

**A MINIMUM INCOME STANDARD FOR GUERNSEY**

**CRSP 618**

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## 1 INTRODUCTION AND KEY FINDINGS

The purpose of this research was to provide a Minimum Income Standard for Guernsey. The project was commissioned by the Department of Social Security and the Housing Department, and it was undertaken in 2011 by the Centre for Research in Social Policy (CRSP), Loughborough University.

The Minimum Income Standard (MIS) for Guernsey is based on what groups of members of the public think people need for a minimum, socially acceptable standard of living. The research found that the amount required to meet the Guernsey MIS, excluding rent and childcare was:

- £231 for a single working age adult without children
- £523 for a couple with two children
- £313 for a lone parent with one child
- £334 for a pensioner couple.

To put these findings in context it is noted that budgets required by different household types to meet the Guernsey MIS are typically between 20 and 30 per cent higher than in the UK for working age households, but over 40 per cent higher for pensioners. The biggest driver of these differences is higher prices in Guernsey, but they are also influenced by additional needs identified by the Guernsey research, as well as the fact that households pay for some things in Guernsey that they do not pay for in the UK. Key areas of difference between the Guernsey and UK MIS include:

- Retailers – there is a smaller range of low cost shops in Guernsey;
- Medical costs – in effect, costs for the National Health Service in the UK are deducted from taxes and do not appear in net MIS figures; in Guernsey, most medical costs are charged directly at point of service;
- Domestic fuel – the main UK MIS budgets include the costs of mains gas, whereas groups in Guernsey specified that costs should be based on electric

storage heating. In Guernsey this represents a cheaper form of heating than gas, but it still costs more than a similar level of heating would in the UK

- Transport – the main UK MIS includes costs for public transport and holiday travel within the UK; in Guernsey, groups included a second-hand car and some off-island travel. This creates a particularly wide gap for pensioners, who in the UK MIS have very low transport costs because they use their free bus passes to meet the majority of their transport needs, with a modest amount of money for the occasional taxi.

## **2 THE MINIMUM INCOME STANDARD APPROACH**

### **What is MIS?**

The Minimum Income Standard is a measure of income adequacy. It is the amount that people need in order to reach a minimum, socially acceptable standard of living, based on what members of the public think and taking into account expert evidence on issues such as nutrition and home energy consumption. 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 first MIS was launched in the UK in 2008, followed by an ongoing programme of research. For further detail about this programme and the MIS UK budgets, see [www.minimumincomestandard.org](http://www.minimumincomestandard.org) .

### **How was the Guernsey MIS constructed?**

A sequence of groups were convened for detailed negotiations about what items and services a family would have to be able to afford in order to achieve an acceptable living standard.

The participants were put in the position of ‘budgeting committee’ and charged with deciding what hypothetical, case study households required to meet this standard. Groups of Guernsey parents considered the needs of households with dependent children, pensioners discussed pensioner households, and so forth. All MIS groups work to the same definition of a minimum standard.

*A minimum standard of living in Guernsey<sup>1</sup> 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.*

The 'minimum' is defined as being about more than survival alone. It covers needs, not wants, necessities, not luxuries. In identifying things that everyone should be able to afford, it does not attempt to specify extra requirements for particular individuals and groups, for example, those resulting from living in a remote location or having a disability. Not everybody having 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.

The Guernsey research draws on the wider MIS programme. In essence, the Guernsey research involved facilitating groups of members of the public to:

- review all commodities and allowances required in the UK MIS, which had been set to provide a minimum socially acceptable standard of living for urban households;
- isolate which of these provisions (if any) would be inadequate or unnecessary for people living in Guernsey; and
- agree how these should be altered, replaced or added to, to provide the same standard of living for households in Guernsey.

### **The Guernsey MIS groups**

In the first phase of the research, three Guernsey groups (parents, working age adults without children and pensioners) reviewed the list of items and services on which the MIS UK budgets are based. In doing so, they identified which items were similarly necessary to meet the needs of Guernsey households, and which needed to be revised. For example, the groups agreed that there would no difference between the UK and Guernsey in the type of living room furniture people required, but household resources would need to be revised to allow access to medical services on the island in the absence of a national health service. Groups

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<sup>1</sup>In the UK, groups work with a definition that reads 'A minimum standard of living in the UK today...'

considered variations in terms of both the types of items that needed to be included and of the retailers where these items would be purchased.

