

# HOUSEHOLDS BELOW A MINIMUM INCOME STANDARD: 2008/09 TO 2015/16

The Minimum Income Standard (MIS) is a benchmark of adequate income based on what members of the public think is needed for a minimum socially acceptable standard of living. This analysis monitors changes in the number of people in households with incomes below MIS.

## Key points

- From 2013/14 to 2015/16, the likelihood of having an income below MIS or below 75% of MIS fell for working-age adults and children. Nonetheless the proportion of individuals in these groups below MIS remained well above that in 2008. A household below 75% of MIS is around four times as likely to experience deprivation as a household with an income at or above MIS
- In 2015/16, 30% of all individuals in the UK – 18.9 million – were living in households with incomes below MIS, an increase of more than a fifth – 3.4 million – since 2008/09. Most of this increase occurred between 2008/09 and 2011/12.
- In the later part of this period, after 2013/14, the overall likelihood of being below MIS fell. This was a period when real earnings were growing, but they have stopped doing so since the most recent household income data for 2015/16, analysed here.
- Over the seven-year period to 2015/16, the proportion below 75% of MIS rose from 15% to 17%, from 9 to 11 million individuals. This means an increase of around 2 million in the number of people whose incomes are well below what they need.
- The proportion of individuals with a household income below MIS varies greatly by demographic group: 44% of children (6 million), 29% of working-age adults (11.1 million) and 15% of pensioners (1.9 million).
- In contrast to other groups, pensioners became more likely to fall below MIS and below 75% of MIS between 2013/14 and 2015/16. In particular, single pensioners' costs increased substantially, by more than their incomes.

## The research

By a team at the Centre for Research and Social Policy,  
Loughborough University.

**NOVEMBER 2017**

# BACKGROUND

The Minimum Income Standard (MIS) sets a threshold below which households struggle to make ends meet – based on research in which members of the public consider what people need to have a socially acceptable standard of living. Identifying trends in the number of individuals below this standard helps to show how low-income households fare over time.

This latest analysis looks at how many people were living in households with less income than MIS in 2015/16 and in each of the previous seven years back to 2008/09. In the early part of this period, average incomes fell in real terms. However, between 2013/14 and 2015/16 they rose significantly, with median household income growing by 5%. This income growth was helped by a reversal in the trend in average earnings, which fell more or less continuously between early 2009 and early 2014. Earnings began to rise again in 2014, with average weekly earnings increasing by 6.5% between January 2014 and January 2017. This was also a period when prices were stable, so the freeze in both benefits and tax credits was not yet affecting real incomes. In contrast, from early 2016, earnings stopped growing in real terms, and in tandem with the return of inflation in late 2016, frozen benefits began falling in value.

## Charting changes to living standards

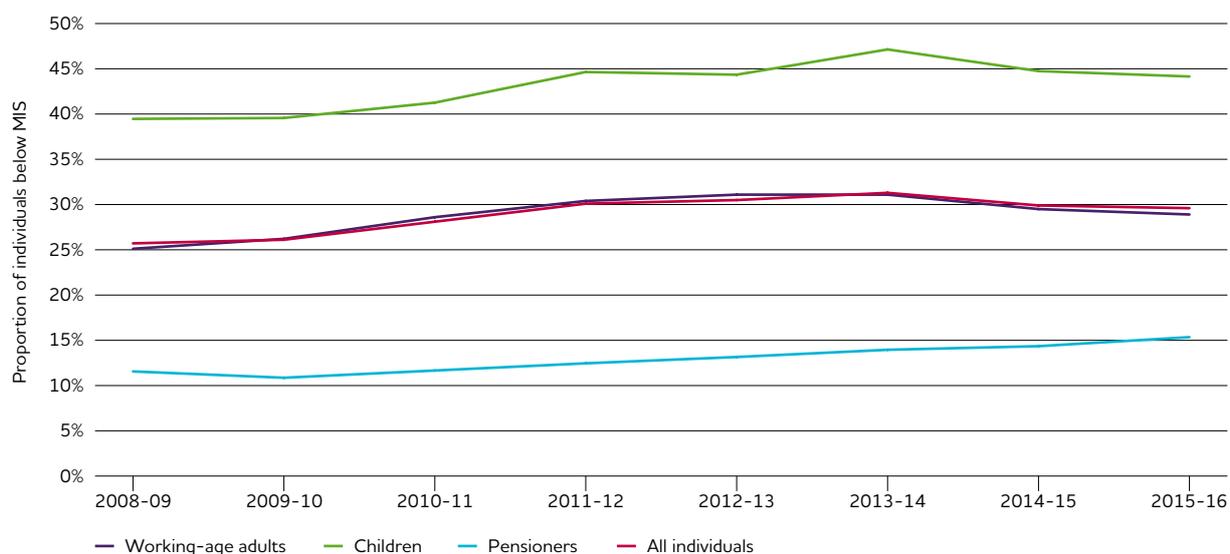
The table and graph below show the change in the number and proportion of people below MIS between 2008/09 and 2015/16. The likelihood of low and inadequate income increased by about a fifth over this period, with every group seeing an increase in the proportion both below MIS and below 75% of MIS. In the latest two years, between 2013/14 and 2015/16, the likelihood of having an income below MIS, or below 75% of MIS, fell for working-age adults and children. Yet despite two years of more favourable conditions, in 2015/16 the proportion of individuals in these groups below MIS remained well above that in 2008.

