Comparative analysis of Minimum Income Standards - Ireland and the United Kingdom

CRSP 639

Laura Valadez and Donald Hirsch, Centre for Research in Social Policy, Loughborough University, UK

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1 INTRODUCTION

This paper compares results from research in Ireland and the United Kingdom, both using the principles of the Minimum Income Standard (MIS) method, to establish minimum socially acceptable budgets in each country. This is the first step in a wider exercise comparing results from the MIS method in the UK, Ireland, France, Portugal and Austria, planned during the course of 2014, as results from the last three of these countries become available.

The purposes of the comparison are:

1) To identify similarities and differences in Irish and UK formulations of what needs to be included in a minimum acceptable budget.
2) To explore what lies behind differences and in particular what this might tell us about factors that cause minimum income requirements to differ across countries.
3) To establish the potential and any limitations in such cross-country comparisons using the MIS method.

In making this first comparison between two countries, we should note that the Irish research has been carried out in parallel to the UK research, explicitly seeking to replicate the main features of its method, but resource constraints have meant that it has not been an identical design. One difference is that rather than having separate groups looking at the needs of each household member in turn, each Irish group looks at the requirements of a whole household. Another difference is that recruitment in Ireland has been drawn from community groups build up over the years by the charity (Vincentian Partnership for Social Justice), rather than directly from the general public as in the UK, although it is important to emphasise that in both cases selection of participants is to designed to recruit people from a range of social backgrounds. These differences do not affect the underlying character of the focus groups or their mission, but mean that the method is not identical, so comparisons need to be read with caution. MIS studies in Portugal, France and Austria, which have directly involved the UK MIS team in an advisory role, have been closer to the UK method in these respects.

2 DESCRIPTION OF WORK AND METHODOLOGY

The Minimum Income Standard is the income that people need in order to reach a living condition that includes the fulfilment of basic needs as well as having the opportunities and choices that would allow them to participate in society.

MIS is based on what members of the public think is necessary to achieve a minimum socially acceptable living standard and informed by expert knowledge where needed. Members of the public, living in different types of household, discuss and specify baskets of goods and services required to meet their physical, psychological, and social needs. The input of experts is required for certain areas of MIS, for example in ensuring that the baskets of food indicated by the groups meet the necessary nutritional requirements. Following the discussion of various groups, the agreed lists of goods and services are priced and translated into weekly budgets for various types of household.

This exercise of consensual budgeting has been conducted in both Ireland and the United Kingdom since 2006. In Ireland, the research is carried out by the Vincentian Partnership for Social Justice[1]. In the United Kingdom, the research is conducted by the Centre for Research in Social Policy at Loughborough University[2]. Since then, several rounds of deliberative groups, composed of people from different backgrounds and with different socio-economic circumstances, have reached consensus on what goods and services are needed to meet a minimum socially acceptable standard of living. Thereafter, the budgets have then been updated not only for inflation but also reviewed to reflect common needs of various types of households as well as changes in society.

The purpose of MIS research is finding a standard of living that is more than survival, which includes goods and services that would allow people to live with dignity and to be active members of society. The discussion concentrates on finding a threshold between needs and wants, to define a living standard that no one should fall below.

[1] http://www.justicematters.ie/
[2] http://www.lboro.ac.uk/research/crsp/

This report concentrates on a case study: a household composed of two parents, a pre-school child and a primary school child. Research in each country has sought to identify the needs of such a household in both countries, members of this household are assumed to live in an urban area and to be in reasonably good health.

The analysis in this paper uses data for 2012, and includes the costs of goods and services required to meet this household's needs required for a socially acceptable living standard, priced through retailers that would be easily accessible in each country. However, the analysis excludes the costs of housing (actual or imputed renting costs) and childcare, given the high variation that households experience in meeting these costs.

We look here both at the similarities and differences in the budgets necessary to achieve a minimum socially acceptable standard of living between Ireland and the United Kingdom. These can be divided into three aspects:

- The needs of the case study families: what kinds of item are considered to be essential.
- The contents of baskets of goods and services that allow them to meet those needs.
- The cost of the baskets, both in terms of differences in costs between countries and the relative weight of the basket's components within each country's budget.

3 COMPARING BUDGETS IN IRELAND AND IN THE UNITED KINGDOM: HOW MUCH SPENDING IS REQUIRED FOR DIFFERENT CATEGORIES IN THE BASKETS

Comparing equivalent budgets – three measures

The first step in the comparative process is to compare the price and value of goods and services in different categories within the household baskets. Note that there are several questions that can be asked here:

1. How much is spent in each category in each country, compared at ***current exchange rates*** (or in the case of two countries using Euros, compared in cash terms).
2. How much is spent in each country, converted (or in the case of two Eurozone countries adjusted) using a purchasing power parity converter. This ***overall PPP comparison*** is a ratio of overall price levels comparing one country to another – in the present case expressing the cost in Ireland, in Euros, of a quantity of consumer goods and services purchased for £1 in the UK. This allows us to convert the UK budgets into Euros in terms of what they would cost in Ireland.
3. How much is spent in individual consumption categories adjusted using purchasing power parities for each of those categories. This ***category-specific PPP comparison*** is like (2) except that, for example, the value of food baskets in two countries are compared using a factor that looks at how much £1 worth of food bought in the UK would cost in Euros in Ireland, rather than using conversion factors that compare prices in general. These PPPs "are the rates of currency conversion that equalize the purchasing power of different currencies by eliminating the differences in price levels between countries. In their simplest form, PPPs are simply price relatives that show the ratio of the prices in national currencies of the same good or service in different countries" (OECD, 2014).

The third of these measures, which is our main focus here, is useful because it gets the closest to comparing the actual value of goods and services that comprise a minimum household basket in each country, taking into account their relative price in each country *vis-a-vis* their relative price in another country. This approach has been utilised by the OECD to make inter-country comparisons in real terms of gross

domestic product and its component expenditures (OECD, 2014).This approach has greatest relevance to the living standard obtained (although as we will see later, it still does not give the whole picture, which is also influenced by factors external to household spending, such as levels of public provision, climate and settlement patterns).

However, measures 1 and 2, while less accurate in expressing the *value* of baskets, remain significant in comparing *financial costs*. Both these measures tell us what fraction of the budget needs to be spent, in local currency, on each category; this is significant for example in terms of the effect of inflation on budgets. So for example in a country where food prices are high, the food budget would be relatively smaller in 'value-adjusted' terms (measure 3) than on the other two measures, but the fact that high prices made food a relatively large fraction of the cash budget would mean that food price inflation would have a greater impact on budget levels.

Another important comparison for which relative price comparisons are less relevant is with income levels in each country. Where minimum budgets are high mainly because certain categories of basic goods are expensive, this makes them less affordable than otherwise, compared to prevailing income levels; so a comparison with income needs to take the cost, not just the value of the minimum into account.

For these reasons, the comparisons below show the relative size of Irish and UK budgets both using method 2 and method 3, but the results of the latter (category-specific PPP comparisons) when exploring the source of differences in the budget levels.

