



An Roinn Coimirce Sóisialaí
Department of Social Protection

Technical Paper on Minimum Essential Standards of Living, Poverty and Deprivation in Ireland

December 2024

Social Inclusion
Technical Paper No. 12

Minimum Essential Standards of Living, Poverty, and Deprivation in Ireland

Bertrand Maître
Anousheh Alamir

Published by
Department of Social Protection
Arás Mhic Dhiarmada
Store Street
Dublin 1, Ireland

December 2024



An Roinn Coimirce Sóisialaí
Department of Social Protection

Authors

Bertrand Maître is a Senior Research Officer at the Economic and Social Research Institute (ESRI) and an Adjunct Associate Professor at Trinity College Dublin.

Anousheh Alamir is a Postdoctoral Research Fellow at the Economic and Social Research Institute (ESRI).

More information on the authors is available online at: www.esri.ie/people

Any part of this technical paper may be quoted using the following reference:

Maître, B and Alamir, A (2024) *Technical Paper on the impact of minimum income on poverty and deprivation in Ireland*, Social Inclusion Technical Paper No. 12, Dublin: Department of Social Protection.

This technical paper is an output of the research programme for the Department of Social Protection. Technical papers provide information about aspects of income poverty measurement for policymakers and academics. The authors are solely responsible for the views, opinions, findings, conclusions and/or recommendations expressed, which are not attributable to the Department of Social Protection. Technical papers are peer reviewed.

Abstract

In this technical paper, we use the Vincentian MESL Research Centre's measure of household expenditure needs and explore the relationship between that indicator and household income, dependence on social transfers, poverty measures, and financial stress. Using the MESL thresholds for essential expenditure needs, which are calculated for a wide range of household types, the paper explores: 1) What is the overlap between household income, income poverty and living under one's basic expenditure needs? And 2) Which groups of the population are least likely to reach a minimum essential standard of living, and which groups living below their expenditure needs are not identified as being in poverty on official measures? Using data from the Survey on Income and Living Conditions (SILC) and from the Vincentian MESL Research Centre, we find that only a relatively small share of people do not meet their expenditure needs. However, this share is significantly higher for groups that are vulnerable to poverty including children, tenants, lone parents, and single working age adults. For those that are not meeting their expenditure needs, their level of dependence on social transfers is very high. This study thus confirms the critical role played by social welfare income to guarantee a minimum essential standard of living to vulnerable households and families that are highly dependent on social transfers.

Keywords: minimum income; social inclusion, poverty, social transfers, standards of living.

Table of Contents

Authors	i
Abstract.....	iii
Table of Contents	iv
List of Figures	v
List of Tables	vi
List of Acronyms and Abbreviations.....	vii
Authors' Acknowledgements.....	viii
Chapter 1: Introduction.....	9
1.1 Purpose of the paper	9
1.2 Basic expenditure needs measure: background and evolution	9
1.3 Minimum income schemes in place to provide for essential expenditure needs	13
1.4 Outline of the paper	14
Chapter 2: Methodology and Data	15
2.1 Introduction	15
2.2 Data and measurement.....	15
2.3 Data analysis	19
Chapter 3: Household Disposable Income and Expenditure Needs.....	22
3.1 Introduction	22
3.2 Household expenditure needs	22
3.3 Household disposable income after housing costs and expenditure needs	24
3.4 Summary.....	32
Chapter 4: Household income, expenditure needs and poverty outcomes	33
4.1 Introduction	33
4.2 Expenditure needs and income poverty threshold	33

4.3 Expenditure needs and social transfers	35
4.4 Poverty outcomes	36
4.5 Expenditure needs and financial stress	42
4.6 Summary.....	43
Chapter 5: Conclusions	44
5.1 Introduction	44
5.2 Methodology and data	44
5.3 Household disposable income and expenditure needs.....	44
5.4 Household income, expenditure needs and poverty outcomes.....	45
5.5 Conclusion	46
5.6 Limitations and further research.....	47
References	48
Glossary.....	50

List of figures

Figure 4.1: Expenditure needs and income poverty thresholds by household types, euro per week, 2022	35
Figure 4.2: Social transfers as a percentage of household disposable income by expenditure needs, 2022	36
Figure 4.3: Financial stress by expenditure needs (%), 2022.....	43

List of Tables

Table 2.1: MESL selected household types and child age groups	17
Table 3.1: Weekly expenditure needs by household types and location, 2021 (euro)	23
Table 3.2: Mean household disposable income after housing costs and mean expenditure needs by household characteristics	25
Table 3.3: Percentage of people living in a household with a household disposable weekly income after housing costs below their expenditure needs, by household characteristics	28
Table 3.4: Composition of people living in a household with a household disposable weekly income after housing costs below their expenditure needs by household characteristics, SILC 2022	30
Table 4.1: Poverty outcomes for people not meeting their expenditure needs by household characteristics (%), 2022	37
Table 4.2: Household characteristics composition by poverty outcomes composition by (%), 2022	41

List of Acronyms and Abbreviations

AROP	At-Risk-of-Poverty
CSO	Central Statistics Office
ESRI	Economic and Social Research Institute
EU	European Union
EU-SILC	European Union Statistics on Income and Living Conditions
MESL	Minimum Essential Standard of Living
MI	Minimum Income
OECD	Organisation for Economic Co-operation and Development
RAS	Rental Accommodation Scheme
SEVDEP	Severe Material Deprivation
SILC	Survey on Income and Living Conditions
SWA	Supplementary Welfare Allowance

Authors' Acknowledgements

The report could not have been completed without access to the data provided by the CSO for the SILC data and to the Vincentian MESL Research Centre for the Minimum Essential Standard of Living (MESL) data. We are grateful for their assistance.

The authors would like to thank the anonymous external reviewer and two internal ESRI reviewers for their feedback, which enhanced the final report. We are also grateful to Paul Norris and Roshin Sen from the Department of Social Protection for comments on earlier drafts and outlines of this report. Furthermore, the authors owe a debt of gratitude to Robert Thornton from the Vincentian MESL Research Centre for providing the MESL data and for his assistance throughout this project. Finally, we would like to thank Helen Russell for her helpful input throughout the process.

Chapter 1: Introduction

1.1 Purpose of the paper

The Vincentian MESL Research Centre at SVP undertakes research on the Minimum Essential Standard of Living (MESL) in Ireland¹, which is defined as a standard which no one should be expected to live below (Thornton et al., 2023). The purpose of this paper is to use this benchmark to examine the levels of deprivation and poverty for households above and below the thresholds. In doing so, this paper analyses the overlaps between households living below their basic needs and those identified as below the income poverty, deprivation, and consistent poverty lines as measured by the Survey on Income and Living Conditions (SILC). The objectives are firstly to analyse whether some households are considered as living below their expenditure needs yet not identified as being in poverty on official measures and vice versa. The second objective is to estimate the share of households that do not meet their needs using the MESL threshold, and identify the typical characteristics of these households.

1.2 Basic expenditure needs measure: background and evolution

This paper compares measures of basic expenditure needs with poverty and financial stress indicators, in order to uncover the relationship between them, and to understand which parts of the population are most likely to live below these needs.

Among the pioneers in the study of basic needs, Rowntree (1902) sought to estimate the share of the population in York (UK) whose total earnings: 1) were insufficient to obtain the minimum necessities for maintenance of merely physical efficiency (mostly in terms of food, housing, energy charges, and clothing) – this population

¹ The Minimum Essential Standard of Living research was undertaken by the research team at the Vincentian Partnership for Social Justice (VPSJ) since 2004. The research was transferred to the Vincentian MESL Research Centre at SVP in July 2022, due to the winding up of the VPSJ at the end of 2022. The MESL research continues at the Centre, updating and maintaining the annual MESL data series, and continuing to produce the series of MESL reports, analysis of minimum needs and income adequacy, and the development of evidence-based policy recommendations.

was deemed as living in 'primary' poverty; and 2) would be sufficient for the maintenance of merely physical efficiency if parts of it was not absorbed by other expenditures, either useful or wasteful (e.g. for alcoholic drinks) – this population was deemed as living in 'secondary' poverty. To measure the former, families of both working-class and 'servant-keeping' class were surveyed to calculate an income threshold needed for these basic needs, subject to family size. Rowntree thereby estimated that 10% of the population of York lived under those minimum standards of living. To measure the share living in 'secondary' poverty, investigators recorded when families 'were obviously living in a state of poverty', e.g. by looking at their homes. Families who were in that category but earning more than the basic needs threshold were considered to be in secondary poverty, and they amounted to about 18% of the population.

Later, seminal works by Sen and Haq contributed to the development of a deeper conceptual framework of basic needs. Sen's capabilities approach emphasises the importance of enabling individuals to achieve a set of essential capabilities, including access to food, shelter, education, and healthcare in order to lead a life of dignity (Sen, 1979, 1992). Based on Sen's capabilities approach, Haq created the Human Development Index (Haq, 1995) as used by the United Nations Development Programme. It also highlights the importance of fulfilling basic needs by going beyond just economic indicators when evaluating human well-being.

More limited to the previous approaches, during the 1976 World Employment Conference, the International Labour Organization defined basic needs in terms of household private consumption of goods such as food, clothing and housing, and services such as water and sanitation provision, education, and public transportation (World Food Programme, 2020). Since then, basic expenditure needs have been defined as 'essential goods, utilities, services, or resources required on a regular or seasonal basis by households for ensuring long-term survival and maintaining minimum living standards, without resorting to negative coping mechanisms or compromising their health, dignity, and essential livelihood assets' (Truelove et al., 2021). They are usually calculated on a monthly or seasonal basis, in order to take market changes into account.

As explained in Truelove et al. (2021), a minimum expenditure basket (MEB) is an operational tool ‘used to identify and calculate in a particular context and for a specific moment in time, the average cost of a socioeconomically vulnerable household’s multisectoral basic needs that can be monetised and accessed in adequate quality through the local market.’ Among its various functions, an MEB can be used: 1) to support the calculation of social transfers; 2) as a baseline to trace market prices and the cost of living; and 3) for wider vulnerability analysis, in order to identify which types of households are least likely to meet their basic needs (Ibid).

What counts as essential highly depends on the context, and what people themselves consider the most important aspects necessary to ensure their survival and well-being (WFP, 2020). While other indicators such as the poverty line are crucial in analysing a country’s welfare, MEBs incorporate the effects of changes in prices and cuts in income following shocks like COVID-19 when determining the basic expenditure needs at specific points in time (Klein & Warring, 2021).

