



A Minimum Income Standard for the United Kingdom in 2020

by Abigail Davis, Donald Hirsch, Matt Padley and Claire Shepherd

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This update of the Joseph Rowntree Foundation's Minimum Income Standard (MIS) presents new research in which parents identified what families with children need now to meet material needs and participate in society. It considers the ability of low-income households to keep their heads above water, helped by temporary increases in Universal Credit and tax credits in response to COVID-19. The results show the extent to which these increases, combined with a higher National Living Wage, can help low-income households move closer to a minimum, 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 even those who benefit must still live with well below what members of the public consider an acceptable minimum.

What you need to know

- 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.
- 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 MIS, while the National Living Wage (NLW) has increased. It is now 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 can almost reach the MIS level.
- 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.
- 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, 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.
- 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.

We can solve UK poverty

JRF is working with governments, businesses, communities, charities and individuals to solve UK poverty. *A Minimum Income Standard for the United Kingdom in 2020* plays an important part in monitoring costs and living standards – a key focus of our [strategy to solve UK poverty](#).

July 2020

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Executive summary

Since 2008, the Minimum Income Standard (MIS) has shown what incomes households of different types require in order to reach a living standard currently considered a minimum in the UK. It is based on regular research involving groups of members of the public agreeing on what things you need in order to meet material requirements and participate in society. This report updates MIS to 2020. It incorporates new research in which groups of parents considered from scratch what families with children need, and reviews and updates budgets for households without children.

While the results reported here are based on April 2020 prices, the research on what items should be included in MIS budgets was completed just before the coronavirus (COVID-19) lockdown in March. Given that the way people in the UK live has changed dramatically since then, this year's results cannot be taken as reflecting current social norms, but rather those applying in early 2020. Future research will investigate ways in which the minimum income required has been affected by this episode. This report gives an account of first, how certain requirements identified by MIS had been changing over time, before coronavirus hit; and second, the impact on incomes, relative to MIS, of the 2020 changes in tax credit and Universal Credit (UC) entitlements in response to COVID-19.

The main new research, based on 19 new deliberative focus groups involving parents discussing family requirements, confirmed much of the previous MIS research on what families regard as essential, and also identified the continuation of several trends observed in previous MIS research, reflecting changes in society.

First, technological change continued to alter what is considered an 'entry level' package of computer, television and related services. The trend here is towards buying several items on subscription, which offers the best value for money in terms of home entertainment and meeting practical computing needs. In 2020, low-cost versions of subscriptions to a streaming service such as Netflix, a games console service (for use with a second-hand console), Microsoft Office software for larger families and a supply of printer ink were all added.

Second, parents continued to give high priority to children's social participation and added selected new items to the list of what this required, relating to occasional school residential trips and provision (at a modest level) for attending a school prom.

Third, parents confirmed the need for families to be mobile, using a second-hand car (in the context of living outside London), slightly increasing the number of trips they think are needed. Combined with the effects of rising insurance, repair and public transport costs, this led to a continuing increase in the transport budgets.

The overall effect of these changes on budgets is relatively minor. Family budgets did not change by more than 1% in 2020, reflecting Consumer Price Index inflation of only 0.8%, although for those without children, rising transport costs contributed to an overall increase of about 2.5%.

The adequacy of benefits, tax credits and minimum wages, in terms of the disposable incomes that these produce relative to their MIS requirements, was strongly influenced this year by extra help linked to coronavirus. Specifically, UC and Working Tax Credit increased by £20 a week, and increases in Local Housing Allowances brought support for rents for low-income households closer to what is needed. Proportionately, this had the greatest effect on out-of-work single adults on UC, whose disposable incomes could rise by as much as 40% – although still to a level at less than half the minimum required according to MIS. Conversely, for a working couple on UC, the increase was proportionately smaller; but this made it possible for two-earner working families to exceed MIS by working full time on the National Living Wage (NLW), and almost to reach it even if one of the parents only worked half time. Increasing adequacy of incomes on the NLW, which rose steeply this year, has in some cases brought incomes relative to MIS back to around where they were in 2010, after a substantial decline. On the other hand, the COVID-19 related increases that have brought these improvements have been selectively applied: those on legacy benefits who are not working do not get the main addition of £20 a week.

In conclusion, while the COVID-19 crisis has had damaging effects on the incomes and well-being of many households, it has also led the Government to introduce a system for helping people hit by low income at a more adequate level than previously. This demonstration of what more adequate support looks like sets an example for the future, creating a case for not returning to the previous levels. However, for the system to work equitably, the inconsistencies in support levels for people in similar circumstances but under the different regimes (legacy benefits and UC) would need to be ironed out.

1 Introduction

Since 2008, the Minimum Income Standard (MIS) has monitored what UK households need in order to have a decent living standard, considered a minimum by the general public. Successive studies have kept this standard up to date with changes in everyday life in the UK, with new research every two years reporting changes in technologies, in what goods and services are available at what prices, and in the norms of what it means to participate in society.

Most of these changes have been relatively gradual. When the coronavirus (COVID-19) lockdown was initiated in March 2020, on the other hand, the way that people live changed dramatically overnight. This currently affects the structure and level of necessary household spending in many ways, although nobody knows for how long, or the extent to which changes in our way of life will continue after restrictions on social interactions have been fully lifted.

Just before the lockdown began, the MIS research team completed its latest round of consultations with the general public, considering what should be included in minimum household budgets in 2020. This report updates the MIS budgets to reflect that research. They represent what goods and services were needed for a minimum living standard immediately before the crisis, and the cost of buying those items in April 2020 when they were priced.¹ Changes, whether short-term or more long-lasting, that result from the coronavirus crisis will be the subject of future research.

While reporting the latest figures, this report acknowledges that the norms that underpin the MIS budgets may be changing, and at the very least are likely to fluctuate as the situation and responses to it evolve. The speed at which the pandemic has affected daily life means that the research reported here cannot reflect a full, up-to-date qualitative picture of what comprises a minimum standard of living in the UK now. Nevertheless, changes identified in the 2020 research, including those affected by technology, remain relevant. This report therefore identifies changes since the previous research in what is included in MIS, without trying to describe in the round what is a minimum for each area of life today.

Another significant consequence of the pandemic is that the levels of benefits, tax credits and Universal Credit (UC) have been altered for the period April 2020 to March 2021. In doing so, Chancellor Rishi Sunak pledged to “strengthen the safety net”. While these changes have been announced as temporary measures, they affect the current adequacy of incomes relative to MIS. In reporting on the incomes of people on safety-net benefits and working on the National Minimum Wage (NMW), relative to MIS, this report considers results both with and without these changes, and thus the extent to which they affect households’ ability to reach the minimum.

Table 1 shows how the sequence of updates to MIS work on a regular cycle. The present report, for 2020, covers ‘Year 1’ in that cycle. In this year, the research on the requirements of families with children have been ‘rebased’ – that is to say, calculated from scratch by asking groups of parents to identify what is needed for a minimum, starting from a blank sheet. For other households – working-age people without children, and pensioners – there has been a more light-touch ‘review’, asking groups to look at budgets devised by groups in 2018, to check their validity or whether anything needs changing. The essential features of MIS are shown in Box 1 below.

