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Households below a Minimum Income Standard: 2009/09 to 2015/16

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Households below a Minimum Income Standard: 2008/09 - 2015/16

by Matt Padley, Laura Valadez Martinez and Donald Hirsch

This is the sixth in a series of reports monitoring the number of people in the UK living below an adequate standard of living. It focuses in particular on three demographic groups – children, working-age adults and pensioners – exploring how they have fared between 2008/09 and 2015/16.

JRF JOSEPH ROWNTREE FOUNDATION

INSPIRING SOCIAL CHANGE

Households below a Minimum Income Standard: 2008/09–2015/16

Matt Padley, Laura Valadez Martinez and Donald Hirsch

This report looks at changes in the adequacy of incomes, as measured by individuals' ability to reach the Minimum Income Standard (MIS), a measure rooted in what members of the public consider is needed for a minimum socially acceptable standard of living. This is the sixth in a series of reports monitoring the total number of individuals in the UK living below the MIS threshold, and looking in detail at the family and household characteristics of those below this threshold. This report focuses in particular on three demographic groups – children, working-age adults and pensioners – exploring how they have fared between 2008/09 and 2015/16.

Actions

- As the cost of achieving a minimum standard of living increases with inflation, the Government must ensure that Universal Credit and other support for families is uprated at least in line with prices, ending the benefits freeze.
- The Government must allow families receiving in-work benefits to keep more of what they earn, so that increases in the National Living Wage are not clawed back through reductions in Universal Credit and other support.
- As pensioner costs also increase, pensioner benefits should continue to be uprated at least in line with prices, and should continue to keep pace with increases in earnings over the long term.

We can solve UK poverty

JRF is working with governments, businesses, communities, charities and individuals to solve UK poverty. *Households below a Minimum Income Standard: 2008/09–2015/16* plays an important part in monitoring costs and living standards – a key focus of our strategy to solve UK poverty.

November 2017
www.jrf.org.uk

Contents

	Executive summary	1
1	Introduction	2
2	Who is most likely to have an income below MIS?	7
3	Trends in the likelihood of having a low income – comparing MIS and relative income indicators	14
4	Household characteristics affecting the likelihood of having an income below MIS	19
5	Employment status and low income	31
6	Conclusions	37
	References	38
	About the authors	39

Executive summary

Key points

- The Minimum Income Standard (MIS) is a benchmark of income adequacy, rooted in what members of the public think is needed for a minimum socially acceptable standard of living. This report looks at the proportion of individuals who fall below this benchmark, and at those with incomes below 75% of MIS. People with incomes below 75% of MIS face a greatly increased likelihood of deprivation compared with those whose incomes are above the MIS benchmark.
- In 2015/16, 30% of all individuals were in households with incomes below MIS, an increase of just over a fifth since 2008/09. The number of people below MIS increased from 15.6 to 18.9 million, representing 3.4 million more people with household incomes insufficient to afford the things that the public thinks you need to meet material needs and participate in society.
- Over the same seven-year period, the proportion of people with household incomes below 75% of MIS rose from 15% to 17%, and their numbers rose from 9 million to 11 million. This represents around 2 million more individuals whose incomes are well below what is needed, and who face a greatly increased likelihood of being materially deprived.
- The proportion of individuals with a household income below MIS varies greatly by demographic group: 44% of children, 29% of working-age adults and 15% of pensioners.
- All three of these groups have seen substantial increases in the proportion below this level since 2008/09 – by between 4 and 5 percentage points up to 2015/16.
- In the later part of this period, after 2013/14, the overall likelihood of being below MIS fell. This was a period when real earnings were growing, but they have stopped doing so since the most recent household income data for 2015/16 (analysed here).
- In contrast to other groups, pensioners became more likely to fall below MIS and below 75% of MIS between 2013/14 and 2015/16. In particular, single pensioners' costs increased substantially, by more than their incomes.

This report makes estimates of the proportion of individuals living in a household with an income below MIS for the entire UK population. It also makes similar estimates for the proportion living below 75% of MIS; a household at this level is around four times as likely to experience deprivation as a household with an income at or above MIS level.

1 Introduction

This report considers how many people were living in households with less than the income required for a minimum socially acceptable standard of living, as measured by the Minimum Income Standard (MIS), in 2015/16 and in each of the seven previous years. While average incomes fell in real terms in the early part of the decade, they rose significantly between 2013/14 and 2015/16. Median household incomes grew by 5% in real terms over this period. This growth was helped by a reversal in the trend in average earnings, which had fallen more or less continuously between early 2009 and early 2014, but then rose over the next two years. This was also a period when prices were stable, and therefore the freeze in benefits and tax credits was not yet affecting real incomes. From early 2016, on the other hand, earnings stopped growing in real terms, and inflation returned later that year, meaning that frozen benefits started falling in value. Over this later period, a number of cuts in benefits announced after the 2015 election also started to take effect.

This report uses the latest available household income data (Department for Work and Pensions, 2017) to take stock of what happened to incomes in the middle of this decade, during two years of relatively favourable conditions that have since become less favourable. It shows that for working-age families over that two-year period, the previous years' increase in the likelihood of being below a minimum income was partially reversed, but that this remained substantially higher than in 2008. Subsequent cuts in support, particularly for families with children, may already be reversing this small improvement.

In this context, the political promise of helping 'just about managing' families remains a huge challenge. MIS helps track progress in fulfilling this promise. It provides a more tangible benchmark than the relative income indicator of poverty, which counts the number of people living in households with incomes below 60% of the median. An increase in the median between 2013/14 and 2015/16 contributed to a rise of 800,000 in the number of individuals classified as being 'in poverty', which had previously fallen by over a million due to a falling median income (Department for Work and Pensions, 2017). It is significant that these trends are the reverse of what is shown overall by the number of people living in households with incomes below the MIS threshold. During and after the 2009 recession, benefit levels were maintained while general incomes were falling; this led to a reduction in the numbers in relative poverty without anyone becoming better off. More recently, while rising general incomes made some low-income households better off, for others, income stagnated, making them more likely to fall below a rising median, even if they became no worse off. In circumstances such as these, the tangible benchmark provided by MIS provides a reality check – is an increase in the proportion of people in poverty, caused mainly by a rising poverty line, echoed in an increase in the proportion of people with too little income to afford a socially defined minimum basket of goods and services?

This year's report considers both the overall number of people below MIS and how many fall well below this level (having less than 75% of MIS), risking serious hardship and deprivation. The remainder of this chapter provides further context through which to make sense of and interpret the results presented here. It does this first by explaining what MIS represents, and second by considering the direct experience of people living below MIS and below 75% of MIS.

Box 1: How the Minimum Income Standard measures the income required for an acceptable standard of living

The Minimum Income Standard (MIS) is the income that people need in order to reach a minimum socially acceptable standard of living in the United Kingdom 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. The research entails a sequence of detailed deliberations by groups of members of the public, informed by expert knowledge where needed. The groups work to the following definition:

'A minimum standard of living in the UK today includes, but is more than just, food, clothes and shelter. It is about having what you need in order to have the opportunities and choices necessary to participate in society.'

MIS distinguishes between the needs of different family types. It considers directly the needs of 'nuclear' families and childless adults: that is, households that comprise a single adult or a couple, with or without dependent children. However, for the purposes of estimating the total number of people below MIS in the population, a set of assumptions about the income requirements of other households has been devised, using the MIS results as a starting point (Hirsch et al, 2016). The analysis of numbers below MIS also uses rolling averages of annually adjusted income benchmarks to compare to MIS, to ensure that changes in requirements identified when the research is refreshed for each household type every four years are introduced gradually, avoiding artificially reporting a sudden change.

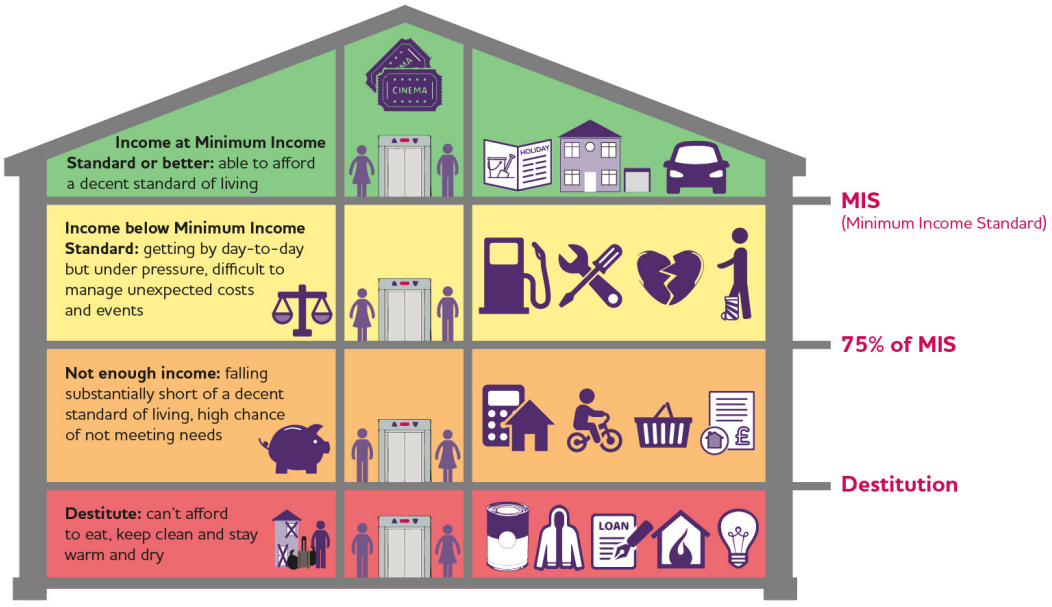
The MIS research is funded and supported by the Joseph Rowntree Foundation (JRF) and carried out by the Centre for Research in Social Policy (CRSP) at Loughborough University. It has produced annual updates since 2008. MIS was originally developed in partnership with the Family Budget Unit at the University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

Further information and publications related to MIS are available at: www.minimumincomestandard.org

The living standards of people with incomes below MIS: concepts and evidence from lived experience

Terms such as 'in poverty', 'deprived' and 'just about managing' are used in different contexts to describe people on low income, without always being clear what they denote. The analysis and reporting of households with incomes below MIS can be interpreted in the context of distinctions adopted by JRF, and illustrated in simplified form in Figure 1.

Figure 1: JRF representation of income levels, relative to MIS



In this conception of low income, people require an income above MIS to meet all of their needs. Living somewhat below this level may not cause immediate hardship, but creates daily pressures in 'getting by'. It corresponds most closely to the concept of 'just about managing', since it allows material needs to be met, but also requires people to live constrained lives, without the opportunities and choices needed to participate fully in society.

Those living well below MIS are more likely to suffer material hardship and serious financial problems such as going into debt. The threshold of 75% of MIS corresponds approximately to the current UK government poverty line, which is based on 60% of median income. People with an income of less than 75% of MIS are four times as likely to experience some form of deprivation as those with a MIS-level income or above (Hirsch et al, 2016). 'Deprivation' here refers to being unable to afford some things deemed essential by most people; this ranges from material essentials, such as a warm home, to those considered socially important, such as the ability to celebrate special occasions. The more severe, bottom layer of 'destitution' is not measurable through income expressed as a percentage of MIS.

Ongoing research exploring the experiences of households whose incomes are between 50% and 90% of MIS and who have children helps to illustrate what it means not to reach MIS. An initial study (Hill et al, 2016) interviewed 30 families and distinguished between those who 'get by' and others who find it 'hard to keep afloat'.

Those who are getting by embody the concept of 'just managing'. They are working hard to keep up with bills and avoid debt, budgeting within tight constraints. They may have limited leeway if something goes wrong, and may find themselves having to rely on support from their wider family in order to make ends meet and provide things that they otherwise could not afford from their budget. They included:

- parents who report spending hours every week just thinking about money, budgeting and looking for deals in order to make the family finances add up
- a mother describing how wearing it can be to find free and cheap activities for the children, spending hours in the park to stop the kids getting bored in the house during the holidays; she noted that it would be nice "just not having to think in the back of your mind, 'oh I'd like to go to the cinema', but not having to wait until a pound showing comes on"
- children who were only able to take part in activities and clubs if grandparents paid.

Those who find it hard to keep afloat constantly have to juggle inadequate financial resources, often making material sacrifices. These families may find it hard to avoid getting behind with bills or incurring debt, with repayments increasing the pressure on already stretched incomes. They included:

- a mother who said that if a big unexpected bill came in, she would eat cereal for dinner until she'd paid it off
- parents worrying about their children feeling left out because they could not afford to send them on a school trip
- a father reluctantly borrowing money from his parents to meet basic living costs, saying he had to swallow his pride to provide for his family
- a mother who rarely bought new clothes for herself, and instead had to rely on hand-me-downs from friends
- a family that had to rely on the microwave and hob for six months because they could not afford to replace a broken oven
- parents describing the "daily grind of being broke" without any let-up or breathing space: constant worrying about the next bill affecting their sleep, their appetite and their mental resilience.

Typically, families in the study whose incomes were less than 75% of the MIS budget were more likely to find it hard to keep afloat, rather than getting by. However, income levels do not fully predict these outcomes. As well as personal circumstances and characteristics, a crucial factor emerging from this research is the availability or otherwise of help from family or friends, including significant financial contributions from extended family to help meet a shortfall, as well as informal help such as with childcare. Some people on low incomes are able to manage because of such support; others for whom it is not available can suffer hardship or incur debt.

Following the initial research in 2015, 20 of the families who took part in this study are being tracked to capture their experiences over time. Initial follow-up interviews have taken place in 2017. Three themes emerging from current experiences of low-income families include:

- **parents facing high levels of uncertainty, and seeking stability:** one family had run into difficulties when the father lost his job during the mother's maternity leave. They had only coped with the loss of income by running up credit card debts and relying on family support: for example, by spending time at relatives' houses in order to save money on heating their own house and buying food. Now they are both working again, but as they struggle to clear past debts, they still feel scarred by the experience and the vulnerability that it revealed: "I don't think that any job is secure really", says the mother.

