

JRF Programme Paper
Minimum Income Standards

**HOUSEHOLDS
BELOW A MINIMUM
INCOME STANDARD:
2008/9 TO 2011/12**

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This paper:

- examines changes in the adequacy of household incomes between 2008/9 and 2011/12;
- looks at who is most likely to lack the income needed for an adequate standard of living;
- analyses the numbers and characteristics of those falling above and below the minimum income standard.

The Joseph Rowntree Foundation (JRF) commissioned this paper as part of its programme on the minimum income standard, which aims to define an ‘adequate’ income, based on what members of the public think is enough money to live on.

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Key points

- The proportion of people living in households below the Minimum Income Standard (MIS) increased by a fifth between 2008/9 and 2011/12. Most of the increase came in the final year of this period.
- The most severe increase has been among single people of working age, where the percentage unable to afford this minimum acceptable standard of living rose from 29 per cent to 36 per cent.
- Among single people aged under 35, this percentage rose even faster, from 29 to 42 per cent. This group also had an even greater increase in risk of having extremely low incomes, of less than half the minimum required: this risk rose from 9 per cent to 25 per cent.
- This dramatic deterioration in young people's fortunes is associated with growing unemployment, declining benefit levels and a sharp increase in private renting, where disposable income can be severely affected by high rent levels. Private tenants are now significantly more likely to be in deep poverty than those living in social housing.
- In the early part of the recession, families with children were less likely than young people to be workless, and were experiencing increases in benefits and tax credits. However, by 2011/12, cuts in entitlements were feeding through into a growing risk of falling below MIS. For lone parents, that risk fell from 65 to 60 per cent between 2008/9 and 2010/11, but rose again to 67 per cent the following year.
- Pensioners and couples without children remain the most likely to have an adequate income. However, more couples without children are finding themselves on a just-adequate income rather than being well above the minimum.

Summary

This report examines the changes in the adequacy of incomes, as measured by households' ability to reach the Minimum Income Standard (MIS), between 2008/9 and 2011/12; a period when recession set in and continued to bite. This is the second in an annual series of reports tracking how many people live in households with insufficient income to afford a minimum socially acceptable standard of living according to MIS. As well as monitoring numbers below this threshold, the report also looks at how many are well above and how many well below this standard.

The 'households below MIS' approach to monitoring income adequacy tracks changes in the economic well-being of low-income households relative to socially defined minimum household needs. Unlike other poverty measures that depend on relative income thresholds, MIS is not affected by fluctuations in average incomes. Instead, it is rooted in current public views of what is essential. This makes it possible to address the question 'how has the sustained period of trying economic circumstances affected the number of households with inadequate incomes according to agreed public norms?'

The analysis presented here shows that between 2008/9 and 2011/12 the risk of having insufficient income rose for all groups, although this risk is not distributed evenly across different household types. In a period with high unemployment and where the cost of essentials is rising more steeply than earnings, young working-age adults living alone have seen a sharp increase in the risk of having an inadequate income. We are also now seeing the first signs of the impact of cuts in tax credit entitlements and freezes to benefits: both couples with children and lone parent households face a growing risk of falling below MIS, although this risk remains much greater for lone parents.

Overall:

- Of the 4.1 million individuals living in **single working-age** households in the UK, 1.5 million (36 per cent) lacked the income required for an adequate standard of living in 2011/12, up from 1.12 million in 2008/9.
- Of the 8 million individuals living in **couple working-age** households without children in the UK, 1.1 million (13 per cent) lacked the income required for an adequate standard of living in 2011/12, up from 791,000 (10 per cent) in 2008/9.

- Of the 3.2 million individuals living in **lone parent households with between 1 and 3 children** in the UK, 2.1 million (67 per cent) lacked the income required for an adequate standard of living in 2011/12, a similar number but slightly higher percentage than in 2008/9 (65 per cent).
- Of the 16.7 million individuals living in **couple households with between 1 and 4 children**, in the UK, 4.7 million (28 per cent) lacked the income required for an adequate standard of living in 2011/12, up from 3.8 million (24 per cent) in 2008/9.
- Of the 9.3 million individuals living in **pensioner households**, in the UK, 799,000 (9 per cent) lacked the income required for an adequate standard of living in 2011/12, up from 653,000 (7 per cent) in 2008/9.

The analysis shows that the level and trend in numbers below MIS varies according to:

- **Age group:** households with members under 35 are more than three times as likely to be below MIS than pensioners.
- **Tenure:** tenants are more likely to be below MIS than owner occupiers, and private tenants comprise a growing percentage of those who fall below the standard. There are now significantly more private tenants than social tenants on very low incomes, below half of MIS.
- **Region:** London remains the part of the country where households face the greatest risk of being below MIS, influenced by high housing and childcare costs. However, in some other regions, notably the South West, there has been a particularly sharp increase in this risk during the recession.

Even though young single people have the highest risk of being below MIS, the great majority of people living below the standard continue to be in families with children. Nearly half are in couples with children.

When looking at the overall income distribution, including people below and above the threshold, there are greatest disparities among single people, who have relatively high chances both of being well below and well above MIS.

Overall, these findings confirm that young people, single people and people in private housing have done particularly badly relative to their minimum needs in recent years, in particular in terms of the numbers having to live on very low incomes. However, they also show that from

2011, families with children were being hit by cuts in benefits and tax credits, and their risk of falling short of the MIS standard was starting to rise. Subsequent policies are likely to have caused this deterioration to continue.

1. Introduction

The past five years have seen an unprecedented erosion of living standards in the UK. Median household incomes reached a peak in 2009. Earnings continued falling relative to prices at least until late 2013, although this deterioration is forecast to end in 2014 (OBR, 2013). The price of some essentials, notably food, have risen faster than average, and this has meant that a minimum cost of living has risen even more relative to earnings than the general prices index, exacerbating the squeeze on living standards. Added into this mix is increased levels of unemployment, which stood at 1.6 million in early 2008 but since 2009 has been close to 2.5 million. There has also been a reduction in the overall amount of work in households, as many have reduced their hours. Furthermore, tighter fiscal policy has meant a real terms reduction in the value of many benefits and tax credits on which low-income households depend. All of these factors have combined to increase the number of households struggling to achieve an acceptable standard of living.

The impact of these trends has been felt across the income range, especially on the number of households who are able to reach the standard of living that is considered adequate according to current standards. Measuring this squeeze on living standards and linking these trends to lived experience is difficult using current income-based indicators. The most common measure of income adequacy, relative income poverty, uses 60 per cent of current median income, adjusted for household size, to establish a poverty threshold. However, as median incomes have fallen, so has the threshold. The result is that in the face of unprecedented economic challenges and declining living standards, someone on the verge of poverty can have a falling income without crossing the line into poverty. In contrast, the Minimum Income Standard (MIS) provides a regularly updated threshold, rooted in real life and determined through social consensus, against which income adequacy can be monitored. Consequently, monitoring the number of people living in households with an income below what is needed for an acceptable standard of living provides a more meaningful insight into what has happened to living standards over the past few years than standard income-based indicators.

This report is the second in an annual series tracking changes in the extent to which households are achieving a minimum acceptable standard of living as defined by the MIS (see Box 1). The first report in the series (Padley and Hirsch, 2013) used the available data on household income to explore the consequences of the early years of

the economic downturn and the impact of policy decisions taken at that point. It found that during the early part of the recession (up to March 2011), the risk of having an inadequate income increased for some, but not all, groups. Young single adults had been hit the hardest, due to their rising risk of unemployment combined with other factors including higher rent bills. Families with children had not suffered as much at this stage, due to a relatively small decline in the numbers with no work in the household and a continuation of previously planned increases in state support for low income families up to the financial year 2010/11. Lone parents had the highest risk of being below MIS, but this risk fell significantly during this period. Pensioners had a continuing low risk of falling below the standard.

The present report extends the analysis by one year, and therefore looks at the period 2008/9 to 2011/12 based on the latest year for which there is available data on household income. This provides new evidence on what happened as the economic effects of recession continued, while the tightening of benefits and tax credits first kicked in. Families with children were hit simultaneously by:

- the freezing of Child Benefit;
- the reduction in the proportion of childcare costs recoverable through tax credits;
- an increase in the 'taper' rate for tax credits, meaning that entitlements are reduced more quickly as family earnings increase.

A reduction in subsidies for housing also made things harder, partly by restricting eligible private rents for which housing benefits were payable and partly by raising the level of social rents. An offsetting factor was a substantial increase in the tax allowance.

As successive MIS reports have set out (Davis *et al.*, 2012; Hirsch 2011 and 2013), these factors combined to increase the earnings needed for families with children to meet MIS, although for those without children, the combined effects were typically more neutral.

The most recent data on income distribution (DWP, 2013) shows that 2010/11 marked the point when poverty rates started to increase in *absolute* terms, returning to levels last seen in 2001/02. The total number of people living in households below 60 per cent of 2010/11 median income, after housing costs and adjusted for inflation, increased from 21 per cent of the population in 2009/10 to 23 per cent in 2011/12 (Cribb *et al.*, 2013, p.74). Thus, the number of people with low disposable income was growing in a way not seen for many years.

In this context, the analysis presented here extends the picture of how many people are living below the minimum as defined by MIS, taking the story up to the first part of 2012. As in the first report, it explores:

- the probability of falling below MIS for individuals and households across a range of categories;
- the profile of who has an income below MIS and below half of MIS across a range of groups;
- the overall distribution of income relative to MIS within a range of groups in terms of how far household incomes are above or below this threshold.

Box 1: The Minimum Income Standard

The Minimum Income Standard (MIS) is the income that people need in order to reach a minimum socially acceptable standard of living in the United Kingdom today, based on what members of the public think. It is calculated by specifying baskets of goods and services required by different types of household in order to meet these needs and to participate in society.

The MIS research is funded by the Joseph Rowntree Foundation and carried out by the Centre for Research in Social Policy (CRSP) at Loughborough University. It has produced annual updates since 2008. MIS was originally developed in partnership with the Family Budget Unit at the University of York, bringing together expert-based and 'consensual' (based on what the public think) methods. The research entails a sequence of detailed deliberations by groups of members of the public, informed by expert knowledge where needed. The groups work to the following definition:

“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.”

MIS distinguishes between the needs of different family types. It applies to 'nuclear' families and to childless adults: that is, households that comprise a single adult or a couple, with or without dependent children.

MIS is relevant to the discussion of poverty, but does not claim to be a poverty threshold. This is because participants in the research were not specifically asked to talk about what defines poverty. However, it is relevant to the poverty debate in that almost all households officially

defined as being in income poverty (having below 60 per cent of median income) are also below MIS. Thus households classified as in relative income poverty are generally unable to reach an acceptable standard of living as defined by members of the public.

Further information and publications available at:

www.minimumincomestandard.org

Methodology

The report uses detailed survey information on the living conditions of people in the UK and the resources available to them (e.g. household incomes). It compares this with what the public think is required for an acceptable standard of living in the UK today, according to the MIS research. The analysis offers insight into how many people are below the minimum, how far they are below the minimum and who they are.

What is presented here is based on a detailed analysis of the Family Resources Survey (FRS) for 2008/09 and 2011/12, and comparison with MIS requirements for those years. The comparisons made here are based on the income required to achieve an acceptable standard of living for different households in relation to their composition. The calculations both of requirements and actual incomes are made net of both housing and childcare costs, in order to consider whether net disposable income after paying for these items meets the minimum standard.

The households covered by MIS, and hence those reported here, are those comprising either a single adult or couple, of working age or of pension age, plus up to four dependent children for couples, or three for lone parents. Other household compositions, including those with more than one adult other than a couple – such as where individuals are living in houses of multiple occupation – are not included in this analysis. The calculations presented here cover nearly two-thirds of the UK population – 41 million individuals. Because they do not cover the whole population, the figures presented here cannot be used to make an accurate estimate of the total numbers of people with inadequate income in the UK or be compared to poverty totals. Rather, the purpose here is to monitor the situation for particular groups.

