

A Minimum Income Standard for the United Kingdom in 2020

This annual update of Joseph Rowntree Foundation's Minimum Income Standard (MIS) considers how living costs are changing and how changes in benefits, in response to COVID-19, affect the ability of low-income households to keep their heads above water.

Key points and recommendations

- **Importantly, the research was completed just before the March lockdown triggered by COVID-19, so does not capture its effect on social norms, expectations, lifestyles and any consequent impact on living costs. Future research will investigate the extent to which the pandemic may have changed what people consider the minimum required to meet material needs and participate in society.**
- In order to reach a minimum socially acceptable living standard in 2020, a single person needs to earn £19,200 a year and a couple with two children each need to earn £18,700.
- These calculations are based on new research asking parents what families require in order to have a minimum living standard in 2020. While this is similar to previous years, the budgets identified reflect changes in society. For example, a DVD player is no longer considered part of the minimum, but a Netflix or similar subscription is. Parents put renewed emphasis on aspects of children's social participation such as attending residential school trips, and slightly increased the amount of travel considered necessary for leisure purposes.
- In 2020 temporary increases in tax credits and Universal Credit (UC), linked to COVID-19, have reduced the amount that a family needs to earn to reach this pre-coronavirus MIS, while the National Living Wage (NLW) has increased. It is now theoretically possible for a couple with two children, with parents working full-time and earning the NLW, to have income that exceeds MIS, helped by UC. If one works full-time and one half-time, they could almost reach the MIS level. The Government should recognise the value of the additional support in helping families build better lives, and continue to provide increased support rather than make it temporary.
- It's only right that the Government should take action to make our benefits system consistent. Selective application of the new benefits means that some people on low incomes fail to gain from them, particularly those who are not working and are among the many families still on the old benefits that preceded UC. A family with two children on those benefits still has only just over half what they require, and those of working age without children only around a third.

The research

Conducted by Abigail Davis, Donald Hirsch, Matt Padley and Claire Shepherd,
Centre for Research in Social Policy, Loughborough University.
Adél Schofield, JRF Research Manager

Background

Since 2008, the Minimum Income Standard (MIS) has shown how much households need for a minimum socially acceptable standard of living, as specified by members of the general public in ongoing research. In 2020 this research was updated, with 19 new groups asking parents about what families require as a minimum to meet material needs and participate in society. These groups started from a 'blank sheet'; eight other groups asked households without children (working-age and pensioners) to review previous lists of required items, identified in 2018, and update them where needed.

The fieldwork for this research was completed in March 2020, shortly before the lockdown caused by the pandemic. While the resulting budgets were costed in April, they do not take any account of changes in the way people are living during the lockdown, nor how people may live in the future, which could potentially affect what is considered to be a minimum. This will be the subject of future research. The findings present a comprehensive baseline of the situation immediately before the pandemic. It compares the present level of benefits and incomes on the National Living Wage to those amounts.

Changes in what is included in MIS for families

The new research for 2020 confirmed that most of what is identified as a minimum basket of goods and services remains highly stable over time, with fresh groups of parents coming to similar conclusions to those asked to identify a minimum four years earlier. However, it also identified areas where the minimum has changed, reflecting changes in society. In particular:

- Changes in certain technology-related services were reflected in the inclusion of some new, 'entry-level' subscription items that had not been considered part of minimum budgets in 2018. This reflects the ways in which families access home entertainment and use computing services. A DVD player is no longer considered essential, but a basic-level subscription to Netflix or similar streaming service is included, as is a subscription for accessing games online, a printer ink subscription, and for larger families a subscription to a computer software package. These changes reflect not just what services families require but also how they are sold, with low-cost subscription offers often being the most economical way of providing them.
- Parents continue to give high priority to children's ability to participate socially at an acceptable minimum level. Most costs in this respect did not change in 2020, but small additional provision was made for attending a one-off school prom and for an additional residential trip at primary school, reflecting changing norms.
- Parents continue to say that a family outside London requires a second-hand car to meet their transport needs. Since 2016, the budget for this has risen to reflect higher insurance and repair costs, and a small increase in the amount of travel for leisure that is now deemed necessary.