Table 1: How the sequence of updates works on a regular cycle

	Year 1	Year 2	Year 3	Year 4
Households without children	Review	Inflation uprating	Rebase	Inflation uprating
Families with children	Rebase	Inflation uprating	Review	Inflation uprating

Box 1: MIS in brief

What is MIS?

MIS is the income that people need in order to reach a minimum socially acceptable standard of living in the UK 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. Specifically, the minimum is defined as follows, based on consultation with groups of members of the public in the original research:

A minimum standard of living in the UK 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.

How is it arrived at?

Members of the public have detailed negotiations, in groups, about the things a household needs to achieve an acceptable living standard. A sequence of groups each has a different role. The first set of groups go through all aspects of the budget, in terms of what goods and services would be needed, of what quality, how long they would last, and where they would be bought. Experts make selective inputs, notably checking the nutritional adequacy of the food baskets, calculating domestic fuel requirements and advising on motoring costs. Subsequent groups check and amend the budget lists, which are then priced at various stores and suppliers by the research team. Groups typically comprise six to eight people from a range of socioeconomic and ethnic backgrounds, but all participants within each group are from the household category under discussion. So, parents with dependent children discuss the needs of parents and children, working-age adults without children discuss the needs of single and partnered adults without children, and pensioner groups decide the minimum for pensioners. In all, over 160 groups have been used to research MIS since its inception in 2008, involving a new set of participants on each occasion.

A crucial aspect of MIS is its method of developing a negotiated consensus among these socially mixed groups. This process is described in detail in Davis et al (2015). The MIS approach uses a method of projection, whereby group members are asked not to think of their own needs, but of those of hypothetical individuals (or case studies). Participants are asked to imagine walking round the home of the individuals under discussion, to develop a picture of how they would live, in order to reach the living standard defined above. While participants do not always start with identical ideas about what is needed for a minimum socially acceptable standard of living, through detailed discussion and negotiation they commonly converge on answers that the group as a whole can agree on. Where this does not appear to be possible, for example where there are two distinct arguments for and against the inclusion or exclusion of an item, or where a group does not seem able to reach a conclusion, subsequent groups help to resolve differences.

What does it include?

As set out in the definition above, a minimum is about more than survival alone. However, it covers needs, not wants; and necessities, not luxuries: items that the public think people need to be part of society. In identifying things that everyone requires as a minimum, it does not attempt to specify extra requirements for particular individuals and groups who may have additional needs – for example, those resulting from living in a remote location or having a disability. So, not everybody who has more than the minimum income can be guaranteed to achieve an acceptable living standard. However, someone falling below the minimum is unlikely to achieve such a standard.

How can the results be accessed?

There are several ways of accessing MIS results for different users, all via the results page² on the Loughborough University MIS website:

1. The online Minimum Income Calculator³ shows the budgets and earnings requirements for any specified household type.
2. There are lists of the items used to compile the budgets for each household type.
3. For users who want to analyse the data, there are spreadsheets showing the budgets broken down by category for each of the main household types for each year of MIS, and also an Excel® version

of the current year calculator that can generate results for any specified household type for the present year.

To whom does it apply?

MIS applies to households that comprise a single adult or a couple, with or without dependent children. It covers most such households, with its level adjusted to reflect their composition. The needs of more than a hundred different family combinations (according to numbers and ages of family members) can be calculated. It does not cover families living with other adults in the main calculations, although supplementary reports on single adults sharing accommodation (Hill et al, 2015) and single adults in their 20s living with their parents (Hill and Hirsch, 2019) estimate variations for these household types.

Where does it apply?

MIS was originally calculated as a minimum for Great Britain; subsequent research in Northern Ireland in 2009 showed that the required budgets there were all close to those in the rest of the UK, so the national budget standard now applies to the whole of the UK.

This main UK standard is calculated based on the needs of people in urban areas outside London. Most groups are held in Midlands towns and cities, but from 2018 budgets have been reviewed in other parts of the UK. The research has also been applied in other geographical contexts, in supplementary projects considering costs in rural England (Smith et al, 2010), London (Padley et al, 2019), remote rural Scotland (Hirsch et al, 2013), and Guernsey (Smith et al, 2011). The London research is ongoing, and Inner and Outer London budgets are shown as a variation of the main UK results budgets in the online Minimum Income Calculator. Other countries have used the same overall method but employed their own definitions of the minimum, such as in Japan (Davis et al, 2013), Portugal (raP, nd), France (Gilles et al, 2014), Thailand, and Singapore (Ng et al, 2019). An ongoing MIS programme in the Republic of Ireland uses methods based on the UK work (Collins et al, 2012). Pilot research has been carried out in South Africa (Byaruhanga et al, 2017) and Mexico (Valadez-Martínez et al, 2017), and further MIS research is currently underway in Mexico and Singapore.

How is it related to the poverty line?

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 asked to talk about what defines poverty, but instead what, in today's society, constitutes an acceptable minimum. However, it is relevant to the poverty debate in that almost all households officially defined as being in income poverty (having below 60% of median income) are also below MIS. Thus households classified as being in relative income poverty are generally unable to reach an acceptable standard of living as defined by members of the public.

Who produces it?

The main MIS research is supported by the Joseph Rowntree Foundation (JRF) and carried out by the Centre for Research in Social Policy (CRSP) at Loughborough University. The original research in 2008 was developed by CRSP in partnership with the Family Budget Unit (FBU) at the University of York.

2 The 2020 research – method and selected findings

Rebasing budgets for families with children

The MIS research in 2020 saw a full rebase of the MIS budgets for families with children, with groups of parents considering afresh and from scratch what items were needed for a minimum standard of living.

The rebase fieldwork was conducted in four phases of groups. Participants for each group were recruited based on a range of criteria to ensure that each comprised a mix of people from different socioeconomic backgrounds.

An initial 'reorientation' phase comprised two groups of lone and partnered parents with children of various ages. They were asked to re-examine the case study households (hypothetical examples of parents and different ages of children) and discuss housing, childcare and transport needs in particular, as these areas of minimum budgets have been particularly significant for households with children in previous MIS research.

In the second phase, seven groups of parents were brought together in task groups, each one discussing the needs of an individual from the list below:

- partnered mothers
- partnered fathers
- lone parents
- children under 2 years old
- children aged between 2 and 4 years
- primary school aged children
- secondary school aged children.

Each task group negotiated and agreed a list of required goods and services for the individual under discussion. The items in the lists were priced at the retail outlets specified by the groups.

In the next phase of the research (checkback), six new groups were convened to go through the lists to check that they met the needs of the individual in question. These groups were also asked to resolve any outstanding decisions. The groups looking at parents' needs helped to combine the list of partnered mothers and fathers into one list for partnered parents, and to clarify points of similarity and difference between the lists for lone parents and partnered parents.

A final phase of four groups was held, each with a specific purpose. The first group focused on resolving anomalies and any outstanding issues. The second one concentrated on economies of scale and what would be needed by larger households, as well as spending time examining previous groups' decisions on transport and travel. The third group reviewed decisions from the two preceding ones within the context of different households, to validate decisions and ensure that the 'rules' created for larger households made sense. The last group was used to present an overview of how different households would meet their needs, as a minimum, to ensure coherence between the budgets and consistency in the standard for smaller and larger households.

