Households Below the Minimum Income Standard: 2008 - 2021

by Matt Padley and Juliet Stone.

This report is the tenth in a series monitoring the number of people in the UK living below the Minimum Income Standard (MIS), a benchmark rooted in what members of the public agree is needed for a minimum socially acceptable standard of living. This year it focuses on how children, working-age adults and pensioners got on between 2008 and 2021.
Households living below the Minimum Income Standard: 2008-2021

Matt Padley and Juliet Stone – February 2023

A minimum standard of living is more than just food, clothes and shelter: it’s about having the opportunities and choices to participate in society. This is the tenth report in a series monitoring the number of people living beneath the Minimum Income Standard (MIS) in the UK.

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Executive summary

The Minimum Income Standard (MIS) sets out what people think is needed in order to live with dignity in the UK today. This report provides an estimate of the proportion of people who fall below this level, and those with incomes below 75% of MIS. Individuals below 75% of MIS face a greatly increased likelihood of deprivation compared with those whose incomes are above the MIS benchmark.

This report looks at the period between 2008-09 and 2020-21, the most recent year for which household income data is available. The latest data covers the first Covid-19 year. This has consequences for the quality of the data and the analyses that are viable. In 2020-21 there has been an increase in the proportion of individuals in households below MIS compared to 2019-20. The number and proportion of all individuals below MIS remains above the level reported in 2008-09.

Key messages

• In 2020-21, 29.1% of all individuals in the UK were living in households with incomes below MIS, compared to 26.7% in 2008-09. This means that they do not have the income required to be able to afford the goods and services the public think you need to meet material needs and participate in society.

• In 2020-21, 19.2 million people were living below MIS, compared to 16.2 million in 2008-09. This is just over 1 million more people than in 2019-20.

• The proportion of individuals with a household income below MIS varies across demographic groups: 40.0% of children, 29.2% of working-age adults, and 15.4% of pensioners are below the MIS benchmark in 2020-21.

• The proportion of children below 75% of MIS has fallen from 25.6% in 2019-20 to 21.3% in 2020-21. This means that there are just over 500,000 fewer children below 75% of MIS and therefore at heightened risk of material deprivation in 2020-21 compared to 2019-20.

• The North East has the highest proportion of individuals living in households below MIS and has also seen the largest increase over time, rising from 30.3% in 2009 to 35.9% in 2019. In 2019, 53.2% of children in the North East were living in households with incomes below MIS.
Table 1: Number and proportion of individuals in households below MIS and below 75% of MIS, 2008-09 and 2020-21

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<th>Percentage of total population</th>
<th>Number below MIS (millions)</th>
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<th>Number below 75% of MIS (millions)</th>
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<td>Working-age adults</td>
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<td>9.8</td>
<td>11.7</td>
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<td>Pensioners</td>
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<td>17.5%</td>
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<td>1.8</td>
<td>12.3%</td>
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*a Numbers may not sum to totals due to rounding*
Introduction

The emergence of Covid-19 in the UK in early 2020 marked the beginning of a very difficult time for many households and a period of rapid policy design and intervention at a government level. While Covid-19 has not disappeared, the pandemic, with its attendant constraints and policy responses, has been replaced by a raft of different and substantial challenges to living standards. The increase in energy prices despite the introduction of the energy price guarantee, for example, has seen costs soar, squeezing household budgets. The minimum domestic energy budget for a couple with two children increased by 154% between 2021 and 2022 (Davis et al, 2022). Inflation is at a 40 year high, exerting sustained pressure on household incomes, and resulting in a real-terms reduction in the value of earnings and benefits (Corlett et al, 2022; JRF, 2023). Political turbulence in the second half of 2022 has undoubtedly exacerbated an already uncertain and difficult environment. What this likely means is that a growing number of households will not have what they need in order to meet the cost of what the public consider essential in meeting a minimum, dignified standard of living.

Covid-19 and the impact on survey fieldwork

Within this context, the report this year provides an updated analysis of income adequacy in the UK, now covering the first year of the pandemic, 2020–21. There were always likely to be challenges with household income data for this period, caused in part by the unprecedented economic environment resulting from Covid-19 and the difficulty of conducting survey fieldwork during a pandemic. As a result, there are restrictions on what we can report on this year. The available data does not allow us to look in detail at the consequences of Covid-19, particularly at how various groups within society were impacted and the effect on household incomes. Single parents, for example, are likely to have been hit hard by the pandemic as they lost hours of work (Dromey et al, 2020). This increased the likelihood of an inadequate income. Yet the limited data does not support analysis and reporting at this level. Employment status will have shaped the experience and impact of the pandemic, alongside the likelihood of being below MIS. Again, the more limited data does not permit analysis in this context.

