







	Social Welfare		Employed (NMW)	
	2024	2025 f	2024	2025 f
Two Parent & Two Children (Pre & Primary School)				
 MESL	559.77	583.11	697.03	722.33
Income (Net)	545.69	573.69	792.93	843.85
Adequacy	-14.07	-9.42	95.90	121.52
Two Parent & Two Children (Primary & Second Level)				
 MESL	655.21	678.42	754.40	780.72
Income (Net)	559.17	591.17	798.41	849.33
Adequacy	-96.04	-87.25	44.01	68.61
One Parent & Two Children (Pre & Primary School)				
 MESL	431.08	448.88	637.27	677.33
Income (Net)	421.92	436.08	784.36	830.34
Adequacy	-9.16	-12.80	147.09	153.01
One Parent & Two Children (Primary & Second Level)				
 MESL	526.53	544.18	667.04	684.82
Income (Net)	435.71	453.79	735.13	769.29
Adequacy	-90.82	-90.40	68.10	84.47
Single Adult, Working Age				
 MESL	280.22	293.73	572.37	603.74
Income (Net)	232.00	244.00	442.43	473.74
Adequacy	-48.22	-49.73	-129.94	-130.00
Older Person, Living Alone				
 MESL	324.02	341.27		
Income (Net)	319.35	326.04		
Adequacy	-4.67	-15.23		

The MESL data examined in this briefing, is based on the annual 2024 MESL expenditure data and 2025f forecast estimate MESL costs for 2025.

See Notes for details of the income scenarios.

The 2025 income calculations are based on the information from Budget 2025, as published by the relevant Government Departments at this time.

Introduction

The annual budget presents the opportunity for taking substantive steps towards achieving a social protection system that ensures minimum income adequacy and enables a life with dignity. The MESL research provides an evidence base to inform policy decisions towards this goal.

This briefing analyses the impact of Budget 2025, applying the MESL data to examine the impact of the announced measures on income adequacy. This involves assessing the degree to which changes to incomes and services protect the real value of supports in the context of changes to living costs, and forecasting if progress will be made towards enabling a socially acceptable minimum standard of living in the coming year.

The briefing discusses inflation and the change in minimum living costs, on page 3. This gives important context to the analysis, as MESL costs have increased by an average of 16.8% from 2020 to 2024. Looking to the coming year inflation forecasts indicate the potential for further price increases, potentially bringing MESL costs to 21.3% above 2020 levels.

The impact of the Budget 2025 package of ‘cost of living’ supports, which are due to be paid in the last quarter of 2024, is examined on page 4.

Potential income adequacy in 2025, for households reliant on social welfare supports, is examined on page 5. Here the analysis assesses the adequacy of core adult and child rates against forecast MESL costs for 2025, and examines the trend from 2020 onwards. The position of a set of illustrative household cases is also presented on page 6. The overall pattern of income adequacy for 214 test cases is discussed on page 7, and the potential effect of measures such as school meals and free schoolbooks is examined.

A review of measures in relation to household energy is presented on page 8, while recent trends in minimum food costs are discussed on page 9. The potential impact on MESL costs of new education related measures is highlighted on page 10.

The change to the National Minimum Wage is examined from page 11. Particular attention is given to the adjustments to Working Family Payment income thresholds, on page 12. And by contrast, the impact of not adjusting the earnings disregard for the One-Parent Family Payment, on page 12.

Area	MESL Recommendations	Budget 2025 – Permanent Measures
Working Age Personal Rates	Adjust by €20 to €252 per week.	Adjusted by €12 per week.
Qualified Adult	Maintain current nominal rate.	Adjusted by €8 per week.
Qualified Child (under 12)	Adjust by €6 to €52 per week.	Adjusted by €4 per week.
Qualified Child (12 and over)	Adjust by €15 to €69 per week.	Adjusted by €8 per week.
Infants	No additional recommendation.	Introduced ‘Newborn Baby Grant’, providing an extra €280 to the first month of Child Benefit.
Working Family Payment	Adjust thresholds in line with changes to NMW and forecast changes in net earnings.	Increased weekly income thresholds by €60 for all household sizes.
One-Parent Family Payment & Jobseeker’s Transitional	Restore value of earnings disregard and implement system to maintain in future.	Earnings disregard not adjusted, retained at 2020 level.
Direct Provision	Introduce the International Protection Child Payment at the Child Benefit rate.	Re-commitment to implement the International Protection Child Payment.
Fuel Allowance	Restore purchasing power in line with energy inflation, applying a €7 adjustment to the weekly rate.	Weekly rate remains at €33 for 4 th year. <i>(Once-off additional €300 to be paid to recipients in 2024 Q4)</i>
Living Alone Allowance	Restore real value to ensure adequacy of State Pension for older people living alone.	Weekly rate remains at €22 for 4 th year. <i>(Once-off additional €200 to be paid to recipients in 2024 Q4)</i>
National Minimum Wage	Evidence based rate, progressive realisation of the real Living Wage.	Minimum wage increased by €0.80 to €13.50 per hour.

Inflation and changes in minimum living cost

2024 brought a relative stabilisation in the rate of change in the cost of the MESL, with a moderate decline in MESL expenditure need for most household types. The core MESLⁱ cost decreased by an average of 1.9% in the twelve months to March 2024. However, following the significant upward pressure on minimum living costs from mid-2021 onwards, the cumulative change in MESL costs from 2020 to 2024 was a notable 16.8%.ⁱⁱ

While the overall trend in the twelve months to March 2024 has been one of stabilisation, with living costs reaching a relative plateau, there have been significant fluctuations in the cost of various basket areas. Of particular note are the 20.9% decline in MESL household energy costs and the continuing increase in the cost of the MESL food basket (1.5%).

Fluctuations in home energy prices have a disproportionate impact on the MESL, given energy's notable share of overall expenditure. Just as rising energy prices drove a large share of the increase in MESL costs in previous years, the decline is now primarily responsible for the current fall in MESL costs. It is notable that when energy is excluded, the core MESL basket cost increased by 0.7%.