  Another family, with three young children, are living on a "knife edge" to survive on out-of-work benefits while the father looks for work. They budget very carefully, but feel vulnerable to any change in circumstances. A key issue at present is the fear that their income will be interrupted when they are moved onto Universal Credit (UC), due to delays receiving the first payment. One concern is that should the husband get a job, the work will be temporary and sporadic, precipitating the move onto UC, and creating greater problems than remaining on a lower, but stable, income. The mother said:

  "The thought of going on to Universal Credit, it worries me so much. Because they leave you, oh I have heard horror stories, they leave you like eight weeks with no money. Oh I just couldn't cope with it."

- **a shifting trade-off for parents between time spent working and time spent with family:** parents on low incomes commonly experience changes in their work status, moving in and out of work and having shifting hours. In doing so, they note trade-offs between income and time with their family. Some of these are voluntary: a lone parent with a primary school aged child chose to reduce her hours because juggling commitments and meeting childcare needs was becoming more difficult. The disadvantages of a loss of income and the need to be more careful with spending were significant for her living standard, but she felt these disadvantages were outweighed by a better work-life balance. This is particularly in relation to the effects on her daughter, who she says is "glowing" because she is able to pick her up from school more regularly. For another lone parent, a change in work situation was an imposed rather than voluntary course of action after she was made redundant, but although she had to take on a lower-paid job, this had the advantage of being close to her home. While she, too, greatly appreciates the extra family time, making ends meet has become a struggle. In order to cope financially, she has taken in a lodger, which makes her feel she has lost some personal space. She still feels like she is living from "hand to mouth", but has mixed feelings about the reduced pressures of having less time away from home on the one hand, and the stresses associated with money on the other.

- **a recurring theme of the importance of family help:** a mother living with her partner and young children has received significant support from her family over the past two years, helping her to improve her situation. Her father's financial support enabled her to set up as a self-employed taxi driver, giving her the opportunity to increase her earnings and gain financial independence. Other family members are providing support in the form of childcare, meaning that she can work more hours than she did previously. This has enabled her to stop claiming tax credits and, in the last year, she has cleared her rent arrears. She feels in control, both of her work life, as she has the ability to vary her hours and earnings to meet her needs, and of her household budget, as she is now without debt and has some money to spare after years of struggling. She says:

"I have got a lot to thank my dad for, because if it wasn't for him I wouldn't be where I am now."

These experiences, which are being observed on an ongoing basis, illustrate aspects of the lives of households with incomes below MIS. Above all, they show that living below MIS is a daily struggle for the growing proportion of the UK population with incomes that prevent them from reaching this standard. They set the context for the data on income relative to MIS in the following chapters of this report.

2 Who is most likely to have an income below MIS?

This chapter looks at how the likelihood of having an income below MIS has changed in the seven-year period between 2008/09 and 2015/16. As in previous years, it examines the change in the overall likelihood of having an income below that needed for a minimum socially acceptable standard of living, but also looks at how this varies for three broad demographic groups: children, working-age adults and pensioners.

Figure 2 shows that the overall trend over the last seven years has been of a growing likelihood of inadequate income. Note that some of the figures in this report are different from those in the previous report in this series, because of improvements to estimates for complex households. Between 2008/09 and 2013/14, the proportion of all individuals in the UK with incomes below MIS increased by around one fifth, by 5.6 percentage points. Since 2013/14 the proportion of individuals below MIS has fallen back by just under a third of this increase (1.7 percentage points), to around 30% of individuals. The number of individuals below MIS reached almost 20 million in 2013/14, but for each of the two most recent years, the number with inadequate incomes has been around 19 million. The proportion of all individuals in the UK living below 75% of MIS has been between 17% and 19% since 2011/12, meaning that about 11 million individuals have had incomes below this level in each of the most recent four years.

Figure 2: Proportion of all individuals below MIS and below 75% of MIS

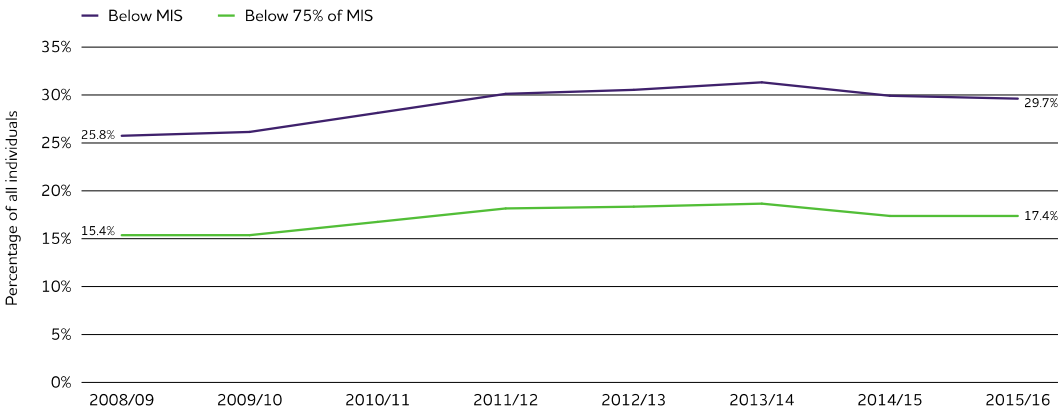


Figure 2 gives a clear indication of the overall trend with regard to income adequacy since 2008/09. While many factors influence these trends, it is worth noting that the fall in the proportion below MIS exactly coincided with an increase in real earnings, as shown in Figure 3: in both cases, the tide appeared to have turned in early 2014. This is relevant partly because earnings data are available from much more recently than household income data, and because just before the end of the latest household income survey reported here, in early 2016, average real earnings stopped rising: they have been flat and falling since then. This raises some doubt over whether the fall in the numbers below MIS up to early 2016 is currently being sustained, not least because working-age benefits and tax credits are also falling in real terms, due to the freeze in their levels at a time of rising inflation.

Figure 3: Real earnings, 2008–2017 (average regular earnings, adjusted by consumer price index (CPI): 2008 = 100)



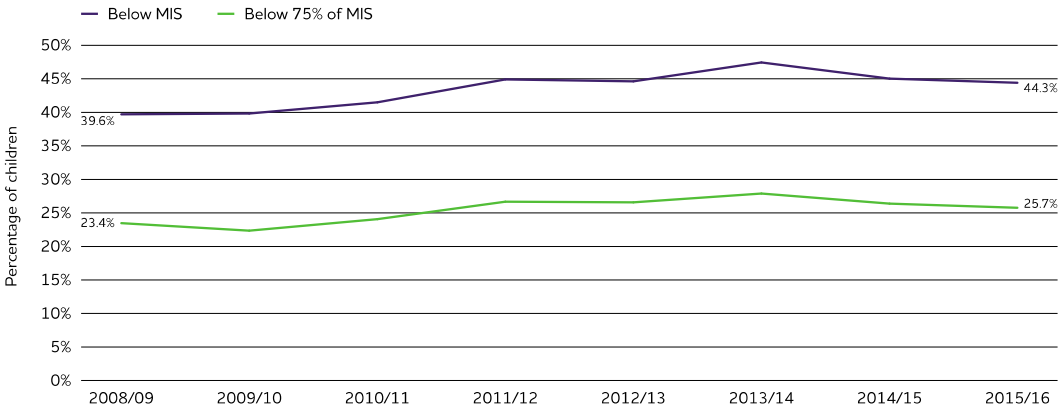
How the likelihood of being below MIS varies for children, working-age adults and pensioners

Looking at the likelihood of being below MIS for all individuals reveals the overall 'direction of travel', but hides variations in the likelihood of having an income below MIS for particular demographic groups. The likelihood of having a low income is not distributed evenly for children, working-age adults and pensioners.

The proportion of children living in households below MIS and below 75% of MIS is substantially higher than the proportion of all individuals living below these levels. In each of the seven years looked at here, the proportion of children living below MIS and below 75% of MIS has been around one and a half times that of all individuals. The proportion of children below MIS peaked at 47% in 2013/14, while the proportion below 75% of MIS was almost 28% in the same year. Between 2008/09 and 2015/16, the number of children living in families unable to reach a minimum socially acceptable standard of living increased by around 800,000, and the number below 75% of MIS increased by just over 400,000.

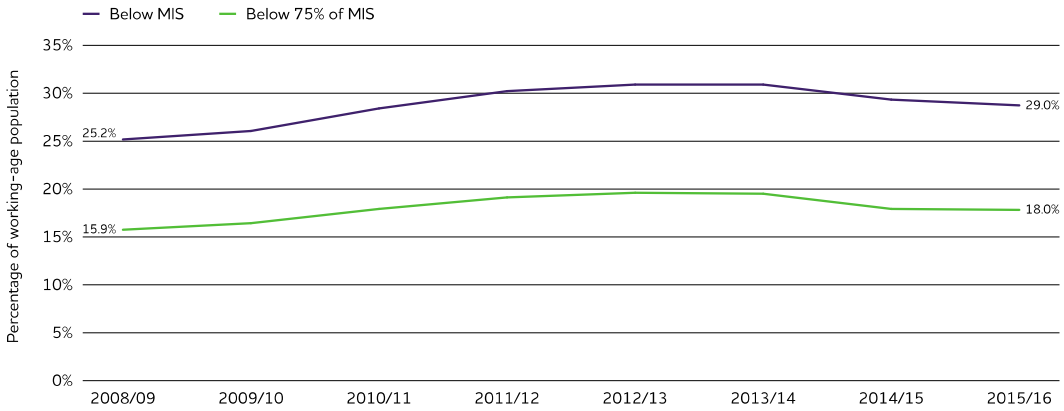
As shown in Figure 4, the proportion of children in households below MIS has increased by nearly 5 percentage points to 44% since 2008/09. Initially it increased by considerably more, to over 47%, but in the latest two years this has fallen back. Similarly, the proportion living below 75% of MIS has risen from about 23% to 26%, having previously been near to 28%. This means that in 2015/16 there were around 6 million children below MIS and 3.4 million below 75% of MIS. In 2015/16, children accounted for around a third of all individuals below MIS and below 75% of MIS, yet comprised just over a fifth of the total population.

Figure 4: Percentage of children below MIS and below 75% of MIS



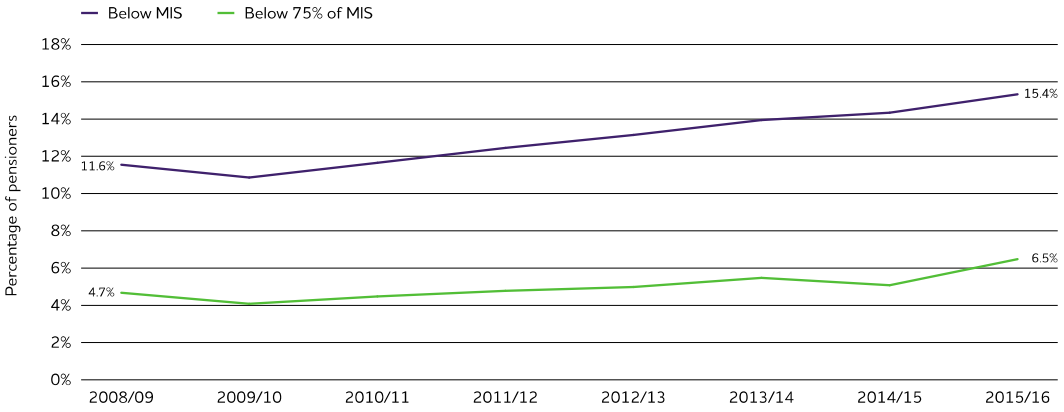
Working-age adults (Figure 5) make up the largest proportion of the overall population, and consequently their likelihood of being below MIS or below 75% of MIS over time is broadly similar to that seen for all individuals: a steep increase until 2011/12, followed by a period of relative stability until 2013/14, when the likelihood of being below MIS or below 75% of MIS began to fall. This means that in 2015/16 there were around 11.1 million working-age adults below MIS, an increase of nearly 2 million since 2008/09. The number of working-age adults below 75% of MIS has increased from 5.8 million in 2008/09 to 6.9 million in 2015/16.

Figure 5: Proportion of working-age adults below MIS and below 75% of MIS



While the proportion of pensioners with inadequate incomes is considerably lower than either working-age adults or children in households below MIS, there has been a steady increase in the proportion below MIS since 2009/10. Since this point, the proportion of pensioners below MIS (Figure 6) has increased by nearly half (from under 11% to over 15%), and over the whole seven-year period examined here, it has increased by well over a third. Unlike the proportions of working-age adults and children in households below MIS, which fell over the latest two years, the proportion of pensioners below MIS has increased steadily in each of the most recent six years, by an average of three quarters of a percentage point per year. This means that in 2015/16 there were 1.85 million pensioners below MIS, 534,000 more than in 2008/09. The number of pensioners below 75% of MIS has remained low throughout the seven-year period, but has risen from around 500,000 to nearly 800,000 – with most of the rise (from 610,000 to 790,000) in the latest year. Chapter 5 looks in more detail at these increases in the proportion of pensioners with inadequate incomes, and discusses some of the factors causing them.

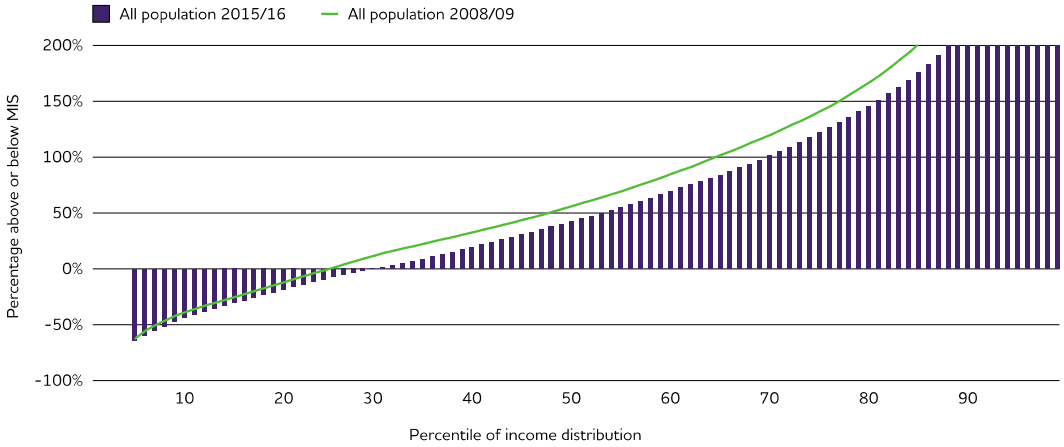
Figure 6: Proportion of pensioners below MIS and below 75% of MIS



Figures 7, 8, 9 and 10 offer an illustration of the depth of low income for these three broad demographic categories. The figures show how far above or below MIS each percentile of the population, ordered by household income as a proportion of MIS, was in 2015/16. The likelihood of having an income below MIS within each percentile is shown as a bar: so, for example, someone at the 20th percentile of the distribution, meaning that their income is lower than that of 80% of the population, had an income

around 18% below MIS in 2015/16. For comparison, the line on each figure shows the situation in 2008/09. Figure 7 sets out the overall pattern of income relative to MIS, across the distribution.

