

A Minimum Income Standard for the UK in 2022

The Minimum Income Standard (MIS) sets out a vision of the living standards that we as a society agree everyone in the UK should be able to achieve. In 2022, the rising cost of living presents the most significant challenge to living standards for many years, and comes after a period of social and economic uncertainty resulting from the Covid-19 pandemic. There is a growing gap between what people have and what people need for a decent standard of living. Millions of people in the UK risk falling well short of this standard as costs continue to rise and our social security system fails to provide adequate and appropriate support. Short-term support measures will only go so far; we need a social security system that is fit for today.

Key points and recommendations

- MIS continues to provide a unique lens through which to observe and track the impact of social, economic and cultural change on our shared vision for living standards in the UK.
- In 2022, we have recalculated from scratch the minimum budgets for pensioner and working-age households without children, and reviewed and updated the budgets for households with children.
- The research this year was undertaken at a time of uncertainty and flux. It spanned a period in which the UK was emerging from prolonged periods of Covid-19 restrictions, with the resulting 'freedoms' this afforded, and in which the cost of living began to increase at the fastest rate for many years. We have yet to understand the full impacts of these factors on MIS.
- A single person needs to earn £25,500 a year to reach a minimum acceptable standard of living in April 2022. A couple with two children needs to earn £43,400 between them.

- The increase in what is needed for a minimum living standard over the past year is in part a consequence of the rapidly rising cost of many goods and services, such as domestic fuel, which have substantially increased what is required to reach MIS.
- Part of the increase is also due to changes in the specification of what is needed for a minimum living standard. The budgets reflect changes in society and emphasise the crucial importance – across all age groups – of activities outside the home for social participation, which cost more than before.
- The cost of living support payments aimed at supporting households likely to be most affected by rising costs is welcome, but it does not solve more entrenched problems within the social security system. Even with the cost-of-living support payments, a couple with two children, on out-of-work benefits, only have just over half (52%) of what they need for a minimum standard of living.
- Working households can get closer to reaching MIS, but the support payments do little to address the cost-of-living challenge. A couple with two children and one parent working full-time on the National Living Wage, the other not working, reach 76% of MIS without the cost-of-living support payments; the same family only reach 79% of MIS with the payments.

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Background

Since 2008, the Minimum Income Standard (MIS) has shown what households need to spend in order to reach an acceptable standard of living, based on detailed deliberations by groups of members of the public. The groups in the latest research were conducted over a period during which there were at first restrictions on social interaction because of Covid-19, followed by a lifting of the previous limitations, and then rapidly rising inflation. This context is important. We are at a particular moment when 'post-Covid freedoms' are meeting the fastest rise in the cost of living for 40 years head-on, and where socially, economically, politically and culturally there is significant national and global uncertainty. The extent to which public perceptions of what is needed for a minimum socially acceptable standard of living have been shaped by this unique combination of factors will only become clear over time. Discussions with groups of members of the public to rebase minimum budgets for all households are planned for 2024, which will continue to reveal how much our shared vision of minimum living standards has been affected by the upheaval of recent years.

Changes in what is included in MIS

The new research in 2022 confirmed that much of what is identified as part of a minimum basket of goods and services remains stable over time, with pensioners and working-age adults without children reaching similar conclusions as groups in 2018, and parents confirming what was identified in 2020. There are areas where the minimum has changed. For example, all households have included a smart speaker, rather than a radio, reflecting a change in the ways in which people access free-music streaming services or radio programmes: Ofcom data show that 50% of adults in the UK owned a smart speaker in 2021¹. Parents continue to prioritise children's ability to participate socially at an acceptable minimum level, but agreed that the cost of activities outside the home had increased post-pandemic, and therefore increased the weekly amount included for both primary and secondary school-aged children. Given the ongoing uncertainty about Covid-19, all households included reusable face masks for school-aged children and adults, as well as the cost of lateral flow tests for all.

How adequate are people's incomes on out-of-work benefits and the National Living Wage?