In Ireland, the Vincentian MESL Research Centre at SVP pioneered the use of the Consensual Budget Standards methodology to establish minimum expenditure and income needs. They provide a benchmark on the Minimum Essential Standard of Living (MESL), which is defined as a standard which no one should be expected to live below. It is decided by members of the public, agreeing on what is needed to live at an acceptable, dignified standard and take part in the day-to-day life of Irish society. This standard applies to everyone, not just those who are living in poverty. It takes into account the weekly cost of more than 2,000 goods and services that are necessary to maintain a socially acceptable minimum standard of living (Thornton et al., 2023)².

Similarly in the UK, the Centre for Research in Social Policy (CRSP) at Loughborough University reviews each year the Minimum Income Standards (MIS) –

² The core expenditure needs for different types of households are based on a set of 2,000 goods and services items across the following domains: food, clothes, personal care, health related costs, household goods and services, communications, social inclusion and participation, education, household energy, transport, fuel, personal costs, insurance, savings and contingencies (VPSJ, 2021). Childcare costs and housings are determined separately. See for example in VPSJ (2006) for a detailed list of some of these items.

a benchmark of minimum needs based on what goods and services members of the public need for an adequate standard of living. This not only includes food, clothes, and shelter, but also the resources, opportunities and choices that are essential to participate in society³. Between 2008/09 and 2015/16 the CRSP found that the percentage of all individuals in the UK below the MIS rose from 25.8% to 29.7% (Padley et al., 2017). Throughout this period, children were one and a half times more likely to live below the MIS than the overall population. This amounted to 6 million children by 2014/16, making up a third of all individuals living below the MIS in the UK that year. They also found that all UK households officially defined as being in income poverty (i.e. having below 60% of median income) are below MIS (Davis et al., 2022). Thus, households classified as being in relative income poverty are generally unable to reach an acceptable standard of living as defined by members of the public.

The income poverty measure, by definition, is a relative indicator of poverty and therefore does not intend to identify households or individuals living in absolute poverty. One limitation of this measure is its inability to fully capture poverty due to various factors (Whelan et al., 2019). These include its lack of consideration of households / individuals' long-term command over resources (or permanent income), which may involve reliance on savings or accumulation of debt for example. So, people could appear as not being income poor while relying extensively on these types of resources to maintain their standard of living. Furthermore, people who are self-employed may experience fluctuating income over time, which can lead to a standard of living that is inconsistent with their income. To overcome many of these limitations, the Economic and Social Research Institute incorporated deprivation indicators into their poverty measurement approach, as outlined by Callan et al. (1993). This was also the motivation in the design of the Irish consistent poverty measure that is based on the criteria that people have to be materially deprived as well as below a relative income poverty threshold. Being based on a consensual agreement, the MESL approach (or expenditure needs approach) could potentially complement the income poverty and deprivation measures in identifying households

³ <https://www.jrf.org.uk/report/we-can-solve-poverty-uk>

/ individuals neither income poor nor deprived that are still unable 'to meet their physical, psychological and social needs' (Thornton et al., 2023).

1.3 Minimum income schemes in place to provide for essential expenditure needs

Minimum Income (MI) Schemes in Ireland have their origin in the British Poor Law implemented in 1838 (Daly, 2009). This introduced needs-based provisions for the basic necessities of life, while ensuring that the conditions of the public assistance recipients be inferior to those of the poorest labourers (the 'less eligibility' principle). By 1975, the Supplementary Welfare Allowance (SWA) was implemented to provide some income to households unable to meet their basic needs due to a lack of resources. This is a general-purpose scheme that is administered nationally and is means tested. It has remained relatively unchanged to this day. The SWA is a mixed scheme consisting of a weekly basic payment and/or additional cost supplements including for housing (rent supplement). As a scheme of last resort, it also includes once-off payments to meet unexpected needs (Daly, 2009). Currently, the general-purpose of SWA is complemented with other targeted MI programmes including State Pension; Disability Allowance; Widow's, Widower's, or Surviving Civil Partner's Pension; One-Parent Family Payment; Disability Allowance; Carer's Allowance; Jobseeker's Allowance; Farm Assist; and Working Family Payment (OECD, 2022). The eligibility for each programme thus typically depends on status (family position or age) and type of risk or situation (Daly, 2009). The purpose of Ireland's social protection system is to 'act as a safety net for those in need of income support to reduce the risk of poverty and social exclusion. As well as smoothing incomes and boosting aggregate demand for goods and services after an employment shock, it mitigates risk to any one individual through contributory social insurance schemes and social assistance schemes' (Commission on Taxation and Welfare Secretariat, 2021).

When compared to other EU countries, Nelson (2012) showed that Ireland ranked high in terms of social assistance benefit levels, and low in terms of material deprivation rate among single persons and couples. This negative relationship between the two variables was found across all EU Member States, on average

(ibid). Thus, social assistance seems to be a key component to combat material hardship. Doorley et al. (2022) provide further evidence of that relationship for Ireland by showing that a universal increase of 5% in the value of social transfers would reduce deprivation by around 1.6% for people in jobless households and by 1.2% for lone parents and children. We add to that literature by examining the relationship between social transfers and basic expenditure needs.

1.4 Outline of the paper

The remainder of the paper is organised as follows. In chapter two, we present the data, definitions, and measurements of expenditure needs and poverty measures. In chapter three, we explore the relationship between household income, social transfer payments and measures of household expenditure needed to reach a minimum essential standard of living. In chapter four, we analyse the relationship between basic expenditure needs and poverty outcomes. Finally, chapter five discusses the main observations and conclusions.

Chapter 2: Methodology and data

2.1 Introduction

In this chapter we present the methodology and the data sources we use in the report to analyse the level of income that households need to reach a minimum essential standard of living (chapter three) and the relationship between these income standards and poverty outcomes (chapter four).

2.2 Data and measurement

We use two different data sources in the report. The first is based on the annual analysis performed by the Vincentian MESL Research Centre at SVP to determine the level of income and expenditure needs households require to reach a minimum essential standard of living. The second data source is the Survey on Income and Living Conditions (SILC) carried out by the Central Statistics Office (CSO). We impute the Vincentian MESL Research Centre 2021 data on expenditure needs to households in SILC 2022, as detailed below⁴.

2.2.1 Vincentian MESL Research Centre at the SVP data

Since 2004, the Vincentian MESL Research Centre at SVP has been collecting and analysing data to establish households' minimum expenditure need, (food, clothes, household goods etc.) and the income households need to reach a socially acceptable minimum standard of living in Ireland. This income or expenditure need indicator is named the Minimum Essential Standard of Living (MESL) and is defined as:

... a standard which nobody should be expected to live below, it is a standard that while based on needs, not wants, allows an individual or household to live with dignity, meeting their physical, psychological, and social needs at a minimum but acceptable level. It is a minimum standard for everyone, not just those in poverty,

⁴ In SILC 2022 the household income relates to January to December 2021, so the income reference period matches the expenditure need estimates of the 2021 period.

which comes from a negotiated consensus on what people believe are minimum needs⁵.

The calculation of the expenditure need is conducted through several iterations of focus groups to determine through a social consensus what 'people regard as essential for households to have a minimum, but socially acceptable standard of living' (Thornton et al., 2023).

The Vincentian MESL Research Centre analysis explores expenditure need scenarios based on different household situations and composition permutations based on the age of children. From these different scenarios, the expenditure need data generated covers 90% of households in Ireland (Thornton et al., 2021). Table 2.1 below shows the six household types and age of children that are used with a range of other characteristics to calculate expenditure need scenarios.

For example, for a two-parent household (with 1 to 4 children) there is a scenario for those having only one child of infant age, another scenario for those having only one child of pre-school age, and so on up to those having only one child of secondary-level school age. Next, there is a scenario for two-parent households having two children only, with two children of infant age, one child of infant age and one of pre-school age, and so on up to the last scenario for households with four children who are all of second level school age. We then repeat the same exercise for lone parent households etc. These household situations are based on potential combinations of number of adults, number and age of children, labour market status of adults (working full-time / part-time; stay at home) and income (minimum wage employment or social welfare receipt depending on the household scenario), housing tenure (social housing / private rental) and location (urban / rural)⁶.

⁵<https://www.budgeting.ie/about/research.html#:~:text=A%20Minimum%20Essential%20Standard%20of%20Living%20%28MESL%29%2C%20is,social%20needs%20at%20a%20minimum%20but%20acceptable%20level.>

⁶ See endnotes in Thornton et al. (2021) for a detailed list of the social welfare payments used in the different household scenarios.

Table 2.1: MESL selected household types and child age groups

Household types	Child age groups
Two-parent household with 1 to 4 children	Infant
One-parent household with 1 to 4 children	Pre-school
Single adult of working age	Primary school
Cohabiting couples of working age	Second level
Pensioner living alone	
Pensioner couple	

Source: Thornton et al. 2021.

For each combination of the household characteristics listed above, the Vincentian MESL Research Centre calculates a core expenditure need, that is before housing and childcare costs and before the deduction of secondary benefits⁷. The Centre also calculates a total expenditure need which includes housing and childcare costs⁸. The housing cost estimates are based on scenarios of households in social housing or in receipt of rent supplement (RS) or Housing Assistance Payment (HAP) but also on private rental costs⁹. However, the expenditure needs data do not include housing cost estimates for owner-occupied households with a mortgage as it would be difficult to estimate such costs with so many unknown parameters (dwelling characteristics, mortgage details, location etc.)¹⁰. Various childcare cost scenarios are also suggested, depending on the child's age and, whether childcare is provided full- or part-time, and depending on the labour market status of the adults (working full-time / part-time or not working).

The SILC data include real expenditure data on housing costs for owner-occupied households with a mortgage as well as for tenant households. We therefore deduct these costs from the household disposable income to calculate the household disposable income after housing costs¹¹. In this paper, we match the 2021 MESL

⁷ Secondary benefits are public schemes that provide financial support to households in need by reducing certain costs, e.g. the Medical Card, GP visit card, the National Childcare Scheme, Fuel Allowance, Back to School, Clothing & Footwear Allowance and Christmas Bonus (Thornton et al., 2023).

⁸ See Thornton et al. (2021) for a detailed description of the childcare cost calculation.

⁹ Private rental costs are based on dwelling sizes drawn from published RTB Average Monthly Rent Report 2019Q4.

¹⁰ However, it is possible for the public (including owner-occupiers with a mortgage) to calculate their household MESL from the online Minimum Income Standard Calculator (see <http://misc.ie/home>).

¹¹ Housing maintenance and utilities costs are not included in the housing costs.

expenditure need data with SILC 2022 (as 2021 is the income reference period in SILC 2022) by identifying the same household types (as described above) across both datasets.

