The Cost of Work
Insights from Minimum Income Standards Research for Ireland

NERI Research Seminar
23rd May 2012

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1. Introduction
2. Methodology & Data
3. Some Results
4. Implications & Conclusion

Joint research paper with Bernadette Mac Mahon, Grainne Weld and Robert Thornton of the Vincentian Partnership for Social Justice
Introduction

• Research derived from a year long IRCHSS funded research project on minimum living standards

• Some interesting outputs:
  o Basic living costs for various household types and individuals from children to pensioners
  o The income required to experience minimum living standards
  o The direct costs of children
  o The impact of policy changes on minimum living standards
  o The additional costs associated with taking up and increasing work

• Here: an attempt to quantify the additional costs that household's experience from work

Methodology & Data

• Focus on measuring a minimum essential standard of living (MESL)

• Definition derived from UN documents:
  ‘things which are necessary for a person’s physical, mental, spiritual, moral and social well-being’

• Consensual Budget Standards Literature
  o Consults households to establish a MESL via an established methodology and representative focus groups
  o Different for different groups…
  o Derived from negotiated consensus on what households believe is a minimum
  o Focus on needs and not wants
  o Budgets compiled across 16 areas of expenditure…approximately 2,000 items
How is a MESL determined?
- Focus groups are established for each household type. In a series of meetings the groups arrive at a negotiated consensus about the goods and services required to have a MESL.
- Experts are consulted to ensure that the negotiated consensus meets certain criteria:
  - Food is nutritionally balanced
  - There is sufficient heat in the home

What does it include?
- 16 Areas of Expenditure
- Goods and services priced in shops and providers identified by Focus Groups (approx. 2,000)

<table>
<thead>
<tr>
<th>Food</th>
<th>Clothing</th>
<th>Personal Care</th>
<th>Health Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household</td>
<td>Household</td>
<td>Housing (rent)</td>
<td>Communications</td>
</tr>
<tr>
<td>Goods Services</td>
<td>Services</td>
<td></td>
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</tr>
<tr>
<td>Social Inclusion &amp; Participation</td>
<td>Transport</td>
<td>Household Fuel</td>
<td>Childcare</td>
</tr>
<tr>
<td>Insurance Costs</td>
<td>Education</td>
<td>Personal Costs</td>
<td>Savings &amp; Contingencies</td>
</tr>
</tbody>
</table>
Focus Groups:
• Include People from different socio-economic backgrounds (8 – 12 people per focus group).
• Focus Group work preceded by orientation meeting.
• 3 different focus groups for each household type:

  * Focus Group 1: Produces an agreed list of items
  * Focus Group 2: Reviews work of 1st group – reach consensus
  * Focus Group 3: Rechecks items in each category
    Study total costs for each category
    Reaches final consensus

Household Types Examined:
  o 2 Adults and 2 Children
  o 1 Adult and 2 Children
  o Single Adult of working age
  o Female Pensioner living alone
  o Pensioner couple

In all cases for both urban and rural locations
Weekly Expenditure for the following situations:

- Excluding Housing, Childcare & Secondary Benefits
- Employed Full-Time / Part-Time
- Jobseeker/One Parent Family Payment
- In Receipt of the State Pension

Expenditure Fluctuates and is influenced by:

- Composition of Household and Child Age
- Employment Status and Need for Childcare
- Entitlement to Secondary Benefits e.g. Medical Card
- Location

In this paper, focus on:

- 2 adult and 2 child household (urban/rural)
- 1 adult and 2 child household (urban)
- Single adult household (urban/rural)

Monitor the change in costs associated with taking up / increasing work
Some Results

Urban 2 Adults and 2 Child Household (table 2)

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<thead>
<tr>
<th>MELS for each household type</th>
<th>9 Months &amp; Pre-School</th>
<th>Both Pre-School</th>
<th>Pre &amp; Primary School</th>
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<th>Second Level &amp; 19 Years</th>
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Some Results

Urban 2 Adults and 2 Child Household (table 2)

Table 2: MESL and the cost of taking-up work – Urban 2 Adults, 2 Child Household (£ per week)

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Additional costs associated with taking up employment

Unemployed → 1FT work +20.41 +20.41 +20.41 +20.41 +20.41 +20.41 +11.71

1FT work → 1FT+1FT work

Unemployed → 2 at work (1FT+1FT)
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### Additional costs associated with taking up employment

- **Unemployed → 1FT work**
  - +20.41
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  - +11.71

- **1FT work → 1FT+1PT work**
  - +211.61
  - +155.91
  - +96.52
  - +37.13
  - +71.95
  - +59.40
  - +68.99

- **Unemployed → 2 at work (1FT+1PT)**
  - +232.02
  - +176.32
  - +116.93
  - +23.34
  - +92.36
  - +79.81
  - +80.70

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### Unemployed → 1FT work

**增加 €20.41 per week**

<table>
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<tr>
<th>Housing</th>
<th>Personal Costs</th>
<th>Childcare</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ €17.38</td>
<td>+ €3.03</td>
<td>€0.00</td>
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1FT work ➔ 1FT + 1PT work

⇧ €96.52 per week

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<td>€9.25</td>
<td>€2.06</td>
<td>€85.21</td>
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Unemployed ➔ 1FT + 1PT work

⇧ €116.93 per week

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<th>Housing</th>
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<td>€</td>
<td>€26.63</td>
<td>€5.09</td>
<td>€85.21</td>
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</tbody>
</table>
Rural 2 Adult and 2 Child Household (table 3)

- Focusing on scenario of where 2 children are pre-school and primary school

![Unemployed ➔ 1FT work](image)

- €50.01 per week

![1FT Work ➔ 1FT and 1PT work](image)

- €79.66 per week
- €60.36
Urban 1 Adult and 2 Child Household (table 4)

- Focusing on scenario of where 2 children are pre-school and
**PT → FT work**

↑ €147.89 per week

**OPFP → FT work**

↑ €276.24 per week
Single Adult Urban and Rural areas (table 5)

Unemployed $\rightarrow$ FT work - Urban area

- €2.77 per week

Unemployed $\rightarrow$ FT work - Rural area

- €56.55 per week
Implications and Conclusion

• Capturing increases in the MESL
  o Additional costs which need to be covered just to stand still from additional work
  o Clearly, even more problematic if households already unable to meet these costs (see tables A5 and A6)

• Some implications:
  o Childcare and labour market participation
  o Transport costs and rural transport infrastructure
  o Impact of government policies on the MESL and affording it
    • Indirect taxation, income tax changes, welfare & secondary benefits
  o Wage levels for low income households and the ‘living wage’