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# A Minimum Income Standard for the UK 2008-2018: continuity and change

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# A Minimum Income Standard for the UK 2008-2018: continuity and change

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

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

JRF JOSEPH ROWNTREE FOUNDATION

INSPIRING SOCIAL CHANGE

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

Abigail Davis, Donald Hirsch, Matt Padley and Claire Shepherd

This is the 2018 update of the Minimum Income Standard for the United Kingdom, based on what members of the public think people need for an acceptable minimum standard of living. This report shows: the incomes different family types require in 2018 to meet the minimum standard; how this has changed in the ten years over which the Minimum Income Standards research has been conducted, and what this tells us about changes in society; and how changes in income requirements compare to trends in average incomes, in benefit levels, and in the incomes of people working for the minimum wage.

### Actions

- JRF recommends that the Government should lift the freeze on working-age tax credits and Universal Credit, so that support keeps up with the rising cost of living.
- Alongside this, the Government should restore the Work Allowance to its pre-2016 levels, so that families can keep more of their earnings.

### 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 UK, 2008–2018: continuity and change* plays an important part in monitoring costs and living standards – a key focus of our strategy to solve UK poverty.

July 2018
www.jrf.org.uk

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# Executive summary

In 2018, new Minimum Income Standard (MIS) research has recalculated from scratch the minimum budgets for pensioner and working-age households without children, while reviewing the budgets set in 2016 for families with children. This report looks at both the results of that new research, and at how the content and level of the minimum has changed over ten years of MIS. In doing so, it reflects on a decade of social and economic change.

MIS is based on the items that members of the public think UK households need to be able to afford in order to meet material needs such as food, clothing and shelter, as well as to have the opportunities and choices required to participate in society.

The 2018 research, the sixth wave of MIS since its inception in 2008, involved 22 new deliberative focus groups. This year, research was carried out not only in urban areas of England, but also in equivalent areas of Scotland and Wales, where no discernible differences from England were identified in terms of the items that the public thought should be part of a minimum household budget.

## Continuity and change in different areas of a household budget

Each area of household expenditure has been looked at in detail through the MIS research. The following are some of the principal findings from the past decade:

- **Housing** requirements have changed little, in terms of the size of home that people think appropriate: families with children say they require houses, other household types say a flat is the minimum. However, the scarcity of social housing has caused working-age adults without children to specify privately rented housing as the realistic minimum acceptable available option. This increases costs in terms of rent and heating (due to homes in this sector being less energy-efficient), although landlord provision of appliances and flooring brings some savings.
- **Rising domestic fuel costs**, which are over 40% higher than a decade ago, have put pressure on household budgets. However, the assumption in MIS that the internet will make it easier to shop around for deals has offset this increase by offering the opportunity of more competitive tariffs.
- **Food** requirements have not changed, with households describing an adequate, healthy diet with occasional treats and celebratory meals. However, food prices have risen overall, and the total cost of the items in a minimum food basket has risen in price more than food in general. The introduction of a car into family budgets in 2012 offered new opportunities for savings through bulk buys, which could not be easily transported on a bus, as did the introduction of a low-cost home delivery option for working-age couples without children in 2018.
- **Clothing, household goods, and personal goods and services** have had few changes, although pensioners' clothing budgets have become more like those of working-age adults.
- Parents agree that in meeting **childcare** needs, there should be the choice of nursery care for pre-school children. This contrasts with 2008, when they thought that using a childminder, a cheaper option, would be adequate. This change reflects the Government's emphasis on early years development. Combined with rising childcare fees, this has made it substantially more expensive to meet minimum childcare needs, although that cost is in some cases mitigated by public subsidies.
- **Transport** requirements and the cost of meeting them have changed more than any other category in a minimum budget. In 2018, these involved having a bus pass supplemented by occasional taxi use for those without children; and, for families, owning a second-hand car. For those relying on public transport, costs have been pushed up by rising fares and an increase in the taxi budget for trips where the bus is not an option. For families, the assumption in 2008 that you could get by without a car was revised in 2012. These additional transport costs have been influenced by a perception of worsening bus services.

- **Communication and computing** items have transformed with technology – most household types only needed a pay-as-you-go mobile phone and no computer in 2008, but smartphones and laptops, specified at a basic level, have become part of minimum household budgets over the course of the past decade. These items have not only become affordable in themselves, but also a means of buying other things economically, and of meeting communication needs at a lower overall cost than when households relied mainly on landline telephones.
- **Social and cultural participation** continues to be an important part of what members of the public consider a minimum living standard, including the opportunity to take part in activities; to have a low-cost, one-week annual holiday in the UK; to give presents; and to have some modest meals out. This area of the budget has grown most for pensioners, who consider it important to maintain an active life and not be isolated. Families' minimum spending has fallen in some respects – for example because they no longer say that you need to eat a modest meal out as a regular part of family life, but rather that eating out for a special occasion four times a year is sufficient.

Overall, the findings of the research into the MIS budgets have shown the following:

- The types of goods and services required for a minimum living standard have not changed a lot in a decade. In some cases, the specification of what and how much is needed has also remained more or less constant: for example, all households agree that a fabric sofa, rather than a leather one, is enough to meet people's needs. In other cases, changes in detail have affected the size of budgets, such as a reduction in some eating-out budgets.
- The minimum cost of living is being influenced not just by what goods and services are required, but also by how people buy them. The internet has offered new opportunities to compare prices and obtain discounts on some items, and, in the case of families with children, having a car widens shopping opportunities.
- New technologies become a recognised part of the minimum when they become widely used, moderately priced and important for the practicalities of everyday life. At this point, a basic 'entry level' version of the technology is considered necessary. For example, in 2008 the mobile phone specified by MIS was a cheap pay-as-you-go version for occasional use only, but in 2018 a low-cost smartphone was considered a normal and necessary accessory of everyday life.
- Public policy is affecting MIS in multiple ways. Free provision, for example of bus passes to pensioners, reduces costs. On the other hand, perceptions of reduced services, such as public transport and some healthcare provision, has increased what people feel they need to spend privately. Government messages can also influence what people think is important to spend money on, such as maintaining a diet that includes five portions of fruit or vegetables a day, securing good quality childcare to give children a fair start in life, and making sure children learn how to swim.
- The minimum living standard described by and for pensioners has converged with that of working-age adults. Pensioners put growing emphasis on being able to participate fully in society, combating the risk of loneliness, and also describe some of their needs such as clothing in more similar ways to younger adults than they did in the past (for example, female pensioners added jeans to their list in 2018). Excluding two areas of remaining difference, transport and health-related items, the total cost of a pensioner budget is almost identical to an equivalent household of working-age adults without children.
- The balance between spending categories in a minimum budget has changed significantly, due to a large degree to variations in the inflation rate for different items. In particular, transport has almost doubled to around 20% of working-age budgets, influenced by both the growing cost of public transport and increased adoption of alternative forms of travel, associated with perceptions of the declining adequacy of public transport.

## Comparisons between minimum budgets and disposable incomes

The past decade has seen overall living standards stagnate, with an initial fall in real-terms median income followed by a gentle rise. Over the same period, the total MIS budgets, after rent and childcare costs, have risen faster than the headline inflation rate: by around a third for most household types, and by a half for pensioners. Over the same period, the Consumer Prices Index (CPI) rose by only one quarter,

although the Retail Prices Index increase of 37% may be closer to the actual inflation rate that people on low incomes encounter. Average pay and most benefits have risen by less than the CPI; pensioner benefits and the minimum wage for over-25s have risen faster. The following comparisons between MIS and disposable incomes can be observed:

- MIS rose as a proportion of median income until 2013, and has since fallen for most groups. It is slightly above 70% of median income for working-age households, but lower for pensioners.
- For all groups, benefits have fallen relative to MIS budgets. This includes pensioners, whose benefits have risen, but more slowly than their minimum budgets; however, they are still almost able to reach the MIS level on the income guaranteed by Pension Credit. This contrasts with working-age adults without children who, as a result of cuts in benefits while costs rise, now get minimum benefits worth only a third of what they need. Families with children relying on out-of-work benefits now get between half and two-thirds of what they need.
- The amounts that households need to earn in order to reach MIS have risen from £13,400 to £18,400 a year for a single adult, and from £13,900 to £20,000 each for a dual-earner couple with two children.
- Full-time earnings on the minimum wage are not enough to reach a minimum income. In most cases in 2018 they fall short by a similar amount as in 2008, although for singles without children and couple parents who both work full time, the National Living Wage (NLW) is reducing this shortfall.
- Working lone parents have tended to see a decline in the adequacy of their income to meet minimum costs, whether they work full or part time. Even working full time on the NLW, they typically fall £70 a week short of a MIS budget. They have been hit by tax credit cuts, only very partially offset by improved wages.
- Single-earner couples remain further below meeting MIS budgets than any other working family type, despite the Government's desire to help them (for example through the married tax allowance). The NLW leaves such families' disposable incomes over £120 short of MIS budgets, meaning that a single breadwinner on such a wage has nowhere near enough to support their family at an adequate level.

# Conclusion

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

While these changes, combined with inflation, have had different effects on overall MIS budgets according to household type, in general the past decade has shown a deterioration in the ability of people without work or in lower-paid work to afford a minimum standard of living. Single people and full-time working families are in the best position to reverse this trend, helped by the NLW, but lone parents and working-age households with little or no work are becoming much worse off, hit by cuts in benefits, tax credits and Universal Credit. In the years ahead, MIS will continue to provide an important way of monitoring such trends, according to what the general public judge to be a minimum standard of living by contemporary standards.

# 1 Introduction

How much is needed to achieve a minimum acceptable standard of living in the United Kingdom today? Since 2008, the Minimum Income Standard (MIS) for the UK has been addressing this question through detailed research into the items that people think should go into a minimum household budget – items ranging from household goods such as toasters and toothpaste, to aspects of social participation such as Christmas presents and weekly social activities. MIS research is supported by expert knowledge on certain living requirements, including energy use and nutrition (see Box 1).

In order for MIS to remain up to date, it is critical that it adequately captures and reflects changes in both the cost of living, and in the social norms that determine the items included in the calculation of a minimum budget. Annual updates of minimum budgets alternate between those based on new research with the public and those determined by estimates of price rises. Every four years, each budget is wholly 'rebased', with groups identifying the required items from scratch; in between each rebase, after two years, the contents of each budget is reviewed by groups to see if any changes need to be made.

Table 1 shows how the updates work.

**Table 1: How the sequence of updates works on a regular four-yearly 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 |

In 2018, budgets have been rebased for households without children, and reviewed for those with children, corresponding to Year 3 in the above table. This report not only covers this new research, but also looks back at how MIS budgets have evolved in the ten years since the first MIS research was published. This anniversary marks an opportunity to reflect on how society's definition of a minimum has evolved, drawing from a rich evidence base collected over six waves of MIS research.

A great advantage of the MIS research over benchmarks set by experts, or with reference to economic data, is that it is rooted in a tangible account of everyday life, and is able to pick up specific changes as they occur. While most items remain the same or similar from one round of MIS research to the next, each round also brings changes related to factors such as new technologies, the evolution of products on the market, and sometimes subtly shifting attitudes – such as towards the range of choices required and acceptable ways of economising. Looking at accumulated changes over a decade gives insights into how society is changing overall, as well as specific information about the factors that influence the level of the minimum required for various types of household. Chapter 2 of this report therefore starts by giving an account of what is considered the minimum in each area of household expenditure and how this has changed since 2008. Chapter 3 then identifies some trends across budget categories. Chapter 4 looks at overall budget levels over the decade, how these have compared to inflation, median income, benefit income, and the income of households where one or more people work on the minimum wage, and the implications for those on low incomes. Chapter 5 draws these themes together in a conclusion.

The remainder of this chapter summarises what MIS is and how it works, and gives details of the 2018 research.

## 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?

A sequence of groups has detailed negotiations about the things a household needs in order to achieve an acceptable living standard. They 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 on 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 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 120 groups have been used to research MIS since its inception in 2008, with 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; necessities, not luxuries – items that the public think people need in order 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.

## 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 make-up. 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, although new research to be published later in 2018 will consider the case of young adults (in their 20s) living with their parents.

## 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, 2017a), 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 (CRSP, 2018), via a button on the first results page. 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), and France (Gilles et al, 2014). 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 MIS studies are presently underway in Mexico, Singapore and Thailand.

### 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.

## The 2018 research

The 2018 research comprised a rebase of budgets for households without children, and a review of the budgets for families with children set in 2016. A total of 22 focus groups were held, taking place in Derby, Loughborough, Peterborough, Sheffield, Leicester, Northampton, Swansea, Wrexham, Dunfermline and Dundee. Each group involved new participants, typically seven to ten per group.

### Rebasing budgets for pensioners and working-age households without children

Six task groups, each lasting five hours, comprised:

- single male pensioners
- single female pensioners
- single male adults of working age without children
- single female adults of working age without children
- partnered pensioners (mixed group of men and women), to discuss needs when living as a couple
- partnered working-age adults (mixed group of men and women).

The first four of these groups compiled budgets for an individual adult. The remaining two groups devised budgets combining the needs of males and females within partnered households. In these two groups, when discussing clothing and personal goods and services (including costs for dentistry, opticians and hairdressing, as well as toiletries and cosmetics), participants were asked if there were any reasons why single people would have different needs, or meet the same needs differently, to individuals living in couples. Participants agreed that the same items in these categories would be suitable regardless of whether the individual was partnered or single, so worked on them as one list common to singles and couples. In all the remaining budget areas (food and drink, housing costs, household goods, transport, and social and cultural participation), partnered groups devised lists from scratch, as in the single people's task groups.

Following the initial fieldwork phase, the research team compiled the lists of goods and services agreed by the groups and priced them at the retailers identified. Costs were calculated by dividing the price of each item by the number of weeks groups had said it should last.

Four mixed-gender 'checkback' groups looked at the decisions made by the task groups:

- single pensioners
- partnered pensioners
- single adults of working age without children
- partnered working-age adults.

A key role of these groups was to compare the budget lists of the men and women in each category, to identify genuine reasons for difference (eg different clothing and toiletries for men and women), and other items where the same type, quality or quantity of item would be suitable for an individual, regardless of gender, in order to iron out anomalies and inconsistencies.

Two mixed-gender groups (one of single and partnered working-age people, one of single and partnered pensioners) then looked at the budgets for both singles and couples within each demographic group, comparing budget lists to identify where the needs of singles and couples differed, and where the same items would be suitable for both households. An additional two final mixed-gender groups reflected on the budgets as a whole, to assess whether they met and reflected the living standard set out in the definition.

## Reviewing budgets for families with children

In 2018, the process of reviewing existing budgets was revised in order to increase geographical coverage. In the original MIS research, geographical groups suggested that the concept of a minimum does not vary significantly in different parts of the UK and, as a result, research in urban parts of the Midlands has been used to represent minimum needs (Bradshaw et al, 2008). However, in order to re-check whether this remains valid and to ensure that MIS decisions are not made only in one part of the UK, review groups were held in urban areas of Scotland and Wales in 2018, as part of the process of considering whether revisions are needed in family budgets. The number of review waves was expanded from three to four – two in England, one in Wales and one in Scotland. This process was not designed to create different results for different parts of the UK, but a single consensus drawing on groups from different geographical areas.

The waves comprised two principal groups, two pairs of follow-up groups, and two final groups, each with:

- a group of lone parents with school aged children
- a group of partnered parents with preschool children.

The very clear finding from the Welsh and Scottish review groups was that there was no discernible difference in what people thought was part of the minimum in these nations compared to England – other than that their governments make prescriptions free, so unlike in England they would not be part of a minimum cost, and that the availability of 30 hours' 'free' childcare is largely restricted to England. In the review process, groups look at the existing detailed lists of items and only amend these where there is consensus that they require changing as a result of things that are different since the previous rebase. Scottish and Welsh groups, in common with other review groups, agreed with almost all items presently on the list, and suggested only very minor changes that were implemented where groups in other locations agreed with them. For example, groups in Wales suggested that clothing for an end of school prom should be included in secondary school budgets, and this was agreed by groups in Scotland and England. Scottish groups discussed the need for extra spending on celebrating New Year. Across locations, groups agreed that the minimum budget for extra food and drink over the Christmas season needed to be increased (from £25 to £50 for a family), and the Scottish groups agreed that this could cover New Year. One Welsh group suggested the need to pay for a fancy dress outfit on St David's Day, but this did not result in any wider agreement on changing budgets.

Thus, the groups in Scotland and Wales have supported the hypothesis that people in different urban parts of the UK do not hold different views about what should be included in budgets. They have also shown the scope for co-production of these budgets in groups across these areas. In 2020, additional review groups of pensioners and working-age adults without children will be held in Northern Ireland and Scotland, with the intention of holding additional groups with parents in Wales and Northern Ireland in 2022.

## Inflation uprating

In between the full repricing of MIS budgets every four years when they are 'rebased', an inflation index is used to uprate each category of each budget according to how much prices have generally risen in that category of goods and services. Up to now, the Retail Prices Index (RPI) has been used for this purpose – even though the Consumer Prices Index (CPI) has replaced it as the main official measure – in order to provide continuity, and because analysis suggested that CPI may be no better an estimate of price changes for a minimum budget (Hirsch, 2015a). However, in order to provide better consistency with other inflation-based analysis, from 2018 onwards, CPI-based upratings are being used in most cases (see Chapter 2 for a discussion of how clothing prices are being estimated). Budgets for households without children have all been repriced in 2018, and those for families with children have been uprated by CPI indices from their 2016 rebase levels (with adjustments from the 2018 review). As discussed further in Chapter 4, inflation indices can only ever provide estimates of how much baskets have changed in price, with the fresh pricing of a new minimum basket every four years giving a more grounded calculation of how the minimum cost of living is changing over time.

# 2 Ten years on: how the social minimum has evolved since 2008

Throughout the past decade, MIS research has offered insights into how members of the public from across society think about what is needed in order to have a minimum socially acceptable standard of living. This chapter reports on what is included in the social minimum, both in the latest research in 2018 and over the decade as a whole. It describes both the considerable continuity in what MIS budgets comprise, and a range of specific changes that reflect changes in society and in how people live.

This account divides items into various categories. First it looks at four areas often associated with the basic material necessities of life – housing, warmth, food and clothing. Requirements in these areas are not however restricted to basic human survival, but are defined, as elsewhere in MIS, in terms of supporting choices, opportunities and the ability to participate in society. The coverage then turns to a range of other items consumed mainly in the home – household goods, and personal goods and services. This is followed by three services consumed mainly outside the home: healthcare, childcare and transport. It then turns to communication tools and the associated area of computing, and lastly to other aspects of social and cultural participation. The items described under these categories are not a comprehensive account of everything in the MIS budgets, but give a representative idea of what is considered a minimum in each area of household spending.

Note that while these categories are used to organise the discussion, there are various ways in which consumption in different categories interacts, such as the influence of transport methods and communication technologies on how one can shop and participate socially, and the relationship between housing tenures and what one needs to buy for one's home.

Chapter 3 below then draws together six aspects of continuity and change in MIS budgets over the past decade that shed light on social and economic change, and that help explain trends influencing the cost of a minimum living standard.

## What kind of home?

**Box 1: Key points**

- A self-contained house or flat continues to be seen as the minimum suitable accommodation.
- The number of bedrooms required has been mainly stable, but larger families make some additional compromises about how many rooms are needed than they did a decade ago.
- While in 2008 the MIS calculations used social housing as a starting point in calculating minimum costs for all groups, its limited availability means that private renting is now used as the MIS benchmark for working-age people without children – and is becoming the only option for many with children, too.

The MIS groups decide what kind of home is sufficient to meet a household's minimum needs. In 2018, all the households without children specified a one-bedroom flat, except pensioner couples who said that two bedrooms are required. These specifications have been stable throughout the MIS process. The pensioners' budgets were based on social housing, but working-age people without children are assumed not to have access to social housing unless they have a special need, and were thus assumed to live in the private rented sector.

### Size of home

For working-age singles and couples, a one-bedroom flat continues to be considered the minimum suitable accommodation. Some 2018 participants said that this might be difficult to find – one-bedroom flats were reportedly scarce, and rents for them were at a premium because demand was high. This seems to be borne out by the Valuation Office Agency's latest survey of private rents (VOA, 2017), which identified only 40% as many one-bedroom as two-bedroom rental properties, and a lower-end

rent (lower quartile) only 13% lower for one-bedroom flats than for two. In some cases, people said that working-age people might find themselves having to rent a larger flat because that was all that was available, and therefore would have to pay more.