2.2.2 SILC data

The Survey on Income and Living Conditions (SILC) is the Irish data source for providing national statistics on household and individual income as well as related indicators of living standards, poverty, and inequality. SILC is used for monitoring poverty and social inclusion in Ireland. The survey has been conducted annually by the Central Statistics Office (CSO) since 2003. It is also the Irish component of the European Union Statistics on Income and Living Conditions (EU-SILC) overseen by Eurostat.

SILC is a voluntary survey of private households. The primary focus of SILC is the collection of information on the income and living conditions of households in Ireland. In this paper, we use SILC 2022 as it is the most recently available data¹². In SILC 2022, the income reference period is the previous calendar year, and the income relates to January to December 2021. In SILC 2022, the sample size is 4,660 households and 11,393 individuals¹³.

2.2.3 Indicators of poverty

From the data collected in SILC, we construct and use three national poverty indicators in the paper: the at-risk-of-poverty, material deprivation, and consistent poverty. We describe below each of these indicators.

At-risk-of-poverty rate is the share of persons in the total population with an equivalised household disposable income (after tax and social transfers) below 60% of the national median equivalised disposable income.

¹² SILC 2022 version as revised in March 2024.

¹³ For a detailed description of the SILC 2022 methodology on sample design, response rates, weighting procedures and break in time series in SILC 2020, see <https://www.cso.ie/en/releasesandpublications/ep/p-silc/surveyonincomeandlivingconditionssilc2022/backgroundnotes/>

Material deprivation rate is the proportion of people living in a household that is unable to afford two or more items (goods, services, and social activities) which are considered the norm in society. Eleven basic items are used to construct the deprivation index:

- unable to afford two pairs of strong shoes
- unable to afford a warm waterproof overcoat
- unable to afford new (not second-hand) clothes
- unable to afford a meal with meat, chicken, or fish (vegetarian equivalent) every second day
- unable to afford a roast joint or its equivalent once a week
- without heating at some stage in the last year through lack of money
- unable to afford to keep the home adequately warm
- unable to afford to buy presents for family or friends at least once a year
- unable to afford to replace any worn-out furniture
- unable to afford to have family or friends for a drink or meal once a month
- unable to afford a morning, afternoon, or evening out in the last fortnight for entertainment.

Consistent poverty rate is the share of people that are at-risk-of-poverty and materially deprived.

2.3 Data analysis

As described above in section 2.2.1, the Vincentian MESL Research Centre's MESL analysis relies on many household scenarios of several household types (single / couple, with or without 1 to 4 children of different school ages, adult labour activity status, urban / rural, housing tenure status). For the purpose of the analysis, we use the expenditure need data from the Vincentian MESL Research Centre. We do not take housing costs and secondary benefits into account, but do include childcare costs. Other items used in the MESL calculation of expenditure need include food, clothing, personal care, household goods, transport, social inclusion and participation and household energy¹⁴. Due to the absence of housing cost

¹⁴ See Appendix tables in Thornton et al. (2021) for a more comprehensive list of expenditure items.

estimations for owner-occupiers in the MESL estimates, we use their expenditure need figures that are net of housing costs and compare this to income minus housing costs in SILC. Neither the needs estimate nor the income calculations are adjusted for secondary benefits.

The SILC 2022 analysis shows that 80% of households can be classified under the household typology described in Table 2.1¹⁵. The 20% of unclassified households are mainly made up of three or more adults (with and without children) and households with more than four children. The SILC 2022 data show that 69% of people in Ireland live in owner-occupied accommodation (42% without a mortgage and 27% with a mortgage). Therefore, in order to include the largest number of households in the analysis, including owner-occupied households with a mortgage, we calculate in SILC the household disposable income net of housing costs, that is the household disposable income minus the mortgage principal repayment, rent and mortgage interest payments.

We match the expenditure needs by household types provided by the Vincentian MESL Research Centre as described in Table 2.1, to the corresponding household types in SILC. We then compare the household disposable income net of housing costs across household types in SILC, with the MESL expenditure needs (net of housing costs and secondary benefits but including childcare costs)¹⁶. In other words, we analyse whether households' disposable income after housing costs can cover expenditure needs.

The Vincentian MESL Research Centre calculates detailed expenditure needs for urban and rural households as well as per number and school age of children within households. However, it is not possible to report any results with that level of detail as the corresponding numbers of households in SILC are not large enough to report reliable statistical results, as prescribed by the CSO statistical disclosure

¹⁵ In order to increase the number of cases for pensioner couples, we added together couples where both persons are aged 65 or over and couples where at least one is aged 65 or over.

¹⁶ For the comparison with the MESL core expenditures, the household disposable income is not equivalised across individuals within households. See CSO background note about equivalised household disposable income (<https://www.cso.ie/en/releasesandpublications/ep/p-silc/silc/surveyonincomeandlivingconditionssilc2022/backgroundnotes/>)

guidelines¹⁷. Therefore, in the following chapters, we produce results based on average expenditure needs across urban and rural location and across households with different numbers of children (one to four children maximum).

¹⁷ The CSO guidelines for publication of SILC statistical results is to have at least 30 cases in a cell.

Chapter 3: Household disposable income and expenditure needs

3.1 Introduction

In this chapter, we explore the relationship between household disposable income after housing costs and the expenditure needs calculated by the Vincentian MESL Research Centre. The analysis focuses on the same household typology used for the calculation of the expenditure needs in the 2021 annual update publication (Thornton et al., 2021), as well as across other socio-demographic characteristics of households.

3.2 Household expenditure needs

The Vincentian MESL Research Centre analysis explores household expenditure needs (and estimated household income but not used here) scenarios across a large number of household situations as described in chapter two. To illustrate some of these household expenditure needs scenarios, we report in Table 3.1 the core expenditure needs (food, clothing, transport etc.), the housing and childcare costs, and the total expenditure needs for different household types.

Table 3.1 distinguishes two employment scenarios for the expenditure needs: where the adult(s) in the household are in full-time employment (37.5 hours); and where they are not active on the labour market and/or are in receipt of social benefits¹⁸. Overall, both for households where the adults are employed or are in receipt of social welfare supports, the expenditure needs values are greater for people living in rural areas than in urban areas. This is mostly due to the fact that the transport costs component in the core expenditure needs is much larger in rural areas than in urban areas. Expenditure needs are the smallest for pensioners and single working age adults and the largest for families with children. Across the households in receipt of social welfare supports, the core expenditure components contribute to a large proportion of their total expenditure needs, from 84% to 92%. This is much less the case for households containing employed adults, where it ranges from a low 45% to

¹⁸ One on home duties and one jobseeker for couple households, and home duties or jobseeker for single working-age adult households.

Table 3.1: Weekly expenditure needs by household types and location, 2021 (euro)

Social welfare					Employed			
		Core expenditure need	Social housing & childcare	Total expenditure need		Core expenditure need	Social housing & childcare	Total expenditure need
		€	€					
Urban	2 parents & 2 children (pre-school & primary)	434.7	50.5	485.2		483.0	224.3	707.3
	2 parents & 2 children (primary & second level)	521.4	51.5	572.9		569.6	141.3	710.9
	1 parent & 2 children (pre-school & primary)	333.4	35.0	368.4		337.4	213.6	551.0
	1 parent & 2 children (primary & second level)	420.1	36.1	456.2		424.1	134.4	558.5
	Single adult working age living alone	219.8	32.0	251.8		223.8	273.1	496.9
	Pensioner living alone	223.1	33.6	256.7				
	Pensioner couple	274.3	52.5	326.7				
Rural	2 parents & 2 children (pre-school & primary)	472.6	61.5	534.2		597.3	170.2	767.5
	2 parents & 2 children (primary & second level)	555.3	62.8	618.1		679.9	146.2	826.1
	1 parent & 2 children (pre-school & primary)	397.4	40.3	437.7		401.4	140.9	542.3
	1 parent & 2 children (primary & second level)	480.0	41.5	521.5		484.0	129.1	613.2
	Single adult working age living alone	255.0	30.1	285.1		263.4	160.7	424.1
	Pensioner living alone	299.4	29.5	328.9				
	Pensioner couple	365.2	51.5	416.7				

Source: Thornton et al., 2021.

Note: Social housing estimates are based on differential rent schemes. For urban households it is based on Dublin City Council rent scheme and for rural households it is based on the average of three rural local authority schemes.

a high 82%. We also note that for households in receipt of social welfare support, the social housing and childcare components are lower than for employed households. This is because households without employment have lower differential rents and childcare needs. As they have lower household income, they are more likely to spend more time looking after their children themselves.

3.3 Household disposable income after housing costs and expenditure needs

In this section, we examine the relationship between expenditure needs and household disposable income after housing costs. In other words, we analyse the extent to which households can cover their expenditure needs (excluding housing costs and entitlement to secondary benefits, but including childcare costs) with the income that remains after housing costs have been paid.

Table 3.2 shows, across a few household characteristics, the mean household disposable weekly income after housing costs, the mean weekly expenditure needs, and the latter expressed as a percentage of the former. Across households to whom we were able to allocate expenditure needs, the mean household disposable weekly income after housing costs is €886, while the mean weekly expenditure needs is almost half of that, at €401 (45%).

Across all household characteristics, the mean household disposable weekly income after housing costs is greater than the mean weekly expenditure needs. However, the gap between household income and expenditure needs can vary widely across household characteristics.

Looking at the results by age of the household reference person, the mean household disposable weekly income after housing costs where the head of household is aged 18 to 64 is 1.4 times that of those aged 65 and over, and the corresponding expenditure needs ratio is quite similar, at 1.5. Expressed as a percentage, 46% and 43% of the household disposable weekly income after housing cost of the younger and older households respectively meet the expenditure needs of these households.

Table 3.2: Mean household disposable income after housing costs and mean expenditure needs by household characteristics

	(a) Mean household disposable weekly income after housing costs	(b) Mean weekly expenditure needs	(b) as a % of (a)
HRP age			
18 to 64	963.3	443.3	46.0
65 and over	680.2	289.1	42.5
Location			
Urban	904.7	380.3	42.0
Rural	843.9	446.8	52.9
Tenure			
Owner-occupied: without outstanding mortgage	875.3	332.3	38.0
Owner-occupied: with outstanding mortgage	1234.9	514.2	41.6
Rented, in receipt of HAP/RS/other rent subsidy	459.6	385.9	84.0
Rented, Local Authority	488.3	353.8	72.4
Rent free	580.7	348.3	60.0
Rented, without state housing assistance	706.9	392.8	55.6
Household type			
One WA adult	488.2	234.4	48.0
WA couple	1046.7	391.1	37.4
One pensioner	433.1	253.1	58.4
Pensioner couple	899.8	317.3	35.3
Lone parent with 1 to 4 children	504.8	419.4	83.1
Couple with 1 to 4 children	1263.3	606.2	48.0
Total	885.7	401.1	45.3

Source: SILC 2022 & MESL expenditure needs 2021.