Figure 7: All individuals – household income as a proportion of household MIS requirement, 2008/09–2015/16



Notes: individuals in the 99th percentile have household incomes above 1,000% of MIS. To avoid this skew in the distribution dominating the graph's scale, incomes above twice the MIS level are not fully shown.

Results showing the very lowest incomes (at least 70% below MIS) are unreliable and these percentiles are excluded.

Figures 8–10 focus on individuals below MIS in each broad demographic group. The lines on each of these figures, indicating the distribution in 2008/09, show that every percentile of the population had higher income relative to MIS in that year compared to 2015/16. This means not only that fewer individuals in each demographic group were below MIS in 2008/09, but also that at each point in the distribution, individuals had smaller shortfalls between actual incomes and the income needed to reach MIS.

Figure 8 focuses on children in households with incomes below MIS, and shows how far below MIS these are. In 2015/16, children in households between the 4th and 9th percentile of the income distribution had incomes between 50% and 70% below MIS; children in households between the 10th and 26th percentile of the income distribution had incomes between 25% and 50% below MIS; and children in households between the 27th and 45th percentile of the income distribution had incomes between 25% below MIS and MIS. In 2008/09, not only were fewer children below MIS than in 2015/16, but also those below were in households with smaller shortfalls.

Figure 8: Children – household income below MIS as a proportion of household MIS requirement, 2008/9–2015/16

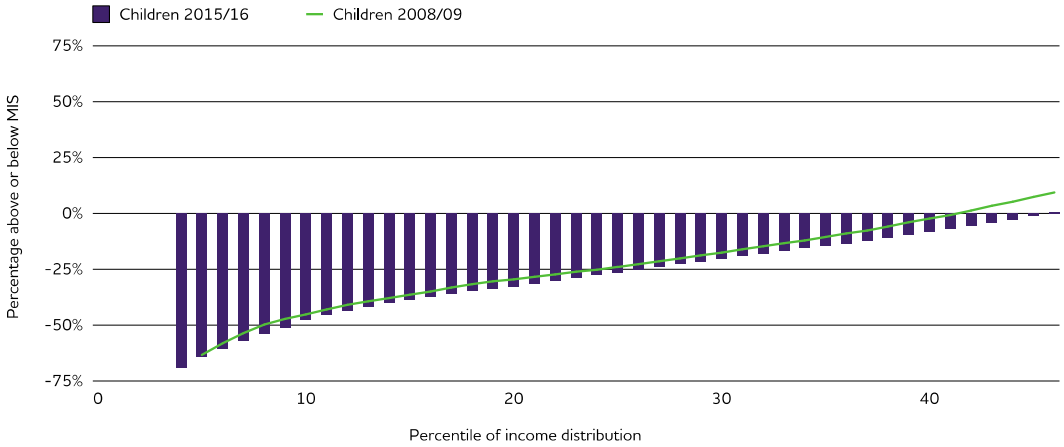


Figure 9 looks at the proportion of working-age adults with incomes below MIS and how far they are below MIS. In 2015/16, adults in households between the 5th and 9th percentiles of the income distribution had incomes between 50% and 66% below MIS; adults between the 10th and 18th percentile had incomes between 25% and 50% below MIS; while the majority of working-age adults below MIS, those in households in the 19th to 30th percentile of the income distribution, had incomes between 25% below MIS and the income required to reach MIS.

Figure 9: Working-age adults – household income below MIS as a proportion of household MIS requirement, 2015/16

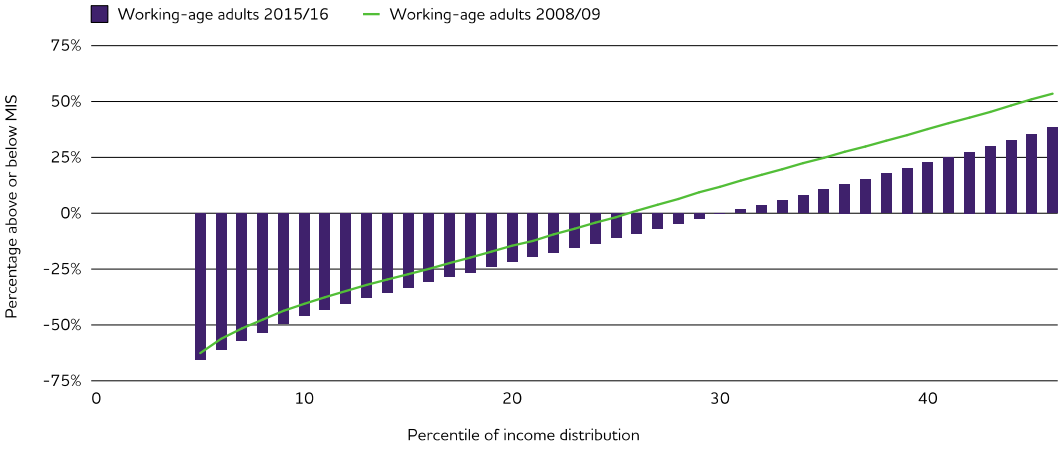
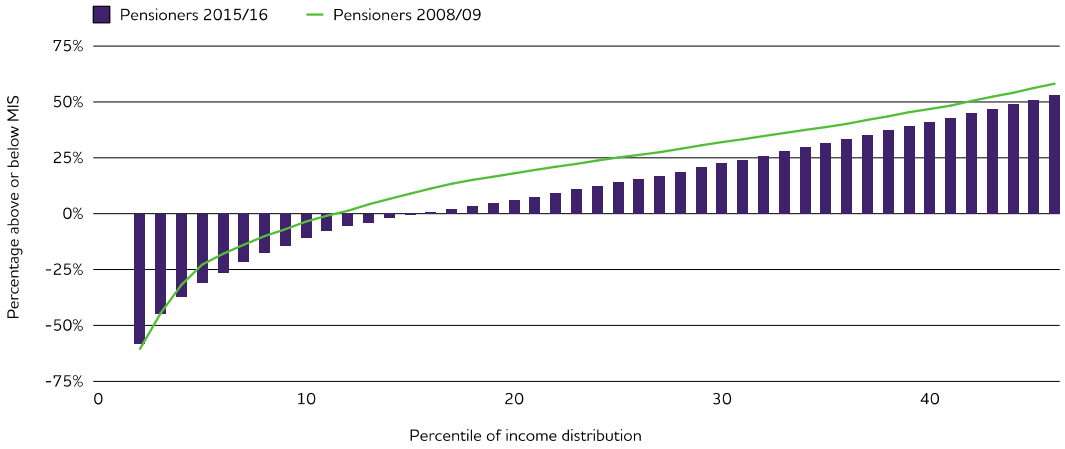


Figure 10: Pensioners – household income below MIS as a proportion of household MIS requirement, 2015/16



The preceding figures provide a clear indication of the depth of low income, but it is also possible to look at the average amount that the whole population within each demographic group falls short of MIS. In order to do this, the percentage of individuals below MIS in a given group is multiplied by the average percentage that their household's income falls short of MIS. This 'depth indicator' includes people with no shortfall between household income and MIS requirement, and captures the extent and depth of low income.

The change in this depth indicator over the seven-year period covered here is set out in Table 1. This shows that just as the likelihood of being below MIS has grown for children, working-age adults and pensioners, so too the average shortfall for those below this level has increased. For both working-age adults and children, the increase in this shortfall is small, but pensioners as a group have seen the average shortfall below MIS increase from 21% in 2008/09 to 26% in 2015/16. This means that the depth indicator for pensioners has increased by two thirds, compared to just under a third in incidence. This is proportionately a more significant increase over time than for either working-age adults or children. Nevertheless, it remains the case that not only do proportionately fewer pensioners fall short of MIS than other groups, but also pensioners below MIS are, on average, less short than other groups. This explains why the 4% overall depth indicator remains less than a third as high for pensioners as for children.

Table 1: Depth of income below MIS

	Children		Working-age adults		Pensioners	
	2008/09	2015/16	2008/09	2015/16	2008/09	2015/16
Percentage of population below MIS (incidence)	39.6%	44.3%	25.2%	29.0%	11.6%	15.4%
Average percentage that they are below MIS (shortfall)	28.3%	28.6%	29.7%	30.2%	21.0%	25.9%
Depth indicator (incidence times shortfall)	11.2%	12.7%	7.5%	8.8%	2.4%	4.0%

3 Trends in the likelihood of having a low income – comparing MIS and relative income indicators

The first part of this report has looked at the overall trends in income adequacy over the seven-year period that is the focus here, 2008/09 to 2015/16. It has set out both the proportion of individuals living in households with incomes lower than that needed in order to have a minimum socially acceptable standard of living, and also those with incomes below 75% of MIS.

Since 2013, the 'Households below a Minimum Income Standard' series has tracked the proportion of people falling below MIS, and therefore falling short of all that is needed for a minimum socially acceptable standard of living. In doing this, the series has provided an alternative monitor on living standards to the government-produced 'Households Below Average Income' (HBAI) series (Department for Work and Pensions, 2017). HBAI uses relative income indicators of poverty tied to median income, rather than to the cost of a minimum basket of goods and services. This section compares the trends shown using MIS as a benchmark, to those revealed through the use of a relative poverty line pegged to 60% of median income.

Figure 11 shows what has happened to median equivalised weekly income, both before housing costs (BHC) and after housing costs (AHC), between 2008/09 and 2015/16. The increase in household incomes that began in 2013/14 continued in 2015/16, with incomes in this latest year above those at the beginning of this period. As noted earlier, this coincides with a period of real earnings growth, which has not continued since early 2016. This increase in the median income benchmark in 2013/14 and in subsequent years also means that the relative poverty indicator has risen in each of the latest two years.

Figure 11: Median equivalised income, CPI-adjusted, 2008/09–2015/16 (index, 2008/09 = 100)

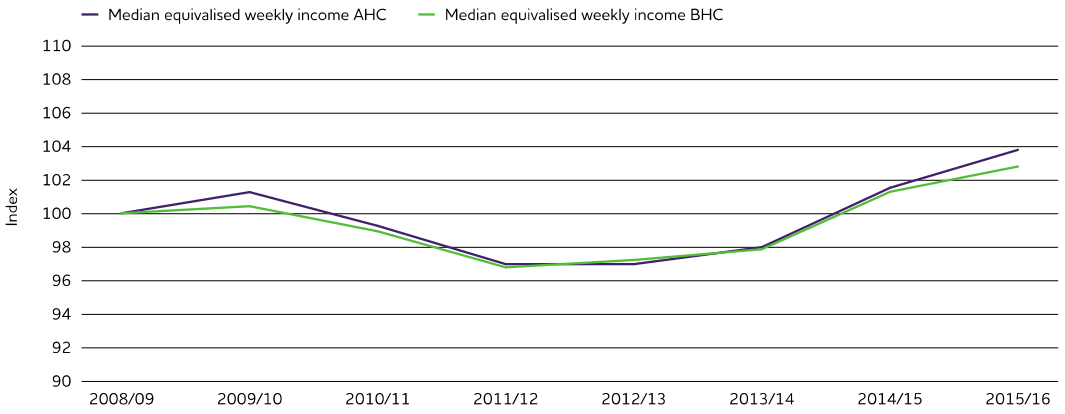
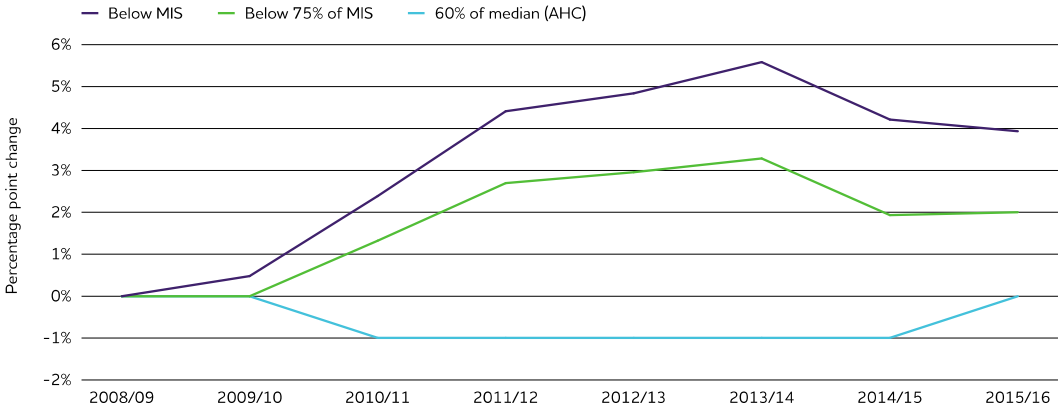


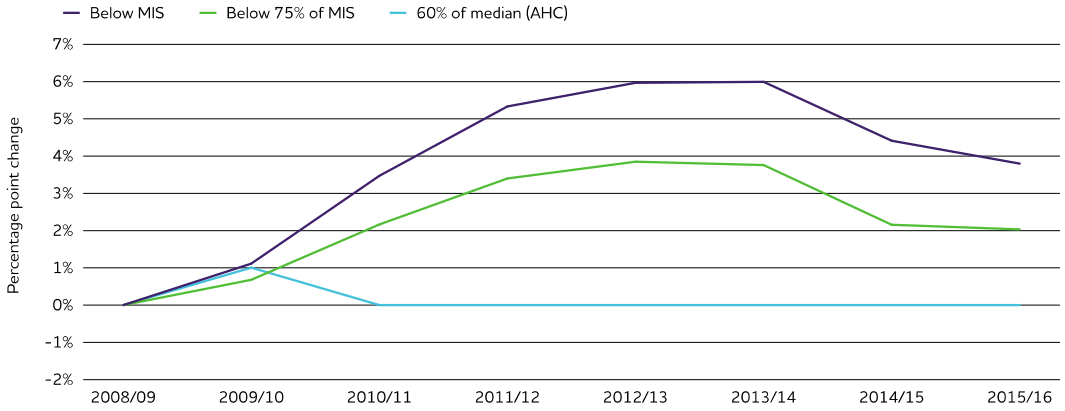
Figure 12 looks at two MIS thresholds – 'below MIS' and 'below 75% of MIS' – comparing these to the relative income indicator of poverty over the seven years between 2008/09 and 2015/16 for all individuals. In each case, income is net of housing costs. Over the seven-year period, there is an obvious contrast between the two MIS indicators – which show an overall increase in the number of individuals with inadequate incomes (below MIS) and with a greater likelihood of being in poverty (indicated by the 'below 75% of MIS' threshold) – and the relative poverty indicator, which has shown a reduction in poverty followed by a return to the level seen in 2008/09. In the latest year, the proportion of all individuals below 60% of median income has seen a small increase – a product of a higher relative poverty threshold, driven by fluctuations in median income – but these two sets of alternative indicators still show different trends over the seven-year period explored here.