With these limitations in place, the report this year looks at:

- income adequacy for all individuals in the UK,
- income adequacy for three key subgroups – children, working-age adults and pensioners,
- how the likelihood of being below MIS varies across geographical locations within the UK.

The latest year goes some way to showing the impact of Covid-19 related policy interventions and support. Although there was an increase in the proportion of all individuals below MIS in the UK in the first pandemic year (2020–21), the additional support for low-income households, particularly those with children, is likely to have contributed to a decrease in the proportion of children living in households below 75% of MIS.
Who is most likely to have an income below MIS?

Figure 1 shows that there has been an increase in the proportion of individuals below MIS in 2020-21, the latest year for which data is available. In 2020-21, 29.1% of individuals living in the UK were in households with inadequate incomes, up from 27.7% in 2019-20. This is below the peak of 32.5% in 2013-14 but is a return to the proportion of individuals below MIS seen between 2016-17 and 2018-19. Given the turbulent and challenging environment created by Covid-19 – an environment also shaped by post-Brexit uncertainty – it is perhaps not a surprise that the proportion of individuals in the population as a whole with incomes below MIS has increased.

In contrast, the proportion of individuals living below 75% of MIS – and consequently at far greater risk of material deprivation (Hirsch et al, 2016) – has decreased slightly between 2019-20 and 2020-21 from 17.1% to 16.4%. A contribution to the small reduction in the proportion of individuals with incomes below 75% of MIS during the first pandemic year is likely to be a result of the substantial levels of government spending aimed at mitigating the consequences of Covid-19 and protecting incomes. The job retention/furlough scheme and the temporary £20 a week uplift in Universal Credit and Working Tax Credit were key in stabilising household incomes and boosting the incomes of the poorest households respectively.

Figure 1: Proportion of individuals below MIS and below 75% of MIS

There is, however, a lack of clarity regarding household income data for 2020-21 – a consequence of the difficulties of collecting survey data during the pandemic. Some estimates suggest that while incomes across the whole population fell in 2020-21, incomes for the bottom fifth of the income distribution rose by an average of more than 3% in the year 2019-20 to 2020-21 (Cribb et al, 2022; Department for Work and Pensions, 2022). This is partly because lower income households were far more likely to be eligible for the additional support provided during the pandemic. However, other estimates suggest that median incomes for the poorest fifth of the population fell between April 2020 and March 2021 (Office for National Statistics, 2022).

While government support did go some way to softening the blow of Covid-19, providing a temporary boost to incomes, the subsequent removal of the £20 a week
uplift, in combination with high levels of inflation and soaring energy costs, mean that post-Covid there is likely to be an increase in the proportion of individuals within the UK living below MIS and below 75% of MIS.

**Households with children**

As in previous years, children remain the group most likely to be living in a household with inadequate income (see Table 1), although there has been little change in the proportion below this level between 2019-20 and 2020-21. In 2020-21, 5.7 million children – 2 out of every 5 children in the UK – were living in households with incomes below that needed for a socially acceptable, or dignified, standard of living. This is an increase of around 200,000 in the latest year. The proportion below 75% of MIS has fallen substantially in the latest year, from 25.6% in 2019-20 to 21.3% in 2020-21. This corroborates a fall in the proportion of children living in relative poverty in the same period (DWP, 2022a). This is likely in large part a result of the temporary increase in government support through the social security system for low-income households. It’s important to note that this is a group where DWP say extra care is needed, due to issues with the sample composition (especially in the early part of the survey year). This decrease in the proportion of children below 75% of MIS means that just over 3 million are living in households with incomes below this level, a reduction of over half a million in the latest year. While 1 child in every 4 in the UK in 2019-20 was living in a household facing a significant risk of lacking the sorts of things that many of us take for granted every day (i.e. below 75% of MIS), in 2020-21 this has fallen to 1 child in every 5.