Comparing prices in the UK and Ireland

To compare budgets, the first step to ensure that they are divided into common categories that are compatible across countries and for which information on relative price levels are available. This was done using the Eurostat-OECD's categorisation of individual consumption expenditure by households[3], which includes twelve categories:

1. Food and non-alcoholic beverages
2. Alcohol and tobacco
3. Clothing and footwear
4. Housing[4], water, electricity, gas, and other fuels
5. Furnishings, household equipment, and routine household maintenance
6. Health
7. Transport
8. Communications
9. Recreation and culture
10. Education
11. Restaurants and hotels
12. Miscellaneous goods and services

In comparing budgets within each of these categories, we first used the overall PPP comparison method, taking the 2012 PPP ratio of £1 in the UK equal to €1.2384 in Ireland (Eurostat-OECD 2012). For the category-specific PPP method, we used the latest available Eurostat-OECD conversion factors, produced as benchmark figures for 2011[5]. These are shown in Table 1. The table indicates the amount, expressed in local currency, necessary in each country to obtain 1€ of the corresponding basket of goods or services in the EU-28. The final column derives an Ireland-UK price comparison from these figures. They show that in both Ireland and the UK, most categories are relatively expensive compared to the EU average (in the UK's case taking account of an exchange-rate conversion of just over 0.8). In the case of some key categories including food and clothing, they are especially expensive in Ireland. Two important exceptions are transport and housing (including domestic fuel), where

[3] See Annex III: Classification of GDP expenditures in http://www.oecd.org/std/prices-ppp/eurostat-oecdmethodologicalmanualonpurchasingpowerparitiesppps.htm

[4] Rental costs were excluded from the analysis.

[5] The latest available category-specific PPPs are for 2011. Average PPP for all the categories in 2011 is 1.2929; this suggests that these are not expected to have changed much from 2011 to 2012. Source: https://stats.oecd.org/Index.aspx?DataSetCode=SNA_TABLE4

costs are particularly high in the UK relative to exchange rates, and comparatively more modest in Ireland.

TABLE 1 PPPS FOR EACH CATEGORY OF HOUSEHOLD CONSUMPTION (EUROSTAT-OECD)

	Ireland (€) compared to EU28 average (€)	UK (£) compared to EU28 average	Ireland (€) compared to UK(£)
a) Relative costs higher in Ireland compared to overall PPP of 1.24			
Health	1.58	0.97	1.63
Clothing and footwear	1.05	0.72	1.46
Miscellaneous goods and services	1.26	0.87	1.45
Food and non-alcoholic beverages	1.21	0.84	1.44
Communications	1.19	0.84	1.42
Restaurants and hotels	1.26	0.92	1.37
Alcohol and tobacco	1.80	1.34	1.34
Recreation and culture	1.13	0.88	1.28
b) Relative costs lower in Ireland compared to overall PPP of 1.24			
Transport	1.06	0.89	1.19
Furnishings, household equipment, and routine household maintenance	1.04	0.89	1.17
Housing (excluding rent), water, electricity, gas, and other fuels	1.15	1.14	1.01
Education	1.1	1.16	0.95

Comparison of budgets

Table 2 provides the detailed budgets for a household composed of two parents, a pre-schooler, and a primary school child. Columns A and B provide the actual budgets for the baskets of goods and services in Ireland and in the United Kingdom, expressed in Euros and British Pounds respectively, priced in 2012. The other two columns show the transformation of the UK budget into Euros: Column C applies the general PPP for 2012 of the British Pound to the Irish Euro, with a conversion rate of £1 = €1.2384. Column D applies the specific PPP for each of the twelve categories of goods and services, shown in the final column of Table 1.

TABLE 2 COMPARISON OF BUDGETS

Category	Ireland actual (€)	UK actual (£)	UK in € using overall PPP conversion	UK as % of Ireland, overall PPP basis	UK in € using category-specific PPPs	UK as % of Ireland, category-specific PPPs
Food and non-alcoholic beverages	105.06	97.81	121.13	115%	140.4	134%
Alcohol and tobacco	-	6.84	8.47	-	9.19	-
Clothing and footwear	27.69	38.69	47.91	173%	56.42	204%
Housing (excl rent), water, electricity, gas, and other fuels	43.37	54.17	67.08	155%	54.65	126%
Furnishings, household equipment, and routine household maintenance	22.39	36.56	45.28	202%	42.58	190%
Health	12.12	7.44	9.21	76%	12.12	100%
Transport	57.88	74.02	91.66	158%	87.76	152%
Communications	15	8.8	10.9	73%	11.38	76%
Recreation and culture	54.58	66.9	82.85	152%	86.49	158%
Education[#]	-	-	-	-	-	-
Restaurants and hotels	25.63	20.26	25.09	98%	27.87	109%
Miscellaneous goods and services	26.41	33.83	41.9	159%	48.89	185%
Insurance and savings[+]	77.44	2.4	2.97	4%	3.47	4%
Total	473.61	447.72	554.45	117%	581.22	123%

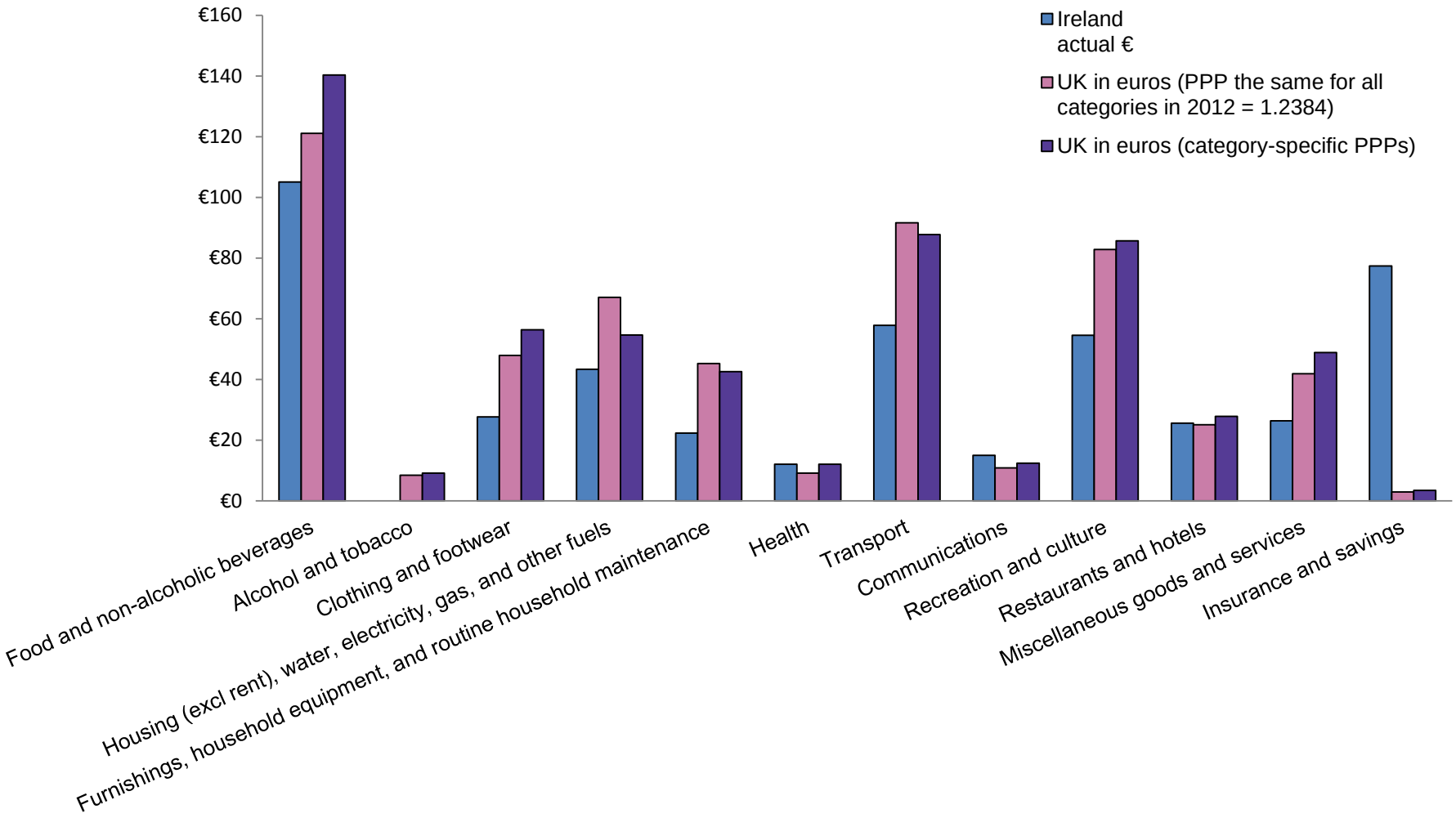
[#] None of the budgets include school fees. The budget in Ireland included some elements labelled as 'education'; however, they were re-classified according to the OECD categorisation. For example, school uniforms were moved to the clothing category and computers, books, dictionaries, and school supplies were moved to the recreation and culture category.

