In the first half of 2022 there has been a slight decline in the number of cases demonstrating income adequacy, indicating that the rising cost of a MESL has exceeded the increase in social welfare supports and pushed several cases into inadequacy. However, the analysis also demonstrates the potential of interventions to reduce costs (e.g. public transport fare reduction and electricity credit) and the additional targeted social welfare supports (Fuel Allowance lump sum payments) have limited the impact of rising living costs to date.

Six cases moved into income inadequacy in the first half of 2022, each case is based on a two-parent household composition which is not in receipt of Fuel Allowance. In these cases, the increase in MESL costs and energy prices have outpaced the increase in social welfare supports. As a result, these cases have been pushed into income inadequacy.

However, two one-parent household compositions moved into adequacy and a further five moved out of deep inadequacy, to inadequacy (income is ≥90% and <100%). These cases were each marginally below the threshold in 2021, improvements in social welfare supports (including the increase in Fuel Allowance and additional lump sum payments in 2022), have moved these cases upwards, into adequacy in two incidents and pulled the household income above the deep inadequacy threshold in five cases.

Graph 1 Benchmarking Social Welfare Adequacy, 2022 H1 & Forecast 2022 End – 214 test cases



The above MESL assessment for 2022 benchmarks adequacy based on prices in the first half of the year (H1). As living costs are continuing to rise and are expected to keep doing so into 2023, it is likely that the income adequacy position of households will continue to deteriorate over the course of the year. Current forecasts indicate that the expected increase in minimum living costs (11.1%) will pull many household types into income inadequacy and push many currently facing income inadequacy into deeper inadequacy.

Based on the forecast increase in the MESL, 182 of the 214 household cases examined are predicted to be in a position of income inadequacy by the end of 2022 (an increase of 34 cases from the position in the first part of 2022). The forecasts also indicate the potential for a dramatic increase in the incidence of deep income inadequacy, rising from 66 household cases to 121 household cases by the end of the year.

Whilst the application of forecast inflation rates must always be treated with caution, and even more so now given the degree of uncertainty and volatility in the global factors which are driving much of the inflationary pressure, such stark results cannot be ignored. This forecast shows the potential for spiral living costs to push the cost of a MESL significantly above current levels of social welfare support for many household types.

Incidence of deep income inadequacy is forecast to almost double, expanding to include many two parent compositions including those with younger children only, and overwhelming the social welfare income of the majority of one parent household cases examined. Furthermore, households are likely pushed into deeper inadequacy. Currently 13 cases show social welfare income meeting less than 80% of MESL need. The forecast for the end of the year indicates that the incidence of severely deep income inadequacy could rise to 37 cases.

Recommended Adjustments to Social Welfare Rates

The recommendations below detail the adjustments required to core social welfare rates to forestall the significant deepening and widening of income inadequacy currently forecast. It is crucial that the real value of core social welfare rates, for both adults and children, are protected and adjusted in line with forecast changes in minimum living costs. Given the scale of increases required to address spiralling living costs it also vital that all adjustments to rates are evidence-based and focus resources on supports for those household types most 'at risk of poverty' and facing the greatest income inadequacy.

Unfortunately, income inadequacy is not a new problem and despite evidence-based measures such as the introduction of the older child QCI rate, it will persist until core weekly social welfare rates are progressively brought to an adequate level. In the context of spiralling living costs, those household types previously grappling with income inadequacy, single adult headed households (both with and without children) and households with older children, are those in need of the greatest adjustments – as evidenced by the MESL analysis and CSO findings on differential inflation.

Personal Rate

The current working-age Personal Rate of €208 per week provides for 79.9% of the MESL expenditure requirements of a working-age urban single adult. In this situation the average weekly MESL costs are €260[xiii], the personal rate is €52 short of the minimum required.[xiv]

The €5 increase to the working-age adult personal rate introduced in Budget 2022 was welcome, particularly as the rate had remained at its previous level for three years. However, the significant rise in minimum living costs into the first half of 2022 has outpaced that €5 increase. The real value of the personal rate has fallen, from meeting 81.2% of MESL needs in 2020, to 80.6% in 2021, and currently 79.9% in 2022. This is forecast to fall further potentially meeting only 76.6% of MESL need by the end of 2022.