**Figure 2: Proportion of children below MIS and below 75% of MIS**
Working age adults

The proportion of working-age adults below MIS has increased in the last year, rising from 26.6% in 2019-20 to 29.2% in 2020-21. In 2020-21, 11.7 million working-age adults were living in households below MIS, an increase of 1.1 million since 2019-20. The proportion below 75% of MIS has also increased from 17.1% in 2019-20 to 17.6% in 2020-21 – this means that 7.1 million working-age adults face a substantial risk of going without the goods and services that the public consider essential in meeting a minimum, dignified standard of living.

Figure 3: Proportion of working-age adults below MIS and below 75% of MIS

![Graph showing the proportion of working-age adults below MIS and below 75% of MIS from 2008/09 to 2020/21.]

While the job retention/furlough scheme and additional social security support for low-income households through the Covid period did go some way to moderating the most extreme effects of this society-wide financial shock, not all working-age adults benefited from this protection or were totally protected. The furlough scheme did not guarantee incomes at the same level as through employment. Some people in work were not eligible for support, and the shock to the labour market in 2020 resulted in job losses and reduced incomes for a substantial number of households.

An assessment of the impact of government support in the early days of the pandemic (Kempson and Evans, 2020) found that while the majority of working households in the UK (59%) had not experienced a loss of income:

- 16% or 4.5 million households were only partially protected and had a loss of income
- 11% or 3 million households were completely unprotected by government support measures.

Workers in these households were more likely to be on short-term contracts or, agency work, or self-employed. Further analysis (Cross et al, 2022) highlights the extent to which both existing and often long-standing-inequalities were reinforced through the pandemic in 2020–21, and new inequalities that emerged; such as the substantial increase in self-employment and workers on zero-hours contracts. The latest data does not enable us to further explore the relationship between employment
and the likelihood of being below MIS in 2020-21, but it is clear that the bolstered safety-net introduced in 2020 did not protect everyone.

Pensioners least likely to be below MIS

Pensioners remain the group least likely to be living below MIS, as has been the case throughout this series of reports (Padley and Hirsch, 2013). The proportion of pensioners below MIS fell from 17.4% in 2019-20 to 15.4% in 2020-21, continuing a downward trend from a peak in 2017-18. A similar pattern is evident in the proportion of pensioners below 75% of MIS, which has fallen each year since 2017-18. Despite this more recent trend, since 2008-09 the number of pensioners living in households with incomes below MIS has increased by around 400,000, with 1.8 million living in households with incomes below that needed for a socially acceptable, dignified, standard of living.

Figure 4: Proportion of pensioners below MIS and below 75% of MIS
Geographical variation in the proportion of individuals with incomes below MIS

Figure 5 sets out how the likelihood of living in a household below MIS varies by location across the UK and over time. The North East has the highest proportion of individuals living in households with inadequate income and has also seen the biggest increase over the 10 year period analysed here, rising from 30.3% in 2009 to 35.9% in 2019. While the reasons underlying this increase are likely to be multifaceted, trends in economic activity in the region almost certainly play a role. Unemployment rates in the North–East have been consistently higher than in other parts of the UK over the past decade (Powell 2021). The region has therefore been particularly affected by a prolonged fall in the real-terms value of out-of-work benefits.

London and Northern Ireland have seen a decrease in the proportion of individuals in households below MIS over this period. London, in particular, saw a marked rise in the number of households claiming Universal Credit in the financial year ending 2021 (DWP, 2022b), reflecting a rise in unemployment. These new claimants would have been more likely to be eligible for the £20 uplift to Universal Credit than those in the North East, where more would have already been claiming legacy benefits prior to this period. Therefore, despite rises in unemployment, the situation may have been temporarily mitigated in some regions by changes to benefits.

Figure 5: All individuals below MIS, by location (three-year averages)

Figure 6 looks at the likelihood of children living in a household with inadequate income according to location. The proportion of children living in households below MIS has fallen between 2009 and 2019 in London and Northern Ireland, similar to what is found when looking at all individuals. The North East has the highest proportion of children living in households below MIS, with 53.2% below this level in 2019. This is a
substantial increase over the 10 year period, with the proportion of children living below this level up from 43.9% in 2009. No other location in the UK has seen such a large change over this period. This means that more than half of all children within the North East are growing up in households without the income needed to meet all of their minimum needs, without the income required to live with dignity in the UK today. This data echoes the latest local child poverty data (North East Child Poverty Commission, 2022; Stone, 2022). While the number of children in poverty who were in out-of-work families fell consistently across the UK between 2014-15 and 2019-20, this sustained improvement was not observed in the North East, where the number of children in out-of-work poverty fluctuated during this period (North East Child Poverty Commission, 2022). At the same time, an overall rise in in-work child poverty from 2014-15 to 2019-20 was steeper in the North East than in the UK as a whole (North East Child Poverty Commission, 2022), and this effect appears to have continued into 2020-21 (Stone 2022).