[+] Part of miscellaneous goods and services but separated given its importance in the Irish budget. Most is for health insurance.

The Irish budget comes to €468 per week and the UK budget comes to €554 a week based on an overall PPP conversion, and €581 based on category-specific PPP conversions. So overall, the UK budget is about 20 per cent higher. This average, however, masks contrasts between various categories, ranging from clothing for which the value is almost twice as high in the UK, to communications, where it is lower. In some cases, including food and clothing, the higher UK budgets using a general PPP conversion factor are made higher still when taking account of the greater relative cost of these goods in Ireland, meaning that the value of the goods there is lower. In the case of housing and transport items, on the other hand, the greater cost is modified when relatively high prices in the UK are taken into account. These results are further illustrated in Figure 1.

Note that in 2011, the latest year for which data from both countries are available, median equivalised income in Ireland and the UK, PPP-adjusted, was almost identical – at 16,800 Euros (Eurostat database).

FIGURE 1 UK WEEKLY BUDGET COMPARED TO THE IRISH WEEKLY BUDGET



What is the relative importance of each category, within each country?

Table 3 shows the budget of each category in relation to the total national weekly budget for the case studies. This shows that, despite the considerable differences already observed between the size of the UK and Irish budgets, the relative size of components is in most cases broadly similar.

In both countries, food is the largest component of the budget, followed by transport, and recreation and culture.

An important difference between the two countries is the inclusion of private health insurance in Ireland, which accounts for more than 16% of the weekly budget (including a small amount for non-health insurances) and which is not included in the UK budget (see Section IV below). As a consequence of this difference, most categories in columns B and C show a greater share of the total for the UK than in column A for Ireland. To adjust for this, the last four columns of Table 3 compare the budget shares in the two countries using only 'common' categories - excluding the insurance and savings category, as well as the alcohol category which is not an item in Ireland. Using these comparisons, the proportionate shares are mainly very similar – within two percentage points for every category other than clothing, although proportionately the shares show large differences in the health, communications and 'Furnishings, household equipment, and routine household maintenance' categories.

Looking at the right hand side of Table 3, we can thus observe:

- That the largest four categories – food, transport, recreation and non-rent housing/energy costs, comprise similar proportions of the budgets, amounting to roughly 25 per cent, 15 per cent, 15 per cent and 10 per cent of budgets respectively – a total of nearly two thirds of the overall budget (excluding alcohol and insurance).
- That the next largest category, clothing, has the greatest difference in shares, comprising 10 per cent of the UK budget but only seven per cent of the Irish budget.

- That among relatively smaller categories, furnishings, household equipment and maintenance account for a larger share in the UK (7.5%) than Ireland (5.7%). Conversely, health and communications, which each comprise only around two per cent of UK budgets, make up three per cent and four per cent of Irish budgets respectively.

TABLE 3 COMPOSITION OF NATIONAL WEEKLY BUDGETS BY CATEGORIES

	A. % of the total Irish budget	B. % of the total UK actual budget	C. % of UK budget based on category-specific conversion to Irish PPPs	D. % of Irish budget, "common elements" only*	E. % of UK budget based on category-specific PPP conversion, "common elements" only*	F. Difference, %age points UK-Irl (Col D minus Col E)	G. Difference, UK share as proportion of Ireland share (Col E/Col D)
Food and non-alcoholic beverages	22.2%	21.9%	24.3%	26.5%	24.7%	-1.8%	93.1%
Alcohol and tobacco	-	1.5%	1.6%				
Clothing and footwear	5.9%	8.6%	9.8%	7.0%	9.9%	2.9%	142.0%
Housing (excluding rent), water, electricity, gas, and other fuels	9.2%	12.1%	9.5%	10.9%	9.6%	-1.3%	87.8%
Furnishings, household equipment, and routine household maintenance	4.7%	8.2%	7.4%	5.7%	7.5%	1.8%	132.5%
Health	2.6%	1.7%	2.1%	3.1%	2.1%	-0.9%	69.7%
Transport	12.4%	16.5%	15.2%	16.1%	15.4%	-0.7%	95.7%
Communications	3.2%	2.0%	2.2%	3.8%	2.0%	-1.8%	52.9%
Recreation and culture	11.5%	14.9%	14.8%	13.8%	15.2%	1.4%	110.4%
Education	-	-	-				
Restaurants and hotels	5.4%	4.5%	4.8%	6.5%	4.9%	-1.6%	75.8%
Miscellaneous goods and services	5.6%	7.6%	8.5%	6.7%	8.6%	1.9%	129.0%
Insurance and savings	16.4%	0.5%	0.6%				
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Excluding alcohol, insurance and savings.