With household energy and food representing over a quarter of the average MESL basket, the anticipated further inflation in these areas will put significant further pressure on the real value of social welfare rates. The cost of a MESL is expected to continuing increasing over the course of 2022 and is likely to exceed €277 per week for a working-age urban single adult, with an average annual increase of approximately 11%.

Based on the MESL evidence, a **€20** increase to the weekly adult personal rates is recommended, to protect the real value of the core working-age social welfare personal rate. This change, while undoubtedly significant, would still leave a working-age single adult household type in deep income inadequacy, but it would at least ensure against being pushed further into income inadequacy.

Such a level of increase is not unprecedented, Budget 2007 brought this level of increase to working-age adult rates in the context of 4% annual inflation.

Qualified Adult

Single adult headed households of working-age show greater incidence and depth of income inadequacy than two adult headed households, when dependent on social welfare. This is the case for both working-age single adult households and one parent households. In the MESL analysis one parent household compositions are found to have: greater incidence of income inadequacy than two parent compositions, the highest rate of older child deep income inadequacy, and demonstrate deep inadequacy in households with only younger children.

The current structure of the social welfare system treats a couple as requiring 1.66 times the income support of a single headed household. Analysis of the MESL data finds that the minimum needs[xv] of the adult in a couple headed household cost approximately 1.5 times that of an equivalent one adult headed household with children. This finding has been observed not only in Ireland but also in other countries with developed minimum budget standards research.[xvi] This is not because the second adult consumes less than the first, but instead that there are economies of scale available to two adult households which reduce the relative cost of the second adult in the household; for example, home energy costs for a one adult headed household are approximately 90% that of a two adult headed household.

To address this imbalance and move towards a social welfare system that adequately meets minimum needs, consideration must be given to the structure of the system and the relativities within it. It is proposed that the system's structures be rebalanced overtime, with resources focused on the working age Personal Rate and Qualified Child rates. Maintaining the current nominal value of the Qualified Adult rate until it reaches 50 – 55% of the Personal Rate.

Qualified Child Increase

The MESL research has consistently identified older children as having additional and different needs distinct from children in younger age-groups. The cost of a MESL is highest for older children, aged 12 and over; €133 per week in 2022, this is approximately 60% more than the minimum needs of younger children.

Social welfare supports meet 65% of the MESL costs for an older child, compared to meeting at least 88% of MESL costs for younger children. Deep income inadequacy is found most frequently in household compositions with older children. Older children in one parent households are further impacted due to the additional deep inadequacy risk faced by one adult headed households.

In recognition of older children's additional needs, a higher rate of Qualified Child Increase (QCI) for children aged 12 and over came into effect in 2019. This was built on in subsequent years, and the increases to the QCI for older children have contributed to a reduction in the incidence of deep income inadequacy for household types with children of this age-group.

While the current rate of QCI for older children continues to fall short of the cost of MESL needs, the measure represents the crucial evidence-based adjustments which are required to realise a minimally adequate income. Income adequacy can only be progressively realised through incremental steps which move towards adequate levels of support, as such it is essential that this progress continues.

In the context forecast increase in the cost of a MESL, the VPSJ recommends adjustments to the QCI rates which will help insulate against spiralling living costs, and potentially continue to build towards the progressive realisation of adequate rates. For Budget 2023, a **€12.00** increase to the QCI for children aged 12 and over, and a **€7.00** increase for children aged under 12, is recommended in conjunction with the adjustment to the adult personal rate.

Fuel Allowance

Energy prices have undergone exceptional increases, with the impact of the Russian invasion of Ukraine compounding inflationary pressure from 2021. In the twelve months to March 2022 home energy prices increased by an average of 46.7%, and inflation has continued in the subsequent months[xvii]. Analysis from the Central Bank and ESRI predict further energy price increases over the remainder of the year, with the potential for spill over into other areas.

In the MESL basket urban home energy costs, based on the use of natural gas and electricity, have increased by an average of 32%. The rural MESL home energy basket is based on the use of home heating oil and electricity, here there has been an average increase of 50%. This rate of increase is net of the €200 electricity credit provided to all households in the first half of 2022.