MIS divides children into four age bands, each with different needs. This allows the calculation of income benchmarks for multiple household types (for example, a couple with two children of pre-school age and two children of primary school age), and gives a total of 107

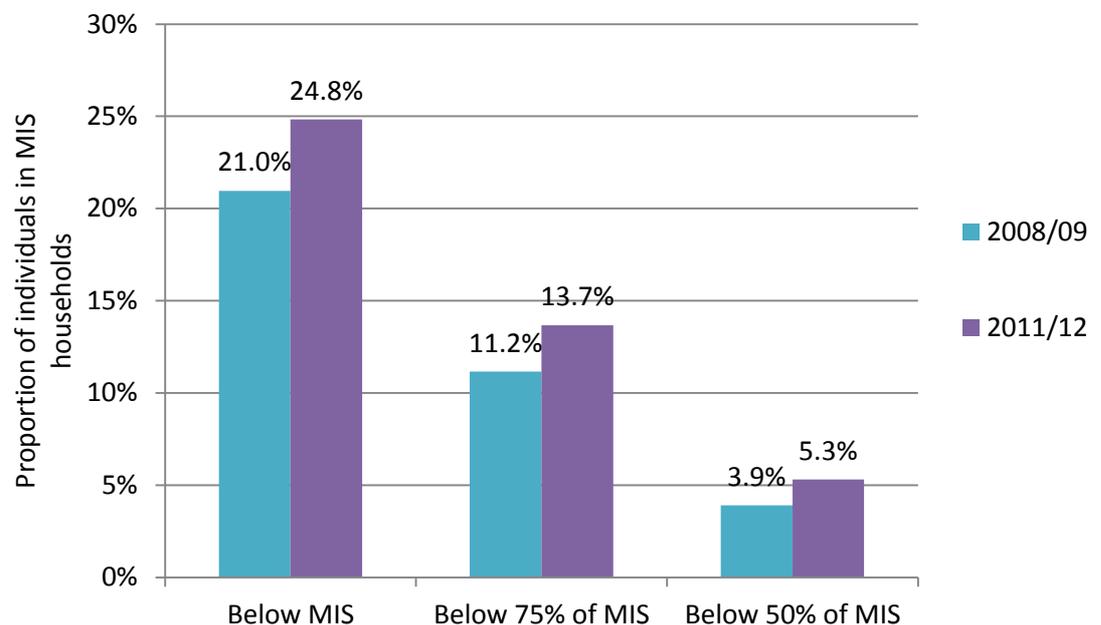
different household types. The calculations here are based on the minimum budget requirements for each of these household types in April 2008 and April 2011, not including housing or childcare costs. These income requirements are compared with the equivalent actual net income for all HBAI/FRS households coded according to which of the 107 types they fit into. This comparison allows for the construction of a new dataset calculating the percentage of the MIS requirement provided by actual net incomes. This dataset is then weighted using the FRS grossing factors to ensure that it is representative of the UK household population. Note that unlike the after housing costs (AHC) income measure used in the HBAI, the income measure here subtracts childcare costs, which are also excluded from the minimum income threshold. Therefore the comparison is between people's disposable income after paying for housing and childcare, and minimum budget requirements excluding these items. The analysis is conducted in this way because of the significant variability in the costs of these two items.

2. Who is most likely to lack the income needed for an adequate standard of living? The risk of being below MIS

The risk of being in a household without an adequate standard of living increased between 2008/9 and 2011/2012, with most of the increase coming since 2010.

As outlined previously, about two-thirds of the UK population are covered by households whose income requirements and adequacy can be measured through MIS. Figure 1 shows that, of individuals living in these MIS households, almost a quarter have a household income below MIS. This is an increase of nearly four percentage points between 2008/9 and 2011/12, and represents an increase of a fifth in the number of individuals in these households who are below MIS. Most of this increase (2.6 out of the 3.8 percentage point increase) came in the final year of the three-year period.

Figure 1: The risk of an individual being below MIS has increased substantially



The risk that individuals are in a household at below three-quarters of MIS also increased over the same period, while the risk of being in a household with an income below half of what is needed for an acceptable standard of living as defined by MIS saw the greatest proportionate rise. The number experiencing this very severe form of

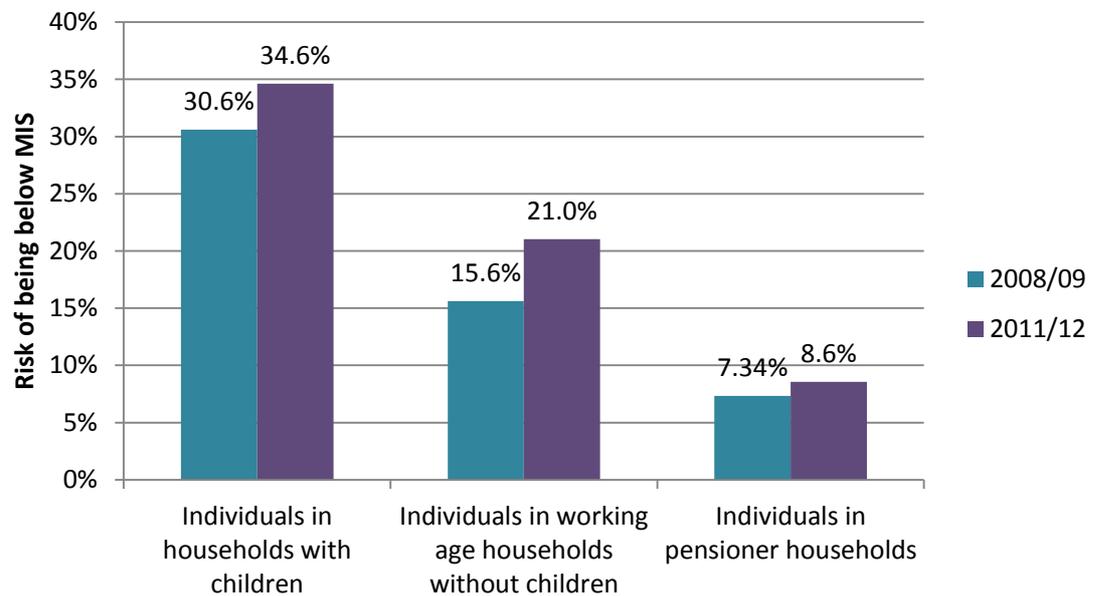
low income, while relatively small, has increased by over a third. Those below MIS will be unable to afford all of what the public define as minimum needs, therefore requiring individuals to make daily choices about which needs to prioritise.

While Figure 1 provides a useful overall sense of what is happening in relation to the chances of being below an adequate income in the UK, one-third of the population are excluded from this analysis and may well have different risks from the households covered by MIS. Looking at the relative levels of risk for individuals within particular household types and how this has changed therefore provides a more useful insight in to the question of how economic hard times have affected the number of households with insufficient income according to what members of the public think.

The risk of being in a household without an adequate standard of living varies considerably by household type. The risk is highest for families with children but has seen the greatest increase for working-age individuals without children.

Household type remains a key influence on the risk of being below MIS. As described in the first report in this series, there are clear differences between the risks faced by individuals in households with and without children. Individuals in households with children have a greater risk of being below MIS than those in working-age households without children (35 per cent compared to 21 per cent in 2011/12). Pensioners have a far lower risk than either of the other household types (9 per cent). Although there has been an increase in the risks faced by pensioners, the safety-net provided by Pension Credit guarantees a minimum income just above the level of MIS.

Figure 2: The most significant increase in risk of being below MIS was for working-age households without children, but increased for all groups



Individuals in households with children have the greatest risk of having less than three-quarters of what they need for an adequate standard of living when compared to households without children (22 per cent compared with 15 per cent in 2011/12). The risk of having an income below half of MIS is highest for individuals in households without children (8 per cent), although the risk for those in households with children has increased to 6 per cent.

Figure 3: The risk of being below three-quarters of MIS rose most sharply for working-age households without children, but households with children also saw an increased risk

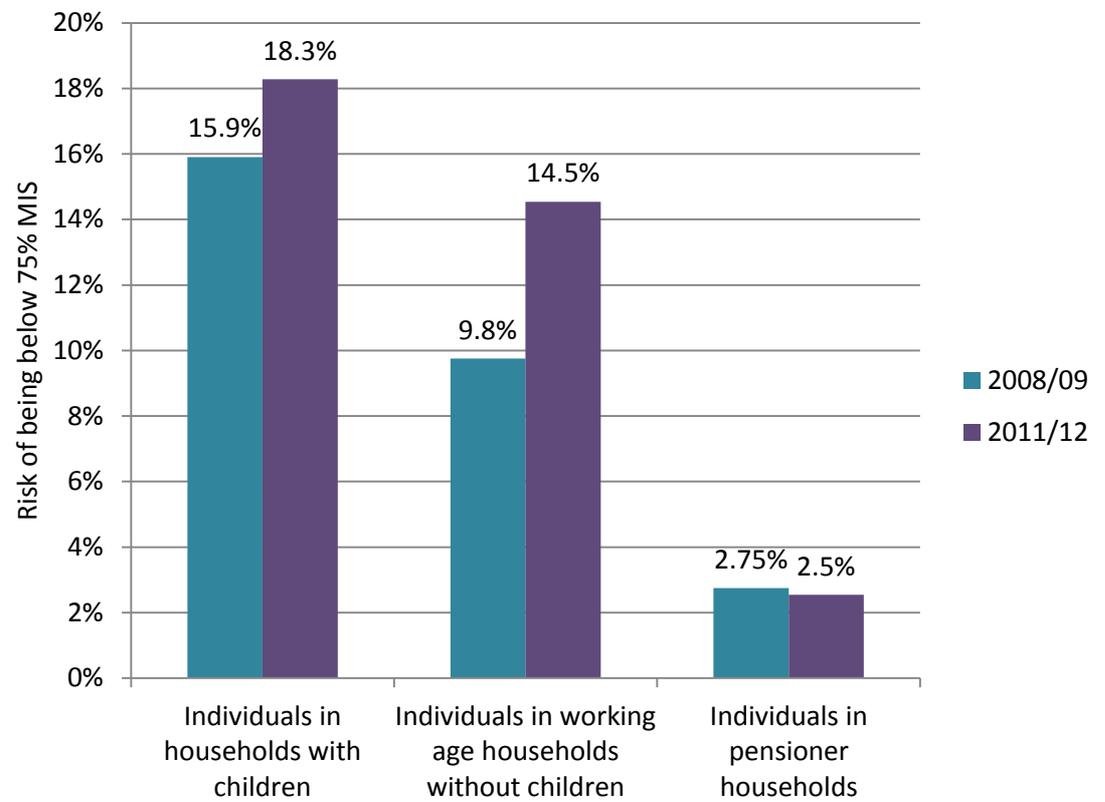


Figure 4: The risk of being below half of MIS shows a similar pattern

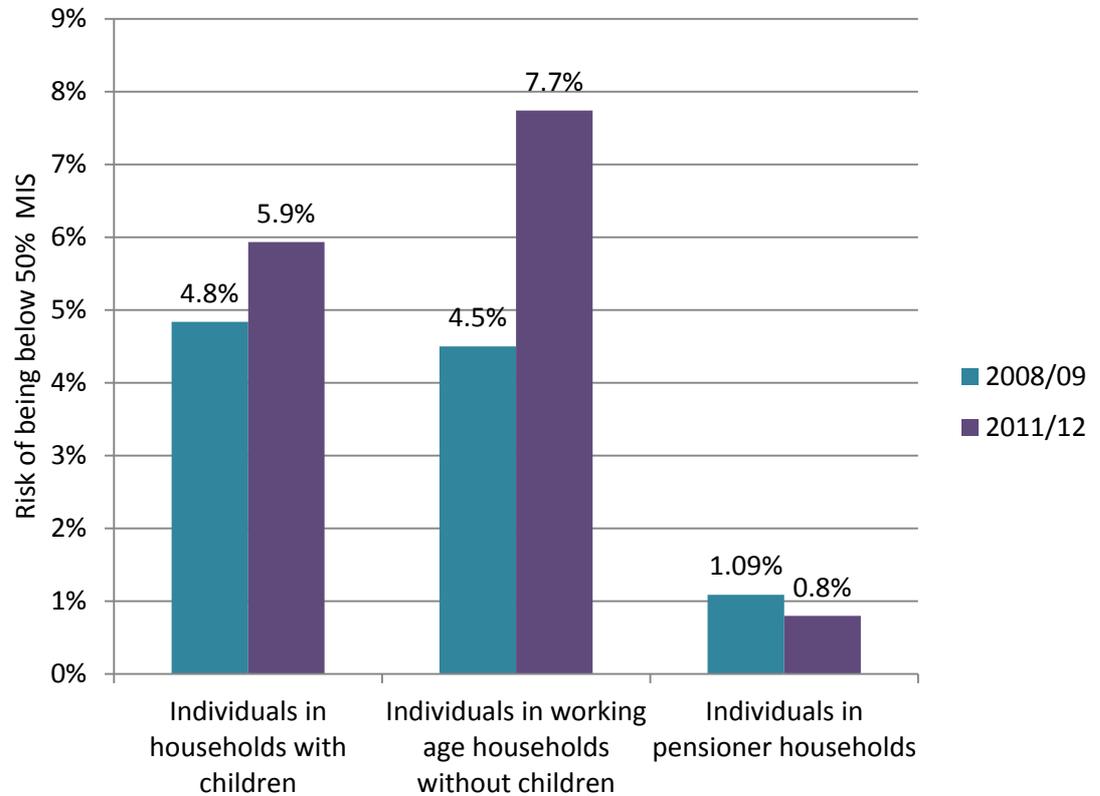


Table 1 shows in more detail how the risks for different groups have changed over the period under consideration. This reveals a difference in the pattern of experience for various types of household. In particular, there has been a continuous marked increase in risk for single people over this period, whereas for families with children, the experience was different. Couple families saw only a small increase in risk of being below MIS up to 2010/11, and for lone parents there was a marked fall. However, the following year for both groups there was a substantial increase in the proportion below MIS. Lone parents saw all of the gains of the previous two years reversed. Overall for households with children, the risk of being below MIS remained stable at about 31 per cent in 2008/9 to 2011/12, but increased to 35 per cent the following year. This corresponds to the time at which increasing generosity to families with children in terms of benefits and tax credits was reversed, as discussed in the introduction.