Reviewing budgets for households without children

Eight groups were held to review the budgets for households without children – four for working-age adults and four for pensioners. The review involved presenting groups with the 2018 budgets and checking for any adjustments that needed to be made because of changes in the past two years. These

groups were held in England, Scotland and Northern Ireland, as part of a process introduced in 2018 (when they were held in England, Scotland and Wales), to check whether there were any substantial differences in perspective on what constitutes a minimum in different parts of the United Kingdom.

In re-examining the lists from 2018, these groups discussed whether the goods and services included were still sufficient to meet people's needs, or if there were changes required. Any adjustments identified were only implemented where there was a rationale relating to change over time and a consensus across groups.

Selected new findings

This research was completed on 10 March 2020, the day before the World Health Organisation classified COVID-19 as a global pandemic, and two weeks before the Prime Minister announced a UK lockdown. Since then, everyday life has changed dramatically for most people in the UK. Under the new conditions, most people's experience of socialising, working, education, shopping and other aspects of daily life no longer necessarily correspond with the kinds of opportunity and choice that MIS groups customarily refer to when thinking about what is needed for a decent standard of living. This report therefore does not repeat the full descriptions of minimum requirements presented in previous reports (Davis et al, 2018; 2016; 2015), which may not fully reflect people's priorities or expectations at present or in the future. It is too early to say what either the temporary or longer-term impact will be, and this will be investigated in future research. However, below we note several aspects of change identified by the research completed in March 2020, which form part of the unfolding story of how certain requirements identified by MIS are changing over time. At the same time, it should be emphasised, as in previous reports, that most of the requirements identified in the MIS research have so far been stable over time.

The last report reflecting new MIS research was published in 2018, after exactly ten years of MIS results (Davis et al, 2018). As well as noting the high level of stability in most aspects of MIS over that period, a review of the decade drew attention to some significant trends, for example that:

- parents had put growing emphasis on providing opportunities for their children to participate in activities
- changing technologies had altered the composition of an 'entry level' of goods and services whose use had become the norm
- the area of spending that had grown most in household budgets was transport, due to both changes in specified travel requirements and some steep increases in costs.

In the 2020 research, these previous changes were borne out. Parents identified very similar family requirements to those listed in 2016 and reviewed in 2018. In some respects, these trends continued further. 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 the minimum budgets in 2018
- some additional requirements for children's social participation were introduced
- transport budgets grew further, with some minor increase in specified requirements and some further rises in costs.

Entertainment, technology and subscriptions

The 2020 research included several subscription services for families with children that had not previously been identified as part of the minimum. These covered new forms of home entertainment and computer usage. Specifically, this involved adding: a subscription to a streaming service such as Netflix (but removing the need for a DVD player); an annual games console-related subscription; a software subscription for larger families; and a low-cost subscription to printer ink for households with school age children. In all these areas, small recurring charges are replacing or supplementing one-off purchases, and this is related to the ways in which services are currently sold.

Home entertainment via the television

In covering the need for entertainment, MIS identifies various forms of leisure at home – which typically provide an economical form of recreation compared to outside the home, and are considered part of family life. From the outset, a relatively inexpensive television has been part of MIS, helping meet both entertainment and information needs. As technology has moved on, the specification of the television has changed, from being a digital TV with built-in Freeview in 2008, to a Smart TV in 2020. The latest version enables the television to be used in conjunction with the internet, providing greater flexibility and functionality for a similar or cheaper price than the same size device without this technology in 2018 (when budgets were last priced).

In addition to standard terrestrial television, a DVD player was included previously in MIS as an inexpensive source of entertainment. In the review groups held in 2018, there was much discussion about whether costs for subscription streaming platforms such as Amazon Prime Video and Netflix should be included. At that time, while several participants felt this was becoming a social norm, group consensus was that this was still a 'nice to have' option, rather than a 'need to have', and instead kept the DVD player; working-age households included an HDMI cable to connect the laptop with integral DVD drive to the TV.

Being able to watch and discuss the same things as other people was considered important for social inclusion, not just for children but for all age groups. In 2020 the DVD player was thought to be obsolete, and groups agreed that while cable or satellite TV services were still considered beyond what was essential, a subscription to Netflix should be included. Participants said that people now watch programmes and films in different ways than they used to – conversations with friends, colleagues and peers were more likely to be about popular box sets on streaming platforms, rather than about programmes available on free to view channels. They therefore said that a basic £5.99 monthly subscription would meet this need, allowing access on one screen per household. Parents said that rather than including a higher level of subscription for more devices, if one person was watching Netflix, other household members could access free content on BBC iPlayer or YouTube via the family laptop or Smart TV.

This change in viewing habits and the ways in which people access entertainment corresponds with survey data showing that audience numbers are growing for these services, and that the proportion of time viewers are watching streamed rather than broadcast content is increasing over time (Ampere Analysis, 2019). Another feature of home entertainment was games consoles, which have not been included in the past. Some parents in 2020 argued that school age children are increasingly likely to be excluded if they do not have one to play games on and interact with friends online, but overall parents concluded that a new console is not essential. However, since it was considered likely that a second-hand or reconditioned console would in many cases be acquired as a birthday present or gift from other family members, parents included a low-cost annual subscription (eg Xbox Live Gold at £49.99 per year), paid for by the parents, as an additional cost contributing to children's opportunities for social participation.

Computer software

Parents were emphatic about the importance of everyone in the household being able to access widely used software packages, in particular Microsoft Office. They said that while equivalent programs were available for free online, these did not have the same level of functionality or compatibility. Whereas in previous budgets software had been a one-off purchase for physical disks, groups now talked about software being downloaded, and there were discussions about whether it was more cost effective for households to make a one-off payment to cover each specific device for its lifetime, or an ongoing annual subscription to cover up to six devices in a household. For households with up to two school aged children, the one-off payment would be the best option, but for larger households with three or more school aged children and more devices, the subscription was deemed to offer better value.

Printer ink

In 2016 parents included a cheap printer and supplies of ink and paper for households with secondary school children, and in 2020 this was extended to households with primary school children. Parents commented on the amount of homework that was accessed, completed and submitted online, but also

discussed how much schoolwork still needed to be printed off. They said that accessing printing services outside the home, for example in public libraries, would not meet this need because of limited opening hours and the fact that children often needed to print things out for handing in the next day. They agreed that the most cost-effective option would be to subscribe to a monthly printing plan, costing £1.99 a month for a maximum of 50 pages, with new cartridges automatically delivered through the post when needed.

It is interesting to note that this need for regular printing, linked to schoolwork, is not replicated in households without children, who consider printing needs to be more occasional than in the past. Indeed, for this reason, the pensioner groups reviewing budgets in 2020 decided that owning a printer is no longer necessary, and instead included a budget of £10 a year to cover the cost of printing photos and documents on a per sheet basis, for example at libraries or shops. Working-age adults had already taken this decision in 2018, with a budget of £5 a year, reporting that most documents that might previously have required printing, eg tickets, could now be presented electronically using mobile phones, and most photographs are viewed and shared online.

