

A minimum income standard for rural areas

Findings
Informing change

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JRF's minimum income standard for the UK, updated annually, is based on what members of the public think people need for a minimum acceptable standard of living. It is based on research in urban areas. This study extends the research to consider what rural households need to afford the same standard of living as their urban counterparts.

Key points

- People in rural areas typically need to spend 10–20 per cent more on everyday requirements than those in urban areas. The more remote the area, the greater these additional costs.
- The biggest difference is the greater access to public transport in urban areas, whereas rural households depend more on cars. Domestic fuel costs are also higher in some rural areas, because of older, less fuel-efficient housing and lack of mains gas.
- Single, working-age adults need to earn at least £15,600 a year in rural towns, £17,900 in villages and £18,600 in hamlets or remote countryside to reach a minimum living standard, compared with £14,400 in urban areas.
- For couples with two children, the annual earnings requirement is much higher, about £33,000 to £42,000, depending on whether one or both partners work and the remoteness of the community.
- Among those on basic out-of-work benefits in rural areas, single people get only about a third of the required minimum, families with children about a half, and pensioners are typically 20 per cent short of the minimum.
- Therefore, people in rural areas generally need to work and earn well above the minimum wage to make ends meet. But since many rural jobs are poorly paid, many people have substantially less than they need, even if they work.

The research

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Background

The minimum income standard (MIS) for the United Kingdom is an ongoing research programme funded by the Joseph Rowntree Foundation to monitor how much households need to meet a minimum socially acceptable standard of living. The standard is based on negotiations among groups of members of the public about what goods and services households need in order to achieve such a minimum. Their decisions are informed where necessary by expert knowledge on matters such as minimum nutritional requirements. The standard was first published in 2008 and is updated annually in line with inflation and continuing research into what members of the public define as minimum requirements.

A limitation of the UK MIS is that it is based on research into households in urban areas. In order to provide complementary information on rural needs, the Commission for Rural Communities asked the researchers to identify what rural households in England require to achieve the same minimum living standard as their urban counterparts. The research distinguished how household costs vary across different household types and by degrees of rurality.

The research involved 15 in-depth focus groups in nine local authorities across England, informed by experts where necessary (e.g. on heating costs, car costs). The groups negotiated a consensus about what households need as a minimum, having considered a comprehensive list of all household requirements, from footwear to newspapers to heating. Budgets were constructed for working-age households, with and without children, and for pensioner households.

The groups discussed households' needs in three different types of rural area: rural town, village, and hamlet or remote countryside. A strength of the MIS approach is that it not only explains household costs but also why these costs are necessary for a minimum living standard.

How minimum costs differ in rural areas

Full details of minimum rural budgets can be found at www.minimumincomestandard.org and results for different household types are available on the project's online calculator at www.minimumincome.org.uk (a rural option appears on the main results page).

Although some items could be cheaper for rural households than urban ones (e.g. leisure activities for primary school children), these lower costs were relatively small. Most household costs were the same for rural as for urban families. However, critical differences meant, overall, that all rural households faced additional costs (see Table 1).

Table 1: Additional weekly rural costs for four illustrative household types, compared with UK MIS: cash difference and rural cost as percentage increase on corresponding urban budget (excluding housing costs and childcare)

	<i>Rural town</i>	<i>Village</i>	<i>Hamlet</i>
Pensioner couple	£2.26 1%	£43.00 19%	£48.08 22%
Single working-age adult without children	£15.98 9%	£31.92 18%	£41.37 24%
Working-age couple with two children	£46.67 12%	£59.52 15%	£72.20 18%
Lone parent with one child	£21.98 9%	£33.65 14%	£36.81 16%

Based on April 2010 prices

Table 1 shows that most rural households face substantial additional costs, but the size of these costs varies considerably across household types and types of rural area. A pensioner couple in a rural town has a budget only 1 per cent greater than in an urban area, while a single person in a hamlet must pay 24 per cent more to meet a minimum standard. Between these extremes, most rural households face a minimum cost of living in the order of 10–20 per cent higher than their counterparts in urban areas.

These higher costs are concentrated in two particular areas of household budgets: transport and domestic fuel. Transport costs make up the single largest element of the additional costs – between 60 and 100 per cent of differences. This reflects the shift from reliance on buses as the main mode of transport in urban budgets to the need for cars in most rural households. Cars were deemed essential in areas where bus services were inadequate or unavailable. Across all types of rural area, and for each household type, the biggest increases in additional costs come when transport requirements change. For pensioners, the largest settlement for which a car is needed is a village, so the biggest difference is between costs for those living in a village and those living in a rural town. For all other household types, the biggest difference comes between urban areas and rural towns, since those who live in the latter need a car.

Higher domestic fuel costs reflect two issues. The absence of mains gas for central heating in many rural areas means that households must rely on more expensive forms of heating. The prevalence of larger, older and less well-insulated housing stock in rural areas also raises fuel consumption.