Table 1: Changes in percentage of individuals below MIS by household type

	Single	Couple working age	Single pensioner	Couple pensioner	Lone parent	Couple parent
2008/9	28.6%	9.5%	10.4%	5.0%	65.1%	23.5%
2009/10	32.0%	10.3%	10.7%	4.2%	63.1%	25.1%
2010/11	34.0%	12.2%	11.9%	5.3%	60.4%	24.7%
2011/12	36.2%	13.3%	13.1%	5.4%	66.7%	28.5%

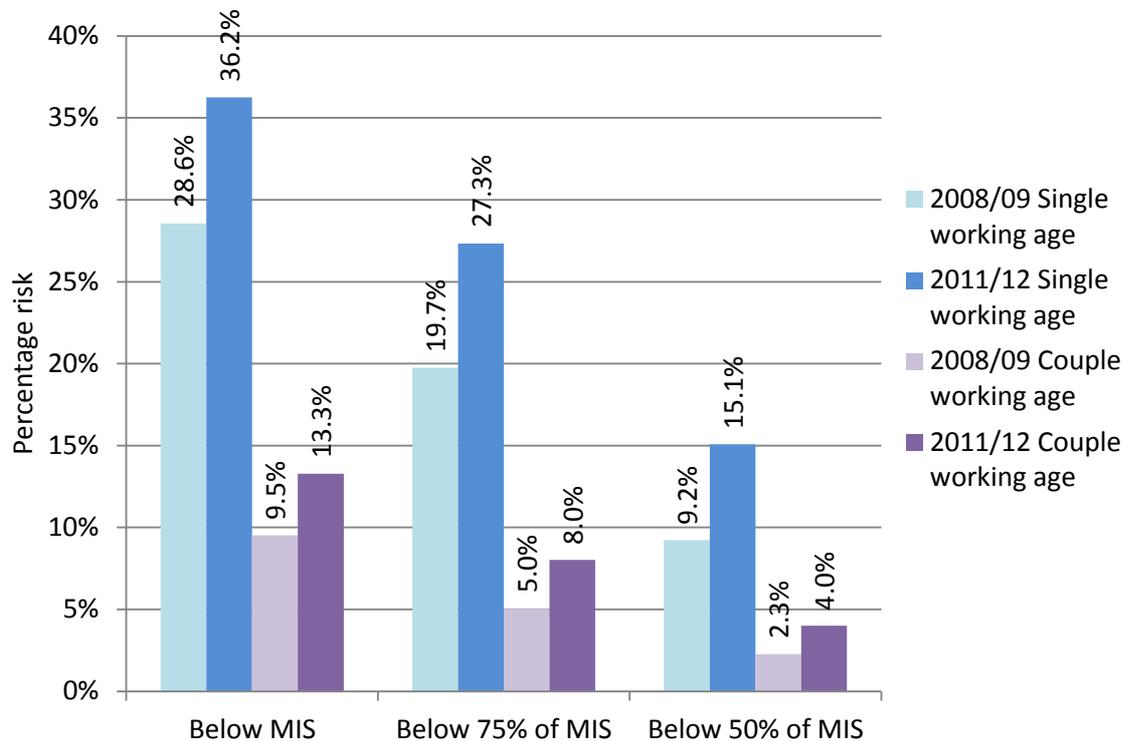
There were similar patterns over time for the numbers below 75 per cent and below 50 per cent of MIS: for families with children, the deterioration has started more recently than for households without children. However, Figures 3 and 4 above show in both cases that the overall deterioration in the numbers on very low incomes remains much more serious in the case of those without children. These groups have weaker protection through the benefits and tax credits system, and are therefore most likely to have incomes well below MIS. This can be seen by the fact that, as shown in Figure 4, a substantially greater proportion of people without than with children are now living below half MIS, putting an adequate standard of living far out of their reach. The risk of being below 50 per cent MIS for individuals without children stands in contrast with the greater risk for those with children of having incomes below the full MIS amount. It also marks a change to the situation in 2008/9 when similar proportions of each group lived below half MIS. In other words, the recession has put those without children at higher than average risk of very low income for the first time.

Single working-age adults without children face a higher risk of living below MIS than couples, but the risk is growing fastest for couples without children.

Within this category of working-age households without children, the greatest risk of being below MIS is faced by single people (36 per cent) rather than couples (13 per cent). Single people also face a significantly high risk of having a very low income, with more than a quarter (27 per cent) having less than three-quarters of what is needed for an acceptable standard of living and 15 per cent having less than half. The risk of having a very low income for single people without children is the greatest of any group examined here. This is indicative of the very low level of safety-net benefits available to single working-age adults without children (Hirsch, 2013). The number of single adult households with less than half of the income needed for an acceptable standard of living rose by nearly two-thirds (63 per cent) between 2008/9 and 2011/12, increasing from 361,000 in 2008/9 to 615,000 in 2011/12.

Although the risk of being below MIS remains low for working-age couple households without children, this group have seen their risk of being below MIS increase between 2008/9 and 2011/12. The proportion of couple households without children having an income less than MIS increased by more than a third over this period, from 9.5 to 13 per cent. The risk of having a very low income increased even more significantly, rising from 5 to 8 per cent below three-quarters of MIS (an increase of 59 per cent) and from 2 to 4 per cent below half of MIS (an increase of 89 per cent) between 2008/9 and 2011/12.

Figure 5: Single adults without children have a greater risk of having a low income than couples



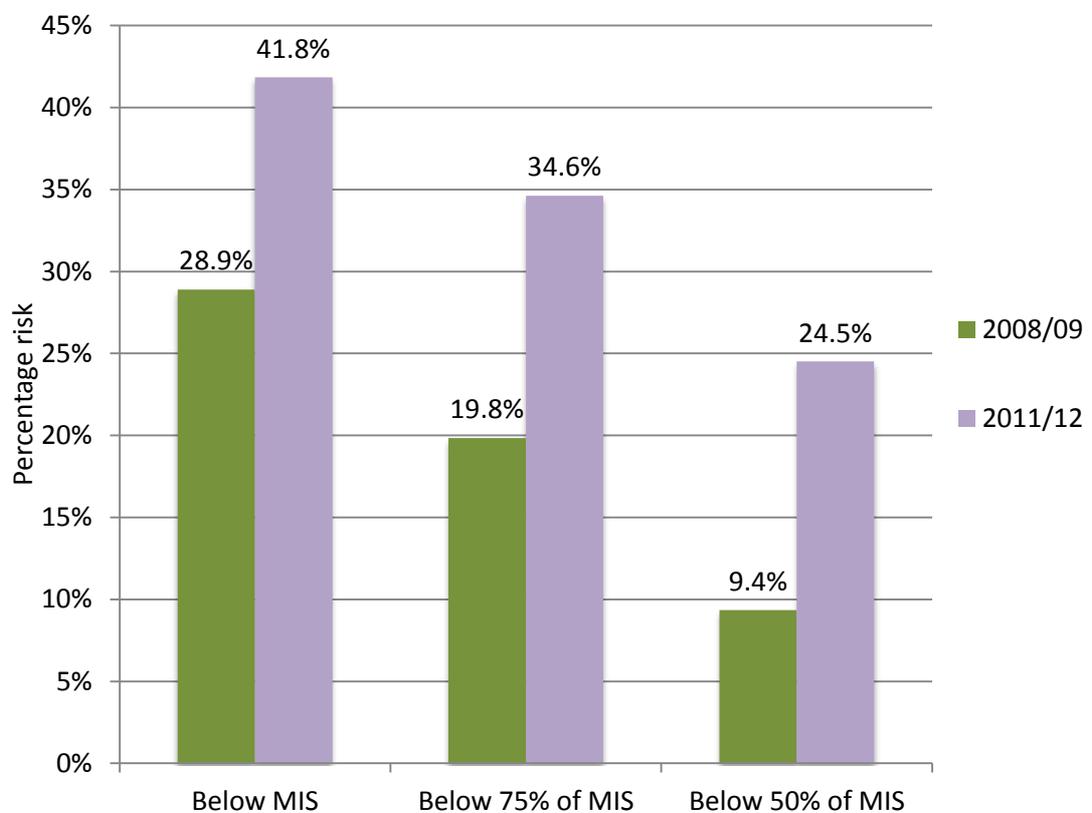
The risk of younger single adults having a very low income has more than doubled between 2008/9 and 2011/12.

Young singles, defined here as single working-age adults under the age of 35 and living on their own, have had very substantial increases in their risk of low income. The risk of not having enough income for an acceptable standard of living rose from 29 to 42 per cent between 2008/9 and 2011/12. This represents a significant increase in the risks faced by young singles, but the risk of having a very low income rose even more severely. The risk of having an income of less than three-quarters of MIS increased from 20 to 35 per cent over this period. The risk of having an income of less than half of MIS increased from 9 to 25 per cent – the chance of being on a very low income has risen from less than 1 in 10 in 2008/9 to 1 in 4 in 2011/12. This very substantially increased risk can be linked to rising levels of unemployment amongst young single people, the growing inadequacy of safety-net benefits when compared with the benchmark set by MIS (Hirsch, 2013) and housing cost issues, as described below.

The rapid growth in the number of young people on very low incomes was noted in the previous report (Padley and Hirsch, 2013). The

deterioration in their living standards has continued, and indeed worsened since then. Between 2008/09 and 2010/11 the risk of living with less than half of what is needed for an acceptable standard of living rose from 9 to 17 per cent – but the further worsening to 25 per cent in 2011/12 shows that this trend has continued unabated. In practice, this means that there were 100,000 young adults living on their own with below half of a minimum acceptable income in 2008/9, but this almost tripled, growing by 60,000 a year in each of the next three years, to reach nearly 300,000 by early 2012.

Figure 6: One in four young single people without children have a very low income

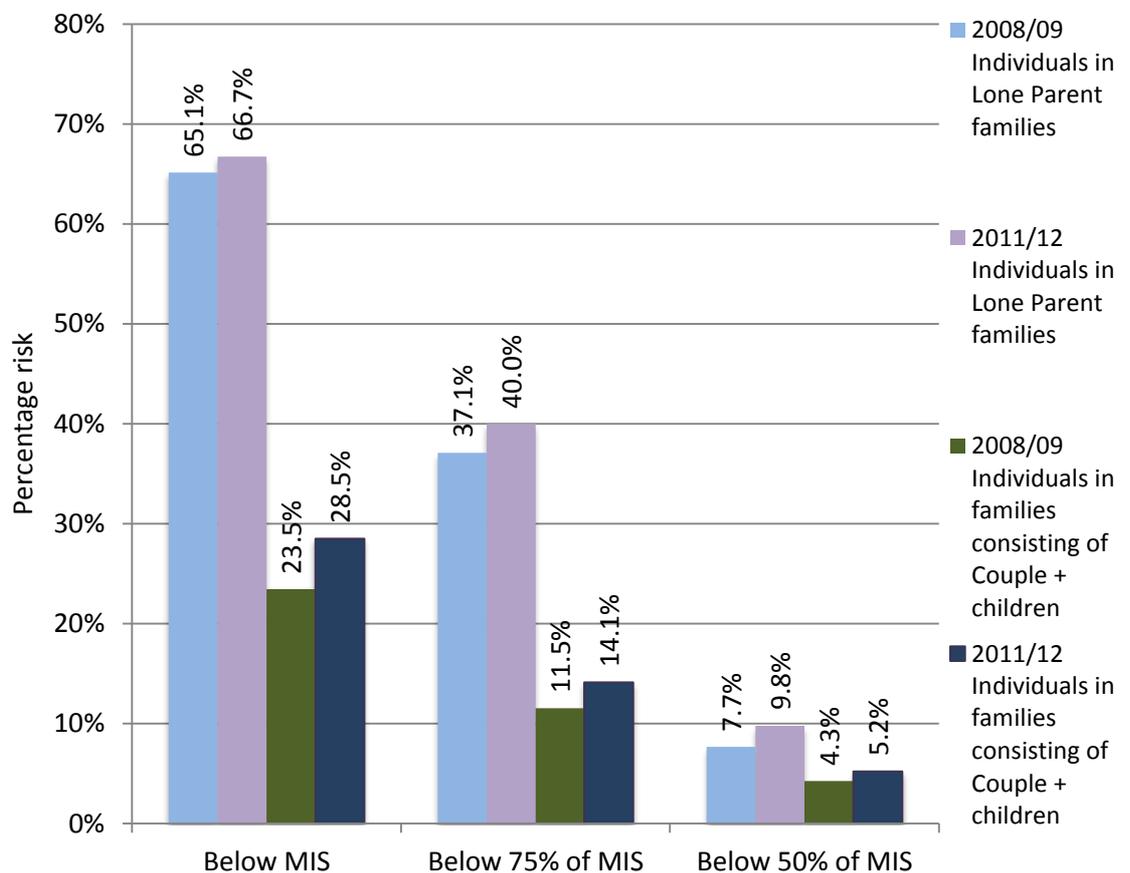


Lone parents are the most at risk group, but all families with children became more likely to be on low incomes.

