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# LIVING WAGE TECHNICAL DOCUMENT

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Calculating a Living  
Wage for the  
Republic of Ireland

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Living Wage  
Technical Group

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[www.livingwage.ie](http://www.livingwage.ie)

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This document has been collectively authored by the Living Wage Technical Group. It has emerged from a series of meetings to discuss the practicalities of calculating in a transparent, yet technical, and sustainable way a Living Wage for the Republic of Ireland.

The group proposes to occasionally update this technical document when appropriate. It is complemented by an annual Living Wage document which presents the value of the Living Wage for each year.

Further details are available on the Living Wage website: [www.livingwage.ie](http://www.livingwage.ie)

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# I LIVING WAGE

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## I.02 WHAT IS THE LIVING WAGE?

- 1.02.01 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.

The Living Wage is the average gross salary which will enable full-time employed adults (without dependents) across Ireland afford a socially acceptable minimum standard of living.

Unlike the National Minimum Wage, the Living Wage is an evidence-based rate of pay which is grounded in social consensus. It is derived from Consensual Budget Standards research, which establishes the cost of a Minimum Essential Standard of Living in Ireland today.

The Republic of Ireland Living Wage adds to an international movement on this issue.\*

## I.03 HOW IS THE LIVING WAGE CALCULATED?

- 1.03.01 The Living Wage for Ireland is calculated on the basis of the Minimum Essential Standard of Living research in Ireland, conducted by the Vincentian Partnership for Social Justice (VPSJ). This research establishes a consensus on what members of the public believe is a minimum standard that no individual or household should live below. Working with deliberative focus groups, the minimum goods and services that everyone needs for a Minimum Essential Standard of Living (MESL) are identified. With a focus on needs not wants, the concern is with more than survival as an MESL is a standard of living which meets physical, psychological and social needs, at a minimum but acceptable level.†

The Living Wage for Ireland is an evidence-based rate of pay, grounded in social consensus about what people need to afford an acceptable minimum standard of living.

- 1.03.02 The Minimum Essential Standards model details the expenditure and income needs for household types in a variety of scenarios. There is not a single answer to what the cost of a Minimum Essential Standard of Living (MESL) or Minimum Income Standard (MIS) is. The result is complex, as the cost of an MESL varies by household type and composition, location, and employment pattern.

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\* The international context is profiled in Collins, M.L., 2014. 'A Living Wage for Ireland: some considerations and initial estimates', *NERI Working Paper Series 2014/no. 12*. Dublin, NERI.

† This methodology is described in section 1.05 of this document.

The dataset can specify the MESL expenditure needs for a variety of household situations. The MESL expenditure need and resulting MIS income requirement vary by the region of the country the household is situated in, primarily due to differences in the expenditure required for housing and transport.

- 1.03.03 The Minimum Essential Standards model allows for all these variations to be taken into account, and calculates the MESL expenditure need and MIS salary requirements for a specific household composition and scenario.

The detail and flexibility of the model therefore provides an evidence-based measure, grounded in the lived experience of households, with which to assess the adequacy of wage levels across a broad variety of household situations.

The Living Wage approach provides a method to distil the multiple MIS rates into a central rate of pay. This approach builds on the MESL model and methodology, and its calculation follows a clearly stated and transparent process.

- 1.03.04 The Living Wage Technical Group has decided to focus the calculation of a Living Wage for the Republic of Ireland on a single-adult household. In its examination of the methodological options for calculating a robust annual measure, the group concluded that a focus on a single-adult household was the most practical approach.

In recognition of the fact that households with children experience additional costs which are relevant to any consideration of such households' standards of living, the group proposes to simultaneously publish estimates of a Family Living Income each year. Section 2 of this document outlines the Technical Group's approach on this issue.

- 1.03.05 To calculate the Living Wage rate the following steps are undertaken:

- The weekly core cost a Minimum Essential Standard of Living for a working age Single Adult household type is established for four regions (see 1.04.04) across Ireland
- The appropriate minimum standard housing cost is identified for the household type in each region
- Having established the full minimum expenditure need for the household type in each region, the Minimum Income Standard salary rate required to afford that standard of living is calculated for each region
- The Living Wage rate is calculated from this range of regional MIS rates by producing an average wage requirement. The average is weighted by the proportion of the labour force resident in each of the four regions defined in the Living Wage calculations.

## I.04 NATIONAL LIVING WAGE RATE

- 1.04.01 The calculations present one Living Wage rate for the country.
- 1.04.02 The minimum expenditure required varies in different parts of the country. This is due to the different cost of the items required to enable this Minimum Essential Standard of Living in different regions, and some regional variation in what is required.

For example, the cost of housing varies greatly around the country. Also, the availability of public transport is limited in some parts of the country, thereby making a car an essential item for people in some parts of the country but not in others.

- 1.04.03 To take account of the variations in these costs around the country, the Living Wage calculations define four regions, differentiating the MESL expenditure need for each.
- 1.04.04 The four Living Wage regions are:
- Dublin  
Dublin City & Suburbs, and other towns in Dublin County
  - Cities  
The City & Suburbs of Cork, Galway, Limerick & Waterford
  - Towns  
All towns with a population of 5,000 and above (excluding those towns in Dublin)
  - Rural / Rest of Ireland  
All towns & villages with a population of under 5,000 and all other rural areas
- 1.04.05 To produce a single national rate, the results of the calculations for the four regions are averaged to produce a single rate for the country; with each regional rate being weighted in proportion to the population in the labour force in each region.
- 1.04.06 The weighting for the calculation of the Living Wage is based on the distribution of the population in the labour force.  
Prior to 2018 the weightings were based on data from Census 2011.  
Updated weightings from Census 2016\* were published in late 2017, and are applied for the Living Wage rate calculation from 2018.  
The calculation of the regional weightings is presented Table 1.04-1, page 4.

