ASSESSING HOUSEHOLD'S LIVING STANDARDS AND INCOME RESILIENCE AT THE OUTSET OF THE COST-OF-LIVING CRISIS

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1. Introduction
2. Living Standards pre the Cost-of-Living Crisis
3. Household's ability to absorb higher living costs
4. Conclusion

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I. INTRODUCTION

- 'One crisis, many different experiences'
- Taking a ***household*** living standards perspective
- Assumption that ***a lot depends where you started from…drives the analysis***
- Three research questions:
  i. What were living standards like pre the crisis?
  ii. What ability had households to absorb large nominal increases in living costs?
  iii. Who has/is most impacted?

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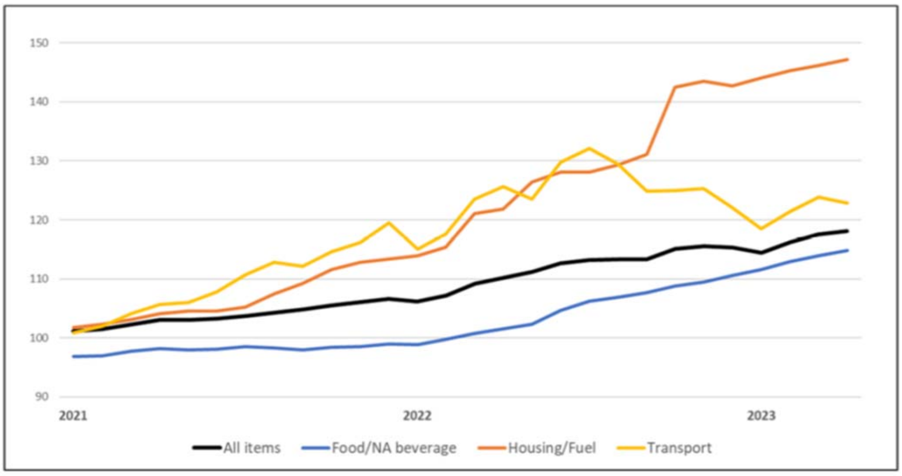
Figure 1: Increase in Consumer Prices January 2021-April 2023



Source: CSO, Consumer Price Index (indicators CPM01, CPM02)
Notes: Indices rebased to January 2019=100; NA = non-alcoholic beverages; Housing/Fuel includes housing, water, electricity, gas and other fuels.

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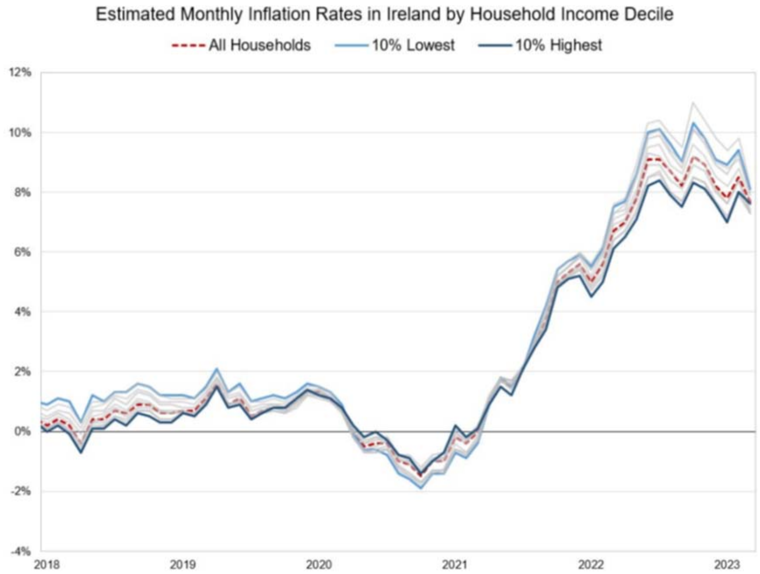
Figure 1b: Increase in Consumer Prices by decile, January 2018-April 2023



Source: CSO, Estimated Inflation by Household Characteristics (March 2023) and @jlpobrien

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- Context
  - other papers…
- Data
  - CSO SILC dataset (2019, 2020 and 2021)
  - MESL Budget Standards data (2019-2022)
  - Living Wage values (2014-2022)