For families with children, the risk of being on a low income varies according to whether or not there are one or two parents. Individuals living in lone parent households face a significant risk of being in a household below MIS, a risk that has increased from 65 per cent in 2008/09 to 67 per cent in 2011/12, despite the initial fall (see above). However, an even starker picture emerges when the risk of living with

less than three-quarters of MIS is considered. Between 2008/9 and 2010/11 the risk fell from 37 to 30 per cent, but has increased dramatically between 2010/11 and 2011/12 up to 40 per cent. A similar pattern is observable for individuals in lone parent households with very low incomes (below half of MIS). While this risk remained stable between 2008/9 and 2010/11 at 8 per cent, it has risen to 10 per cent in 2011/12. As shown in Figure 7, the risks faced by couples with children have also seen an increase since 2008/9. In 2011/12, 2.4 million individuals were in households consisting of couples and children that had an income of less than three-quarters of what is needed for an acceptable standard of living, an increase of more than half a million since 2008/9.

Figure 7: Lone parents have a greater risk of being below MIS, but this risk has increased for all families with children



Risks by household characteristics

The following comparisons look at the risk of a given household falling below MIS according to age and housing tenure and regional location of the household. This indicates which factors are linked to households being on low incomes.

The younger the household, the more likely it is to be on a low income.

The risk of being below MIS according to age is related to the age of the household reference person. Table 2 shows that the risks of falling below MIS are smallest for the over-65s and greatest for those under 35. The risks for under-35s have seen the most significant increase, rising by nearly seven percentage points compared with a 4 percentage point increase for the 35-64s and just over 1 point for the over-65s. However, Table 2 also shows that since 2010/11, the increase has been somewhat greater for the over-35s (some of whom will be in families with children, who did worse after 2010). When looking at those with incomes below three-quarters of MIS and below half of MIS, the under-35s continue to suffer the faster increase. The under-35s have seen an increase of more than a third between 2008/9 and 2011/12 in the risk of being below three-quarters of MIS and a near doubling of the risk of being below half of MIS.

Table 2: The risk of having a low income is greater and growing most quickly for younger households

	Year	16–34	35–64	65+
Below MIS	2008/09	29.1%	21.0%	8.3%
	2009/10	31.3%	22.4%	8.0%
	2010/11	33.4%	22.6%	9.3%
	2011/12	35.8%	25.3%	9.8%
Below 75% of MIS	2008/09	16.4%	12.7%	3.2%
	2009/10	19.1%	13.5%	2.6%
	2010/11	19.4%	13.2%	3.1%
	2011/12	23.8%	15.2%	3.0%
Below 50% of MIS	2008/09	5.7%	5.1%	1.3%
	2009/10	7.7%	5.2%	1.0%
	2010/11	8.2%	5.4%	1.1%
	2011/12	10.7%	6.6%	1.0%

The risks of being on a low income are greatest in the rental sector.

There are clear differences by housing tenure. Those in the rental sector have a far greater risk of not having the income needed to reach an adequate standard of living compared with those who own their home. The highest risk of being below MIS is in households in the social rented sector, who face nearly a 50 per cent risk in 2011/12, an increase since 2008/9. The risk faced by private tenants of being below MIS continues to increase, and households in the private rented sector face the greatest and most rapidly rising risk of having less than half the income that they need in order to reach an acceptable standard of living – 13 per cent in 2011/12 compared with 9 per cent in 2008/9.

Table 3: Social tenants are most likely to have incomes below MIS, but a higher proportion of private tenants are below half MIS

	Year	Housing association or council	Private rented	Mortgage	Owned outright
Below MIS	2008/09	42.6%	36.4%	9.4%	9.5%
	2009/10	43.5%	37.7%	11.3%	8.4%
	2010/11	44.1%	39.8%	10.3%	9.8%
	2011/12	47.8%	41.7%	12.0%	10.8%
Below 75% of MIS	2008/09	25.7%	22.3%	4.7%	4.2%
	2009/10	26.0%	24.3%	5.6%	3.6%
	2010/11	25.9%	24.2%	5.1%	4.0%
	2011/12	30.3%	27.9%	6.0%	4.2%
Below 50% of MIS	2008/09	7.7%	9.0%	2.4%	2.0%
	2009/10	8.8%	10.0%	2.4%	1.7%
	2010/11	9.6%	10.7%	2.1%	1.7%
	2011/12	11.7%	13.1%	2.9%	1.8%

Households in Northern Ireland and London have the highest risk of low income and the risk has increased most in the South West and East Midlands.

The risk of being below MIS varies by region. Fewer than 17 per cent of households in MIS categories in the South East currently have an income below the threshold. In Northern Ireland and London, by contrast, 29 per cent of households currently have an income below MIS. Figure 8 shows that in all regions there has been an increase in the risk of being below MIS between 2008/9 and 2011/12, but that some regions have fared far worse than others in the face of the current unprecedented economic challenges.

The South West and the East Midlands are the regions that have seen the biggest increase in the numbers of households below MIS, in both cases rising from around one in six to nearly one in four households between 2008/9 and 2011/12, increases in Northern Ireland and London were almost as great, from an already high level. The substantial increases in the South West and in London are likely to be attributable, at least in part, to high and rising housing and childcare costs as well as a stagnating labour market and increased levels of unemployment.

Figure 9 shows that the proportion of very low-income households, with incomes below 50 per cent of MIS, is more varied. London remains the region where households face the greatest risk of falling below half of MIS, but the increase between 2008/9 and 2011/12 has been more modest than in some regions, rising from 7 to 9 per cent over this period. Two regions, the West Midlands and the South West, have seen the proportion of households with less than half of the income needed for an adequate standard of living at least double over the same period. Thus the South West appears to have suffered particularly badly over the past few years: not only is there a greater proportion of households with incomes below MIS, but the proportion of households with very low incomes has also increased dramatically. In stark contrast, the Eastern region has seen a fall in the proportion of households with incomes below half of MIS, although overall in this region the numbers below MIS have increased.

Figure 8: The risk of having a low income is greatest in Northern Ireland, but has increased most in the East Midlands and South West

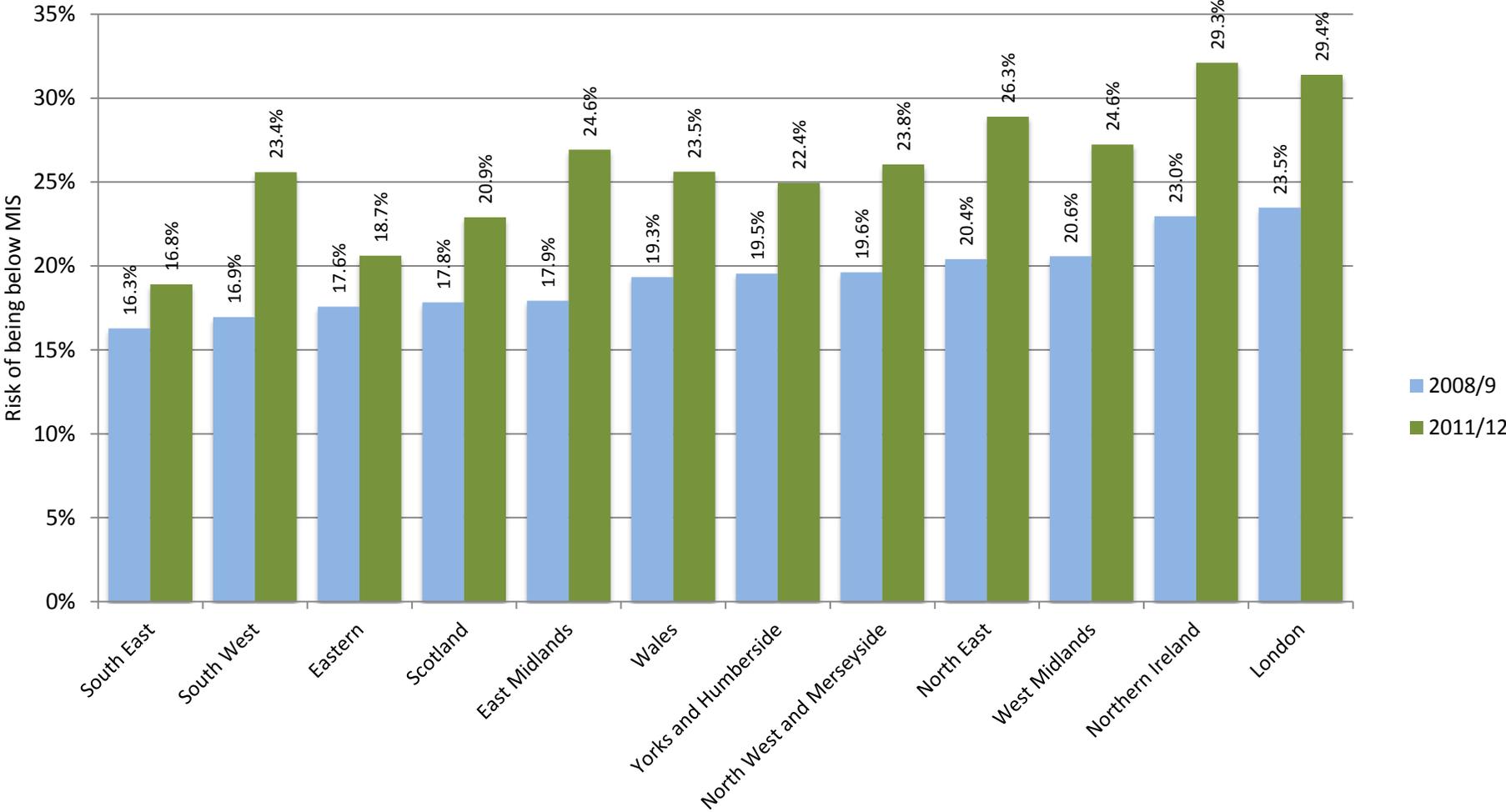
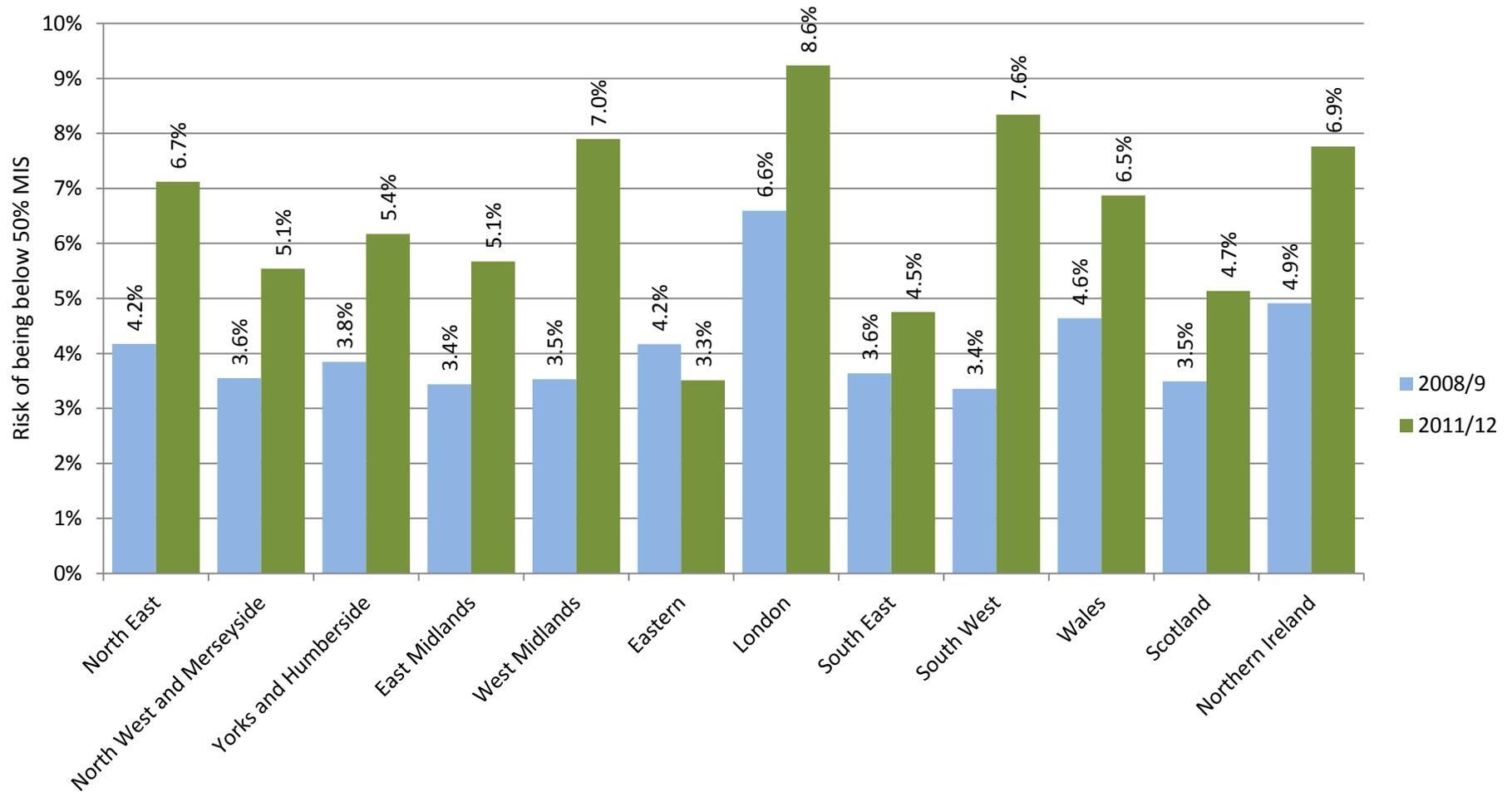