Note: Author's calculations.

The comparison between rural and urban location shows a lower disparity both for the mean household disposable weekly income after housing costs and the expenditure needs. However, while the mean household disposable weekly income after housing costs is slightly greater for urban households (1.1 times greater), it is

the reverse for the mean expenditure needs (1.2 times greater for rural households). This is mostly due to higher expenditures on transport for rural households. On average, expenditure needs represent 53% of rural household disposable income after housing costs, while it is just over 42% for urban households.

Compared to the previous household characteristics, the variation of household disposable income after housing costs is much greater across housing tenure but it is not as large in terms of expenditure needs. Indeed, the mean household disposable income after housing costs is largest for owner-occupiers with an outstanding mortgage, and lowest among renters in receipt of HAP / RS and other rent subsidies. The household income after housing costs is 2.5 times greater for owner-occupiers compared to renters in receipt of HAP / RS and other rent subsidies. The largest expenditure needs gap is only 1.5 times between owner-occupiers with outstanding mortgage and owner-occupier households without outstanding mortgage. The income gap between owner-occupier households with and without mortgage reflects the different age composition and income sources of its members where the group without mortgages tends to have more old age pensioners.

There is also a large variation in the relativities of the expenditure needs to the household disposable weekly income after housing costs across tenure. Indeed, while on average, only 39% of the household income of owner-occupied households without a mortgage covers their expenditure needs, this figure is 84% for renter households in receipt of HAP / RS / other rent subsidy and 72% for those renting from a local authority. Overall, tenant households need to allocate a greater proportion of their household income to cover their expenditure needs (64%) than those in owner-occupied households (40%)¹⁹.

Not surprisingly, there is also a large variation both in the household disposable weekly income after housing costs and the expenditure needs across household types. This is due to the different household sizes and compositions, as well as to the different income sources across households. Indeed, the average household

¹⁹ Author's calculation not shown in Table 3.2.

disposable weekly income after housing costs is 2.9 times greater for couples with 1 to 4 children compared to one pensioner households, and the expenditure needs for the former is 2.6 times greater than for one working age adult households for example. At the lowest, 35% and 37% of the average household disposable weekly income after housing costs for pensioner couple and working age couple households meet their expenditure needs respectively while for lone parent and single pensioner households it is 83% and 58%.

In Table 3.3, we show the percentage of people living in a household with a household disposable weekly income after housing costs below their expenditure needs²⁰. Overall, 11% of people live in a household with a household disposable weekly income after housing costs below their expenditure needs, but as suggested by the results in Table 3.3, there are large variations across some household characteristics.

Across the three age groups, children are more likely to live in a household where the household disposable weekly income after housing costs does not meet their expenditure needs (15%) while it is less than half that for older people (7%).

The gap is much smaller between locations as 12% of people living in rural areas have a household disposable weekly income after housing costs below their expenditure needs while for urban households this is 10%.

²⁰ We do not report the results for pensioner households and households in free rent tenure as there are not enough cases in the data to report reliable statistical results (CSO guideline is to have at least 30 cases in a cell).

Table 3.3: Percentage of people living in a household with a household disposable weekly income after housing costs below their expenditure needs, by household characteristics

	Percentage of population in each group, living below their expenditure needs
Age	
Less than 18	14.7
18 to 64	10.4
65 and over	6.5
Location	
Urban	10.4
Rural	12.4
Tenure	
Owner-occupied: without outstanding mortgage	5.9
Owner-occupied: with outstanding mortgage	5.3
Rented, in receipt of HAP/RS/other rent subsidy	28.2
Rented, Local Authority	22.0
Rent free	*
Rented, without state housing assistance	20.6
Household type	
One WA adult	26.3
WA couple	4.4
One pensioner	15.4
Pensioner couple	*
Lone parent with 1 to 4 children	37.6
Couple with 1 to 4 children	9.4
Total	11.0

Source: SILC 2022 & MESL expenditure needs 2021.

Note: Author's calculations. * = Number of cases too small to report results.

However, there is much more variation in the percentage of people living below their expenditure needs across housing tenure. There is a sharp contrast between owner-occupiers and tenants where the latter are much more likely to have a household disposable weekly income after housing costs below their expenditure needs.

Indeed, a small percentage of owner-occupiers, whether they have a mortgage or not live below their expenditure needs (5-6 %). However, for private tenants who do

not receive state housing assistance this percentage is much higher at 21%; for those renting from local authorities (22%), and for private tenants in receipt of housing subsidies (28%). This is primarily because these households have significantly lower household incomes compared to the average, rather than having greater than average expenses.

There is also a strong variation of household disposable weekly income and expenditure needs across household types. Very few working age couple households have a household disposable weekly income after housing costs below their expenditure needs (4%). They are followed by couple households with 1 to 4 children (10%) and one pensioner households (15%), who are just above the average. However, the proportion living below their expenditure needs is much higher for other households; one quarter of one person working age households (26%) have a household disposable weekly income after housing costs below their expenditure needs, and this is over one third for lone parent households with 1 to 4 children (38%).

The previous results showed the risk of living below a minimum expected standard of living across several household characteristics. Table 3.4 provides valuable insights into the characteristics of individuals who fall below this standard of living.

While people aged 18 to 64 have close to the average risk of living in a household with a household disposable weekly income after housing costs below their expenditure needs (10% in Table 3.3), they represent just over half of those living below such standards, followed by over one third of children. However, taking account of the total population size across age groups, children are over-represented among people living below their expenditure needs (1.6 times more than in the total population of children) while there are fewer people aged 65 and over than in the overall population (0.7 times less than in the total population).

The location composition shows that 36% of those living below their expenditure needs are living in rural areas and that they are slightly over-represented among those living below their expenditure needs (1.1 times more than in the overall population).

Table 3.4: Composition of people living in a household with a household disposable weekly income after housing costs below their expenditure needs by household characteristics, SILC 2022

	Household composition below their expenditure needs (%)	Total population (%)
Age		
Less than 18	38.6	24.0
18 to 64	51.2	61.8
65 and over	10.1	14.2
Total	100.0	100.0
Location		
Urban	64.5	67.4
Rural	35.5	32.6
Total	100.0	100.0
Tenure		
Owner-occupied: without outstanding mortgage	15.3	34.1
Owner-occupied: with outstanding mortgage	19.4	37.2
Rented, in receipt of HAP/RS/other rent subsidy	15.4	5.2
Rented, Local Authority	15.5	8.1
Rent free	*	*
Rented, without state housing assistance	34.5	15.4
Total	100.0	100.0
Household type		
One WA adult	16.9	4.6
WA couple	6.6	10.7
Pensioners	11.4	12.2
Lone parent with 1 to 4 children	21.7	4.1
Couple with 1 to 4 children	43.5	33.6
Other households	*	34.9
Total	100.0	100.0

Source: SILC 2022 & MESL expenditure needs 2021.

Note: Author's calculations. Single and couple pensioners have been merged together to have enough cases. * = number of cases is too small to report results for those below their expenditure needs.

Over three fifths of people not meeting their expenditure needs are tenants in the private sector (with or without state housing support) and tenants in local authorities. The largest group are tenants in the private sector without state housing assistance (35%), followed then by tenants in local authority housing (16%), and tenants in receipt of housing subsidies (15%). Compared to the overall housing tenure population composition, there is clearly an over-representation of tenants among people living below their expenditure needs (2 to almost 3 times more across different types of tenants) and an under-representation of owner-occupied (0.4 to 0.5 times less). The disproportionate presence of tenants among individuals experiencing financial strain is a cause for concern. To conduct a thorough investigation, we need to examine how their sources of income, housing costs, and the effectiveness of state housing assistance (if relevant) contribute to their inability to meet their expenditure requirements.

Regarding the household type composition, people in couple households with 1 to 4 children and those in lone parent households with 1 to 4 children are the largest groups at 44% and 22% respectively. Conversely, we observe that 11% of individuals unable to meet their expenditure needs belong to pensioner (single or couple) households, while the figure is 17% for single adult working age households. There are two groups of people who are more likely to live below their means: households with a single parent (5.3 times more likely) and single working adults (3 times more likely).

3.4 Summary

Exploring the relationship between household disposable weekly income after housing costs and the expenditure needs as calculated by the Vincentian MESL Research Centre, we find that on average 45% of household disposable weekly income after housing costs cover household expenditure needs. However, some large disparities exist across household characteristics. Expenditure needs take up a larger share of rural households' disposable incomes than urban households' (53% vs. 42%). But the largest disparities are across housing tenure and household types. Between 39 and 42% of owner-occupiers' household income (with and without a mortgage) is needed for their expenditure needs while renters need to allocate 56 to 84% (depending on renter type) of their disposable income on their expenditure needs. Likewise, lone parents must spend about 83% of their income on these basic needs.

Overall, 11% of people live in a household with an income below their expenditure needs but with some large variations across households. Children are more likely than older people to live in a household not meeting their expenditure needs (15% and 7% respectively). This is true also for those living in rented accommodation (29% for those in receipt of housing support), lone parent households (38%), and one person working age adult households (26%) compared to owner-occupiers (5 to 6%) and working age couple households (4%) for example.

Chapter 4: Household income, expenditure needs and poverty outcomes

4.1 Introduction

The previous chapter showed that 11% of people living in a selected set of households have a household disposable weekly income net of housing costs below their expenditure needs (net of housing costs). However, it was over three times that for people in lone parent households (38%) and over twice that for single working age adult households (26%). People living in rented accommodation were also much more likely to have a household income below their expenditure needs. For example, tenants in receipt of housing supports were three times more likely to have an income below their expenditure needs (35%) than the overall population (11%).

In this chapter we explore the poverty outcomes of living in a household with a household income below their expenditure needs across a range of different household characteristics.