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2. LIVING STANDARDS PRE THE COST-OF-LIVING CRISIS

- When to benchmark?
  - 2019 last 'normal year' before the cost-of-living crisis
  - 2020 and 2021: large scale transfers to support living standards during pandemic
    - artificial picture of living standards
    - policy objective to allow households and others to 'get back' to pre-pandemic situation…
  - 2019 gives a good picture of cost-of-living crisis starting point
    - rumblings in mid-to-late 2021 (brief mentions in Budget 2022)
    - accelerated focus from late 2021 as it evolved from temporary to structural
    - Ukraine invasion late Feb 2022…
  - Using 2019 = not perfect…labour market and population growth

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- Useful SILC variables - *household and individual*
  - Difficulty making ends meet
  - Arrears utility *(last 12 months)*
  - Without heating *(last 12 months)*
  - (Un)able to afford €1,040 unexpected expenses
  - (Un)able to afford 1 week holiday
  - In debt for ordinary living expenses *(last 12 months)*

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What were living standards like pre the crisis?

	Households	
Difficulty making ends meet	17.0%	322,000
Arrears utility (last 12 months)	7.7%	145,000
Without heating (last 12 months)	8.5%	160,000
Unable to afford €1,040 unexpected expenses	36.5%	690,000
Unable to afford 1 week holiday	29.7%	563,000
In debt for ordinary living expenses (last 12 months)	9.5%	179,000

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What were living standards like pre the crisis?

	Households		Individuals	
Difficulty making ends meet	17.0%	322,000	18.7%	923,000
Arrears utility (last 12 months)	7.7%	145,000	8.7%	426,000
Without heating (last 12 months)	8.5%	160,000	8.6%	423,000
Unable to afford €1,040 unexpected expenses	36.5%	690,000	38.0%	1,870,000
Unable to afford 1 week holiday	29.7%	563,000	30.4%	1,497,000
In debt for ordinary living expenses (last 12 months)	9.5%	179,000	11.4%	561,000

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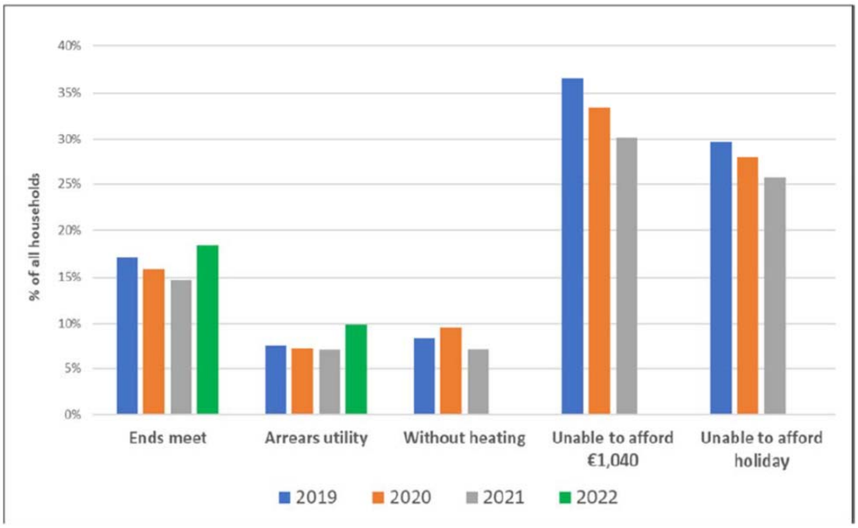
Figure 2: Indicators of Irish Household's Living Standards, 2019-2022.



Source: 2019-21: Author's calculations from SILC microdata; 2022: CSO Enforced Deprivation 2022.
Note: 2022 results only available for ends meet and arrears utility measures.

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3. HOUSEHOLD'S ABILITY TO ABSORB HIGHER LIVING COSTS

- **What ability had households to absorb large nominal increases in living costs?**
  - Using a SILC variable to assess this in 2019
  - Subjective assessment of lowest monthly income to make ends meet

  'In your opinion, what is the very lowest net monthly income that your household would have to have in order to make ends meet, that is to pay its usual necessary expenses?'