Changes in children's participation

The main budget items relating to children's education and school-related activities have not changed significantly over time. This includes, for example, the opportunity to take part in after-school activities. There is also a limited budget for taking part in residential trips, which was increased in 2020. Up to now, for primary school children, this only included one trip in Year 6, typically comprising a four-night, five-day stay at an outdoor activity centre. However, in 2020 parents of primary school children added a further two-night trip, usually in Year 4, on the basis that this is commonly being offered as an additional opportunity for primary school children. As with the Year 6 trip, parents said that children unable to go with their class would be at risk of feeling excluded. This resonates strongly with research conducted looking at the spending decisions and priorities of families living below MIS (Hill et al, 2020; Hill and Davis, 2018), where parents talked about not wanting their child to feel left out because they couldn't attend a school trip.

While this trend for more residential trips in primary school results in a small increase to the budget for children of that age, parents of secondary school children agreed, as they had in previous waves of MIS, that families should not routinely be expecting to spend large amounts on residential trips as a precondition for social inclusion. While a day trip such as an end of year theme park visit is considered reasonable, an expensive overseas school trip such as a skiing holiday is not.

Another feature of school-based social inclusion that has emerged in recent years is attendance at a school prom as a one-off event for secondary school children. Review groups in 2018 were the first to discuss the importance of including items relating to attending a prom. In 2020 parents discussed this in detail, saying that this had become a distinctive event for secondary school pupils. They noted that not being able to go would be likely to make children feel excluded from an activity that the majority of their peers would take part in, and something that had become a rite of passage on their way to adulthood. However, they expressed concern that these events could be very expensive for parents. Participants agreed that it was possible to provide an acceptable 'prom package' for a reasonably modest budget, and that, for example, dresses costing hundreds of pounds, chauffeur-driven limousines and professional makeup services were beyond what was needed. They included the price of admission, an £80 outfit with inexpensive shoes and accessories, and some money for hair and nail salon treatments.

The rise in the prevalence and perceived importance of school proms has been visible in the press (eg Cochrane, 2017), and their high costs seen as potentially problematic for parents, even being raised in the Welsh Assembly (BBC News, 2019).

Transport costs

In the past three rebases of MIS budgets for families with children – 2012, 2016 and 2020 – parents have said that households with children require a family car to access work, school and social participation. This is based on the main UK MIS research in urban areas in the Midlands; separate MIS research shows that cars are not needed by those living in London (Padley et al, 2019). While a modest

second-hand car has been considered adequate throughout, the mileage required has risen. In particular, in 2016 the distance required for work travel increased, reflecting parents' view that there may be limited scope for moving home to access job opportunities (Davis et al, 2016). In 2020, the 2016 patterns were largely confirmed. However, an increase in the travel distances associated with leisure led to an increase in overall mileage. This included parents driving to a leisure activity twice rather than once a week. This is a minor change, with a small but significant effect on costs, and continues a general trend towards a more mobile society, as expressed by MIS groups when specifying their travel requirements. This is one of the trends that may need re-examining once the longer-lasting effects of coronavirus start to become evident.

While the specifications for travel by car have thus changed only in a small way, the overall budget for transport continues to rise. Although petrol prices have fallen in 2020, they were no lower in April 2020 than in April 2016 (in fact, 1p a litre higher, according to the RAC's index). Conversely, according to the Consumer Price Index (CPI), motor insurance has risen by 18% on average, and the maintenance and repair of vehicles by 12% since 2016, compared to an overall CPI increase of 8%. At the same time, public transport, a particularly important item in the budgets of working-age adults without children, rose much faster in price than general inflation throughout the past decade. Bus travel, for example, is 55% more expensive in 2020 than in 2010, according to the Retail Prices Index (RPI).⁴

Review research in Scotland and Northern Ireland

As in 2018, the review groups in devolved nations produced very similar perspectives to those in England, identifying no fundamental disagreement with the budgets for pensioners and working-age adults without children that were under review. Working-age adults in Northern Ireland discussed travel patterns there – particularly the distance travelled for work – and noted that there were some differences compared to mainland UK. However, they concluded that the level of resource currently included in the budget would be sufficient to enable them to meet the same standard.

3 Main MIS results 2020

Tables 2 to 5 present the MIS 2020 results in their standard form: the budgets for four household types, how they compare to median income, how safety-net incomes compare to MIS, and how incomes of working households on the minimum wage compare to MIS requirements.

The overall budgets, shown for four household types in Table 2, have remained stable in the past year. A dip in inflation in April, linked to coronavirus, meant that general prices rose just 0.8% according to CPI. For those without children, an uprating by components of CPI produces a slightly faster increase (linked particularly to transport prices) of around 2.5%. The rebase of families with children has produced no substantial change overall; increases in transport budgets, referred to in Chapter 2, have been offset by some minor reductions, relative to CPI, in some other categories including social participation. Overall, the 2020 budgets for families are within 1% of the previous budgets updated to 2019. Variations are small enough to be attributable to the imprecision of the inflation index, which is only an approximation of changes in the cost of the items in the MIS basket.

Childcare costs, which are not included in the headline MIS budget total, rose by around 5% in most cases in 2020, repeating above-inflation increases that have continued for over a decade. Since the present model of childcare, using nurseries, was introduced into MIS in 2012, the childcare budget has risen by around 50% for a family with a preschool and primary school child, despite an increase in 'free' hours for 3 and 4 year olds from 15 hours to 30 hours. For a family with a one year old, who does not benefit from free provision, the increase is nearly 70%.

Table 2: Summaries of MIS for four family types, April 2020

	Single adult, working age	Couple pensioner	Lone parent, two children aged 2– 4 and primary school age	Couple, two children aged 2– 4 and primary school age
Food	£51.17	£75.53	£81.74	£112.39
Alcohol	£6.05	£12.28	£5.36	£10.39
Tobacco	£0.00	£0.00	£0.00	£0.00
Clothing	£9.10	£15.23	£34.91	£44.72
Water rates	£5.98	£7.06	£10.72	£10.72
Council Tax	£17.96	£23.96	£20.98	£27.96
Household insurances	£1.67	£1.65	£1.40	£1.56
Fuel	£13.18	£14.72	£17.61	£18.79
Other housing costs	£1.46	£2.95	£1.92	£1.92
Household goods	£9.71	£16.90	£21.34	£22.19
Household services	£7.44	£10.46	£13.50	£10.64
Childcare (net of early years entitlement for 3–4 year olds)	£0.00	£0.00	£219.42	£219.42
Personal goods and services	£17.44	£38.02	£31.22	£40.92
Motoring	£0.00	£0.00	£64.93	£65.41
Other travel costs	£41.25	£18.25	£5.96	£30.90
Social and cultural participation	£44.44	£80.64	£85.05	£96.58
Rent	£93.82	£85.53	£91.64	£91.64
Total excluding rent and childcare	£226.87	£317.65	£396.64	£495.10
Change since 2019	2.6%	2.5%	-0.4%	0.9%
TOTAL ALL	£320.69	£403.18	£707.70	£806.17
Total excluding childcare	£320.69	£403.18	£488.28	£586.75
Total excluding rent, childcare, Council Tax and water (comparable to After Housing Cost income measure)	£202.93	£286.62	£364.94	£456.42
Total excluding childcare and Council Tax (comparable to Before Housing	£302.73	£379.21	£467.31	£558.79

Cost income measure)				
Total excluding rent, Council Tax and childcare	£208.91	£293.69	£375.66	£467.14

Table 3 updates the comparison between MIS and median income, showing that typically MIS is of the order of 70–75% of median income, but less for pensioners and more for lone parents. In 2018/19 (the latest year for which income data are available), for the first time, all these figures were above the relative poverty line of 60% median income, after housing costs. Previously, for a pensioner couple, it was slightly lower, but a convergence between pensioner and working-age budgets in successive rebases (see Davis et al, 2018) has increased this figure to 63%.