Alternatively, groups discussed if the need could be met by having a smaller, open plan dwelling – effectively a bedsit, where the bed, living area and kitchen facilities are all contained in one room; or by living in shared accommodation, where the rent would be for a bedroom within a house with a communal kitchen and bathroom facilities. However, both of these were rejected as an acceptable minimum, which groups agreed involved having the choice to live in at least a self-contained flat. They considered it important for people's quality of life, self-esteem and social participation to be able to have their own space. They acknowledged that shared accommodation could offer opportunities to interact with others, but rather than fostering a feeling of social participation, having no choice but to do so could be problematic. It was important to be able to offer hospitality and spend time with people one chose to, rather than having to live in close proximity with other people because of constrained circumstances. Personal privacy was deemed to be a fundamental need, with the emphasis on having the choice of voluntary rather than obligatory interaction with others. The following conversations considered these issues with reference to the needs of a 32 year old – thus considering a single person who is not in the earliest stages of young adulthood, and thinking about what is suitable for the longer term:

Man 1: You talk about this full participation, being able to participate in the choices that society affords and so on. A one-bedroom self-contained [flat] would allow, for example, a visitor to stay the night, which is the sort of minimum that you might expect.
Man 2: That's true.
Man 1: That's that minimum. Yes, just: alright I've got the bedroom, you've got the couch, you can do that with your own lounge.
Man 3: So you can be sociable.
Man 1: Yes exactly, you can participate socially in society.
[...]
Researcher: So there's something about this issue of space, there's several key things that are coming out. One is the issue of space, how important is that then, this individual personal space?
Man 1: Very important.
Man 3: It's personal unshared space, you've the ability to shut the door and not have to sociably interact, be socially acceptable if you like.
Researcher: To reach that minimum, is that something that you feel the one-bedroom flat would be it?
[Several voices]: Yes.
Man 3: I've been in a shared house, I've been in a one-bedroom flat and now in a house. So I've been in all levels, I know I hated it in a shared house.

Single working-age men, Loughborough, 2018

She wants somewhere decent to live in a nice flat where she can bring her friends, where she can do a job. She won't get disturbed with people, like shared housing coming in and out at different hours of the day or night and disturbing her sleep. That it's clean, up to her standard... or somebody left the bath in a mess or not flush a toilet or pinched her food. She needs somewhere where she's proud, and she can get a boyfriend or girlfriend and bring him home, and be proud of her address with her bits and pieces, pictures on the wall and you know, that kind of thing. [...] She needs a proper place to call her own.

Single working-age woman, Derby, 2018

For pensioners, groups agreed that a one-bedroom flat would be adequate for a single pensioner and that couples would require a two-bedroom flat. Couple pensioners agreed that a pensioner couple needs a 'spare' room because they might have to sleep separately during periods of ill health. On the other hand, for single pensioners, one bedroom with a sofa bed in the living room to accommodate occasional guests was considered sufficient. Some participants talked about having grandchildren to stay, and others said that having additional space within the flat for storage or to pursue hobbies would also be of value, but again this did not tip the balance in making a spare room essential for singles.

Discussions about housing needs have remained relatively similar over the past 10 years. However, the effects of a reduction in social housing availability, increasingly stringent eligibility criteria, and limitations on Housing Benefit payable for homes that are 'under occupied' (labelled the 'Bedroom Tax' in the case of social housing) have been reflected in the conversations that groups have had on this aspect of a minimum socially acceptable standard of living. This specifically affected the conclusions of the latest groups to draw up from scratch ('rebase') new budgets for families with children, in 2016. Previous parents' groups had agreed that a separate bedroom was appropriate for each child, plus one for the parent(s), up to a certain size of home. (Specifically: the exception was a four-child family, for whom a house with three children's bedrooms of which one is shared was considered more realistic than expecting a property of five bedrooms, including the parents', to be provided in social housing.)

Influenced by the scarcity of housing and the rules set by the under-occupation penalty restricting Housing Benefit for social housing, which requires two children to share a bedroom (other than over-10s of the opposite sex), the 2016 groups accepted greater sharing than previously. They agreed that two children's bedrooms in a three-bedroom house would suffice for any combination up to four children (the maximum for which MIS budgets are calculated), since this allowed teenagers to be separated by gender. However, they also said that two children's bedrooms were needed even for a pair of younger children of the opposite sex – who under-occupancy rules specify should share – because they saw sharing at this stage as shortsighted. As children grew and matured they would need their own space. Thus, all families with two or more children in MIS are now assumed to live in three-bedroom houses, and those with one child in two-bedroom houses.

Participants also talked about the need for families to be able to feel they had stability, and to be able to "put down roots". They said that the uncertainty of being in privately rented accommodation was not good for families, and even if they had managed to access social housing, having to move house and potentially schools because the family had outgrown its accommodation could be damaging. The following discussion illustrates how a group worked out that if housing options are excessively constrained, one could make do but not have an acceptable living standard:

| | |
|---|---|
| Man 1: | I just think they're going to get put in a situation where in the future, because as well the waiting time for getting a social house is long and once you're adequately housed, you've got a two-bedroom, all right you've got mixed-sex children, but they've got shelter so you're not an immediate risk for being homeless or anything, so you're way down the pecking order. |
| [Multiple voices]: | Yes. |
| Woman 1: | You're adequately housed on the most basic of your own family's needs as well. |
| Woman 2: | Jane could always be one of these that will put her children first, so if she had a two-bed house and Annie was 10 she would give up, well I know I would give up my bedroom in a two-bed place and sleep in the front room, so my kids have their own room. |
| Man 2: | But what does that do to her acceptable living standard? |
| Woman 1: | Exactly. |
| Woman 2: | Say she only had a two-bed and Annie reached 10, and she was still at the bottom of the list to get a three-bed, while she's waiting the mum would give up her room, that's what I'm on about. |
| Researcher: | That's that thing I'm talking about – that you could put up with it for the short term but you wouldn't set that as your standard? |
| Woman 2: | No. |
| Researcher: | You wouldn't say that someone should have to live their life routinely like that indefinitely? |
| Man 1: | No, because that's kind of going against what the initial statement at the beginning said. |
| Researcher: | The definition. |
| Man 1: | Food, clothes, you do need more and I don't think that's adequate just to have food, clothes and shelter. I think there is more things, they're little things but in the bigger scale I think it's important. |

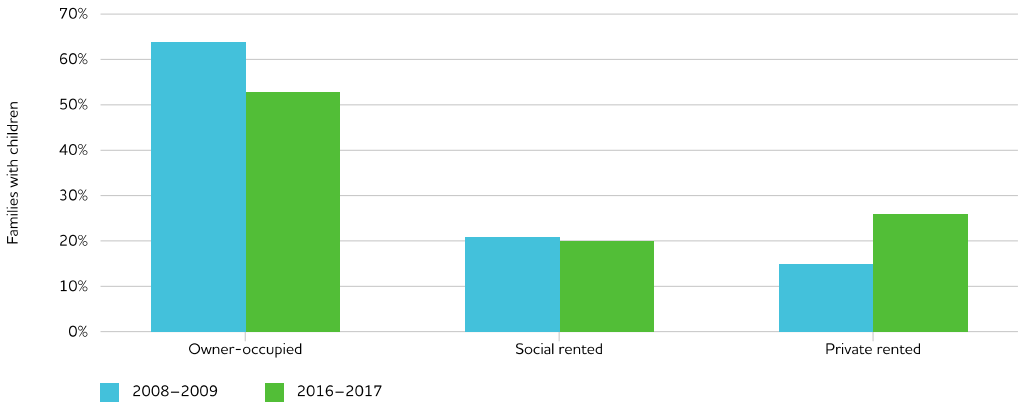
Man 3: Socially as well, when you have people round your house if you want to have a few drinks or people come round for meal, you don't want to say can you leave now as I want to go to bed now on my sofa.

Lone parents, Loughborough, 2016

## Housing tenure

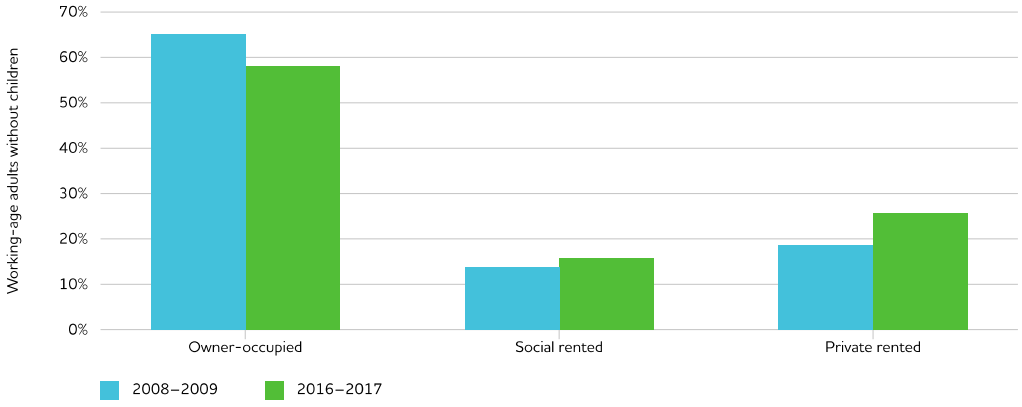
In the original MIS published in 2008, groups said that social housing would meet the needs of all household types. However in 2014, when the budgets for households without children were rebased (ie redeveloped from scratch with new groups), this was thought unrealistic for working-age singles and couples, while still being considered the lowest-cost socially acceptable housing for pensioners and parents. While a substantial number of working-age adults without children do still live in social housing, many of these are in vulnerable groups such as those with disabilities or addictions. It is perceived that, in general, there is little prospect for most people without children to get allocated social housing. Figures 1–3 show that private renting has grown greatly in the past decade, including among families with children. While more likely than those without children to be in social housing, more families now have private rather than social landlords, with one in four in the private rented sector.

### Figure 1: Changes in housing tenure by household demography (England) – households with children



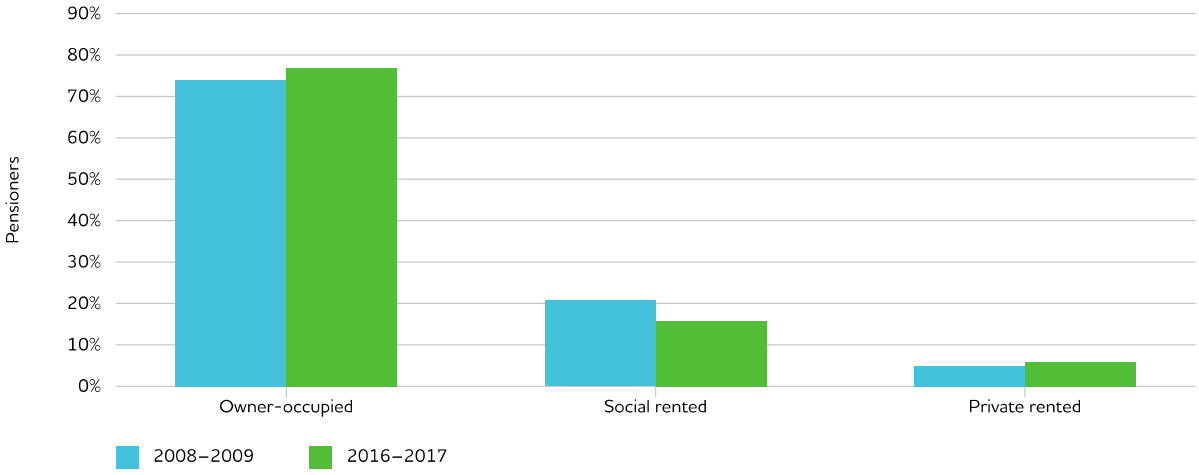

Source: English Housing Survey 2016/17

### Figure 2: Changes in housing tenure by household demography (England) – working-age adults without children




Source: English Housing Survey 2016/17

**Figure 3: Changes in housing tenure by household demography (England) – pensioners**




Source: English Housing Survey 2016/17

The rent assumptions used for MIS budgets are intended to express a baseline of minimum costs (using rent levels in the East Midlands as a 'modest' example), while accepting that many will have to pay much more for their housing based on location and sector. These starting rent assumptions can be adapted according to the uses to which MIS is put, and for families with children, this can mean pointing out that many will, in reality, face the high cost of private renting. This imposes extra costs: a socially rented three-bedroom property in the East Midlands has an average rent of £90 a week. In the private sector, three-quarters of three-bedroom properties are rented for over £130 a week, and this rises greatly in more expensive parts of the country – to over £200 in the South East and £350 in London (VOA, 2017).

The housing sector assumed within MIS budgets also affects the level at which certain other household costs are reported. Domestic fuel costs are higher in the private rented sector due to lower standards of insulation overall, but some costs are lower for private tenants as private landlords are assumed to provide certain household goods such as flooring and major kitchen appliances.

# Keeping warm and domestic fuel

**Box 2: Key points**

- Rising fuel costs have been an important element in increasing household costs.
- The ability to shop around for good deals using the internet has offset this for some households, as have some kinds of energy saving, such as the use of LED light bulbs.
- Conversely, greater reliance on privately rented housing can increase fuel costs compared with social housing, which tends to be more energy-efficient.

The cost of gas, electricity and other domestic fuels has risen by around 45% since 2008 according to CPI – nearly twice the overall rate of inflation. This has contributed significantly to the rising cost of living. However, a number of factors other than overall fuel price have influenced the fuel element in the MIS budgets.

All households in the main MIS are assumed to have gas central heating. (Rural versions of MIS have not always made this assumption, as not all rural areas are connected to mains gas – see Smith et al, 2010; Hirsch et al, 2013). The amount of electricity and gas required for heating, cooking and use of electrical appliances is calculated using the method from the English Housing Survey (EHS) and fuel poverty figures produced by the Department of Energy and Climate Change (DECC) each year.

Fuel costs in the original MIS were calculated using a mid-range option (a standard dual tariff from Scottish Power, which was neither the highest nor the lowest, and also fluctuated least compared to

other companies' costs). This has changed over time, as households emphasised the importance of having the internet within the home in order to access the most competitive prices for goods and services (in all working-age households from 2010 and pensioner households from 2014). As a result, from 2016 onwards, all household fuel was priced online using a price comparison website, selecting a competitive tariff. Another significant change in fuel costs arises for working-age households without children, for whom the switch to an assumption of privately rather than socially rented housing in 2014 has increased fuel costs – privately rented homes are typically less energy efficient than social housing. Conversely, there have been some energy savings across MIS budgets due to the adoption of low-energy LED light bulbs.

The assumption of more competitive shopping for energy tariffs has done much to offset the energy price rise in the MIS budgets. For families with children, and pensioners, the budgets in 2018 are up to 14% above their 2008 level, an increase below the overall CPI. For a single person without children, they are 42% higher, a similar increase to energy prices generally, with the additional cost of living in less fuel-efficient accommodation being offset by the selection of lower tariffs and more energy-efficient lighting.

The current system of pricing energy is based on MIS groups' assessment that a minimum budget for fuel should assume a certain amount of shopping around, but it is also important to bear in mind that for some low-income households, costs will be significantly higher than the minimum represented by this pricing method. For example, even though price comparison has become easier through the internet, the higher amounts paid by non-switchers on low incomes has been identified as part of the 'poverty premium' (Davies et al, 2016). The minimum energy costs identified in MIS should be interpreted in this light.

# Food and drink

**Box 3: Key points**

- Specifications of what comprises an adequate, healthy and acceptable diet have remained stable over the past decade.
- The cost of buying the items in the basket has risen faster than all food prices for most household types, suggesting that staple food items may have increased in price more than food in general.

The development of food budgets in MIS involves groups making decisions about what meals are required, with their specifications being turned into precise menus and ingredients by a nutritionist. Their specifications of diets have remained very similar over the past decade, although some aspects of how people buy food have changed, as have costs. The following applies to food eaten regularly at home; eating out and buying food for festive occasions is covered under 'social and cultural participation' below (although for classification purposes, these are included in the published MIS food budgets).

Task groups in each MIS rebase start by thinking about what food and drink someone would consume in a typical day, as well as discussing where it would be bought, and the quality and brand types selected. They suggest a range of options for breakfasts, lunches and evening meals, as well as for occasional snacks. These lists of options are sent to a nutritionist who compiles a week's menu for the individuals within the households, taking into account health guidelines, and recommendations about calorie intake and macro- and micro-nutrient levels. Any particular changes made by the nutritionist are noted and checked with the next stage of groups, to ensure that they still reflect a realistic picture of how people would choose to shop and eat (bearing in mind that the budgets are not prescriptive, so the same budget could be used in a variety of ways, to take into account individual tastes, preferences and choices). Once the menus have been agreed, they are compiled into shopping lists that comprise all the food and drink for a week for everyone in the household, taking into account any economies of scale. The shopping lists are then priced to give a weekly food budget.

The underlying nature of the foods identified in this process has not changed noticeably in the successive rounds of MIS. Groups consistently agree that the budgets should allow for up to three meals a day with occasional snacks and soft drinks (tea/coffee for adults plus milk, water or squash). There is a small budget for alcohol to enable adults to have an occasional drink at home or with a meal outside the home.

A typical day's food for an adult might include:

- cereal and/or toast for breakfast, with tea or coffee and fruit juice
- a mid-morning cup of tea/coffee with a biscuit
- a light lunch (eg soup and a sandwich plus a yoghurt)
- a more substantial evening meal, such as lasagne, garlic bread and a side salad, followed by fruit for pudding.

Groups said that once a week there might be a cooked breakfast, for example at the weekend when people might have more time. On these days lunch would be replaced by a snack. Children's menus follow a similar pattern to that of adults, but contain more snacks, with school aged children having something to eat in between getting home and the evening meal, and younger children having a mid-morning snack and another one closer to bedtime.

Groups discuss food preparation and talk about the importance of good nutrition, while also acknowledging the realities of people having busy lives and not necessarily the time, inclination or skills to be able to cook everything from scratch. As a result the food baskets contain ingredients for home cooking as well as ready-made options to provide quick and easy meals, such as a jar of pasta sauce to add to minced beef to make a bolognaise sauce to serve with pasta.

## Factors affecting pricing

An important aspect of the food budgets is that in order to maintain a reasonable level of quality and choice, groups consider that you should neither have to buy the very cheapest brands on offer (they generally specify the next brand up from the cheapest, often a supermarket's own brand but not its 'budget' line) nor be obliged always to buy what is on offer. They argue that people should be able to choose what they eat based on preferences rather than it being dictated by what is cheapest at that point. However, since discounts have become more prevalent over time, groups have agreed since 2014 that MIS should price items at an offer price where it is available on pre-specified ingredients, since this does not constrain food choices.

The pricing method takes into account the likely lifetime of perishable goods, and issues relating to transporting and storing bulky and/or heavy items. Pensioner groups say that they would be likely to shop relatively frequently – every few days – buying a small amount at a time and bringing it home on the bus. Working-age adults say that they would buy the majority of their groceries once a week from one supermarket, with occasional top-ups for items like milk and bread from nearby shops, or picked up on their way home from work. Since 2012, when parents have said that a car is required to meet family transport needs (see below), it has been possible to buy more in bulk, on a weekly basis. In 2018 partnered working-age groups said that they would do their grocery shopping online, and included enough for a supermarket delivery once a week so that they could save time and not have to carry everything home. They said that this had become a much more common practice, as over time the number of supermarkets offering this service had increased and delivery charges had become more competitive.

All food and drink for consumption within the home is priced at Tesco, which is the largest supermarket chain in the UK and has a national pricing policy in its larger stores. Since 2008 groups have agreed that although some discount stores (such as Aldi and Lidl) offer good value for money for selected products and items, the budgets should be based on people being able to do their entire weekly shop in one supermarket. Participants say that although these discount retailers offer good value, they are not always easily accessed by public transport, and lack the breadth of range of the major supermarket chains; while some products would be available, it would be necessary to visit other shops as well to purchase everything on the list. This remained the case in 2018 for both the review and rebase groups.

## Food budget trends

Despite the stability of food requirements from one MIS cycle to the next, the food budgets have changed relative to food prices. The overall cost of food rose by just over a quarter between 2008 and 2018, but the budget for food eaten at home went up more steeply for most households – for example, it rose by around a half for working-age singles. This trend suggests that food included in a MIS budget –

comprising a day-to-day diet bought from modestly priced ranges – has risen faster in price than food in general. This apparent finding should however be approached with some caution, since some family budgets rose relatively more slowly. Other factors may have influenced this. The proliferation of discounts and taking them into account in the way MIS is now priced could potentially bring more benefits to families than to singles, insofar as offers are applied to larger-scale purchases in order to incentivise bulk buying. The MIS data is not suitable in itself to demonstrate structural trends in food prices, since there is scope for a degree of random variation based on the specific items included. However, these different trends in overall food costs raise interesting issues that could be investigated further by using the ONS (2018) experimental inflation index for different household types defined by demography and income.

# Clothing

**Box 4: Key points**

- Clothing budgets continue to be based mainly on a similar range of items bought in low-cost stores.
- Pensioners' clothing budgets used to be much lower than those of working-age adults, but are converging with them.
- The MIS results conflict with CPI inflation data that show no growth in clothing prices over the decade, but show much less growth than the 90% increase shown by the RPI.