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\* CSO (2017) *Census of Population 2016 – Profile 11 Employment, Occupations and Industry – Tables EB025, EB027, EB030, EB050*. Accessed 21/02/2018 [https://www.cso.ie/px/pxeirestat/Database/eirestat/Profile%2011%20-%20Employment%20Occupations%20and%20Industry/Profile%2011%20-%20Employment%20Occupations%20and%20Industry\\_statbank.asp?SP=Profile%2011%20-%20Employment%20Occupations%20and%20Industry&Planguage=0](https://www.cso.ie/px/pxeirestat/Database/eirestat/Profile%2011%20-%20Employment%20Occupations%20and%20Industry/Profile%2011%20-%20Employment%20Occupations%20and%20Industry_statbank.asp?SP=Profile%2011%20-%20Employment%20Occupations%20and%20Industry&Planguage=0)

Table I.04-I Regional Weighting – persons aged 15 years and over in the labour force

Region	Census Areas	No. in Labour Force
<b>Dublin</b>		<b>695,372</b>
	Dublin City	304,870
	Dún Laoghaire-Rathdown	103,641
	Fingal	149,386
	South Dublin	137,475
<b>Cities</b>		<b>210,214</b>
	Cork City & Suburbs	100,619
	Limerick City & Suburbs	43,425
	Waterford City & Suburbs	40,777
	Galway City & Suburbs	25,393
<b>Towns</b>		<b>453,743</b>
	Towns, population > 10,000 <i>minus Dublin towns</i>	332,561
	Towns , population 5,000 - 9,999 <i>minus Dublin towns</i>	121,182
<b>Rural / Rest of Ireland</b>		<b>944,708</b>
	National Total	2,304,037
	- Dublin	- 695,372
	- Cities	- 210,214
	- Towns	- 453,743
Source:	CSO Census 2016 data	

## I.05 SOURCE OF THE EXPENDITURE DATA

- 1.05.01 The Living Wage calculations are derived from the Irish Minimum Essential Standards research, which establishes the expenditure needed for a Minimum Essential Standard of Living (MESL) and the Minimum Income Standard (MIS) required by household types to afford that standard of living.
- 1.05.02 The Minimum Essential Standard of Living (MESL) dataset is the product of multiple research projects, each building on the previous tranche. The work on establishing Minimum Essential Standards in Ireland has been undertaken by the Vincentian Partnership for Social Justice (VPSJ) since 2004.
- 1.05.03 This research establishes a consensus on what members of the public believe is a minimum standard that no individual or household should live below. Working with focus groups (and expert opinion where necessary e.g. nutrition and home heating), the

cost of the minimum goods and services that everyone needs for a socially acceptable minimum standard of living are identified. Focusing on needs and not wants, the concern is with more than survival as this is a standard of living which must meet physical, psychological and social needs, at a minimum but acceptable level. It is not a standard for people in poverty; it is a standard for everyone, below which no one should be expected to live.

1.05.04 The research and data are focused on single family-unit households.

These are households that are comprised of either a single adult or a couple, and any dependent children. Therefore, households with other adults, e.g. a household with adult children still resident with their parents, or a household with a couple, their children, and an elderly parent (grandparent to the children), are not covered in the data. This restriction means the MESL dataset established the minimum expenditure and income needs of 90% of households in Ireland, and 89% of working age households. The households not covered by the dataset are households with other adults and households with more than four children.

1.05.05 Minimum Essential Standards Research

The current dataset is built from the research established in the 2006 *Minimum Essential Budgets for Six Household Types (Urban)*<sup>\*</sup>, and subsequently the 2010 research *Minimum Essential Budgets for Households in Rural Areas*<sup>†</sup>

*A Minimum Income Standard for Ireland*<sup>‡</sup> was published in early 2012. This research added further detail to the dataset, enabling the examination of minimum expenditure and income needs for a broader range of household types.

The completion of further research, later in 2012, on the additional needs of family households with up to four children (previously the data was limited to households with up to two children), has enabled a further expansion of the coverage and utility of the dataset<sup>§</sup>.

1.05.06 The Minimum Essential Standards dataset covers the following broad household types in both Urban and Rural areas:

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<sup>\*</sup> Mac Mahon, B., Carey, J., & Stokes, A., 2006. *Minimum Essential Budget Standard for Six Household Types*. Dublin: Vincentian Partnership for Social Justice.

<sup>†</sup> Mac Mahon, B., Weld, G., & Thornton, R., 2010. *Minimum Essential Budgets for Households in Rural Areas*. Dublin: Vincentian Partnership for Social Justice.

<sup>‡</sup> Collins, M., Mac Mahon, B., Weld, G., Thornton, R., 2012. *A Minimum Income Standard for Ireland: A consensual budget standards study examining household types across the lifecycle*. Dublin: The Policy Institute, Trinity College Dublin.

<sup>§</sup> Mac Mahon, B., Weld, G., Thornton, R., 2012. *2012 Review of the MESL Baskets and Addition of the 3<sup>rd</sup> & 4<sup>th</sup> Child to Household*. Working Paper, available on [www.budgeting.ie](http://www.budgeting.ie)



- Two Parent household types, with 1 to 4 children
- One Parent household types, with 1 to 4 children
- Single Adults, of working age
- Cohabiting Couple, of working age
- Pensioner household types

1.05.07 At its heart, the model defines the cost of a Minimum Essential Standard of Living (MESL). This cost is directly based on the actual price of a detailed basket of over 2,000 items which the research has established as essential for enabling a socially acceptable minimum standard of living.