Table 3: MIS relative to median income, after housing costs, 2018/19 (latest year data available)

	2018/19
Single, working age	76%
Couple, working age	74%
Single pensioner	69%
Couple pensioner	63%
Lone parent, two children aged 2–4 and primary school age	84%
Couple, two children aged 2–4 and primary school age	72%

Note: The figures in this table are calculated comparing the average of MIS budgets for 2018 and 2019 with median income from Households below average income (HBAI) data 2018/19.

Tables 4 and 5 compare incomes with the MIS budgets. They show what different households need to earn to reach MIS, and how disposable incomes compare to the MIS budgets for out-of-work households and those with people working full time on the National Living Wage (NLW). The tables in the Appendix show how these results have changed over time. (We continue to show results both for Universal Credit (UC) and the ‘legacy benefits’ that preceded it. It is worth noting that in December 2019, 2.3 million families with children were still receiving tax credits, compared to 1.2 million on UC, although the large number of additional claims for UC caused by coronavirus are changing that balance.)

An important aspect of this year’s data is that in a number of cases, benefits, tax credits and UC entitlements have been increased in 2020/21 by more than inflation (which was the default following the end of the ‘benefit freeze’), to provide a stronger safety net during the COVID-19 crisis. In particular, an additional £20 a week has been given to working households entitled to tax credits, and to both working and non-working households claiming UC. For private tenants on low incomes, a further boost has been the temporary increase in Local Housing Allowances (LHA) to cover up to the 30th percentile of rents, which will help the many people on Housing Benefit or UC whose rent exceeds the maximum available local support.

Tables 4 and 5 reflect these changes. They show that while working-age benefits remain well below what is needed for someone not working to reach MIS, for working families, it is now possible to get close to or even above that level on the NLW, but only if both parents work full time. The most favourable cases for working families with children are where the COVID-19 additions are combined with income from UC, due to the higher reimbursement for childcare in UC compared to Working Tax Credit. Note however that this does not mean that families are generally better off on UC, just that it is favourable especially to those with substantial childcare costs, which are assumed as part of the MIS calculations.

Table 5 also shows how much people need to earn to reach MIS. For families with children, this amount has fallen, due to the additional amounts of tax credits and UC support this year. For a couple with two children, receiving tax credits, it has fallen from £20,600 to £18,700 a year per parent, which is now slightly lower than what a single person needs to earn. This is the first time since 2010 that in this sense, the tax credit system has fully 'equalised' the earnings requirements of a full-time working family and a single person. The UC system goes further: because it gives more support for childcare, it is currently possible to reach MIS with each parent earning just under £15,000, which is below full-time earnings on the NLW.

Table 4: MIS compared with out-of-work benefits, 2020

£ per week	Single, working age		Couple, two children aged 4 and 7		Lone parent, two children aged 4 and 7		Pensioner couple
	'Legacy' benefits*	Universal Credit	'Legacy' benefits*	Universal Credit	'Legacy' benefits*	Universal Credit	
MIS excluding childcare, rent and Council Tax	£208.91	£208.91	£467.14	£467.14	£375.66	£375.66	292.784
Safety-net income**	£70.76	£90.70	£265.30	£285.24	£224.24	244.19	£269.04
Benefit income as a percentage of MIS	33.9%	43.4%	56.8%	61.1%	59.7%	65.0%	91.9%

Notes: *That is, working-age benefits and tax credits that are gradually being replaced by UC.

**Includes: (IS/JSA plus Child Tax Credit) or UC, plus Child Benefit, for working-age adults; Pension Credit plus winter fuel allowance for pensioners. From this amount we subtract the amount that working-age households are assumed to contribute to Council Tax costs, not covered in Council Tax Support. In 2020 this is assumed to be 20%, based on the median local authority rate.

Table 5: Disposable income relative to MIS, working full time on NLW

	Single, working age		Couple, two children aged 4 and 7		Lone parent, two children aged 4 and 7	
	Tax credits	Universal Credit	Tax credits	Universal Credit	Tax credits	Universal Credit
MIS weekly budget (including rent, childcare and Council Tax)	£320.69	£320.69	£806.17	£806.17	£707.70	£707.70
Annual earnings requirement (per adult)	£19,200	£19,200	£18,700	£14,800	£31,900	£23,400
Hourly earnings requirement	£9.82	£9.82	£9.56	£7.57	£16.31	£11.97
Disposable income on NLW*	£180.49	£184.47	£449.87	£488.57	£323.16	£344.97
MIS budget after rent, Council Tax and childcare	£208.91	£208.91	£467.14	£467.14	£375.66	£375.66
Disposable	86.4%	88.3%	96.3%	104.6%	86.0%	91.8%

income as a percentage of MIS

Note: *Disposable income: income from earnings and benefits net of direct taxation and of rent, childcare and Council Tax. Takes no account of child maintenance paid or received.

Figures 1 to 3 illustrate the comparative adequacy of incomes with and without the coronavirus changes, for both UC and the legacy benefits and tax credits system. They show that there are now up to four different levels at which the state supports people on low incomes, according to whether they are on UC or the legacy system, and according to whether the coronavirus changes are in operation or not (which may be relevant for 2021/22, according to whether the increases in the present financial year are continued or not).

Specifically, these graphs show that:

- For those who do not work, the coronavirus changes can boost income, but this is largely contingent on them claiming UC – although even on legacy benefits, private tenants may make some gains from the higher LHA, as illustrated for non-working single people in Figure 1.
- The boost is proportionately the greatest for singles, as it is at a flat rate. Overall, a non-working single person on UC can raise their disposable income by as much as 40% – although this still leaves them with well under half of what they need to reach MIS.
- For working families with children, the coronavirus-related measures have improved the potential for maintaining an adequate income, reducing their risk of falling a long way below the minimum. For example, a working couple with two children, where both parents work full time on the NLW and claim tax credits, is still nearly £40 a week short of MIS without the COVID-19 help, but this reduces to less than £20 under the current measures. On UC, these measures bring such income above MIS. Most families on a low income with children do not have two working parents, but even with one parent working half time, Figure 2 shows that there is the potential almost to reach MIS earning the NLW. Similar patterns can be seen for lone parents, although the lack of two wages still leaves them at least £31 a week short of MIS, even in the best-case scenario.