The types, quantities and retailers of clothing identified as needed by the MIS groups have remained similar over time. Groups discuss not only what people need in their wardrobe, but also: how long clothes last, and how this relates to factors such as quality; the number of items that someone owns (and hence frequency of use); and how children's ages affect aspects such as wear and tear, and how fast clothes are outgrown.

In 2018, groups specified, as previously, that the majority of clothing should be priced at supermarkets and inexpensive clothing shops including Primark, with the expectation that these would be lower quality and wear out within a year or two. Where items from more expensive retailers were specified (for example, Debenhams for the working-age men's winter coat), the lifetime is correspondingly longer, meaning that the weekly cost of a cheaper option is almost identical to that of a more expensive one. Footwear was mainly priced at Tesco, but in some cases specific clothing shops were deemed more appropriate (eg men's smart shoes at Next; trainers and walking boots at Sports Direct and Go Outdoors). Working-age women's footwear was priced at Tesco and New Look. Female pensioners drew a distinction between seasonal lightweight footwear, which could be bought at cheaper stores such as Primark and Tesco, and shoes and boots likely to be worn more frequently, which should be bought from Clarks for better quality:

> Because it is important, particularly when you get older that you look after your feet otherwise your posture goes and everything goes, and you start spending money on hospitals and doctors... it is also safety, you need shoes that have got a good grip so you don't slide or anything as well and they are good.
> Single female pensioner, Derby, 2018

Over time, the cost of adult clothing budgets appears to be converging, both across age and gender, although the women's budgets remain higher, partially because of the inclusion of more footwear. In 2008, pensioner clothing budgets were around two-thirds as high as working-age adults', whereas now they are around nine-tenths as high. The original difference partly reflected a smaller range of items in the pensioners' wardrobes, and it appears that the way pensioners expect to dress is now more similar to working-age adults than it was in 2008 (for example, pensioner women now include jeans).

Specifications of clothing for children have remained mainly similar over time, other than for school uniforms. Parents now say that a larger proportion of items need to be priced at a specialist school retailer due to school requirements, especially for secondary school children (this finding has been repeatedly confirmed in MIS research between 2015 and 2018, including in two London studies). Parents say that many schools have adopted more formal uniforms with blazers and ties, often requiring certain items and PE kit to be bought through approved stockists, with penalties for non-compliance.

Primary schools still allow most items to be bought from supermarkets, but parents have identified a move towards them requiring children to have jumpers with the school logo on.

MIS clothing budgets have risen on average by about a third over the decade. It is hard to relate trends in the priced budgets to overall pricing indices, which do not reflect the MIS repricing results even where items have not changed. The fact that CPI shows clothing as costing slightly less in 2018 than in 2008, whereas RPI shows a price increase of nearly 90%, likely reflects the difficulty in making like-for-like comparisons about the prices of equivalent clothing from one year to the next, when product lines are constantly changing. On this basis, MIS clothing is repriced in stores every two years, with interim estimates in each intervening year based on an average of changes in CPI and RPI (an approximation that has historically produced figures closer to actual repriced budgets than to either CPI or RPI (Hirsch, 2015a)).

# Household goods

**Box 5: Key points**

- A similar range of household goods – ranging from cutlery to furniture – has been agreed in successive waves of MIS.
- There has been a significant change in this budget for working-age people without children, as a result of changing their living assumption from social to private rented housing. Private landlords' provision of white goods and flooring can cut over a quarter off the household goods budget, although this only very partially offsets the higher rent.

The range of goods needed in the home includes:

- furniture (seating, dining table and chairs, storage – wardrobes, drawers, shelves)
- soft furnishings (curtains, cushions, throws) and flooring
- small electrical goods (lamps, kettle, toaster, iron, vacuum cleaner)
- textiles (towels, bedding)
- kitchen appliances (cooker, fridge, washing machine, microwave)
- kitchenware and cookware (saucepans, utensils, baking trays, casserole dishes)
- tableware (crockery, cutlery, glassware)
- cleaning and laundry items (washing up liquid, mop and bucket, dustpan and brush, bleach, scourers, washing liquid, fabric conditioner, airers)
- for households with children: safety and child equipment (stair gates, high chair, non-slip bathmat).

The lists of household goods, and the retailers, quality and lifetimes agreed by groups, have remained similar over time, as have the rationales for their inclusion. The most significant change has arisen from changing the housing for working-age households without children from social housing to the private rental sector. Groups said that the standard for this latter type of accommodation would be for landlords to provide some items, notably flooring and large kitchen appliances (unlike in the social housing sector), so costs for these are no longer included in these budgets. The cost saving of about £3 a week needed by a single person to buy these items is very modest compared to the higher rents paid to a private landlord, but reduces household goods expenditure for this group by over a quarter.

Most of the household goods are priced at relatively inexpensive retailers, for example supermarkets, Wilkos and Argos, and groups tend to specify items within the low to mid-price range within those shops as being adequate to meet people's needs as a minimum. IKEA is often mentioned as a suitable place to buy reasonable quality household items inexpensively, but because these stores are often located further away from residential areas, and are more difficult to reach by public transport, groups suggest high street or online retailers as the best places to price homewares and other items. However, as parents have said since 2012 that they need cars, they can access out-of-town stores more easily, and for these cases some prices are obtained from such stores.

While many household goods have purely practical functions, some are selected with a rationale related to social participation. MIS groups have consistently agreed that it is important to include a table and chairs for people to sit and eat a meal together. While some participants say that they mostly eat more informally from a tray in front of the television, there is strong consensus that people should have the choice, and especially that being able to invite others into one's home is an important aspect of social participation. Parents emphasise that families should be able to eat together, to socialise children by teaching them table manners, and to enable them to invite their friends round for tea. Similarly, groups agree that a living area should have enough comfortable seating for a small number of guests.

Groups make a certain amount of provision for guests to stay overnight, but have more recently thought carefully about economical ways of providing this option. For pensioners, having guests to stay is important in order to keep in touch with friends or family members. For pensioner couples, the second bedroom, required to allow them to sleep separately in periods of poor health, can double up as a guest room when needed. Single pensioners living in one-bedroom accommodation have identified a sofa bed in the living room as a way of meeting this need. In 2014, single working-age adults economised further, saying that a friend staying over could sleep on the sofa, or on the floor with cushions or a camping mattress, thus saving the cost of a sofa bed, while working-age couples retained a sofa bed. In 2018, both working-age singles and couples included an inflatable mattress.

# Personal items

**Box 6: Key point**

- While needs such as toiletries are stable, some minimum requirements change over time to reflect contemporary norms, in relation for example to hair care.

The standard budget category of 'personal goods and services' includes personal care items such as toiletries and hairdressing, and accessories such as umbrellas and jewellery. There have been some small alterations in what is included, which appear to be related to social norms. For example, working-age women included an inexpensive hairdryer in 2008, added hair straighteners as a common styling aid in 2012, but in 2018 while keeping the hairdryer, replaced straighteners with a styling product (mousse, wax or gel), which has also been added for men. A significant cost that has risen gradually over time is hairdressing, with participants in both rebase and review groups amending the amount that they think needs to be spent on this to reflect current norms. Items such as hair colouring are not included in the cost of a haircut, as using a hair colour product at home is seen as a more economical, acceptable alternative. Children's hair care budgets include enough for a regular trim and, for younger children, a nit comb and some treatment for head lice, as parents say that this is a common problem once they start attending nursery and school.

Working-age adult and pensioner budgets include the cost of a suitcase for trips away, and a holdall that can be used for overnight stays or as a bag for sports equipment (eg when they go for a swim or to the gym). Children's budgets include book bags and PE bags for school (again, book bags often have to be purchased via the school), and a lunch box. Women's budgets include at least one handbag for everyday use and one for special occasions. The budgets also include a purse for women, a wallet for men, and an umbrella each. Women have a modest budget for cosmetics and jewellery, to be able to buy a few inexpensive items in these categories; there is also an allowance for one bottle of aftershave or perfume a year, with groups saying if any more were needed, then it would have to be a gift.

# Healthcare

**Box 7: Key point**

- Despite the NHS being mainly free at point of use, households need to spend money on a range of items affecting health, and this can vary over time and groups according to what the state provides.

Healthcare (which is classified under personal goods and services in the MIS budgets) includes prescriptions, eye tests and glasses, dentistry, medicines and (for older people) podiatry. Children and pensioners are not charged for prescriptions or eye tests, and children get free dentistry. While budgets

are based on the assumption that people are generally in good health, they do take account of the likelihood of minor ailments, for example by including the cost of a small number of prescription items per year for those who pay for them. Similarly, there is provision for some over-the-counter medicines such as paracetamol and ibuprofen for pain relief, a first aid kit and some plasters.

Glasses have been included in pensioner budgets from the start (specifying varifocals), and were added to working-age budgets from 2010 (with single-vision lenses), on the basis that it is important for the substantial proportion of people requiring glasses to have a budget for this purpose.

Groups assume that as a minimum people can use NHS dentistry, and although in 2008 there was some discussion about its availability, over recent years groups have assumed more readily that this is broadly accessible.

While children's and working-age adults' healthcare needs seem to have remained very similar, over time, pensioners have identified a widening range of health-related needs –adding the cost of having dentures fitted and replaced regularly, and including an amount for podiatry. Pensioners in 2018 pointed out that podiatric care is no longer necessarily provided without cost for older people with diabetes.

# Childcare

**Box 8: Key points**

- Childcare costs have risen sharply since 2008.
- Parents now say they need the choice of accessing nursery provision, rather than being limited to reliance on childminders, and this has raised minimum costs further.
- The introduction in September 2017 of 30 hours a week of subsidised childcare for 3 and 4 year olds has reduced costs for those able to access it, especially full-time workers.
- Families also get help with childcare costs through tax credits or Universal Credit, but those with higher childcare costs increasingly come up against the cap on such support, which has not been raised since 2005.

A major expense for many families with young children is childcare, and this is especially true for those where a lone parent or both partners work. Like housing costs, childcare costs are highly variable among households of a given type, affected by type of provider, pattern of working life and sector. For this reason, childcare costs are not included in the 'headline total' of MIS budgets. Nevertheless, since they can have such a large effect on family living standards and the incomes needed to reach a minimum, MIS identifies a childcare budget that would enable parents to work full time, based on what groups say is needed in order to give families an acceptable level of opportunities and choices. Costings for different kinds of childcare are derived from the Family and Childcare Trust's annual surveys (including Harding and Cottell, 2018).

## Type of childcare provision

Parents' views of the childcare appropriate for young children have changed over the years. In 2008 they said that the childcare model should be based on using the services of a childminder, which were thought to be less expensive than paying for a nursery place. The introduction and increasing use of public childcare vouchers providing 15 free hours of care a week meant that by 2012, parents suggested that working families would take advantage of these to access some nursery provision, though still use a childminder to cover the rest of the time, and to take children to and from the nursery. However, in the 2016 rebase, parents were very clear that it was important to have a choice of childcare provider, depending on what was best for the individual child, rather than it being constrained by cost – so the cost of nursery care should be included in the budget. They emphasised the importance of preparing children for a successful transfer to infant or primary school, saying that this was more likely if children were accustomed to spending time in a more formal and structured setting, which nurseries were thought to provide. It is clear from the strong level of consensus across groups that social norms have changed in this respect, influenced by the emphasis from the Government and others on the benefits of early years learning.

In encouraging access to early years provision, the Government introduced the '30 hours' offer in September 2017. This provides subsidised care for eligible 3 and 4 year olds for 38 weeks a year, as long as their parents work and earn at least a prescribed amount. However, this subsidy is paid at a rate that can be substantially less than the actual cost of provision, and is not, in practice, universally available (Harding and Cottell, 2018). Most nurseries do offer it, and the figures shown below, related to parents working full time, reflect the considerable savings it can bring. On the other hand, the many families where at least one parent does not work full time may either be excluded by minimum earning conditions, or be required to use more hours than they need (paying for those above 30 a week) in order to meet the session requirements that some nurseries impose. Moreover, nurseries have increased their rates substantially in the past year, to help make up the funding shortfall, and are also reported to be charging more for 'extras' such as food and nappies (ibid). In 2018, while assuming that 30 hours are now paid for over 38 weeks, the MIS calculation no longer includes a previous assumption that childcare costs are offset by less being spent on food at home because of meals provided by nurseries: this is to reflect the additional charges for food and other items that are now being imposed.

Parents of primary school children said that their childcare needs would be met through school-based before and after school care (eg through 'breakfast clubs' and after school or 'homework' clubs), and through holiday clubs that provide all day care during the school holidays.

## Childcare subsidies and changes in what families pay for childcare

The minimum cost of acceptable childcare has been influenced by at least four elements, which affect different families in different ways:

- **steep increases in fees**: successive surveys by the Family and Childcare Trust suggest that the average fee for a nursery place has risen by well over 50% in the past decade
- **changes in the provision** specified: as discussed above, parents today think the more expensive nursery provision needs to be an option, so this is shown to illustrate childcare costs in MIS, rather than assuming that childminders will be sufficient for all families
- **the 'early years entitlement'** of 15 or 30 hours' subsidised childcare for 3 and 4 year olds: this has reduced the MIS childcare budgets for preschool children, providing 15 hours from 2012 and 30 hours from 2018
- **means-tested support** for childcare costs through tax credits and Universal Credit: this was paid at 80% through tax credits in 2008; 70% through tax credits since 2011; and 85% through Universal Credit since 2016. However, the cap on allowable fees for this support has been frozen at £175 a week for one child and £300 for at least two children since 2005 and, increasingly, full-time childcare exceeds that limit, making it difficult if not impossible for affected families who have low earnings to afford full-time childcare.

Figures 4 and 5 show how these factors have combined to influence what a low-income family would pay for full-time childcare over the past decade, using the two examples of child combinations that have been used as core illustrations in MIS reports. While overall the interaction of the above four influences on childcare costs is complex, the graphs show how each of the four factors contributes to the overall picture.

Figure 4 shows that for the example of a family with two children, of preschool and primary school age:

- General **increases in fees** have had an effect throughout, as illustrated by the increasing level of total childcare costs in years where no other influences are shown.
- These costs rose especially steeply in 2016, when MIS groups first decided to cost for the choice of **nursery provision**. Of course this does not mean that nurseries suddenly became essential in that year, but the increase represents a longer-term trend in parents attaching increased importance to being able to access this form of provision.
- In 2012 and 2018, the introduction of the **15 and 30 hours' subsidy** into the childcare calculation partially offset some of these increases in costs.
- The lower segment of the graph, showing the family contribution, has been influenced by variations in the level of contribution made by the Government to families receiving **tax credits or Universal**

**Credit**. In 2011 this contribution was cut, meaning that the family contribution rose. From 2016, families on Universal Credit get a higher contribution from the Government.

## Figure 4: Childcare costs for a family with preschool and primary age child, 2008–2018

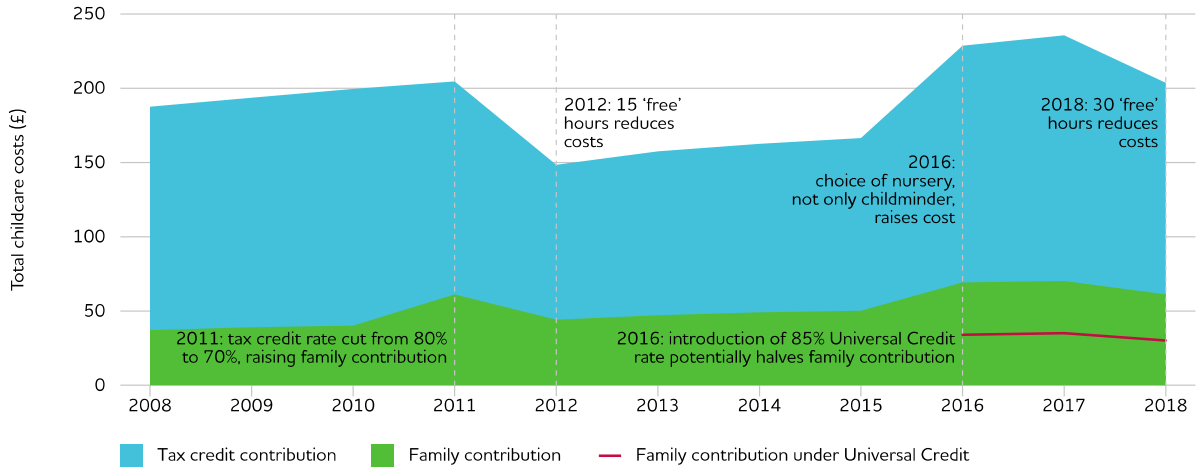
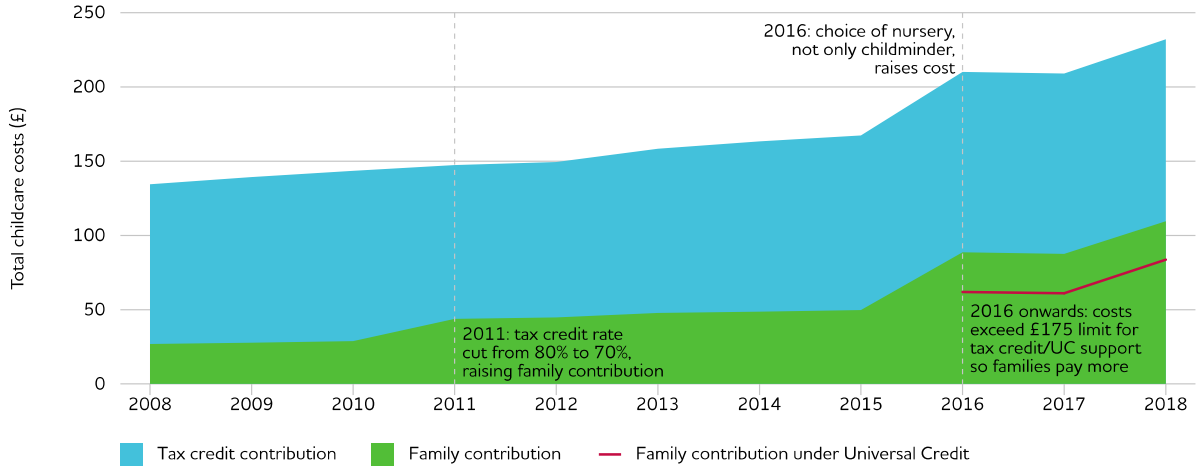



Figure 5 shows that these factors work out somewhat differently for a different family, one with just one child, under the age of 3:

- The **increase in childcare fees**, combined with recognising the **choice of nursery provision** in 2016, is not offset by the **introduction of free nursery hours** in this case, since these are only available for 3 and 4 year olds. As a consequence, the total childcare cost has risen by 73% over a decade for this type of family.
- To make matters worse, this has had a knock-on effect on the proportion of the costs supported by **tax credits or Universal Credit**. Since 2016, full-time nursery fees for a child under 3 have exceeded the £175 a week cap in the level of nursery costs that these credits will take into consideration. This means that all additional increases in costs are borne entirely by the family, pushing the family contribution up drastically – to £110 for such a family on tax credits, four times its level a decade ago. In practice, for families on low incomes, this is likely to make paid childcare inaccessible, constraining working choices for anyone unable to make unpaid childcare arrangements.

## Figure 5: Childcare costs for a family with a child under 3, 2008–2018




Figures 4 and 5 show only two examples of childcare cost trends for different families – one relatively favourable, and the other relatively unfavourable. More generally, however, the difficulties faced by families (especially those with part-time workers) in accessing 30 hours' 'free' childcare, combined with sharply rising childcare costs, are making it ever harder for lower-income families to reconcile work and childcare if they have to pay for it. In principle, the raising of the percentage reimbursed under Universal

Credit to 85% of childcare costs should help improve this situation, but the failure to raise the maximum fee eligible for this subsidy since 2005, despite ever-rising childcare fees, means that for many families, the required contribution will rise rather than fall.

# Transport

**Box 9: Key points**

- In 2008 a local bus pass provided for most travel needs, but since that time transport requirements in MIS have grown, due in particular to a perception of less adequate public transport.
- Families with children now need cars, and other households need to spend more on taxis than in the past to meet their needs.
- Costs are also rising because of a need to travel further afield, for both work and social purposes.
- Combined with the rising unit cost of travel, these additional requirements have caused steeply rising transport budgets, which now comprise up to 20% of minimum household budgets for working-age adults, up from around 10% a decade ago.

Meeting transport needs is important in MIS, because getting around is both an essential part of life, and can potentially affect how people consume other goods and services identified in MIS, including how they shop and access leisure opportunities. Moreover, transport is the category that has seen the most widespread changes in the MIS budgets over the past decade, linked in large part to the perceived availability of transport services.