In Budget 2022 the Fuel Allowance was increased by €5.00 per week, with effect from October 2021. There have also been further 'cost of living' related lump sum payments made to Fuel Allowance recipients in March and May, of €125 and €100 respectively. The combination of these measures has maintained the value of the Fuel Allowance relative to the 46.7% home energy inflation as measured by CPI.

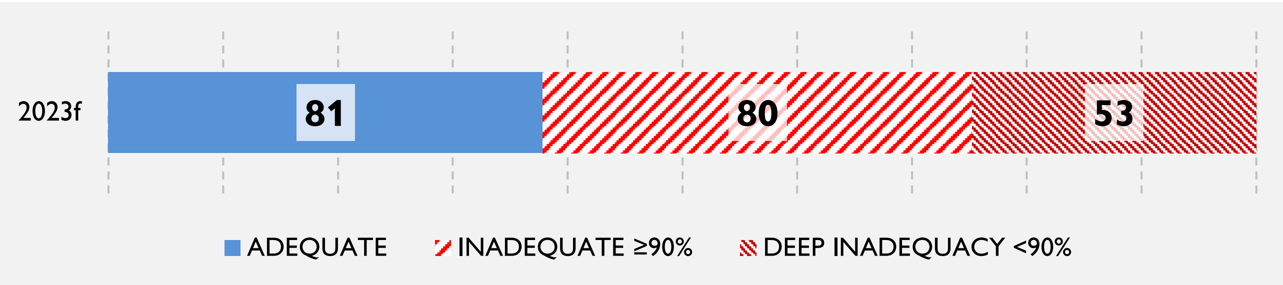
With further energy price inflation expected and given the exposure of low income households to increases in energy prices, adjustments at least in line with forecast energy inflation are required. To meet the currently expected price rises over 2022 (30.9%) and subsequent drop in 2023 (-2.1%), the Fuel Allowance will require an annual value of €1,550.[xviii]

The VPSJ recommends the re-instating of the **32-week season** and increasing the current weekly Fuel Allowance rate by €15.00 to **€48.00 per week**. Extending the season will spread the support over a greater number of weeks to assist low-income households manage outgoings. Additionally, bringing the increase announced in Budget 2022 into effect immediately was a welcome and appropriate response to rising home energy prices at that time. Repeating this approach would be warranted in the context of the exceptional energy price increases.

Impact

To demonstrate the potential impact of the above social welfare rate adjustments the benchmarking exercise is repeated. Applying the end of 2022 forecast MESL expenditure, the adequacy of social welfare income, adjusted in line with the above recommendations, is examined for the test 214 cases.

Graph 2 Benchmarking Social Welfare Adequacy, 2023 Forecast – 214 test cases



The analysis finds that the incidence of income adequacy would increase to 81 cases, from the 66 cases currently demonstrating adequacy in the first half of 2022. This should be contrasted against the potential for the number of adequate cases to fall to 32 under the current social welfare rates. Most compellingly, the rate of inadequacy has the potential to fall to 80 cases and deep inadequacy to 53 cases. This is in stark contrast to the potential for deep inadequacy cases to almost double by year end with the current social welfare rates.

Young Adults

The 2020 restoration of the full Personal Rate to adults aged 25 was a welcome step towards equalising the treatment of all adults. The extension of the full Jobseeker's Allowance (JA) rate to adults aged 18 – 24, when living independently and in receipt of a state housing support, was also positive. However, as outlined above the full current Personal Rate does not adequately meet the cost of an MESL for a single working-age adult.

The VPSJ recommends progressive restoration of entitlement to the full rate for those aged 18 to 24. As an interim step, the rate for this age-group should at least enable an adequate income when living in the family home. Therefore, it is recommended that the rate is increased to **€150 per week for 18 to 22-year olds**, and the entitlement to the full rate of JA is restored for 23 and 24-year olds. The full rate of JA can then be progressively extended to younger groups in subsequent years.

