

# A Minimum Income Standard for the UK 2008–2018: Continuity and change

This update of JRF's Minimum Income Standard (MIS) presents new research on what working-age adults and pensioners say is needed for an acceptable living standard, and looks back at ten years of MIS research, showing continuity and change in what is required and how much it costs.

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### Key message

Benefit levels and incomes available to lower-earning working households have not kept up with rising costs, and these barriers are preventing people from reaching a decent standard of living. In 2018, benefits provide only a third of what working-age adults without children need, down from 42% in 2008. By ending the benefits freeze and increasing the Universal Credit Work Allowance, the Government could remove some of the restrictions that hold people back.

### Key trends

- Minimum household budgets have risen by about a third since 2008 for most household types, and a half for pensioners, compared to a 25% rise in the Consumer Prices Index.
- Many costs have remained stable, but some have changed substantially, imposing further restraints on people who are struggling to get by. In particular, public transport has become much more expensive and is perceived as having deteriorated. As a consequence, transport costs have risen from around 10% to nearly 20% of minimum household budgets, other than for pensioners who receive free bus travel.
- Technology is increasingly important as part of a social minimum. A laptop, broadband internet and a smartphone, included at a basic specification level, cost less today than paying for a landline telephone and a pay-as-you-go mobile did in 2008. Technology is also affecting minimum costs by enabling people to shop online and make price comparisons.

### The research

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# Background

What income do people need to achieve an acceptable standard of living in the UK? Since 2008, JRF has published annual updates of the Minimum Income Standard (MIS), to reflect changes in costs and society affecting what households require. On the tenth anniversary of the first MIS study, this study also considers what has changed in the past decade.

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## Main findings include:

- Despite tough economic times, the minimum household requirements identified by members of the public have remained mainly similar over the past decade.
- In some areas where pensioners specified lower minimum budgets than working-age adults in 2008, including eating out and clothing, these are now at similar levels for both.
- A single person must earn £18,400 a year to reach MIS; each parent in a working couple with two children must earn £20,000. The minimum wage remains too low to reach MIS, with widening shortfalls for some groups. A lone parent with two children, working full-time, had disposable income 4% below MIS in 2008 but 20% below today.

## What things households need as a minimum and how this is changing

Overall, the way households describe a minimum living standard has stayed broadly similar in the last decade. The need to eat, dress, and heat your home remain the same. Social participation continues to include taking part in activities outside the home, having a low-cost annual one-week holiday in the UK and being able to give presents and celebrate festive occasions such as Christmas. Some of the details have changed, however. For example, eating-out budgets for families have gone down as a result of parents now saying it is acceptable to have an occasional special meal out rather than having modest meals out more regularly. On the other hand, budgets for cultural, sporting or leisure activities have risen.

Two important influences on the overall level of budgets have been price trends and changes to public services. In the case of transport, these factors have combined to make a minimum budget rise rapidly. Bus travel is 65% more expensive in 2018 than in 2008, and households feel you can rely on it less, as services deteriorate. Since 2012, families with children have said that you need a second-hand car to meet your needs in an urban area outside London, whereas in 2008 they thought you could have an acceptable living standard without one. Those without children still think this possible, but say you need more than previously to cover the cost of taxis for trips where public transport is not an option. Working-age groups also say you need to be able to travel further afield to access work opportunities than previously, with a tighter housing market making it harder to move close to where you work. For all non-pensioners, transport now comprises about 20% of a minimum household budget, compared to around 10% in 2008.

Housing is another important influence on household costs. While minimum housing costs vary according to where you live and in which sector you can access housing, the sharp increase in reliance on privately rented housing has limited affordable housing choices. More adults of working age now rent privately than from social landlords, including those with children.

Overall, pensioner budgets remain lower than those for working-age adults, but only because certain items like bus travel and prescriptions are free for pensioners. Comparing other areas, there has been a convergence between pensioners and non-pensioners. In 2008, pensioner budgets for eating out and for clothing were more modest than they were for non-pensioners, whereas now in both cases they are very similar. Some of this appears to be because new cohorts of pensioners have different attitudes about what it means to take part in society than their predecessors.

Communications technologies including laptop computers, broadband and smartphones are included in MIS budgets, reflecting the falling cost, the growing ubiquity and the importance to the practicalities of daily life of such items. Overall, they cost less than communications in 2008, even though at that time a household without children required only a basic pay-as-you-go mobile for occasional use and a landline telephone, with no computer or internet. As well as transforming communications, these technologies are changing the way people buy other items, for example by allowing easier price comparisons. In 2018, couples without children included a weekly online grocery shop in their budgets.