## What transport is needed?

In 2008 all groups said that public transport would be sufficient to meet people's travel needs, basing most travel on a local bus pass, although parents and pensioners included some money for taxis to cover emergencies and exceptional circumstances. Since 2012, however, parents have been clear that public transport is no longer sufficiently flexible, available and affordable to meet the needs of households with children, who require a car to provide sufficient choices and opportunities for social participation and employment. They therefore include one second-hand car for each household with children (a Ford Focus for smaller families and a Vauxhall Zafira for larger ones), while still assuming that one parent in partnered households would make use of the bus and require a bus pass.

Participants continue to debate whether a car is also needed for working-age adults without children, but conclude that public transport remains sufficient as the principal means of transport. However, they also now specify that people should be able to travel to the next city, rather than being limited to the local area, and in 2018 included the cost of a bus pass that would allow travel over a wider area than before, particularly if they need to do so for work. Similarly, in 2016, parents increased the mileage necessary for travelling to and from work, saying that people needed to be able to travel further to access employment and to be more flexible about where they were prepared to work. One part of the rationale for this was that limited housing options are making it harder to live close to where you work. Groups in 2018 also discussed the Jobcentre Plus requirement that benefit claimants must be willing to apply for jobs up to 90 minutes from their home.

Another clear trend is that household types not specifying a car have included an increasing amount for taxis to supplement public transport. For single pensioners, this was £20 a month in 2008, but in subsequent MIS rounds has been close to double this; in 2018 it was £10 a week, equivalent to around £43 a month. Working-age people have gone from specifying no taxi budget to introducing a modest one at £30 a year in 2010, rising to £10 per week per person in 2018. Groups' perception of declining public transport has thus caused adults of working age to move from thinking taxis are not essential, to thinking that they may be needed for the occasional emergency, to saying that they would be routinely needed to make trips for which public transport is not an option. One difference between pensioners and working-age adults is that the former say that couples can share taxis so have the same budget for a couple as a single, whereas working-age taxi budgets are per person to allow each individual to participate in activities separately.

The perception of declining local transport services appears to be borne out by trends both in public support for buses, and in the amount that they are used. While subsidies are difficult to measure because

they have been increasingly devolved to local authorities, one survey identified a 25% decline in total English spend on supported buses between 2010/11 and 2015/16 (Campaign for Better Transport, 2015). The total number of journeys taken by bus outside London is in long-term decline, having fallen 9% between 2008/09 and 2016/17 and by a third over the past 30 years (Department for Transport, nd).

Working-age adult budgets include an extra amount for journeys by rail or coach, to enable people to take day trips, or go and visit friends and relations living further away – set at £120 per year for working-age people in 2018. Pensioners set a similar budget of £100 per person per year. These amounts were based on an assumption that people would travel off peak, booking online in advance to get the best deals, and that pensioners would purchase an annual senior citizens railcard, which would give them a third off on off-peak travel.

## Effect on costs

These increasing transport needs have interacted with rising transport prices. According to the RPI, the cost of bus travel has risen 65% since 2008, and motoring by 28% since the car first became part of budgets in 2012; while taxi costs are harder to track precisely, the perception that they have risen has contributed to groups specifying higher taxi budgets than previously. Figures 6 and 7 show how total travel costs have risen for four household types, both in cash terms and as a proportion of MIS budgets. It shows that other than for pensioners, who get free bus travel, the share of minimum household expenditure required for transport has risen dramatically from around 10% to up to 19% in a relatively short space of time. Both the increase and the 2018 level was greatest for a lone parent, for whom the additional cost of owning a car is large in relation to the overall family budget, rising from 8% to 19%. However, it is worth noting that even without car costs, a single person now needs to devote a similar share of their budget to transport as a couple with two children. The cost of a travel pass and a certain number of taxi journeys is large relative to the overall budget of one person living on their own.

### Figure 6: Transport costs in MIS, 2008–2018 – transport budget (£ per week)

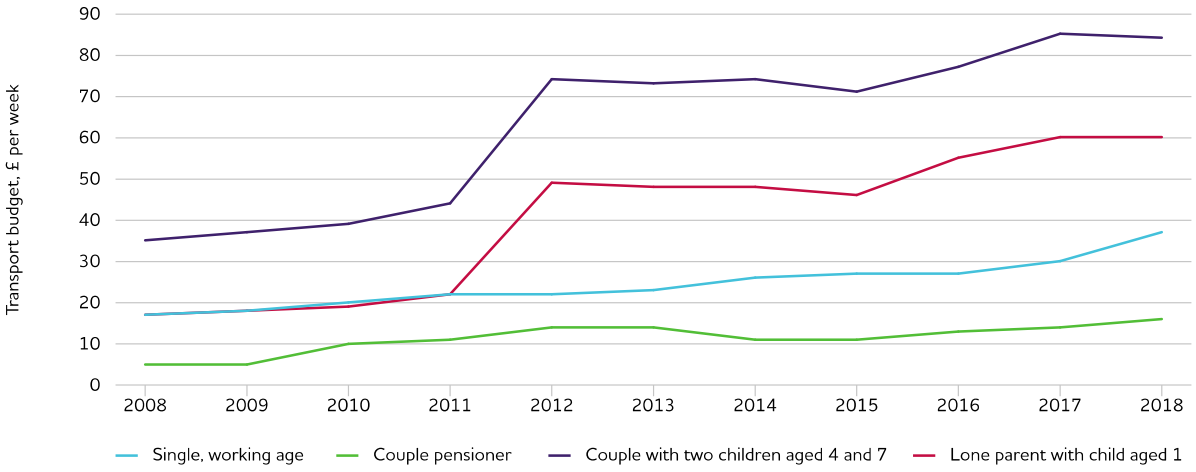


**Figure 7: Transport as a percentage of total MIS budget (excluding rent and childcare)**




# Communications and computing technologies

**Box 10: Key points**

- Mobile phones have been seen as necessary from the start of MIS in 2008, but their capabilities and functions have changed greatly – from pay-as-you-go, call and text-only, to multipurpose smartphones.
- Computers and the internet were not seen as essential other than for children's education in 2008, but today, everyone agrees you need to be online.
- Landlines are rarely used outside of emergencies other than by pensioners, and their use incurs little additional cost.
- The combined cost of communications and computers has fallen, while providing households with many new capabilities.

A crucial aspect of participating in modern society is being able to communicate using contemporary technologies. These tools serve multiple purposes related to achieving a minimum living standard, in particular: facilitating social interactions; providing forms of entertainment through online access; and supporting other forms of consumption through online shopping and price comparisons. Although the official consumption categories under which MIS budgets are reported classify computers and the internet under 'leisure goods and services' (labelled 'social participation' in MIS data) and telephones under 'household services', interactions between how these services are bought and consumed make it worth considering jointly how the need for communications and computing has evolved.

## An evolving set of technological needs

In 2008, groups agreed that you needed a simple pay-as-you-go mobile phone to make emergency or occasional calls; computers were only considered necessary for families with school age children in order for them to do homework, with internet access only for secondary school children needing to do online research. By 2018, mobile phones in the form of smartphones with data access have all but replaced landlines to make calls, while laptops connected to the internet have become a standard household tool. This transformation has been underlined by changes in the nature of debates within groups about technology.

### Mobile phones

In 2008 there was much debate about whether a mobile was really essential, while in 2018 it is seen to be indispensable, and deliberations have focused only on what is an acceptable specification.

> Woman 1: I think you do need to have a phone.
> Woman 2: Every time my phone's broken you realise how much you actually need it.

Woman 1: Especially as a lot of people use their phones to have their emails with work and stuff.
Woman 2: And internet banking as well.
Woman 3: It's the society that we live in now.
Woman 1: That's exactly it.
Woman 3: It's not five years ago. Yes five years ago it was OK to go somewhere to get Wi-Fi but now in the society that we live in.
Woman 2: You can't explain why we need it, it's just socially acceptable that everybody has it. Like I would expect almost everybody to have a phone with the internet. My mum even has a phone with the internet. It's the most basic smart phone there is because if you go into phone shops now, you said about having one that just texts and rings, you can't get them, they all have the internet.

Partnered working-age adults without children, Peterborough, 2018

Throughout the MIS research, groups have agreed that you do not require an expensive phone model to meet your needs, but that a basic option has evolved as technology has advanced. Groups have agreed that a smartphone is now a ubiquitous item that can be bought economically – on a monthly contract including a handset that can be replaced free every two years.

## The disappearing landline telephone

As mobile phones become the principal way of making calls for many people, the need for a landline phone is increasingly questioned by groups. Since 2014, working-age adults without children have said that making landline calls is no longer essential, so the remaining reason for a landline contract is because it includes access to broadband. In 2014 they adopted the alternative of getting online at home via a dongle from a mobile phone contract, but in 2018 reverted to a low-cost landline contract, only for broadband purposes.

I think he needs a landline. We don't use the phones, we need the landline for the signal to get the strength that you need for the Wi-Fi for everything else that you need. They've done a signal booster which basically is supposed to improve the signal you get for your mobile but it's rubbish, I had one before. But I think you need a landline. I mean we're saying that because we don't use our landline phones but you need a landline for everything else. This is where they've got you.

Single working-age man, Loughborough, 2018

The reversion to a landline contract is simply seen as a better means of getting broadband, unrelated to the need for a landline telephone. Families with children and pensioners continue to say that they need a landline for emergencies, seeing it as providing security and peace of mind, but the inclusion of some free landline minutes in a basic broadband contract means that they do not pay for these separately. Pensioners still agree the need to pay more in order to be able to make landline calls when they are at home, choosing a contract costing £3 a month more than the cheapest (which includes free evening and weekend calls) and budgeting £2 for additional calls outside this allowance. Thus, overall, the only remaining cost in MIS budgets associated with being able to make landline calls amounts to just over £1 a week for pensioners.

## Computers and the internet

In the early years of the MIS research, much debate about the need for computers and the internet revolved around whether there were alternative ways of accessing the information one might get online. By 2010, groups said that working-age households needed to be online. They agreed that the extra burden of having to go online in public places such as libraries or internet cafes would place people at a serious disadvantage in terms of their ability to access information, online discounts, price comparison websites, and official and administrative services (as more public and government services directed people to websites), and to participate in society. In 2014, pensioner groups also agreed (after much debate in previous years) that being online was essential for pensioners, too.

Having established that you need to be online to be part of society, subsequent deliberations have considered the best way to do this. Initially this was a desktop computer, but from 2014 the advent of smartphones in MIS and their increasing use for online purposes has raised the issue of whether a

computer (now a laptop, which have reduced in cost) is needed any longer. This triggered much discussion by working-age groups in 2018, but they concluded that a laptop is still required. Although many people accessed the internet and used it in a variety of different ways via their phone (eg for navigation, online banking and accessing social media), there were still some tasks that were better completed via a more traditional screen and keyboard (eg completing forms and job applications, and word processing documents). Some websites were also not entirely compatible with either tablets or phones.

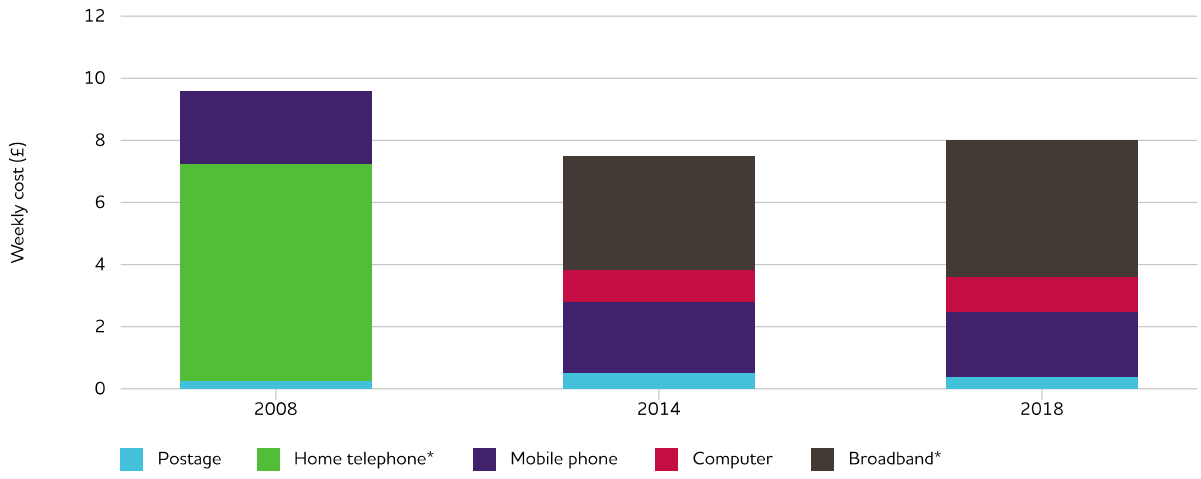
This move from seeing internet access and home computers as a 'nice to have' to becoming an everyday essential for all households has been influenced by the falling cost and widening use of these tools. Survey data from Ofcom confirms that use of smartphones and social media is increasing among people aged 65 and over, and smartphones are increasingly used to access the internet among all age groups (Ofcom, 2017).

At the same time, a reduction in library services (Kean, 2016), along with a decline in internet cafes, meant that while online usage was rising, this has become a private rather than a public activity, and something that people expect to be able to do in the comfort and privacy of their own homes.

## The overall cost of communications and computing

Early debates about whether mobile phones and computers were really 'necessary' were framed in a way that questioned whether these might be 'luxuries' that did not need to be included in a minimum household budget. Today, they are seen not only as essential tools to allow a household to function, but have also come to replace previous everyday costs such as making landline telephone calls. Figure 8 shows how the cost of all items of computing, telephones and other forms of communication has evolved in the past decade for a single working-age adult. The clear picture is that the overall package has got cheaper; indeed, mobile phones, a computer and broadband now cost a similar amount between them as the landline telephone service alone did in 2008, even before accounting for the 25% general inflation that has occurred over the past decade. (The amounts shown in the graphs in this chapter have not been inflation-adjusted.) Yet they provide not only phone calls, but a vast range of possibilities in terms of accessing the internet via a laptop and a smartphone, for purposes as diverse as applying for jobs, finding good shopping deals and communicating with friends on social media.

### Figure 8: Cost of communications and computer for a single working-age adult




Note: years shown are those in which a single person's budgets were rebased.

***** Renting a landline can provide access to both home telephone and broadband services. However, this rental cost is classified here as 'home telephone' in 2008, when single adults did not yet think a computer was essential, and as 'broadband' in 2014 and 2018, when they did not think that a home telephone was essential any more.

# Social and cultural participation

**Box 11: Key points**

- Cultural, social and sporting activities are considered an important part of participating in society, and have increased in MIS budgets.
- Eating out remains a significant part of socialising, but in MIS budgets it has become more modest, mainly because groups have reduced the minimum frequency of this activity.
- A one-week holiday in the UK remains the minimum that people think you need each year.
- A television is still seen as essential, but working-age adults say you no longer need a DVD player as you can play DVDs via a laptop linked to the TV by a cable.
- Overall, social participation budgets have increased most for pensioners, converging with those of working-age adults as their specifications of what they require become more similar.

A range of goods and services reviewed above, across the MIS budgets, facilitate social and cultural interactions. For example, having a dining room table allows people to eat with their families, clothes enable them to look presentable, and smartphones allow them to talk with friends and use social media. This section looks at several additional categories classified directly under 'social and cultural participation': leisure and recreation, home entertainment, gifts, and children's toys and pocket money.

## Leisure and recreation

The ability to take part in a range of leisure activities inside and outside the home is considered necessary to be a part of society in the UK today. All MIS groups agree that it is important for people to have opportunities to interact and socialise with others, and to engage in cultural, social and physical activities in order to maintain physical, emotional and mental well-being. This category can be further broken down into: physical, cultural and social activities; food bought outside the home; and holidays and trips.

### Activities

Groups suggest the types and frequency of activities required, and what the likely costs would be. Some are inexpensive or free, such as going to the park or doing voluntary work, while others have a financial cost: for example, attending an exercise class or paying membership fees for a club. For adults, whether parents or non-parents, activities include the ability to socialise by going out with their partner or with friends.

Parents include physical activities such as swimming and soft play for younger children, and the cost of paying for school aged children to attend classes and clubs provided within and outside school, This keeps them healthy and active, and so they are able to develop their interests and abilities with others of their own age. Over time parents have placed greater emphasis on this component of the budgets. In the 2016 rebase, parents significantly increased the amount included for activities for school aged children, to enable them to pursue the wider range that parents said was being offered, and to take part in these all year round, rather than only in term time. Parents have consistently agreed that school aged children should be able to do two activities a week, such as attending cubs or brownies, and including swimming lessons for primary school children until they have learned to swim – something parents consider an important part of their development.

Adults without children tend to specify two inexpensive activities a week, such as going to a yoga class or attending a quiz night, which also allows more costly activities, such as going to the theatre or to a concert, to be undertaken less frequently. Parents also include such items, but generally with a lower budget than non-parents (typically one activity a week), as childcare responsibilities mean that they have less free time. Couples with children also identify the need to include a joint activity once a month (for example, a 'date night' at the cinema), for which £10 for babysitting is also allocated. The lone parent group also include the same amount for babysitting, but once a week rather than once a month. This amount would not be enough to pay for a formal babysitting service, but parents accept it would be more realistic to ask a friend and give this amount, or an equivalent gift, as a gesture of thanks. Groups said that this would be important for allowing the couple some time together without the children, and the lone parent to be able to socialise and pursue interests outside the home.

Between 2008 and 2018 the amounts allocated to activities have increased, although this has been partially offset by reductions, discussed below, in how much has been allocated to the associated category of eating out. Pensioners in particular have emphasised the importance of activities, countering a traditional image of pensioners being more modest about their needs:

Woman 1: They're providing more things for older people as well now... more interesting things to do, places to go.
Man 1: You were old at 60 15 years ago, you're now old at 160.
Woman 2: Age isn't really a limit now, is it?
Man 2: Especially upping the age of retiring as well. So people want to have the better quality of life when they do retire, so therefore that's why they want the same money as what people who are working are getting and the same activities.
Researcher: Right, that makes sense.
Man 2: Places like B&Q, they're taking people on up to 70 years of age if they're active because they can't get the staff.
Researcher: So that whole life expectancy and quality of life change that we've seen in relatively recent years is translating into a difference in how people spend their leisure time, and what they expect to be able to do?
Woman 2: I think it's also education through the media because they're saying to you you're not old, you don't have to sit in that chair, get yourself out and live.
Woman 3: Yes absolutely. Keep young.
Pensioners, Peterborough, 2018

## Eating out and takeaways

MIS groups say it is important to be able to go out to eat from time to time. This counters the risk of isolation and a sense of social exclusion that arises if people could never accept invitations to go out for a meal with friends or family, or feel that they could do something that was 'like everyone else'. Parents consider it part of children's socialisation, teaching them how to behave in a more formal setting, and that it provides an opportunity for families to spend time together. Pensioner groups set separate budgets for eating out and takeaways, feeling that each should be an option on a regular basis, whereas working-age groups (both parents and non-parents) say that the same budget could be used for either.

Amounts allocated for eating out have fluctuated considerably. A broad pattern was to reduce the frequency of eating out in the harder times that followed the economic downturn after 2008, with a smaller increase since then. For example, working-age adults in 2008 set a £10 weekly budget to buy an occasional takeaway, join colleagues or friends for a cheap pub lunch, or have an inexpensive evening meal out at the weekend. This, however, reduced to just £7.50 once a month in 2014 when budgets were rebased, but rose again to £15 a fortnight in 2018 – although this was still 25% lower than it had been in 2008. Families with children also made a drastic cutback in frequency when their budgets were first rebased, in 2012, from £15 per adult once a month to the same amount four times a year. In 2016 they retained the principle that eating out could be a very occasional treat, but increased the amounts to £25 per adult to make it feel more 'special'. Pensioners have moved in the opposite direction to this, with eating out specified as a fortnightly activity in 2018 rather than monthly previously, but with a slightly more modest budget of £15 rather than £20 originally. This is a further area of convergence between working-age adults and pensioners, whose eating out budget is now identical.

## Holidays and trips

Holidays have always been considered an important part of the living standard described in the MIS definition. They represent an important opportunity to spend time together as a family for households with children. For working-age people they provide a break from the stresses and strains of everyday life. Pensioners say that having something to look forward to, a change of scene and a chance to meet new people, is important for well-being and to prevent feelings of isolation – something that can be an additional risk for those who do not experience the social benefits of a work environment.

Man 1: Everybody needs to go on holiday to clear their mind and everything else. Change of scenery, change of people, and it does you the world of good.
Man 2: That's a need.
Man 1: No.

Man 1: I think it's a need.
Man 3: I do as well.
Researcher: OK. So some people think it's a need, some people think it's a nice to have... what difference does it make if Eddie can't have that? What difference does it make to this standard of living?
Man 1: You get depressed and everything else, and you're locked in your own environment and then you become an introvert then, because you don't go out and everything else.