Older People

While pensioner couple households tend to demonstrate income adequacy when reliant on the state pension, a pensioner living alone has tended to show greater vulnerability to income inadequacy. In 2017 an urban pensioner living alone household type moved to income adequacy when reliant on the Non-Contributory Pension and living in social housing; the first time since 2010.

The cost of a MESL for an older person living alone has risen to €292 per week in the first half of 2022, when living in urban social housing and in receipt of the full rate of Non-Contributory State Pension. The level of increase in costs has resulted in the household moving precariously close to income inadequacy, as the average weekly income from social welfare is now only €2 above the MESL threshold. The 2022 increases to the Living Alone Allowance, Fuel Allowance and State Pension prevented this household type being pulled into income inadequacy.

By the end of 2022, it is forecast that income inadequacy will return for the urban older person living alone household type, when in receipt of either the Contributory or Non-Contributory State Pension, due to the predicted rise in minimum living costs.

The Living Alone and Telephone Support Allowances makes a vital contribution towards supporting the group of older people which have a higher risk of poverty and have tended to demonstrate income inadequacy. It is recommended that consideration be given to a **€12 increase in Living Alone Allowance**, to protect against the projected rise in MESL costs and the return of income inadequacy for this household type.

Deep income inadequacy continues for the older person living alone household type when in a rural area. Due to additional needs in a rural area, primarily transport, the Non-Contributory State Pension (and secondary supports) meet only 77.9% of MESL costs for a rural older person living alone.[xix]

An urban based pensioner household can utilise the free travel pass to meet most of their minimum transport needs on public transport, supplemented by the occasional use of a taxi. For rural households a car is a necessity due to the inadequacy of public transport. The need for a car adds an additional €83 per week to the MESL budget for a lone pensioner in a rural area. This differential has increased in 2022 due to rising fuel prices.

Improved public transport services are key to addressing this deep inadequacy. If the need for a car was removed, thereby reducing MESL costs, the current state pension rate would be marginally adequate for pensioner living alone household types in both rural and urban areas.

In-work & secondary social welfare supports

The range of secondary supports and in-work social welfare play a vital role working as part of the wider set of essential social services (e.g. housing, childcare, health) to support people towards an adequate income which enables a life with dignity.

Supports such as Working Family Payment, One-Parent Family Payment, Jobseekers Transitional, etc. operating in conjunction with an appropriate earnings floor, can enable income adequacy for many households with children when in lower paid employment. It is essential that the real value of such supports is maintained in line with both changes in minimum living costs and earnings.

There is upward pressure on earnings in response to rising living costs, government plans to transition the minimum wage to 60% of median hourly earnings will also contribute to upwards pressure on minimum and lower rates of pay. Improvements in net salary rates, in response to rising living costs, should not be offset by a loss in the level of in-work social support. Therefore, means test criteria, earnings disregards, eligibility thresholds, payment bands, etc., need to be reviewed in line with any changes to core social welfare rates, statutory minimum rates of pay, and adjustments in earnings generally.

Working Family Payment

In Budget 2022 the Working Family Payment (WFP) thresholds were increased, including the first increase since 2016 for households with four or more children. Increasing these income thresholds ensured that a household in minimum wage employment would benefit from the increase in the minimum wage, as the gain in salary did not result in a significant reduction in WFP.

To ensure the real value of the WFP is maintained, and that the support continues to assist households towards income adequacy, it is recommended to adjust the thresholds for all household sizes in line with anticipated changes in net salaries.

One Parent households - Jobseeker's Transitional

When the youngest child in a one parent household reaches 14, the household is no longer eligible for Jobseeker's Transitional (JST) creating the potential for a notable drop in net household income. JST and associated secondary benefits can provide a greater level of income support than WFP, for the same salary level. For example, in the case of a one parent household with one child, when in 19 hours of minimum wage employment JST net income is €54 higher than a WFP scenario. This difference increases to €58 with full-time (37.5 hour) minimum wage employment. The differential is due to both the lower rate of payment for WFP, compared to JST, and ineligibility for Fuel Allowance in the WFP scenario.

Furthermore, the tapering and withdrawal of income supports combined with increasing liability for USC and PRSI, impose a higher Marginal Effective Tax Rate (METR) in the case of WFP than in JST. The METR on a change from part-time (19 hours) to full-time (37.5 hours) employment is 64% when in receipt of Working Family Payment and 57% when in receipt of the Jobseeker's Transitional.