Figure 12: Comparison of MIS and relative income indicators, all individuals; percentage point change in population falling below various thresholds since 2008/09



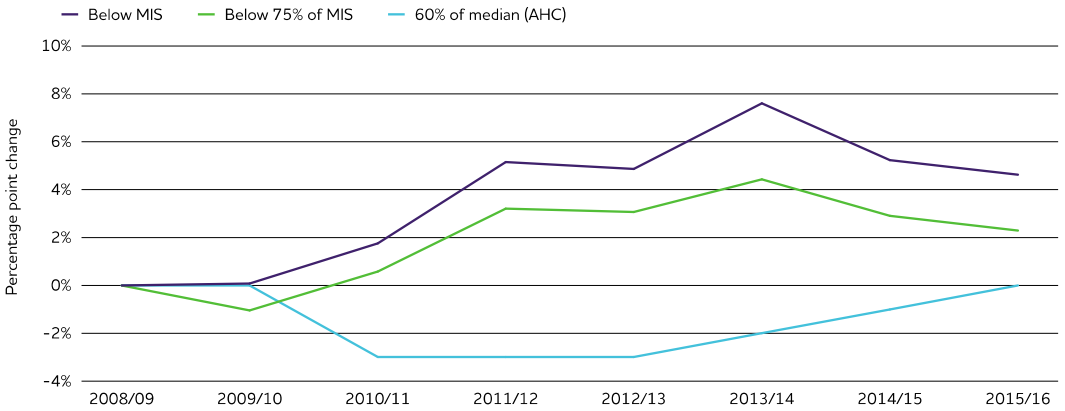
A similar pattern can be seen in Figure 13 for children. The relative poverty indicator shows that the proportion of children living in poverty in 2015/16 has increased in recent years, returning to the level it was in 2008/09, but in the intervening years it showed a reduction in child poverty levels that runs counter to MIS indicators. The increase in the relative poverty indicator for children is likely to be a consequence of the upward movement in the poverty indicator, due to increases in median income and the continued sluggishness of incomes in low-income households.

Figure 13: Comparison of MIS and relative income indicators, children; percentage point change in population falling below various thresholds since 2008/09



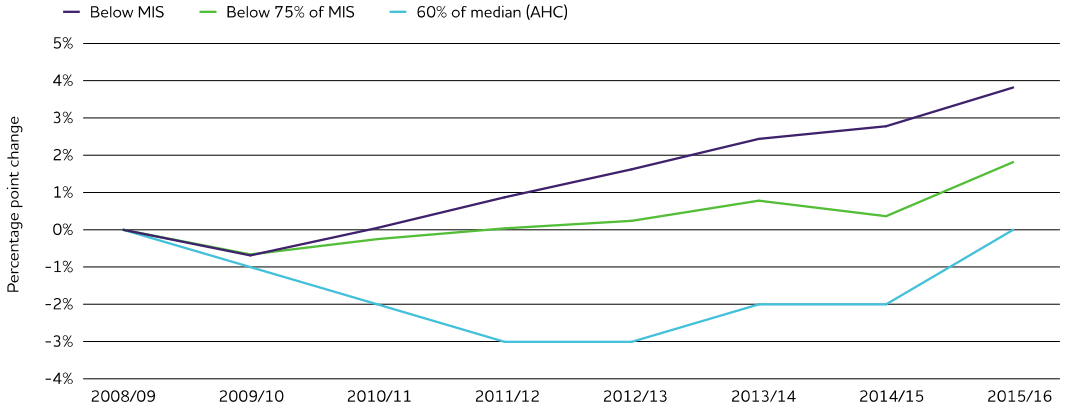
The relative income indicator for working-age adults, Figure 14, shows a long period of stability in the proportion defined as being 'in poverty'. Looking at the 'below MIS' and 'below 75% of MIS' indicators, however, shows increasing levels of inadequate income until 2013/14, followed by the smaller decrease in the past two years referred to earlier.

Figure 14: Comparison of MIS and relative income indicators, working-age adults; percentage point change in population falling below various thresholds since 2008/09



Of all the patterns revealed through a comparison of MIS-based and relative income indicators, pensioners show the clearest contrast. The 'below MIS' and 'below 75% of MIS' indicators show clearly that a steadily growing proportion of pensioners have had incomes below this level since 2009/10. In contrast, until the latest year, the relative income indicator suggests that pensioner poverty fell significantly throughout most of the past seven years; it is only in 2015/16 that pensioner poverty numbers were back at their 2008/09 level. The likelihood of being below MIS, or below 60% of the median, remains relatively low for pensioners. However, as noted in Chapter 2, while children and working-age adults have seen small falls in the likelihood of being in a low-income household over the last few years, the proportion of pensioners with inadequate income has continued to rise.

Figure 15: Comparison of MIS and relative income indicators, pensioners; percentage point change in population falling below various thresholds since 2008/09



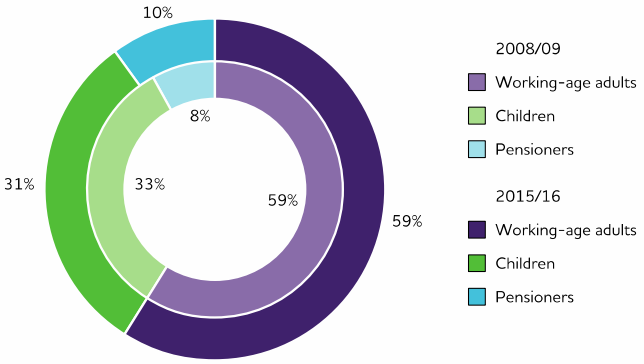
Comparing trends in relative income and MIS indicators shows that these continue to tell different stories about what has been happening to living standards over the last seven years. In the broadest terms, relative income indicators suggest a period in which living standards have not changed significantly for each for these three demographic groups, while MIS indicators show deterioration in household incomes relative to what is required for a minimum socially acceptable standard of living. In other words, MIS indicators point to the difficulties facing a sizeable proportion of the population in reaching a minimum living standard, while relative income indicators report little significant change.

This difference can be explained, in part, by the basis for each indicator. The relative income indicator of poverty is tied to what is happening to household incomes, so in a period when incomes have been first falling and then largely stagnant, a relative income indicator reports little change in the numbers in

poverty. On the other hand, the 'below MIS' and 'below 75% of MIS' indicators vary according to ongoing research on the composition and price of a minimum basket of goods and services, and therefore are influenced both by what is happening to the cost of living, and by changes in social norms over time. This means that while more recently inflation has been very low, over the seven-year period analysed here, the cost of a minimum basket of goods and services has increased at a greater rate than household incomes. Consequently, household incomes have become less adequate, meaning more individuals have incomes below MIS in 2015/16 compared to 2008/09.

As well as comparing the proportion falling below these different income indicators, it is also possible, and useful, to look at what these indicators show about the composition of those with low incomes. Figures 16, 17 and 18 set out how those below MIS, below 75% of MIS and below 60% of the contemporary median were composed in 2008/09 and in 2015/16. Although the likelihood of being below MIS and below 75% of MIS has increased for all groups since 2008/09, there has been little change in the make-up of these groups. Of those both below MIS and below 75% of MIS, working-age adults account for around 60%, children around a third, with pensioners making up the remainder. There have been some small changes in composition between 2008/09 and 2015/16, with an increasing proportion of those below MIS and below 75% of MIS being pensioners, with a small reduction in the proportion made up by children. Nevertheless, pensioners remain a smaller proportion of the population below MIS than of the population below 60% of median income. This is explained by the fact that pensioner MIS budgets remain somewhat lower than their working-age equivalents (partly because they do not have to spend on certain items like bus travel and prescriptions, which are free to pensioners), whereas the relative income measure compares income with the same thresholds for pensioners as non-pensioners.

Figure 16: Composition of individuals below MIS, 2008/09 and 2015/16



:008/09 and 2015/16

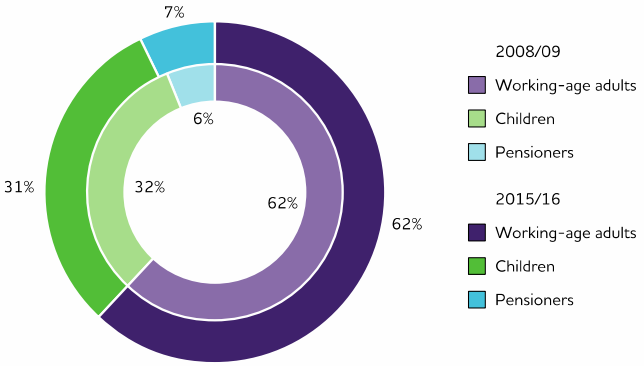
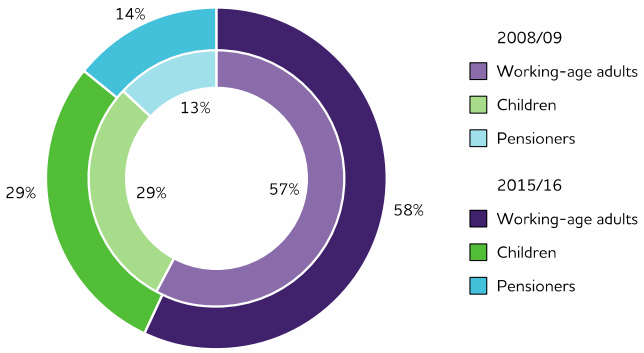


Figure 18: Composition of individuals below 60% of contemporary median income, 2008/09 and 2015/16

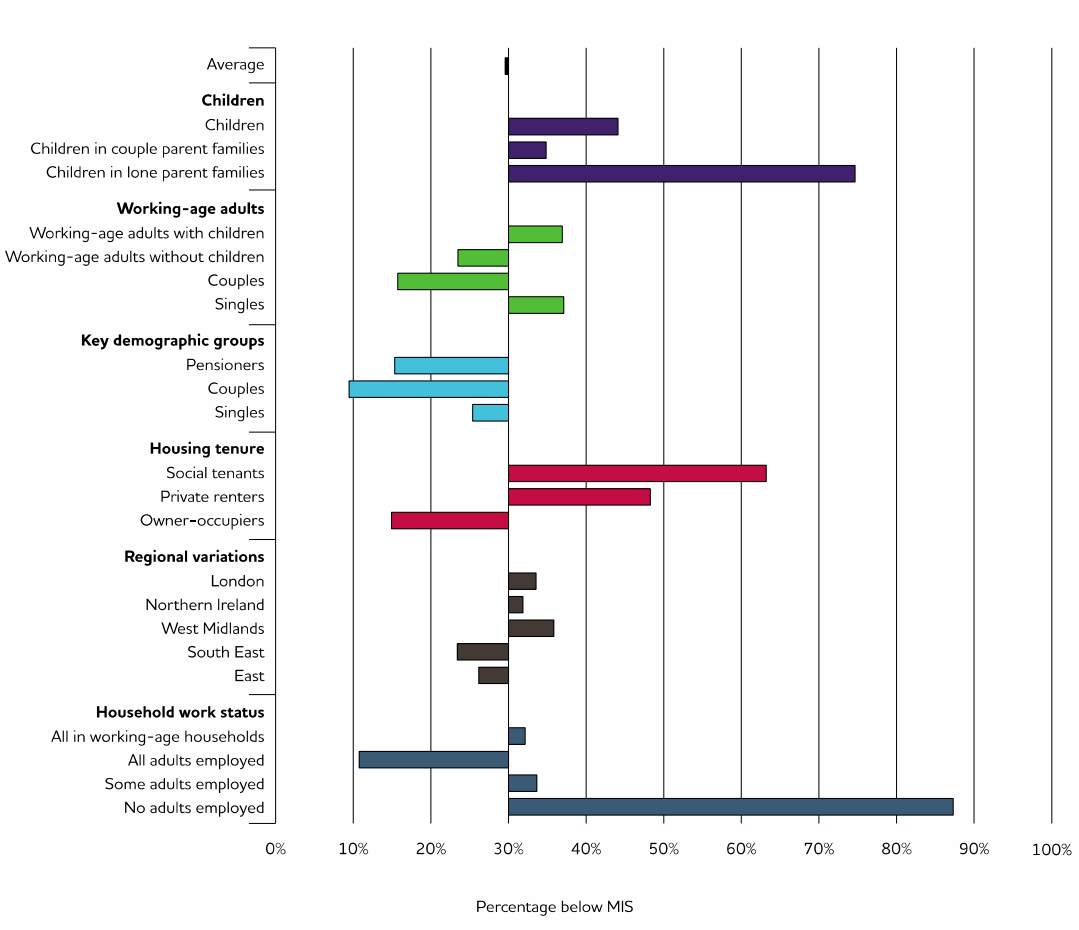


4 Household characteristics affecting the likelihood of having an income below MIS

This section looks in more detail at the interaction between household characteristics and the likelihood of not having the income necessary to achieve a minimum socially acceptable standard of living. The analysis explores the likelihood of having an income below MIS and below 75% of MIS faced by children, working-age adults and pensioners, taking into account family type and household composition.