Single male pensioners, Loughborough, 2018

The ways in which groups describe what would meet these needs as a minimum have remained very similar. All groups agree that it is not essential to be able to holiday abroad, so costs are based on travel and accommodation within the UK. Parents include a one-week, self-catering break at the seaside at a family-friendly holiday park, such as Haven or Butlins – either off peak for families with children below school age, or during the school holidays for those with older children. Working-age groups specify an amount to cover a week's rental of a holiday cottage, either shared with a friend if single, or as a couple if partnered. Pensioners have consistently described a one-week coach holiday that includes transport, half-board accommodation, and some day trips and evening entertainment; however, since 2014, they have also included an additional weekend break. Both trips would take place off peak, one in spring and one in early autumn, to make the most of seasonal discounts while still being able to expect reasonably good weather.

Despite groups being clear that it is not essential to be able to travel abroad, since 2014 groups have said that working-age adults should be able to have a passport – principally because this is often required as a form of identification, and people could be disadvantaged if they could not afford one.

## Home entertainment

MIS budgets have always provided for a television, with the model changing over time along with product norms – including an increase in the size of screens from 26 inches in 2008 to 32 inches today (in each case, the size of an inexpensive model), as larger cathode ray tube television sets with smaller screens have been replaced by flat-panel designs with larger screen sizes. Despite Broadcasters' Audience Research Board (2017) showing a continuing trend towards households acquiring newer, larger televisions over time, MIS budgets have continued to specify 32-inch sets since 2014.

In 2008 pensioner groups debated the inclusion of a video cassette recorder, but agreed that this was becoming obsolete and instead included a DVD player, as did all working-age groups. This was seen as an inexpensive way of providing entertainment for all ages, and something that people could enjoy with friends and family at a lower cost than a cinema trip. This item remained in all household budgets up to and including the research conducted in 2016.

By 2018, while pensioners still said that the DVD player should be included, working-age groups were thinking carefully about whether this was still the case, or if it was becoming outdated. They had lengthy discussions about options that currently offer an increased range of programmes. Among these were paying a monthly subscription for a platform offering additional content (eg Netflix), or the one-off cost of a plug-in device, such as an Amazon Fire stick or Google Chromecast dongle, which could be used to access the internet via the television. However, working-age parents in the review and non-parents' groups in the rebase agreed that the entertainment needs of the household could be met as a minimum with a laptop that included a DVD drive, and an HDMI cable so that it could be connected to the TV. This would enable people to watch DVDs or free online content on the larger TV screen.

The 2008 budgets for households with secondary school children included an additional, smaller TV with integral DVD player, so that they could watch a film in their bedroom if they had a friend round. This was also the case in 2012, but in 2016 parents discussed a possible second television and rejected it, agreeing that it was 'nice to have' (ie, not essential). They still included the family DVD player and parents agreed that the secondary school child could use the laptop in their room to watch DVDs if they had a friend visiting, thus meeting the same need for social participation, but in a way that did not incur an additional cost. The pensioner groups still specified the need for a TV and a separate DVD player, and

also included a small, portable, analogue radio, whereas the working-age groups said that they would listen to digital radio via the laptop, the TV or their mobile phone.

## Gifts

Throughout MIS research, groups have agreed that being able to exchange gifts with friends and relations for birthdays and at other celebratory times is an important part of social participation. Parents consider separate allocations for the adults in the household and for children of different ages, to take into account gifts and additional celebratory spending (for example, for a birthday tea at home, a party or an outing with friends), depending on the age of the child. Pensioners and working-age adults without children discuss what an appropriate budget would be for gift buying in order for them to feel that they can meet their social obligations and reciprocate at times like birthdays and Christmas. Groups do not find it easy to agree on the budget for a gift; individuals come up with different ideas about what is appropriate, and find the best compromise. As a result, the size of these budgets fluctuates considerably and differs across groups.

## Children's toys and pocket money

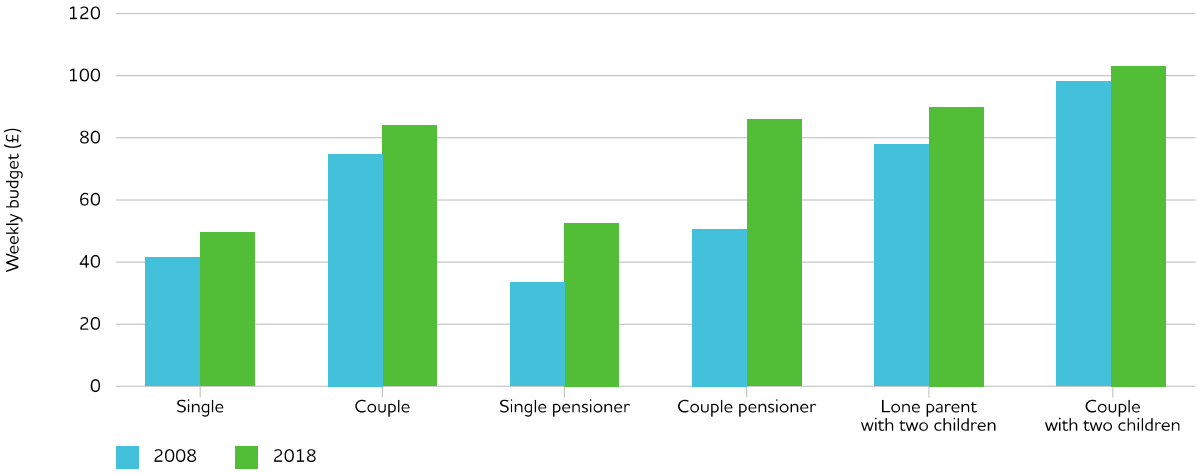
In addition to birthday and Christmas gifts, parents also set budgets for the provision and replacement of toys, books, games and craft materials, to encourage children's development. For secondary school children, some money is included for stationery items (a pencil case, folders, etc), study guides and a calculator. Preschool and primary school aged children's budgets include £5 a month for pocket money or treats, and secondary school children were allocated £5 a week pocket money in 2008, which has remained unchanged over time. In addition, parents included a small budget to allow older children to get something to eat when on a shopping trip with friends, set at £5 every two weeks in 2008 and £10 a month in 2018, a real-terms fall.

## Total budget for social participation

While budgets for any one aspect of social participation can fluctuate, it is worth considering the overall cost of social participation for different groups, since it forms a major part of any household budget and thus helps influence the level of MIS.

Figure 9 compares the size of the social participation budget for six household categories in 2008 and 2018. It shows only modest increases in these budgets (by less than inflation) for working-age households, including families with children, but greater increases for pensioners. In particular, pensioner couples who previously had much lower social participation budgets than working-age couples now have budgets at similar levels. This convergence can largely be explained by different trends in their eating out/takeaway budgets and an increase in pensioner holiday spending. Since 2014 pensioners have included a second, short holiday in the form of a weekend break, as well as a specific budget for holiday spending money. Pensioner couples' budgets for eating outside the home (including drinks with a meal eaten out) have exactly kept pace with inflation, rising from around £6 to £7.75 a week, while working-age couples, who had a much higher budget for this purpose, have reduced it from £23 to £13 a week.

**Figure 9: Social participation budgets, 2008 and 2018 (includes food and drink outside the home)**



# 3 Continuity and change in the social minimum

## Some overall patterns

The detail of what is included in MIS budgets is complex and does not always follow neat patterns. Needs are identified not by experts following some overarching principles, but by ordinary people in relation to the detail of what life is actually like. For example, pensioners in 2014 included a shredder at a time when older people had a particularly strong concern about privacy and identity theft, but this has not been included in other years. Such changes are not always produced by fundamental changes in society, but by the details of contemporary living that members of the public report on.

Yet ten years of MIS research in six separate waves has also produced some significant patterns. This section identifies six themes related to continuity and change in the MIS budgets.

### Stable overall requirements produce largely similar budget lists over time, but in some cases needs are fulfilled in changing ways

Unlike in the previous decade, when median household income rose by a quarter in real terms, 2008–2018 saw little net change in average living standards. Median household income dipped in the recession and is now less than 5% higher than a decade ago (Department for Work and Pensions, 2018). Minimum living standards also look very similar, overall, in 2018 compared to 2008. Most importantly, households emphasise a similar range of priorities, guided by rationales ranging from having things that help them deal with life's practical challenges, to maintaining social interactions and having a reasonable degree of choice. These rationales are described in detail in Davis et al (2015), and produce strikingly consistent decisions about the boundary between 'need to have' and 'nice to have' items in many areas. For example:

- Over ten years, MIS groups across different household types have consistently agreed that you need to get away from home at least once a year for a holiday, and a one-week holiday in the UK has been the principal means they have identified of meeting this need.
- Even during periods of austerity over the past decade, groups have been clear that an acceptable standard of living cannot be achieved by buying groceries only at the very cheapest stores, or seeking out the greatest discounts. Both the need for choice and the practical difficulties of shopping in multiple stores have meant that a weekly shop at Tesco, buying low- but not lowest-cost lines, remains the prevailing model.
- Similarly, austerity has not reduced the range of activities that people specify as being required in order to participate in society. For example, as in 2008, people still say that you need to be able to go out to eat, to exchange gifts and to participate in recreational activities.
- The furniture required for a living room has remained almost identical throughout the research, with the need for a sofa and other seating, as well as a television, reflecting what are considered the basic requirements of social interaction, both among members of the household and in terms of being able to invite guests into one's home.

In other cases, while the types of goods and services remain similar, the detail and cost can change. For example:

- Family eating-out budgets are much lower than in 2008. This is not because parents specify more frugal meals out, but rather because they restrict them to a quarterly special occasion rather than a modest, but more frequent (once a month), family meal. Not including eating out as a routine part of family life creates a significant saving. This was introduced in 2012 in the wake of the recession, not as an explicit economy, but as a decision that may consciously or otherwise have reflected changing norms influenced by austerity.

- Groups have provided more economically for an overnight guest in a single working-age person's flat. This started out as a sofa bed, but in 2014, groups said that the extra cost of this could be dispensed with, since a guest could sleep on the sofa or on the floor using sofa cushions. In 2018, the alternative of buying a low-cost inflatable mattress represented an economical way of meeting this need more effectively than just expecting someone to sleep on the sofa.
- In contrast, parents' continuous emphasis on the importance to children's development of having the opportunity to participate in regular organised activities has led to a higher budget over time. Regardless of tougher times economically and a perceived increase in the cost of activities, parents have not changed the standard of being able to pay for two activities per week, including learning to swim when you are at primary school, and the opportunity to take part in cubs, guides or similar groups.

## It's not just what you buy, but how you buy it

In 2008, the standard model of buying most goods was constrained by travel to and from a store by public transport, which limited possibilities for buying certain bulk items, and made 'shopping around' a time-consuming process. In 2018, families with children are assumed to have cars, and all households to have the internet, opening possibilities for online ordering with delivery and for making readier comparisons of prices in different stores without leaving home. These changes reflect actual transformations in shopping patterns across the UK, potentially increasing the capabilities of shoppers, giving improved choices and opportunities for buying things economically.

Examples of how this has affected MIS budgets, or could do in the future are as follows:

- New opportunities to buy family groceries in larger quantities, offering scope for better value for money, This is because households with children have been assumed to have a car since 2012, and the assumption of a weekly online shop for couples without children was introduced in 2018. Any effect on actual family shopping bills is not easy to quantify in MIS, but this clearly offers the potential for savings.
- A new specification for buying domestic fuel, assuming selection of a cheaper tariff through price comparison. For a single person of working age, this reduces the 2018 fuel budget by over a quarter compared to what it would be if it had risen in line with inflation.
- Having a car allows some furniture to be bought at out-of-town locations such as IKEA, widening the choice of furniture available.
- Being online allows higher-cost items such as major appliances and laptops to be sourced at competitive prices, by 'shopping around' for a good deal. This is also true of mobile phone contracts.

## Minimum budgets keep up with technology at an 'entry level'

When members of the public are considering whether the latest technology has become part of an essential minimum, it is not enough to observe that new products are on the market. To be considered part of the minimum, a new technology typically needs to have elements of ubiquity (being normal for members of the population to have), economy (having come down in price to a level where it is considered normal to be able to afford it) and practicality (having become a useful or essential accessory of modern life) (Davis et al, 2015). Groups typically adopt as a minimum a functional version, close to the bottom of the price range. For example:

- In 2008, although many people already had contract mobile phones with relatively high specifications, the mobile specified in MIS was low-cost, pay-as-you-go with minimal usage. This changed to a contract phone in 2010 and to a smartphone in 2014, only because these options had become ubiquitous with low-cost options, and because mobiles had become more entrenched in society as a practical form of everyday communication.
- Similarly, laptops replaced desktop computers in the MIS budget only from 2012, when the former had fallen sharply in price. At this stage their practical advantages over desktops, for example taking up less space in the home and being portable, contributed to the rationale of including them in MIS.
- Television screen sizes have generally increased, and based on what was on the market at a 'basic' price, the specified size in MIS rose from 26 inches to 32 inches in 2014. However, while since that time many people have been buying televisions with ever-larger screens, the size of the MIS

television has not increased, because a basic version is still available at 32 inches, and groups say you do you not need a bigger one. This is a good example of how the minimum does not necessarily rise with the average, in cases where some people are buying more elaborate versions of a product, but where an unchanged basic version remains available and adequate to meet a need.

## Public policy and public service provision have a large impact on minimum household budgets

The amount that households need to spend privately in order to have a minimum acceptable standard of living can be influenced in a number of ways by public policies and actions. The MIS research has revealed three ways in which this can happen: directly, where the state pays for things that are therefore not incurred as household expenses; indirectly, where service levels influence what households need to spend money on; and indirectly, when state policies and pronouncements influence what is considered to be essential. For example:

- The introduction of free bus passes for pensioners shortly before the first MIS results were produced in 2008 has meant that pensioners' minimum transport costs have been well below those of working-age households. While for an average household this subsidy may make a relatively minor difference to the overall cost of living, for a single person a bus pass is now costed at 12% of a single pensioner budget, after housing costs. Free prescriptions for children and pensioners, but not working-age adults, also create differences in costs across groups (although this difference is long-standing, rather than a change in the period under review).
- Travel requirements interact in multiple ways with public policies. Perceptions of declining public transport services have significantly influenced increased travel costs for all groups; families with children have decided since 2012 that a car is now required, and other households perceive an increase in the need for taxis. Moreover, while transport services are perceived to have declined, the minimum travel requirements identified in MIS have increased, for example because of the need to look further afield for work. This appears to be influenced both by limited options to move home, particularly in the social housing sector, and by public rules about job search requirements to qualify for benefits, which requires people to consider jobs up to 90 minutes' travel time from their homes.
- The decline in public library services was initially a factor in the adoption of computers as a necessity of life: pensioners in particular had initially said that libraries were a valid substitute for accessing the internet at home.
- Paid-for health services can be influenced by what the state provides. A decline in free podiatry services for people with diabetes influenced pensioners in introducing a budget for this service.
- Public messages of what is 'good for you' have influenced MIS groups' decisions about what is needed as a minimum, in multiple ways. In discussing diets, they cite the 'five a day' fruit and vegetable standard. In considering minimum childcare needs, parents said in 2016 that young children should have access to the educational opportunities that nurseries provide, mirroring public emphasis on the importance of early years experiences, which has been associated with the introduction of the 'early years entitlement' of subsidised nursery hours for 3 and 4 year olds. Parents have also been aware of the importance of teaching children to swim, emphasised especially at the time of the 2012 Olympics – since school provision of swimming lessons has been patchy, a budget for paid-for lessons outside school has been deemed part of the minimum.

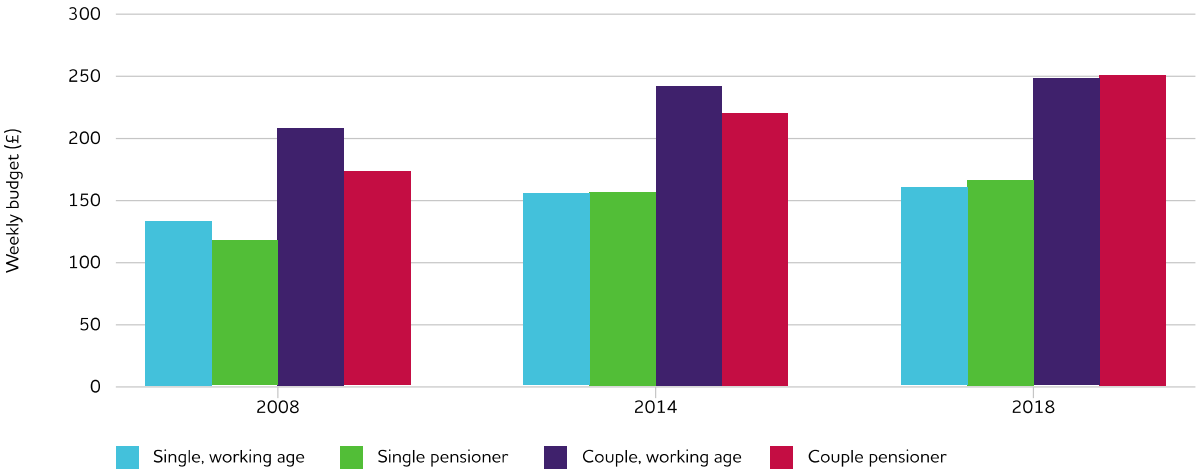
## Pensioners' and working-age adults' minimum requirements have converged

When planning the original MIS research, there was some concern that interpreting what pensioners say about pensioners' needs, and considering this in relation to what working-age adults say about the needs of someone of working age, might not describe an 'equivalent' standard of living. Whether or not justified, the possibility that pensioners who had grown up during or immediately after the Second World War in a period of austerity would have more modest views about what is essential than those who had grown up in different times, fed this concern about how to capture equivalent needs. In practice, from the start of the MIS research, pensioners have talked about needs in comparable terms to working-age adults. They have articulated why it is important to have enough not just to 'survive', but also to participate socially, and single pensioners in particular have emphasised the need to avoid social isolation

if one is not working. Nevertheless, pensioner budgets were somewhat lower in certain respects in 2008 than working-age budgets. For example, their clothing budgets were about one-third lower.

Over the past decade, much of this difference has disappeared, with pensioners and working-age groups specifying areas such as clothing and social participation in more similar terms than in 2008. Clothing budgets are still slightly (about 10%) lower for pensioners, and social participation budgets are very slightly higher overall for pensioners (see Figure 9 above). Figure 10 shows how the difference in overall budgets has evolved, leaving out transport (where free bus travel explains why pensioner budgets are much lower), and personal goods and services (within which health-related expenditures, including pensioners' higher glasses costs and free prescriptions, make comparisons difficult). When excluding transport and personal goods and services, the total budgets were 10–20% lower for pensioners than for those of working-age adults in 2008. By 2014, pensioner and working-age budgets had converged for single people, and for couples they were almost identical by 2018.

### Figure 10: Working-age and pensioner budgets compared (excluding rent, transport, and personal goods and services)




These results appear to have been driven by the current cohort of pensioners thinking about living standards in ways that are more similar to working-age people than their predecessors. Two examples of this convergence are:

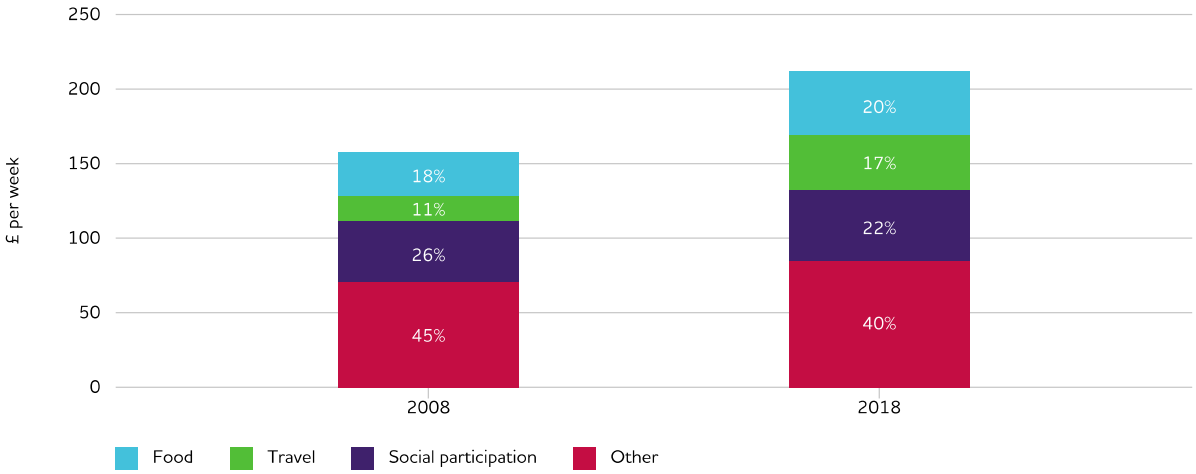
- a growing similarity in how pensioners and working-age people describe their wardrobes: for example, in 2008 working-age women included jeans in their clothing budget but pensioner women did not – by 2018, both were including jeans
- the level of eating-out budgets was much lower for pensioners than for equivalent working-age households without children in 2008, but has since converged – rising for pensioners and falling for those of working age.