Compared to 2020, the cost of the MESL food basket has increased by 21.2% and the MESL household energy basket has increased by 64.5%. While these increases have been partially offset by declines in other expenditure categories (e.g. education and insurance), the cumulative impact has led to a 16.8% increase cost of the goods and services needed for a MESL.

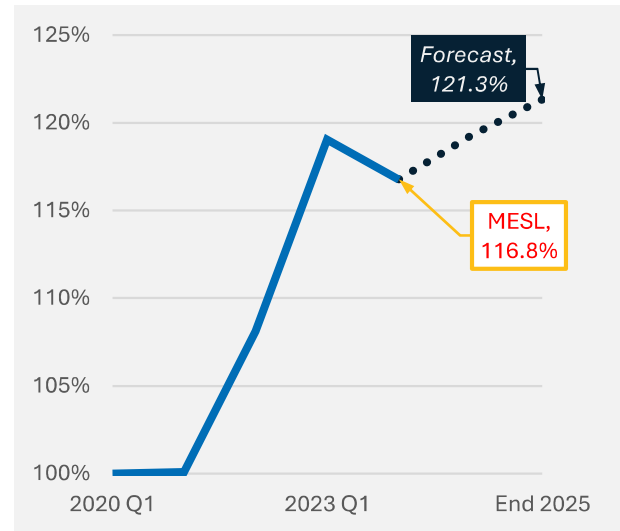
Forecast change in MESL costs for 2025

Fluctuations in food and home energy costs have a disproportionate impact on the cost of a minimum basket, as these basic elements comprise approximately a third of the MESL basket of essential goods and services.

The exceptional inflation in home energy prices drove the spike in MESL costs observed in 2023. In the 12 months to March 2024 there has been relative

stabilisation with a reduction in energy costs offsetting increases in other areas (including food), leading to a slight reduction in MESL costs. Nevertheless, the cumulative effect of this protracted period of high inflation has resulted in the average cost of a MESL increasing by 16.8% over the four years to March 2024.

Graph 1 Change in MESL, forecast to end 2025



The deflation in energy prices has exceeded earlier expectations which had informed previous inflation forecasts. The revised forecasts from the Central Bankⁱⁱⁱ reflect the reduction in energy prices into mid-2024 and now anticipate an upward trend in energy inflation towards the end of this year continuing into 2026. This combined with stabilisation in food prices, and an ongoing upward trend in core inflation (excluding energy and food) are factored into estimating potential MESL costs in 2025.

Applying the Central Bank disaggregated HICP^{iv} to the food and energy components of the MESL basket and the HICP Core forecast to the remainder of the basket, provides an estimate for the MESL costs in 2025.

The current estimates indicate a potential increase in MESL costs of 2.1% going into 2025, with a further 1.8% increase in 2025. This would result in a cumulative change in minimum living costs of 21.3%, by the end of 2025 compared to 2020.

Minimum Essential Standard of Living

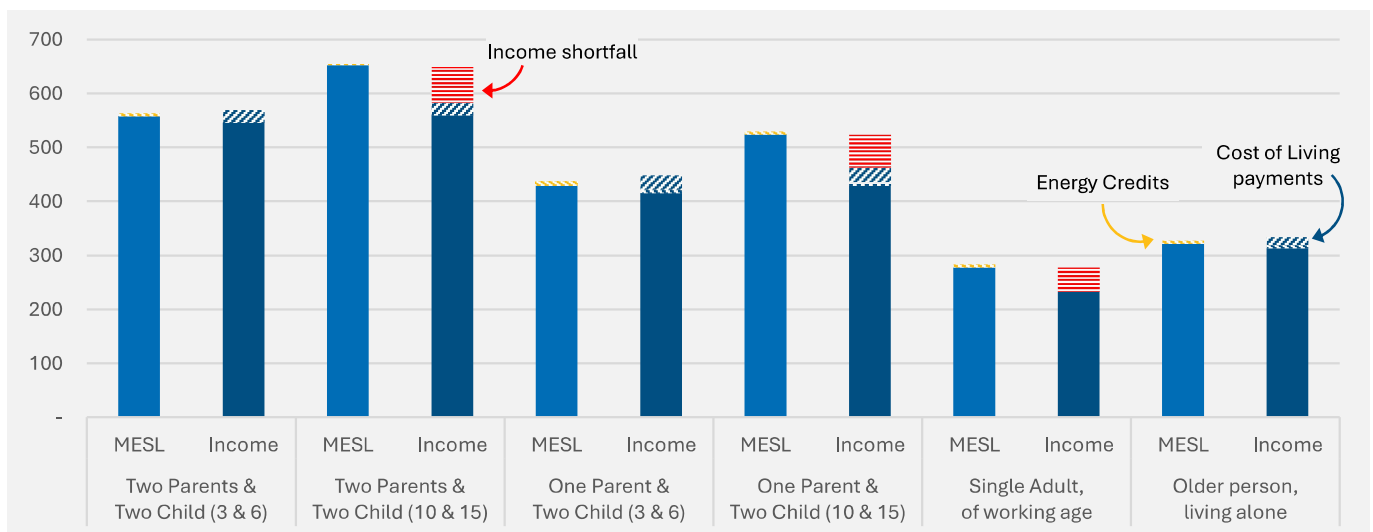
The MESL is decided on by members of the public, working together in deliberative focus groups to reach consensus on what people need to live and partake in Irish society. It is a standard of living which people agree no one should be expected to live below. It represents the minimum required to meet physical, social, and psychological needs, and enable a life with dignity.

The research works with multiple phases of deliberative groups, to reach a social consensus on the goods and services people need to have for a minimum, but socially acceptable, standard of living. The MESL provides the weekly cost of this set of essential goods and services that are required to meet minimum needs and enable people to live with dignity.

In this way the MESL is a tangible measure, grounded in lived experience and derived from social consensus, of what is required for participation, dignity and avoiding poverty. It operationalises a direct measure of poverty and a life with dignity, providing an evidence-based benchmark for assessing income adequacy.