4.2 Expenditure needs and income poverty threshold

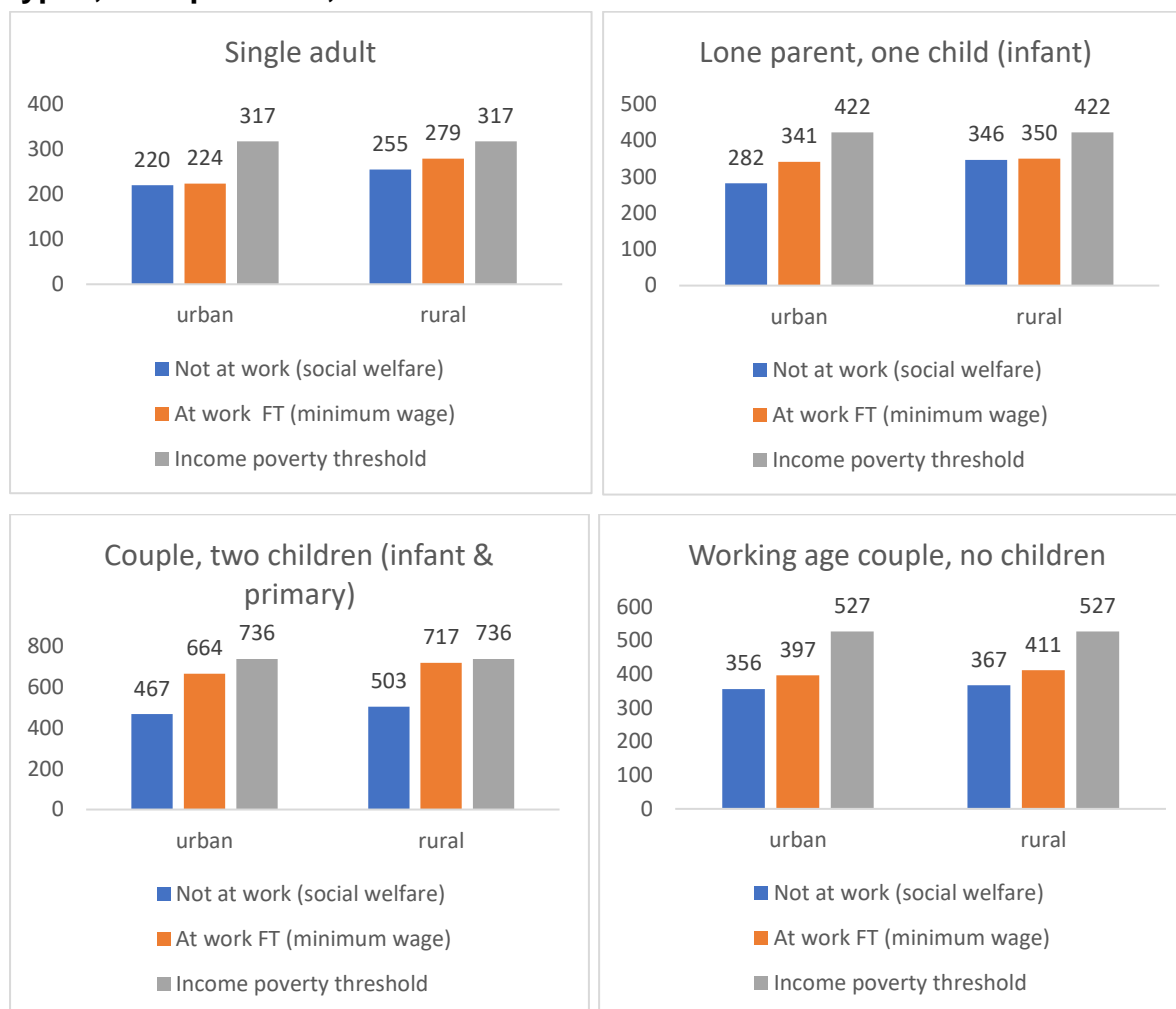
It is important to highlight that the expenditure needs calculated by the Vincentian MESL Research Centre does not aim to be a poverty indicator where households with an income below a specific level of expenditure needs would be considered as poor. Income and expenditure are different concepts, nevertheless it is informative to look at the relationship between household expenditure needs and their respective income threshold that determine their poverty outcomes. We are interested to see if, on average, households' expenditure needs are below (or above) their income poverty thresholds and how large is the gap (if any)? Are households below their expenditure needs dependent on social transfers?

Based on the household size, composition, and household income available in the SILC data, we can derive for each household type an income poverty threshold that we can compare with their expenditure needs. The annual income poverty threshold in SILC 2022 for one adult is €16,111 (€308.8 weekly). To take account of economies of scale in consumption within households, depending on the number

and age of household members, we adjust the income poverty line to these household characteristics using a specific poverty line for each household type (number and age composition). As there are many household types based on potential combinations of household size and household member ages, we only show in Figure 4.1 the relationship between expenditure needs and income poverty thresholds for a small set of households. For each household type and location (urban / rural), we report the expenditure needs when 1) the adult(s) member(s) is (are) not working and are in receipt of social welfare; and 2) are working full-time on the minimum wage²¹. We look at the expenditure needs of one working age adult household (with or without children) and two working age adult households (with or without children) and their poverty thresholds.

Similar to the results found in Table 3.1, we find that across all households, rural expenditure needs are greater than their urban counterparts and the expenditure needs are also greatest when the adults are working. While the expenditure needs are lower than the income poverty thresholds, they tend to be quite close in many cases. When the adult(s) is (are) not working, the expenditure needs range from a low 63% of the income poverty threshold (urban couple with children) to a high 82% (rural lone parent). The overlap is even greater when the adult(s) is (are) working as it ranges from 71% (urban single adult) to 97% (rural couple with children). This is because households with working adults tend to have higher expenditure needs, notably due to childcare costs.

²¹ The Vincentian MESL Research Centre estimates for working adults are based on the hypothesis that they are working on the minimum wage for comparing their expenditure needs and hypothetical incomes.

Figure 4.1: Expenditure needs and income poverty thresholds by household types, euro per week, 2022

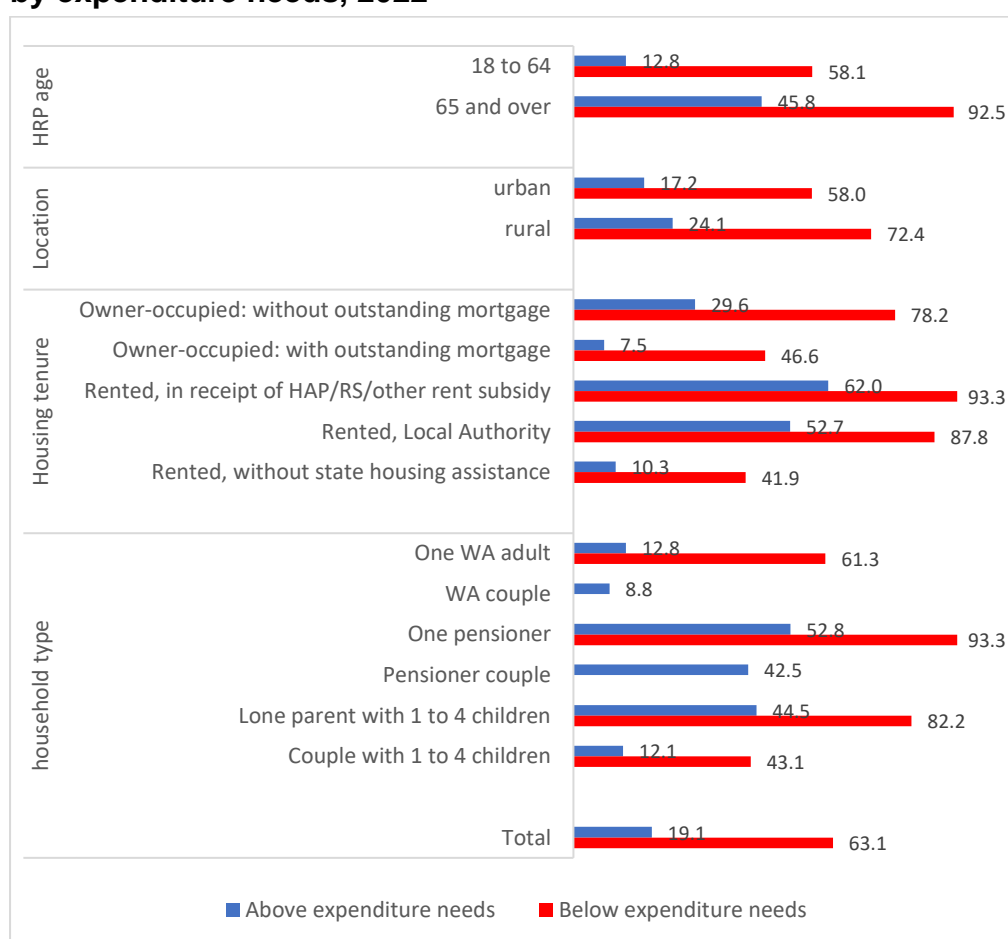
Source: SILC 2022 & MESL 2021.

4.3 Expenditure needs and social transfers

Almost 84% of households in Ireland are in receipt of social transfers in 2022 and for many households, social transfers represent their main source of income. We explore here the extent of social transfers dependence for households that are not meeting their expenditure needs. In Figure 4.2, we show the level of social transfer dependency by expenditure needs. This is calculated as the proportion of total household disposable income that comes from social transfers. Whether people's household income are above or below their expenditure needs, those most dependent on social transfers are found to be above the age of 64; living in rural areas; and renting their accommodation while receiving rent subsidy.

Figure 4.2 shows that people with household incomes below their expenditure needs are dramatically more dependent on social transfers. It starts at 42% for renters without state housing assistance (compared to 10% for those with income levels above their needs), all the way to 93% for renters with rent subsidies (compared to 62% for those with income levels above their needs) and for one pensioner households (compared to 53% for those above expenditure needs). This illustrates how crucial social transfers are for people living on incomes below their expenditure needs.

Figure 4.2: Social transfers as a percentage of household disposable income by expenditure needs, 2022



Source: SILC 2022 & MESL 2021.

Note: Figures are not shown when less than 30 people are in the observed category.

4.4 Poverty outcomes

In Table 4.1, we report the at-risk-of-poverty, material deprivation, and consistent poverty rates for people living in a household below their expenditure needs across

household types as well as for other household characteristics analysed in chapter three. Overall, we see that 72% of people who live under their expenditure needs are at-risk-of-poverty, 35% live in deprivation and 23% live in consistent poverty.

Focusing on the poverty outcomes by age first, we find an overwhelming majority of people across all age groups that are at-risk-of-poverty when their households do not meet their expenditure needs. This is particularly high among older people as 95% of them are income poor, while for children it is 68%. Finally, we note that deprivation rates are half the at-risk-of-poverty (AROP) rates.