## The composition of a minimum household budget has changed markedly in the past decade, in terms of the proportions allocated to broad categories of expenditure

Over time, two things can influence the distribution of spending across different categories in a household budget. One is that people may consume relatively more of some kinds of goods and services compared to others – either because they reorder their priorities, or because of changes in what they can afford. For example, in the 1960s, the average household spent nearly half their budgets on average on food, clothes and home energy; this has fallen to only just over one fifth, because as incomes have risen, people have had more money available to spend on other items such as transport and social participation (Hirsch et al, 2017). The second factor at play is changes in relative prices. If some things such as home energy become more expensive, and others such as computers become cheaper, households may need to devote relatively more spending to the former, even if the quantity consumed does not change.

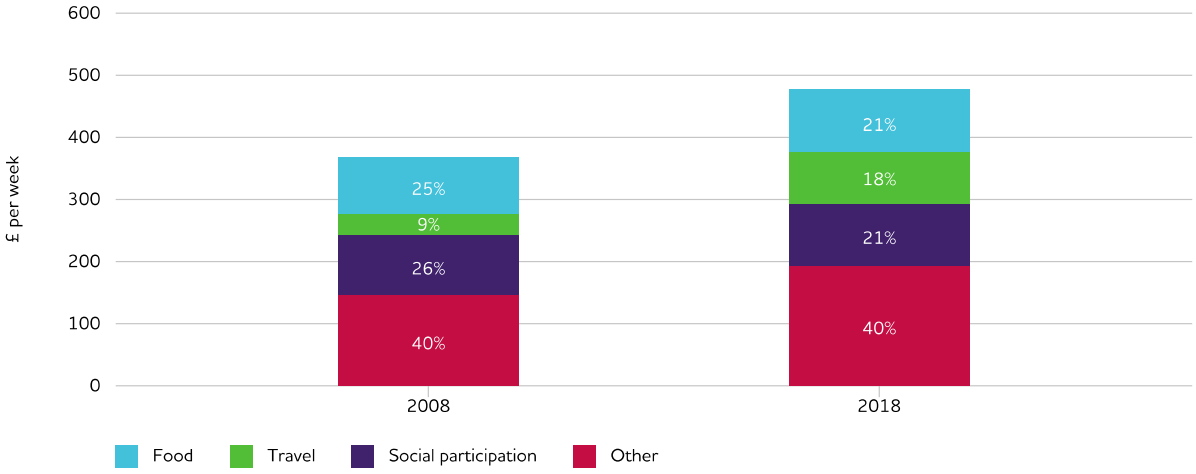
These forces have had some significant effects on the content of minimum budgets over the past decade. Figures 11 and 12 illustrate this for a single working-age adult and a couple with two children, picking out the items for which there have been significant changes. It shows that for both, there has been a large growth in the share of transport in the budgets. This is attributable both to changes in specifications linked to declining adequacy of public transport (families needing cars; others requiring greater use of taxis to supplement public transport) and to increases in the cost of each mode of transport. There has also been a price-related increase in the relative size of food budgets for singles, and a fall in the share of social participation. This illustrates how in recent years, the long-term trend of household budgets towards increasing spending on leisure relative to other items has been halted both by the failure of household incomes to continue growing, and by the increase in the relative price of items such as food and public transport.

## Figure 11: Composition of MIS budgets, 2008 and 2018 (£ per week and percentage of total) – single person




Note: eating out and takeaways included in social participation, but not other food.

## Figure 12: Composition of MIS budgets, 2008 and 2018 (£ per week and percentage of total) – couple with two children




Note: eating out and takeaways included in social participation, but not other food.

The growing share of transport continues a longer-term trend, whereby a more mobile population has devoted relatively more to spending in this area. The MIS groups have emphasised the need to maintain sufficient spending on transport in order to allow people to access work and leisure opportunities; however, growth in travel costs have not been associated with a widening of these opportunities, so much as with an increase in prices and decline in services.

## Changes in the minimum – conclusion

The MIS research has shown that what it means to meet the necessities of life in the UK is changing in various ways, even while in most of its fundamentals it remains the same. Household budgets are being influenced by various items becoming more expensive or cheaper; by some aspects of increased household economy; by changes in the technologies of everyday life; by new ways of shopping; by changing state provision; and by certain changes in norms or fashions. These changes are often not revolutionary, but incremental. MIS has identified trends through repeated research with members of the public, and is also able to sum up the effect of these changes on the overall level of minimum budgets, which can be used to assess the adequacy of incomes against minimum requirements. The following chapter looks at aspects of these comparisons.

# 4 Comparisons with prices, median incomes, benefits and income on the minimum wage

MIS has become a useful benchmark, allowing policies and practices that influence people's incomes to be monitored, in terms of how adequate they are in meeting people's needs. Every year, a separate report considers how many people are living in households below MIS, and by how much they fall short (eg, Padley et al, 2017b). This chapter considers some overall trends that influence incomes relative to MIS.

First, it looks at how much minimum household costs have risen, both in cash terms and relative to inflation. Each of these is an important thing to consider when looking back on a decade in which household incomes have commonly risen little or not at all, in real (inflation-adjusted) terms, and sometimes even in simple cash terms.

Second, the chapter reports on what has happened to MIS budgets relative to median income, and hence the trend in what proportion of the median you need in order to reach an acceptable standard of living. This has implications for debates about income inequality. The closer that MIS is to average income, the more equal you would need to make the income distribution in order for nobody to fall below MIS.

Third, it compares how much someone on basic benefits has available to spend compared to the MIS budgets. Over time, these comparisons show trends in what living standard the Government is willing to support for the poorest members of society, relative to a socially acceptable minimum.

Finally, the chapter looks at some trends in the disposable incomes, relative to MIS, of households where at least one person works, but on a low wage. Specifically, it considers cases where the adult or adults are working full time, but have to pay for childcare if they have children, and where families are working fewer hours but not incurring childcare costs.

In all these respects, the past decade has been one of change. Chapter 2 showed how, to a large extent, the things that households say they require have remained stable over the past decade. This chapter shows that the ability of people on low incomes to afford these items has changed considerably.

## The MIS budgets and how they have evolved in cash terms and relative to inflation

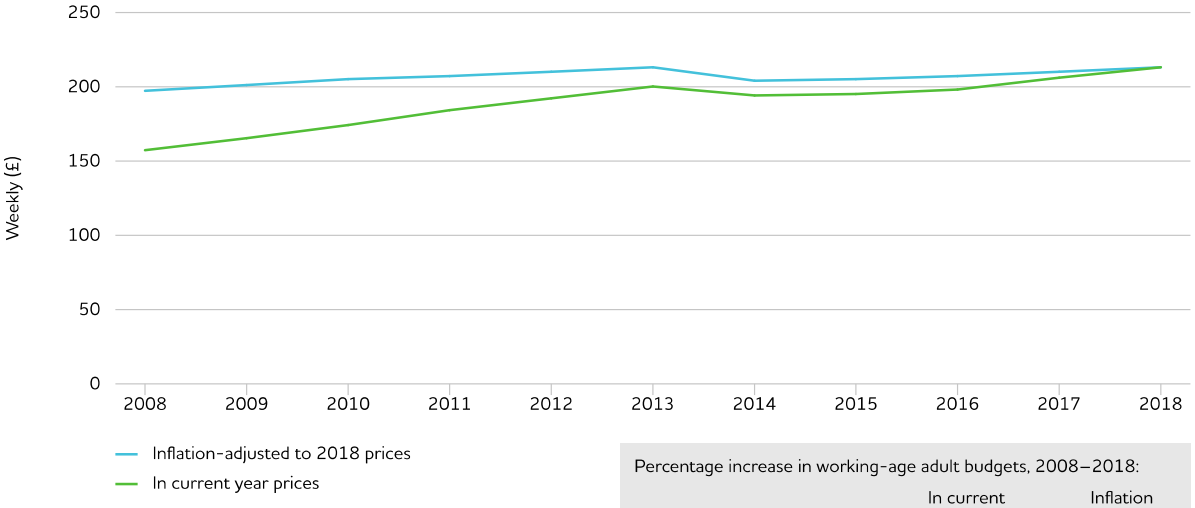
Four examples of the MIS budgets for different households are shown in Table 2. A wider range of cases can be accessed via the results page of the MIS website (http://www.lboro.ac.uk/research/crsp/mis/results).

**Table 2: Summaries of MIS for four family types, April 2018**

| 2018 BUDGETS | Single adult, working age | Couple | Lone parent, one child aged 0–1 | Couple, two children aged 2–4 and primary school age |
|---|---|---|---|---|
| Food | £49.29 | £73.93 | £59.71 | £105.71 |
| Alcohol | £5.85 | £11.94 | £4.47 | £9.35 |
| Tobacco | £0.00 | £0.00 | £0.00 | £0.00 |
| Clothing | £8.41 | £14.73 | £22.21 | £43.08 |
| Water rates | £6.00 | £7.08 | £9.81 | £10.31 |
| Council Tax | £16.51 | £22.03 | £19.28 | £25.70 |
| Household insurances | £1.62 | £1.60 | £1.84 | £2.20 |
| Fuel | £12.81 | £14.31 | £15.98 | £19.18 |
| Other housing costs | £1.44 | £2.91 | £1.92 | £1.92 |
| Household goods | £9.71 | £16.74 | £21.19 | £26.06 |
| Household services | £6.84 | £9.61 | £17.33 | £13.00 |
| Childcare | £0.00 | £0.00 | £232.79 | £202.88 |
| Personal goods and services | £16.21 | £34.43 | £26.53 | £41.75 |
| Motoring | £0.00 | £0.00 | £55.57 | £59.94 |
| Other travel costs | £37.08 | £16.41 | £4.15 | £24.06 |
| Social and cultural participation | £41.83 | £76.21 | £51.57 | £97.35 |
| Rent | £91.12 | £84.12 | £84.12 | £90.14 |
| **Total excluding rent and childcare** | **£213.59** | **£301.92** | **£311.56** | **£479.59** |
| TOTAL ALL | £304.71 | £386.04 | £628.47 | £772.61 |
| Total excluding childcare | £304.71 | £386.04 | £395.68 | £569.73 |
| Total excluding rent, childcare, Council Tax and water (comparable to After Housing Cost income measure) | £191.08 | £272.80 | £282.47 | £443.58 |
| Total excluding childcare and Council Tax (comparable to Before Housing Cost income measure) | £288.20 | £364.01 | £376.40 | £544.02 |
| Total excluding rent, Council Tax, childcare (comparable to out-of-work benefits, before subtracting partial contribution to Council Tax required of working households since 2013) | £197.08 | £279.88 | £292.28 | £453.89 |

Figures 13–15 show, for a range of household types, what has happened to MIS budgets over the past decade. They have increased – significantly faster than the headline inflation rate, the CPI, which has risen 25% over the same period. For working-age adults without children and for families with children, the increase has typically been around a third; for pensioners, it has been around a half. Various factors have contributed to these greater increases, some associated with the way in which prices are changing, and others to do with what is included in the budgets.

## Figure 13: MIS budget, after rent and childcare costs, 2008–2018 – single working-age adult

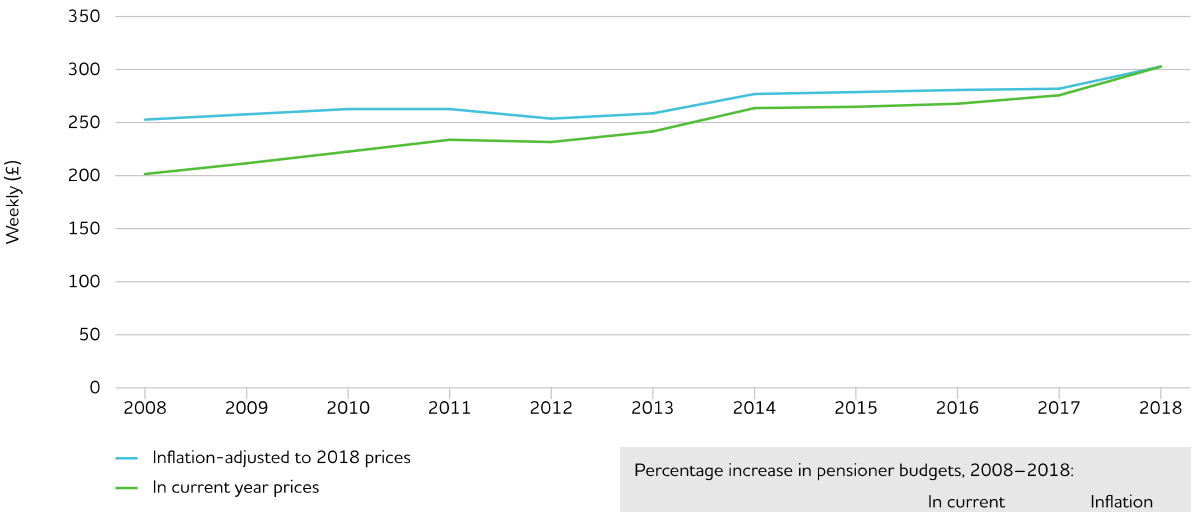



Percentage increase in working-age adult budgets, 2008–2018:

| | In current year prices | Inflation adjusted (CPI) |
|---|---|---|
| Single | 35% | 8% |
| Couple | 43% | 15% |

Note: further data is available in Table 3 in the Appendix.

## Figure 14: MIS budget, after rent and childcare costs, 2008–2018 – couple pensioner

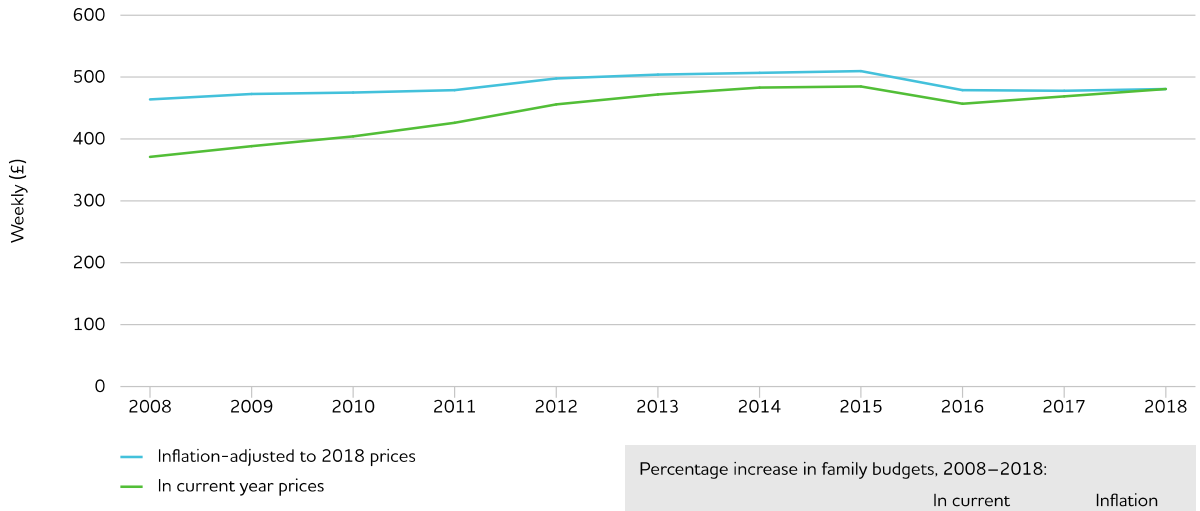



Percentage increase in pensioner budgets, 2008–2018:

| | In current year prices | Inflation adjusted (CPI) |
|---|---|---|
| Single | 48% | 19% |
| Couple | 50% | 20% |

Note: further data is available in Table 3 in the Appendix.

## Figure 15: MIS budget, after rent and childcare costs, 2008–2018 – couple with children aged 4 and 7




Percentage increase in family budgets, 2008–2018:

| | In current year prices | Inflation adjusted (CPI) |
|---|---|---|
| Lone parent with two children | 38% | 10% |
| Couple with two children | 30% | 4% |

Note: further data is available in Table 3 in the Appendix.

Three factors, outlined below, suggest that over this period, the cost of a 'minimum' basket of goods and services has been rising significantly faster than CPI, even before taking account of any changes in what items households require. There is no perfect way to measure this, since there is no such thing as a 'constant' basket of goods and services that could be repriced at intervals, because products and pricing structures are constantly changing. However, the following three inflationary factors appear to contribute to a faster-than-CPI increase.

First and most clearly, minimum budgets have tended to be weighted towards item categories that have risen in price faster than the overall CPI, notably public transport (which has risen 81%), domestic fuel (45%) and food (27%). The overall index is weighted according to average spending patterns, but MIS inflation has been weighted more than average towards these faster-inflating categories in a period when imported costs of basic commodities like food and energy have tended to drive inflation.

Second, within certain categories like food and clothing, more rapid inflation is sometimes observed in MIS budgets than suggested by CPI, even where the specification of what goes into the basket changes little. This could be because for the more 'basic' items included in the MIS baskets, prices are rising faster than they are for more 'luxury' items that are also included in CPI (where they also carry more weight, as the CPI weightings are based on average expenditures, and more is spent overall on pricier goods, which tend to be bought by better-off households).

Finally, while the Government's preferred measure of CPI inflation has now replaced the RPI to estimate MIS budgets in between the times they are repriced, to accord with standard practice, it is not clear that CPI does give a superior estimate of price influences on minimum costs. A previous analysis (Hirsch, 2015a) suggested that in some respects, RPI may give a closer estimate of price-related increases in the minimum, partly because CPI uses a formula that gives more weight to people substituting items that are becoming cheaper for those that are becoming more expensive, something that is not always possible in a basket of essentials. Over the ten years, RPI rose by 37%, a similar amount to most of the budgets (other than those of pensioners).

Thus, in terms of overall increases in MIS budgets, rising prices are likely to have played the main part. However, the considerable differences between the results for different household types in Figures 13–15 suggest that what goes into the baskets is also playing an important role. The changing composition of baskets has been described in detail in Chapter 2. A key conclusion was that there has been some convergence between pensioner and working-age budgets, and this is associated with a faster increase in the former. Couples with children, on the other hand, have seen their budgets increase comparatively

more slowly, partly because of some of the economies described above, such as eating out less frequently, and switching to cheaper suppliers of gas and electricity. For lone parents, especially those with fewer children, the increase in certain fixed family costs, notably the introduction of the cost of owning a car, has caused a greater proportionate increase than for couples with children.

The greatest of these additional family fixed costs has been the introduction of a car. Since 2012, families with children have said that owning a second-hand car is necessary for a minimum standard of living. However a notable feature of Figure 15 is that this, the single largest 'content change' in MIS budgets over the past decade, does not stand out greatly in terms of its overall impact on household budgets. The steeper increase in family budgets in 2012 does not appear as a 'discontinuity', but rather as a continuation of a period where budgets were growing due to inflation. For couples with children in particular, this increase was absorbed into a much larger budget, and was partially offset by economies elsewhere. Moreover, the fact that in more recent years this family budget has flattened is, in part, due precisely to factors associated with having a car rather than relying wholly on public transport. Households without children have seen transport budgets increased by rapidly rising prices (not mirrored by the cost of running a car), and by the growth of the taxi budget that groups say is needed to make up for the limitations of public transport services.