Figure 1: Single person's weekly disposable income compared to MIS budget, with and without COVID-19 measures

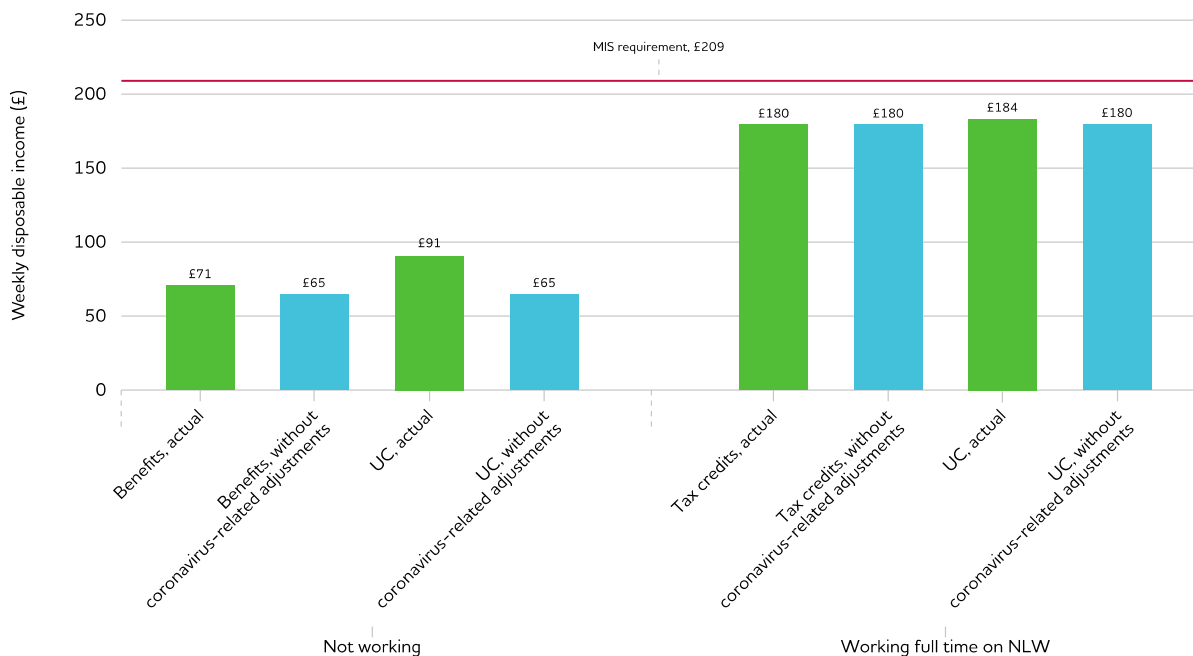


Figure 2: Couple with two children aged 4 and 7, weekly disposable income compared to MIS budget, with and without COVID-19 measures

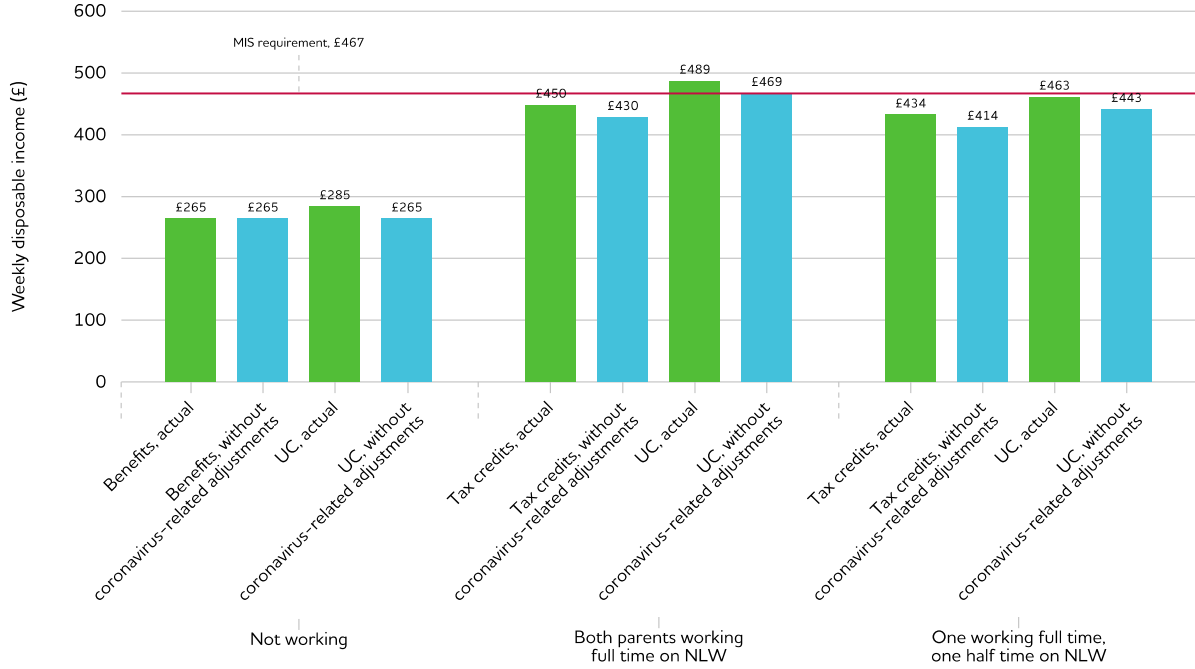
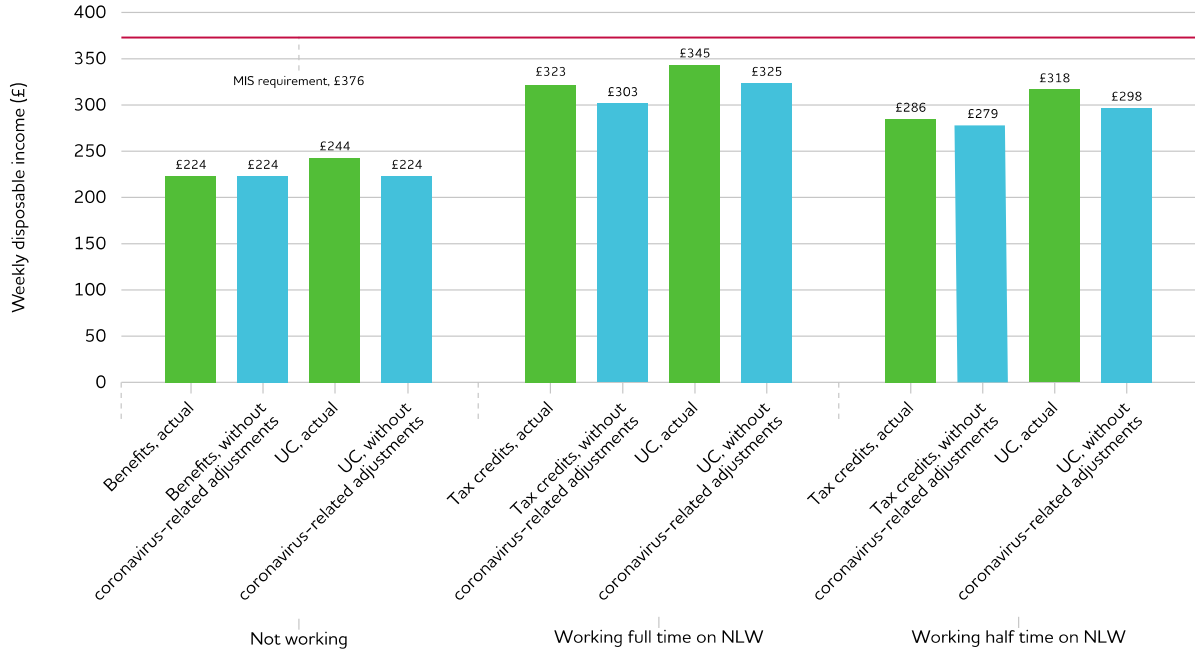


