

Households below a Minimum Income Standard: 2008/09 to 2016/17

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

Key message and recommendations

It's not right that many low-income households are shut out of an acceptable standard of living. Although the proportion of the UK population living in households with inadequate income has gone down recently, the proportion is still higher than in 2008/09. Living standards are not improving for some types of household, especially groups who already have the highest rates of low income.

JRF recommends that the Government should lift the freeze on working-age tax credits and Universal Credit a year early, so that support keeps up with the rising cost of living.

Top trends

- Nearly 19 million people are living below MIS, up from 16.5 million in 2008/09.
- Nearly three in four children in lone-parent households are below the Minimum Income Standard, slightly above the number in 2008/09.
- While pensioners remain less likely than working-age adults and children to have low income, the number of single pensioners below MIS has risen from one in six to one in four since 2008/09.

The research

Carried out by Juliet Stone, Matt Padley and Donald Hirsch,
Centre for Research and Social Policy at Loughborough University
JRF Policy and Research Manager: Ilona Haslewood

Background

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

Key points

- The proportion of individuals below MIS fell gradually between 2013/14 and 2016/17, but at 29.0% remains higher than in 2008/09 (27.2%). The proportion of the population with incomes at least 25% below the MIS level has fallen to the same level as in 2008/09.
- Improvements are not universal. In particular, the likelihood of having an inadequate income has continued to increase among lone-parent households (the group most likely to be below MIS) and among single pensioners – most particularly women in their early 60s.
- A growing proportion of households below MIS are those where there is full employment. Of all working-age households below MIS in 2016/17, more than one in eight (around 470,000 households) were households where all adults are in work full-time.

Overall improvement masks continued inequality

This year's report covers the period from 2008/09 to 2016/17, using the latest available household income data. It is set in the context of gradual improvement in real-terms earnings and average income, after an earlier period in which these fell or stagnated. This has resulted in an overall reduction in the number of people in low-income households, but the number below MIS remains higher than in 2008/09. Many of those who have moved above MIS still remain vulnerable because their incomes are close to that line. The trends shown by relative poverty indicators do not mirror this overall reduction, because median income has risen at a faster rate than the income needed to reach MIS, in most household categories.

Gains have not been evenly spread across groups. Some have seen no fall in the likelihood of having incomes below MIS, reflecting two underlying influences:

1. While earnings have risen, income from benefits and tax credits has fallen in real terms, so groups that depend more on the latter, especially lone parents, are particularly vulnerable.
2. Some groups have seen minimum costs rise more than others, causing more to fall behind, especially single pensioners and lone parents.

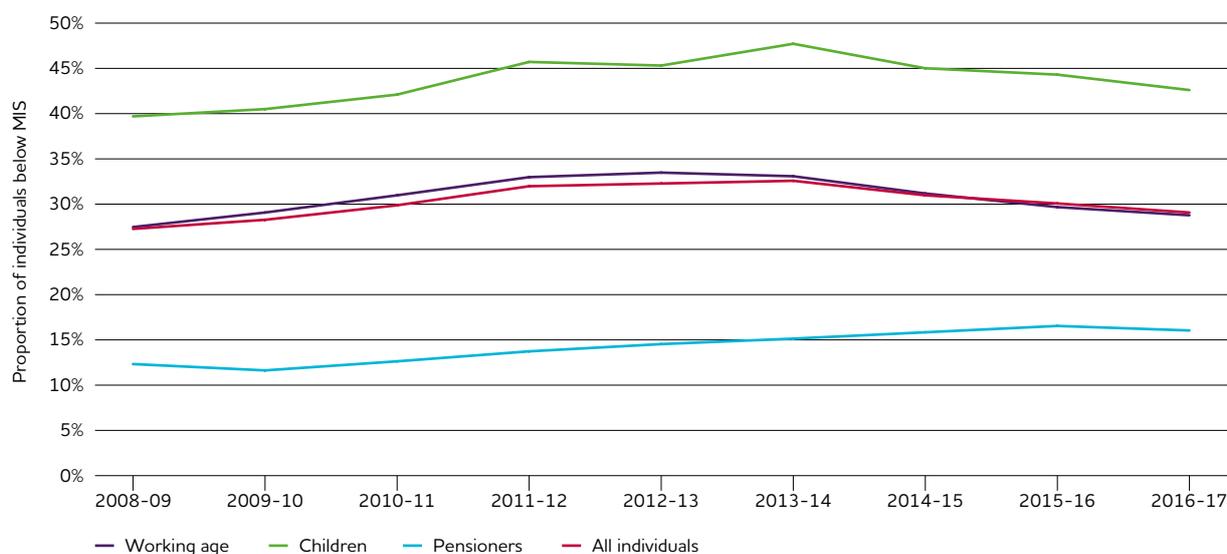
Children remain the most likely of the three broad demographic groups explored in this report (also including working-age adults and pensioners) to be living in a household with an income below what they need for a minimum socially acceptable standard of living. The report also identifies the growing inadequacy of incomes for many working people:

- Half of all working-age couple parents with a single breadwinner do not have the income they need for a minimum socially acceptable standard of living in 2016/17.
- Around 40% of lone parents working full-time have an income below MIS.