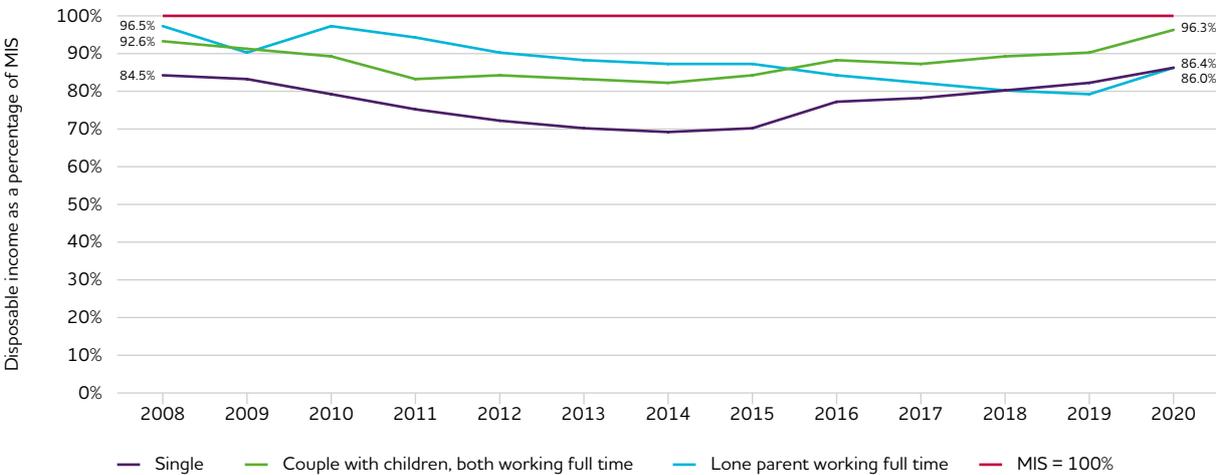
Comparison to incomes for households with low earnings or no earnings

The income of many households has been badly hit by the current pandemic. Government measures have, however, increased the amount of support available through UC and Working Tax Credit (WTC), and increased the Local Housing Allowance limits to the level of private rents that can be taken into account for Housing Benefit and UC. The overall effect of the crisis on incomes is not yet clear, but the following figures show how incomes relative to MIS have changed, among those who are not working, or who are working on the National Living Wage (NLW), not taking account of any change in working hours caused by the pandemic.

Working families on low incomes have typically gained £20 a week from additional increases in UC and WTC, intended for 2020/21 only. Combined with a 6% increase in the NLW (from £8.21 to £8.72), this has meant that a couple with children aged four and seven, where both parents work full-time and receive tax credits, now has a disposable income just 4% below MIS, compared to 10% in 2019. If they are in the UC system, which gives higher support for childcare, disposable income is 5% above MIS, and just 1% below it if the second earner works half-time rather than full-time. Thus, under the temporary system of support, there is potential for families on minimum wages to reach the pre-coronavirus minimum acceptable living standard with two earners, without both having to work full-time. This is a significant improvement on previous years. Lone parents are not in this position, since even working full-time on the NLW and receiving WTC, they remain 8% below MIS, although this has halved from 16% in 2019.

Figure 1 shows that, over the past decade, there has been a recovery from the declining adequacy of income relative to MIS for working families, caused partly by the improvement in minimum wages and in the latest year by the improvement in in-work benefits. This graph is based on the legacy tax credit system, for consistency over time.

Figure 1 Disposable income as a percentage of MIS, with adults working full-time, 2008 – 2020 (tax credit system)



For those who are not in work, the increases in support have mainly gone to those receiving UC, with those still in receipt of Jobseekers Allowance ineligible for the additional £20 a week. This means for example that a couple with two children has a disposable income 43% below MIS on legacy benefits and 39% on UC; for a single adult without children it is 66% and 57% below respectively. These represent significant income differences but underline how out-of-work benefits remain very far below the minimum required.

Conclusions and recommendations

This year's MIS report notes the effects of recent changes in society on what is needed for a minimum living standard, but these do not yet include the consequences of the pandemic. Nevertheless, the results show the extent to which a relatively more generous benefits and UC system, combined with increases in the NLW, can help low-income households move closer towards a minimum, keeping their heads above water, and providing them with opportunities to build a better life. For working families, the results are encouraging; for those out of work, they represent an improvement for some families, but underline that even those families will still be living at a level well below what members of the public deem to be an acceptable minimum.

There are two ways in which policies could build on these findings:

- Recognise the value of the additional support in helping families build better lives, and continue to provide increased support rather than make it temporary.
- Apply this additional support more consistently to those on legacy benefits as well as those receiving UC. At the beginning of 2020, over 2 million families with children remained in the tax credits system, and the 'migration' of existing cases to UC has yet to start at scale. It's only right that our benefits system is consistent, with equal respect and assistance for all, and it is critical that this is now addressed. We must design a social security system that truly acts as an anchor, by working directly with those experiencing the system, and reflecting their experience back through compassionate and just design.

About the project

The Minimum Income Standard is updated annually to reflect changes in costs and living standards. It 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.

For further information

The full report, **A Minimum Income Standard for the United Kingdom in 2020**, is published by the Joseph Rowntree Foundation. It is available as a free PDF at www.jrf.org.uk

Read more summaries at www.jrf.org.uk
Other formats available
ISBN 978-1-911581-82-6

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

email: info@jrf.org.uk
www.jrf.org.uk
Ref: 3338