FIGURE 2 COMPOSITION OF THE IRISH BUDGET

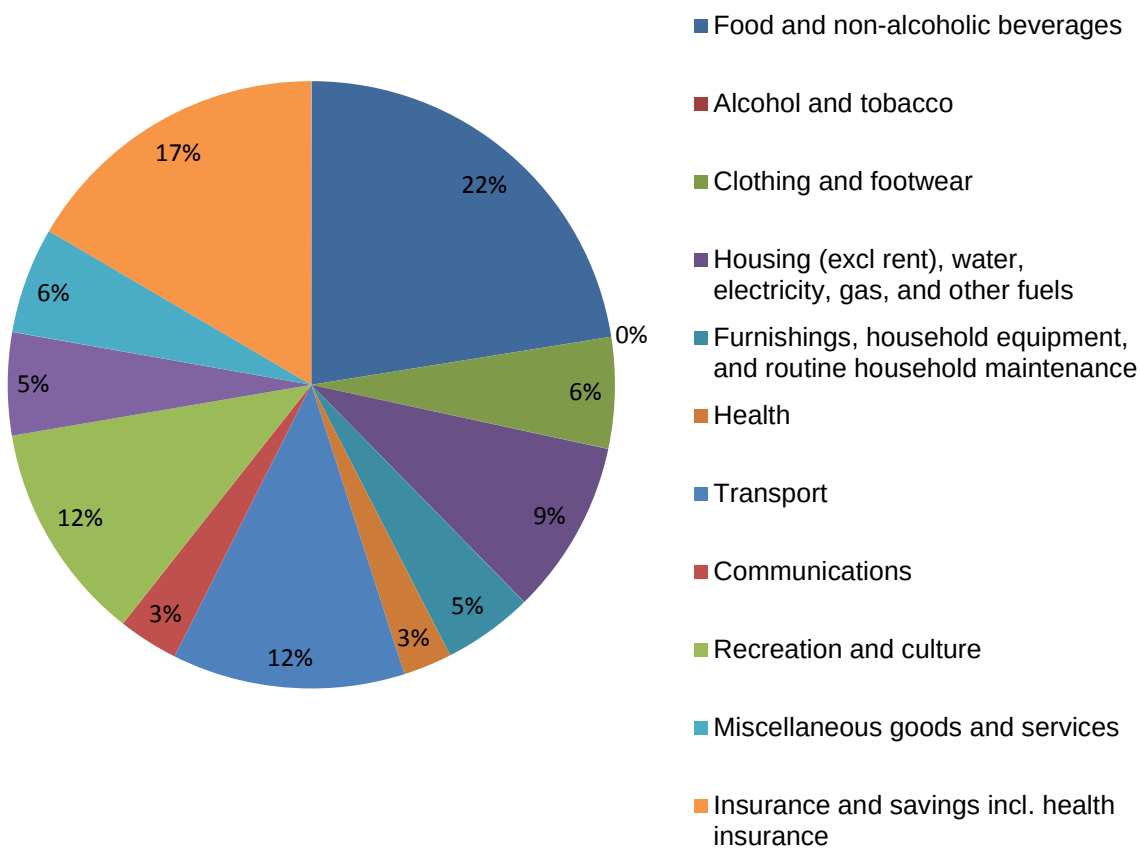
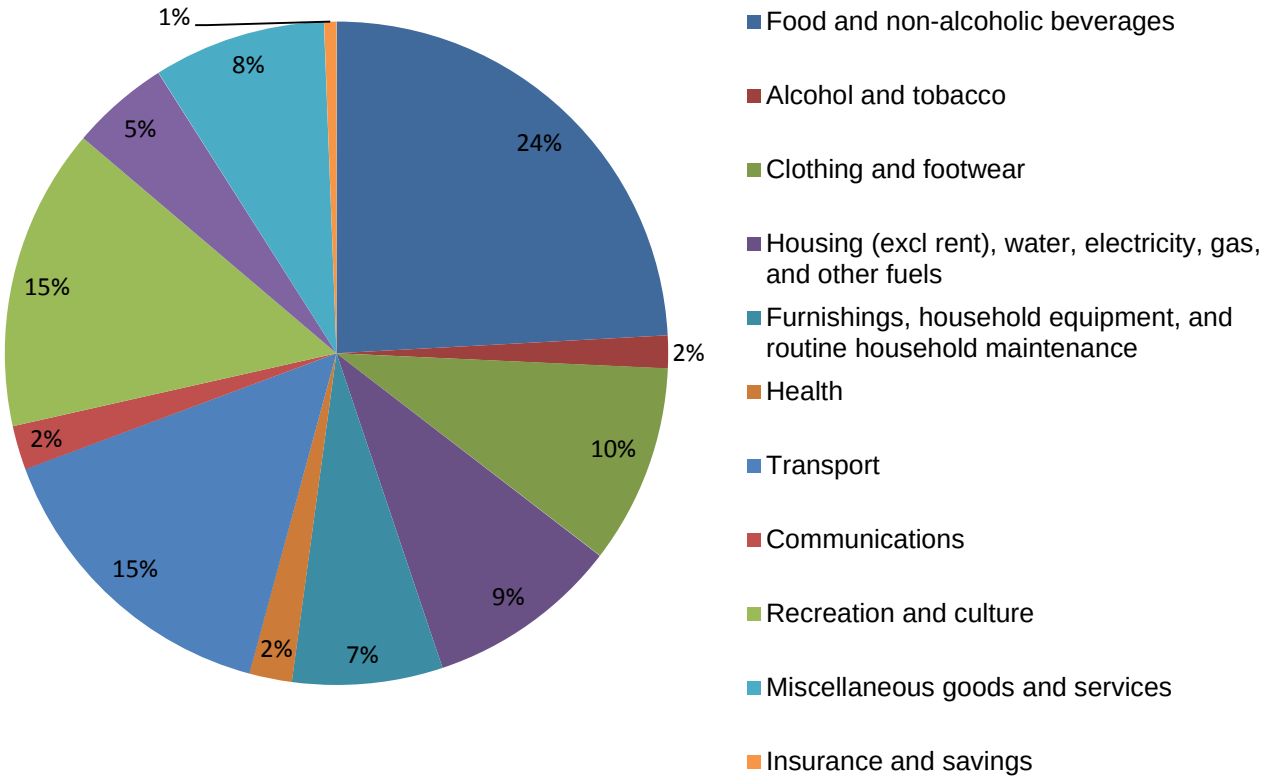


FIGURE 3 COMPOSITION OF THE UK BUDGET (CATEGORY-SPECIFIC PPP APPLIED)



4 EXAMINATION OF SIMILARITIES AND DIFFERENCES IN THE BUDGETS

Differences in the budgets can exist because:

- Identified needs are different.
- The items required to meet the need are different.
- The cost of these items is different. This can go beyond the overall price relativities examined in the previous section, and relate to aspects such as item quality, type of retailer from which it is sourced and item duration.

This section reviews each of the areas of consumption to disentangle the possible reasons for coincidence or divergence in the budgets.

Different needs? Categories included in one country but not in the other

Almost all categories of items identified as essential in the United Kingdom are also included in Ireland. There are two notable exceptions. Alcoholic drinks are included in the United Kingdom but not in Ireland. On the other hand, health insurance and savings are included in the Irish budget but not in the United Kingdom´s budget.

Alcohol

The budget for the case study in the United Kingdom includes a weekly allowance for a small amount of alcohol to be consumed within the home or at a pub. The budget includes four cans of lager and one bottle of wine per week for a couple. Assuming that drinks would normally be consumed at home, and at a restaurant or pub as part of a family meal out every four months, the budget for this basket comes to a weekly cost of €9.19. Groups in the United Kingdom have indicated that not everybody drinks alcohol but that the budgets should allow anyone to have the choice to do so. It is recognised that occasional alcoholic drinks are part of socialisation when eating out with family or friends and during special celebrations. In the Irish study, alcohol was explicitly not included in the budget because it was not considered essential for a healthy living standard. However it was recognised that alcohol outside the home may be part of the leisure budget, as people might choose to include it from the allowance made for socialising. Thus alcohol is not excluded in the budget, although since the total amount allowed for socialising in Ireland is considerably less than the UK alcohol budget, alcohol is at most a much smaller expense in the former.