The costs of the majority of these items are fixed, but others vary according to the specifics of the scenario. The fixed core costs include categories such as food, clothing, and household energy.

The final weekly expenditure figure is the cost of all the goods and services broken down over the lifespan of each item and contains everything from daily food to household furniture. While some items are bought on a weekly basis such as food, others are bought less frequently, in terms of weeks, months or even years.

To calculate the weekly cost of each good and service, the cost of the item is divided by the number of weeks the item is reasonably expected to last e.g. a three piece suite of furniture may cost €900, which with a lifespan of 780 weeks (15 years) equates to a cost €1.15 per week.

1.05.08 More detailed information on the MESL data and research is available through the research reports listed in paragraph 1.05.05.

Additional information is also available via the VPSJ's Budget Standards research website, [www.budgeting.ie](http://www.budgeting.ie)

1.05.09 The Urban Minimum Essential Standard of Living expenditure data is used for the calculations in three of the four Living Wage regions:

- Dublin
- Cities
- Towns

The Urban dataset was compiled with a focus on Dublin based household types. However, the pricing for the majority of goods and services was conducted in retailers that are national chains; consequently, the Dublin expenditure data is generally applicable to other Urban areas. Exceptions to this are in the categories of transport and housing, and the pricing of these categories for the City and Town regions is detailed below.

1.05.10 The Rural Minimum Essential Standard of Living expenditure dataset identifies the additional and different expenditure needs of households in rural areas, small villages and towns across Ireland. This expenditure data is used for the calculations in the Rural / Rest of Ireland region.

1.05.11 Further detail for the following expenditure categories is provided below:

- Housing Paragraph 1.06, Page 7
- Transport Paragraph 1.06, Page 7
- Health Insurance Paragraph 1.08, Page 10

## 1.06 HOUSING

1.06.01 The Living Wage is intended to be a floor wage that is broadly applicable. Therefore, it is crucial that the housing costs included in the calculations be broadly representative of the situations most commonly found.

In the context of the current provision of social housing in the Republic of Ireland, and given that the Living Wage is being estimated for a single adult household, the Living Wage Technical Group concluded that it was unreasonable to base general housing costs for working age single adults on social housing.

Therefore, the Living Wage and the Family Living Income (see section 2) housing costs are based on a proportion of the average cost of Private Rented accommodation.

1.06.02 The Residential Tenancies Board (RTB) average rent index is the source for the housing costs.\*

1.06.03 For the Single Adult household type the housing cost is based on the average cost of a one-bedroom dwelling. The average for all property types is used. Given that high rents can distort the average, the Living Wage Technical Group decided to base the calculation on a proportion of the reported average. The Living Wage housing cost is 90% of the average monthly rent for each region.

1.06.04 **Dublin**

The housing cost for Dublin is based on the RTB average data for the entire Dublin City and County area.

1.06.05 **Cities**

The housing cost for the cities of Cork, Limerick, Galway and Waterford is based on the RTB average data for the four cities. A weighted average housing cost is then calculated

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\* See [www.cso.ie/px/pxeirestat/psn/prtb/homepagefiles/rent\\_index\\_statbank.asp](http://www.cso.ie/px/pxeirestat/psn/prtb/homepagefiles/rent_index_statbank.asp)

by weighting the average monthly price by the labour force population of each of the four city and suburb areas.

#### 1.06.06 **Towns**

The housing cost for towns is based on the available RTB average data for each of the towns with a population of over 10,000 as listed in the Census 2011 data (towns in the Dublin area are excluded as the housing cost for these is incorporated in the Dublin figure). A weighted average housing cost is then calculated by weighting the average monthly price by the labour force population of each of the towns.

#### 1.06.07 **Rural / Rest of Ireland**

The following counties are amongst the most rural in Ireland, and do not have a very large town or city.

- Leitrim
- Roscommon
- Monaghan
- Longford

Housing costs for the rural calculations are based on the RTB average data for these four counties, as it should exclude the effect of higher rental costs in larger towns and cities on the average data for the county.

1.06.08 The most recent RTB average rent data by quarter available at the time of the annual Living Wage calculations is used.

In some cases, there is insufficient data for the RTB database to provide average rent costs for the most recent quarter. In the case where data from the last quarter is not available, the data for the most recent half year is used. Where data for the half year is not available, data on the average cost for the last full year is used.

### 1.07 **TRANSPORT**

1.07.01 Transport needs are based on the requirements identified in the Minimum Essential Standard of Living research. It establishes the type and cost of transport required for an acceptable minimum standard of living in Urban and Rural areas.

#### 1.07.02 **Dublin**

The transport costs for Dublin household types are based on public transport only.

For the Dublin Single Adult household type, the budget for transport is comprised of:

- Dublin Bus Leap Card weekly fare cap
- Dublin Bus Nitelink – 1 per week
- An allowance for a taxi – 1 per month

#### 1.07.03 **Cities**

The transport costs for other city household types are based on public transport only.

For the Cities Single Adult household type, the budget for transport is comprised of:

- Bus Éireann city service Leap Card monthly ticket – 12 per year  
The weighted average price of a monthly ticket for each of the four cities is calculated.
- An allowance for sharing a taxi – 1 per week

#### 1.07.04 **Towns**

The MESL expenditure data includes the overall cost of a car for urban household types in areas where the available public transport service is inadequate.