Cost of Living, temporary supports in 2024

Graph 2 Assessing adequacy of Cost of Living supports provided in 2024, six illustrative household types



Budget 2025 has continued the practice of recent years in providing a package of ‘once off’ temporary additional supports, the majority of which are payable in the last quarter of the current year. As in previous MESL analysis of such measures, supports which are payable in the current year are examined in the context of that year. In other words, supports payable in 2024 are examined against 2024 MESL costs. Supports payable in 2025 are applied in assessing income adequacy in 2025. This follows the standard practice in the MESL analysis of considering income on a calendar year basis against living costs for the same calendar year.

The one-off supports include two electricity credits of €125, one each to be paid in 2024 and 2025. There are double payments of Child Benefit in November and December 2024. These broad measures are accompanied by a range of lump sum payments connected to specific income supports, including €300 to Fuel Allowance recipients, €400 to Working Family Payment recipients^v, and a €100 lump sum to be paid for each Qualified Child Increase (now renamed the Child Support Payment).

The effect of these supports is illustrated for a set of social welfare dependent household scenarios in

Graph 2. The chart illustrates MESL expenditure, inclusive of housing costs, net of the energy credit provided in early 2024 (under Budget 2024) and to be provided in late 2024 (under Budget 2025). This is assessed against the standard income supports provided from social welfare, and the additional ‘Cost of Living’ payments including the January double payment provided to long-term recipients (under Budget 2024) and the relevant aspects of the Budget 2025 package.

In all cases above the standard social welfare supports did not provide the basis of an adequate income in 2024. For the two cases with younger children (aged 3 & 6) social welfare met approximately 96% of MESL need. The various Cost of Living supports raised these

cases to a position of adequacy, with income meeting 102 – 104% of MESL need.

For the two cases with older children (10 & 15), social welfare met less than 90% of MESL need. For a one parent household standard supports met 81% of MESL costs. The additional temporary Cost of Living supports have lifted incomes to meeting approximately 88% of MESL need for these household compositions.

For an older person, living alone, the non-contributory state pension did not provide the basis of an adequate income in 2024. However, the additional Cost of Living supports lifted incomes to exceed MESL needs, meeting 104% of minimum living costs in the case examined here.

Social Welfare

The real value of the core social welfare rate adjustments are examined here, relative to the estimated average 2025 weekly MESL needs of head of household adult(s) and children.

The analysis focuses on the permanent adjustments to core rates and secondary supports. The estimated impact of permanent policy measures which reduce potential living costs, e.g. school meals at primary level and the extension of free schoolbooks to Leaving Cert, are also factored into the MESL expenditure costs.

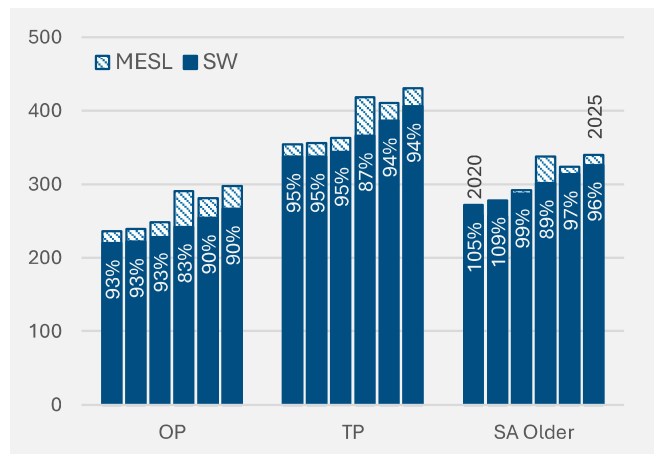
Targeted once-off ‘Cost of Living’ payments are not considered in this section, but the Christmas Bonus is included. However, MESL expenditure is adjusted to include the universal electricity credits.

Adult core rates

The 2024 MESL update report found that the real value of social welfare rates relative to MESL costs reached a low point in 2023. With a partial recovery in 2024, real values had not yet recovered to 2020 levels both for parents and for older single adults. While the ‘Cost of Living’ supports offset at least some of this declining value, their temporary nature means the real value of the underlying core rates has eroded.

The analysis for 2025 indicates that the nominal increases to core social welfare rates are projected to approximately maintain their current real value. The forecast increase in MESL costs indicates that the proportion of expenditure need met is unlikely to improve in the coming year.

Graph 3 Social welfare core rates, % MESL met



This projection includes the 2025 energy credit (€125). Without this supplemental support reducing potential electricity costs, the proportion of MESL needs met would be 0.7 percentage points lower than in 2024.

For the two adults in a Two Parent household (TP), the combination of the personal rate and increase for qualified adult is forecast to continue meeting 94% of MESL needs in 2025.

For a lone parent in a One Parent household (OP), the value of the personal rate, Fuel Allowance (and Christmas Bonus) is forecast to meet an estimated 90% of MESL need.

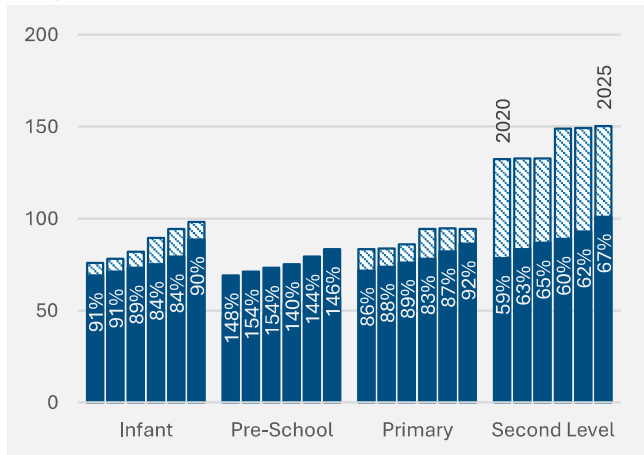
In the case of an Older Single Adult (SA Older), the Non-Contributory State Pension and secondary supports met 105% of MESL need in 2020. In 2025 the relative value of these core social protection rates is forecast to have reduced, meeting 96% of MESL need.