  - Comparing that number to net monthly disposable household income
  - Determine: deficit or surplus…
  - Data issues: missing, outliers,…

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- **Deficit:**
  - Where monthly disposable income < lowest income needed to make ends meet
- **Surplus:**
  - Where monthly disposable income > lowest income needed to make ends meet

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Comparing Lowest Monthly Income Needs to Reported Monthly Disposable Income

		% of households	Household Count
Deficit:	more than - €100	8.65	164,000
	-€1 to -€99	1.16	22,000
Surplus:	€0 to €99	2.09	40,000
	€100 to €199	1.82	34,000
	€200 to €299	2.79	53,000
	€300 to €499	4.69	89,000
	€500 to €999	9.93	188,000
	€1,000 +	53.08	1,005,000
	No data reported	15.8	299,000
	Total	**100.0**	**1,892,000**

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Who has/is most impacted?

- Note, impacts on all households and individuals – this is looking at those who had the least room, if any, to absorb nominal increases in living costs
  - *313,000 households with 815,000 individuals*
- By:
  - Income distribution
  - Household size
  - Household composition
  - Tenure

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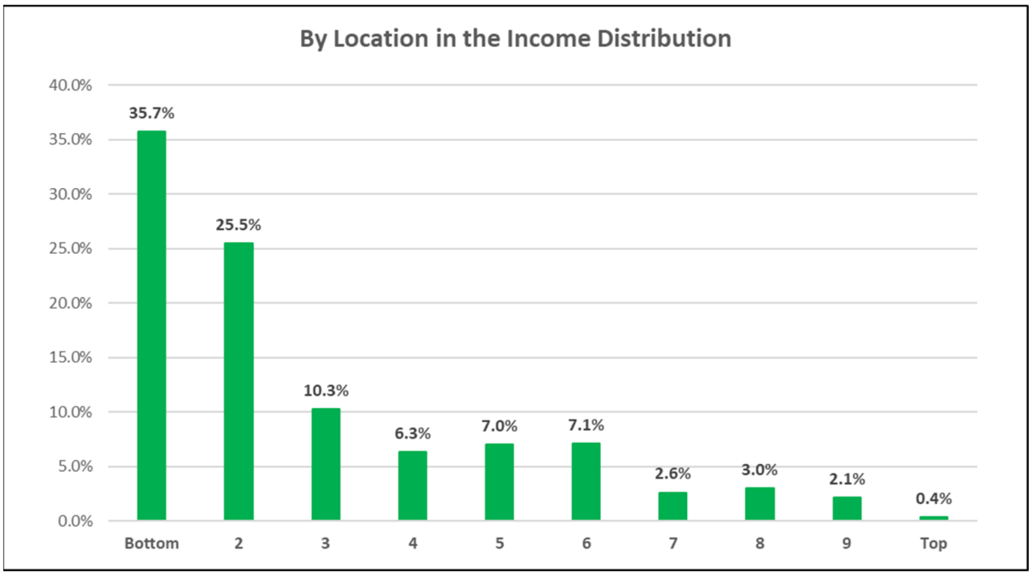

By Location in the Income Distribution
40.0%
35.0%
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
35.7%
25.5%
10.3%
6.3%
7.0%
7.1%
2.6%
3.0%
2.1%
0.4%
Bottom
2
3
4
5
6
7
8
9
Top