Figure 3: Lone parent with two children aged 4 and 7, weekly disposable income compared to MIS budget, with and without COVID-19 measures



These results differ from the tendency during the last decade for working incomes to fall well short of MIS, especially for lone parents. Figures 4 and 5 show that an earlier decline in the relative adequacy of working family incomes has, to a large extent, been reversed, with the latest year's improvement in some cases returning incomes relative to MIS to around what they were in the early 2010s. This is not surprising, since 2020 has seen both a 6% increase in the NLW and a £1000 a year uplift in in-work benefits, related to COVID-19. However, in the case of a lone parent working part time, whose income adequacy has declined steadily over the past decade (Figure 5), the recent increase has not halted the decline, due to a clawback related to Housing Benefit entitlement taking increased tax credits into account. (The graphs assume the legacy benefits/tax credits system, not UC, to show these effects over the whole decade.)

This Housing Benefit clawback does not affect UC claimants, since housing costs are incorporated into UC. Since 2016, the gap between MIS and the disposable income of a lone parent on the NLW supported by UC has reduced: from 21% to 15% working half time, and from 18% to 8% working full time.

Figure 4: Disposable income as a percentage of MIS with adults working full time, 2008–2020 (tax credit system)

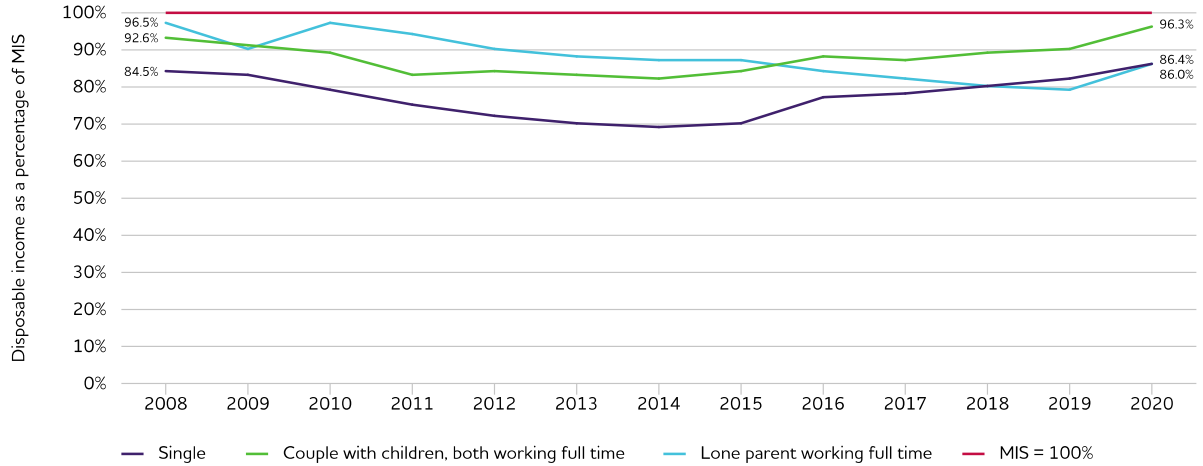
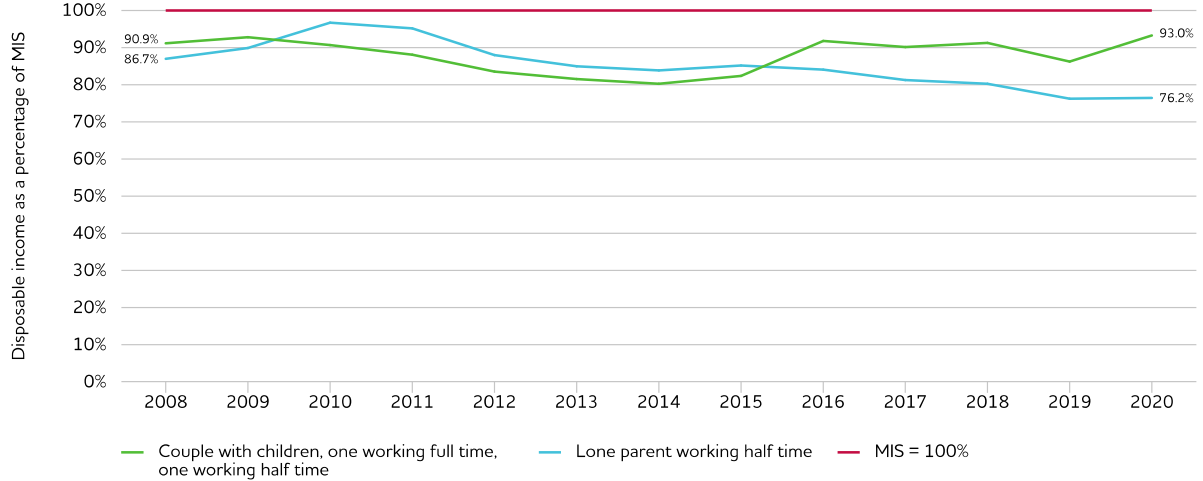


Figure 5: Disposable income as a percentage of MIS, where one parent works part time, 2008–2020 (tax credit system, families with children aged 4 and 7)



4 Conclusion

Research on MIS in 2020 shows that the minimum that households require continues to change as technology develops and living patterns shift, but the overall amount needed has not changed significantly. This does not take account of new living patterns brought about by the coronavirus crisis, which will be the subject of future research. But on the income side, the pandemic is already significantly affecting disposable incomes in profound ways. On the one hand, the many people who have lost their jobs or had reduced earnings because of the crisis are bound to be facing substantial new challenges in meeting their needs. On the other, the Government has improved the situation of someone with low earnings or who is out of work, to try to make financial support more sufficient.

The figures in this report show that, relative to the budgets identified in MIS, the level of support available from the state is indeed closer to being adequate than what preceded it. In particular, the disposable incomes of a family working on the NLW in most cases come much closer to meeting their needs than they did a year ago, if we hold assumptions about hours constant. This has come about because a sharp increase in the NLW rate has been combined with a substantial boost to tax credits and UC. This contrasts with the experience of the previous four years, where the benefits of a rising NLW had been largely cancelled out by real-terms cuts in benefits, including the now-ended benefits freeze. In this regard, the experience of 2020 demonstrates that it is when in-work benefits and minimum wages are improved in tandem that working incomes can improve to adequate levels, rather than considering these two instruments as alternatives.

While these results provide some positive news in what in other respects is an extremely difficult period for low-income families, they also raise two crucial questions. The first is whether it makes sense to pay people in similar situations different amounts according to which system they are part of – and most particularly, why non-working households who have migrated to the UC system should be getting an additional £1000 a year, but those still in the legacy system should not. The second question is whether the removal of this additional support can be justified at the end of the current financial year, for which it has been promised. The Government has said that a better ‘safety net’ is needed in the time of COVID-19. Why then would a weaker one be justified once it has passed? The way the Government answers this question going forward will be crucial, given that the current measures represent a substantial step in getting more families closer to MIS.