This chapter also looks at the differences in the likelihood of having an income below a minimum socially acceptable standard according to region and housing tenure. Figure 19 summarises how some individuals face a greater likelihood of falling below MIS, influenced by their demographic and other characteristics. This gives an overview of how family composition, housing, region, and employment are associated with having an inadequate income. The remainder of this chapter looks at these characteristics in more detail.

Figure 19: Overview of the likelihood of falling below MIS for different groups, relative to the average



Children

Figure 20 reveals the striking association between family composition and the likelihood of children living in households with incomes below MIS. The proportion of children living in lone parent families with incomes below MIS is more than double that of children living in couple parent families. The most recent figures indicate that 75% of children living in lone parent families are growing up without sufficient

income to achieve a socially acceptable standard of living, compared to 35% of children living in couple parent families. However, a greater number of children below MIS live in couple parent families: 3.6 million, compared to 2.3 million in lone parent families.

Figure 20: Proportion of children below MIS by family type

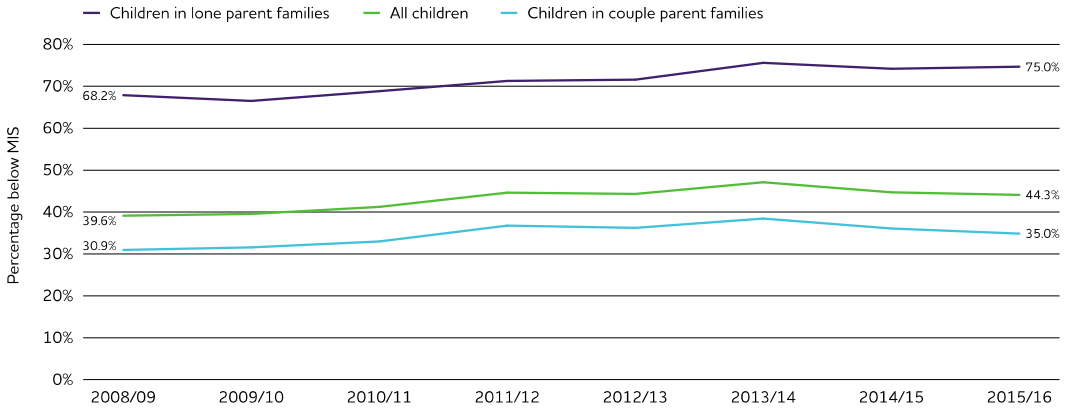
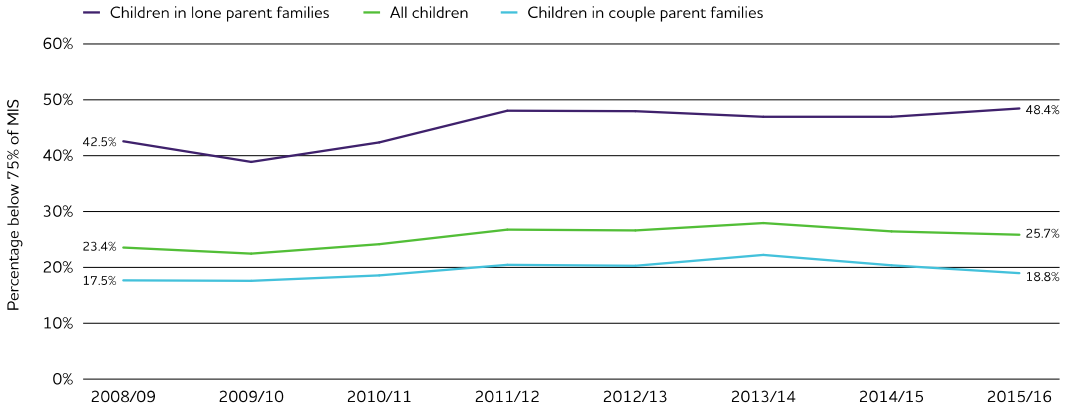


Figure 21 makes clear the differences in the likelihood of having an income below 75% of MIS between children in lone parent families and children in couple parent families. Half of children living in lone parent families are growing up with incomes below 75% of MIS, compared to one in every five children living in couple parent families.

Figure 21: Proportion of children below 75% of MIS by family type



During the seven-year period covered by this report, the likelihood of living in a household on a low income has grown for all children. The proportion of children in lone parent families below MIS has increased from 68% to 75%, and the proportion of children in couple parent families has increased from 31% to 35%. When looking at children living in households below 75% of MIS, things have got worse for those living in lone parent families in particular, with an increase from 43% to 48% over this period, compared to only a small increase, from 18% to 19%, for children in couple parent families. These trends can be explained largely by stagnating real earnings (illustrated in Figure 3), combined with cuts in the real level of working-age benefits and tax credits. On the one hand, since 2013, wages have started to increase, but on the other, benefits have been uprated more slowly than prices. This has limited the degree to which the favourable economic conditions of 2014–16 reduced the proportion of children below MIS. This is the case especially among children in lone parent families, where reliance on benefits and tax credits is greater.

Figure 22 illustrates how the vast majority – just over 90% – of children in workless families are growing up below MIS. Not having the income necessary to achieve a socially acceptable standard of living when no adults in their families are working is perhaps not surprising. More striking is that nearly four in ten children (37%) in households where at least one person is working are growing up below MIS. It is

particularly notable that *all* of the increased likelihood of low income over the period explored here is accounted for by the growing likelihood of having a low income while *in work*. Indeed, since the proportion of children in workless households has fallen, so has the number in such households below MIS. In total, there are about 860,000 more children living below MIS than in 2008, but 218,000 fewer in non-working households and 1.1 million more in working households.

Figure 22: Proportion of children below MIS by family working status

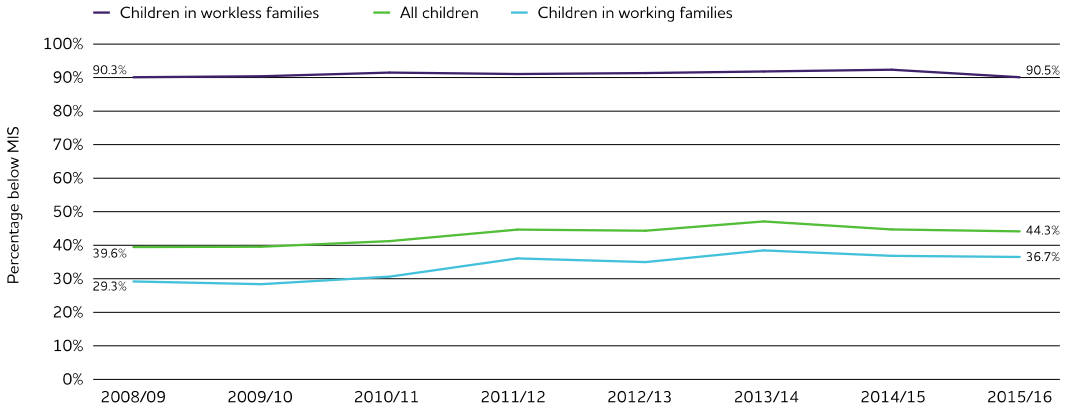
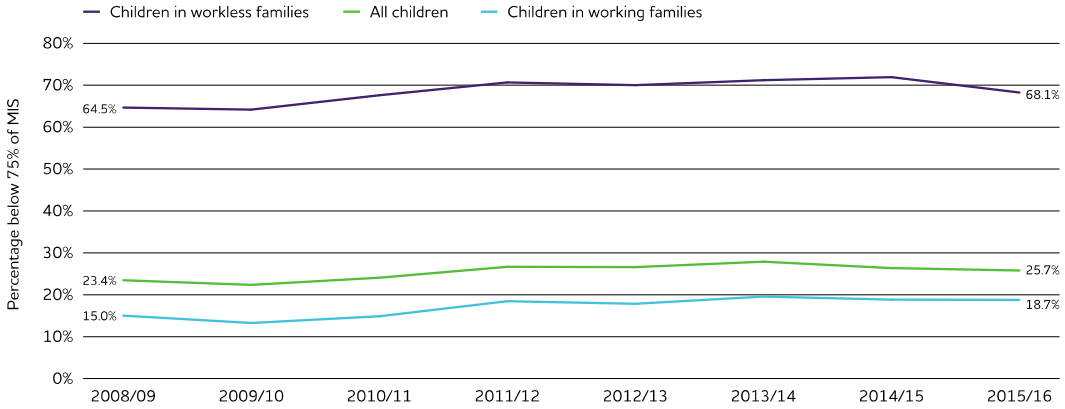


Figure 23: Proportion of children below 75% of MIS by family working status



Chapter 5 of this report looks in more detail at the association between employment status and the likelihood of falling below MIS.

Working-age adults

Turning to working-age adults, it is those living in households with children who face the greatest likelihood of having an income below MIS. While, overall, 29% of working-age adults are below MIS, 37% of working-age adults in households with children have incomes below that needed for a minimum socially acceptable standard of living, compared to 24% of those in households without children (Figures 24 and 25).

Figure 24: Proportion of working-age adults below MIS by household type

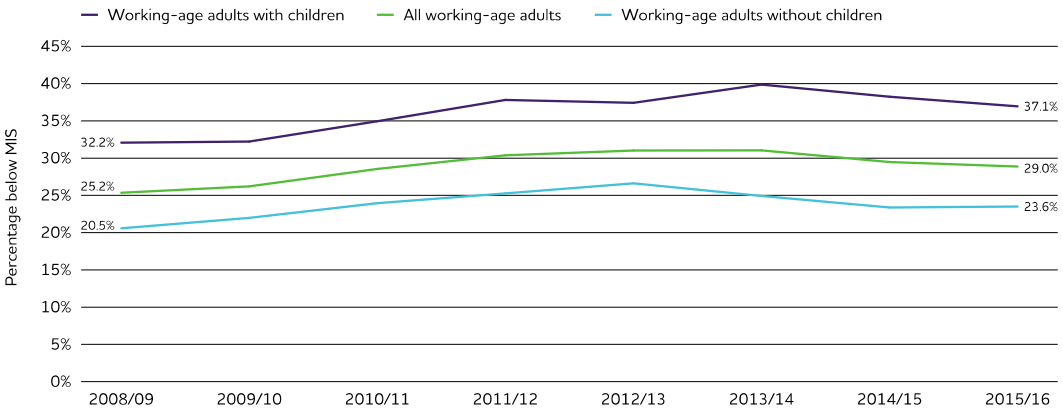
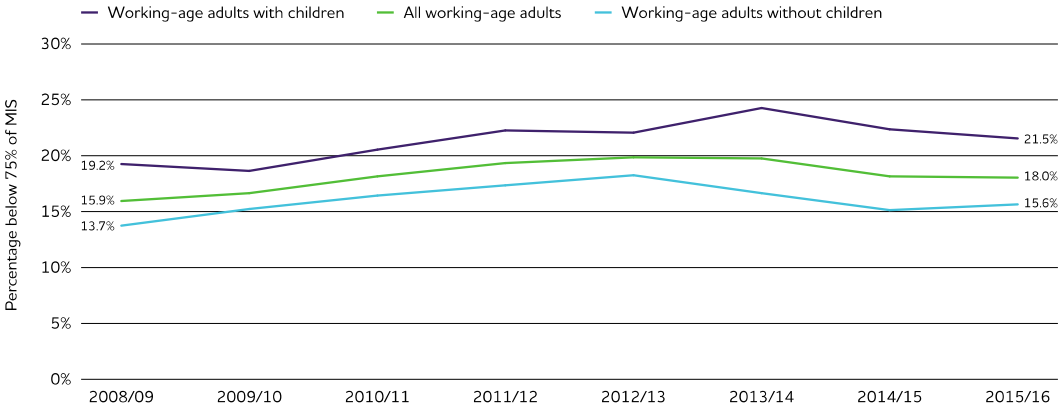


Figure 25: Proportion of working-age adults below 75% of MIS by household type



Looking more closely at working-age adults without children, Figure 26 shows that 37% of single working-age adults have incomes below MIS, compared to just 16% of couple working-age adults. The gap is also evident in the likelihood of having very low income (Figure 27), with one in four working-age singles compared to one in ten couples without children having incomes below 75% of MIS.

