ABSTRACT

Assessing Household’s Living Standards before and during the Cost-of-Living Crisis

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This paper explores the emergence of inflation in 2021/2022 and considers the heterogeneous experience of households across Ireland’s income distribution. The widespread nature of price increases, and their particular impact on areas of large recurring household expenditure (e.g. food, fuel and energy), has resulted in a cost-of-living crisis impacting all households, although some faced into the crisis with a better ability to absorb, or manage, these higher living costs.

Using data from the Survey on Income and Living Conditions (SILC) the paper considered the ability of households to absorb a sudden and significant increase in nominal living costs at the outset of the crisis. It uses data on the subjective assessment of household’s ability to make ends meet to classify households into those who were already struggling, those who perceived that they would be able to absorb a marked increase in nominal living costs, and those with sufficient means to manage these cost increases despite their scale. Households are examined across the income distribution and within other socio-economic classifications such as tenure and household composition. The analysis provides a more comprehensive picture of the resilience, or otherwise, of Irish households to navigate the cost-of-living crisis.

Finally, the paper uses budget standards data, sourced from the Vincentian Minimum Essential Standards of Living (MESL) research centre, to track changes across the crisis in the nominal expenditure needed to reach a consensually defined minimum-but-adequate living standard. It also considers the impact that these cost-of-living increases carry for related benchmarks such as the hourly Living Wage.

Keywords: Inflation, Ireland, Households, Living Standards, Living Wage