Child rates

The Qualified Child Increase, now Child Support Payment (CSP), is to be adjusted by €4 for children under 12 and by €8 for children 12 and over. The re-introduction of differential adjustments is a welcome measure. As detailed below, it is forecast that the improved rate for older children will meet the highest proportion of MESL need to date for this age-group, in 2025.

To examine the potential real value of the full set of core supports, the direct MESL cost of a child for each age-group, are measured against core child related social welfare supports – Child Support Payment (CSP), Back to School Clothing & Footwear Allowance (BSCFA), Child Benefit. The Christmas Bonus is also included in the assessment, as is the Newborn Baby Grant.

Graph 4 Child related social welfare, % MESL met



The adjustments to the CSP and introduction of additional supports is forecast to result in core rates meeting a greater proportion of MESL need in 2025.

The Newborn Baby Grant, providing an extra €280 to the first month of Child Benefit, has improved the adequacy of social protection supports by 5.5 percentage points for this age-group, compared to the CSP adjustment alone.

At primary level, the introduction of free schoolbooks (in 2023) and the roll out of school meals to all primary schools in 2025 have contributed to limiting potential MESL costs for this age-group. As a result, income supports are projected to meet 92% of MESL need in

2025. The school meals are included in this calculation, and are responsible for 3.8 percentage points of the improvement from 2024.

Without measures such as the free schoolbooks and school meals MESL costs would be higher, and social welfare supports would meet an estimated 7 percentage points less of MESL need (85%) in 2025.

For a second level age child, the relative value is projected to meet 67% of MESL needs in 2025, this would be the highest proportion of needs met for this age-group to date. The rollout of free schoolbooks to the end of second level has contributed to this. Without the free schoolbooks core supports would meet an estimated 1.9 percentage points less of MESL need.

Household income adequacy

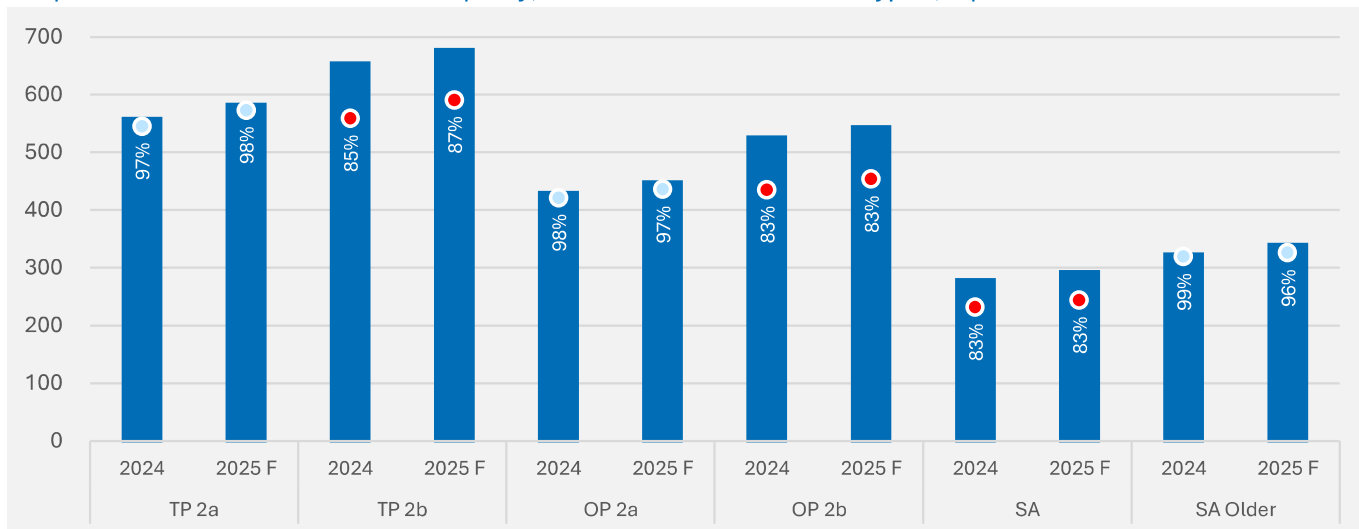
The potential impact of the adjustments to social protection rates, and additional supports (e.g. free schoolbooks) are presented at the household level in Graph 5. The MESL 2025 F is an estimate of potential minimum living costs for the coming year. For context, the assessment from the MESL 2024 report is included, and the effect of the ‘Cost of Living’ supports to be provided in 2024 Q4 are also examined.

As can be seen in Graph 5, each of the household compositions is forecast to demonstrate income inadequacy in 2025. However, the depth of inadequacy is projected to remain stable or potentially improve with social welfare supports meeting a slightly higher proportion of MESL need in 2025.

The households with older children are projected to continue to demonstrate deep income inadequacy, with supports meeting less than 90% of MESL need.

Similarly, the standard Jobseekers rate is projected to continue to meet less than 90% of the MESL needs of a working-age single adult, living alone. If in receipt of Rent Supplement, income is estimated to meet 83% of MESL costs. If a long-term social welfare recipient and in a HAP tenancy in Dublin, income supports are projected to meet 76% of MESL need (a reduction from the 81% of need met in 2024).

Graph 5 Social welfare income adequacy, six illustrative household types, € per week



Adequacy trends

The MESL analysis examines trends in social welfare adequacy for a set of 214 test household cases^{vi}. The analysis identifies trends in income inadequacy with a focus on deep income inadequacy (income <90% MESL need). Patterns of income inadequacy are highlighted, identifying household characteristics and needs which are not properly supported by the structures of the current social welfare system.