The transport costs for urban town household types are based on private transport only.

For the purposes of the calculation, the Towns (Single Adult household type) budget for transport is comprised of:

- A used small car (e.g. 1.0l petrol Hyundai i10), the purchase price of the vehicle is spread over its expected lifespan of 312 weeks (6 years).
- Annual service & maintenance
- Motor Tax and National Car Test
- Driving Licence Fee spread over 520 weeks (10 years)
- An allowance for petrol – 15.5 litres per week
- An allowance for parking charges – €5 per week
- Car Insurance  
Price is based on Fully Comprehensive insurance, with 10 years driving experience, no claims and no penalty points

These costs are updated in line with the MESL research annually.

#### 1.07.05 **Rural / Rest of Ireland**

The MESL expenditure data includes the overall cost of a car for rural household types as the available public transport service in rural towns & villages is found to be inadequate for enabling a minimum standard of living.

The transport costs for household types are based on private transport only.

For the purposes of the calculation, the 'Rest of Ireland' (Single Adult household type) budget for transport is comprised of:

- A used small car (e.g. 1.0l petrol Hyundai i10), the purchase price of the vehicle is spread over its expected lifespan of 312 weeks (6 years).
- Annual service & maintenance
- Motor Tax and National Car Test
- Driving Licence Fee spread over 520 weeks (10 years)
- An allowance for petrol – 19.5 litres per week
- An allowance for parking charges – €5 per week
- Car Insurance  
Price is based on Fully Comprehensive insurance, with 10 years driving experience, no claims and no penalty points

These costs are updated in line with the MESL research annually.

## 1.08 HEALTH INSURANCE

1.08.01 The Living Wage calculation includes a provision for health insurance as the Minimum Essential Standard of Living research has consistently found that Health Insurance is regarded as an essential need for individuals and household types, when there is no entitlement to a full Medical Card.

The level of Health Insurance specified by the focus group research is a package which provides for a semi-private room in a public hospital, and covers a proportion of primary health care costs (GP Visits, etc.)

1.08.02 To price an appropriate Health Insurance package the Health Insurance Authority comparison website\* is used to compare available plans, at the current year price and ascertain which best meets the criteria specified by the MESL research.

When establishing the Living Wage calculations a range of Health Insurance plans were examined to ascertain which plan best matched the criteria established by the MESL research.

Similar reviews of available Health Insurance plans are conducted each year as part of the updating of the annual Living Wage.

1.08.03 The Minimum Essential Standard of Living expenditure budget for health is based on the assumption that the individual/household in question is generally in good health. Given

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\* [www.hia.ie](http://www.hia.ie)

this, the expenditure budget allows for a minimum number of visits to a GP each year, and includes a visit to the optician and the dentist.

The Health Insurance plan for households with no Medical Card provides a partial refund for these areas of expenditure. The value of this refund is calculated on the basis of the number of visits budgeted for in the MESL expenditure data, and the particulars of the Health Insurance package (taking account of the outpatient excess).

The gross Health Insurance premium is reduced by the value of the refund for the year, to produce a net Health Insurance cost. This weekly cost of the net premium is included in the expenditure budgets for household scenarios with no medical card.

- 1.08.04 Where the MIS calculations for a household indicate entitlement to a GP Visit Card, but not a full Medical Card, a different Health Insurance package is specified.

As the GP Visit Card will provide for the cost of visiting the GP, it is not appropriate to include a Health Insurance package which covers refunds for this.

- 1.08.05 The Health Insurance package for GP Visit Card situations is selected on the basis of providing a similar level of cover as the package for no Medical Card, with the exception of partial refunds for outpatient costs such as GP visits.

A review of available Health Insurance plans is conducted annually as part of the updating of the annual Living Wage. Multiple plans are examined to ascertain which plan best matched the criteria as established by the MESL research.

## 1.09 MINIMUM INCOME STANDARD CALCULATION

- 1.09.01 The Living Wage calculations use the Minimum Income Standard (MIS) method, establishing the gross salary required by a household type in order for the household's net income (salary net of tax plus any social welfare entitlements) to afford the MESL expenditure costs previously identified.

The MIS method and process was established in the 2012 *A Minimum Income Standard for Ireland* research project. The model has been updated each year to take account of relevant changes in the Irish tax and social welfare system.

- 1.09.02 The calculation of the MIS rates will be updated annually to reflect the structure of the taxation and welfare systems. Table 1.09-1 outlines the tax and social welfare items included in the current MIS calculation model.

- 1.09.03 The Living Wage defines MIS income scenarios which are based on the adult in the household being employed full-time (39 hours per week).

- 1.09.04 The MIS calculations establishes the amount of earned income that is required to afford the MESL expenditure requirement established for each household type, by region, given the current structure of the taxation and social welfare systems.

Table 1.09-I Tax & Social Welfare assessed in Single Adult Living Wage calculations

Tax	Tax Credits	Social Welfare
Income Tax	Single Person	Medical Card (Full & GP Visit)
PRSI	PAYE	
Universal Social Charge	Health (Tax Relief)	

## 1.10 EMPLOYMENT PATTERN ASSUMPTIONS

### 1.10.01 Full-Time hours

The Living Wage rate is calculated on the basis of full-time employment, with the assumption of 39 hours in the working week.

### 1.10.02 Weeks in the year

For the calculation of the annual value of the hourly and weekly gross salary, we assume 52.14 weeks in the year – the number of days in a non-leap year (365) divided by the number of days in a week.