Other costs have only a small effect on rural budgets. The main additional costs associated with food, clothes, household goods, healthcare and social participation are the extra transport costs incurred when accessing these goods and services.

Rural requirements compared with average income

The income required for rural MIS is less than the national average (median) income. However, compared with UK MIS – which is well below the national average – rural MIS is much closer to average income.

Household budgets for MIS can be compared with the government's poverty threshold, set at 60 per cent of median income. For working-age households (with and without children) in all rural area types, MIS budgets are much more than the poverty threshold. Most households require between 80 and 90 per cent of average income. The MIS required by a single working-age adult without children living in a hamlet comes to 93 per cent of average income (after housing costs). For pensioner couple households, rural budgets are lower in relation to average income. Rural pensioner budgets range from slightly below the poverty threshold in rural towns (55 per cent) to somewhat above it (67 per cent) in hamlets.

Earnings needed to meet the rural MIS

Gross earnings needed by working-age households (in which all adults are in full-time employment) to meet the rural minimum differ from the wage required for UK MIS (see Table 2).

Households in rural areas need to earn more to cover a range of higher costs than urban households. However, the increase in taxes and loss of tax credit that such increased earnings incur mean that rural households have to earn a substantially greater amount than they would need to spend in order to pay for the minimum living standard. For example, a single person living in a rural town needs to spend £16 a week more than one who lives in an urban area, but would need to earn over £23 a week more, once an extra £4.60 in income tax and £2.55 in national insurance are taken into account.

Table 2: Gross annual earnings required to meet rural and UK MIS, taking into account tax and in-work benefits and housing and childcare costs (£)

	<i>Rural town</i>	<i>Village</i>	<i>Hamlet</i>	<i>Urban</i>
Single working-age adult without children	15,644	17,863	18,577	14,436
Working-age couple with two children*	37,841	40,073	42,277	29,727
Lone parent with one child	17,773	19,431	19,980	12,454

Based on April 2010 prices

* The figure for a couple and two children assumes that both work full-time. The minimum for a single earner is lower – see text overleaf.

A couple with two children in a hamlet need an extra £72 a week to spend, but would have to earn £241 more between them to afford this spending as not only do they have to pay an extra £75 in tax and national insurance, but they also lose £94 in tax credits.

The very high combined earnings figure required by a couple with children in a rural area assumes that both of them work and they have to cover childcare costs. If only one person were working, with no childcare needed, such families could reach the minimum on considerably lower earnings: £33,234 in rural towns, £34,185 in villages and £35,143 in hamlets. But since this would require an individual to earn at least £17 an hour, around three times the minimum wage, it is a less realistic way for many rural families to reach a minimum living standard than to have two earners. (The online minimum income calculator nevertheless uses the single-earner calculation, without childcare, as the starting point for couple families, and allows users to adjust these assumptions.)

Rural MIS and benefits

Out-of-work benefits do not meet the MIS for rural households. Benefits offer least support for single working-age adults without children in rural areas, providing only around a third of the budget required for a minimum living standard. For single working-age adults without children in urban areas, Jobseeker's Allowance is about 40 per cent of MIS.

For families with children, out-of-work benefits provide only about half of the required budget – between 52 per cent for couples with two children in a hamlet and 59 per cent for a lone parent with one child in a rural town. By contrast, in urban areas benefits provide 62 per cent of MIS for couples with two children and 65 per cent for lone parents with one child.

In urban areas, the rate of Pension Credit matches MIS for pensioner couples; in rural areas, the same is true only for those in rural towns. For pensioner couples in villages and hamlets, Pension Credit falls about 20 per cent short of meeting MIS.

Conclusion

This study shows that the minimum cost of living in rural areas is greater than that in urban areas. The difference is not caused by higher costs across the board, but mainly by the higher cost of transport and domestic fuel. The most important factor in higher minimum rural costs is a lack of adequate public transport, so that most rural households need cars.

The consequence of these higher costs is that families in rural areas need earnings well in excess of the minimum wage to afford the necessities of life. Yet low pay is more common in rural than in urban areas, creating a double disadvantage. As a consequence, while the visible swathes of poverty in some UK cities are not evident in rural areas, the worst-off rural families are likely to have an income well below a socially acceptable minimum, even if they have jobs.

About the project

The research, commissioned by the Commission for Rural Communities, was carried out at the Centre for Research in Social Policy, Loughborough University, by the team who produce the main MIS research. It involved 15 focus groups in different kinds of rural areas. The groups reviewed minimum budgets for different household types in a rural context.

For further information

The full report, **A minimum income standard for rural households** by Noel Smith, Abigail Davis and Donald Hirsch, is published by the Joseph Rowntree Foundation. It is available as a free download at www.jrf.org.uk

A minimum income calculator which lets people find out how their income measures up to the MIS is also available, at: www.minimumincome.org.uk

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