The second phase of the research also included three groups (of different individuals) who reviewed decisions made in the first phase and focused on those areas requiring revision. For these areas, groups engaged in detailed negotiation to determine exactly what was required to meet the needs of Guernsey households. The final phase included two groups: working age adults with and without children, and pensioners – again, all fresh participants. The final groups reviewed decisions made by previous groups and focused on final outstanding matters.

Each of the eight groups included between seven and ten participants, carefully recruited to include people from a range of backgrounds.

### **Costing the Guernsey MIS budgets**

Following these groups, all items in the budgets were priced in Guernsey, using retailers specified by groups. This included both items revised by the groups and items unchanged from the UK MIS budgets, which were repriced on the island. Much of the repricing work was undertaken by members of the States of Guernsey's Social Security Department and Housing Department, working in close contact with the CRSP research team.

The States of Guernsey team provided further information on housing dimensions and types to the Energy Audit Company, the fuel experts who calculated the domestic fuel costs used in the budgets. The Guernsey team also provided various local information and average expenditure data to inform the construction of transport, holiday and contraception costs.

### **3 BUDGET AREAS**

This section reports on the items and services the groups agreed were necessary for a minimum, socially acceptable living standard in Guernsey in 2011. For context, it highlights how budget areas differ between Guernsey and the UK. It also notes how costs were identified for different items and services.

#### ***Housing costs***

The groups discussed the housing requirements of different household types. The budgets are based on households without children living in one or two bedroom flats, and households with children living in two or three bedroom houses. The Guernsey MIS budgets include rent based on actual States housing properties in St Peter Port and St Sampson. (In practice, housing costs vary very widely, and for this reason rent is presented separately in the budget figures given in the following sections). The budgets include other housing-related costs based on the actual properties mentioned above:

- water rates and waste water charges, (comparable with UK water charges).
- parish rates (significantly cheaper than the UK Council Tax)
- contents insurance (cheaper in Guernsey than the UK).

The budgets also include an amount for routine household maintenance based on expenditure data of average spending by different household types in States housing.

#### **Fuel**

A number of different fuel types are used across the island for household heating and hot water. The groups explained that it was likely that the properties in St Peter Port and St Sampson would use electric storage heating. While the UK MIS is based on households using mains gas, this is less widespread on the island.

Using specifications (dimensions and insulation quality) for actual properties, the Energy Audit Company (a specialist energy consultancy) calculated costs for different household types for electricity for lighting, appliances and electric storage

heating. Calculations for heating costs take into account the well-being of household members and the need to maintain the fabric of the buildings. It is important to note that the accommodation used in the fuel calculations was social housing located in Guernsey, and is of a different size and insulation level to that used in the MIS 2008 budgets in the UK.

While Guernsey has a milder climate than anywhere in mainland UK, meaning that less fuel is required in order to reach acceptable levels of heating, electricity prices in Guernsey are approximately 20% more than in the UK.

### **Food**

The Guernsey groups considered weekly menus developed by groups in the UK MIS and checked by a nutritionist to ensure that they meet UK Department for Health guidelines for healthy eating. Typical meals in these menus include, for example, cereal and fruit juice for breakfast, sandwiches and fruit for lunch, and chicken casserole, rice and vegetable for an evening meal, with variation of these meals though the week. The Guernsey groups agreed that these menus applied equally well in Guernsey as the UK.

Food in the UK MIS is priced at Tesco's. The groups specified that food in the Guernsey MIS should be priced at the Co-Op. As a result of this, food and drink costs in the Guernsey MIS are, on average, 36 per cent more than the UK MIS.

### **Clothing and household goods**

The Guernsey groups agreed that, generally, there is no reason why minimum needs would differ between Guernsey and the UK in terms of clothing or household goods (furniture, bedding, cooking utensils, cleaning products, appliances etc). There were a few specific exceptions to this rule.

- Tumble dryers: the UK groups said that laundry could be dried on washing lines or airers near radiators, and so a tumble dryer was not a minimum need. The Guernsey groups said that occasional use of a tumble dryer was necessary. It was impractical to dry clothes on electric storage heating units. Also, the lack of laundrettes on the island meant that most households did not have access to dryers outside the home.