Insurance and savings

Home contents insurance is included in both budgets, with a weekly cost of €4.03 in Ireland and €2.40 in the United Kingdom. However, the 'insurance and savings' category is much larger for Ireland, and indeed is the second largest category, in contrast to the UK where it is the smallest category. This is because the Irish items in this category are two large items excluded from the UK budget: private health insurance (€45.23) and savings (€28.18). The first of these is required in Ireland but not the UK due to a clear difference in the funding of healthcare, which imposes charges on many services that would be free in the UK. The payment reflects the price of insurance against these costs for people without a medical card – which people on very low incomes are entitled to, but which would not be available to someone reaching the Minimum Income Standard in Ireland.

The inclusion of savings for Irish but not UK households partly reflects the ways in which some long-term costs are allocated. For example, the Irish budget makes no additional provision for buying birthday and Christmas presents, but assumes that this will come from savings. People may in practice save to pay for some long-term essential costs such as mending appliances when they break down, holidays and Christmas, as well as for unspecified 'rainy day' spending or to cover long-term fluctuations in their income such as retirement. For the most part, the MIS method covers the cost of essentials through regular weekly budgets, even if these items are only bought occasionally rather than every week. However, in the Irish case, savings for unspecified purposes can be considered partly to cover such items.

Similar needs but different ways to meet them

In some areas, the need is similar but differences between the two countries are related to the way in which the needs are met, particularly in the range of items provided in the baskets.

Food

The need for providing the case studies with an appropriate nutritional content and with meals that allow variety is similar in both countries. However, the food and non-alcoholic drinks budget in the United Kingdom is higher than the food budget in Ireland. This difference is partly explained by the fact that the UK basket includes a wider range of products than the Irish basket. For example, the food basket in the United Kingdom includes additional money for buying special food at Christmas while the basket in Ireland does not. In the case study in the United Kingdom, each adult in the household is given £15 and each child is given £5 for Christmas food, which transformed to the PPP for food and non-alcoholic drinks comes to a total of €57.41 per year. Comparing the weekly budgets, this item alone accounts for an additional cost of €1.12 in the United Kingdom.

When looking at types of food consumed on a more frequent basis, the UK basket also tends to include a wider variety of elements. For example, with a weekly cost of €25.95, the basket of meat in the United Kingdom includes steak, beef mince, bacon, ham, corned beef, sausages, chicken thighs, and roast chicken. In Ireland, the basket of meat has a weekly cost of €22.80 and includes chicken fillets, mince, pork chops, bacon, roast pork, and sausages. Taking into account that the relative cost of food in Ireland is higher than in the United Kingdom[6], it is possible to suggest that the higher cost of the meat component in the UK basket in relation to that component in the Irish basket is derived by the inclusion of a larger amount of items.

A wider range of items in the UK food basket is also visible in the inclusion of items such as soft drinks, chocolate coated filled bars, ice-cream, custard, and a variety of sauces and condiments, which are not included in the Irish food basket. The rationale for not being included in the Irish basket is because many of these elements are not part of a healthy diet. The rationale in the United Kingdom for including them is that they provide choice and allow people to cook in a variety of ways that meet social norms. For example, the UK basket includes some soft drinks to offer to visitors.

[6] The PPP of Ireland to the EU-28 is €1.21 for €1 and PPP of the United Kingdom to the EU-28 is £0.84 for €1. This means that €1.21 is needed in Ireland and £0.84 is needed in the United Kingdom to acquire a similar basket of goods priced at €1 in the 28 countries of the European Union.

An important aspect of food costs is where items are priced. In Ireland, the food was priced in the low cost German chains, Aldi and Lidl. This policy was only introduced in 2012, when review groups specified that due to the growing presence and range of products of these outlets, this was compatible with reaching the minimum standard. In the UK, like previously in Ireland, food is priced at Tesco. Whilst groups there acknowledge that discounted supermarkets offer equivalent products at a lower price, they do not think this is always an option, and it would not be possible to obtain all one's groceries there. In view of time constraints, they said, people should not need to shop around in order to afford a minimum food basket.

Housing (excluding rent), water, electricity, gas, and other fuel

Households in Ireland and the United Kingdom have the need for housing and its related costs, water, and energy. However, while the need for energy is met in similar ways, the need for water and housing-related costs are met in very different ways.

The total budget for this category in the United Kingdom is €54.65 per week, while in Ireland it comes to €43.37 per week. Relative prices for this basket of goods and services are very similar in both countries, with PPPs of 1.15 and 1.14 to the European Union for Ireland and the United Kingdom, respectively. Therefore, the difference in the budgets is not related to the relative cost of this category but to other factors.

For instance, the cost of energy (electricity, gas, and other fuels) in the United Kingdom is lower than in Ireland, representing a weekly cost of €23.08 and €39.96 respectively. This could relate to the assumptions made about levels of housing insulation and size of home, as well as to the relative cost of fuel (the PPP correction has looked at the relative costs of housing and fuel overall, rather than breaking these down). An examination of the items included in the housing and fuel items reveals that difference between budgets is related to a range of the items included - as well as home energy, the UK budget includes water rates and Council Tax, while the Irish budget includes the cost of electricity and gas and waste standing charges. In the United Kingdom, water rates and Council Tax alone represent €31.56 per week. Thus, much of this difference is in fact related to the differences of what is imposed in unavoidable local charges.

Health

Health is an area with a high degree of correspondence between the Irish and the United Kingdom's budgets. In both countries, the basket of health services includes over-the-counter medicines, a first aid kit, and plasters, paying for dentists and opticians, and the cost of prescriptions. The health basket has a weekly cost of exactly €12.12 per household in both cases. As noted above, this is however a significantly higher percentage of the Ireland budget, excluding health insurance than it is of the UK budget.

It is relevant to point out that, even though the total weekly budgets for health come to equal amounts, there are some differences within the baskets. An important difference is related to prescriptions: the budget in Ireland includes four prescriptions per couple, two contraception prescriptions, and two prescriptions per child per year, which come to a total of €4.05 per week. The budget in the United Kingdom includes five prescriptions as well as non-prescribed contraception for the adults, with a weekly total of €1.94[7]. This basket, however, does not include the cost of prescriptions for children given that children under the age of 16 years are entitled to free prescriptions by the NHS.

There are two other important differences in the items included in the health baskets: the cost of an annual treatment (such as a filling) and a pair of prescription glasses every two years, which are included in the budget in the United Kingdom but not in the Irish budget. These items account for €4.09 per week in the UK budget. However, even though the health basket in the United Kingdom includes a larger amount of items, the costs are virtually the same as in Ireland, reflecting the higher costs of health in the latter. Going back to Table 1, a person in Ireland needs €1.58 to get a basket of health goods and services with a cost of €1 in the European Union, while a person in the United Kingdom needs £0.97 to get a similar basket.