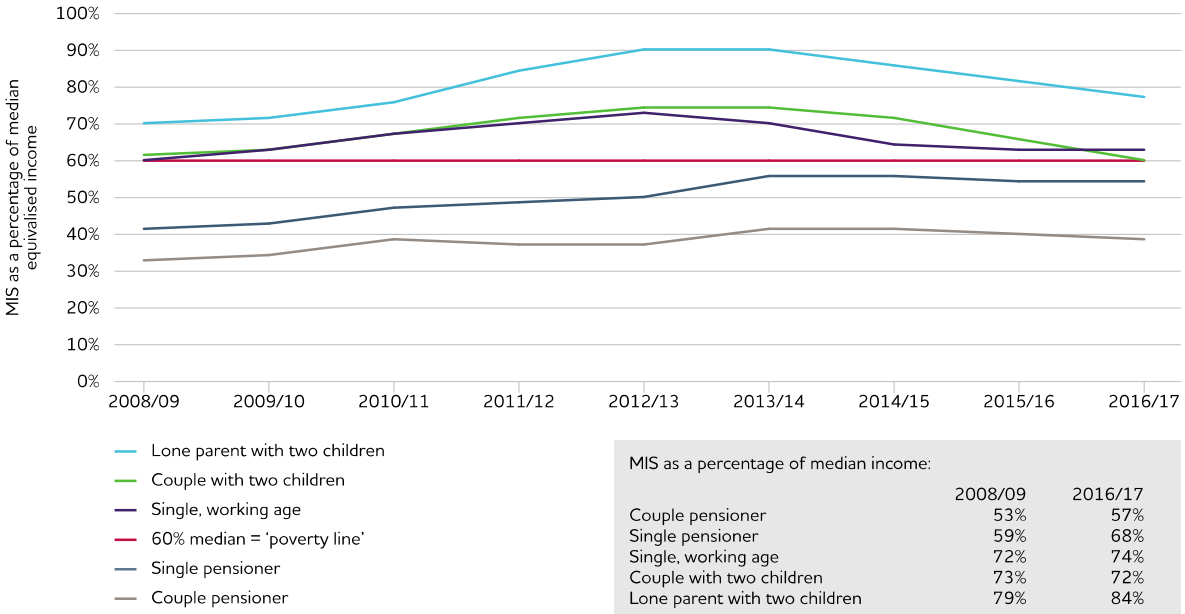
## Change in MIS budgets relative to general incomes

In 2016/17, the latest period for which data are available, median household income was 24% higher than in 2008/09. This represented a very small increase over the period adjusted for CPI, but a fall relative to the actual costs that many households face. The decade saw an initial drop in real incomes, followed by a modest rise relative to CPI. Overall, incomes have remained similar in real terms on average, meaning that, unlike in periods of steady income growth, those whose incomes rose less than average have seen falling living standards.

In this context, Figure 16 shows how the MIS budgets have compared to median incomes over this period. When they were first calculated in 2008, working-age budgets were all above the 60% median income poverty line, typically around 70% of the median. As real median incomes fell and MIS budgets rose, this proportion increased to over 80%, but the recent modest growth in median income has reversed this trend, and working-age budgets are now mainly between 70% and 75% of the median. However, this proportion is not consistent across groups, because according to the MIS research, the scales used in poverty measures such as the Government's Households Below Average Income series to 'equivalise' median income across groups, underestimate the relative cost of each additional child and also underestimate the cost of a lone parent family compared to a couple family (Bradshaw et al, 2008). As a consequence, lone parent budgets expressed as a percentage of the equivalised median are higher than other groups', and adding children to both the couple and lone parent families shown in Figure 16 would also increase the percentage. What this means in practice is that the official reporting of some families' incomes overstates their adequacy relative to other groups'.

Conversely, the official statistics report pensioner incomes as higher, relative to their needs, than other groups according to MIS. This is because they are treated as needing the same amount as adults of working age, but their MIS budgets are lower. As shown in Chapter 2, pensioner and working-age budgets have converged, and this means, for example, that single pensioner budgets have risen from 59% to 68% of the median, although couples can still meet their MIS budgets on the official 'poverty line' of 60% median income. The MIS budgets take account of differences in the actual costs that pensioners and working-age adults face. To put this into context, the bus pass that pensioners get for free, but that working-age adults must pay for, was costed at £24 a week in 2018; for a couple each needing a bus pass, this creates an extra cost equivalent to 11% of median income, explaining much of the difference with working-age couples.

**Figure 16: MIS budgets as a percentage of equivalised* median income, after housing costs**




MIS as a percentage of median income:

| | 2008/09 | 2016/17 |
|---|---|---|
| Couple pensioner | 53% | 57% |
| Single pensioner | 59% | 68% |
| Single, working age | 72% | 74% |
| Couple with two children | 73% | 72% |
| Lone parent with two children | 79% | 84% |

Notes: * 'Equivalised' income refers to the income of a household adjusted for its size by standard factors (Department for Work and Pensions, 2018).

Further data is available in Table 4 in the Appendix.

# Change in MIS budgets compared to minimum benefits

In the UK, for every citizen there is a means-tested benefit to guarantee a minimum level of income, subject in some cases to meeting certain work-search conditions. However, there is no explicit way in which the level of these minimum benefits is related to what people need. MIS provides a regularly updated benchmark through which the different types of benefit available to different demographic groups can be compared to a minimum living standard allowing social participation.

Figures 17–19 show very clearly that the adequacy of benefits, in terms of how they compare to MIS, varies across groups, both at any single point in time and in terms of trends. For households without children, the difference between working and pension age is dramatic. While pensioners' minimum guaranteed income through Pension Credit is similar to the MIS budgets, working-age adults receive Income Support or Jobseekers' Allowance worth only about half as much as the Pension Credit, despite having slightly higher spending needs than pensioners. Over the past decade, Pension Credit has been rising steadily, about in line with pensioner costs. On the other hand, increases in the specification of the pensioners' budgets with new research have caused pensioner budgets to rise somewhat above the Pension Credit level, which now provides about 90% of what pensioners say is needed, rather than just above what they said was needed in 2008.

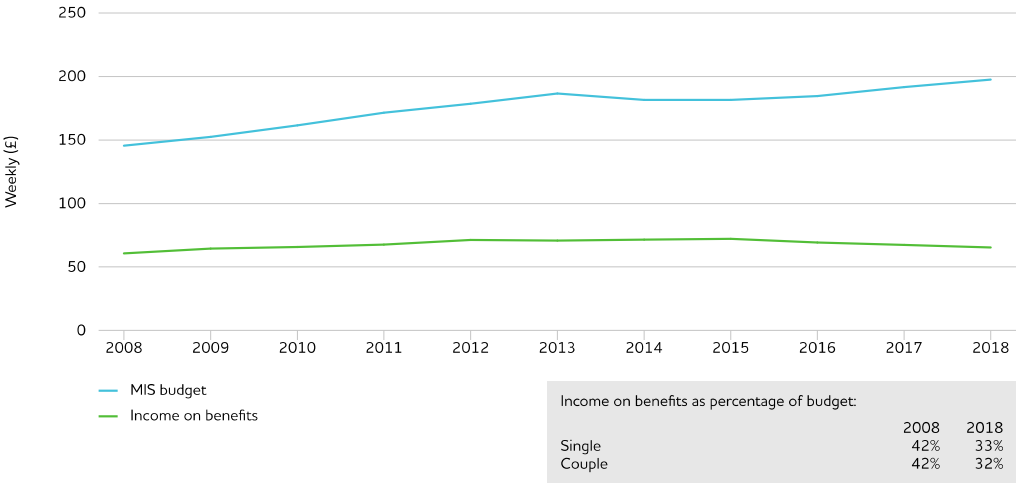
In contrast, working-age benefits provide well under half of the minimum income required, by both singles and couples, and this proportion has fallen sharply in the past decade. This has been caused by both the freeze in the level of benefits, and by the fact that disposable income is reduced further by two additional cuts: Council Tax is no longer fully covered by benefits, and Housing Benefit is likely not to cover all rental costs as a result of the freezing of the Local Housing Allowance. People without other resources may therefore have to subsidise rent and Council Tax from benefits previously available to cover other living costs.

In 2008, families with children reached around two-thirds of a MIS budget if in receipt of benefits combined with Child Benefit. Looking back over the past decade, benefits for this group initially rose faster than inflation, then more slowly than inflation, but are now frozen. This has meant that family benefits, too, have lost ground against the MIS threshold over the period, although in later years this has

been moderated to some extent by the fact that family budgets, excluding childcare costs, have been relatively stable.

Overall, therefore, the safety-net benefits provided by the state represent very different proportions of minimum costs for pensioners, families with children and working-age households without children, but these proportions have fallen in each case. Strikingly, the fall has been proportionately the most severe for those who started out with the least adequate benefits in the first place – working-age adults without children. Their stagnant benefits combined with their reliance on privately rented housing, for which state support is being constrained, means that their disposable income has fallen to ever lower levels – below £10 a day for a single person, compared to the £30 that they need.

## Figure 17: Disposable income for households on means-tested benefits compared to MIS budgets – single working-age adult on out-of-work benefits



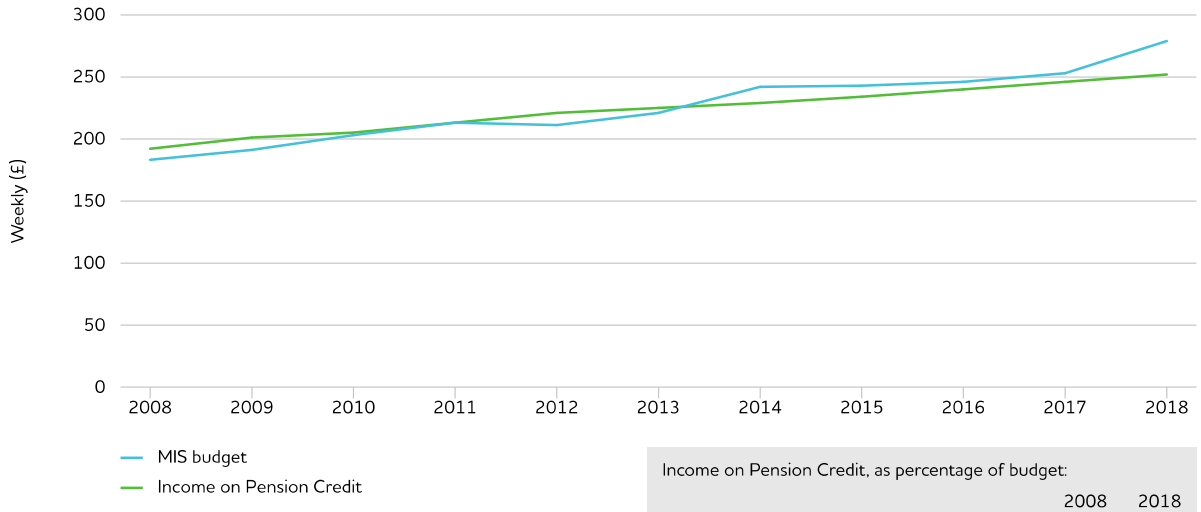

Income on benefits as percentage of budget:

| | 2008 | 2018 |
|---|---|---|
| Single | 42% | 33% |
| Couple | 42% | 32% |

Notes: budgets net of rent and Council Tax. Income comprises Income Support/Jobseekers' Allowance for working-age adults. For working-age cases, estimated contributions to Council Tax (since 2013) and rent (since 2016) are subtracted from benefit income, to reflect cuts that mean that these are not fully covered by Housing Benefit and Council Tax Support.

Further data is available in Table 4 in the Appendix.

## Figure 18: Disposable income for households on means-tested benefits compared to MIS budgets – pensioner couple on Pension Credit



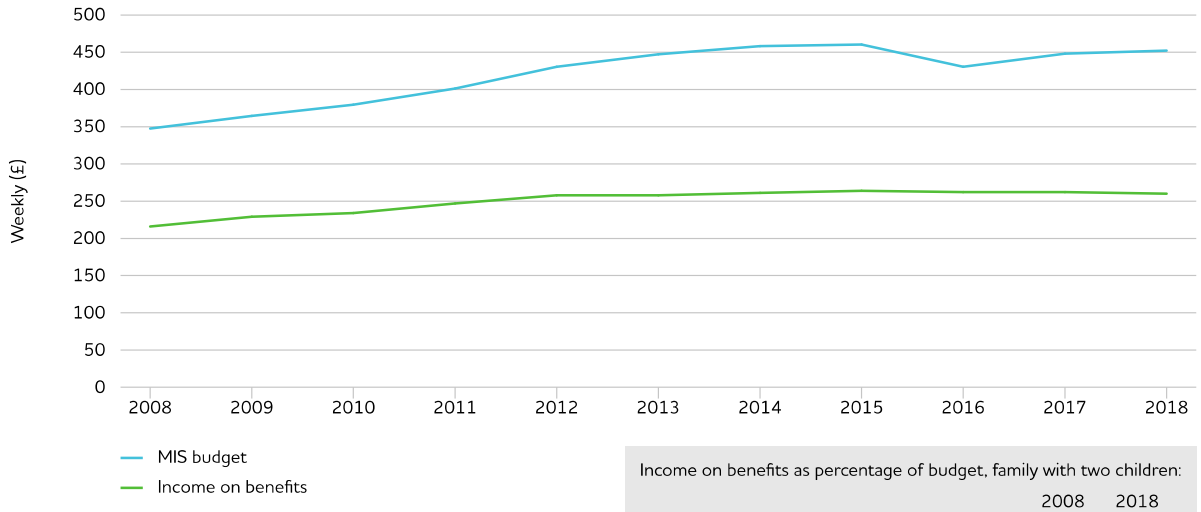

Income on Pension Credit, as percentage of budget:

| | 2008 | 2018 |
|---|---|---|
| Single | 108% | 93% |
| Couple | 105% | 90% |

Notes: budgets net of rent and Council Tax. Income comprises Pension Credit plus Winter Fuel Allowance for pensioners.

Further data is available in Table 4 in the Appendix.

**Figure 19: Disposable income for households on means-tested benefits compared to MIS budgets – couple with children aged 4 and 7, on out-of-work benefits**




Income on benefits as percentage of budget, family with two children:

| | 2008 | 2018 |
|---|---|---|
| Lone parent | 68% | 60% |
| Couple | 62% | 58% |

Notes: budgets net of rent, Council Tax and childcare. Income comprises Income Support/Jobseekers' Allowance plus Child Tax Credit and Child Benefit, minus an estimated contribution to Council Tax (since 2013). Universal Credit rates are the same as Income Support/Jobseekers' Allowance plus Child Tax Credit for out-of-work families.

# Change in MIS budgets compared to working incomes

The majority of households with incomes below MIS have at least someone working (Padley et al, 2017b). Over the past decade, public policy has put considerable emphasis on enabling people to reach adequate incomes through work, both through the support that the state offers in tax credits and Universal Credit and, more recently, by increasing the National Minimum Wage (NMW) for adults over 25 under the label of the National Living Wage (NLW). Between 2008 and 2018:

- average hourly pay has risen by 19%, more slowly than the increase of 25% in CPI
- the minimum wage for over-25s has risen by 41%, much more rapidly than CPI
- the combined benefits and tax credits for which a working family with two children is eligible has risen by 19%, more slowly than CPI
- there has been no increase in the level at which tax credits are withdrawn each time earnings rise, and the withdrawal rate has increased, so that low-income families are keeping only about a quarter of their pay increases if they receive tax credits and pay income tax.
- on the other hand, tax cuts through the raising of the personal allowance have given each basic-rate taxpayer the equivalent of £22 a week (but £14 of this is clawed back for those on Universal Credit).

These trends have brought mixed fortunes to low-income working households. In general terms, improvements in pay and tax cuts have not been enough to compensate for the reduction in the value of working-age benefits (Hirsch, 2017; Hirsch, 2015b). Since 2008, the earnings required to reach a minimum acceptable standard of living have gone up faster for a couple with two children (from £13,800 to £20,000 per parent, where both work full time) than for a single person without children (from £13,500 to £18,400), since the former have lost more in benefits from the state (see Table 8 in the Appendix).

Among those benefiting from the introduction of a higher minimum hourly pay rate with the introduction of the NLW, the biggest gainers are households with more hours of work and fewer dependants. However, it is those with less work and more dependants who need the most state support, and who have lost out the most from cuts (see Hirsch, 2017). Another important factor has been the changing costs of childcare, as well as the evolution of a range of public subsidies to help cover these costs, as discussed in Chapter 2. This makes it difficult to generalise about trends in the adequacy of

working families' incomes. However, overall, the proportion of working households with disposable incomes below MIS has risen since 2008, from 18% to 23% (Padley et al, 2017b).

Figures 20–22 look at a range of examples of households in terms of their demographic composition, how much the adults work and whether they require childcare. Each of the three graphs considers trends in how much a particular household type requires in disposable income, compared to actual disposable income, where one or more people work and earn the NMW (assuming that they are over 25 and therefore have received the NLW since its introduction in 2016).

First, Figure 20 considers the simplest case of a single person working full time. In 2008, the first MIS study revealed that the NMW was not enough to get a single person to a minimum standard, but rather left them with disposable income 16% short of that level. This created a strong case for an NLW above the level that the NMW was then set. As the graph shows, from 2008 to 2015, slow wage growth combined with rising costs caused this gap to widen further. Since 2016, for those on the lowest pay, the NLW has helped to close this gap, but it remains greater than it was a decade ago, with a full-time worker falling 20% below what they need to afford a MIS budget. In the absence of any sharp increase in costs, the promise to keep raising the NLW substantially up to 2020 is likely to narrow this gap over that period.

Figure 21 goes on to consider two possible scenarios for a couple with two children – one where both parents work full time, and the other where one parent works but the other does not. For the two full-time earners, the pattern is similar to that of a single person: an initial widening followed by a narrowing of the gap, but with disposable income still lagging behind MIS. In this case, the initial widening of the gap was influenced by a cut (from 80% to 70%) in the rate of reimbursement of childcare in 2011, but it has since been narrowed by pay improvements, some economising in the real level of the MIS budget, and the introduction of the 30-hour childcare subsidy. It is important, however, to note that this represents a 'best-case' scenario, whereby the improvement in minimum hourly pay is applied to two full-time wages, and where a family is able to take advantage of the 30-hour subsidy.

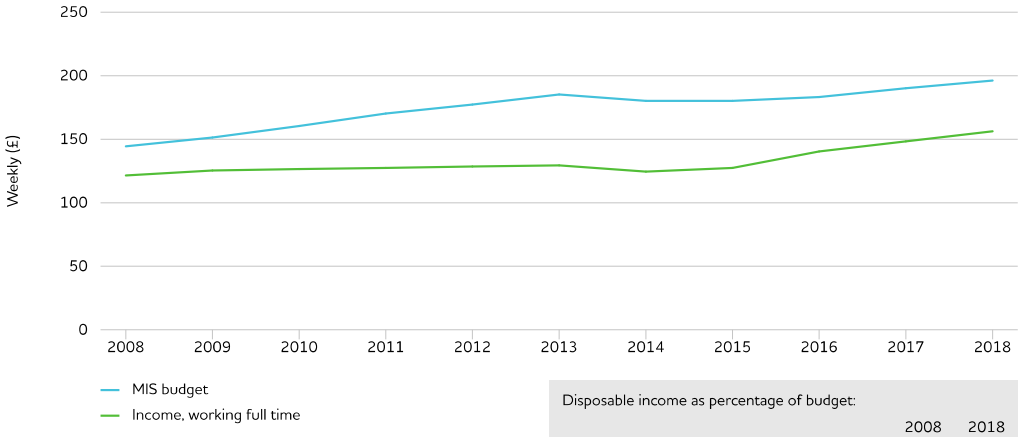
The other example shown in Figure 21, of a single earning couple, is less favourable. In 2008, there was a very wide gap between the disposable income and minimum budget of single-earner couples, and this remains just as wide. With just one parent working, a couple with two children falls over £120 a week – nearly 30% – short of reaching an acceptable living standard. This family type did not lose out early on from the cut in childcare support, because with only one parent working they are assumed not to require childcare. However, recent cuts in tax credits for such a family have not been offset by the introduction of 30 hours' subsidised childcare, and with a single earner the impact of higher hourly wages has been muted. The case of a family with one full-time and one part-time earner is somewhere between the two cases shown in Figure 21, but that case has been complicated by changes in childcare subsidies. If they require part-time childcare, they may not be entitled to 30 hours' support, because each parent needs to earn the equivalent of 30 hours on minimum wage in order to qualify, while the continuing 15-hour subsidy has become harder to access (Harding and Cottell, 2018). Without childcare, having a second earner working part time can greatly boost a family's disposable income (see Table 7 in the Appendix), but for a family with young children, that depends on having access to some unpaid cover, from extended family or friends, which not all families can rely on.

Finally, Figure 22 shows the case of a working lone parent – in one case working full time and paying for childcare, and in another working half the time and not having to pay for childcare. While a lone parent will need to find some kind of cover for young children when working, even part time, in practice the high cost of childcare encourages many on low incomes to rely on unpaid support, such as arrangements with friends or childcare from their own parents. Indeed, parents who cannot command high earnings often feel that they can only afford to work up to the point where they can get sufficient unpaid childcare to do so, and do not consider full-time paid childcare a realistic option (Hill et al, 2016). The results shown in this graph confirm that a family able to get enough unpaid childcare to work part time may be no worse off than if working full time, if that means having to pay for childcare.

Figure 22 shows that in both these cases, working lone parents had disposable incomes close to the amount required for a minimum budget in 2010, when the tax credit system was at its most generous, but today both are over £70 a week or 20% short of meeting this minimum. This has been influenced by tax credit and Child Benefit levels that have stagnated while living costs rise, and which in 2016 were cut

through an increased income 'taper' (ie, tax credits were withdrawn at a higher rate with additional earnings). The NLW benefits lone parents less than working couples, because the former have fewer working hours. This helps illustrate how cuts have hit working lone parents particularly hard, and the limited scope they have to offset these cuts with increased earnings.