Figure 9: The risk of having a very low income is greatest in London, but has at least doubled in the South West and West Midlands



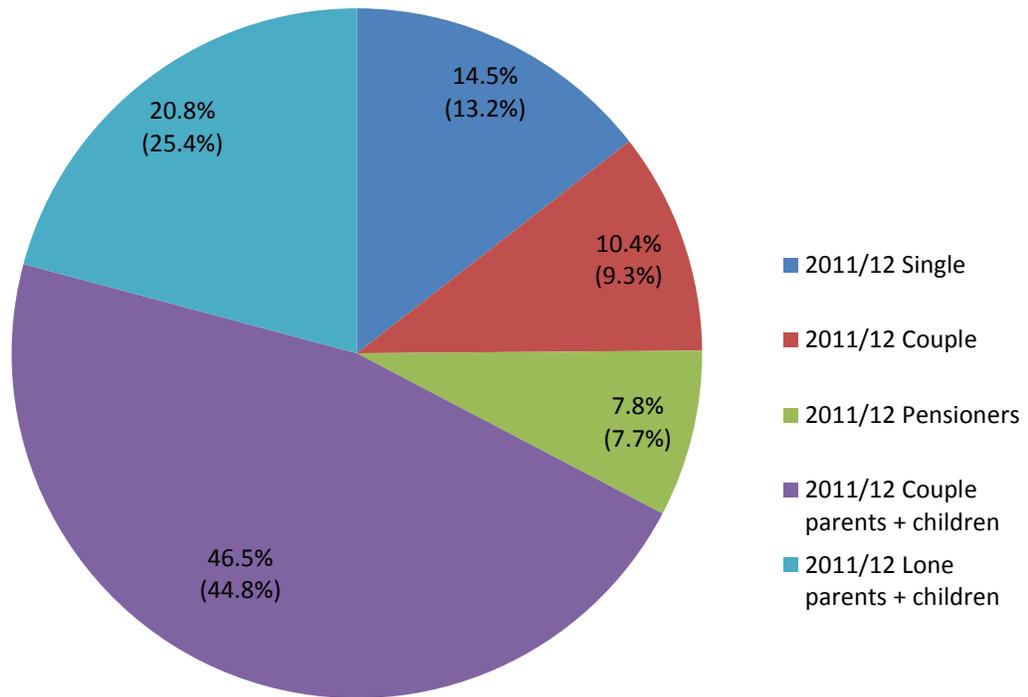
3. How many people lack the income needed for an acceptable standard of living? The composition of numbers below MIS

This part of the report examines how many individuals and households are below MIS in different groups. While some groups have a relatively small risk of being below MIS, they may make up a significant proportion of those who have inadequate incomes if their numbers overall are large as a proportion of the population.

More than two-thirds of people with household incomes below MIS are in families with children.

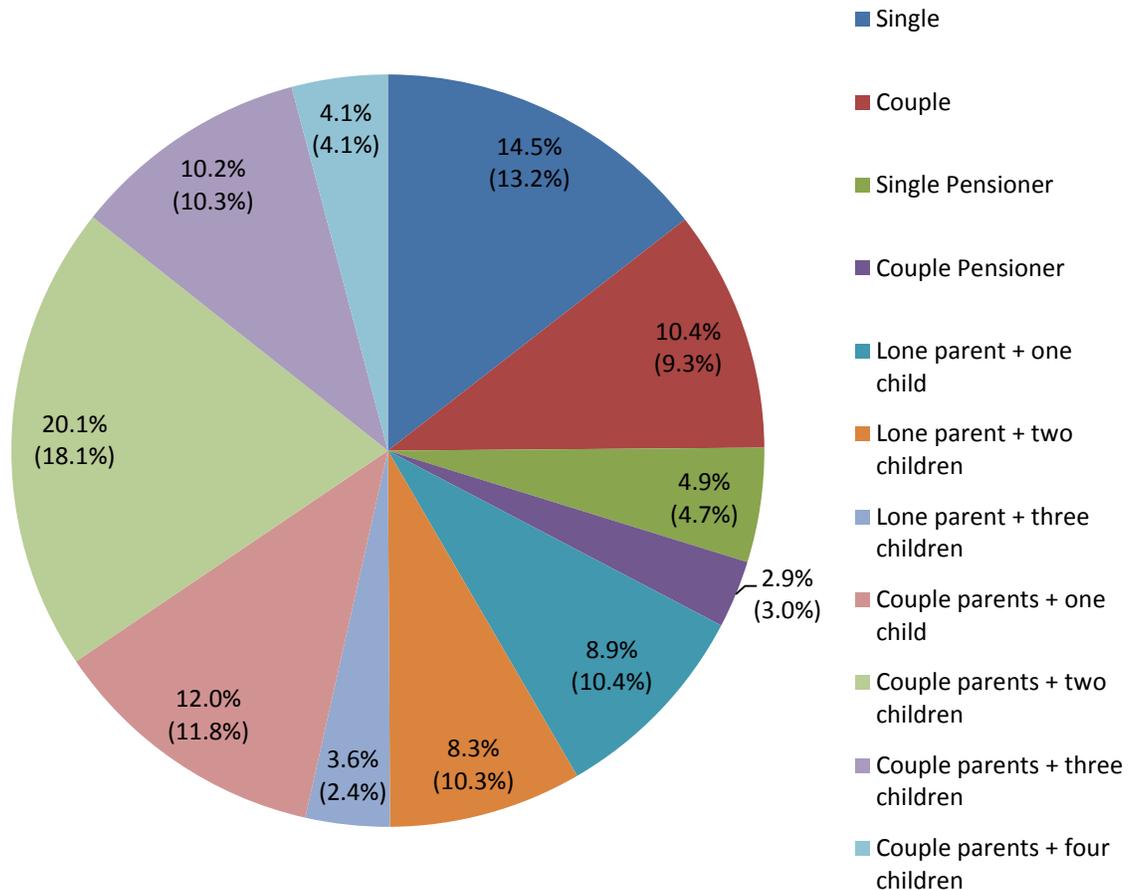
Figures 10 and 11 show how individuals in households below MIS are distributed across different groups. The largest group is those individuals living in couple households with children who, in 2011/12, accounted for nearly half of all people below MIS (47 per cent). As outlined in the preceding section, couples with children not only account for a significant proportion of the numbers below MIS, but also have a higher than average risk. The next largest group is those individuals living in lone parent households – a smaller group but one with a very high risk. They account for just more than one-fifth of the total and in combination with couple households with children make up two-thirds of all people below MIS. The overall composition of the numbers below MIS has not changed significantly between 2008/9 and 2011/12. The largest change has been a fall from 25 to 21 per cent in the proportion in the lone parent category.

Figure 10: Below MIS 2011/12 (2008/9): Couples with children still have the greatest numbers below MIS



Note: Proportions below MIS in 2008/9 shown in brackets beneath 2011/12 proportions.

Figure 11: Below MIS 2011/12 (2008/9): More detailed breakdown reveals that single people and couples with two children are the two most common groups



Among those with very low household incomes, just over half are now in families with children. Single person households are more common in this group than in the low household income groups.

As with the numbers below MIS, the largest proportion of people with an income that is below half of what is needed for an adequate standard of living are individuals in couples with children. This group accounts for 40 per cent of the total, compared with 43 per cent in 2008/9. Individuals in lone parent households, however, make up only 14 per cent of the total, a much lower proportion than the 21 per cent share of all numbers below MIS. Those in households with children still make up the largest share of numbers whose incomes are at least 50 per cent below MIS, accounting

for more than half of this group (54 per cent; 59 per cent in 2008/9). Single working-age adults, though, make up a growing proportion of this group, accounting for 28 per cent of the total. Couple working-age adults as a group have increased as a proportion of the total from 12 per cent in 2008/9 to 15 per cent in 2011/12. The proportion of those with incomes at least 50 per cent below MIS accounted for by working-age households without children has increased from 35 per cent in 2008/9 to 43 per cent in 2011/12.

Figure 12: Below 50 per cent of MIS in 2011/12 (2008/9): Single people are more common within this group than among all MIS households and their proportion has grown since 2008/9

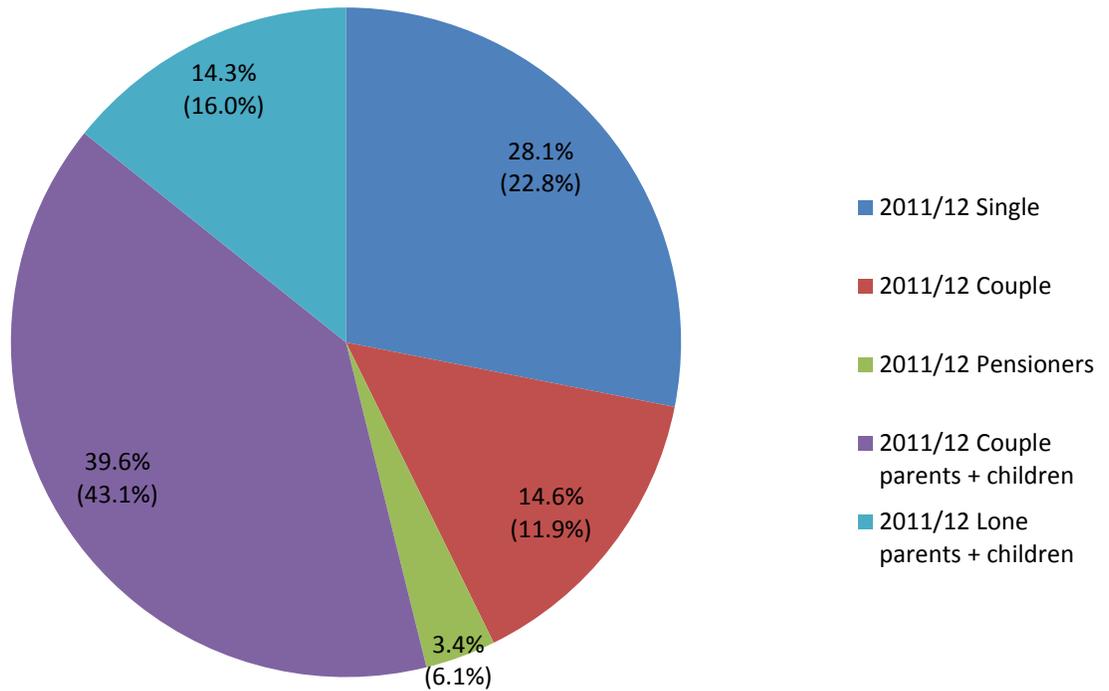
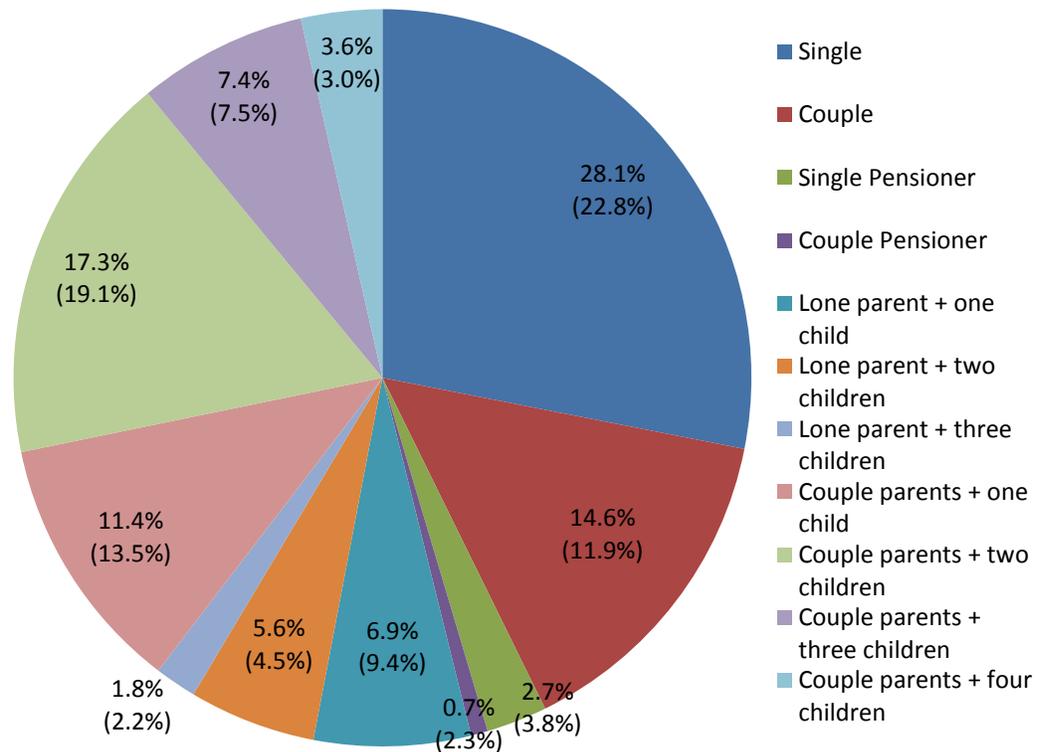