Table 4.1: Poverty outcomes for people not meeting their expenditure needs by household characteristics (%), 2022

	Below expenditure need			Total population		
	AROP	Deprivation	Consistent poverty	AROP	Deprivation	Consistent poverty
Age						
Less than 18	68.1	40.3	26.0	14.7	18.8	7.0
18 to 64	70.5	35.8	23.5	9.9	16.6	4.3
65 and over	94.6	*		20.1	12.7	3.5
Location						
urban	63.1	36.7	21.2	11.8	18.1	5.2
rural	88.1	32.6	27.2	14.0	13.4	4.2
Tenure						
Owner-occupied: without outstanding mortgage	100.0	*	*	12.3	9.1	2.4
Owner-occupied: with outstanding mortgage	66.9	18.8	*	5.3	10.7	1.8
Rented, in receipt of HAP/RS/other rent subsidy	34.2	77.3	24.7	13.3	43.4	8.4
Rented, Local Authority	96.8	62.0	59.3	35.3	46.8	21.2
Rent free	*	*	*			
Rented, without state housing assistance	66.0	21.2	*	16.4	21.0	6.1
Household type						
One WA adult	79.0	31.9	27.7	31.9	25.5	14.0
WA couple	61.4	*	*	5.4	15.6	*

One pensioner	95.1	*	*	41.2	17.1	10.4
Pensioner couple	*	*	*	17.3	9.0	*
Lone parent with 1 to 4 children	46.2	62.0	30.1	27.0	45.4	15.5
Couple with 1 to 4 children	78.0	27.1	21.9	11.1	14.7	3.9
Total	72.0	35.2	23.3	12.5	16.6	4.9

Source: SILC 2022 & MESL 2021.

Note: * = too few cases to be reported.

There is also a large difference in the at-risk of poverty rates between urban and rural households but less so for consistent poverty, while the deprivation rates are quite similar. This could be explained by the high proportion of self-employed (mostly farmers) in rural area, a group for whom it is particularly difficult to precisely measure income, and thus for whom there tends to be a mismatch between income and deprivation (Nolan and Whelan, 1996).

Rural households not meeting their expenditure needs are six times more likely to be at-risk of poverty and seven times more likely to be in consistent poverty than for the overall rural population, while it is five and four times more, respectively, for urban households.

There are large variations in the poverty outcomes across housing tenure and quite surprisingly, people in owner-occupied households without outstanding mortgages that are living below their expenditure needs are all at-risk-of-poverty. This can be explained by the fact that the household reference person in 45% of these households is aged 65 and over and only 29% are at work and these households are also highly dependent on social transfers (including pensions) as it represents 78% of their household disposable income²². The at-risk-of-poverty for tenants in local authority housing is also very high at 97% and it falls to 66% for tenants without housing assistance supports while the at-risk-of-poverty rate is the lowest for those in receipt of housing assistance supports. However, for the latter group the pattern is very different for material deprivation as indeed they have the highest deprivation

²² Author's calculations, not shown in Table 4.1.

rate at 77% followed by tenants in local authority housing. Some 18% of owner-occupied households with outstanding mortgage living below their expenditure needs are in deprivation.

The comparison between the population living below their needs and the total population shows that the at-risk-of-poverty contrast is largest for owners, as the at-risk-of-poverty rate is 8 times greater for those without outstanding mortgage and 13 times greater for those with outstanding mortgage. The inequality is much lower for renters and when analysing other poverty measures as it increases fourfold.

The at-risk-of-poverty rates for those living below their needs are also very high across household types, starting with 46% for people in lone parent households, followed by 61% for working age couple households. It is then 78 and 79% respectively for couple households with 1 to 4 children and one working age adults, and single pensioners have the highest rate at 95%. However, while lone parent households have the lowest at-risk-of-poverty rate, they have the highest deprivation and consistent poverty rates at 62 and 30% respectively. Excluding the only poverty outcome available for working age couple households, the comparison with the corresponding overall population shows that couples with 1 to 4 children households report the largest contrast as they are seven times more likely to be at-risk of poverty and almost six times more likely to be in consistent poverty.

Table 4.1 thus suggests that commonly used poverty indicators do not fully overlap with the MESL measure of incomes needed to meet households essential needs. This does not necessarily imply that one measure is better than the other at capturing poverty as they are conceptually very different. Looking at the overlap the other way around, 52% of income-poor individuals, 23% of deprived individuals, and 51% of consistently poor individuals are unable to meet their expenditure needs²³. Table 4.2 digs further into the issue by showing the breakdown of the population that lives under their expenditure needs but are not classified as AROP, materially deprived or in consistent poverty.

²³ Author's calculations, not shown in Table 4.1.

When separating the population living below their expenditure needs by age, we see that a vast majority of those who would not be classified as at-risk-of-poverty, materially deprived, or in consistent poverty are 18 to 64 years old (i.e. the working age population). These households are also predominantly urban and renters without state housing assistance. There are however too few observations to undertake a comparison by household type.

Table 4.2: Household characteristics composition by poverty outcomes composition by (%), 2022

Below expenditure needs			
	Not AROP	Not Deprived	Not in consistent poverty
Age			
Less than 18	35-45	35.6	37.3
18 to 64	45-55	50.8	51.1
65 and over	<5	13.6	11.6
Total	100.0	100.0	100.0
Location			
Urban	85.0	63.0	66.3
rural	15.1	37.0	33.7
Total	100.0	100.0	100.0
Tenure			
Owner-occupied: without outstanding mortgage	*	20.8	17.6
Owner-occupied: with outstanding mortgage	22.3	23.8	22.4
Rented, in receipt of HAP/RS/other rent subsidy	35.2	*	14.8
Rented, Local Authority	*	8.9	**
Rent free	*	*	*
Rented, without state housing assistance	40.8	41.1	37.1
Total	100.0	100.0	100.0
Household type			
One WA adult	*	17.8	15.9
WA couple	*	5.2	6.9
Pensioner (single & couple)	*	15.4	13.2
Lone parent with 1 to 4 children	41.6	12.7	19.7
Couple with 1 to 4 children	34.1	48.9	44.3
Total	100.0	100.0	100.0

Source: SILC 2022 & MESL 2021.

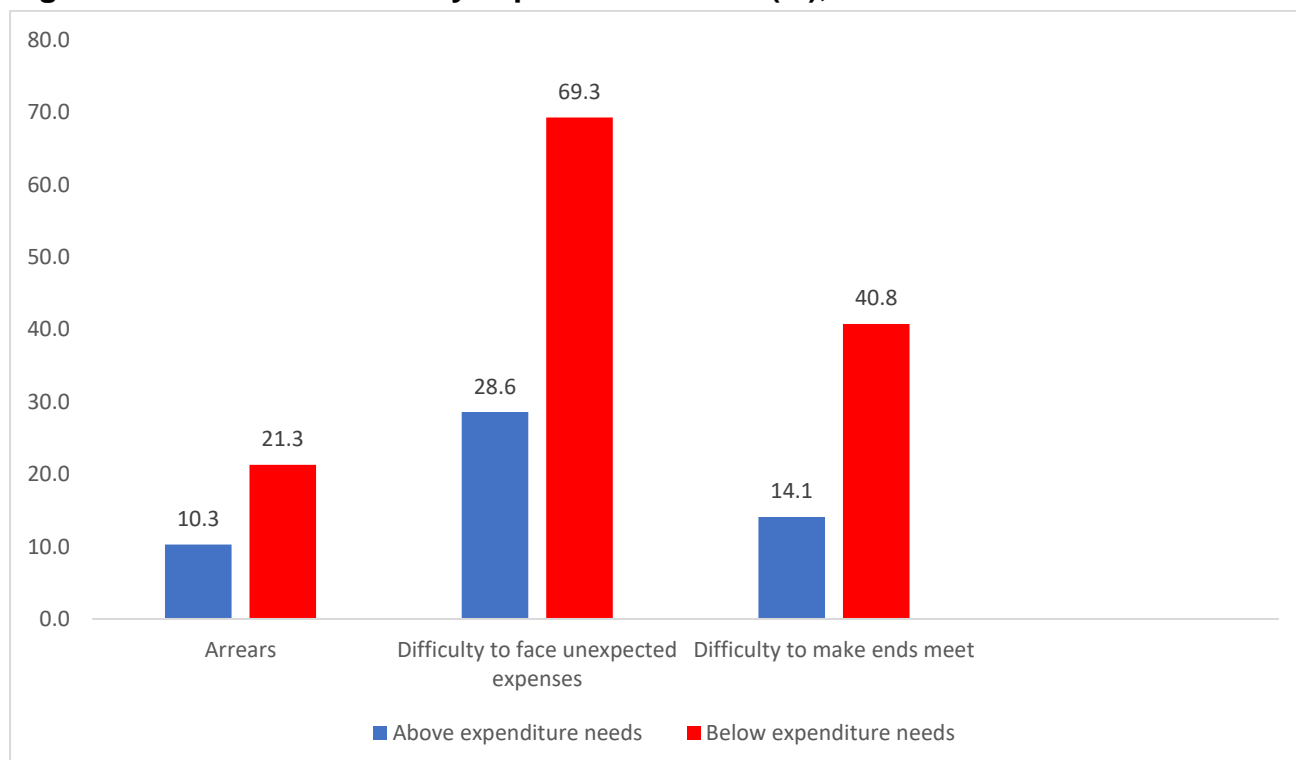
Note: When there are less than 30 people in the observed category, we either put a star (*) or give a percentage range (e.g. <5). ** = while there is enough cases this result has been excluded to avoid the deduction of the * result.

4.5 Expenditure needs and financial stress

Living below one's basic expenditure needs is not only related to living in poverty, but also to living under financial stress. In this section, we estimate to what extent the latter relation is observable. We measure financial stress through the following three binary (1/0) indicators:

- People living in households indicating that they have been in arrears on mortgage or rental payments, or on utility bills or on hire purchase instalments or other loan payments (non-housing related) in the past 12 months. These households were given a value of 1 while all others were scored as 0.
- People in households indicating that they were unable to face unexpected expenses were scored 1 while all others were scored as 0.
- People in households reporting that they had 'great difficulty' or 'difficulty' in making ends meet were scored 1 while the remaining categories have been scored as 0.

Households that fail to meet their expenditure needs not only experience high poverty outcomes but also high levels of financial stress. Indeed, Figure 4.3 shows a striking difference between the share of people living below their expenditure needs who have difficulty making ends meet (41%), and the same share among people living above their expenditure needs (14.1%). Likewise, while 29% of those living above their expenditure needs have difficulty in facing unexpected expenses, this is the case for 69% of those living below their expenditure needs. And while 10% of those living above their expenditure needs have been in arrears, that share is twice that for those living below their expenditure needs.