[7] The case study is based in England, where adults pay for prescriptions; unlike in Scotland, Wales, and Northern Ireland.

Needs are similar, the ways in which they are met are similar, but costs are different

Communications

The budget for communications in Ireland and in the United Kingdom includes the same items: a landline, a mobile phone, and internet, as well as postage. The main difference comes from the cost of internet, which in the United Kingdom is priced at €0.89 per week and at €4.69 in Ireland. The difference resides not only in the price of internet but also the option that is included: the budget in the United Kingdom includes a broadband package with free evening and weekend calls and the budget in Ireland includes a 3 Gigabytes dongle.

Restaurants and hotels[8]

This category includes buying take-away meals, eating out, and the cost of staying at a hotel, caravan, or self-catering venue for holidays. In Ireland as well as in the United Kingdom, being able to go on holidays and eating out every once in a while is recognised as an important part of socialisation. Also, these activities are understood as ways to acquire knowledge and to promote personal and social development of the family members.

The budget for restaurants and hotels in the United Kingdom is €27.87 per week and the budget for this same basket in Ireland is €25.63 per week. When looking at holidays only, the budget of both countries includes one self-catering holiday in a national destination per year, which accounts for €22.10 in Ireland and €25.48 in the United Kingdom.

When looking at the restaurants component, the options given to the case studies differ. The case study in the United Kingdom is provided with £30 per couple and £5 per child for eating out or buying takeaway meals three times a year. Transforming that into the PPP for this category, the weekly budget in the United Kingdom for restaurants comes to €2.39 per household. In Ireland, the weekly budget for the entire household for restaurants is €3.54, which includes one takeaway meal per month.

[8] The original budgets in Ireland and in the United Kingdom include eating out as part of the food baskets and holidays as part of a category named 'social and cultural participation'. These have been moved to the Eurostat-OECD category of 'restaurants and hotels' to use the PPP for this category.

Needs are similar, ways in which they are met are sometimes different, and costs are different

There are some areas in which a combination of issues interact: differences in the way in which some needs are met as well as differences in prices, but also some similar ways in which needs are met but differences in prices.

Recreation and culture

This category includes a range of sub-categories, from books and stationery to computers and electronics; from birthdays and Christmas to leisure activities and hobbies. Overall, the budget for recreation and culture is considerably higher in the United Kingdom than in Ireland (€85.71 vs €54.58). However, on careful examination of the items contained, it is possible to see that the difference in the budgets emerges from both a difference in prices and from difference in the items contained in the baskets.

With regard to computing and printing, both countries include the cost of a laptop, a printer, ink cartridges, and paper. Nevertheless, the weekly costs of these items are different. In the United Kingdom, a laptop comes to a weekly cost of €1.78, the printer comes to a cost of €0.06 per week, and ink cartridges come to €1.10 per week. In Ireland, the costs for similar items are €1.84, €0.03, and €0.34 per week, respectively. The total for these three items in the United Kingdom is €2.94 and for Ireland it is €2.21. However, additionally to these costs, the basket in the UK includes paper for printing photographs, with a weekly cost of €1.03 per week. Also, the basket in Ireland includes the cost of Microsoft Office Package, at €0.46 per week, which in the UK basket is assumed to be a free software package.

In the sub-category of leisure and hobbies, the range of activities included for the parents are very similar in both countries: the costs could cover, for example, going to the gym, football, swimming, going to the cinema, for dinner, or a shopping trip. However, the UK basket allows for a higher amount for these activities than the Irish basket: The UK basket includes £30 per couple per week to cover the costs of three activities per person per week, an activity for the couple per month, and the associated cost of childcare. In PPP terms, this is €38.44 per week in the UK basket,

compared to €24.57 in the Irish basket. These costs include only activities for the parents, which are separate from the costs of family outings.

Some items classified in the recreation and culture category, which meet the same need, appear to be more expensive in the United Kingdom than in Ireland. This is the case of the television, which in both cases is assumed to last for 10 years but has a higher price in the United Kingdom than in Ireland: €256.22 vs €119.95. Part of the difference may come from the fact that the Irish basket includes a 20 inch television, and the UK basket includes a 26 inch television. Related to this, the Irish basket includes €3.02 for the TV licence and €0.14 for the Saorview set top box receiver, per week. The UK basket includes €3.57 for the TV licence per week. The cost of freeview - the equivalent of the Saorview set top box- is already included in the UK budget for the television.

The main difference in the basket of recreation and culture comes from the inclusion of birthday and Christmas gifts in the United Kingdom but not in Ireland. The basket in the United Kingdom allows for buying birthday presents for the members of the case study, plus for family and friends. The budget includes £150 per year for buying Christmas presents and £140 per year for buying birthday presents. This allows the couple to buy one present per month for others as well as buying each other a present for birthdays, and buying gifts for twelve other people and for themselves at Christmas, priced at £10 each. Additionally, children are given more expensive gifts at both occasions: the pre-school child gets £30 for a birthday present, £50 for a birthday party, £35 for buying presents for friends, and £75 for a Christmas present. The primary school child gets £50 for a birthday present, £50 for a birthday party, £84 for buying gifts for friends, and £110 for a Christmas present. The groups have agreed that being able to give gifts is a form of socialisation and that reciprocating with a gift, not necessarily an expensive one, at special events is part of social inclusion. Altogether, the UK budget for birthdays and Christmas gifts comes to €19.06 per week (£14.88). These items are an important contribution of the recreation and culture budget, which is specifically assigned for these elements in the United Kingdom.

The Irish basket does not include a budget for gifts and celebrations. However, according to the Vincentian Partnership for Social Justice (2014), groups in Ireland

have mentioned that the budget for savings and contingencies would cover the costs of presents and special occasions such as Christmas. However, there is no clear definition of how much of the €28.18 per week allocated to savings would be needed to be spent for these items in the Irish budget.

Furnishings, household equipment, and routine household maintenance

Carpets illustrate discrepancies in the budgets related to the price of items and possibly to their quality. For example, carpets in the hall, stairs and landing come to different prices in Ireland and in the United Kingdom, even though both countries consider them to last for 10 years. In the former, the carpet for the hall, stairs and landing is priced at €0.90 per week, while in the latter it comes to €1.18 per week. The opposite is found in carpets for the bedrooms and living area, which come to €2.32 per week in the United Kingdom, and €2.71 in Ireland. Given that houses in both cases are assumed to have relatively similar sizes, differences in the contribution of carpets for specific areas of the house to the weekly budget may be related to the choices in terms of quality and duration.

The basket in the United Kingdom includes a three-seater sofa and a two-seater sofa, which account for €2.20 of the weekly budget for this category. The Irish basket includes a three piece suite, which accounts for €0.99 of the weekly budget. Part of the difference comes from the life-span given to these items: while a pair of sofas priced at €917 in the UK case study is expected to last for 8 years, a €899 three piece suite in the Irish case study is expected to last for 15 years.