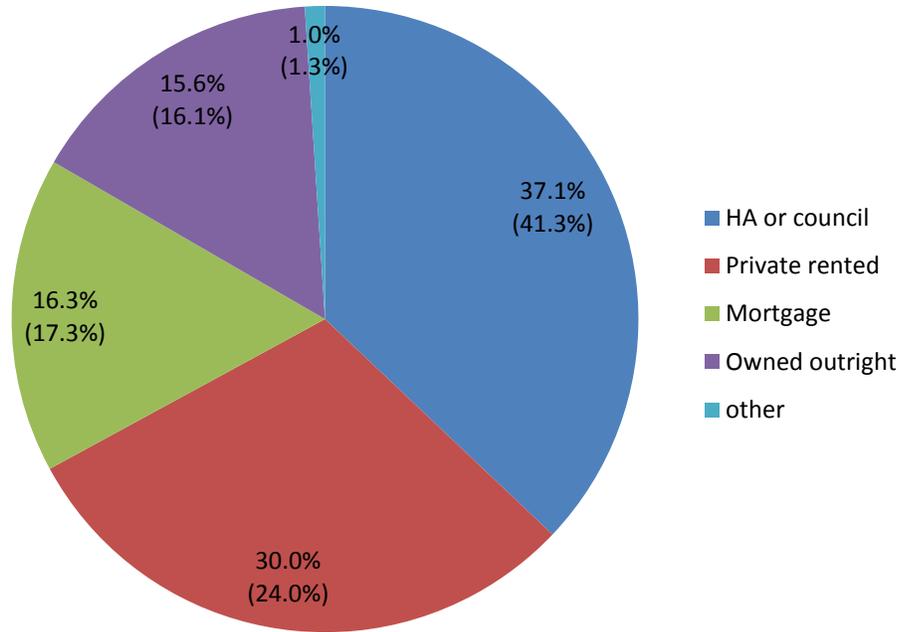
Figure 13: Below 50 per cent of MIS 2011/12 (2008/9): The more detailed breakdown shows that single households are the group with the most individuals on very low incomes



Households in the private rented sector account for an increasing proportion of low-income households.

The number of private tenancies among the households considered here has increased by more than a third between 2008/9 and 2011/12. This helps explain the significant increase in the proportion of households below MIS in the private rental sector in 2011/12: these households account for 30 per cent of all households with incomes below MIS, an increase from 24 per cent in 2008/9. Moreover, the increase in the number of private renters, who have a relatively large risk of being below MIS, and a fall in the number of home-owners, who have a smaller risk, helps explain the overall increase in the numbers with below adequate income. Analysis of this ‘compositional change’ shows that the move to private renting explains about a quarter of the rise in the number of households below MIS between 2008/9 and 2011/12.

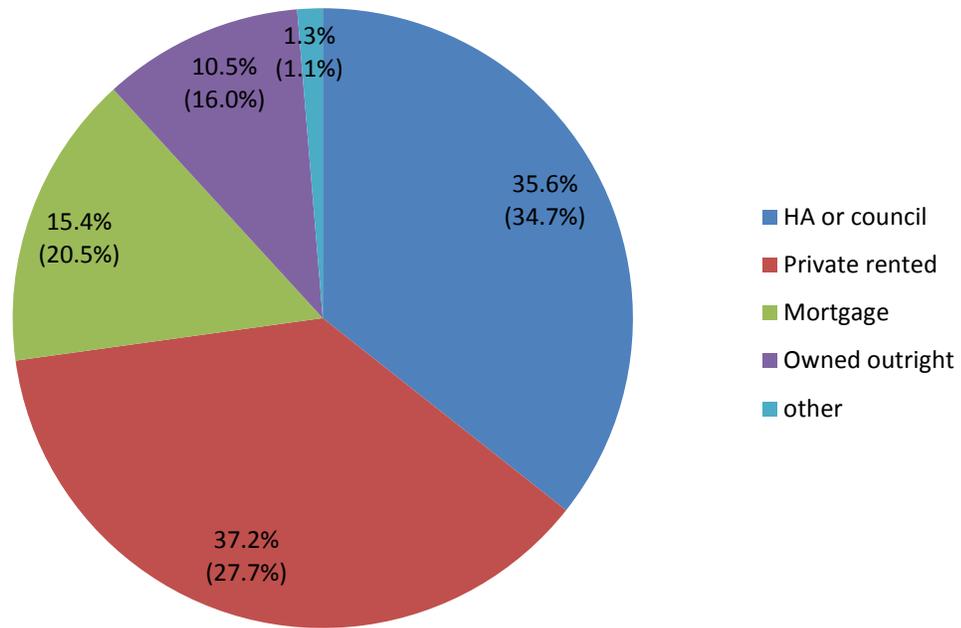
Figure 14: Below MIS 2011/12 (2008/9): The proportion of low income households who rent privately has risen from a quarter to nearly a third



Private tenants have become the most common group with below half of MIS requirements.

When looking at the composition of those with less than half of the income needed for an adequate standard of living, the greatest proportion is made up of private tenants. This group accounted for 37 per cent in 2011/12, up from 28 per cent in 2008/9.

Figure 15: Below 50 per cent of MIS 2011/12 (2008/9): More households renting privately than in social housing now have very low incomes



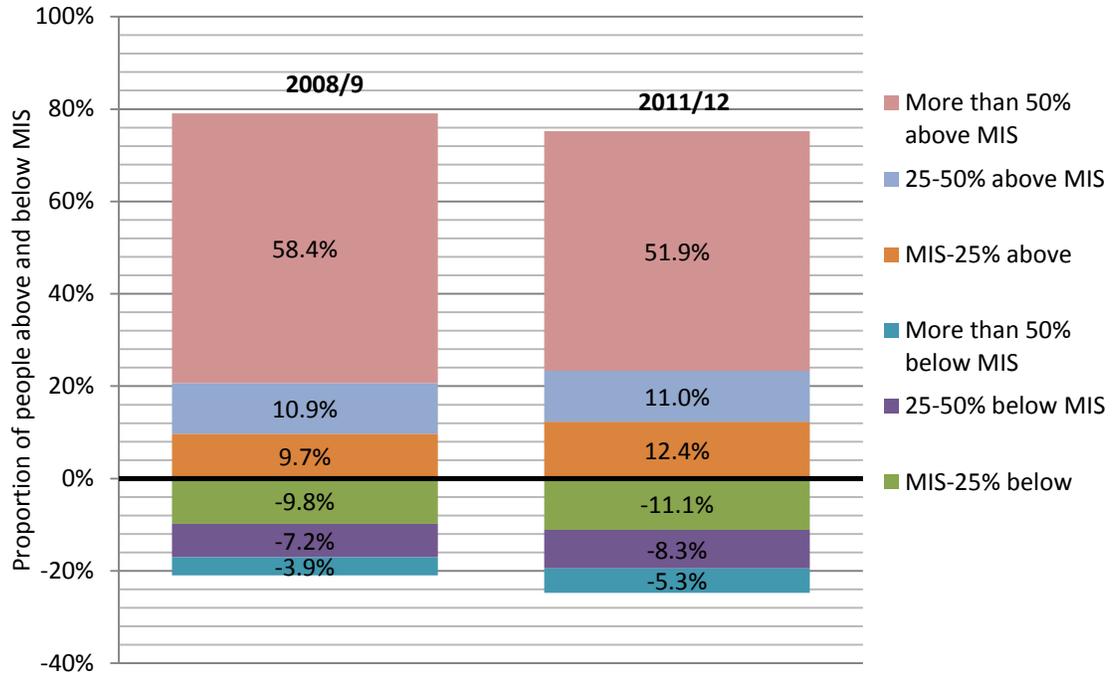
4. Who exceeds and who falls short of what is required for an adequate income and by how much? The profile of numbers above and below MIS

The final section of this report explores the income profiles of various groups in relation to MIS, showing the proportion whose incomes are in various income brackets expressed as a percentage of MIS.

The numbers below MIS have increased and the numbers well above MIS are lower.

Figure 16 looks at the profile of all individuals in households covered by MIS. The majority (75 per cent in 2011/12) have enough income to afford what the public think is an acceptable standard of living. However, in general, there has been a downward pressure on incomes relative to the MIS threshold between 2008/9 and 2011/12. The impact of this can be seen in the growing proportion with incomes below MIS, but also in the profile of those with incomes above MIS. Whereas the proportion of people with at least MIS has fallen by 3.8 percentage points, the proportion with an income at least 50 per cent higher than MIS – those that might be considered ‘comfortably’ above the minimum – has fallen by 6.5 percentage points. This is because as well as there being more people below MIS, there are also substantially more people with incomes only just above the MIS threshold.

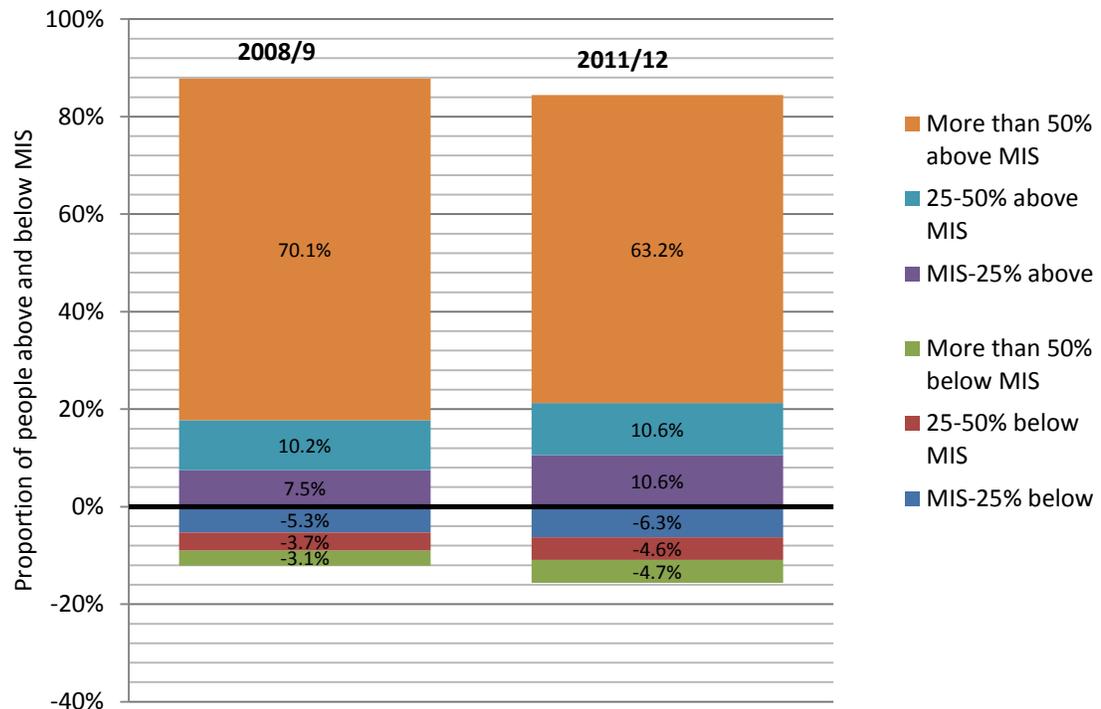
Figure 16: The profile of individuals relative to MIS: Most people remain well above the threshold



Working-age adults without children have a good chance of being at least 50 per cent above the MIS threshold, but for single working-age people this has fallen to less than half.

