

A minimum income standard for Britain: what people think

Findings
Informing change

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This research aimed to find out what level of income people think is needed to afford a socially acceptable standard of living in Britain today, and to participate in society. The study compiled household budgets to calculate the first-ever minimum income standard (MIS) for Britain. Combining expert knowledge with in-depth consultation with members of the public, the MIS standard provides a new benchmark to inform future poverty debates and public policy decisions affecting the incomes of those worst off.

Key points

- According to what people said, in order to maintain a minimum, socially acceptable quality of life in 2008:
 - a single working-age adult needs a budget of £158 per week;
 - a pensioner couple needs £201;
 - a couple with two children needs £370; and
 - a lone parent with one child needs £210.

These amounts are after income tax, and do not include housing or childcare costs.

- Most people relying on basic out-of-work benefits do not reach this standard. A single person on Income Support gets less than half. Out-of-work families with children typically get two thirds. However, pensioners receiving Pension Credit do reach the minimum income standard.
- A single adult, working full time, needs to earn £6.88 an hour to reach this weekly standard, compared to the minimum wage of £5.52.
- For almost all household types considered in this study, the minimum income standard is above the threshold used to measure relative poverty – 60 per cent of average (median) income. The great majority of households below this poverty line cannot afford a standard of living that members of the public participating in the study considered to be the minimum acceptable in Britain today.

The research

By a team at the Centre for Research in Social Policy at Loughborough University, the University of York and the Family Budget Unit.

Background: what is a minimum income standard?

Defining the line between an acceptable and unacceptable standard is a challenge. Currently, the Government often defines this line in terms of having an income less than 60 per cent of median income. However, this measure is not based on research about what people need. The MIS represents a benchmark measure of a socially acceptable standard, to which relative income and other poverty measures can refer.

Based on these budgets, the project makes it possible for most people in Britain to calculate their own minimum income standard.

The MIS budgets are based on detailed lists of what is required by different household types, including:

- food;
- clothes;
- accommodation;
- utilities;
- fuel;

- household goods;
- personal goods and services;
- transport; and
- social and cultural activities.

These lists were developed during 39 group discussions and day-long workshops with members of the public. Each group comprised individuals from the type of household under discussion, from all income backgrounds. Groups were informed by advice from experts, such as a nutritionist and a heating engineer, ensuring that the budgets met basic needs such as nutritional requirements and adequate heating.

The MIS addresses needs and not wants, and is rooted in the principle that those best placed to set minimum acceptable standards are people in the family types to which those standards apply.

An initial set of groups defined the ‘minimum standard’:

A minimum standard of living in Britain 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.

Table 1: Summary of the MIS budgets for four family types

	£ per week			
	Single working-age adult	Pensioner couple	Couple +2 children	Lone parent +1 child
Total excluding rent	157.84	201.49	557.03	345.35
Rent	52.30	64.43	69.40	64.07
Total including rent	210.14	265.92	626.43	409.42
Total including rent but excluding childcare	N/A	N/A	439.45	274.38
Total excluding rent and childcare	157.84	201.49	370.05	210.31

Subsequent groups negotiated what items were essential for this standard, focusing on *needs*, not *wants*. Check-back groups validated or amended decisions taken by previous groups, taking account of comments by experts.

The groups recognised that people's needs vary. The MIS they constructed does not represent an acceptable living standard for every individual. Instead, it draws a line below which it is socially unacceptable for any individual to live.

This method brings together the two leading budget standards methodologies used previously in the UK. These are the 'consensual' methodology based on group discussions among members of the public, pioneered at the Centre for Research in Social Policy (CRSP) at Loughborough University, and the expert-led methodology used by the Family Budget Unit (FBU). This research involved collaboration between CRSP and FBU.

MIS budgets

MIS budgets are being made available on the project website, for most household types, covering 79 per cent of all households in Britain. A 'ready reckoner' calculates the minimum budget for any specified household type, and what level of income is needed to afford this budget once taxes, tax credits and benefits have been taken into account.

Budget totals for four household types are presented in Table 1, which shows budgets before and after rent, and with and without childcare costs.

These budgets can be interpreted by comparing them with a range of other indicators, including the safety-net level of benefits, the level of earnings needed to meet a minimum standard and the actual distribution of income and expenditure in Britain today.

Table 2: MIS compared with out-of-work benefit income, April 2008

	£ per week			
	Single working-age adult	Pensioner couple	Couple +2 children	Lone parent +1 child
MIS (excluding childcare, rent and council tax)	144.51	183.72	349.32	194.76
IS/PC excluding housing costs	60.50	193.19	224.80	132.84
Difference +/-	-84.01	9.47	-124.52	-61.92
IS/PC income as % MIS	42	105	64	68

Note: IS = Income Support; PC = Pension Credit.

Table 3: Gross weekly earnings required to meet the MIS, April 2008

	£ per week		
	Single working-age adult	Couple +2 children (single earner)	Lone parent +1 child with childcare
MIS (including rent and council tax)	210	439	301
Gross earnings required	258	516	230
Less income tax	-30.75	-82.35	-25.15
Less National Insurance contributions	-16.83	-45.21	-13.75
Plus Child Benefit	0	31.35	18.80
Plus Working Tax Credit	0	0	40.89
Plus Child Tax Credit	0	19.78	50.44
Hourly wage rate for 37.5 hour week	£6.88	£13.76	£6.13

MIS and benefits

To what extent does the state guarantee people in Britain enough income to reach what these groups thought was an acceptable standard of living? These findings suggest that people think it falls far short of doing so for working-age families but provides something around an acceptable minimum for pensioners who claim means-tested benefits.