Figure 6: Children below MIS, by location (three-year averages)

Note: data for 2009 are an average of 2008-09, 2009-10 and 2010-11; and data for 2019 are an average of 2018-19, 2019-20 and 2020-21.
Conclusions

This year’s report shows that Covid-19 did have an impact on the adequacy of household incomes, with an increase in the proportion of all individuals living in households with incomes below MIS to 29.1% in 2020-21. However, our analysis also shows that the rapid policy response to the pandemic (such as increasing support through the benefits system for low-income households) is likely to have mitigated some of the worst possible consequences. The proportion of children in households with incomes below 75% of MIS fell sharply from 25.6% in 2019-20 to 21.3% in 2020-21, while overall the proportion of individuals below this level also fell slightly.

Since 2013, this annual report has provided analysis of the adequacy of household incomes in the UK, relative to what the public think is needed for a minimum socially acceptable standard of living (MIS). The Minimum Income Standard has never been about establishing a survival or subsistence threshold, it has always focused on building public consensus about what is needed by everyone in our society in order to feel included, and to live with dignity (Davies et al, 2022). Over this series and the time period analysed, there have been substantial challenges to income adequacy: the global financial crash and its fallout, cuts to social security spending arising from ‘austerity’, a substantial programme of welfare reform, the ‘shock’ of Brexit and more recently Covid-19, political churn and uncertainty in the UK, and high and rising inflation. Alongside these significant challenges, there have been moments of positive change too – the introduction of the National Living Wage was undoubtedly a significant step forward in efforts to increase incomes.

However, it is clear that the coming years are likely to bring further challenges to income adequacy. The Office for Budget Responsibility forecasts historic falls in disposable incomes in the short term, with incomes not recovering to 2019-20 levels until at least 2027-28 (Office for Budget Responsibility, 2022). Historically high inflation is likely to continue into next year, and the current energy price guarantee comes to an end in April 2023 when a higher energy price guarantee comes into place, exerting further pressures on household incomes (Corlett et al, 2022). While benefits and pensions will be increased in line with inflation in April 2023, this will not make up for the effective real terms cut in these over the past year.

To thrive, not just survive

In this context, our annual analysis of income adequacy remains a critical task, tracking how households fare in these turbulent times, and identifying who is most likely to be living in a household without the income needed to live with dignity. However, it is also crucial that we use this ongoing analysis not just to spell out the scale of the challenge, but to inform and shape fresh ideas about how we design and build a social security system that works for everyone and is fit for now. Since 2013, questions about the adequacy of wages, the role of work in enabling people to live with dignity, and the interactions between our social security system and wages have been ever present. In these unsettled times, working to address these questions is of fundamental importance: how do we ensure that all within the UK are able to meet their minimum needs, not worrying about being able to provide a roof over their heads or food for
their family? But more than this, how do we build a society in which we are all able to participate, to thrive not just survive, and live with dignity?
Technical details

How MIS measures the income required for an acceptable standard of living

MIS is the income that people need for 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 households in order to meet these needs, and to participate in society. The research entails a sequence of detailed deliberations by groups of members of the public, informed by expert input where this is necessary. The groups work to the following definition:

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.

MIS distinguishes between the needs of different family types. It considers directly the needs of working-age households with and without children (i.e., households that comprise a single adult or a couple, with or without dependent children), and the needs of single and couple pensioner households. However, for the purposes of estimating the total number of people below MIS in the population, a set of assumptions about the income requirements of other households has been devised, using the MIS results as a starting point (Hirsch et al, 2016). The analysis of numbers below MIS also uses rolling averages of annually adjusted income benchmarks, after housing and childcare costs, to compare to income data from the Family Resources Survey. This helps ensure that changes in minimum requirements identified when the research is refreshed for each household type every four years are introduced gradually, avoiding artificially reporting a sudden change. By measuring incomes after housing and childcare costs, this analysis avoids making prior assumptions about these costs, which in practice can be highly variable. One aspect of housing costs that it does not fully capture, however, is home maintenance: the MIS model bases this on what the public think that tenants would need to spend as a minimum, while for homeowners it takes mortgage payments into account, but not the cost of maintaining one’s own home.