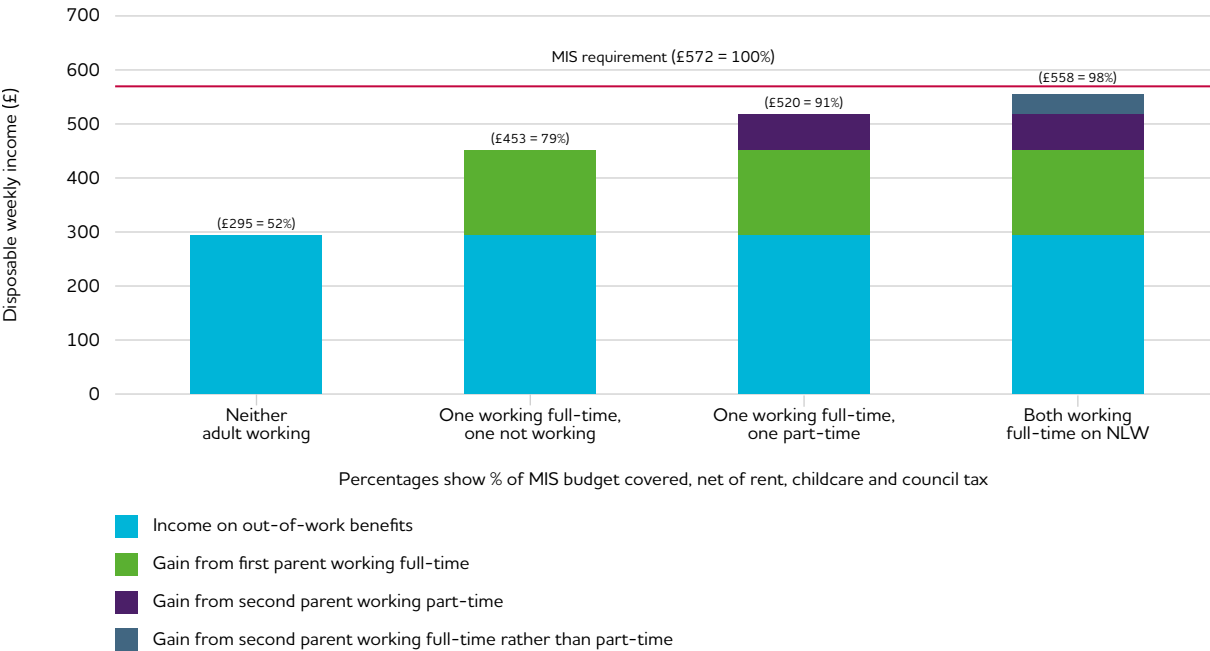
This year's report illustrates how the adequacy of disposable income (defined here as income left after paying taxes, housing and any childcare costs) varies across different household types and highlights the growing gap between the adequacy of out-of-work benefits and incomes for working households. Working households have gained from an increase of 6.6% in the National Living Wage (NLW) and from changes to both the work allowance and taper rate within Universal Credit. Conversely, while inflation as measured by the Consumer Prices Index (CPI), stood at 9% in April 2022, the increase in inflation-linked benefits and tax credits that month was only 3.1%, pegged to CPI in September 2021. Although the situation for working households relative to households on out-of-work benefits has improved, this has not been enough to offset the rapidly rising living costs seen in recent months – both the NLW and benefits are falling relative to inflation, posing a challenge to the adequacy of incomes.

In this context, the UK Government announced a series of one-off measures in May 2022 designed to help the most vulnerable households with the increasing cost of living. These followed the earlier announcement of a £150 council tax rebate for all households living in council tax bands A to D, and included amongst other measures:

- A £400 universal payment – the Energy Bills Support Scheme – to all households to assist with increasing energy costs, to be credited to customer accounts over six months from October 2022.
- A £650 one-off Cost of Living Payment for families on means-tested benefits, including Universal Credit and Pension Credit.
- A £300 payment to all pensioner households to help cover the rising cost of energy over the winter.

Taking this support package into account, Figure 1 shows that a couple with two children on out-of-work benefits are falling well short of what they need, and even where both parents are working full-time, their combined income is nearly but not quite sufficient to reach MIS. Single people without children – in receipt of cost of living support payments – have around a third (32%) of what they need on out-of-work benefits, and 78% of what they need in full-time work on the NLW. Lone parents have incomes around half of MIS (54%) if not working, and 81% if working full-time on the NLW. Despite the additional support being provided by the Government, many households will have a substantial and growing gap between what they have – their disposable income – and what they need as described through MIS.

Figure 1. Couple with two children aged 2–4 and primary school age, disposable weekly income relative to MIS requirement, on out-of-work benefits or NLW, inclusive of cost-of-living support payments.



Note: Includes cost of living support payments – without these percentages, figures are reduced from: 52% to 48% (neither working); 79% to 76% (one working full-time); 91% to 87% (one working full-time, one part-time); and from 98% to 94% (both working full-time).

Past pain, future pain

Since the start of the pandemic in 2020, there has been uncertainty about exactly what the future will bring. Although the source of uncertainty may have changed over time, the coming years are likely to be as challenging as the past few years. Further increases in domestic energy prices in October this year, and then again in January 2023, could have catastrophic consequences for households whose incomes are already under significant pressure. The rising cost of many other essentials, such as food, will only add to the burden that many households are already struggling to bear.

It is easy to think in the face of these past, present and future challenges that there could be a trimming back of what the public think is needed for a minimum standard of living. And yet as we saw from our 2021 research, social contact and interaction with others outside the home remained a central element of a minimum standard even when this was not possible. What is clear from the 2022 discussions is that for now at least, this continues to be the case, and that there is a belief that everyone should be able to make the most of life, given the experiences of the past two years.

This desire is undoubtedly tempered by the uncertainty and challenge posed by the rapidly rising cost of essentials, which will result in many households having to make incredibly tough decisions about which areas of spending to prioritise. Support for households most vulnerable to these increases is welcome, but this short-term sticking plaster does not move us closer to a society in which fewer people fall below the Minimum Income Standard. More needs to be done to collectively imagine a social security system fit for now and the coming years, instead of repeatedly trying to fix a system designed for a vastly different time and place. Without this, many more households will continue to face the years ahead on incomes that do not enable them to meet their minimum needs.

About the research

The Minimum Income Standard is updated annually to reflect changes in costs and public views of what is needed to reach a minimum living standard. It is based on what groups of members of the public identify as the goods and services households need to reach a minimum acceptable standard of living, covering essential requirements and allowing participation in society.

Notes

1. Ofcom (2021) Media Nations: UK 2021. Available at: https://www.ofcom.org.uk/__data/assets/pdf_file/0023/222890/media-nations-report-2021.pdf [Accessed: June 2022].

For further information

The full report, **A Minimum Income Standard for the UK in 2022**, is published by the Joseph Rowntree Foundation. It is available as a free PDF at www.jrf.org.uk

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