- 1.10.03 The Living Wage is expressed in terms of an hourly figure. However, this hourly rate will only provide a true Living Wage when it is paid in the context of regular, consistent, full-time employment.

## 1.11 UPDATING PROCESS

- 1.11.01 The Living Wage Technical Group will update the Living Wage annually using the calculation method outlined in this document.

- 1.11.02 The VPSJ updates the Minimum Essential Standard of Living (MESL) expenditure data in the 2<sup>nd</sup> quarter of each year.

The 2020 MESL data is the product of an extensive two-year (2018 – 19) review and rebase research project, which entailed convening multiple deliberative focus group sessions for each household type to review, interrogate, and adapt the content of the MESL baskets to current requirements. Subsequently the itemised baskets were directly re-priced for each household type, in both urban and rural areas.

The 2020 data are not directly comparable with the adjusted MESL expenditure need for 2019 and previous years, and the 2020 MESL represents a break in the series.

From 2020, it is planned that the MESL baskets will be adjusted annually, applying specific CPI sub-rates to each basket, providing the most accurate estimate of current MESL costs in the years between re-pricing. To limit reliance on adjusted data in the future, the MESL baskets will be re-priced every 2 – 3 years and reviewed (with focus groups) every 4 – 6 years.

- 1.11.03 The 2021 MESL annual update is based on a blend of direct repricing and inflation adjusted estimates. A reprice of a majority of the MESL basket items was due in 2021, however COVID-19 restrictions in the first half of the year posed difficulties in undertaking a full reprice. Consequently, where repricing was not possible the data has been supplemented by item level inflation adjustments as necessary.
- 1.11.04 It is the intention of the Living Wage Technical Group to update the Living Wage rate in the 3<sup>rd</sup> quarter of each year.

## 1.12 LIMITS ON ANNUAL INCREASE

- 1.12.01 The annual update of the Living Wage will be based on the calculations outlined above so that any increases in the wage rate are related to changes in the income required to purchase the basket of minimum essential expenditure items.

However, the Living Wage technical group has established a limit to the annual increase in recognition of the fact that employers require some degree of certainty of the direction of labour costs when committing to paying their employees a living wage.

The ceiling established by the group is equal to the percentage nominal increase in private sector average hourly earnings for the calendar year prior to the annual update.\* This data is published by the CSO in their Quarterly Earnings and Labour Costs bulletins.†

Where it is the case that the ceiling is required, both the living wage (the updated hourly amount limited by the increase in average hourly earnings) and a reference hourly amount (the living wage figure if it was updated by the change in income required) will be published.

- 1.12.02 The Living Wage Technical Group will review the relationship between the living wage and the reference hourly amount every five years. If at that point the living wage has not kept pace with the increases in the income required to purchase the basket of goods outlined earlier, the difference between these two amounts will be

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\* In general, the CSO provide final annual earnings data between 5-6 months after the end of the year.

† For example, if the hourly income required to purchase the basket of goods increased by 3% and average hourly private sector earnings increased by 2.5%, then the living wage would increase by the lower of the two.



retrospectively phased in over the subsequent five years. This will ensure that over the medium term the living wage will keep up with inflation.

- 1.12.03 The Living Wage Technical Group reviewed the difference between the reference rate and living wage rate in 2019 (next review 2024).

See Section 3.03 (page 23) for details of the reference rate, and the adjustments required (if any) to close the gap between the reference rate and living wage rate.

## 2 FAMILY LIVING INCOMES

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### 2.02 FAMILY LIVING INCOMES

2.02.01 While the calculation of the Living Wage is based on a single-adult household, the Living Wage Technical Group recognises that households with children experience additional costs which are relevant to any consideration of such households standards of living.

To put the Living Wage rate in context, and demonstrate the additional income and social support needs of households with children, a range of Family Living Income needs are calculated, following a complimentary method to that used for the Living Wage.

Our approach to estimating these amounts is outlined in this section.

Details of the Family Living Income will be published each year to accompany the annual Living Wage update.

2.02.02 Households with children have both additional expenditure needs due to the larger size, and different expenditure needs due to the different needs of children and parents. The budget standards data includes the Minimum Essential Standard of Living (MESL) expenditure need for family households with one or two parents and one to four children.

2.02.03 The Family Living Income data summarises the varying expenditure and income needs for a set of the most commonly occurring family household compositions. For each household composition, the range in the Family Living Income Need across the four regions is presented.

2.02.04 To calculate the Family Living Incomes the following steps are undertaken:

- The most common single unit household compositions, of one or two adults and one to four children, are identified
- The core weekly cost of a Minimum Essential Standard of Living (excluding housing and childcare) is compiled for each household composition, for the four regions (Dublin, Cities, Towns, Rural / Rest of Ireland)
- The MESL expenditure for childcare is determined
- The appropriate minimum standard housing cost is identified for each household composition
- Having established the full expenditure need for each household composition, the Minimum Income Standard salary rate required to afford that standard of living is calculated for each composition

- The range of income needs for each household composition across the four Living Wage regions is presented, in terms of Gross & Net Salary, and Household Disposable Income (Net Salary + Social Transfers)

## 2.03 SOURCE OF THE EXPENDITURE DATA

2.03.01 As with the Living Wage calculations the Family Living Income calculations are derived from the Irish Minimum Essential Budget Standards model (see Section 1.05, page 4), and utilise the Minimum Essential Standard of Living (MESL) expenditure dataset for Urban and Rural household types.

The data in the MESL model is supplemented with additional pricing for transport and childcare costs, for regions not covered by the current MESL expenditure data.