As a whole, the position of individuals in working-age households without children relative to MIS has also seen a downward pressure between 2008/9 and 2011/12. Figure 17 shows that the number of individuals with incomes of at least 50 per cent above MIS has decreased by 10 per cent between 2008/9 and 2011/12. This fall in the numbers substantially above the MIS threshold has been accompanied by an increase in the numbers of individuals with incomes below MIS, but also in those who only just clear the MIS threshold. The number with between MIS and 25 per cent above MIS rose by about 40 per cent during this period.

Figure 17: The number of working-age adults without children who are substantially above the MIS threshold has fallen significantly



When working-age individuals without children are disaggregated into individuals in single and couple households (Figures 18 and 19), there are significant differences in the distribution of individuals relative to MIS. Couples have a much greater chance of being well above the MIS threshold. More than two-thirds of couples, but less than half of single people, have an income that is at least 50 per cent above MIS. However, for both groups, the proportion of individuals with incomes at least 50 per cent above MIS fell sharply between 2008/9 and 2011/12. But, while for couples this fall led to a large rise in the number who still cleared the MIS level albeit by a smaller amount (from 10 to 15 per cent between MIS and 50 per cent above MIS), for single people, the main rise was in people who fell below the MIS threshold itself, with the biggest increase among those below half of MIS. In other words, while the most common deterioration for couples has been from a 'comfortable' to a 'just-adequate' income, for single people, a more common change has been moving from an inadequate to an even less adequate income.

Figure 18: More than two-thirds of couples without children are still well above the MIS benchmark

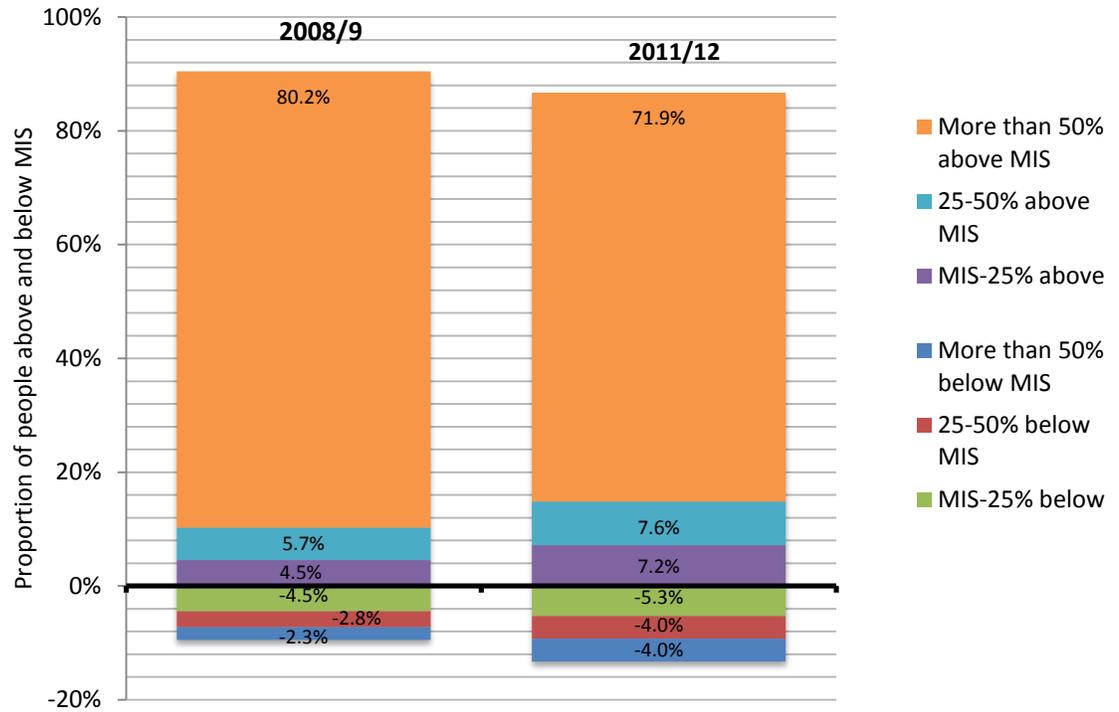
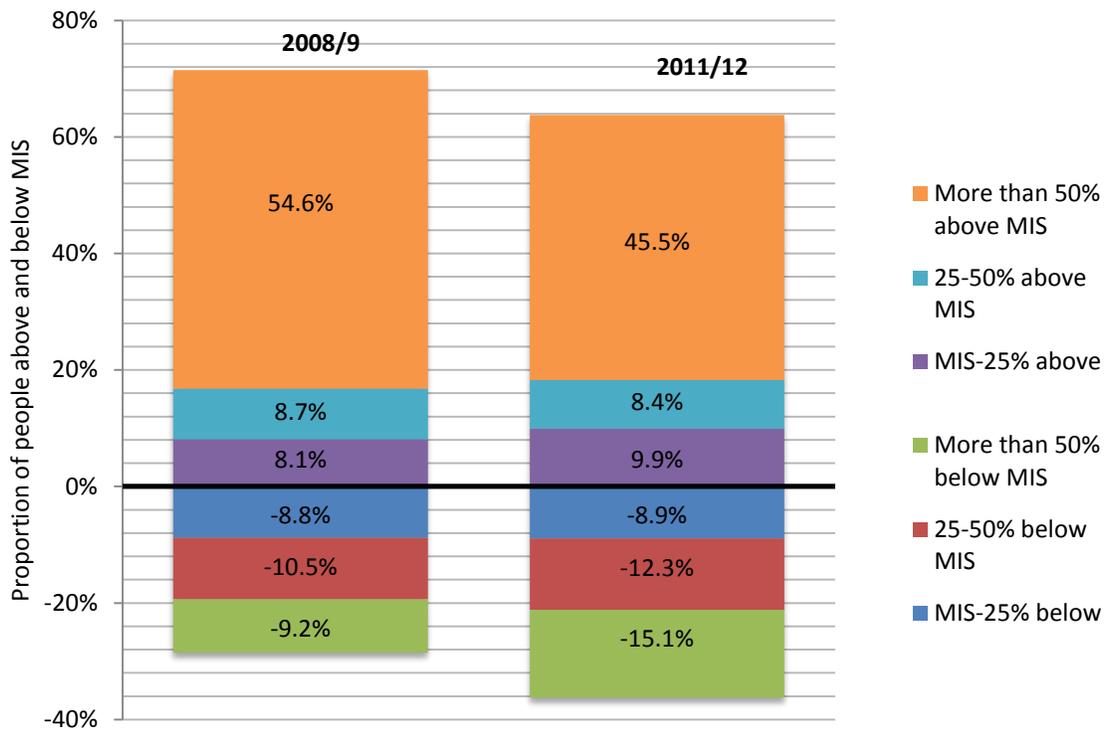


Figure 19: Fewer than half of single people have an income that is at least 50 per cent above the MIS level



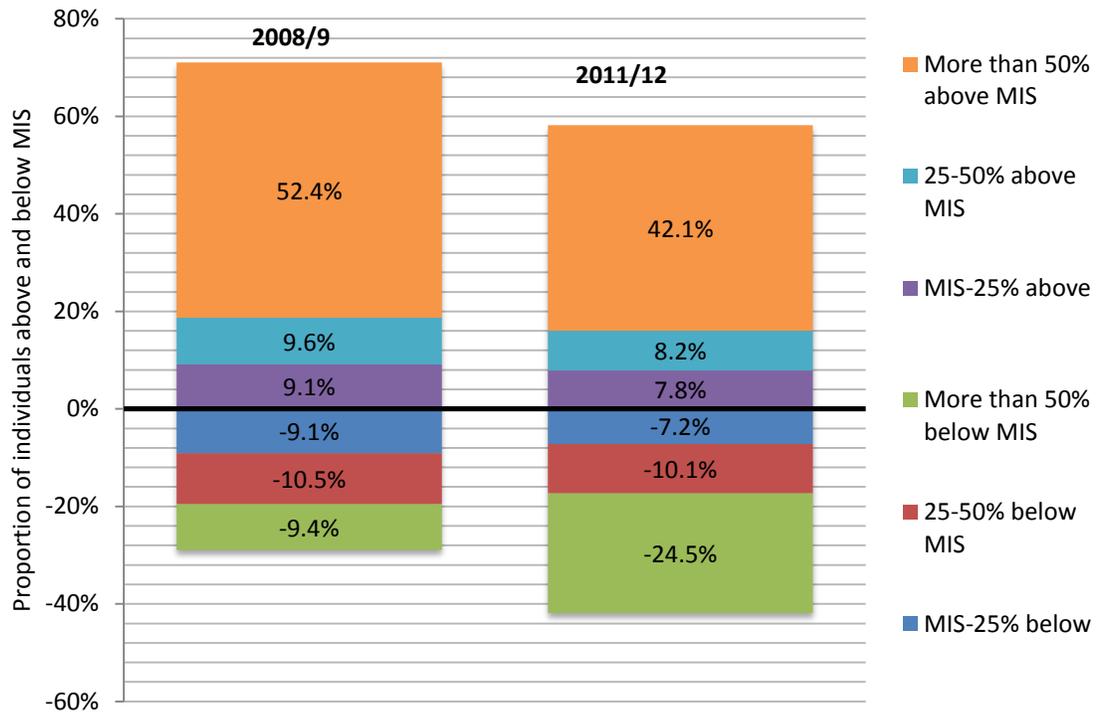
Single working-age individuals remain perhaps the most polarised group in terms of income distribution. When compared to the average, individuals in single households have a much higher proportion below half of MIS (15 per cent compared with 5 per cent for all individuals). However, the proportion of single working-age individuals at least 50 per cent above MIS is similar to the average (46 per cent compared with 52 per cent).

The whole income profile of young single households has shifted downwards and the proportion with incomes below half of MIS has increased dramatically.

The downward pressures on income experienced by all groups since 2008/9 have been felt particularly strongly amongst young single individuals (under 35s). The proportion with incomes below the MIS threshold has increased dramatically since 2008, with those young single individuals with an income of less than half of MIS more than doubling in this period. The total proportion with incomes below the MIS threshold has also increased by 13 percentage points, while the best-off group with incomes at least 50 per cent above MIS has shrunk by just over 10

percentage points. In other words, young single people have become worse off across the board.

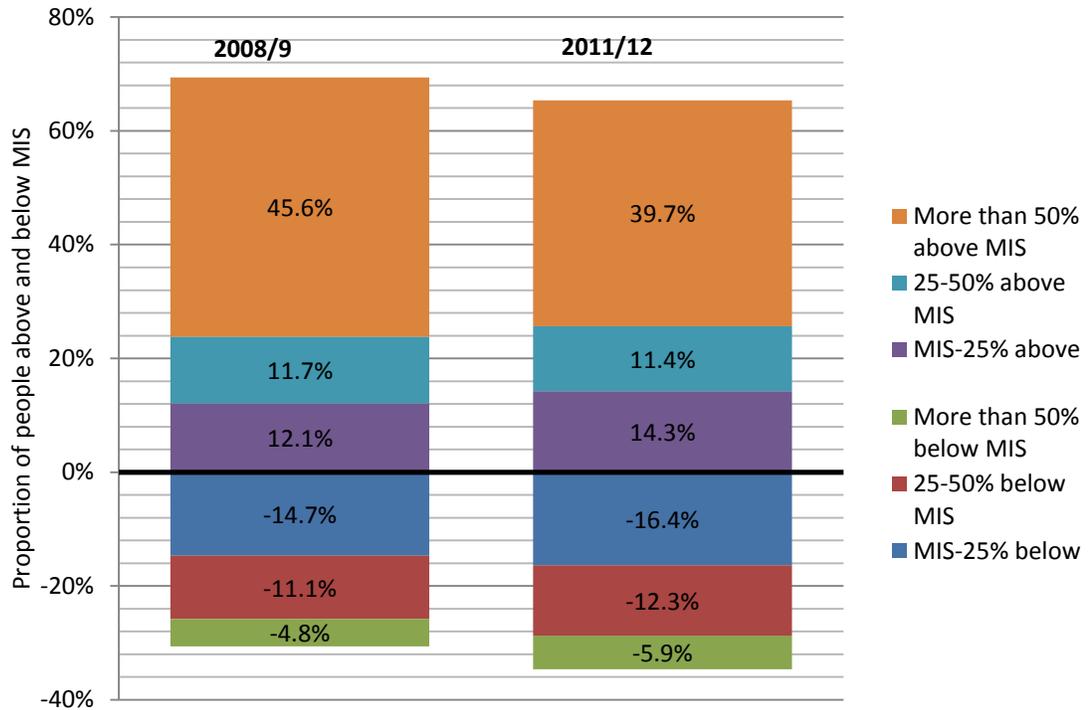
Figure 20: More than a quarter of young single people have incomes more than 50 per cent below the MIS threshold



The income profile of families with children has remained relatively stable.