Notes

1. Despite the effects of coronavirus, researchers succeeded in finding current prices for all the goods and services specified through online pricing, and these did not show any substantial anomalies from a previous pricing exercise in late 2019. In a few instances, the lack of a specified item at a particular retailer made it necessary to find a substitute elsewhere. The online information gathered did not indicate the current availability of marketed items, just their advertised price.
2. <https://www.lboro.ac.uk/research/crsp/mis/results/>
3. <https://www.minimumincome.org.uk>
4. The CPI, the preferred inflation index, does not list bus travel separately. This figure therefore comes from the increase in the 'bus and coach fares' item in the RPI.

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Appendix

Table 6: Budget totals, excluding rent and childcare, 2008–2020

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Single, working age													
In current year prices	£158	£166	£175	£185	£193	£201	£195	£196	£199	£207	£214	£221	£227
Inflation adjusted to 2020 prices	£204	£209	£213	£215	£218	£221	£212	£213	£215	£218	£220	£223	£227
Single pensioner													
In current year prices	£132	£139	£147	£155	£159	£165	£182	£183	£187	£192	£196	£201	£206
Inflation adjusted to 2020 prices	£170	£175	£179	£180	£179	£182	£197	£199	£202	£203	£202	£203	£206
Couple, working age													
In current year prices	£245	£256	£273	£287	£302	£315	£320	£322	£330	£345	£351	£365	£373
Inflation adjusted to 2020 prices	£316	£323	£332	£334	£341	£347	£347	£350	£358	£364	£362	£368	£373
Couple pensioner													
In current year prices	£201	£211	£222	£233	£231	£241	£263	£264	£267	£275	£302	£310	£318
Inflation adjusted to 2020 prices	£260	£266	£270	£271	£262	£266	£285	£287	£290	£290	£311	£312	£318
Couple with two children													
In current year prices	£370	£387	£403	£425	£455	£471	£482	£484	£456	£468	£480	£491	£495

Inflation adjusted to 2020 prices	£478	£488	£490	£494	£514	£520	£523	£526	£494	£493	£494	£495	£495
Lone parent with two children													
In current year prices	£283	£295	£309	£326	£362	£375	£383	£384	£372	£381	£390	£398	£397
Inflation adjusted to 2020 prices	£365	£373	£376	£379	£409	£414	£416	£417	£403	£402	£401	£401	£397

Table 7: MIS relative to median income, after housing costs, 2008/09–2018/19 (latest year data available)

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Single, working age	72%	74%	77%	79%	81%	79%	75%	74%	74%	74%	76%
Couple, working age	66%	67%	71%	73%	75%	76%	73%	73%	73%	73%	74%
Single pensioner	59%	60%	63%	64%	65%	69%	69%	68%	68%	68%	69%
Couple pensioner	53%	54%	57%	56%	56%	59%	59%	58%	57%	59%	63%
Lone parent with two children	79%	80%	83%	89%	93%	93%	90%	87%	84%	84%	84%
Couple with two children	73%	74%	77%	80%	82%	82%	80%	76%	72%	72%	72%

Table 8: Percentage of MIS covered by safety-net benefit income, 2008–2020 (legacy benefits)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Single, working age	42%	42%	41%	40%	40%	38%	39%	40%	38%	35%	33%	32%	34%
Couple, working age	42%	42%	40%	40%	39%	38%	37%	38%	35%	33%	32%	30%	32%
Single pensioner	108%	107%	102%	100%	101%	99%	91%	92%	93%	93%	93%	93%	94%
Couple pensioner	105%	105%	101%	100%	104%	102%	95%	96%	98%	97%	90%	90%	92%
Lone parent with two children aged 4 and 7	68%	69%	68%	68%	63%	61%	60%	61%	63%	60%	60%	58%	60%
Couple with two children aged 4 and 7	62%	63%	62%	62%	60%	58%	57%	57%	61%	58%	58%	56%	57%

Table 9: Disposable income as a percentage of MIS, 2008–2020, working full time on NMW/NLW (legacy benefits)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Single	84%	83%	79%	75%	72%	70%	69%	70%	77%	78%	80%	82%	86%
Couple with two children aged 4 and 7 (both parents working)	93%	91%	89%	83%	84%	83%	82%	84%	88%	87%	89%	90%	96%
Lone parent with two children aged 4 and 7	97%	90%	97%	94%	90%	88%	87%	87%	84%	82%	80%	79%	86%

Table 10: Disposable income relative to MIS of working families earning NMW/NLW, where one person does not work full time, 2008–2020: income as a percentage of MIS, with preschool and primary school child, if no paid childcare

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Couple working full time and half time	91%	92%	90%	88%	83%	81%	80%	82%	92%	90%	91%	86%	93%
Couple working full time and not working	73%	75%	81%	79%	77%	74%	73%	74%	76%	73%	73%	76%	78%
Lone parent working half time	87%	90%	96%	95%	88%	85%	84%	85%	84%	81%	80%	76%	76%

Table 11: Annual earnings required to reach MIS, working full time and paying for childcare (legacy benefits), 2009–20

£ per year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Single	£13,859	£14,436	£15,000	£16,383	£16,852	£17,072	£17,102	£17,311	£17,934	£18,390	£18,800	£19,200
Couple with two children aged 4 and 7: combined earnings of both parents	£27,940	£29,727	£36,800	£36,728	£38,759	£40,573	£40,047	£37,812	£40,762	£39,992	£41,200	£37,400
Couple with two children aged 4 and 7: earnings required per parent	£13,970	£14,864	£18,400	£18,364	£19,380	£20,287	£20,024	£18,906	£20,381	£19,996	£20,600	£18,700
Lone parent with two children aged 4 and 7	£18,328	£18,781	£26,211	£28,246	£30,664	£32,343	£32,109	£33,390	£35,724	£35,216	£36,500	£31,900

Acknowledgements

We wish to express our gratitude to the participants of the MIS groups for their dedication and enthusiasm in helping to identify the elements of the 2020 Minimum Income Standard for the UK.

We would like to thank everyone who contributed to the construction and calculation of the budgets: Judith Paterson at the Child Poverty Action Group, for updating the tax and benefit schedules for the Minimum Income Calculator; Bill Wilkinson of the Energy Audit Company, who provided expertise on social housing, fuel consumption and pricing; Sian Burr, for her work on ensuring the nutritional adequacy of the food element; Nina Oldfield, for her patience and help in navigating the intricacies of MIS shopping baskets; and Ian Hare of Motor Management, for calculations of motoring costs.

At the Centre for Research in Social Policy (CRSP), Nicola Lomax and Lisa Jones provided invaluable support, and we are grateful to Qa Research for its continuing assistance with participant recruitment. Thanks are also due to the Joseph Rowntree Foundation for its continuing support for MIS, and especially to Adel Schofield and Peter Matejic for their constructive and collaborative feedback.

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The Joseph Rowntree Foundation has supported this project as part of its programme of research and innovative development projects, which it hopes will be of value to policy-makers, practitioners and service users. The facts presented and views expressed in this report are, however, those of the authors and not necessarily those of JRF.

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First published July 2020 by the Joseph Rowntree Foundation
PDF ISBN 978 1 911581 81 9
Cover image: Marcos Casado / iStock

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