

Housing Costs & the Living Wage

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Outline

- 1. The Living Wage**
- 2. Components**
- 3. Housing Costs**
- 4. The Impact of Changing Housing Costs**
- 5. Some Implications**

1. The Living Wage

What is the Living Wage?

The Living Wage is based on the concept that work should provide an adequate income to enable individuals to afford a socially acceptable minimum standard of living.

- An earnings benchmark
- An income floor
- International approaches...

2. Components

Calculation in Ireland

- By the Living Wage Technical Group
- www.livingwage.ie
- It is calculated on the basis of the Minimum Essential Standard of Living (MESL) research in Ireland
 - VPSJ data + other relevant living costs
- The 'Living Wage' is the average gross salary needed for a single person in full-time employment to afford a minimum standard of living
 - hourly rate based on 39 hour week



- Emphasis is on needs & not wants
- 15 living cost categories

Figures – 2016 Calculation

	DUBLIN	CITIES	TOWNS	RURAL
Weekly Expenditure Need	449.23	365.26	393.33	361.74
Annual Gross Salary	27,553.38	21,046.31	23,486.46	20,842.97
Weighting	0.2922	0.0905	0.1986	0.4188

LIVING WAGE	Actual	Rounded
Gross per annum	23,346.82	
Gross per week	447.77	
Gross per hour	11.48	11.50

Annual Update

- Living Wage rate is updated annually
- Follows the cost of a socially acceptable minimum standard of living

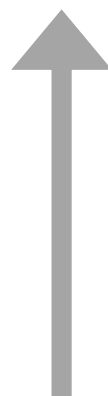
Key Factors in 2015 to 2016 update



Reduced Costs:

Energy
Transport
Food

Reduced USC



Increased Costs:

Housing
Insurance

2016
RATE

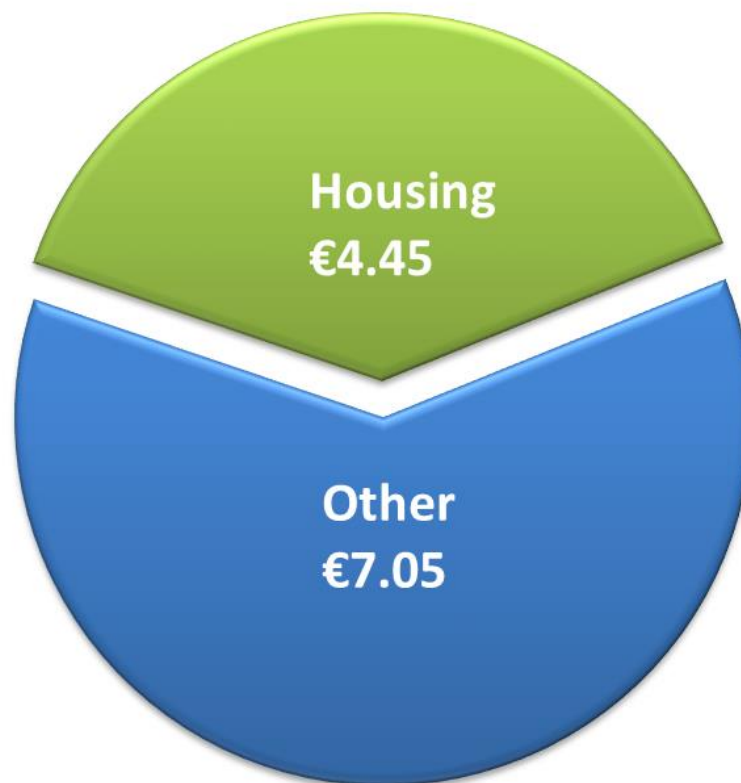


3. Housing Costs

- Focus on the largest component of expenditure
- Measured:
 - PRTB data for a single person dwelling
 - using 90% of mean value
- Rapid increases in last few years
- Exploring the possible future effects...
- What happens to:
 - hourly value of LW given such increases
 - ...and to living standards of low income workers

4. The Impact of Changes...

- In 2016 €11.50 LW
- Housing Costs
= €4.45 (39%)
- LW Simulations
2016 basis
ceteris paribus



LW Simulation	Revised LW	Change per hour
Baseline 2016	€11.50 (€11.48)	-

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+10% in year 1 and + 5% in year 2	€12.20	+ €0.70

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10% increase in housing costs	€11.95	+ €0.45
+10% in year 1 and + 5% in year 2	€12.20	+ €0.70
10% decrease in housing costs	€10.95	- €0.55

5. Some Implications

- Living wage = a modest standard of living
- Yet when a core component of living costs is rapidly increasing...
- Significant challenge for:
 - the LW concept and its sustainability
 - the living standards of most low income workers
- LW designed to limit annual increases
 - cap = private sector hourly wage increases
 - retrospective revision where needed if problem persists
- Another angle on societal danger of current housing mkt



News From Elsewhere

Ikea builds housing for Icelandic staff

By News from Elsewhere...
...as found by BBC Monitoring

10 April 2017



AFP

Swedish furniture and lifestyle chain Ikea is building an apartment block in the Icelandic capital Reykjavik in order to give its employees somewhere affordable to live.