The MIS research is funded and supported by the Joseph Rowntree Foundation (JRF) and carried out by the Centre for Research in Social Policy (CRSP) at Loughborough University. It has produced annual updates since 2008. MIS was originally developed in partnership with the Family Budget Unit at the University of York, bringing together expert-based and ‘consensual’ methods (based on what members of the public think).

Further information and publications related to MIS are available on the Centre for Research in Social Policy website.
Changes to the report format

In response to the Covid-19 pandemic, several changes to the fieldwork operations for the FYE 2021 Family Resources Survey (FRS) were implemented by the Department for Work and Pensions (DWP). Face-to-face interviewing was suspended and replaced with telephone interviewing from April 2020 for the 2020 to 2021 survey year, which impacted on both the size and composition of the achieved sample. The final sample for 2020-21 was around half the size achieved in previous years. Compared with 2019-20, the sample was skewed towards older participants, owner occupiers, and those educated to degree level, and included fewer households with children. The FRS and Households Below Average Income (HBAI) weighting regimes therefore required modification to take this into account. Further information on the impact of the Covid-19 pandemic on the FRS data collection can be found on the DWP website.

Given the substantially reduced sample size and the potential biases in the sample composition, DWP made the decision to only produce the broad headline statistics for the FYE 2020-21 HBAI release, as the effects of these factors become more evident when the statistics are disaggregated into smaller groups. This year’s Household Below a Minimum Income Standard report takes an equivalent approach and presents only headline statistics for large demographic groups, plus regional breakdowns. The latter are based on three-year averages, which mitigates the impact of the data quality issues associated with the 2020-21 data. Nevertheless, all statistics contained in this year’s report should be treated with more caution than in previous years.

The figures in this report

- The numbers and percentages included in this report are calculated using population weights provided by DWP as part of the HBAI data series. These weights are designed to produce sample estimates grossed up to apply to the whole population, accounting for differences in response rates among different types of households.
- Percentages in this report are rounded to the nearest 0.1% and numbers are rounded to the nearest hundred thousand.
- This year’s analysis incorporates a minor change to the way in which pensioners are identified within the FRS sample, based on the HBAI weights, in response to the staggered change in state pension age that has been implemented in recent years. The weights allow classification of pensioners based on their age at the point of interview, rather than using the historical threshold of age 60 for women and 65 for men. As this change in definition has been implemented retrospectively for all years of the survey, some of the statistics may differ slightly from those in previous reports.
- Some of the figures presented in this report for past years differ slightly from previously published data, due to some technical improvements in the calculation of household income and grossing factors in the HBAI data, and in how results for the survey sample are translated into estimates of how many people in certain groups have incomes below MIS.
• More information on the processes used to calculate the grossing factors can be found in the Households Below Average Income (HBAI) Quality and Methodology Information Report.

**Categorising individuals within analysis of income adequacy**

In the analysis of the Family Resources Survey and MIS data presented here, individuals are categorised according to the following definitions.

Children are individuals aged under 16, or aged 16 to 19 years old, and they are:
- not married, nor in a civil partnership, nor living with a partner; and
- living with parents/a responsible adult; and
- in full-time, non-advanced education, or in unwaged government training.

Pensioners are defined as all those adults above State Pension age.
All other individuals are defined as working-age adults.
References


Joseph Rowntree Foundation (2023), UK Poverty 2023: The essential guide to understanding poverty in the UK. York


About the authors

Matt Padley is Co-Director and Senior Research Fellow at the Centre for Research in Social Policy (CRSP), where he has pioneered work on retirement living standards in the UK, as well as leading research on living standards in London. He works across the established Minimum Income Standards (MIS) programme, leading on data analysis, and the application and development of MIS in the UK and globally. His research focuses on public conceptions and understanding of living standards, and how these can be used within public policy. He has worked with colleagues in Mexico, Singapore, Portugal, Thailand and South Africa, supporting the development and application of MIS in these countries.

Dr Juliet Stone is Senior Research Associate at CRSP, where she focuses on quantitative analysis of income adequacy. She also provides support for qualitative work, including the collection of focus group data for calculation of the Minimum Income Standard for London. She has a background in social epidemiology, health inequalities and social determinants of population processes. Her research interests stem from a broad focus on understanding the consequences of differential socioeconomic circumstances from a life course perspective, and include family and household dynamics, health inequalities and the social implications of housing policy.

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