Number and proportion of individuals in households below MIS and below 75% of MIS, 2008/09 and 2016/17

	Number below MIS (millions)		Proportion below MIS		Number below 75% of MIS (millions)		Proportion below 75% of MIS	
	2008/09	2016/17	2008/09	2016/17	2008/09	2016/17	2008/09	2016/17
All	16.5	18.7	27.2%	29.0%	10.2	10.8	16.9%	16.8%
Working-age adults	10.0	10.8	27.4%	28.7%	6.5	6.7	18.0%	17.8%
Children	5.1	5.8	39.6%	42.5%	3.1	3.2	23.8%	23.8%
Pensioners	1.4	2.1	12.3%	16.0%	0.6	0.9	5.5%	6.9%
Sub-groups								
Children with lone parents	2.1	2.2	68.5%	71.8%	1.3	1.4	43.1%	45.9%
Children with couple parents	3.1	3.6	30.8%	34.0%	1.8	1.8	17.8%	17.3%
Lone parents	1.2	1.3	65.6%	69.1%	0.8	0.9	41.8%	45.0%
Couple parents	3.0	3.6	26.9%	29.8%	1.8	1.9	15.9%	15.5%
Single working age, no children	3.8	3.9	36.2%	34.4%	2.7	2.8	25.9%	24.3%
Couple working age, no children	1.9	2.0	15.1%	15.9%	1.2	1.2	9.7%	9.8%
Single pensioner	0.7	1.3	15.9%	26.7%	0.3	0.6	7.2%	11.8%
Couple pensioner	0.7	0.8	10.0%	9.9%	0.3	0.3	4.4%	4.0%

Proportion of individuals in households below MIS, by demographic group, 2008/09 to 2016/17



What kind of households have incomes below MIS?

- Children living with a lone parent were more than twice as likely to be in a household below MIS as those living in couple-parent families in 2016/17, although because there are more couple-parent families overall, they account for a greater number of children below MIS (3.6 million) than lone-parent families (2.2 million).
- Single pensioners (26.6%) were far more likely to be below MIS than pensioners with partners (9.9%). The likelihood of single pensioners being below this level has increased by more than 70% between 2008/09 and 2016/17, while for pensioners with partners it has remained stable.
- Those aged 16–34 were the most likely age group to have an income below MIS, with 30.7% below this level in 2016/17.
- Almost two-thirds of individuals living in social housing (64.2%) and approaching half of those in private rented accommodation (45.4%) were living in a household with an income below MIS.

- A growing proportion of households below MIS are those where there is full employment. Of all working-age households below MIS in 2016/17, more than one in eight (11.6%) were households where all adults were in full-time work. This compares to around one in ten (9.7%) in 2008/09.

Single women aged 60–64 have become much more likely to have low incomes. The raising of women's pension age, a process that began in 2010, has contributed to a substantial increase in the proportion of women in this group being below MIS, doubling from 19% to 39% between 2008/09 and 2016/17. This change is partly because fewer benefit from pensions and more rely on out-of-work benefits, and partly because those who continue working at this age are more likely to end up with a low income, despite working, than they were a decade ago.

Conclusion

Modest reductions since 2013/14 in the proportion of the population living below MIS mask substantial differences in what has been happening for different groups. The introduction of the National Living Wage has helped lower the proportion of single working-age adults with incomes below MIS. On the other hand, there is an increasing proportion of people in households where there is some work, but where not all of this is full-time, below MIS.

These results reflect more general evidence that real increases in earnings have not been translated into a general improvement in living standards for the worst-off sections of the population. Lone-parent households remain especially vulnerable, while single pensioners have become more likely to be living with an inadequate income. Working households have also become less able to earn enough to reach the Minimum Income Standard, even if in full-time employment. This is partly because most households on lower incomes rely on combining earnings, if any, with benefits and tax credits to make ends meet, and cuts in the latter are not fully offset by any increase in earnings.

Implications for policy include a need for sustained public support for those with a low income from work, to complement policies aimed at enabling people to work. In addition, to make sure people's income goes up as prices go up, benefits for those in and out of work should be uprated at least in line with inflation. Policies to help families should prioritise improving help for lone parents, recognising that they need additional help on top of earnings. This would start to reduce the very high proportion of lone-parent households that remain below the Minimum Income Standard.

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 2016/17**, is published by the Joseph Rowntree Foundation. It is available as a free PDF at www.jrf.org.uk

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

email: info@jrf.org.uk
www.jrf.org.uk
Ref: 3308