Those in households with children have not experienced the same intensity of downward pressures on incomes in the period between 2008/9 and 2011/12 (see Figure 21). The proportion at least 50 per cent above MIS did fall significantly, with corresponding rises in the number just above MIS and below MIS. However, these changes have not been as great overall as for households without children.

Figure 21: All families with children have seen a slight downward shift in income since 2008/9



For lone parents, the proportion with an income above MIS has fallen and more than two-thirds have an income below the MIS threshold.

When families with children are separated into individuals in lone parent households and couples with children households, clear differences become apparent in the income profile in different household types. Both lone parents and couple families have experienced downward pressure, with increases in the numbers well below and just above MIS, and a decrease in the numbers at least 50 per cent above the threshold. However, this is in a very different context for, on the one hand, couples with children, where the majority of families are still at least 25 per cent above MIS, and, on the other, lone parents, where fewer than one in five families are in this situation. In other words, the vast majority of lone parent families have incomes either below MIS or not far above it.

Figure 22: Less than one in five individuals in lone parent households has an income at least 25 per cent above the MIS threshold, and the proportion above MIS has fallen

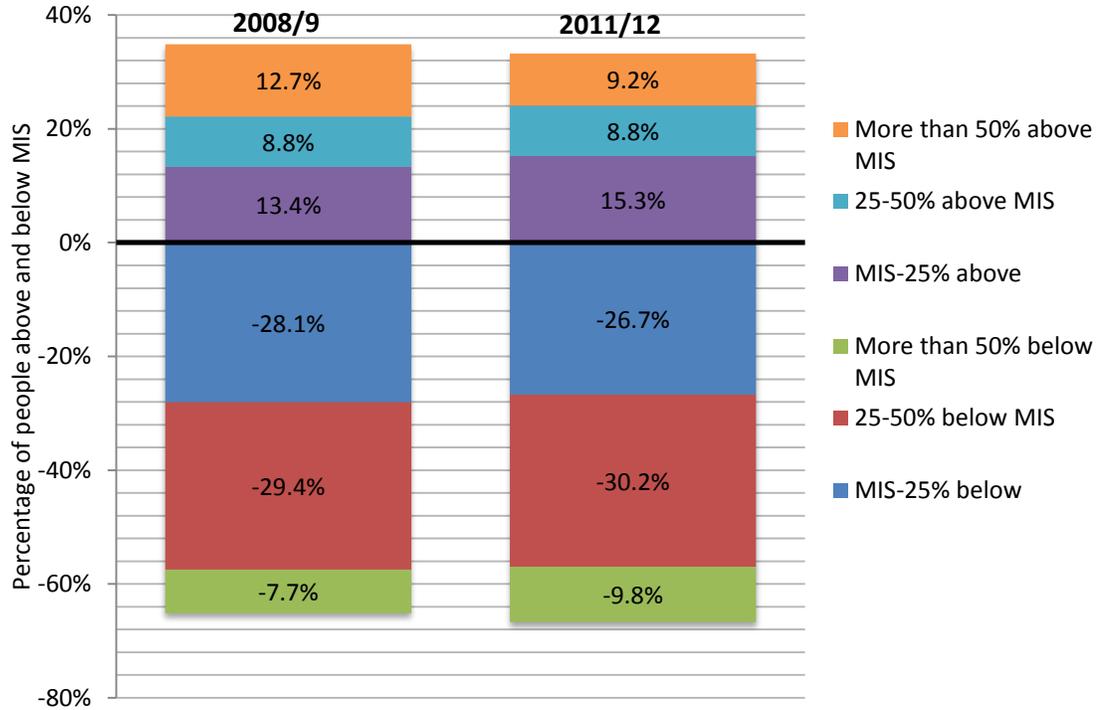
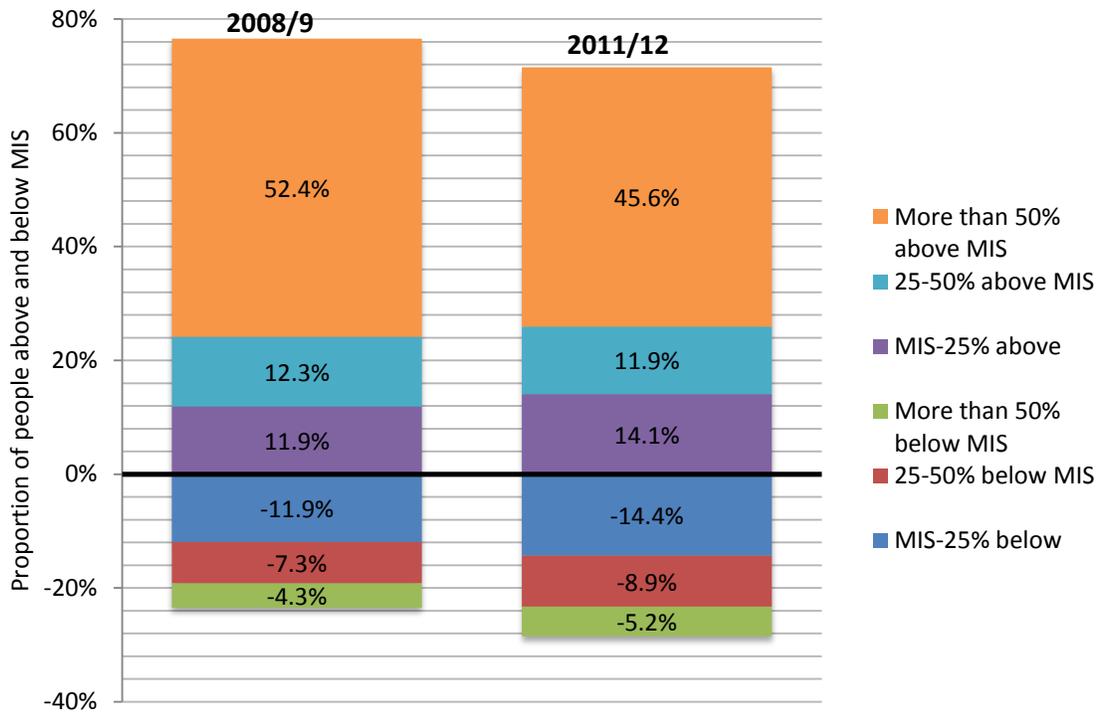


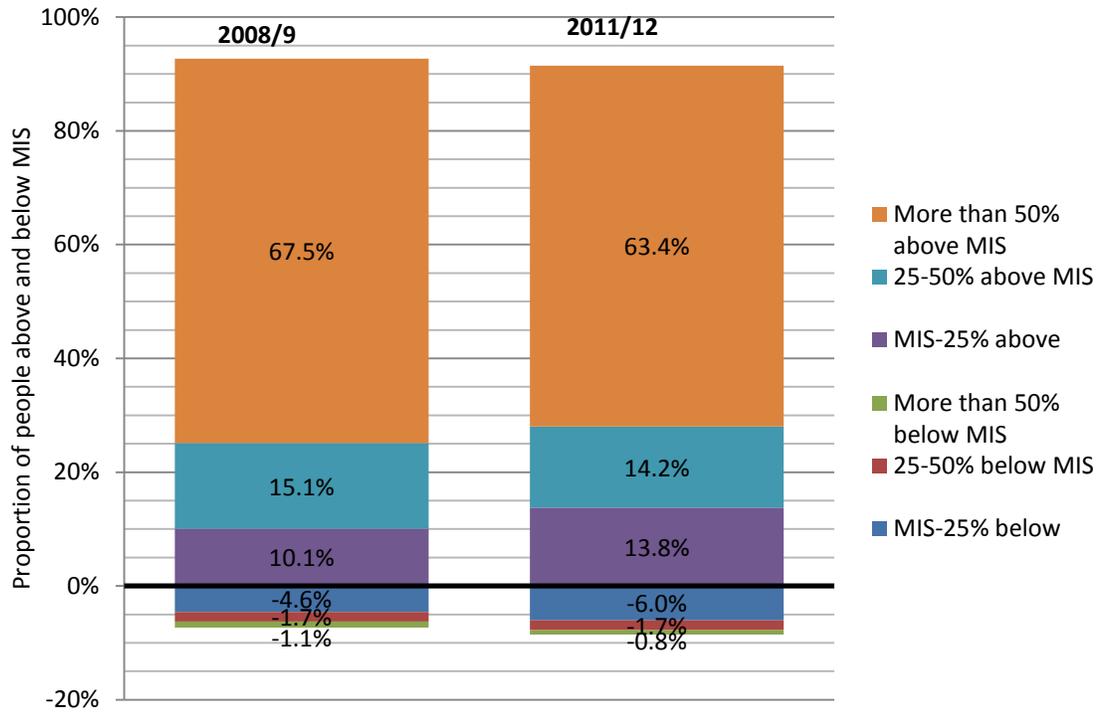
Figure 23: Couples with children have experienced similar downward shifts in incomes to other groups



Pensioners are the least likely to have an income below MIS and most have incomes well above this threshold.

The majority of pensioners – more than 90 per cent – have incomes above the threshold of MIS. Although there has been a small increase in the proportion of pensioners with an income below what is needed in order to have an adequate standard of living, relative to other groups, the proportion under the MIS threshold is very small. Moreover, the fall in the proportion of pensioners who are at least 50 per cent above MIS (around two-thirds of all pensioners) has been modest compared to the equivalent fall for other groups.

Figure 24: More than three quarters of pensioners have an income at least 25 per cent above the MIS threshold



5. Conclusion

Tracking the number of people living in households with below adequate income allows a more meaningful understanding of what has happened to living standards in the past few difficult years than standard measures of relative income poverty. The fluctuating level of median income has made the standard measures of poverty difficult to interpret in recent years. By contrast, the MIS reflects a stable social consensus about the level below which households do not have enough for a minimum acceptable standard of living.

The analysis here shows that the failure of either wages or benefits to keep up with the increasing cost of an essential budget has, unsurprisingly, caused more households to fall below an adequate income as measured by MIS. However, this deterioration has not been even across groups or over time. From the start of the recession, single young people who live on their own have been hit by worse job prospects, falling real pay, rising housing costs and a decline in benefit levels relative to needs. These factors have outweighed the benefits of higher tax allowances. The worst hit have been single people in private rented housing, exposed to markets and with little support from the state. The experience of this group has been transformed, with the proportion of young single people without enough to afford a decent living standard rising from below 30 to above 40 per cent, and one in four now having a miserably low income below half of the MIS level.

This extreme vulnerability of young adults is the product partly of their unfavourable position in the job and housing markets, with the low level of support for them offered by the state a contributing factor. Families with children, in contrast, have fared better in the labour market and over the past 15 years have received a growing range of state support, centred round the tax credit system. However, since 2010, dependence on this support at a time of across-the-board government cutbacks has started to take its toll. This is illustrated by the fact that lone parents started off the recession with a falling risk of being below MIS, but have now lost all those gains. This suggests that a corner has been turned, and a general trend of improving the adequacy of incomes for low-income families with children has been reversed.

Changes that have taken place since the last income survey was undertaken, including a continuing decline in real earnings, further rises in the cost of essentials and a cut in real benefit levels, are likely to have further negative impacts on living standards for working-age households both with and without children. But what will happen as the recovery that is now getting underway takes hold? Much will depend on whether wages, benefits, job opportunities and housing opportunities for the most vulnerable households improve in line with renewed economic growth.

A summary of the data used for this report is available as a separate download at www.jrf.org.uk

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<http://www.jrf.org.uk/topic/mis>

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