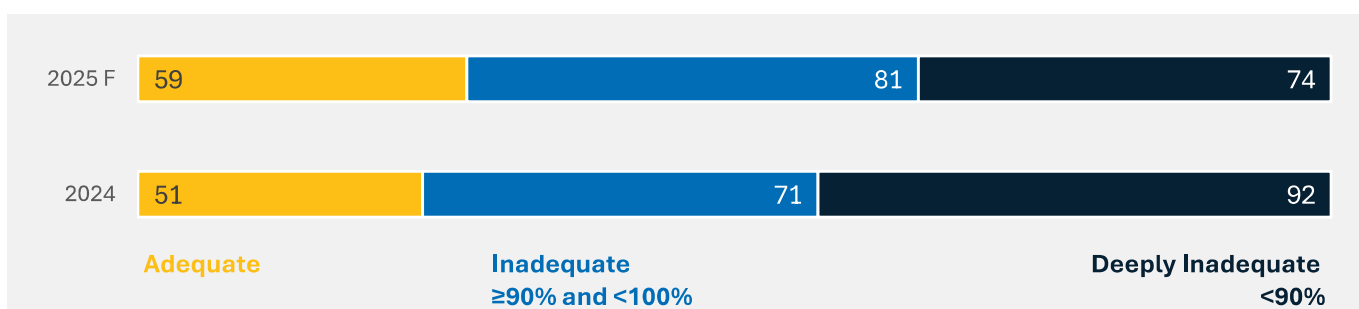
Graph 6 presents the findings of this analysis for 2025, based on current estimates of MESL costs. The results from the MESL 2024 analysis are provided as a baseline for comparison.

‘Cost of Living’ measures

Budget 2025 has again introduced a suite of temporary ‘Cost of Living’ measures, which target recipients of various social protection payments. The majority of the once-off measures are due to be paid in the last quarter of the current year.

The effect of these measures on income adequacy is examined for six illustrative household cases above, on page 4.

Graph 6 Social welfare income adequacy assessment, 214 test cases



2025 forecast adequacy assessment

As detailed above, the adjustments to core social welfare rates, secondary supports and measures to reduce costs (namely school meals at primary level and the extension of free schoolbooks at second level) are assessed against the forecast MESL costs for the coming year. The €125 electricity credit due in early 2025 is also included.

The analysis forecasts a reduction of deep income inadequacy, from 43% of cases (92) in 2024 to

potentially 35% of cases (74) in 2025. Deep income inadequacy, where social welfare supports meet less than 90% of MESL expenditure needs, continues to be most prevalent in single adult headed households (working-age single adult without children and one parent household types) and household compositions with an older child. 60% of the household compositions with an older child continue to indicate deep income inadequacy in 2025.

The contraction in deep income inadequacy will see a cohort of cases move to a position of having an inadequate income which meets at least 90% of MESL need. In 2025 it is forecast that 38% of cases (81) will be in this position, an increase from the 33% of cases (71) in 2024.

Cases demonstrating adequacy are forecast to increase to 28% (59) in 2025, from 24% (51) in 2024.

This potential shift in the level of pattern of income (in)adequacy is influenced by both the change in social protection rates and a number of other factors. The potential effect of other new measures is briefly examined below.

The influence of the €125 electricity credit is found to be minimal. If it were not provided the incidence of deep income inadequacy would be 1.4 percentage points higher, and the rate of adequacy marginally lower.

If the roll-out of school meals at primary school level effectively removes the need for households to provide a packed lunch during term time, it has the potential to reduce MESL costs for this age-group, as discussed

above. The potential effect of the school meals is responsible for 2.8 percentage points of the reduction in deep income inadequacy.

The roll out of free schoolbooks throughout second level, similarly, has the potential to reduce MESL costs for older children in 2025. This measure is responsible for 1.4 percentage points of the potential reduction in deep income inadequacy.

The Newborn Baby Grant is also found to make the most significant contribution, potentially moving multiple household compositions with an infant and school age children from a position of deep income inadequacy, to having an inadequate income which meets at least 90% of minimum needs. This measure alone reduces the rate of deep income inadequacy by 4.7 percentage points.

The suite of child related supports combined are responsible for 7.5 percentage points of the change in deep income inadequacy in 2025. In other words, without these measures deep inadequacy would have been evident in 42.1% of cases in 2025, showing the potential significant impact of these additional permanent measures.

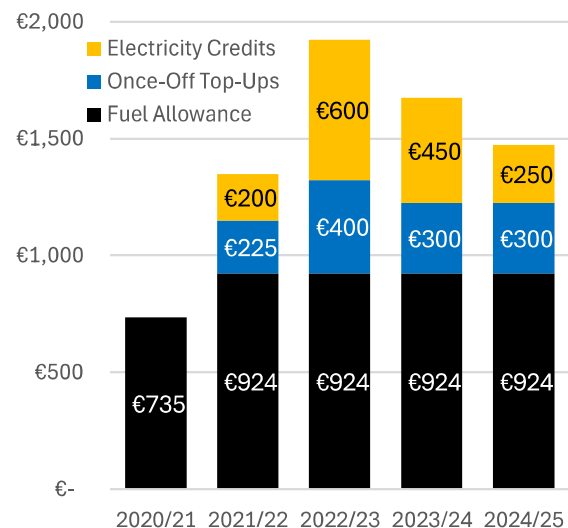
Household Energy

Household Energy represented the greatest rate of change in the 2024 MESL update report. In the MESL baskets, Household Energy decreased on average by 20.9%, compared to 12-months earlier. While there has been a significant reduction in energy prices in the 12-months to March 2024 as inflationary pressures ease, they remain significantly above previous living costs levels. Cumulatively, from March 2020 to March 2024, the cost of Household Energy in the MESL has increased by 64.5%.

Across the analysis of trends in energy inflation, evidence shows a significant decline in energy prices over the past year, however the Central Bank is predicting an upward trend in energy inflation towards the end of this year and into 2026.^{vii}

The Central Bank estimate energy price increases of 3.9% in 2025 and 2.2% in 2026. The baseline forecast considers the estimated effects of changes or increases to standing charges and the PSO levy from this Autumn. From October 1st 2024 the PSO levy will increase from €0 to €3.52 per month, or €42.25 annually (incl. VAT).