Figure 26: Proportion of working-age adults without children below MIS by household type

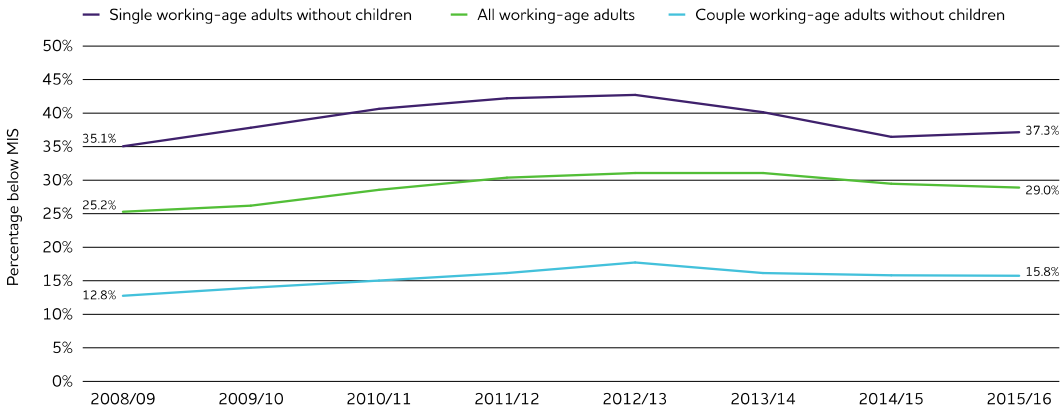
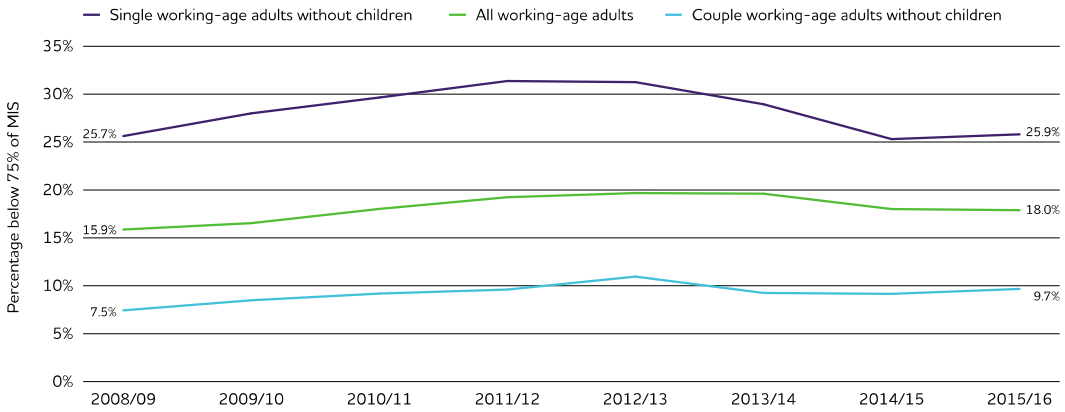


Figure 27: Proportion of working-age adults without children below 75% of MIS by household type

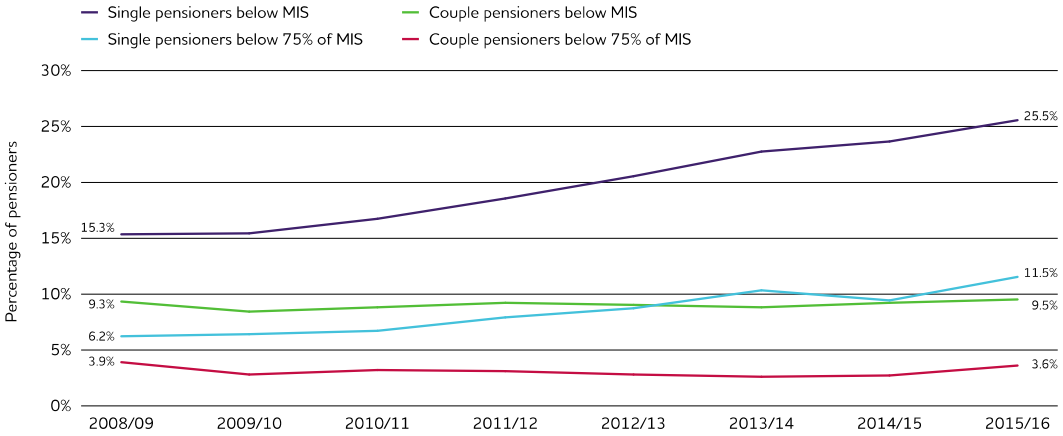


The number of working-age adults without children whose income was below MIS peaked in 2012/13, and since this point the number has fallen. This has been particularly evident for single working-age adults, whose likelihood of having an income below 75% of MIS has returned to its 2008/09 level. This reduction started in 2012/13, at a time when jobs were returning and the particularly high risk for young, single people of not finding work was starting to ease. Youth unemployment (for 18–24 year olds) had risen from 12% in mid-2008 to 20% in 2012, but late the following year the rate started falling rapidly, returning to 13% by mid-2015. Combined with rising real earnings over that period (Figure 3), this created a relatively favourable period for single working-age adults without children. In comparison to families, those going into work have less dependence on tax credits, which have been hit by cuts. Yet this recent easing for working-age singles should not obscure the fact that they remain more likely to have a low income compared to all other groups without dependent children (i.e. working-age couples and pensioners). One in four single working-age adults still falls at least 25% short of MIS, making it more likely that they will experience deprivation.

Pensioners

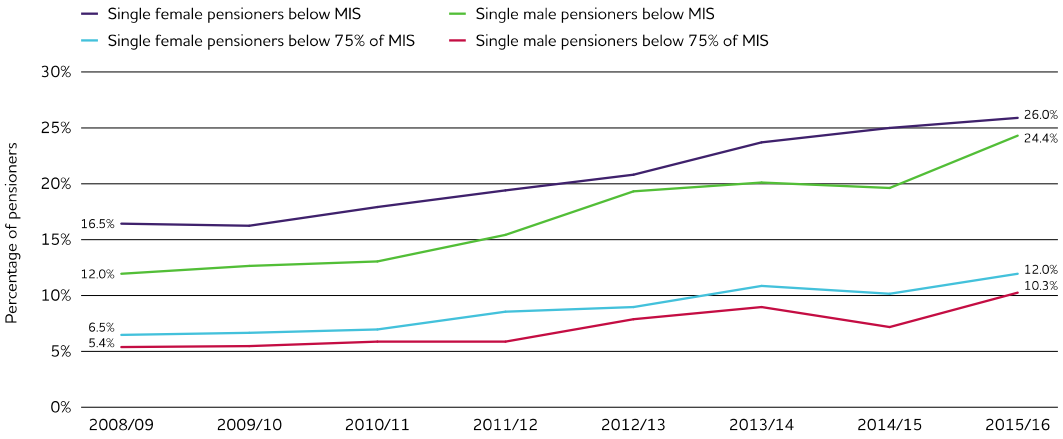
As noted in the previous report in this series (Padley et al, 2017), one of the most surprising trends is the steady increase in the proportion of pensioners with incomes below MIS. As Figure 28 illustrates, the proportion of pensioners living below the MIS level has increased from one in ten in 2008/09 to one in seven in 2015/16. This trend is being driven entirely by the increase in the proportion of single pensioners below MIS, from 15% in 2008/09 to 26% in 2015/16, while the proportion of couple pensioners below this level has remained stable, at around 9%. Almost half a million more single pensioners are unable to reach a socially acceptable standard of living in 2015/16 compared to 2008/09.

Figure 28: Proportion of pensioners below MIS and below 75% of MIS by household type



A closer look at single pensioners highlights interesting gender differences. Single female pensioners are more likely to have incomes below MIS than single male pensioners (Figure 29), although it is the latter who have seen their likelihood of being below MIS increase in the most dramatic way, doubling from 12% in 2008/09 to 24% in 2015/16. The proportion of single female pensioners has also increased from 17% to 26% over the same period.

Figure 29: Proportion of single pensioners below MIS and below 75% of MIS by gender



The results for pensioners raise two key questions about recent income trends. One is why the number of pensioners below MIS has risen continuously since 2008/09, despite pension income being protected by the 'triple lock', and despite the initial fall in the number of pensioners living on relatively low income during this period, before it rose to reach a similar level to 2008/09 (see Figure 6). The second issue is why single pensioners have experienced this increase rather than couple pensioners.

A number of factors help to explain these results:

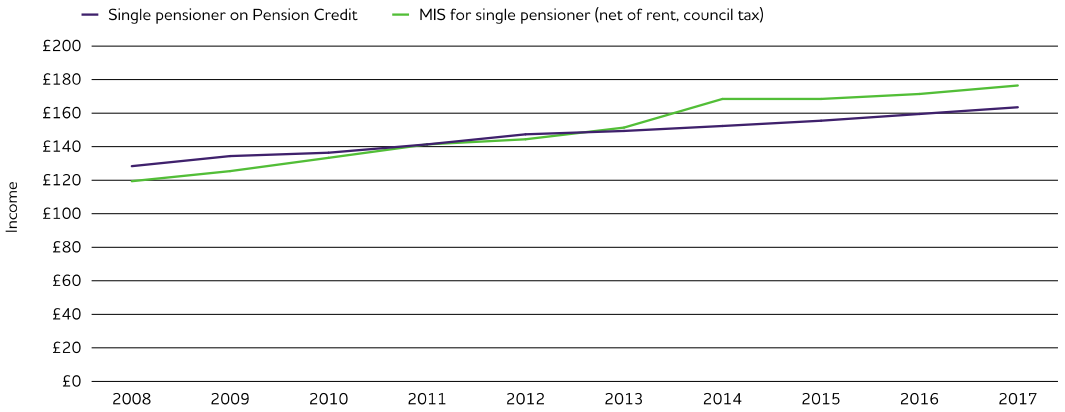
- **the uprating of pensions does not fully protect pensioners against rising costs:** for much of the period, when earnings have risen more slowly than prices, pension levels and Pension Credit levels (protected by a 'double lock' of the higher of earnings or price increases) have risen in line with the consumer price index (CPI). In general, the cost of minimum budgets as measured in MIS has risen faster than this, particularly in the early part of the period when prices for basic commodities such as food and fuel were rising much faster than general prices.

- **pensioners have identified new needs over time:** in the original MIS research in 2008, a single pensioner budget was 18% below that of a single working-age adult. By 2014, when pensioners considered minimum needs again in the first 'rebase' of their budgets, this had fallen to 7%, with the remaining difference accounted for largely by free bus travel and prescriptions. The content of pensioner and non-pensioner budgets had become more similar with, for example, pensioners saying that they needed computers, unlike in the original budgets in 2008 (see Davis et al, 2014).
- **additional costs have come, particularly in areas where there are large economies of scale, and therefore have affected single pensioners proportionately more than couples:** for example, rising home energy costs have affected single budgets proportionately more, because home energy costs only 24% more for a pensioner living as part of a couple than for a single pensioner. This is much lower than the difference in the overall household budget, which includes items like clothing for which the cost doubles for a couple compared to a single. Adding a computer to the home has cost no more for the couple than for the single. Also, less reliable public transport has caused pensioners to specify a need for higher taxi expenditure, but since taxis can be shared, this affects couples proportionately less. All these factors have combined to increase overall economies of scale: in 2008, a couple pensioner budget was 55% more than a single budget, whereas now it is only 44% more.
- **pension income has therefore become less adequate for singles compared to couples:** the level of Pension Credit (which provides a safety-net income, at a level not very different from MIS requirements) is 53% higher for couple pensioners than for single pensioners – almost exactly reflecting actual economies of scale in 2008, but today giving couples more, relative to singles, than their relative costs. In 2008, safety-net benefits (Pension Credit plus Winter Fuel Allowance) provided single pensioners with 8% more and couples with 5% more than their MIS budgets; today, singles fall 7% short and couples 3% short of MIS with this safety-net income. Compared to working-age people on benefits, pensioners' ability to reach MIS remains very favourable, but this relative deterioration has been twice as great for singles as for couples.
- **while pensioners have had a relatively low chance of falling below MIS, many have been not far above this line, and have dipped below it:** in observing an increase in the number falling below a threshold like MIS, such 'clustering' close to the line is an important factor, and many pushed below MIS may be not far below the standard. As observed above, pensioners below MIS are on average less far below than the rest of the population, although average 'depth' has increased for this group.

Figures 30 and 31 help illustrate how single pensioners have been pushed from just above to just below MIS. First, Figure 30 shows how safety-net benefits have not kept up with rising requirements, now providing just less than, rather than just more than, what single pensioners need. Note that this trend started even before the change in 2014 associated with the specification of new needs, due to the cost of a minimum basket rising faster than CPI inflation as referred to above. It is also worth observing that in the past two years this has started to reverse, helped by earnings indexation and the recent real terms increase in average earnings. In this respect, there may be a lag for pensioners in the improvement seen for working-age households – since uprating is based on earnings increases in the preceding year. This may partially explain why reductions in the numbers below MIS were not yet being seen for pensioners in 2015/16.

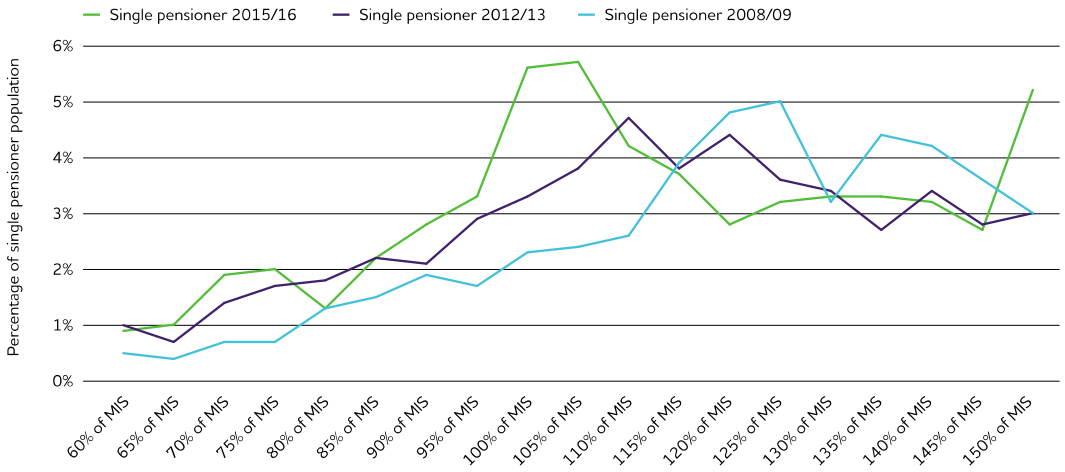
Figure 31 shows how single pensioner incomes are clustered to some extent around the MIS level. The peak shown in the number of single pensioners with a given income relative to MIS moved from somewhat above the MIS level in 2008/09 and 2012/13, to almost exactly at the MIS level in 2015/16. Thus, a small increase in the MIS level relative to pensioner incomes can move many across this threshold.

Figure 30: Single pensioners' safety-net income compared to MIS (£ per week)



Note: incomes are banded in 5% intervals, labelled by the centre of the band, so being at '100% MIS' actually means MIS plus or minus 2.5%.

Figure 31: Distribution of single pensioners' incomes, relative to MIS (selected range)



Notes: this is the percentage of single pensioner population falling in each band of income by percentage of MIS.

5% income bands are labelled by the midpoint of the band. For example, the first point for 2015/16 on the left of the graph shows that 1% of single pensioners in that year were between 57.5% and 62.5% of MIS.