- Internet: in Guernsey, as in the UK, groups asserted that internet access had become necessary for a minimum, socially acceptable standard of living. The secondary school curriculum – and increasingly the primary school curriculum – relies on pupils using on-line material. For adults, the internet is important for accessing employment opportunities, educational courses, news and information, price comparison and low cost shopping, arranging travel, and social networking – including use of Skype and other devices for contacting family and others off the island for free. In the UK 2010 MIS, all working age households agreed internet access, but pensioner households felt that this had not yet become a minimum requirement. In contrast, Guernsey pensioners agreed that it was essential, particularly for accessing educational opportunities (University of the Third Age) and as an economical means for keeping in touch with family living away from the island.
- Local telephone call charges: these appear markedly cheaper on the island than in the UK.

Overall, however, the main difference here between the Guernsey and UK MIS is the range of retailers available on the island. Goods in the UK MIS are costed at a wide range of retailers which includes a number of low cost shops (e.g. Tesco, Primark, Argos, etc). The lack of a similar range of low cost retailers in Guernsey means that higher budgets are required for clothes and household goods. The fact that Value Added Tax is not applied to these goods, as is the case for many goods in the UK, offsets the additional Guernsey costs – but only to a limited degree, and the Guernsey budgets for this items total, on average, 36 per cent more than in the UK MIS.

### ***Personal goods and services***

The Guernsey groups consistently set budgets for hairdressing which were noticeable higher than in the UK MIS.

### ***Medical services***

The groups agreed that medical insurance was a requirement for a minimum, socially acceptable living standard on Guernsey. Groups considered building a



household budget for healthcare, by estimating the number and type of services likely to be accessed over a period of time, as a potentially cheaper option to insurance. However, groups highlighted that the risk with a fixed budget like this is that individuals may be inhibited from accessing care when they needed it, for example, if the household healthcare budget had run out or in order to economise to meet other expenses. Good access to healthcare was seen as an essential need, both to address immediate health concerns and as a preventative measure for long term health.

The groups specified the provision of medical insurance through a Friendly Society, including ambulance cover and contributions towards dental costs. Basic insurance schemes were agreed for children and working age adults, with enhanced schemes provided for pensioners. Taking account of the contribution paid under these schemes, the Guernsey MIS budgets include the rest of the costs for dental treatment. They also include provision for prescriptions, contraception and optician charges.

As expected, medical costs are much higher in the Guernsey budgets than in the UK MIS, where the National Health Service provides free primary and secondary healthcare, free prescriptions, dentistry and optical care for children, subsidised dentistry for adults, and free contraception through family planning services.

### **Social and cultural participation**

The groups agreed allowances for recreation and social participation, based on a selection of activities tailored for different household types. The description of the nature and frequency of activities was very similar to that in the UK budgets, although there was a greater emphasis in the Guernsey budgets on eating out for working age households without children. These groups suggested that adults in the UK may have access to a greater range of activities, whereas in Guernsey social life is largely focused on dining out with friends. However, their decision to allocate more for eating out and less for other kinds of social activity did not have a significant effect on the budget overall compared to the UK MIS.

The parents groups included allowances for extra curricular school activities, including school trips and sponsored events. Two differences between the Guernsey and UK budgets are of interest here. First, music lessons can be provided without charge in Guernsey schools, although instruments may need to be provided by pupils; in the UK, the costs of both lessons and instruments need to be met by families. Secondly, the groups identified that an additional cost for Guernsey families is that for paying for secondary school aged children to participate in school trips off the island, for sports or educational purposes. While the groups felt it was not necessary for children to take part in all such trips, they would be disadvantaged and feel excluded if they could not take part in any.

The groups agreed that Guernsey residents required, as a minimum, a one week holiday off the island, for example, to the UK. In addition, budgets for pensioners and working age adults without children include a weekend to a neighbouring island. Groups talked of the closeness of the Guernsey community and the benefit of occasional respite from it. They also talked of times when it may be necessary to travel off the island at short notice, such as to attend a funeral or urgent family business or accompany a relative travelling to the UK for specialist healthcare. Rather than adding separate budgets to meet the costs of such trips, groups agreed that they would be covered by budgets allowed for holidays.

In terms of cultural participation, the budgets include amounts for celebrating Christmas and for birthday presents for friends and family.