## Figure 20: Disposable income of households with worker(s) on the NMW/NLW compared to MIS, 2008–2018 – single adult without children

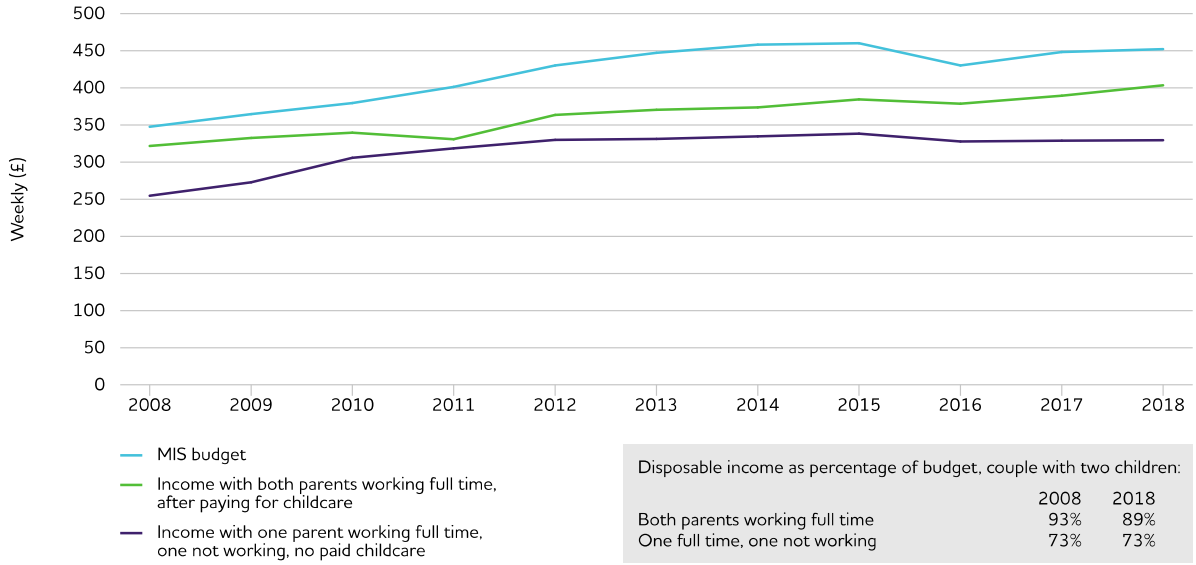



| Disposable income as percentage of budget: | 2008 | 2018 |
|---|---|---|
| Single adult working full time | 84% | 80% |

Notes: disposable income is calculated after subtracting rent, Council Tax and childcare costs, and compared to budgets excluding these costs. Tax credits paying up to 70% of childcare costs are included in income, meaning that someone paying £100 a week for childcare receives £70 to offset these costs, but their disposable income is £30 lower than it would be if they did not pay for childcare, but had the same earnings.

Further data is available in Tables 6 and 7 in the Appendix.

## Figure 21: Disposable income of households with worker(s) on the NMW/NLW compared to MIS, 2008–2018 – couple with two children aged 4 and 7

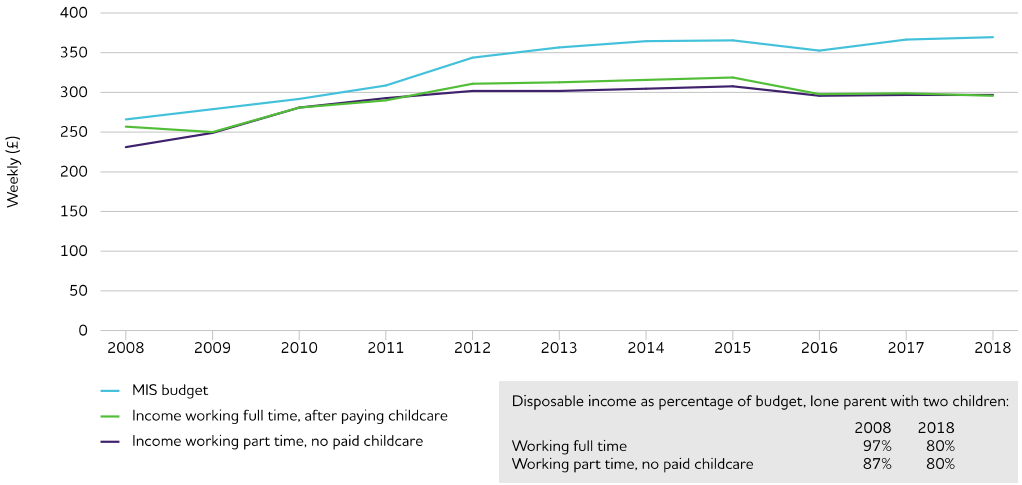



| Disposable income as percentage of budget, couple with two children: | 2008 | 2018 |
|---|---|---|
| Both parents working full time | 93% | 89% |
| One full time, one not working | 73% | 73% |

Notes: disposable income is calculated after subtracting rent, Council Tax and childcare costs, and compared to budgets excluding these costs. Tax credits paying up to 70% of childcare costs are included in income, meaning that someone paying £100 a week for childcare receives £70 to offset these costs, but their disposable income is £30 lower than it would be if they did not pay for childcare, but had the same earnings.

Further data is available in Tables 6 and 7 in the Appendix.

## Figure 22: Disposable income of households with worker(s) on the NMW/NLW compared to MIS, 2008–2018 – lone parent with two children aged 4 and 7




Disposable income as percentage of budget, lone parent with two children:

| | 2008 | 2018 |
|---|---|---|
| Working full time | 97% | 80% |
| Working part time, no paid childcare | 87% | 80% |

Notes: disposable income is calculated after subtracting rent, Council Tax and childcare costs, and compared to budgets excluding these costs. Tax credits paying up to 70% of childcare costs are included in income, meaning that someone paying £100 a week for childcare receives £70 to offset these costs, but their disposable income is £30 lower than it would be if they did not pay for childcare, but had the same earnings.

Further data is available in Tables 7 and 8 in the Appendix.

# 5 Conclusion

When MIS was first being developed in 2006, the UK had seen 15 years of continuous real growth in household incomes. In order to monitor whether people on low incomes were being helped by rising prosperity, there was a close interest in the trend in relative poverty – the number of households below a percentage of median income. This was, and still is, a useful indicator of who is gaining from growth. However, an important unanswered question was whether the minimum amount that households require does indeed change in proportion to average income in shifting economic conditions. MIS now offers a more tangible benchmark of what people need in order to participate in contemporary society, and how this changes over time.

The past decade has not allowed us to answer the question of whether a minimum rises exactly in line with the average, since there has been no systematic increase in average household incomes over this period. In the first few years after 2008, the relative stability of MIS budgets at least illustrated how the income considered acceptable does not necessarily fall in a recession, as a relative-income threshold would suggest. Over the period as a whole, there has been no single trend in changes in MIS levels. Rather, the research has shown which factors are causing requirements to rise or fall in real terms at different times for different groups, and how this compares to actual income trends.

For some of this evidence, MIS serves as a useful benchmark for measuring the impact on minimum household living costs of certain clear-cut trends in costs. When the price of bus fares is rising much faster than that of running a car, minimum transport costs self-evidently rise faster than average transport costs if the cheapest way of getting around is by bus, but better-off households make greater use of cars. Such differential inflation rates have helped drive MIS budgets up faster than the growth in CPI. Another self-evident influence is that when pensioners are given free bus travel, they escape this cost, lowering the minimum they need to live on.

Yet this report shows that there have been many different changes, large and small, in UK life over the past decade that could not have been reliably calculated through statistical or expert evidence. Rather, they have been captured by changes in what members of the public, deliberating as MIS groups, agree is required as part of a minimum budget. Some of these have come as conscious descriptions of new aspects of UK life: the internet, which had not previously been considered essential for pensioners, was judged by pensioner groups to have become an indispensable part of their lives from 2014. Some changes result from subtle alterations in the way in which people describe a minimum requirement: parents have continued to say that it is important to be able to eat out with their children, but since the economic downturn they have put less emphasis on having to do so as a regular part of family life, rather than as a rarer special occasion. Changes can also arise from new ways of living in which one form of consumption interacts with another: paying for computers and the internet transforms shopping possibilities, both in terms of online purchases and price comparisons, and this in turn feeds into the MIS budgets. Furthermore, MIS has picked up some explicit attitude changes affecting what people feel comprises an adequate standard of living, such as the emergence of the view that in order to give children adequate opportunities in life, you need the choice of sending them to a nursery before they start school, rather than having to rely on childminders.

Such changes picked up by MIS have had some significant effects on the overall pattern of minimum budgets. One important trend noted in this report has been a convergence of pensioner and working-age budgets (except insofar as the former get more free entitlements), as concepts of social participation among pensioners become more like those of working-age adults. Another has been the growing proportion of minimum costs, across all household types, accounted for by transport – which means that what happens in the future to the cost of transport will have greater implications for the minimum cost of living than it has in the past. Increases in food prices have largely been in abeyance in the past few years, but their level will continue to have important effects on minimum budgets, especially if the cost of more basic food rises faster than the average for all food, as appears to have recently been the case.

When MIS budgets are compared with disposable income for people on minimum benefits or working on the minimum wage over the past decade, it is clear that, in general, income has risen more slowly than minimum budgets, causing an increasing shortfall for such households. Even pensioners, whose incomes

have been protected, have lost some ground, due mainly to the convergence of their requirements with working-age households, referred to above, driving a substantial real-terms increase in the budget for pensioners. Working-age adults on out-of-work benefits have faced a rapidly growing shortfall and, in the worst case, those without children now have only a third of what they need if they have to rely on minimum benefits.

The fortunes of those in work have been more mixed, particularly if they require childcare: costs have risen, while help from the Government to cover these costs has waned and then waxed. Couple families, especially those where at least one parent is working full time and a second parent works, are best positioned to take advantage of the higher minimum pay rates offered by the NLW. Single-earner families, including lone parents, have done much worse. Working lone parents were being helped by the tax credit system to have almost enough to afford MIS, but now face an ever-widening shortfall. Single-breadwinner couples with children, whom Government policies such as the reintroduction of a married tax allowance were designed to help, remain further below MIS than any other category of working family. The NLW produces disposable income more than £120 below what a full-time worker needs to support a family of four at an adequate level, meaning that without a second earner, low-paid working families are not coming anywhere close to meeting their needs.

In order to help low-income, working-age households (whether out of work or working on low earnings) to afford the minimum living standard represented by MIS, the wage rises represented by the NLW would need to be complemented by more reliable public financial help, particularly for families with children. An obvious starting point is to return to increasing the value of this help at least in line with living costs, by ending the freeze on benefits, tax credits and Universal Credit. A further measure that would significantly improve the ability of working families to improve their living standards through earnings would be to return the Work Allowances in Universal Credit (the earnings levels above which it starts being reduced) to the more generous levels originally planned before they were cut in 2016.

As MIS enters its second decade, it will continue to update this picture of how much it costs to meet everyday needs in the UK, and the extent to which households have sufficient income to meet these costs. Some future issues suggest themselves. To what extent will the internet continue to transform the ways in which UK households consume, and will this have a benign effect on overall costs? Will the effects of Brexit on the cost of imported goods, especially commodities like energy and food, create a further increase in minimum household costs that is not matched by income growth? Will the long-standing factors influencing the increase in transport budgets persist? And how will incomes themselves be affected by Brexit? These are examples of trends worth watching, but if there is one thing that the past decade of MIS research has taught us, it is that the trends we look back on in 2028 are unlikely to be those that we might predict in 2018. They will be determined by an unpredictable economic environment, and by how social norms, identified by members of the public, change in the years ahead.

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# Appendix: Summary of MIS Budgets, 2008–2018

Further information is available at: http://www.lboro.ac.uk/research/crsp/mis/results/

**Table 3: Budget totals, excluding rent and childcare, 2008–2018**

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Single, working age** | | | | | | | | | | | |
| In current year prices | £158.12 | £165.82 | £175.34 | £184.68 | £192.59 | £200.64 | £195.29 | £196.16 | £198.85 | £207.13 | £213.59 |
| Inflation adjusted to 2018 prices | £197.65 | £202.46 | £206.40 | £208.06 | £210.65 | £214.31 | £204.85 | £206.17 | £208.37 | £211.35 | £213.59 |
| **Single pensioner** | | | | | | | | | | | |
| In current year prices | £131.98 | £138.53 | £147.41 | £154.62 | £158.74 | £165.24 | £182.16 | £182.98 | £186.77 | £192.27 | £195.90 |
| Inflation adjusted to 2018 prices | £164.98 | £169.13 | £173.52 | £174.20 | £173.62 | £176.51 | £191.07 | £192.32 | £195.72 | £196.19 | £195.90 |
| **Couple, working age** | | | | | | | | | | | |
| In current year prices | £245.03 | £256.35 | £272.55 | £286.79 | £301.74 | £314.52 | £320.15 | £321.99 | £330.17 | £344.77 | £351.37 |
| Inflation adjusted to 2018 prices | £306.29 | £312.98 | £320.83 | £323.10 | £330.03 | £335.96 | £335.82 | £338.43 | £345.98 | £351.81 | £351.37 |
| **Couple pensioner** | | | | | | | | | | | |
| In current | £201.49 | £210.66 | £222.22 | £232.74 | £231.48 | £241.25 | £262.76 | £264.04 | £267.39 | £274.99 | £301.92 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| year prices | | | | | | | | | | | |
| Inflation adjusted to 2018 prices | £251.86 | £257.20 | £261.58 | £262.20 | £253.18 | £257.69 | £275.62 | £277.52 | £280.20 | £280.60 | £301.92 |
| **Couple with two children** | | | | | | | | | | | |
| In current year prices | £370.05 | £386.96 | £402.83 | £424.65 | £454.52 | £471.16 | £482.29 | £484.48 | £455.90 | £467.75 | £479.59 |
| Inflation adjusted to 2018 prices | £462.56 | £472.45 | £474.19 | £478.42 | £497.13 | £503.27 | £505.90 | £509.22 | £477.74 | £477.29 | £479.59 |
| **Lone parent** | | | | | | | | | | | |
| In current year prices | £353.37 | £360.78 | £363.61 | £367.16 | £395.93 | £400.72 | £402.13 | £403.75 | £390.04 | £388.87 | £389.98 |
| Inflation adjusted to 2018 prices | £282.69 | £295.49 | £308.90 | £325.90 | £361.99 | £375.15 | £383.36 | £384.14 | £372.21 | £381.09 | £389.98 |

**Table 4: MIS relative to median income, after housing costs, 2008/09–2016/17 (latest year data available)**

| | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|---|---|---|---|---|---|---|---|---|---|
| **Single, working age** | 72.2% | 73.5% | 77.3% | 79.5% | 81.4% | 79.4% | 74.9% | 73.8% | 73.8% |
| **Couple, working age** | 66.2% | 67.5% | 71.1% | 73.3% | 75.5% | 75.6% | 73.2% | 72.8% | 73.2% |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Single pensioner** | 58.8% | 60.2% | 63.4% | 64.5% | 65.5% | 68.6% | 69.3% | 68.4% | 68.0% |
| **Couple pensioner** | 53.2% | 54.0% | 56.5% | 56.4% | 56.3% | 58.5% | 58.7% | 57.9% | 57.4% |
| **Lone parent with two children** | 79.0% | 79.7% | 83.2% | 88.6% | 93.5% | 93.3% | 90.2% | 86.7% | 84.3% |
| **Couple with two children** | 73.3% | 73.8% | 76.8% | 79.8% | 82.4% | 82.3% | 79.7% | 75.6% | 72.5% |

**Table 5: Benefits relative to MIS – 2018 calculation**

| | Single, working age | Couple, working age | Single pensioner | Couple pensioner | Lone parent, children aged 4 and 7 | Couple, children aged 4 and 7 |
|---|---|---|---|---|---|---|
| **MIS budget, excluding rent, childcare and Council Tax** | £197.08 | £329.34 | £179.39 | £279.88 | £370.7 | £453.89 |
| **Safety-net income*** | £65.24 | £105.35 | £166.84 | £252.64 | £220.73 | £261.19 |
| **Income as percentage of budget** | 33.1% | 32.0% | 93.0% | 90.3% | 59.5% | 57.5% |

Note: *Includes: IS/JSA plus Child Tax Credit plus Child Benefit for working-age adults; Pension Credit plus winter fuel allowance for pensioners. From this amount we subtract amounts that working-age households are assumed to contribute to rent and Council Tax costs, not covered in Housing Benefit/Council Tax Support. In 2018 this is assumed to be 5% of rent for households without children (based on private renting: since the link between Local Housing Allowance (LHA) and local rents was broken, LHA limits have risen 5% slower than average rents. For Council Tax (all working-age households), contribution is assumed to be 20%, based on the median local authority rate.

**Table 6: Benefits relative to MIS – MIS as a percentage of benefit income, 2008–2018**

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Single, working age** | 41.8% | 42.3% | 40.5% | 39.5% | 39.8% | 37.9% | 39.5% | 39.7% | 37.6% | 35.1% | 33.1% |
| **Couple, working age** | 41.8% | 42.4% | 40.5% | 39.5% | 39.4% | 37.6% | 37.3% | 37.5% | 35.5% | 33.3% | 32.0% |
| **Single pensioner** | 107.8% | 107.2% | 102.2% | 100.4% | 101.5% | 99.0% | 90.8% | 92.2% | 93.3% | 92.9% | 93.0% |
| **Couple pensioner** | 105.2% | 105.1% | 101.3% | 99.7% | 104.4% | 101.8% | 94.7% | 96.0% | 97.7% | 97.3% | 90.3% |
| **Lone parent with children aged 4 and 7** | 68.2% | 69.3% | 67.6% | 67.7% | 63.2% | 61.1% | 60.4% | 60.9% | 62.6% | 60.4% | 59.5% |
| **Couple with children aged 4 and 7** | 62.0% | 63.0% | 61.7% | 61.6% | 59.9% | 57.8% | 57.0% | 57.3% | 60.8% | 58.4% | 57.5% |

**Table 7: Disposable income relative to MIS, working full time on NMW or NLW – 2018 calculation**

| | Single, working age | Couple with two children, primary and preschool age, supported by tax credits | Couple with two children supported by Universal Credit | Lone parent with two children supported by tax credits | Lone parent with two children, supported by Universal Credit |
|---|---|---|---|---|---|
| **MIS weekly budget (including rent, childcare and Council Tax)** | £304.71 | £772.61 | £772.61 | £683.02 | £683.02 |
| **Annual earnings requirement** | £18,616 | £19,996 | £17,307 | £35,216 | £29,655 |
| **Hourly earnings requirement** | £9.52 | £10.23 | £8.85 | £18.01 | £15.17 |
| **Disposable income on NLW*** | £156.92 | £405.39 | £434.64 | £296.89 | £301.49 |
| **MIS budget after rent, Council Tax and childcare** | £197.08 | £453.89 | £453.89 | £370.71 | £370.71 |
| **Disposable income as percentage of MIS** | 79.6% | 89.3% | 95.8% | 80.1% | 81.3% |

Note: *disposable income definitions: see note to Fig 17.

**Table 8: Disposable income as a percentage of MIS, 2008–2018, working full time on NMW/NLW**

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Single** | 84.5% | 82.9% | 78.5% | 74.9% | 72.2% | 70.0% | 69.2% | 70.4% | 77.0% | 77.7% | 79.6% |
| **Couple with two children aged 4 and 7 (both parents working)** | 92.6% | 91.3% | 89.4% | 82.5% | 84.5% | 83.0% | 81.6% | 83.7% | 88.0% | 86.8% | 89.3% |
| **Lone parent with two children aged 4 and 7** | 96.5% | 89.7% | 96.5% | 94.1% | 90.4% | 87.6% | 86.6% | 87.2% | 84.4% | 81.6% | 80.1% |

**Table 9: Disposable income relative to MIS of working families earning NMW/NLW where one person does not work full time, 2008–2018**

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

Note: income as a percentage of MIS, with pre- and primary school child, if no paid childcare.

**Table 10: Annual earnings required to reach MIS, working full time and paying for childcare**

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Single** | £13,450 | £13,859 | £14,436 | £15,000 | £16,383 | £16,852 | £17,072 | £17,102 | £17,311 | £17,934 | £18,390 |
| **Couple with two children aged 4 and 7 (combined earnings of both parents)** | £27,792 | £27,940 | £29,727 | £36,800 | £36,728 | £38,759 | £40,573 | £40,047 | £37,812 | £40,762 | £39,992 |
| **Lone parent with two children aged 4 and 7** | [not calculated] | £18,328 | £18,781 | £26,211 | £28,246 | £30,664 | £32,343 | £32,109 | £33,390 | £35,724 | £35,216 |

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