## Overall budget levels compared to incomes

Table 1 summarises what has happened to the MIS budgets over the past decade, and to the disposable incomes of people relying on benefits or working on the minimum wage, relative to these budgets.

**Table 1 - Change in weekly MIS budgets and in incomes relative to these budgets**

	Minimum household budget 2018 (excluding rent and childcare)	Increase since 2008 (CPI rose 25%; RPI 37%)	% of budget provided by minimum benefits 2008	% of budget provided by minimum benefits 2018	% of budget provided by income on the minimum wage* 2008	% of budget provided by income on the minimum wage* 2018
Single person	£213.59	35%	42%	33%	83%	80%
Couple, 2 children aged 3 and 7	£479.59	30%	62%	58%	93%	89%
Lone parent, 2 children aged 3 and 7	£389.98	38%	68%	60%	97%	80%
Pensioner couple	£301.92	50%	105%	90%	NA	NA

\* Adult/s working full-time on National Minimum Wage/National Living Wage

Since 2008, the cost of a minimum household 'basket' has risen by 35% for a single working-age adult without children, by 30% for a couple with two children and by 50% for a pensioner couple. This increase compares to a 25% increase in the Consumer Prices Index (CPI). Much of the difference is due to the price of some substantial categories of expenditure in the MIS baskets rising faster than CPI. For example, the price of bus travel is going up much faster than general transport costs, and the cost of the groceries specified in MIS is rising faster than food costs generally.

Benefit levels have not kept up with these growing costs, affecting both those receiving in-work benefits and tax credits and those getting no income from work. A single working-age adult can expect to have disposable income covering only 33% of a MIS budget if out of work, down from 42% in 2008. For a couple with two children the proportion has fallen from 62% to 58%, whereas a pensioner's guaranteed income on Pension Credit remains similar to the MIS level (although down from 5% above to 10% below the MIS level for a pensioner couple, due to the required budget having risen substantially).

For working households, the minimum wage has increased, but those relying on it remain unable to reach MIS. A full-time salary on the National Living Wage (minimum wage for over-25s) is about £15,000, but a single person needs to earn £18,400 and couple parents with two children require £20,000 each for a disposable income equivalent to MIS. Minimum-wage incomes, including on the National Living Wage, are lower relative to MIS than in 2008 and have fallen most sharply for lone parents. In 2008, a lone parent working full-time, helped by tax credits, could get to within £10 (3.5%) of the MIS budget, but today they are more than £70 (20%) short. A couple with two children is about £50 (11%) short of MIS if both parents work full-time on the minimum wage, but £120 (27%) short with just one parent working.

## Conclusion

A decade of research has demonstrated how MIS can show what is happening to minimum costs in ways that could not be understood by analysing expert evidence or economic data alone. Members of the public have identified the point at which access to new technologies can be considered essential, new ways that goods and services are being purchased, changes in how people live and differences in the things society prioritises as important. While many of the effects on budgets are small, two large changes have been the convergence of pensioners' and working-age adults' minimum requirements, and the growing share of transport as one of the largest costs in minimum household budgets.

With MIS budgets going up faster than inflation and incomes being squeezed by limited earnings growth and real-terms cuts in benefits, the risk of falling below MIS has grown. Some groups working full-time on the minimum wage, such as single adults without children and dual-earner parents, could improve their position in the next two years, as the National Living Wage continues to rise. However, for vulnerable groups with more limited earnings, any gains will be more than offset by planned real-terms cuts to benefits, tax credits and Universal Credit – unless significant changes in policy are introduced, for example by ending the benefits freeze and increasing the Universal Credit Work Allowance. In particular, lone parents and working-age households with little or no work are becoming much worse off. MIS continues to provide an important way of monitoring trends in incomes relative to needs, defined as what the public judge to be a minimum standard of living by contemporary standards.

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## About the project

MIS is based on what groups of members of the public identify as the items and services households need to reach a minimum acceptable standard of living, covering essential requirements and allowing participation in society.

In 2018, the research was fully updated for working-age adults without children and for pensioners, for the first time since 2014, and budgets constructed in 2016 for families with children were reviewed for any changes.

## For further information

The full report, **A Minimum Income Standard for the UK 2008-2018: Continuity and change**, by **Abigail Davis, Donald Hirsch, Matt Padley and Claire Shepherd**, is published by the Joseph Rowntree Foundation. It is available as a free PDF at [www.jrf.org.uk](http://www.jrf.org.uk)

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