Taking these decisions into account, budgets for social and cultural participation in Guernsey are 45 per cent more for pensioners, 6 per cent more for working age adults , but approximately the same for families with children compared with the UK MIS.

## **Transport**

The groups were generally positive about the potential benefits of public transport over car use on the island, on environmental grounds as well as in terms of traffic congestion. However, after much consideration, it was decided that for most on the island, the local bus service was unlikely to meet their minimum needs. It was

perceived that dependence on the bus service would limit employment opportunities. Parents felt that they would be unable to manage and coordinate childcare, employment and other responsibilities if they had to rely on buses. Groups suggested that because bus services stop running in the evenings, and they do so earlier in the winter than summer, it could be difficult to attend evening activities and that this could represent a form of social exclusion.

For these reasons, the groups rejected the model of provision in the UK MIS in which transport needs are met by buses, with occasional taxi use. In terms of the latter, the groups asserted that number of taxi trips required by Guernsey households to maintain a minimum standard would be too expensive to be acceptable.

An important context when considering the difference in provision deemed acceptable in Guernsey and the UK is that the costs of running a car are less in Guernsey. Unlike the UK, there is neither a separate vehicle excise duty nor comparable requirement for a 'MOT' test on the island, and petrol prices are significantly lower. Groups also suggested that few people on the island did not have cars and that there were 'more cars on the island than they were people'. The relative low cost of driving and the cultural expectation of car ownership are likely to have at least some bearing on the groups' decision making.

The groups decided that as a minimum all households required one, second hand economy car – and they specified the age, make, model and size of vehicle required by different household types. In addition, an allowance for bus use was provided for secondary school aged children, and for the 'second' adult in households with two working age adults.

The transport budgets are based on figures provided by local Guernsey businesses for the vehicles, annual servicing, and motoring insurance. Petrol costs are based on average expenditure data for different household types on the island. The budgets include costs for child seats. Bus fares are based on use of the Ormer card.

Unsurprisingly, the inclusion of cars in the Guernsey budgets means that transport costs are significantly more than in the main UK MIS. A better comparison here,

however, is with findings from research carried out by CRSP about minimum income standards in rural areas in the UK<sup>2</sup>, in which cars were included. This shows that, overall, Guernsey transport budgets are about 15 per cent less than for households living in villages in the UK.

## **Childcare**

Childcare costs in the Guernsey budgets are based on average expenditure per child according to child's age, uprated to 2011 from the States of Guernsey Childcare Needs Survey 2009/10<sup>3</sup>. As these are average figures, this will include both those whose childcare costs are considerably lower than the stated average, and those who are paying considerably more. It is important to highlight that the Guernsey and UK childcare rates are not comparable. The UK figures are based on an hourly rate per child, using a model of childcare required when the parent (in lone parent families) or both parents (in couple parent families) are in full time employment. This is significantly more than the level of childcare actually used by most families. Because childcare costs are likely to vary for different families and for different childcare providers, these costs are presented separately in the figures shown below.

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<sup>2</sup> See 'A Minimum Income Standard for Rural Households':  
[http://www.minimumincomestandard.org/mis\\_rural\\_report.htm](http://www.minimumincomestandard.org/mis_rural_report.htm)

<sup>3</sup> Childcare Needs Survey Report, IFF Research  
[http://www.gov.gg/ccm/cms-service/download/asset/?asset\\_id=13585537](http://www.gov.gg/ccm/cms-service/download/asset/?asset_id=13585537) Downloaded 24/08/2011

## 4 CONCLUSION

The budgets required by households to meet the minimum income standard for Guernsey, excluding rent and childcare, are higher than in the UK. For working age households both with and without children, the difference is, on average, 26 per cent. For pensioners, the difference is higher at 44 per cent.

There are three contributory factors that help to explain the differences between the UK and Guernsey MIS budgets:

- difference in price;
- difference in need, and
- difference in provision.

For many items it is a combination of two or more factors that can help to explain the overall effect.

***Difference in price*** is the key factor affecting clothing, food and household goods. While the absence of Value Added Tax offsets some of these differences, the net result is that costs for these budget areas are higher for people in Guernsey than in the UK. Fuel is also affected by price. On the one hand, the climate in Guernsey is milder than in the UK, so less fuel is needed to achieve the same level of heating. However, because electricity prices are higher, the same amount of fuel costs more in Guernsey.