How the likelihood of having an income below MIS varies across age groups

Table 2 summarises the proportion of individuals falling below MIS and below 75% of MIS for three adult age groups: 16–34, 35–64, and 65 and over. More than a third of adults aged 16–34, more than one quarter of adults aged 35–64, and almost one sixth of adults aged 65 and over, have incomes below MIS. The trend from 2008/09 to 2015/16 indicates that the likelihood of not having the income necessary to attain a minimum socially acceptable standard of living has increased by about 3 percentage points for adults aged 16–34 and 35–64, and over 4 percentage points for those aged 65 and over, with the last of these representing proportionately by far the biggest increase, from a lower initial rate.

Table 2: The likelihood of low income by age group

	Year	16–34	35–64	65 and over
Below MIS	2008/09	31.9%	22.8%	11.0%
	2009/10	33.5%	24.2%	11.2%
	2010/11	37.1%	26.0%	11.9%
	2011/12	37.8%	26.7%	11.8%
	2012/13	37.0%	26.4%	12.3%
	2013/14	36.3%	27.5%	13.6%
	2014/15	34.2%	27.5%	14.0%
	2015/16	35.3%	26.1%	15.4%
Below 75% of MIS	2008/09	20.6%	14.0%	4.4%
	2009/10	21.8%	14.7%	4.1%
	2010/11	24.0%	15.7%	4.4%
	2011/12	25.3%	16.1%	4.5%
	2012/13	23.6%	16.3%	4.5%
	2013/14	22.8%	17.4%	5.3%
	2014/15	20.8%	12.2%	4.8%
	2015/16	22.3%	16.1%	6.2%

Differences in the likelihood of having an income below MIS by housing tenure

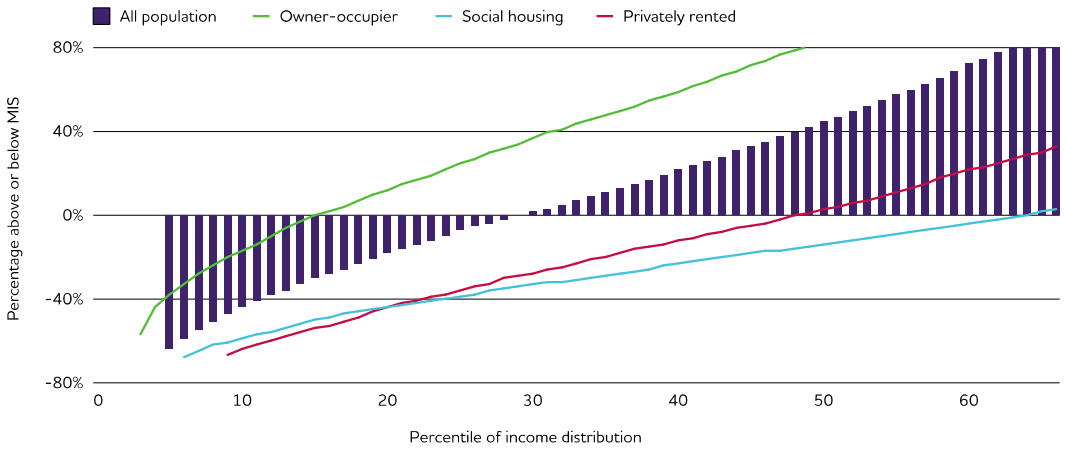
Table 3 summarises the proportion of individuals with inadequate income, by tenure type. Those living in the rented sector are more likely to have incomes below MIS and below 75% of MIS than owner-occupiers. Two thirds of those renting in social housing and around half of those renting privately have incomes below MIS, compared to one in seven owner-occupiers, whether they have a mortgage or own outright.

Table 3: The likelihood of low income by housing tenure

		Housing association/ local authority	Private rented	Mortgaged	Owned outright
Below MIS	2008/09	58.2%	45.2%	13.0%	15.5%
	2009/10	59.3%	46.9%	12.7%	16.3%
	2010/11	62.4%	50.3%	13.1%	17.3%
	2011/12	63.7%	49.4%	13.8%	18.9%
	2012/13	61.8%	50.1%	14.4%	16.9%
	2013/14	64.7%	50.7%	14.3%	17.4%
	2014/15	63.5%	49.8%	13.1%	16.8%
	2015/16	63.5%	48.5%	14.6%	15.3%
Below 75% of MIS	2008/09	36.0%	31.4%	6.2%	8.3%
	2009/10	36.0%	30.2%	6.3%	8.9%
	2010/11	39.7%	33.2%	6.1%	8.5%
	2011/12	40.1%	33.9%	6.6%	9.8%
	2012/13	38.9%	32.5%	7.1%	9.0%
	2013/14	41.0%	33.3%	6.8%	9.1%
	2014/15	39.7%	31.3%	5.7%	8.5%
	2015/16	38.6%	31.9%	7.2%	7.4%

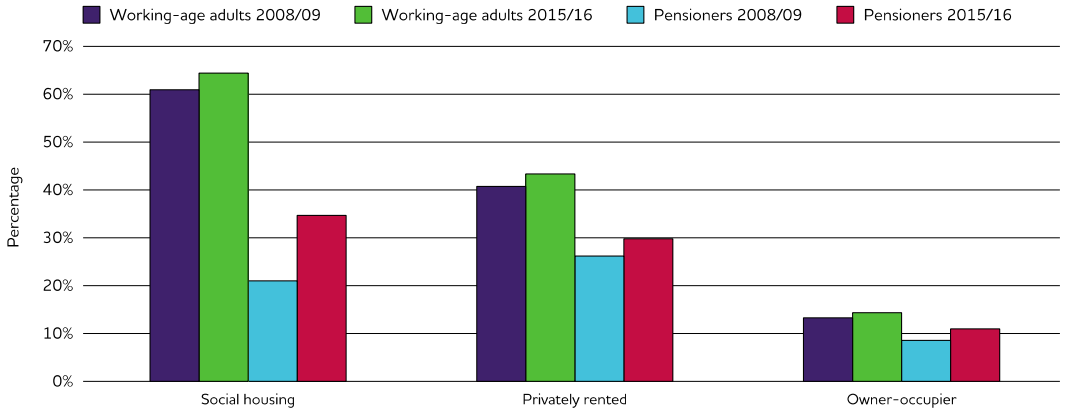
Figure 32 shows the distribution of households below MIS in terms of how far below MIS they fall in each percentile of the income distribution, for each tenure. Even though the proportion of people living in privately rented accommodation who are below MIS is smaller than the proportion in social housing (49% versus 64%), the amount that they fall below MIS is not consistently worse for social tenants. Among those in the bottom fifth of the population by income for each tenure group, it is private tenants who fall the furthest short of MIS. Their high rents reduce their disposable income, in many cases to well under half of what they need for an acceptable standard of living. As a consequence, low-income people living in privately rented accommodation are particularly vulnerable to deprivation.

Figure 32: Housing tenure – household income as a proportion of household MIS requirement, 2015/16



When looking at housing tenure in combination with other socioeconomic characteristics, it becomes evident that the likelihood of falling below MIS has particularly increased for pensioner adults living in social housing (Figure 33). The figure shows that of all working-age households living in social housing, 61% had incomes below MIS in 2008/09 compared to 65% in 2015/16. For pensioner households living in social housing, there was a more significant increase in the proportion with incomes below MIS over the same period, rising from 21% in 2008/09 to 35% in 2015/16. This trend means that the increase in the MIS requirements of pensioners have not affected everyone equally. While most pensioners are owner-occupiers, those in social housing are more likely to be close to the MIS level, and this is the group whose likelihood of falling below the MIS line has risen most as a result of the trends mentioned above. Nevertheless, 300,000 more pensioner owner-occupiers now fall below MIS than in 2008/09, compared to 200,000 more social tenants. Pensioners who own their homes and are on a low income comprise a substantial group, even though they make up only a small proportion of all pensioner home-owners.

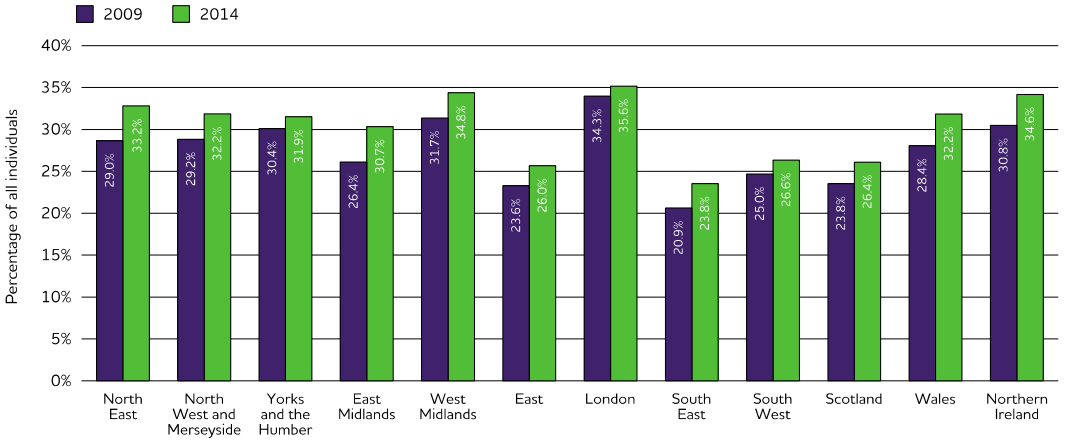
Figure 33: Proportion of working-age adults and pensioners below MIS within each housing tenure, 2008/09 and 2015/16



Regional differences in the proportion with incomes below MIS

Regional differences in the proportion of individuals below MIS have remained relatively stable since this series started. London, Northern Ireland, the North East and the West Midlands remain as the regions with the highest proportion of people below MIS, with more than a third of people having inadequate incomes. Figure 34 also shows that even though all regions have seen an increase in the number of people below MIS, the change has been particularly evident in the East Midlands, North East, South East, Wales and Northern Ireland, with an increase of between 12% and 16% from 2008/09 to 2015/16.

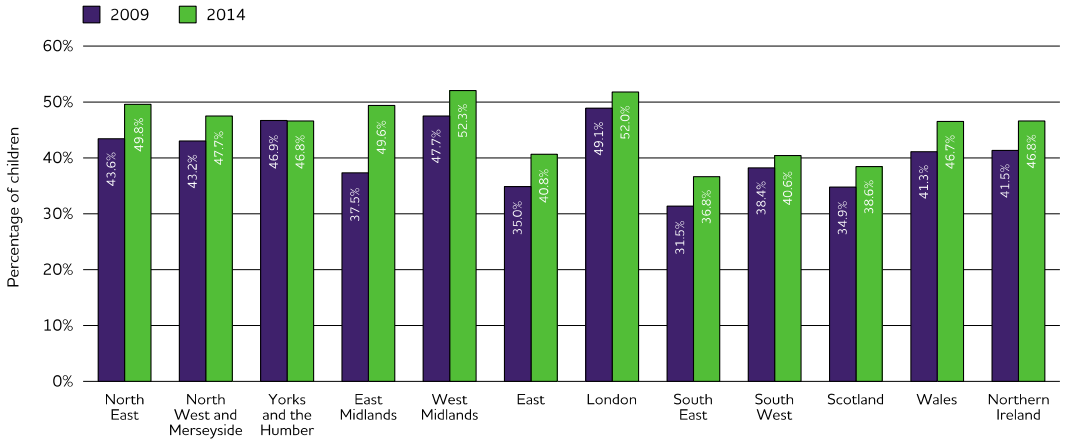
Figure 34: All individuals below MIS by region (three-year averages)



Note: three-year averages are used when looking at regional differences, e.g. data for 2009 are an average of 2008/09, 2009/10 and 2010/11.

Figure 35 shows how the proportion of children living in a household with an income below MIS varies across the regions. It shows that in London, the West Midlands and the North East, over half of children are living in households with incomes insufficient to achieve a minimum socially acceptable standard of living. Between 2009 and 2014, the East Midlands has witnessed a substantial increase in the proportion of children in households below MIS, rising by just under a third. In contrast, Yorkshire and the Humber shows no change.

Figure 35: Children below MIS by region (three-year averages)



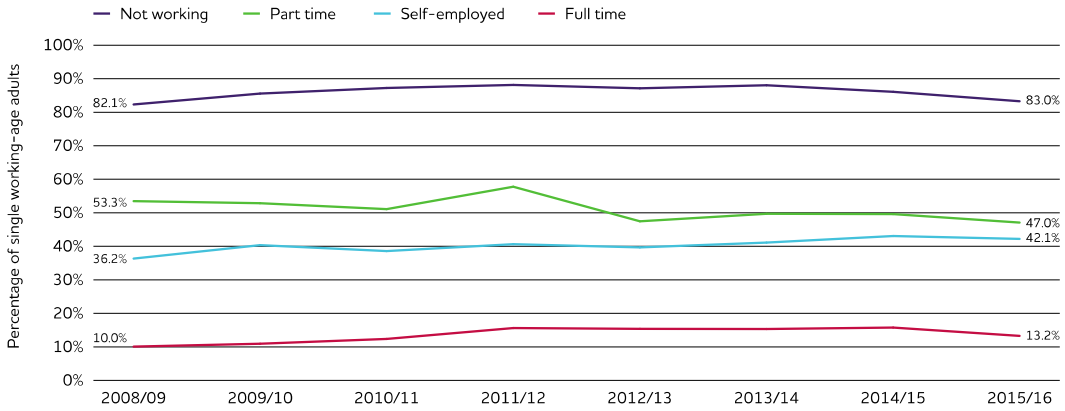
Note: three-year averages are used when looking at regional differences, e.g. data for 2009 are an average of 2008/09, 2009/10 and 2010/11.

5 Employment status and low income

This final chapter looks at how the likelihood of having insufficient income for a minimum socially acceptable standard of living varies according to employment status (full-time employment, part-time employment, self-employment, and being out of work), for different household types. The analysis looks at income adequacy at the household level for working-age adults in four groups: single adults living on their own, couples without children, lone parents, and couples with children. The results reveal that employment status plays a significant part in understanding which households are more likely to have an income below MIS.