Clothing and footwear

Looking at clothing and footwear, the case studies of both countries face similar needs for clothing in terms of weather requirements and lifestyles. However, the weekly budgets result in very different figures, partly because the UK basket includes a larger list of items and partly because prices differ. In general terms, for the United Kingdom, the lists of clothing and footwear generally include a wider range and larger amounts of items than the lists in Ireland. For example, the budget for mothers in the United Kingdom includes three dresses and four skirts, while the budget for their counterparts in Ireland does not include any dresses and only includes one smart skirt. The skirts alone account for €1.44 of the UK budget, while the smart skirt in Ireland accounts for €0.35 of the weekly budget. A similar case is

for fathers, who are provided with two suits (one of a better quality and one of a lower quality) in the United Kingdom but only with one suit in Ireland. The suits in the United Kingdom account for €1.49 of the weekly budget; and the suit in the Irish case accounts for €0.40 of the weekly budget.

In comparing clothing budgets we need to be careful to distinguish the extent of provision of certain kinds of clothing from the everyday cost of being suitably clothed. In the UK, for example, having a suit for work is considered an option that should at least be available, whereas in Ireland, a suit is only specified for special occasions. This affects how often such an item needs to be replaced and therefore its cost. A separate issue is the quality, price and duration of everyday clothes. It appears that much of the difference between UK and Irish clothing budgets for both men and women relates to the cost of items required to look 'smart'. The inclusion of more smart clothing in the UK case than in the Irish case may reflect on different needs (wearing smart clothes for various types of occasions) or different ways of meeting a similar need (for example, wearing smart clothes for a job interview).

On the other hand, looking at items that are used in a more frequent basis than smart clothing such as some undergarments, both countries allocate similar amounts of items with similar life-spans. For example, mothers are provided with three brassieres every six months in both countries and fathers are provided with 10 boxer shorts per year in the UK and nine boxer shorts per year in Ireland. However, there are differences in the prices of the items: weekly costs for the ladies' brassieres are €0.85 in the United Kingdom and €0.59 in Ireland; and the boxer shorts are €0.55 in the United Kingdom and €0.21 in Ireland.

Other pieces of clothing are also presented as having similar quantities and life-spans: in both countries, primary school children are provided with one winter coat and three jumpers per year. The cost of the winter coat is very similar: around €0.34 in the United Kingdom and €0.35 in Ireland. However, the weekly cost of jumpers is €0.25 in the UK and €0.50 in Ireland.

With regard to footwear, the baskets show variation in the items included. This is summarised in Table 4.

TABLE 4 FOOTWEAR FOR PARENTS

Country	Mother	Father
Ireland	1 pair of good quality shoes 1 pair of trainers 1 pair of sandals 1 pair of boots 1 pair of flip-flops	1 pair of good quality shoes 1 pair of trainers 1 pair of sandals for the father
United Kingdom	1 pair of flip-flops 1 pair of boots 1 pair of trainers 1 pair of heel smart shoes 1 pair of flat smart shoes 1 pair of wellington boots 1 pair of walking boots	1 pair of shoes 1 pair of trainers 1 pair of walking boots 1 pair of wellington boots 1 pair of flip-flops

Weekly budgets for footwear for the mothers are €2.29 in the United Kingdom and €2.20 in Ireland, while weekly budgets for fathers are €2.01 in the United Kingdom and €1.76 in Ireland. Importantly, even though the weekly costs for footwear come to similar amounts, the range of footwear items in the UK basket is larger than the range of items in the Irish basket. Reaching similar weekly budgets in both countries, despite the UK basket having a longer list than the Irish basket, is related to the inclusion of one pair of good quality shoes in the Irish basket but not in the UK basket, which increases the weekly cost of footwear in the Irish case. The Irish basket includes shoes priced at a High Street shop, while the smart shoes in the UK basket are priced at a supermarket. Note also that having more items does not necessarily increase the overall cost, if less frequent use for each of them extends their lifespan.

Thus, the cost of the everyday clothing items specified in the UK and Ireland budgets show some differences, but not nearly enough to account for the fact that the UK clothing budget appears to be about double the Irish one, relative to overall clothing prices in the two countries. Much of this difference is likely to be due to the UK's inclusion of additional items, especially for more formal wear. One thing to note is that there has been a considerable drop in the cost of basic clothing in recent years, meaning that the relative cost of having some more formal wear may have increased relative to the overall clothing budget.

There is an additional difference in the clothing and footwear baskets, related to the way in which the items are sold. For example, in the United Kingdom, boxer shorts for fathers were found in packs of four, so the budget was adjusted to include 12 units for 1.4 years. In Ireland, boxer shorts were found in packs of three, so the budget included nine units. Even though both countries have adjusted the prices to obtain weekly costs, the ways in which things are available for purchasing may have a difference in choices that people have. Overall, it seems that the UK basket allows for greater choice in the types of clothing that a person could wear.

TABLE 5 SUMMARY OF DIFFERENCES BY CATEGORY

Category of need	Item	Type of difference	Rationale
Food	Various	Wider range of food and non-alcoholic drinks in the UK than in Ireland	Both have pursued healthy, balanced diets, with the input of nutritionists.
Alcohol	Occasional alcoholic drinks	Not explicitly included in the Irish budget; assumed that the money allocated to socialisation could cover that if people wanted.	It is included in the UK budget on the basis that it is part of socialisation, and the amount of alcoholic drinks included is below the maximum recommended.
Clothing and footwear	Various	Wider range of clothing and footwear items in the UK than in Ireland.	Differences related to cultural norms and expectations?
Housing, water, and energy	Council Tax Water rates	Not included in the Irish budget.	Public provision of water differs; water charges will be introduced in Ireland in 2015.
Furnishings, household equipment, and maintenance	Various	Longer list of items in the United Kingdom + differences in prices.	Differences related to choice of quality/price?
Health	Prescriptions	Higher cost in Ireland.	Related to the public provision of health services: children are exempt of paying for prescriptions in the UK but not in Ireland.
Transport	Public vs private transportation	The UK budget includes a car; the Irish budget includes public transport.	The Irish case considers that households in urban settings would easily access public transport. The UK budget introduced a car due to increased limitations in and higher cost of public transport.
Communications	Internet	Higher relative price in Ireland + higher price of item + different item	The way in which the need is met is different: the type of internet connection largely determines the cost.
Recreation and culture	Hobbies and social activities	Higher frequency and higher cost of activities in the United Kingdom.	Cultural expectations?
Education	Not included in the budget		
Restaurants and hotels	Similar in both cases		
Insurance and savings (subcategory of Miscellaneous goods and services)	Private health insurance and savings for life assurance	Not included in the UK budget	Differences in the public/private provision of health.

5 UNDERLYING INFLUENCES AND DISCUSSION

The similarities and differences between budgets in the UK and Ireland appear to relate to a wide range of different factors. Some of these derive from conditions in each country – including whether various services are provided free or at reduced cost with support from the state, and the specific structure of retail markets, including what kinds of low-cost goods are available. Others can be linked to the ways in which groups specify what is a need – including what kinds of tastes need to be catered for and the levels of quality and choice that are considered to be part of a minimum.