### Number and proportion of individuals in households below MIS and below 75% of MIS, 2008/09 and 2015/16

	Number below MIS (millions)*		Proportion below MIS		Number below 75% of MIS (millions)		Proportion below 75% of MIS	
	2008/09	2015/16	2008/09	2015/16	2008/09	2015/16	2008/09	2015/16
All	15.6	18.9	25.8%	29.7%	9.4	11.1	15.4%	17.4%
Working-age adults	9.2	11.1	25.2%	29.0%	5.8	6.9	15.9%	18.0%
Children	5.1	5.9	39.6%	44.3%	3.0	3.4	23.4%	25.7%
Pensioners	1.3	1.9	11.6%	15.4%	0.5	0.8	4.7%	6.5%
<b>Sub-groups</b>								
Children with lone parents	2.1	2.3	68.2%	75.0%	1.3	1.5	42.5%	48.4%
Children with couple parents	3.1	3.6	30.9%	35.0%	1.7	2.2	17.5%	18.8%
Parents	4.7	5.7	32.2%	37.1%	2.8	3.3	19.2%	21.5%
Single working age, no children	2.6	3.1	35.1%	37.3%	1.9	2.2	25.7%	25.9%
Couple working age, no children	1.8	2.3	12.8%	15.8%	1.0	1.4	7.5%	9.7%
Single pensioner	0.7	1.1	15.3%	25.5%	0.3	0.5	6.2%	11.5%
Couple pensioner	0.7	0.7	9.3%	9.5%	0.3	0.2	3.9%	3.6%

\* Rounded to nearest 100,000

## Proportion of individuals in households below MIS, by demographic groups, 2008/09 to 2015/16



### Different groups face a different likelihood of being below MIS

- **Children in lone-parent families:** the risk of low income is relatively high for children, and greatest in lone-parent families, where 75% of children are in households below MIS, up from 68% in 2008/09. Almost half of children in lone-parent families have below 75% of MIS, increasing their likelihood of being materially deprived. While there has been some wage growth since 2013, benefits have been updated more slowly than prices, limiting the extent to which more favourable economic conditions have reduced the proportion of children below MIS. This is particularly evident among children in lone-parent families where reliance on benefits and tax credits is greater.
- **Single working-age adults:** just over a third of single working-age adults without children are below MIS. The risk for young single people of having low income rose sharply in the recession, to over 40%, but has reduced as employment levels have risen.
- **Single pensioners:** the proportion of single pensioners with incomes below MIS has increased dramatically since 2008/09, from 15% to 26% in 2015/16. This is in stark contrast to the proportion of pensioner couples below MIS, which has remained at around 9% over the same period. A number of factors help to explain this difference, including the 'gap' between pension uprating and the increasing cost of a minimum budget, and the identification of new pensioner needs over time.

## Conclusion

Over much of the last ten years, low-income working-age households have been finding it increasingly difficult to manage as their incomes have risen more slowly than living costs. This may mean that they have to work harder to keep up with bills and avoid debt, they may have limited choices if sudden unexpected costs arise, or they may find themselves having to look to family networks for financial support in order to make ends meet and provide things that they otherwise could not afford from their budget. For others juggling inadequate financial resources, it is a challenge to keep afloat, having to make material sacrifices or 'go without'.

While the period between 2014 and 2016 offered more benign economic circumstances, with increases in individual earnings and household incomes, accompanied by a prolonged period of low inflation, conditions have once again become less favourable for working-age households on low incomes. Over the past year, increases in earnings have slowed, inflation has returned, and many families on low incomes find themselves losing out from the continued freeze on benefit and tax credit levels, compounded by other selective cuts in benefits. This makes it unlikely that the modest reduction in the proportion of individuals below MIS seen up to 2015/16 will be sustained over the coming years. The outlook for families and single people already struggling to get by on incomes below, and well below, MIS seems unlikely to improve dramatically any time soon.

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## About the project

The team at the Centre for Research and Social Policy at Loughborough University, who compile the MIS for the UK, examined data from the Family Resources Survey and compared actual household incomes with the MIS benchmarks for each household type.

## FOR FURTHER INFORMATION

The full report, **Households below a Minimum Income Standard: 2008/09 to 2015/16** by a team at the Centre for Research and Social Policy, Loughborough University, is available as a free download at [www.jrf.org.uk](http://www.jrf.org.uk)

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Other formats available  
ISBN: 978-1-911581-20-8

Joseph Rowntree Foundation  
The Homestead  
40 Water End  
York YO30 6WP  
Tel: 01904 615905

email: [info@jrf.org.uk](mailto:info@jrf.org.uk)  
[www.jrf.org.uk](http://www.jrf.org.uk)  
Ref: 3275