2.03.02 The Minimum Essential Standards model can specify the MESL expenditure needs for a multitude of household situations. The dataset allows for the examination of the expenditure needs of households with 1 to 4 children across four age-groups, this equates to 69 possible Two Parent household compositions and 69 possible One Parent household compositions.

2.03.03 There is an enormous range of possible results for the Minimum Income Standard (MIS) need for a household with children. For each household type and composition, the expenditure and income need is different. Further variation in the MESL and MIS need are introduced by the consideration of different employment patterns which determine the level of childcare required by a household, and consequently the MESL expenditure need. Finally, the housing costs particular to a given scenario, also contribute to the large variation in results.

2.03.04 The Minimum Essential Standards model allows for these variations to be taken account of, and calculates the MESL expenditure need and MIS salary requirements for a specific household composition and scenario.

2.03.05 Further detail on the following expenditure categories is provided below:

- Housing Paragraph 2.07, Page 21
- Childcare Paragraph 2.05, Page 17
- Transport Paragraph 2.06, Page 18
- Health Insurance Paragraph 2.08, Page 22

## 2.04 FAMILY LIVING INCOME HOUSEHOLD TYPES AND COMPOSITIONS

2.04.01 Census data was consulted to identify the most commonly occurring family household compositions nationally. Data on the number of private households with children under 19, by household type and number of children was examined.

- Household types which comprise less than 5% of all households with children under 19 are excluded from the Family Living Income set
- This criteria results in the inclusion of the Two Parent households with 1 to 4 children, and One Parent households with 1 to 2 children

2.04.02 Census data on the distribution of child age groups within each of the chosen household types was then consulted. The choice of each specific household composition is made with reference to the Census 2011 data. For each type of household composition, the most frequently occurring compositions are identified. The final compositions were chosen on the basis of being amongst the most frequently occurring and also being representative of the range of child age-groups.

Table 2.04-1 Family Household Compositions

Household	Child Age Groups
Two Parents, 1 Child	Infant
Two Parents, 2 Children	Pre-School, Primary
Two Parents, 3 Children	Infant, Pre-School, Primary
Two Parents, 4 Children	Two Primary, Two Secondary Level
One Parent, 1 Child	Primary
One Parent, 2 Children	Pre-School, Primary

## 2.05 CHILDCARE

2.05.01 The MESL dataset details the minimum expenditure required for children across four age groups.\*

- Baby
- Pre-School age
- Primary school age-group
- Second level age-group

2.05.02 The focus group consensus on the minimum needs for childcare, determined that childcare is a necessity (when required by parental employment) for children in the first three age groups, but not for second level age children.

2.05.03 The MESL expenditure budgets have costs for both full and part-time childcare. In two parent household types part-time childcare costs are included in scenarios where one adult is employed full-time and the other part-time, and full-time childcare costs are

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\* For more details see: Mac Mahon, B., G. Weld, R. Thornton and M. Collins (2012), The Cost of a Child – a consensual budget standards study examining direct costs across childhood. Dublin, The Vincentian Partnership for Social Justice.

included where both adults are employed part-time. In one parent household types, part-time childcare costs are included in scenarios where the parent is employed part-time, and full-time childcare costs where the parent is employed full-time.

- 2.05.04 Childcare costs are based on data on the use of full-time formal childcare for infants and pre-school age children. For primary school age children, the childcare costs are based on the use of formal after school-care and full-time care during school holidays.

Childcare costs are based on the most recent data available from the Pobal Annual Early Years Sector Profile Report at the time of calculation. \*

The childcare costs for infant and pre-school age children are based on private childcare providers. The National Childcare Scheme (NCS) and the Early Childhood Care and Education (ECCE) scheme are included where applicable.

Net childcare costs are included in the final household calculations, reducing gross costs by either the NCS or ECCE where applicable.

- 2.05.05 The Family Living Income calculations are based on all adults in each household type being engaged in full-time employment. Therefore, full-time childcare costs are included in the households' MESL expenditure needs as appropriate.

## 2.06 TRANSPORT

- 2.06.01 Transport costs are based on the requirements identified in the Minimum Essential Standard of Living research. It establishes the type and cost of transport required from an acceptable minimum standard of living in Urban and Rural areas.

The transport costs for household types with children follow the same pattern as those for the single adult household type and as such are based on the use of public transport in Dublin and other Cities, and private transport use in Towns and Rural / Rest of Ireland.

- 2.06.02 **Dublin**

The transport costs for Dublin household types are based on public transport only.

For the adult(s) in household types with children, the transport budget is comprised of a Dublin Bus weekly Leap Card fare cap for each adult in the household.

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\* Pobal, 2019. *Annual Early Years Sector Profile Report 2018/2019*.

[www.pobal.ie/app/uploads/2019/12/Annual-Early-Years-Sector-Profile-Report-AEYSPR-2018-19.pdf](http://www.pobal.ie/app/uploads/2019/12/Annual-Early-Years-Sector-Profile-Report-AEYSPR-2018-19.pdf)

For children of primary school age and up, the transport budget is based on the use of the bus one day a week, applying the daily Dublin Bus Leap Card fare cap for a child.

#### 2.06.03 **Cities**

The transport costs for other Cities household types are based on public transport only.

For the adult(s) in household types with children, the transport budget is comprised of a city bus service Leap Card monthly ticket for each adult in the household (12 per year).

- The weighted average price of a monthly ticket for each of the four cities is calculated

For children of primary school age and up, the transport budget is based on the cost of one bus journey a week.