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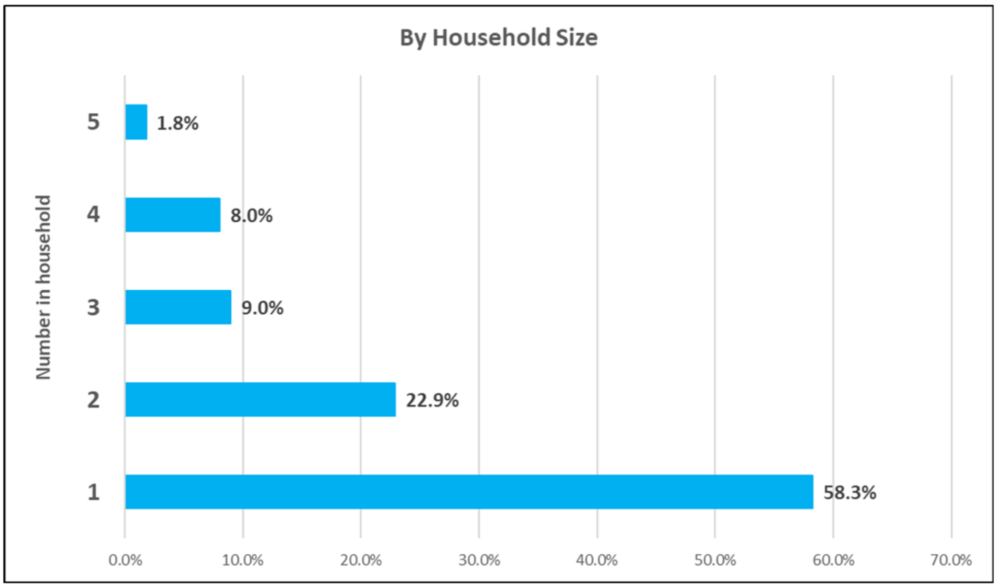

By Household Size
Number in household
5
4
3
2
1
1.8%
8.0%
9.0%
22.9%
58.3%
0.0%
10.0%
20.0%
30.0%
40.0%
50.0%
60.0%
70.0%

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By Household Composition

Household type	% of households
1 adult 65+	26.2%
1 adult < 65	32.0%
2 adults (1>65)	7.8%
2 adults (both 65+)	9.8%
3 or more adults	2.0%
1 adult with children	9.4%
2 adults with 1-3 children	11.5%
Other hhds with children	1.3%
Total	**100.0%**

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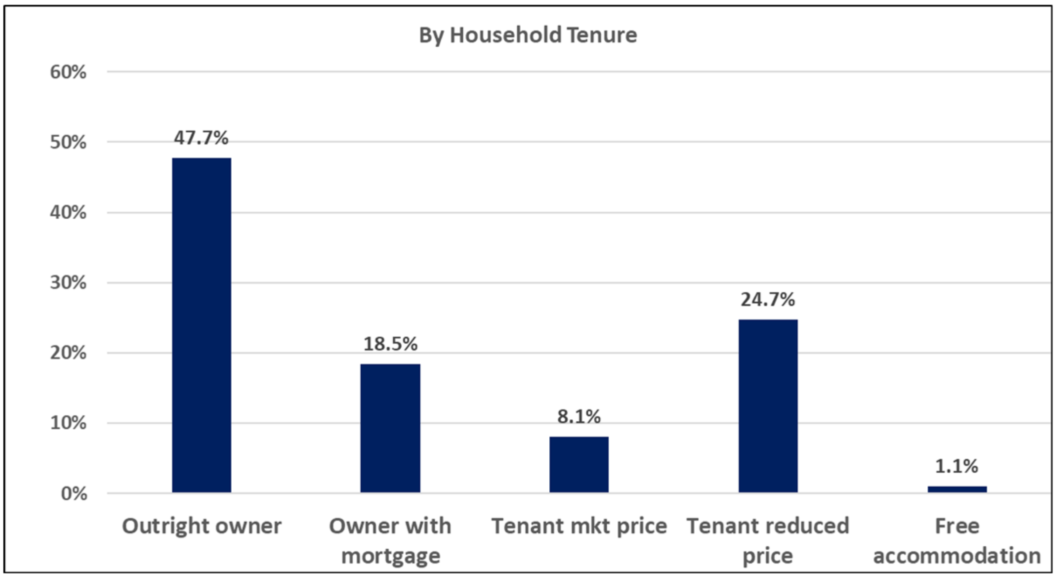

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4. CONCLUSION

- An unfolding crisis
- Household impact is heavily dependent on where you start
  - i.e. the ability to absorb large nominal increases in living costs
- Subjective living standards data suggest:
  - many who can cope; they may not be happy…
  - Things getting worse for those already unable to meet living costs – 185,000 hhlds
  - They are joined by about 125,000 households (330,000 people) who are newly unable, or near unable, to afford the 'usual necessary expenses'
  - Overall – low income & welfare skew; single person or small households; wealth present for many
- Policy Q: universal or target future interventions

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