Graph 7 Annual value of energy supports



Budget 2025 has retained the core weekly rate of Fuel Allowance (€33) for a 28-week season. The base rate of FA has not increased since Budget 2022, leaving the payment frozen for a fourth year despite continued uncertainty surrounding electricity & fuel prices. Recipients will also receive an additional one-off €300 lump sum payment in November 2024.

Budget 2025 also announced two electricity credits of €125 each in value to be paid to all households.

While the temporary CoL payments will mitigate expected energy price increases in the forthcoming year, they will only temporarily supplement the reduced purchasing power of the core FA rate. Graph 7 illustrates the annual value of FA in combination with any energy-related lump sum payments during the FA season.^{viii}

Given the current uncertainty of energy prices alongside expected increases, a more permanent and targeted measure is required.

The extension of FA to those in receipt of the Carer’s Allowance is welcome, however, the support continues to be unavailable to those in receipt of a short-term social welfare support (e.g., Jobseekers under 12 months) and Working Family Payment recipients, leaving these vulnerable households exposed to energy poverty.

The Budget also announced that Carbon Tax will increase by €7.50 per tonne to €63.50. The increase will apply to motor fuels immediately, and to home heating fuels from May 2025. Households residing in energy poor homes need to consume more fuel to maintain an adequate standard of warmth. The 2024 MESL reported that compared to a mid-range energy rating (C2), the cost of minimum energy needs can be up to 55% higher in a low efficiency dwelling (E1-E2) or 30% lower in a high efficiency dwelling (A1-B2). The impact of this increase in the Carbon Tax will likely be greatest for low-income households living in energy inefficient homes, particularly those that do not qualify for FA.

The extension on the reduced VAT rate of 9% on energy bills to the end of April 2025 is a necessary step given the expected increase in energy prices over the forthcoming period.

MESL food cost

Table 1 MESL food cost, by household type, € per week

	March 2020	March 2024	% Increase
Two Parent & Two Children (Pre & Primary School)	€120.75	€152.31	26.1%
Two Parent & Two Children (Primary & Second Level)	€147.44	€187.05	26.9%
One Parent & Two Children (Pre & Primary School)	€91.69	€115.12	25.6%
One Parent & Two Children (Primary & Second Level)	€118.38	€149.86	26.6%
Single Adult, Working Age	€47.58	€59.87	25.8%
Older Person, Living Alone	€60.04	€69.31	15.4%

The 2024 MESL update included food prices as of March 2024. Although food inflation has reduced significantly since its peak in 2023, food prices still remain significantly higher than just four years ago. Table 1 above shows the change in the weekly MESL food costs between 2020 and 2024. The cost of the weekly MESL food basket has increased on average by 24.4% for urban households, and 17.8% in rural households. Prices have increased the most for Two Parent Households with one primary school and one second level school child (26.9%), while prices have increased the least for an Older Person living alone (15.4%).

Price increases were seen across many of the items included in the MESL food baskets, with a number of key points emerging from the analysis.

Infant food item prices have increased by 27.3% between 2020 and 2024. This is the highest increase across all individual MESL food budgets over the four year period to March 2024.

Some fresh vegetables have experienced large increases in price between 2020 and 2024. These include cauliflower (31% increase), cucumbers (27% increase), parsnips (36% increase) and tomatoes (20% increase). Meat prices have reduced in the past year, but still remain higher than in 2020.

‘Staple’ food items such as milk and bread have decreased in price in the past year, but remain considerably higher than in 2020. The price of bread is 87% higher in 2024 than it was in 2020, despite prices going down 13% between 2023 and 2024. Milk prices are 40% higher this year than in 2020, despite reducing by 9% between 2023 and 2024.

Education

The Research Centre welcomes the extension of the Free Schoolbooks Scheme to TY and Senior Cycle students.

For second level age children, education costs are the third largest category of expenditure. In 2024, the cost of schoolbooks and related classroom resources included in the MESL baskets for second level students is an estimated €4.21 per week or €218.92 annually, making up approximately 22% of their overall Education budget.

The expansion of the Hot School Meals Programme in 2025, is also a welcome measure. According to MESL 2024 calculations a packed lunch 5 days a week costs approximately €210 per primary student, per academic year.

Removing these costs from households will reduce potential MESL costs in 2025, and contribute to social protection supports meeting a greater proportion of minimum need.

The Research Centre also welcomes the introduction of a pilot scheme to address Holiday Hunger. While the Hot School Meals programme benefits these school children during the academic year, food costs remain an issue outside of term-time. Such a scheme is a necessary step to limit potential costs for families with children in this age group. However, improvements in the adequacy of income supports would also contribute to improving food affordability.

Direct Provision

The Research Centre's working paper, "Estimating the MESL costs for families in Direct Provision" found that, based on 2022 MESL data, the income provided by the State for both one parent and two parent families with two children, covered approximately 50% of their estimated MESL need.

The Research Centre's Pre-Budget 2025 Submission recommended the implementation of the International Protection Child Payment at the same rate as Child Benefit. This had previously been announced by the Department of Children, Equality, Disability, Integration and Youth (DCEDIY) following Budget 2024.

If the International Protection Child Payment is introduced at the same rate as Child Benefit, based on the 2024 MESL estimates, the one parent & two child household and two parent & two child living in Direct Provision accommodation's income adequacy would improve significantly. Household income would meet 72% of the one-parent & two child's MESL needs and 70% of the two-parent & two child's MESL needs.

It is welcomed that Budget 2025 has again committed to rolling out the International Child Protection Payment for children under 18, on a full year basis.

Income adequacy in employment

Graph 8 National Minimum Wage income adequacy, five illustrative household types, € per week



Employment should enable people to have a Minimum Essential Standard of Living for themselves and their families. Having an income below this standard of living means doing without goods and services which are seen as vital for taking part in the norms of everyday life.