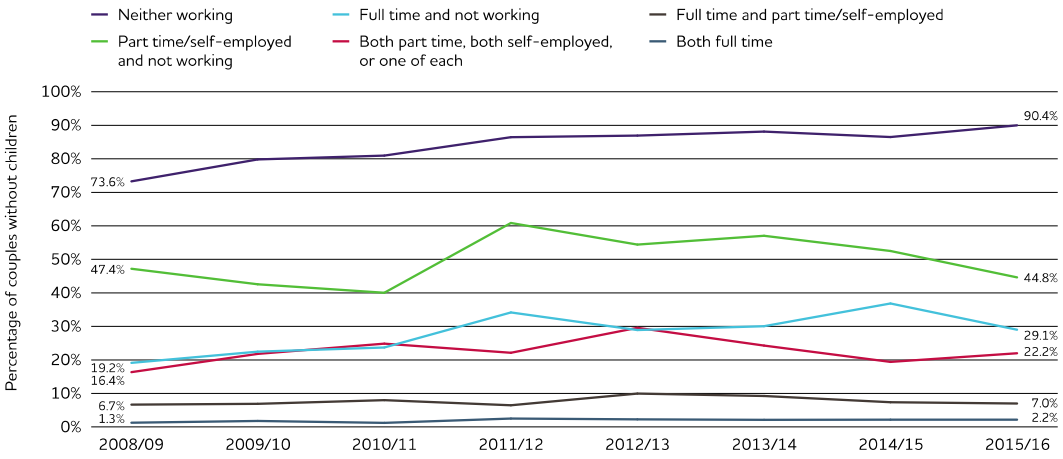
Figure 36 shows the important differences in the likelihood of falling below MIS faced by single working-age adults, depending on their work status. The two extremes are single adults working full time, of whom 13% are below MIS, and single adults not working, of whom 83% are below MIS. Some 42% of single working-age adults working part time and 47% of self-employed singles have incomes below MIS. This means that around 295,000 single adults either working part time or self-employed, and 285,000 single adults working full time, do not have the incomes needed to achieve a socially acceptable standard of living. Looking at change over time, the proportion of single adults below MIS has increased for all except those working part time.

Figure 36: Proportion of single working-age adults without children below MIS by employment status



Couples without children have a lower likelihood of falling below MIS when both adults are working than when only one of them is working. Only about 2% of couples where both adults are working full time, and about 7% of couples where one is working full time and the other is working part time or is self-employed, have incomes below MIS. For couples where both are working part time, both are self-employed or one of each, the likelihood of falling below MIS increases to 22%, slightly lower than the for couples where one is working full time and the other one is not working (29%).

Figure 37: Proportion of couples without children below MIS by employment status



Working-age adults in households with children are generally more likely to have a low income than working-age adults without children. Figure 38 reveals not only that lone parents are more likely to have an income below MIS than working-age adults without children (see Figure 36), but that the situation has got worse both for those working part time (from 60% in 2008/09 to 72% in 2015/16) as well as for those working full time (from 28% to 45% over the same period).

Figure 38: Proportion of lone parents below MIS by employment status

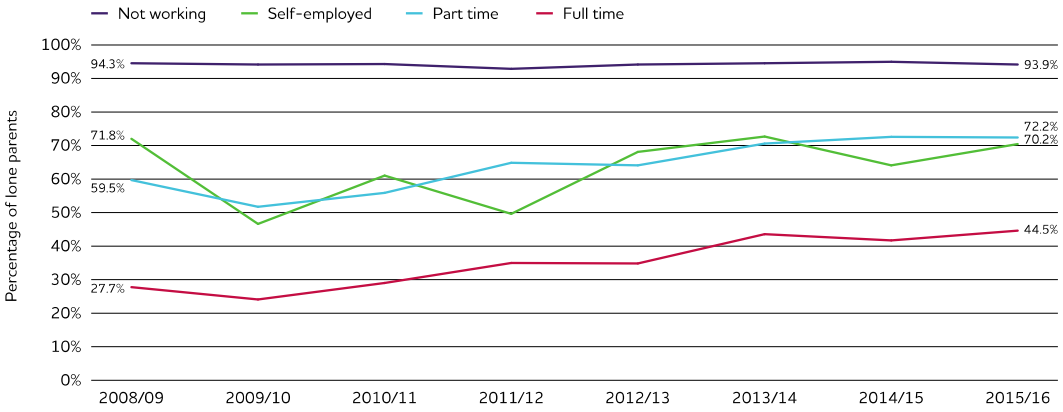
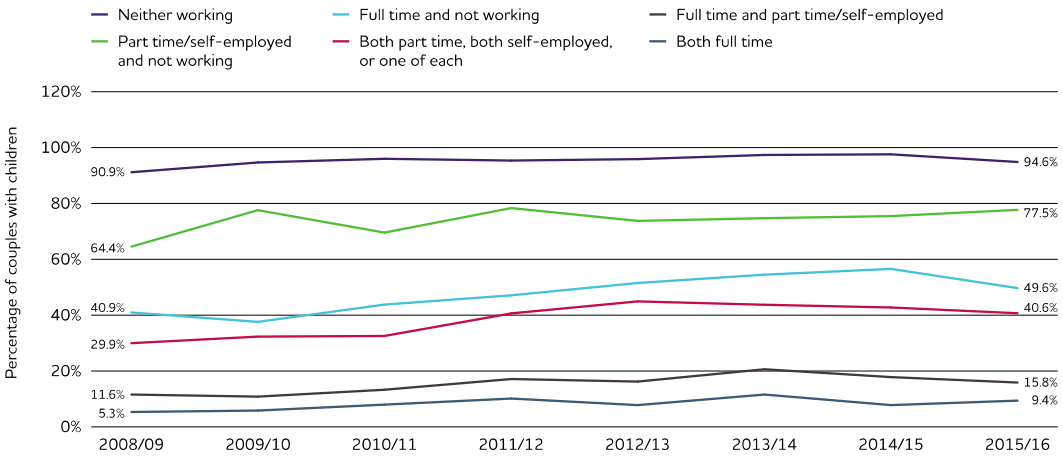


Figure 39 shows the proportion of couple parents below MIS. One in ten adults in couple parent households where both are working full time has an income below MIS, and one of every six adults in couples where one is working full time and the other is working part time or is self-employed has an income below MIS. Around half of couple parents where one is working full time and the other is not working have incomes below MIS.

Figure 39: Proportion of couple parents below MIS by employment status



The number of individuals with incomes below MIS is influenced not just by the likelihood of low income for households with a particular demographic and employment type, but also by the employment profile within households. For example, a decrease in real wages represents a higher likelihood of being below MIS for employed adults, but changes from full-time to part-time employment present an additional effect. Table 4 sets out the employment profile of each type of working-age household, and shows the proportion of households with an income below MIS for each employment status in 2008/09 and 2015/16. 'Risk' in this table is the proportion of households within each household type and employment status that have an income below that needed to reach MIS. 'Composition' is the proportion that each employment status comprises within particular household types.

Table 4: Changes in the 'risk' of falling below MIS by employment status, and the composition of each household type by employment status

		2008/09		2015/16	
		Risk	Composition	Risk	Composition
Single working-age adults	Full time	10.0%	57.6%	13.2%	54.1%
	Part time	53.3%	6.7%	47.0%	7.5%
	Self-employed	36.2%	9.2%	42.1%	9.2%
	Out of work	82.1%	26.5%	83.0%	29.2%
Lone parents	Full time	27.7%	28.5%	44.5%	27.0%
	Part time	59.5%	23.0%	72.7%	30.4%
	Self-employed	71.8%	4.2%	70.2%	5.5%
	Out of work	94.3%	44.3%	93.9%	37.1%
Couples with no children	Both working full time	1.3%	49.3%	2.2%	48.8%
	One full time and one part time/self-employed	6.7%	22.4%	7.0%	23.8%
	One full time and one not working	19.2%	11.4%	29.1%	12.2%
	Mix of part time and/or self-employed	16.4%	6.9%	22.1%	5.9%
	One part time/self-employed and one not working	47.4%	4.7%	44.8%	4.7%
	Neither working	73.6%	5.3%	90.4%	4.5%
Couples with children	Both working full time	5.3%	24.0%	9.4%	28.2%
	One full time and one part time/self-employed	11.6%	35.4%	15.8%	33.8%
	One full time and one not working	40.9%	20.4%	49.6%	19.7%
	Mix of part time and/or self-employed	29.9%	7.2%	40.6%	7.7%
	One part time/self-employed and	64.4%	7.8%	77.5%	6.1%

	one not working				
	Neither working	90.9%	5.2%	94.6%	4.3%

For single working-age adults, the likelihood of falling below MIS has increased for those who are employed full time, self-employed or out of work, and decreased for those working part time. Additionally, the proportion of single adults working full time has decreased, increasing the proportion of single adults working part time and unemployed. Overall, these changes represent an increase from 1.2 million in 2008/09 to 1.5 million single working-age adults below MIS in 2015/16.

Lone parents are slightly less likely to be working full time – 27% in 2015/16 compared to 28.5% in 2008/09. There are also substantially fewer lone parents not working – down from 44% to 37%. Changes in employment status have thus moved towards working part time, up from 23% of lone parents in 2008/09 to 30% in 2015/16. With nearly three quarters of lone parents who work part time now having incomes below MIS, this greater incidence of part-time work is proving an imperfect route to adequate income for lone parents.

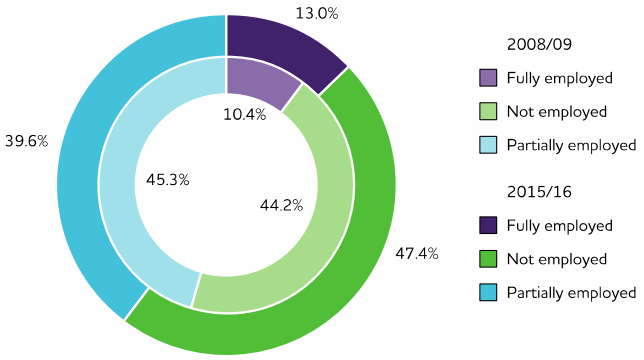
Couples without children have also seen modest changes in their employment composition since 2008/09, with a general move towards more work in households. The proportion of couples where both are working full time has stayed at about 49%, but the proportion of couples where one is working full time and the other is working part time or is self-employed has increased from 22.4% to 23.8%; and where one is working full time and the other is not working has increased from 11.4% to 12.2%. The proportion of couple households where none are working has fallen from 5.3% to 4.5%. The combination of increased likelihood of inadequate income and changes in employment composition resulted in an increase in the number of couples without children below MIS, from 495,000 to 561,000 over the seven-year period explored here.

For couples with children, the most significant change in employment status has been an increase in the proportion of households where both are working full time, rising from 24% in 2008/09 to 28% in 2015/16. The proportion of couples with children where neither adult is in work fell from 5.2% to 4.3% over the same period. Despite the overall move towards full employment, the increase in the likelihood of falling below MIS resulted in the number of couples with children with inadequate incomes increasing from 1.2 million to 1.5 million during this period.

This summary suggests that changes in the amount of work within households are relevant, especially for those working part time. However, even where there is a full-time worker in the household, the likelihood of being below MIS has increased between 2008/09 and 2015/16, particularly for households with children.

Figure 40 shows what has happened to the composition of working-age households with inadequate incomes between 2008/09 and 2015/16. 'Partially employed' here refers to households where no adult is in full-time work, but where there is some work. It shows that a growing proportion of households below MIS are working households, with relatively fewer non-working households than previously.

Figure 40: Composition of working-age households below MIS by employment status, 2008/09 and 2015/16



6 Conclusions

Over much of the past decade, households on low incomes have been finding it ever harder to make ends meet, as their incomes have risen more slowly than living costs. The middle of the present decade saw a period of more benign conditions, when prices stabilised and both individual earnings and household disposable incomes started to increase. This report shows that in the period from 2013/14 to 2015/16, the likelihood of having an income below MIS or below 75% of MIS fell for working-age adults and children. However, by the end of this period, the proportion of individuals in these groups below MIS remained well above that in 2008.

Of the three broad demographic categories focused on in this report, children continue to be most likely to be living in households with incomes below that needed for a minimum socially acceptable standard of living. Despite a fall between 2013/14 and 2015/16, 44% of children in the UK – around 6 million – are growing up in households with incomes below MIS. The proportion of working-age adults below MIS has also fallen slightly since 2013/14, but there are 11.1 million living below this level in 2015/16, nearly 2 million more than in 2008/09.

Conditions have now once again become less favourable for working-age households on low incomes. Since 2016, earnings increases have slowed, prices have started rising again, and many families on low incomes are losing out from the freeze on benefit and tax credit levels, as well as other selective cuts in benefits. This makes it unlikely that the modest improvements noted in this report up to 2015/16 are currently being sustained. It makes the prospects for families and single people already struggling to get by on incomes below MIS seem, at best, fragile.

One finding in this report that may seem unexpected is that pensioners' likelihood of being below MIS, which is far lower than that of most other groups, continued to rise steadily during the period when the likelihood of working-age adults being below MIS was falling. This may partly be due to a lag: real increases in earnings only feed into higher pensions the year after they are earned. But it is also partly linked to some increases in pensioners' costs (particularly for single pensioners) at above the rate of inflation, which can mean that increasing pensions by at least the CPI does not systematically guarantee an improving standard of living. Given that many pensioners' incomes are close to the MIS line, the implications of a rapid increase in the percentage below it should not be exaggerated: in many cases it means slipping just below the threshold. Moreover, pensioner likelihood of low income remains well below that of working-age adults and children. Nevertheless, the clustering of pensioners close to the MIS level demonstrates that while fewer pensioners than in the past are in dire poverty, many remain on incomes modest enough that an increase in costs not matched by income can be painful.

In 2018, the MIS programme will publish new benchmarks for pensioners and for working-age adults without children, reflecting what members of the public in these groups now consider to be the minimum requirements for an acceptable standard of living. This will give fresh evidence of how the cost of living in the contemporary world is evolving. Of particular significance will be the similarities and differences between pensioners and non-pensioners, since earlier research in this series has shown the income requirements of those groups converging. These results will provide the basis for continued monitoring of the adequacy of the incomes of different types of household, and whether the likelihood of falling below a socially defined minimum is rising or falling.

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