#### 2.06.04 **Towns**

The MESL expenditure data includes the overall cost of a car for urban household types in areas where the available public transport service is inadequate.

The transport costs for urban Towns household types with children are based on private transport only. For the purposes of the calculation, the budget for transport is comprised of:

- A used mid-sized car (e.g. 1.6l diesel Ford Focus), the purchase price of the vehicle is spread over its expected lifespan of 312 weeks (6 years).
- Annual service and maintenance
- Motor Tax and National Car Test
- Driving Licence Fee spread over 520 weeks (10 years) – for each adult in the household
- An allowance for fuel – 17.5 litres per week
- An allowance for parking charges
- Car Insurance  
Price is based on Fully Comprehensive insurance, with 10 years driving experience, no claims and no penalty points

For households compositions with four children a larger car is required. In this case, the transport budget is comprised of:

- A used MPV style car (e.g. 1.6l diesel Renault Grand Scenic), the purchase price of the vehicle is spread over its expected lifespan of 364 weeks (7 years).
- Annual service and maintenance
- Motor Tax and National Car Test

- Driving Licence Fee spread over 520 weeks (10 years) – for each adult in the household
- An allowance for fuel – 17.0 litres per week
- An allowance for parking charges
- Car Insurance  
Price is based on Fully Comprehensive insurance, with 10 years driving experience, no claims and no penalty points

These costs are updated in line with the MESL research annually.

#### 2.06.05 Rural / Rest of Ireland

The MESL expenditure data includes the overall cost of a car for rural household types as the available public transport service in rural towns & villages is found to be inadequate for enabling a minimum standard of living.

The transport costs for household types are based on private transport only.

For the purposes of the calculation, the budget for transport for the One Parent household types is comprised of:

- A used mid-sized car (e.g. 1.6l diesel Ford Focus), the purchase price of the vehicle is spread over its expected lifespan of 312 weeks (6 years).
- Annual service and maintenance
- Motor Tax and National Car Test
- Driving Licence Fee spread over 520 weeks (10 years)
- An allowance for fuel – 22.5 litres per week
- An allowance for parking charges
- Car Insurance  
Price is based on Fully Comprehensive insurance, with 10 years driving experience, no claims and no penalty points

For the Two Parent household types, the MESL research established that this household type needs two cars. In this case, the transport budget is comprised of:

- A used mid-sized car (e.g. 1.6l diesel Ford Focus), the purchase price of the vehicle is spread over its expected lifespan of 312 weeks (6 years).
- A used small car (e.g. 1.2l petrol Peugeot 208), the purchase price of the vehicle is spread over its expected lifespan of 312 weeks (6 years).
- Annual service and maintenance of both cars
- Motor Tax and National Car Test for both cars

- Driving Licence Fee spread over 520 weeks (10 years) for each adult in the household
- An allowance for fuel
  - 22.5 litres per week      mid-sized car
  - 19.5 litres per week      small car
- Car Insurance for both cars  
Price is based on Fully Comprehensive insurance, with 10 years driving experience, no claims and no penalty points

For households compositions with four children a larger car is required. For the purposes calculation the Toyota Corolla specified in the budget for smaller household compositions is replaced by the following:

- A used MPV style car (e.g. 1.6l diesel Renault Grand Scenic), the purchase price of the vehicle is spread over its expected lifespan of 364 weeks (7 years).
- Annual service and maintenance
- Motor Tax and National Car Test
- Driving Licence Fee spread over 520 weeks (10 years) – for each adult in the household
- An allowance for fuel – 21.5 litres per week
- An allowance for parking charges
- Car Insurance  
Price is based on Fully Comprehensive insurance, with 10 years driving experience, no claims and no penalty points

These costs will be updated in line with the MESL research annually.

## 2.07 HOUSING

2.07.01 The housing budget for household types with children is priced following the same method as that detailed for the Living Wage calculations in Section 1.06 (page 7).

Reflecting that approach, the Living Wage Technical Group concluded that housing costs should be based on a proportion of the average cost of Private Rented accommodation.

2.07.02 As in the Living Wage calculations, RTB data on the average cost of private rent by region is used. See Section 1.06 (page 7) for details of the basis of the regional costs.

The cost for each household type varies in accordance with dwelling size needed. The size chosen is based on the minimum acceptable size (number of bedrooms) specified by focus groups in the MESL research.

For households with one child the housing cost is based on 90% of the average monthly rent of a two-bed dwelling.



For households with more than one child the housing cost is based on 90% of the average monthly rent of a three-bed dwelling type.

## 2.08 HEALTH INSURANCE

2.08.01 The Health Insurance expenditure for household types with children is calculated on the same basis as detailed in the Living Wage calculations. See Section 1.08 (page 10).

The Health Insurance costs for adult(s) in the family household types are as those for the Single Adult.

The costs for children are the child price for the Health Insurance plan of the parents in the household scenario in question.

## 2.09 MINIMUM INCOME STANDARD CALCULATIONS

2.09.01 The calculation of the Family Living Income for households follows the same method as that detailed for the Living Wage for Single Adult household types.

2.09.02 The MIS calculations are based on establishing the gross salary required by a household type in order for the household's net income (salary net of tax plus any social welfare entitlements) to afford the MESL expenditure costs previously identified.

2.09.03 The calculation of this amount will be updated annually to reflect the structure of the taxation and welfare systems. Table 2.08-1 outlines the tax and social welfare items considered in the current Family Income calculations.