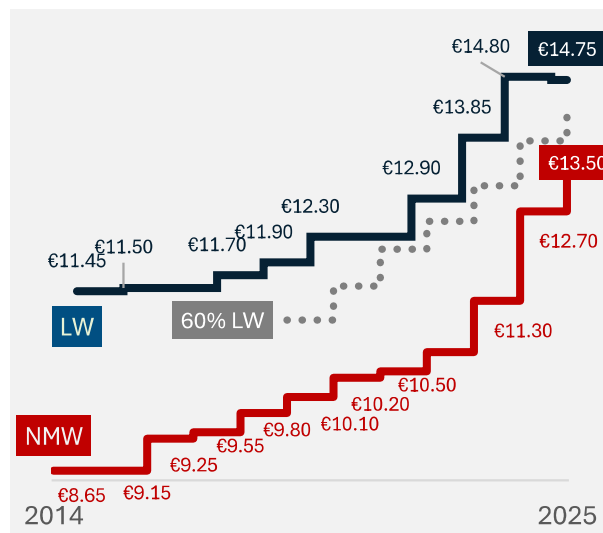
Budget 2025 has announced a €0.80 adjustment to the National Minimum Wage (NMW), bringing the NMW to €13.50 per hour in 2025. This is a 6.3% increase and represents a further step towards Government’s aim of reaching 60% of median wages by 2026. However, the 2025 rate remains notably below the Living Wage rate of €14.75.

The Vincentian MESL Research Centre welcomes any improvement in wages for those on low pay. However, the use of a fixed threshold approach based on median wages, particularly when set at 60%, does not ensure employees can afford minimum living costs.

The Living Wage, as produced by the Living Wage Technical Group since 2014, is based on the MESL research. This approach provides an evidence-based rate which reflects the real living costs faced by employees. While earning the Living Wage rate will not guarantee an adequate income for individuals and households in all circumstances, it provides a base for social supports to build from.

The 2025 NMW is 91.5% of the 2024/25 Living Wage rate of €14.75 per hour.

Graph 9 Living Wage & National Minimum Wage



Single adult

The net income from minimum wage employment will increase in 2025, due to the €0.80 increase in the National Minimum Wage (NMW) rate and related tax adjustments.

The increased Rent Tax Credit, €1,000, will reduce the PAYE payable on a full-time minimum wage salary for an employee in the private rented sector. However, this is not available to a household in receipt of any housing support e.g., HAP.

Net income for a single adult in full-time (37.5 hour) NMW (if in private rented housing and eligible to claim the Rent Tax Credit), will increase by approx. €31 per week, a 7% increase.

If not eligible for the Rent Tax Credit, net income from full-time NMW employment will increase by approx. €26 per week, a 6% increase from 2023.

It is estimated that a standard full-time NMW salary will meet 78.5% of MESL needs. Falling €130 short per week, for a single person living alone and renting a one-bedroom dwelling in the Dublin area.

Based on current projections, a single adult would need to work 52.5 hours of NMW employment per week to afford a MESL in Dublin in 2025.

Households with children

Working Family Payment

The earnings threshold for the Working Family Payment (WFP) is to increase by €60 under Budget 2025. This is a welcome increase which should also address the proportionately lower level of adjustment in 2024.

In 2024, the adjustment to WFP aligned with the change in earnings for a single full-time NMW salary. As a result, the WFP provided to a single full-time NMW earning household (e.g. a single income two parent household) was protected. However, in a dual income situation the level of WFP provided reduced, partially offsetting gains arising from adjustments to the NMW.

For a two-parent household, with one adult in full-time and one in part-time NMW employment, net household income will increase due to the adjustments to the NMW rate. For a two-parent and two child household in this scenario the Budget 2025 adjustments to WFP will result in a €13 increase compared to 2024. This will bring WFP to €46 per week, the same nominal level of support provided in 2023.

In the case of a one-parent household, with a pre-school and primary school child (OP 2a), in full-time NMW employment. The adjustments to WFP will see the level of support increase by €17 per week, to €99 per week. This in conjunction with the change to NMW, and adjustments to the One-Parent Family Payment (OPF) rate and Child Support Payment rates, will see the 2025 net income increase by 5.9% compared to 2024.

One Parent Households

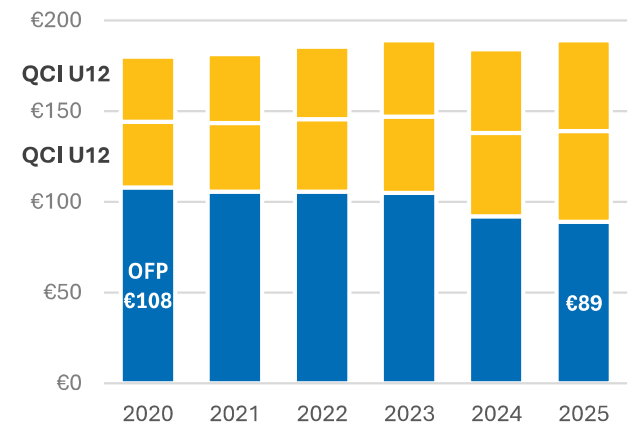
Unlike the adjustments for WFP, Budget 2025 did not adjust the earning disregard for the One-Parent Family Payment (OPF) or Jobseeker’s Transitional (JST) payments. These have remained at €165 per week since 2020.

In the context of increases to the NMW the static earnings disregard has meant that the rate of OPF or JST payable to a minimum wage earner has fallen since 2020. The issue has been somewhat masked with adjustments to the Child Support Payment (formerly Qualified Child Increase) resulting in an increase in net support from OPF / JST each year, until 2024. However, the adult personal rate payable when in full-time NMW employment has reduced each year despite the nominal increases to the full adult rate.

In 2020 the earnings disregard of €165 equated to disregarding 16.3 hours of NMW employment and enabled a full-time NMW employed OPF recipient to receive 53% of the adult personal rate. In 2025 the disregard will equate to 12.2 hours of NMW employment and would enable a full-time NMW employed OPF recipient to receive 36% of the adult personal rate.