Figure 4.3: Financial stress by expenditure needs (%), 2022

Source: SILC 2022 & MESL 2021

4.6 Summary

In this chapter, we explore the relationship between the levels of expenditure needs and poverty outcomes, dependency on social transfers, and financial stress. Social transfers are found to be crucial for all subcategories of people living below their expenditure needs, but especially for people aged 65 and over, lone pensioners, renters who receive rent subsidies, and rural households. Furthermore, an overwhelming majority of people living below their expenditure needs are found to be experiencing high levels of poverty and financial stress. However, the fact that we see non-negligible shares of people living under their expenditure needs who are not viewed as at-risk-of-poverty, in material deprivation, or in consistent poverty, shows that those commonly used poverty measures do not necessarily reflect households' ability to meet their needs. Thus, while there is a strong relationship between being income poor and being below MESL thresholds, that does not mean that a person is necessarily experiencing deprivation or in consistent poverty.

Chapter 5: Conclusions

5.1 Introduction

The Vincentian MESL Research Centre at VSP analyses what level of household income is required for a life with dignity for 90% of households in Ireland, to provide a benchmark on the Minimum Essential Standard of Living (MESL). We look at the relationship between household disposable income and expenditure needs across household types and socio-demographic characteristics. We use the level of expenditure needs specific to each household as a benchmark to examine the levels of deprivation, poverty, and financial stress around these thresholds.

5.2 Methodology and data

This paper uses 2021 data on expenditure needs from the Vincentian MESL Research Centre at SVP that determines the level of income that households need to reach a minimum essential standard of living in 2021. The paper also uses the Survey on Income and Living Conditions (SILC) carried out by the Central Statistics Office (CSO), which provides national statistics on household and individual income as well as related indicators of living standards, poverty, and inequality. The paper focuses on the Vincentian MESL Research Centre data on household expenditure needs after housing and childcare costs. We match these two data sources by household types defined in VPSJ (2021) to the corresponding household types in SILC. The latter data are used to explore the relationship between household disposable income and expenditure needs and associated national poverty outcomes, at-risk-of-poverty (AROP), material deprivation, and consistent poverty as well as some measures of financial stress.

5.3 Household disposable income and expenditure needs

Exploring the relationship between household disposable weekly income after housing costs and the expenditure needs as calculated by the Vincentian MESL Research Centre, we find that on average 45% of household disposable weekly income after housing costs is covering household expenditure needs. However, there are significant disparities in various household characteristics. For instance, urban households have more income to meet their expenses than rural households,

but the most significant disparities are seen between different housing tenures and types of households. Compared to the overall population, tenants are more likely to be living below their expenditure needs (approximately 2 to 3 times more likely, depending on the type of tenant). Conversely, owner-occupied individuals are less likely to be living below their expenditure needs (approximately 0.4 to 0.5 times less likely).

Overall, 11% of people live in a household with an income below their expenditure needs but with some large variations across households. Children are more likely than older people to live in a household not meeting their expenditure needs (15% and 7% respectively). This is true also for those living in rented accommodation (28% for those in receipt of housing support) and lone parent households (38%) and one person working age adults (26%) compared to owner-occupiers (5/6%) and working age couple households (4%) for example.

5.4 Household income, expenditure needs and poverty outcomes

In this last chapter, we explore the poverty outcomes of living in a household with a household income below their expenditure needs across a range of different household characteristics.

Whether people are living above or below their expenditure needs, those who are the most dependent on social transfers (i.e. for whom the ratio of social transfers by household disposable income is highest) were aged 65 and over; in rural location; and renting their accommodation while receiving rent subsidy. This ratio was dramatically higher for people living below their expenditure needs, going from 43% for couples with one to four children (compared to 12% for those living above their needs), to almost 93% for renters with rent subsidies (compared to 62% for those above their needs). This illustrates how crucial social transfers are for people living below their expenditure needs.

Looking at the poverty outcomes, we found that an overwhelming majority of people across all age groups are at-risk-of-poverty when their household income does not meet their expenditure needs. This is particularly high among older people as 95% of

those who are unable to meet their expenditure needs are income poor, as are 68% of children.

Households not meeting their expenditure needs are not only experiencing high poverty outcomes, but they are also under high levels of financial stress. We saw a striking difference between the share of people living below their expenditure needs who have difficulty making ends meet (41%), and the same share among people living above their expenditure needs (14%). Similarly, while 29% of those who are able to meet their expenses struggle to handle unexpected expenses, the percentage jumps to 69% for those who cannot make ends meet.

5.5 Conclusion

In this paper we apply the Vincentian MESL Research Centre's suggested evaluations of basic expenditure needs to the SILC data, which is the official data source for income and living situation in Ireland. While we were able to cover only 80% of the households from SILC, some key findings emerge from the analysis.

Overall, only a relatively small minority of people are found to be living in households that are not meeting their expenditure needs. However, this share can be very high for groups that are vulnerable to poverty, such as children, tenants, lone parents and single working age adults. For those that are not meeting their expenditure needs, their level of dependence on social transfers is very high. The Vincentian MESL Research Centre study based on the same expenditure data highlighted that for most of the same group of households that were welfare dependent, the social welfare income received was not sufficient to provide their expenditure needs. Furthermore, tenants find it particularly difficult to meet their expenditure needs, most likely due to high housing costs, which poses a challenge even for those in receipt of housing support. This suggests that additional housing supports might be needed for these people. More generally, a key finding of research by MacMahon et al. (2017) shows also that in addition to adequate income the provision of adequate and affordable services (transport, medical services, childcare, education etc.) to welfare dependant households are important for increasing their purchasing power for reaching a minimum essential standard of living. This study confirms the critical role

played by social welfare income in guaranteeing a decent standard of living for vulnerable households and families that are highly dependent on social transfers.

We note that the household expenditure needs benchmark as calculated by the Vincentian MESL Research Centre does not aim to be a substitute to the existing poverty measures such as the at-risk-of-poverty or the material deprivation measures. However, it is a useful tool to complement our understanding, as it allows us to explore the association with other measures and gain a better understanding of living conditions for those who do not meet their household expenditure needs.

5.6 Limitations and further research

Although using the SILC and Vincentian Research Centre household expenditure needs data enabled us to conduct this analysis, using the latter's selection criteria for households meant that only 80% of the surveyed households in SILC could be used. Furthermore, due to the extensive number of household combinations formulated by the Vincentian Research Centre to assess expenditure requirements and the size of the SILC sample, it is not feasible to produce detailed analysis with reliable statistical estimates at a highly detailed level across various household characteristics.

However, there is an interesting prospect with the upcoming release of a merged dataset comprising SILC and the Household Budget Survey, which could be supplemented by additional expenditure data imputed from the Vincentian Research Centre. This development should deepen our understanding of the relationship between household income, expenditure needs, and actual expenditures.

References

- Benz, B. (2013) Nationale Mindestsicherungssysteme und europäische Integration: von der Wahrnehmung der Armut und sozialen Ausgrenzung zur offenen Methode der Koordination. Springer-Verlag.
- Callan, T., Nolan, B., and Whelan, C. T. (1993) Resources, Deprivation and the Measurement of Poverty, *Journal of Social Policy*, 22(2):141-172.
- Commission on Taxation and Welfare Secretariat (2021) Introduction to the Irish Social Protection system. Briefing Paper.
- Council of the European Union (2020) Strengthening Minimum Income Protection to Combat Poverty and Social Exclusion in the COVID-19 Pandemic and Beyond. Council Conclusions. <https://data.consilium.europa.eu/doc/document/ST-11721-2020-REV-2/en/pdf>.
- Daly, M. (2009) Ireland Minimum Income Schemes. A study of National Policies. Peer Review in Social Protection and Social Inclusion and Assessment in Social Inclusion.
- Daly, M. (2015) ESPN Thematic Report on minimum income schemes, Ireland.
- Davis, A., Stone, J., Blackwell, C., Padley, M., Shepherd, C., and Hirsch, D. (2022) A Minimum Income Standard in the UK for 2022. York: Joseph Rowntree Foundation.
- Doorley, K., Kakoulidou, T., O'Malley, S., Russell, H. and Maître, B. (2022) Headline poverty target reduction in Ireland and the role of work and social welfare. Economic and Social Research Institute.
- European Commission (2017) Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions establishing a European Pillar of Social Rights. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A52017DC0250>.
- European Minimum Income Network (2017) A renewed EU roadmap for progressive realization of adequate, accessible and enabling Minimum Income Schemes in Europe. <https://eminnetwork.files.wordpress.com/2017/11/emin2-revised-road-map-for-mis-2017-final1.pdf>.
- European Parliament (2010) Role of minimum income in combating poverty and promoting an inclusive society in Europe. European Parliament Resolution 2039.
- European Parliament (2017) Minimum income policies as a tool for fighting poverty. https://www.europarl.europa.eu/doceo/document/TA-8-2017-0403_EN.html.
- Haq, M. (1995). Reflections on Human Development, Oxford University Press.
- Hoynes, H. and Rothstein, J. (2019) Universal basic income in the United States and advanced countries. *Annual Review of Economics*, 11: 929-958.
- Kleing, N., & Warring, N. (2021) Demystifying the Minimum Expenditure Basket. Blog post. <https://www.calpnetwork.org/blog/demystifying-the-minimum-expenditure-basket/>.
- Martinelli, L. (2017) Assessing the case for a universal basic income in the UK, IPR Policy Brief, Institute for Policy Research, University of Bath, <http://www.bath.ac.uk/publications/assessing-the-case-for-a-universal-basic-income-in-the-uk/>.
- MacMahon, B., Thornton, R., Moloney, N. (2017) MESL 2017 Annual Update. Dublin: VPSJ.
- Nelson, K. (2012) Counteracting material deprivation: The role of social assistance in Europe. *Journal of European Social Policy*, 22(2): 148-163.
- Neuwinger, M. (2021). The revolution will not be randomized: Universal basic income, randomized controlled trials, and “evidence-based” social policy. *Global Social Policy*, 22(1).
- Nolan, B. and Whelan, C. T. (1996) Resources, Deprivation and Poverty, Oxford and New York: Oxford University Press, Clarendon Press.
- OECD (2022) The OECD tax-benefit database for Ireland. <https://www.oecd.org/els/soc/TaxBEN-Ireland-latest.pdf>.
- Padley, M, Hirsch, D and Valadez, L (2017) Households below a Minimum Income Standard: 2008/09 to 2015/16. York: JRF.