Safety-net benefits for households not in paid work are far lower than the MIS budgets for working-age households. Table 2 shows that, for a single person, Income Support covers only 42 per cent of the MIS budget. Families with children on Income Support receive about two-thirds of the MIS budget. Conversely, the income of couple pensioners receiving Pension Credit (including the winter fuel premium) exceeds the MIS budget by five per cent.

MIS and earnings

Can people in work with low wages achieve the minimum income standard defined by these groups? The picture varies by household type, but it appears that most families with one person working full time but relying only on the minimum wage would be unable to reach the minimum acceptable standard of living defined by the study.

Table 3 shows the level of wages needed to reach the minimum income standard for three types of household – a single person working full time, a couple with two children where one person works full time, and a lone parent with one child who works full time and pays for full-time childcare.

The couple with children would need a wage well over double the National Minimum Wage of £5.52 an hour to reach the minimum standard. The single person could reach it on just over £1 an hour above the National Minimum Wage. The lone parent, helped by tax credits, would get closest to reaching

Table 4: Comparison of MIS and median weekly income, including and excluding housing costs

	£ per week			
	Single working-age adult	Pensioner couple	Couple +2 children	Lone parent +1 child
<i>Including housing costs</i>				
Estimated median income*	265	395	553	344
MIS (excluding childcare and council tax)	197	248	419	259
MIS as % of the median	74	63	76	75
<i>Excluding housing costs</i>				
Estimated median income*	195	337	472	263
MIS (excluding childcare, council tax, water rates and rent)	140	178	344	187
MIS as % of the median	72	53	73	71

* Note that this is not the actual median for each family type, but the median for the whole population, adjusted for size of family.

MIS on the minimum wage; if she had no childcare costs, her income on the National Minimum Wage would exceed MIS as long as she worked at least 30 hours. However, for the many lone parents working fewer hours, and not entitled to a tax credit bonus for working 30+ hours, a higher wage is required to reach the minimum income standard.

MIS, incomes and poverty

How does the conventionally defined poverty line, 60 per cent of median income, compare to the minimum income standard defined by the public in this research? Typically, the poverty line is considerably lower, indicating that families defined as being in poverty fall well short of reaching the minimum acceptable standard of living defined by the study.

Table 4 shows that, before housing costs, the MIS budgets are all above the poverty line. After housing costs, the MIS budgets are also above this line, except for the pensioner couple. Other household types, not shown here, all have MIS budgets above the poverty line before and after housing costs. Over 96 per cent of individuals classified as being in poverty, in the households covered by the study, are below the MIS.

The considerable differences in the percentage of median income represented by MIS for different household types reflect the fact that the relative needs of various households look different in MIS than in the measurement of income poverty. For example, in MIS, a pensioner couple was calculated as needing 27 per cent more (excluding housing costs) than a single working-age adult, whereas the adjustment used in poverty measures assumes

that the pensioner couple needs 72 per cent more. According to MIS criteria, the relative needs of families with children and of single adults are being underestimated when adjusting the income measure for household composition, while the relative needs of pensioners are being overestimated.

MIS and average expenditure

It is interesting to note how MIS budgets compare to actual expenditure among households in Britain. The MIS budgets do not represent what is actually being spent – rather they measure what people said are needs. However, comparing the budgets to what happens in practice provides a ‘reality check’ to ensure that they are not wholly out of line with how people live. Some of the later budget-setting groups in this study were informed of cases where elements of budgets seemed high or low relative to actual spending patterns, and given the option of altering them.

In general, overall budgets were towards the lower end of relevant household types’ actual spending. For example, about three times as many pensioner couples spend more than the MIS budget than less, and the same is true for couples with two children. On the other hand, among lone parents, who are far more likely to be on low incomes, about half spend above and half below the MIS budgets. Other than pensioners, households relying on means-tested benefits spend on average below the MIS budgets.

Conclusion

This study has for the first time produced an income standard for Britain that is based on detailed research about what people said is needed to reach a socially acceptable standard of living. The research will be of relevance to people who measure poverty and to all those whose actions influence basic disposable incomes, from the Chancellor of the Exchequer to trade unions and employers, and judges and adjudicators who schedule the repayment of debts or fines by people with limited means.

The MIS is not perfect. Many individual households will have needs that go well beyond a common standard that covers the whole population. As a national standard it does not create an acceptable living standard for every individual, but it does set a level that members of the public believe it is socially unacceptable for anyone to live below. It does not replace existing poverty measures, but will act as a benchmark that helps to interpret them. The MIS therefore represents a new and important tool for informing social policy in order to promote fairness and well-being in Britain.

Further information

The full report, **A minimum income standard for Britain: what people think** by Jonathan Bradshaw, Sue Middleton, Abigail Davis, Nina Oldfield, Noel Smith, Linda Cusworth and Julie Williams, is published by the Joseph Rowntree Foundation.

Further information about the project is available at the project website: <http://www.minimumincomestandard.org>

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