The cumulative erosion in the value of the earnings disregard has resulted in a full-time NMW worker qualifying for €19 less per week in the partial adult OPF personal rate compared to 2020.

Graph 10 Rate of OPF payable with f-t NMW salary



National Childcare Scheme

Budget 2025 did not introduce any further changes to the National Childcare Scheme (NCS) subvention rates, beyond those which came into effect from September 2024 (announced in Budget 2024). Furthermore, the income eligibility thresholds for the means tested component have been retained at their 2020 levels.

From September 2024 the minimum hourly subvention payable under the NCS increased from €1.40 to €2.14 per hour.

However, as previously noted in the MESL analysis, not adjusting the income threshold for the higher rates of means-tested subsidy can result in households

qualifying for a lower level of support now than in previous years of the schemes operation.

The NCS pays the maximum rate of subvention (€3.75 to €5.10 per hour, varying by child age-group), to households with a reckonable income below €26,000 per annum (€500 per week). For reckonable incomes between €26,000 and €60,000, a tapered rate of subsidy is calculated. The minimum universal subsidy is paid to those with reckonable income above these limits.

The NCS assesses net salary, and most standard social welfare supports (including Child Benefit, Working Family Payment, One-Parent Family Payment, Jobseeker's Transitional and Fuel Allowance) as reckonable income.

As the means test threshold has not been revised, the adjustments to NMW and income supports for 2025 could be partially offset by a reduction in NCS subvention.

For a one parent household with a pre-school and primary school age-child (OP2a) in full-time NMW employment. In 2024 the NCS subvention increased from €203 to €214 per week, with the increased universal subsidy in September 2024. In 2025, the household would be eligible for a reduced subsidy of €208, due to the increase to the NMW and adjustment to in-work social welfare supports.

While the NCS subsidy provided on the basis of 2025 incomes will be higher than that provided in first part of 2024, it is below the €216 which would have been provided in this scenario in 2020.

Maintaining in-work supports

The issues demonstrated above with One-Parent Family Payment and the National Childcare Scheme highlight the need for a robust mechanism of reviewing means test and income eligibility criteria as part of the annual Budget process. Such a system should ensure the maintenance of income and living cost reduction supports.

The implementation of such a system would align with commitments under the Roadmap for Social Inclusion, in particular regarding child poverty, supports for one parent households and access to affordable childcare.

The earning disregard for the One-Parent Family Payment has remained at €165 since 2020.

The income thresholds for the National Childcare Scheme have remained static since established in 2020.

It is important that all thresholds are reviewed regularly to ensure that the value and adequacy of supports is not eroded over time, as core rates, NMW, etc. are adjusted to reflect changes in earnings and living costs.

Notes

Social welfare scenarios

Housing costs are based on social housing (differential rent), except for the Single Adult which is based on Private Rented and receiving Rent Supplement.

The social welfare income scenarios assume full entitlement to payments relevant to the household scenario:

Two Parents	JS Personal Rate + Qualified Adult + Child Support Payment, Child Benefit, Back to School Clothing & Footwear
One Parent	One-Parent Family Payment / Jobseeker's Transition + Child Support Payment, Child Benefit, Back to School Clothing & Footwear, Fuel Allowance, Christmas Bonus
Single Adult	JS Personal Rate, Rent Supplement
Pensioner	Non-Contributory Pension + Living Alone Increase, Fuel Allowance, Telephone Support Allowance, Christmas Bonus, Household Benefits Package

Assumed all social welfare dependent households are eligible for a full Medical Card.

Employed scenarios

Housing costs based on social housing (differential rent), except for the Single Adult which is based on 90% of average Dublin rent for a one-bedroom dwelling.

Two Parent households based on 1 adult in full-time (37.5 hours) and 1 in part-time (19 hours), One Parent & Single Adult households based on 1 adult in full-time (37.5 hours).

Childcare costs are net of the NCS and/or ECCE scheme as appropriate for child age and household eligibility.

Childcare costs, for a two parent household in a full and part-time employment scenario, are based on the use of a formal provider for a pre-school age child and informal care from a relative/friend for the primary school age child.

Childcare costs, for a one parent household, are based on the use of a formal provider for both pre-school and primary school age children, when the adult is in full-time employment.

The income scenarios examined here focus on broadly applicable situations. Therefore, the employed scenarios are not specific to return to work situations which may include limited term retention of secondary benefits.

Income is net household income, after tax (PAYE, PRSI & USC), and includes applicable social welfare supports e.g., Child Benefit. Means tested social welfare supports for households with children, e.g., Working Family Payment, One-Parent Family Payment, are included as applicable.

Medical card means test applied in each scenario, following HSE Medical Card guidelines.

ⁱ Core MESL basket excludes housing, childcare, and the effect of secondary benefits.

ⁱⁱ Vincentian MESL Research Centre (2024) *MESL 2024: Annual Update*.
<https://www.budgeting.ie/publications/mesl-2024/>

ⁱⁱⁱ Central Bank (2024) Quarterly Bulletin: QB3 – September 2024. www.centralbank.ie/publication/quarterly-bulletins/quarterly-bulletin-q3-2024

^{iv} See Central Bank (2024) Quarterly Bulletin: QB3 – September 2024. *Table 3*

^v There is also a €400 lump sum payment to people in receipt of the Carer's Support Grant, Disability Allowance, Blind Pension and Invalidity Pension.

^{vi} For a breakdown of the 214 test cases, see the 2024 MESL Annual Update report.

^{vii} Central Bank (2024) Quarterly Bulletin: QB3 – September 2024. www.centralbank.ie/publication/quarterly-bulletins/quarterly-bulletin-q3-2024

^{viii} Budget 2021 announced a €3.50 increase to the core weekly rate of Fuel Allowance, which was implemented in January of 2021. As such, the beginning of the Fuel Allowance season was based on the 2020 rate, and the new rate came into effect in the second half of the season. This is reflected in the graph illustrated in this briefing. More recent budgets have introduced any increases to Fuel Allowance at the beginning of seasons.

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