***Difference in need*** is particularly apparent in the transport budgets, where people on Guernsey specified the need for each household to have a car, and also to be able to travel off the island at least once a year. The Guernsey MIS therefore includes the costs of owning and running a car, which are higher than for the corresponding amounts for public transport and taxi use in the UK MIS, and for travel off Guernsey. Other instances of difference in need are the tumble dryers and home internet access for pensioners included by Guernsey groups.

***Difference in provision*** is behind the large differences between UK and Guernsey budgets for personal care. In the UK, costs for National Health Service are deducted from taxes and do not appear in net MIS figures, in Guernsey, most medical costs are charged directly at point of service. Therefore, the Guernsey MIS includes costs for contraception for working age households, and medical insurance for all households. This, in addition to private dental costs, which are higher than the NHS-subsidised prices in the UK, means that Guernsey budgets are significantly higher for this component.

## Detailed example budgets

This section presents Guernsey MIS budgets for four household types, broken down to show the different areas of household expenditure.

<b>Single working age adult</b>	<b>£ per week</b>
Food and drink	45.65
Clothing	12.96
Household goods and services	21.49
Personal goods and services	9.00
Medical services	11.81
Transport	44.99
Social and cultural participation	58.62
Heating, lighting etc.	16.71
Water rates and waste water charges	6.22
Parish rates	0.96
Contents insurance and household repairs	2.37
<b>Total, excluding rent and childcare</b>	<b>230.78</b>
Rent	133.00
Childcare	0.00
<b>Total including rent and childcare</b>	<b>363.78</b>

<b>Couple parents with two children, preschool and primary school aged</b>	<b>£ per week</b>
Food and drink	143.50
Clothing	40.31
Household goods and services	42.64
Personal goods and services	33.77
Medical services	36.53
Transport	64.06
Social and cultural participation	114.52
Heating, lighting etc.	27.33
Water rates and waste water charges	8.54
Parish rates	2.65
Contents insurance and household repairs	9.03
<b>Total, excluding rent and childcare</b>	<b>522.88</b>
Rent	220.56
Childcare	158.32
<b>Total including rent and childcare</b>	<b>901.76</b>

<b>Lone parent with toddler</b>	<b>£ per week</b>
Food and drink	67.43
Clothing	25.38
Household goods and services	30.55
Personal goods and services	24.32
Medical services	17.50
Transport	52.47
Social and cultural participation	61.07
Heating, lighting etc.	23.63
Water rates and waste water charges	7.33
Parish rates	1.36
Contents insurance and household repairs	1.81
<b>Total, excluding rent and childcare</b>	<b>312.85</b>
Rent	186.32
Childcare	89.43
<b>Total including rent and childcare</b>	<b>588.60</b>

<b>Couple pensioners</b>	<b>£ per week</b>
Food and drink	86.93
Clothing	14.74
Household goods and services	24.98
Personal goods and services	27.45
Medical services	26.71
Transport	39.00
Social and cultural participation	79.86
Heating, lighting etc.	20.15
Water rates and waste water charges	7.22
Parish rates	1.53
Contents insurance and household repairs	5.21
<b>Total, excluding rent and childcare</b>	<b>333.78</b>
Rent	168.27
Childcare	0.00
<b>Total including rent and childcare</b>	<b>502.05</b>



## Budget summaries

This section presents Guernsey MIS budget totals for eleven household types.

Household type	£ per week			
	Total budget	Rent	Childcare	Budget excluding rent and childcare
Single pensioner	356.17	133.00	0.00	223.17
Couple pensioner	502.06	168.27	0.00	333.79
Single working age adult without children	363.79	133.00	0.00	230.79
Couple working age adult without children	542.16	168.27	0.00	373.89
Couple + toddler	686.51	186.32	89.43	410.76
Couple + preschool + primary school child	901.77	220.56	158.32	522.89
Couple + preschool + primary + secondary school child	1026.66	220.56	158.32	647.78
Couple + toddler + preschool + primary + secondary school child	1177.47	220.56	240.66	716.25
Lone parent + toddler	588.62	186.32	89.43	312.86
Lone parent + preschool + primary school child	793.13	220.56	158.32	414.25
Lone parent + preschool + primary + secondary school child	923.48	220.56	158.32	544.60

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