The VPSJ recommends that consideration is given to extending eligibility for the Jobseeker's Transitional payment until the youngest child reaches 18 or completes second level education.

References

i *Programme for Government: Our Shared Future*, published 2020.
https://assets.gov.ie/130911/fe93e24e-dfe0-40ff-9934-def2b44b7b52.pdf

ii Government of Ireland (2020). *Roadmap for Social Inclusion 2020 – 2025.*
https://www.gov.ie/pdf/?file=https://assets.gov.ie/46557/bf7011904ede4562b925f98b15c4f1b5.pdf

iii The publication of the MESL 2022 report, analysis and data is forthcoming. It will be available on-line at: www.budgeting.ie/publications/mesl-2022/

iv In the 2022 MESL annual update approximately half the basket contents were scheduled for repricing, this repricing was carried out in the March & April of 2022. The other half of the basket contents, which repriced in 2021, were adjusted for inflation to 2022, at the item level using the most specific CPI sub-rate available. In addition to the standard adjustments, the 2022 prices reflect the announced 'cost-of-living' measures, at the time of compilation. These include, the €200 electricity credit to all households and 20% reduction in public transport fares – both of which came into effect in the second quarter. Similarly, the energy prices in the MESL basket are based on announced price rates due to come into effect from May 2022.

v As measured by CPI sub-index 'Food and non-alcoholic beverages', see: https://data.cso.ie/table/CPM16

vi CPI weightings for 2022 as published by the CSO
https://www.cso.ie/en/media/csoie/methods/consumerpriceindex/Consumer_Price_Index_(CPI)_and_Harmonised_Index_of_Consumer_Prices_(HICP)_expenditure_weights_by_COICOP_Division_2017_-_2022.xlsx

vii The CPI weighting for the Transport COICOP classification is 13.9%, however this includes a 1.1% weighting for airfares. As air transport is not a component of the MESL basket, this is removed for comparison purposes, producing the figure of 12.8%)

viii CSO (2022) *Estimated Inflation by Household Characteristics March 2022*.
https://www.cso.ie/en/releasesandpublications/frp/frp-eihc/estimatedinflationbyhouseholdcharacteristicsmarch2022/

ix ESRI (2022). *Quarterly Economic Commentary, Spring 2022*.
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x Callan, T. & Colgan, B. (2015). ESRI Research Note: The Distributional Impact of Inflation: 2003-2014.
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xi ESRI (2022). *Quarterly Economic Commentary, Summer 2022*.
https://doi.org/10.26504/qec2022sum

xii Central Bank of Ireland (2022). *Quarterly Bulletin 02 / April 2022*.
https://www.centralbank.ie/publication/quarterly-bulletins/quarterly-bulletin-q2-2022

xiii When qualifying for a full medical card and housing costs based on the rent supplement tenant contribution of €32 per week.

xiv When the Christmas Bonus is included in the calculation the average weekly shortfall reduces to €48. The inclusion of Fuel Allowance, which would be applicable in a long-term recipient scenario, would reduce the shortfall to €26.

xv Based on urban MESL expenditure need, adjusted for Medical Card, and housing based on differential rent.

xvi Hirsch, D., Concialdi, P., Math, A., Padley, M., Pereira, E., Pereirnha, J., and Thornton, R. (2020). 'The Minimum Income Standard and equivalisation: Reassessing relative costs of singles and couples and of adults and children.' *Journal of Social Policy*, Cambridge University Press, 1–20. doi:10.1017/S0047279419001004.

xvii As measured by CPI sub-index 'Electricity, gas and other fuels', see: https://data.cso.ie/table/CPM16

xviii Based on Central Bank HICP forecast inflation for Energy, see Table 3, page 54.
Central Bank of Ireland (2022). *Quarterly Bulletin 02 / April 2022*.

xix When in receipt of the Contributory Pension income meets 80.7% of MESL need. For further detail see the MESL 2022 social welfare income scenarios - www.budgeting.ie/publications/mesl-2022/