- Redmond, P., McGuinness, S., and Ciprikis, K. (2022) A Universal Basic Income for Ireland: Lessons from the international literature, Economic and Social Research Institute.
- Regan, M., Keane, C., and Walsh, J. (2018) Lone-Parent Incomes and Work Incentives, Budget Perspectives (2019/1).
- Rowntree, B. S. (1902) Poverty: A study of town life. Macmillan.
- Savage, M., Callan, T., Keane, C., Kelly, E., and Walsh, J. R. (2014) Welfare targeting and work incentives, Budget Perspectives 2015, Paper 3. Economic and Social Research Institute.
- Sen, A. (1979) 'Equality of what?' in McMurrin, S.M. (ed.), Tanner lectures on human values, Cambridge: Cambridge University Press: 197-220.
- Sen, A. (1992) Inequality reexamined. Oxford: Clarendon Press.
- Thornton, R., Boylan, H. Mac Mahon, B. (2021) MESL 2021 Annual Update, Dublin: VPSJ.
- Thornton, R., Boylan, H. and O'Carroll, N. (2023) MESL 2023 Annual Update, Dublin: VPSJ
- Truelove, S., Young, P. and Lawson-McDoall, J. (2021) Calculating the minimum expenditure basket: a guide to best practice. CALP Network. <https://www.calpnetwork.org/wp-content/uploads/2022/10/Calculating-MEB-A-guide-to-practice.pdf>.
- Van Parijs, P. (1992) Arguing for basic income (1995), London: Verso.
- Vandenbroucke, F., Cantillon, B., Van Mechelen, N., Goedemé, T. and Van Lancker, A. (2013) 'The EU and minimum income protection: Clarifying the policy conundrum', in Minimum income protection in flux, 271-317, London: Palgrave Macmillan UK.
- Vincentian Partnership for Social Justice (VPSJ, 2016) Minimum Essential Budgets for six households. Dublin: VPSJ.
- Whelan, C.T., Watson, D., and Maître, B. (2019) From Income Poverty to Multidimensional Quality of Life, The Economic and Social Review, 50(4), winter 2019: 683-705.
- World Food Programme (2020) Minimum Expenditure Baskets. Guidance Note. <https://docs.wfp.org/api/documents/WFP-0000074198/download/>.

Glossary

At-risk-of-income-poverty thresholds: income thresholds derived as proportions of median income. These are based on the household income adjusted for household size and composition (referred to as equivalised income). A household at risk of income poverty has an adjusted (or equivalised) income below 60% of the median adjusted household income. The at-risk-of-income poverty rate takes account of household income from all sources, number of adults and number of children in the household. There are some minor differences in the income concept and the equivalence scale between the Irish and EU measures of at risk of income poverty.

At-risk-of-income poverty: a term used at EU level to denote whether a household's income falls below 60% of median income threshold. It is also known as income poverty.

At risk of income poverty or exclusion: this EU measure combines the number of people who experience risk of income poverty or severe material deprivation or low work intensity. This measure is the basis for the Europe 2020 income poverty target. In cases where people experience more than one of these indicators, they are counted only once. The Irish version of this measure is the combination of at risk of income poverty and basic deprivation.

Basic deprivation (Irish measure): people who are denied – through lack of income – at least *two items or activities on this index / list of 11* are regarded as experiencing relative deprivation. This is enforced deprivation as distinct from the personal choice not to have the items. Eleven basic items are used to construct the deprivation index:

- unable to afford two pairs of strong shoes
- unable to afford a warm waterproof overcoat
- unable to afford new (not second-hand) clothes

- unable to afford a meal with meat, chicken, or fish (vegetarian equivalent) every second day
- unable to afford a roast joint or its equivalent once a week
- without heating at some stage in the last year through lack of money
- unable to afford to keep the home adequately warm
- unable to afford to buy presents for family or friends at least once a year
- unable to afford to replace any worn-out furniture
- unable to afford to have family or friends for a drink or meal once a month
- unable to afford a morning, afternoon, or evening out in the last fortnight for entertainment.

The indicator **of basic deprivation** was developed by the Economic and Social Research Institute using data from the *Survey on Income and Living Conditions*. See Maître B., Nolan B. and Whelan C.T. (2006) *Reconfiguring the Measurement of Deprivation and Consistent Income poverty in Ireland*, Dublin: ESRI, for further information on the indicator.

Consistent income poverty: a measure of income poverty used in the *National Action Plan for Social Inclusion 2007–2016 (NAPinclusion)* that takes account of the household's living standards as well as the household size, composition and total income. A household is consistently poor if the household income is below the at-risk-of-income-poverty threshold (see above) and the household members are deprived of **at least 2 out of the 11 items** on the basic deprivation list.

Correlation: a correlation between two variables refers to a statistical relationship of dependence between these variables. This relationship of dependence can be measured by a correlation coefficient. There are many correlation coefficients and the best known is the Pearson correlation coefficient, which measures the strength of the linear relationship between two variables.

Deprivation: see definition of **basic deprivation** above for measure of deprivation used in the *NAPinclusion*.

Economic vulnerability: a measure of the economic situation of a household based on whether it is at risk of income poverty, experiences enforced basic deprivation and has difficulty making ends meet.

Employment rate: the proportion of the working-age population that is employed. The International Labour Organization (ILO) definition of employed persons is those aged 15 years and over who have worked for payment or profit in the reference week (usually the week preceding the survey) or who had a job from which they were temporarily absent for reasons such as holidays, maternity leave, or sick leave.

Equivalence scales: a set of relativities between the needs of households of differing size and composition, used to adjust household income to take into account the greater needs of larger households. In Ireland the national scale attributes a weight of 1 to the first adult (aged 14+) and 0.66 to each subsequent adult, and a weight of 0.33 to each child. International comparisons such as the one done by Eurostat use the modified OECD scale, which attributes a weight of 1 to the first adult (aged 14+) and 0.5 to each subsequent adult, and a weight of 0.3 to each child.

Equivalised income: household income from all sources adjusted for differences in household size and composition (number of adults and children). It is calculated by dividing total disposable (i.e. after-tax) household income by the equivalence scale value. It can be interpreted as income per adult equivalent.

EU-SILC: *European Union Statistics on Income and Living Conditions*; a voluntary household survey carried out annually in a number of EU Member States allowing comparable statistics on income and living conditions to be compiled. In Ireland, the Central Statistics Office (CSO) has conducted the survey since 2003. The results are reported in the Survey on Income and Living Conditions (SILC). Any data compiled by Eurostat and any reference to the questions or questionnaire in the household survey are here referred to as 'EU-SILC'.

Household: usually defined for statistical purposes as either a person living alone or a group of people (not necessarily related) living at the same address with common

housekeeping arrangements – that is, sharing at least one meal a day or sharing a living room or sitting room.

Household equivalent (or equivalised) income: household income adjusted to take account of differences in household size and composition by means of equivalence scales.

Lone parent: a parent who has primary custody of a dependent child and is not living with the other parent.

Material deprivation (EU2020): one of the European Commission's common indicators on social protection and social inclusion. It measures the proportion of the population that cannot afford at least three of the following nine items:

- mortgage or rent payments, utility bills, hire purchase instalments or other loan payments
- one week's annual holiday away from home
- a meal with meat, chicken, fish (or vegetarian equivalent) every second day
- an unexpected financial expenses (set amount corresponding to the monthly national at-risk-of-income-poverty threshold of the previous year)
- a telephone (including mobile phone)
- a colour TV
- a washing machine
- a car
- heating to keep the home adequately warm.

Material deprivation (EU2030): this revised indicator is one of the European Commission's common indicators on social protection and social inclusion. It is based on 13 items related to deprivation at both the household and the individual level, and measures the proportion of the population lacking at least seven of the 13 items. The seven household deprivation items relate to the household's inability to:

- face unexpected expenses
- afford one-week annual holiday away from home

- avoid arrears (in mortgage, rent, utility bills and/or hire purchase instalments)
- afford a meal with meat, chicken or fish or vegetarian equivalent every second day
- afford keeping their home adequately warm
- have access to a car / van for personal use
- replace worn-out furniture.
- the six personal deprivations (collected for all persons aged 16 and over) are the person's inability to:
 - replace worn-out clothes with some new ones
 - have two pairs of properly fitting shoes
 - spend a small amount of money each week on him / herself ('pocket money')
 - have regular leisure activities
 - get together with friends / family for a drink / meal at least once a month
 - have an internet connection.

Mean: the average value (for example, the average income in a sample obtained via household survey).

Median: the value that divides a sample in half (e.g. the income level above and below which half the people in a sample fall).

Income poverty and social exclusion: these terms are defined broadly in the *National Action Plan for Social Inclusion 2007–2016 (NAPinclusion)* as follows: People are living in income poverty if their income and resources (material, cultural and social) are so inadequate as to preclude them from having a standard of living which is regarded as acceptable by Irish society generally. As a result of inadequate income and resources people may be excluded and marginalised from participating in activities which are considered the norm for other people in society.

The two concepts are very similar when used in Irish policymaking, but income poverty is sometimes used in the narrower context to refer to low income (or wealth). On the other hand, social exclusion is almost always used in the broader sense, to

refer to the inability to participate in society because of a lack of resources that are normally available to the general population.

Income poverty gap: the shortfall in incomes for those who fall below the at-risk-of-income poverty threshold.

Quintile: one fifth of a sample divided into five equal parts to show how income, for example, is spread throughout the population; each quintile represents where a person's or household's income is located, ranging from the bottom quintile (lowest fifth or 20%) to the top quintile (highest fifth or 20%).

Severe material deprivation: this EU indicator measures the proportion of the population lacking at least four of the nine items listed in the EU index of material deprivation (see definition above).

SILC: in Ireland, the Central Statistics Office (CSO) is responsible for carrying out the SILC survey. It produces analysis in accordance with Irish national income poverty targets, indicators, and related issues. These results are reported in the Survey on Income and Living Conditions (SILC). Any data on Ireland that is sourced specifically from the CSO is here referred to as 'SILC'.

Social welfare transfers: cash receipts paid from various social welfare schemes received by the individual or household.

Well-being: 'a positive physical, social, and mental state. It requires that basic needs are met, that individuals have a sense of purpose, that they feel able to achieve important goals, to participate in society and to live lives they value and have reason to value. Well-being is enhanced by conditions that include financial and personal security, meaningful and rewarding work, supportive personal relationships, strong and inclusive communities, good health, a healthy and attractive environment, and values of democracy and social justice' (NESC, 2009, p. 3).