Before discussing how these factors have influenced budgets in particular ways, it is important to note that an underlying influence can be how precisely the 'minimum standard' is defined. In Ireland and the UK, two different definitions were used:

> In Ireland: '*A minimum essential standard of living is one which meets an individual/household's physical, psychological, spiritual and social needs*'.
>
> In the United Kingdom: '*A minimum standard of living in the United Kingdom today includes, but is more than just, food, clothes and shelter. It is about having what you need in order to have the opportunities and choices necessary to participate in society*'.

These definitions are compatible but far from identical. They reflect the fact that part of the consensual aspect of MIS consists of asking groups of ordinary citizens to agree a definition of what we mean by a minimum. This involves rounded discussions of what elements should be included, with reference to various international definitions that have been devised. Such a process helps ensure that groups are discussing a concept that members of the public can both understand and support. However, the form of definition that this produces can vary. This may partly reflect different cultural perspectives in each country, although it may also reflect more incidental features of how the definitions are finally put together.

The inclusion of the term 'essential' in the Irish but not the UK definition, and the inclusion of the terms 'choice' and 'opportunity' in the UK but not the Irish definition, while not in any way causing the definitions to conflict, do potentially affect the lists derived by the groups. For example, when thinking about whether and when to select the cheapest products or shopping outlets available, having the principle of

‘choice’ in the foreground potentially makes a difference. Such differences are possible even with an identical orientation group process: the selection of the term ‘choice’ in the UK may partly reflect the emphasis put in public and political discourse on individual choice as a social value, which is not necessarily as great in all countries. In this sense, the consequences of different definitions across countries for MIS costs may reflect cultural differences and hence what is arrived at through consensus. On the other hand, such variations in definition might be seen as having an exaggerated effect on differences in the compilation of budgets. For example, the principle of ‘choice’ may exist across countries, but be more strongly articulated in one country than another, causing it to become an explicit part of the definition there, and thereby ensuring that it is regularly considered by groups, while in the country that does not include it, it may be only occasionally or rarely brought up when discussing minimum needs.

In this respect, the fact that each of the various MIS studies has been designed primarily for national purposes, rather than to make international comparisons, potentially creates limits to comparability. An alternative, if one wanted to create more international comparability, might be to adopt a common definition of the minimum across countries. However, this approach could in turn be criticised for giving insufficient emphasis to national differences in the concept of what makes certain things essential. A general principle of MIS is that it should be grounded in consensus among people living in the time, location and types of household whose needs are being researched. This means, inevitably, that comparisons across countries will be subject to multiple influences affecting how this consensus is reached in each case, and no one version of ‘comparability’ will be perfect.

External factors: public provision and charges

The minimum cost of living for a household depends partly on what the state provides for free and what charges it makes on those things that are provided publicly.

An important difference between the UK and the Irish budgets is the cost of Council Tax and water rates. Water rates in the United Kingdom are included in the budget at €9.07 per week. At the moment, Ireland is in the process of changing the

provision of water. However, in 2012, when the budgets were discussed, water charges were not in place since they were abolished in 1997. It has been announced that domestic water charges will be reintroduced in late 2014 and that the first bills for domestic water will issue in 2015[9]. Nevertheless, water rates are still a cost present in the United Kingdom but not in Ireland which is related to public provision and the systems in place.

Another clear example about the way in which public provision of services influence decisions made in the groups, and consequently the budgets, is healthcare. The health basket in the United Kingdom assumes universal access to the NHS. However, the basket in Ireland includes the cost of private health insurance at €45.23 per week to cover the four family members of the case study. This reflects the fact that many health costs that would be covered by the UK health service for free, are charged for in Ireland for people without a very low income (lower than the amount that would be required for MIS).

Opportunities and possibilities: the structure of costs and durability of goods

Another important contribution to the differences in the budget is the overall structure of costs and the availability of items in each country. While adjustments through price indices can be made to express budgets on an 'equivalent' bases across countries, these indices do not account fully for the true differences in a minimum cost of living. For example, in a country where all food needs can be met through accessible low-cost supermarkets, a minimum food basket will be lower relative to average food costs in that country than where this option is not available. This factor helps explain the higher food budget in the UK compared to Ireland. Another important factor is the durability of goods – equivalent products with different lifetimes will have varying weekly costs. While in categories such as clothing, there appears to have been a move towards low durability offset by low price, this relationship seems far from consistent. Irish and UK perceptions of lifespans differ considerably. To the extent that this reflects real differences in the quality of products, price indices can be misleading in the way that they indicate the relative prices of apparently equivalent goods.

[9] More information: http://www.water.ie/billing-and-metering/billing/ and http://www.citizensinformation.ie/en/environment/water_services/water_charges.html.

Values and cultural norms: what range of options and choices should be covered

A crucial reason for using members of the public to specify what should go into an minimum acceptable budget is that they are able to take a view, based on negotiated consensus, of what level of living is adequate, and what range of goods, services and opportunities it should include. An example of where Irish and UK groups took a different view was in relation to activities outside the home. They came up with very similar specifications of the *range* of activities – sporting, cultural, eating out – but the budgets specified for them suggested a greater amount. Another difference was over the ways in which alcohol consumption was allowed for. UK groups considered a modest amount to be consumed inside and outside the home, but the Irish groups considered it to be more incidental, with any such expense to be an optional way of spending part of one's leisure budget.

Diet and clothing are other areas for which cultural values and preferences are highly pertinent. How often one should have the opportunity to eat meat and what kind of clothing is acceptable in various social situation are aspects of life over which values differ across countries, as is clear from the results reported in this paper.

As mentioned above, the context in which cultural norms were interpreted has been influenced by different operational definitions. The explicit mention of choice in the UK definition cause participants to try to avoid specifying only the very cheapest possibility where it is recognised that this would not suit everyone, whether in terms of choosing what one eats or wears or choosing a social activity. Under such a definition, there would be a reluctance to accept shopping at discount stores as adequate until it is perceived that they give a reasonable range of choice of product.

Conclusion

This paper has shown important similarities and differences between the minimum budget requirements identified for UK and Irish households. It has found that the MIS method makes such comparisons possible, but at the same time that its application in different countries must be interpreted with caution.

The most important similarities are:

- That the categories and subcategories of goods and services considered necessary are in the great majority of cases almost identical. In both Ireland and the UK, items ranging from an annual domestic holiday to toiletries, carpets and sofas, are largely the same.
- That the relative size of budgets is broadly similar. Among the categories of item common to both countries, all but one comprise a share of the total different by less than two percentage points between the UK and Ireland.

The most important differences derive from:

- The one main budget category that imposes major private costs in Ireland than in the UK – health care, for which there is a much greater range of chargeable items in Ireland, requiring health insurance.
- The quantity or range of items that are specified as necessary to meet a particular need, which in a number of cases are greater in the UK than in Ireland
- Shopping specifications, which particularly in the case of food include much lower-cost outlets in Ireland than in the UK.

In both of the countries, the repeated use of this method has shown that it is possible to get a stable understanding of what comprises a minimum. However, it would be wrong to present this understanding as identical in both cases, since in each country, public discussion has produced a different definition.

This exercise has been a first step in understanding what a broadly similar consensual budget standard has produced across countries. It shows the range of variables in which similarities and differences can emerge. A similar analysis applied to other countries adopting MIS, later in 2014, will help deepen this understanding.

6 REFERENCES

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