Table 2.09-1 Tax & Social Welfare assessed in MIS calculations

Tax	Tax Credits	Social Welfare Transfers
Income Tax	Married Couple	Medical Card (Full & GP Visit)
PRSI	OPF (One Parent Family)	Child Benefit
Universal Social Charge	PAYE	One-Parent Family Payment
	Health (Tax Relief)	Working Family Payment
		Fuel Allowance
		Back to School Clothing & Footwear Allowance

2.09.04 The income scenarios in the Family Living Income calculations are based on all adults in the household being employed full-time (39 hours per week).

2.09.05 The Family Living Income calculations establishes the amount of earned income that is required to afford the expenditure amounts established earlier given the current structure of the taxation and social welfare systems for the various family types.

### 3 2021/22 CALCULATIONS

#### 3.01 2021 EXPENDITURE & INCOME

3.01.01 The 2021/22 Living Wage and Family Living Incomes have been updated in line with VPSJ’s MESL & MIS data, following the procedure detailed in this document.

#### 3.02 REFERENCE RATE

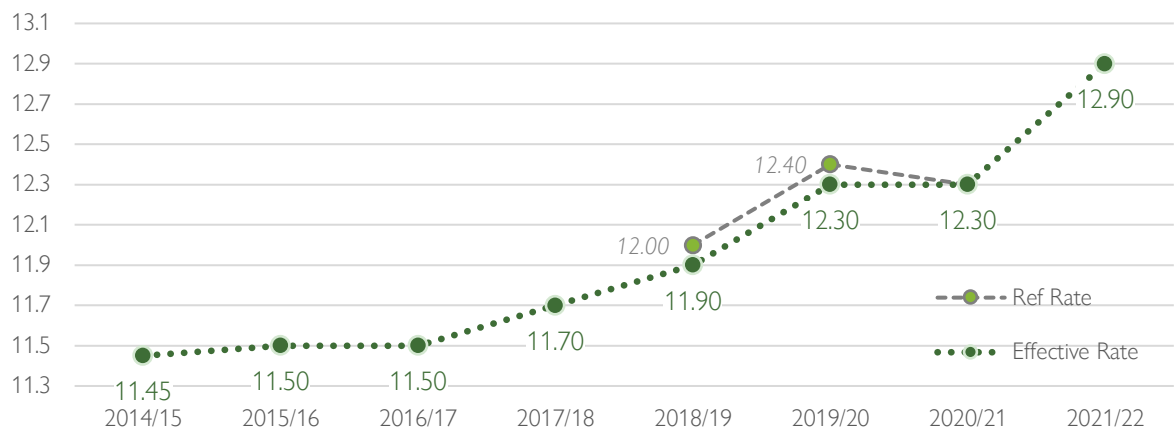
3.02.01 The annual update of the Living Wage is calculated in line with the method detailed above.

3.02.02 In 2021 this produces a reference hourly Living Wage rate of **€12.90** per hour for 2021/22. This represents a 4.9% (€0.60) change from the 2020/21 rate of €12.30 per hour.

The rate of increase in this Reference Living Wage rate does not exceed the rate of increase in private sector average hourly earnings (6.3%) for the calendar year prior to the annual update.

The limit on annual increases is not required in 2021.

Living Wage, hourly rate by year (effective & reference)



#### 3.03 APPLYING THE LIMIT ON ANNUAL INCREASES

3.03.01 As detailed in section 1.12, the Living Wage calculations include provision for a limit on the level of annual increase in the Living Wage rate.

The limit imposes a ceiling equal to percentage increase in private sector average hourly earnings, in the calendar year prior to the annual Living Wage update.

- 3.03.02 The Reference Living Wage rate for 2018 was €12.00, a 2.56% increase from the 2017 rate of €11.70 per hour.

The rate of increase in this Reference Living Wage rate exceeded the rate of increase in private sector average hourly earnings (1.61%) for the calendar year prior to the annual update.

Following the imposition of the limit, the Living Wage rate for 2018 was €11.90 per hour.

- 3.03.03 The Reference Living Wage rate for 2019 was €12.40 per hour, a 4.2% increase from the 2018 limited rate of €11.90 per hour.

The rate of increase in this Reference Living Wage rate exceeded the rate of increase in private sector average hourly earnings (3.41%) for the calendar year prior to the annual update.

Following the imposition of the limit, the Living Wage rate for 2019 was €12.30 per hour.

- 3.03.04 The Reference Living Wage rate for 2020/21 was €12.30 per hour. The 2020 rate was unchanged from the 2019 limited rate of €12.30 per hour.

The limit on annual increases was not required in 2020.

The gap between the reference rate and limited rate closed in 2020.

- 3.03.05 The Reference Living Wage rate for 2021/22 is €12.90 per hour, a 4.9% increase from the 2020/21 rate of €12.30 per hour.

The rate of increase in this Reference Living Wage rate does not exceed the rate of increase in private sector average hourly earnings (6.3%) for the calendar year prior to the annual update.

The limit on annual increases is not required in 2021.

## MEMBERSHIP OF THE LIVING WAGE TECHNICAL GROUP

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The Living Wage Technical Group was established in March 2014 and worked to establish a methodology for calculating the Republic of Ireland Living Wage and to complete this technical document.

The current members of the group are:

- Dr Micheál Collins, School of Social Policy, Social Work and Social Justice, UCD
- Dr Sean Healy, Social Justice Ireland
- Dr Tricia Keilthy, Society of St. Vincent de Paul
- Dr Bernadette Mac Mahon D.C., Vincentian Partnership for Social Justice
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- Michael Taft, SIPTU
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THE LIVING WAGE TECHNICAL GROUP IS SUPPORTED BY:

