

A minimum income standard for Britain in 2009

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This study updates 2008's innovative research, based on what members of the public thought people need for an acceptable minimum standard of living.

This report shows:

- What different family types need to earn to meet the minimum income standard;
- How much the cost of a minimum household budget has risen since the original research in 2008.

Exploratory research with members of the public involved in the 2008 project suggests that even in today's tough economic climate, people maintain their view of what things are needed to participate fully in society. As such, this is an important contribution to debates about what is happening to living standards and poverty during the recession.

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Executive summary

This report is the first annual update of the Minimum Income Standard for Britain (MIS), originally published in 2008. The standard is based on research into what members of the public, informed where relevant by expert knowledge, think should go into a budget in order to achieve a minimum socially acceptable standard of living.

The report considers two aspects of uprating the standard for 2009: changes in prices that influence the cost of a minimum 'basket' of goods and services, and changes in living standards that may influence what items should be included in that basket.

Price uprating

Overall, prices in the UK have changed little in the past year – the Retail Prices Index (RPI) has declined slightly and the Consumer Prices Index (CPI), which excludes mortgages and some other housing costs, has risen slightly. However, neither of these indices gives an accurate description of what has happened to the cost of a *minimum* household budget. This includes a different collection of goods and services from that used for inflation indices, which are based on general spending patterns. Since the prices of different types of goods and service are rising or falling at different rates, an overall household budget may rise by different amounts depending on its composition.

The uprating research started by estimating the change in the cost of a minimum budget by applying the RPI inflation rate for each category of commodity (such as food, clothes) to the 2008 MIS budgets. This showed that the cost of minimum budgets for various household types went up by an average of 5 per cent in the year to April 2009. This contrasts with a fall of over 1 per cent in the RPI and a rise of 2½ per cent in CPI. The difference results principally from a) relatively high inflation rates for

food, fuel and public transport, which take up a larger proportion of the budget of someone on the minimum than of an average household budget, and b) from the fact that a minimum budget does not include mortgages or motoring costs, two items whose prices have fallen sharply since April 2008.

The research also looked more closely at the MIS inflation rate by gathering information on how prices of individual items in the budgets have changed. This was to check that official inflation figures for each category of item broadly reflects price rises of MIS items within that category – for example, that overall food inflation is similar to the rise in the cost of the specific food items identified in the original research. This analysis suggested that the actual cost of the minimum budget may have risen by somewhat more than 5 per cent. However, it is difficult to measure this precisely since many products selected in 2008 are not available in exactly the same form in 2009. The analysis concludes that the MIS inflation rate calculated from RPI data is sufficiently similar to the rate based on repricing each item that the former can be used for regular uprating of MIS.

Changing living standards

The minimum income required to reach a socially acceptable standard of living will change with social norms, which are influenced by prevailing living standards. MIS will therefore be periodically rebased using fresh research. In the meantime, it had been intended to estimate an annual rise in MIS above inflation to reflect real rises in average household spending. However, with economic growth having gone into reverse, and no spending data yet available for the past two years, this method cannot now produce a plausible estimate of how the minimum may be changing in real terms. Therefore, the 2009 adjustment shows inflation only.

However, the research did explore whether attitudes to the minimum may be changing as a result of recession, through discussion of this issue in three focus groups. This was to give preliminary indications only, and was not detailed enough to produce reliable revision of the budgets. Participants in these discussions came to very similar definitions of the minimum to the original research, and drew up almost identical lists of items. However, they also indicated that a more careful attitude towards spending and consumption is developing, with a greater tendency to 'shop around' to achieve a given standard of living in the most economical way possible. While it is too early to say whether this should alter the level of the Minimum Income Standard, the discussions showed that recession creates important issues for MIS and suggests the need for an early revisit of the budgets.

Budgets for April 2009

In the new budgets, a single person requires £168 a week excluding rent, up from £158 in 2008. This requires earnings of £13,900 a year (based on assumptions about minimum housing costs). A new online Minimum Income Calculator makes it possible to calculate the equivalent for most household types in Britain, and to make adjustments for the level of rent/ mortgage and certain other fixed costs.

These budgets require a wage above the minimum wage of £5.73 an hour for most family types with one full-time worker. Benefits fall well short of providing a minimum acceptable income on this measure, although pensioners claiming the Pension Credit get enough to meet the standard. Despite the fact that benefits rose faster than headline inflation in the past year, they have gone up by no more than the effective inflation rate for people on the minimum, and therefore represent similar proportions of the MIS as they did in 2008 – less than half the minimum standard for people of working age without children. However, MIS has risen as a percentage of median income, and therefore is in most cases further above the poverty line than it was a year ago.

Conclusion

This report shows that the cost of a minimum living standard rose by about 5 per cent in the year to April 2009, even though prices overall fell. Fortunately for people on the lowest incomes, benefits rose by a similar amount to MIS, above the headline inflation rate. But some people losing their jobs are still having to survive on less than half of what members of the public think is needed to achieve an acceptable standard of living. Tough economic times may eventually cause some rethinking of what is a 'necessity' but early evidence suggests that people have a robust view of what it means to have the things you need to participate fully in society. With people's incomes vulnerable at a time of recession, the risk of falling below this norm has increased.

Introduction

How much is needed to achieve a minimum acceptable standard of living in Britain today? In 2008, the first Minimum Income Standard for Britain (MIS) gave an answer to that question based on detailed research into what ordinary people think should go into a minimum budget, supported by expert knowledge on certain physical living requirements, including nutrition (Bradshaw, *et al.*, 2008).

As part of that project, there was a commitment to keep MIS up to date. Its final report noted that rises in living standards are likely to change the social norms that determine what is included in the minimum, while rising prices change its cost.

Only twelve months later, this issue of updating looks very different. For the first time in 17 years, incomes (and hence potentially living standards) are falling. For the first time in 50 years, prices overall have gone down. These changes in trend do not make it any less important to update MIS, but may alter the approach that we use to do so. This updated report includes the results of new research which starts to explore the impact of recession on attitudes to what constitutes a minimum living standard.

The report considers in turn the two components of potential change in the level of MIS:

- the changing cost of a minimum basket of goods and services, and
- whether the contents of such a basket should be changing.

It then summarises a revised set of budgets, updated to April 2009, looks at what incomes are needed to afford these budgets and compares these to benefits, to the poverty line and to earnings on the National Minimum Wage. It concludes with a reflection on how approaches to a minimum income standard are affected by a changed economic climate.

Box 1 summarises the main features of MIS. For further detail, see Bradshaw, *et al.*, 2008. The results of MIS, updated to April 2009, are

now available in full on a revised online Minimum Income Calculator at www.minimumincome.org.uk. This allows users to specify the number and ages of family members and to adjust for some fixed costs such as rent, in order to personalise a minimum budget. Users can also see the gross earnings or pension that their family will need in order to achieve that budget.

What is MIS? The Minimum Income Standard is the income that people need in order to reach a minimum socially acceptable standard of living in Britain 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.

How is it arrived at? A sequence of groups have detailed negotiations about what things a family would have to be able to afford in order to achieve an acceptable living standard. Experts check that these specifications meet basic criteria such as nutritional adequacy, and in some cases feed back information to later groups that check and amend the budgets. Each group typically comprises six to eight people from a mixture of socio-economic backgrounds, but each group has people from the particular demographic category under discussion – e.g. pensioner groups decide the minimum for pensioners.

What does it include? Groups in the original research defined MIS as follows:

A minimum standard of living in Britain 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.

Thus, a minimum is about more than just survival. However, 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 – e.g. those resulting from living in a remote location or having a disability. So not everybody having more than the minimum income can be guaranteed to achieve an acceptable living standard. However, anyone falling below the minimum does not achieve such a standard.

To whom does it apply? MIS applies to ‘nuclear’ families comprising a single adult or couple with or without dependent children. It covers most such households, with its level adjusted to reflect their make-up. It does not cover families living with other adults, such as households with grown-up children.

Where does it apply to? MIS was calculated as a minimum for Britain, and does not yet include Northern Ireland, where a separate minimum is to be published in late 2009.

How is it related to the poverty line? MIS is relevant to the discussion of poverty, but does not claim to be a poverty threshold. This is because participants in the research were not specifically asked to talk about what defines poverty. However, it is relevant to the poverty debate in that almost all households officially defined as being in income poverty (having below 60 per cent of median income) are also below MIS. Thus households who face relative poverty on this measure are generally unable to reach an acceptable standard of living as defined by members of the public.

Who produced it? The original research was funded by the Joseph Rowntree Foundation (JRF). It was conducted by the Centre for Research in Social Policy (CRSP) at Loughborough University in partnership with the Family Budget Unit at the University of York. This update was conducted by CRSP, again with JRF funding.

When was it produced and how is it being updated? The original research was carried out in 2007 and the findings presented in 2008 were costed using April 2008 prices. In the long term, the intention is to re-examine the public’s definition of contemporary needs every few years. In between these ‘rebasings’, the budgets are being updated to reflect changes in prices and, where relevant, changes in living standards.

1 MIS and changes in prices

To calculate the current value of MIS, the cost of buying the specified baskets of goods and services needs to be adjusted to take account of price changes. The Retail Prices Index (RPI), which shows changes in prices in groups of goods and services categorised in the same way as MIS, gives data which allow adjustment without carrying out additional original research. However, within each category of spending, we cannot be sure that price rises are the same for MIS items as for those on which the RPI is based. For example, if luxury foods were to rise quickly in price but basic foods were to stay the same, and if MIS contained principally basic foods, the RPI would exaggerate the extent to which a minimum budget became more expensive. For this reason, in 2009 the actual items in MIS were re-priced by the research team. The idea was to test the degree to which the inflation index could in future serve as an approximation for actual changes in the cost of the MIS baskets.

How much has MIS risen based on inflation figures?

Overall, the RPI suggests that prices in April 2009 were very similar to those in April 2008: on average, they were 1.2 per cent lower. Is there then any need to alter the level of MIS because of changing prices? If so, should it be 'downrated' rather than uprated?

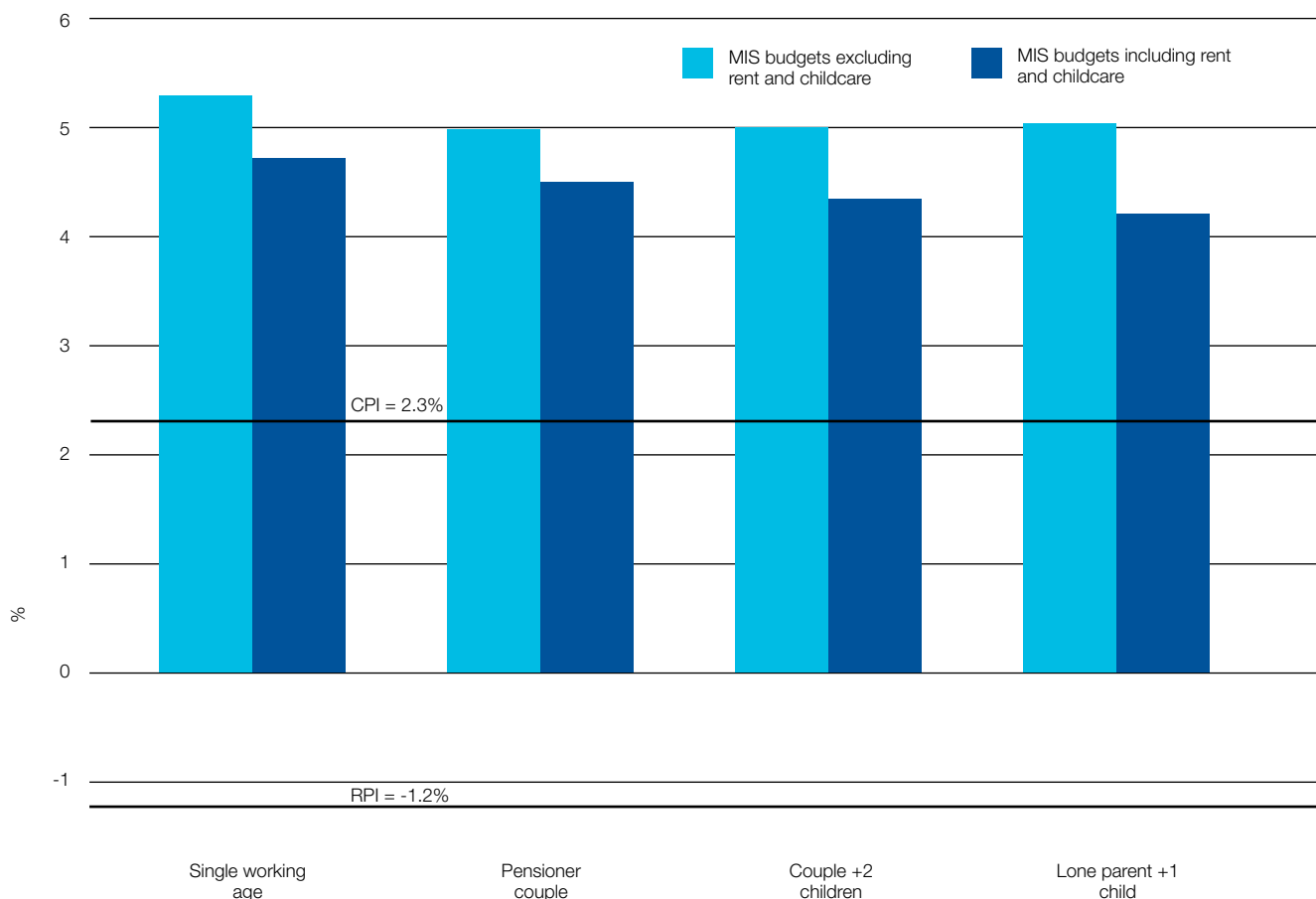
In fact, an overall measure of inflation today can give a highly misleading picture of the rise in the cost of living for an individual. This is because different goods and services are changing in price at very different rates. In the year to April 2009, the components of the RPI varied hugely in this respect, ranging from a fall in the average mortgage interest payment by 47 per cent to a rise in the average cost of solid fuel by 30 per cent.

The importance of these different price changes to the overall inflation rate is determined by the weights given to them in the RPI, which are based on overall spending patterns. However, as demonstrated in the first MIS report, there are considerable differences between MIS and overall spending in terms of the relative importance of different types of goods and services. For example, for a single working-age adult, food represents 25 per cent of a minimum budget (excluding rent/mortgage), but only 15 per cent of actual spending by an average household measured in the official survey of household spending, the Expenditure and Food Survey (see Bradshaw *et al.*, 2008, p.32, Table 4).

To adjust MIS for rising prices based on the RPI, therefore, the inflation rate for each group of commodities measured in the RPI was applied to the equivalent elements in MIS. For example, since food is shown by the RPI as rising by 9 per cent, the 2008 food budget for each type was inflated by 9 per cent to produce the food budget for 2009.

Adding up these components produced total MIS budgets for 2009 that are consistently higher than the 2008 budgets, by between 4.7 per cent and 5.4 per cent. These apply to the headline totals after rent/mortgage and childcare. These MIS inflation rates are between 0.4 and 0.9 percentage points lower when housing and childcare are included. The results for four family types are shown in Figure 1. Overall therefore, a minimum budget (net of housing and childcare) rose by about six percentage points more than the RPI and by two to three percentage points more than the Consumer Prices Index (CPI), which rose 2.3 per cent in the year to April. (RPI is a wider inflation measure than CPI; the latter excludes mortgages, Council Tax and some other housing costs, and is calculated in a different way).

Figure 1: Inflation rates for four family types, April 2009



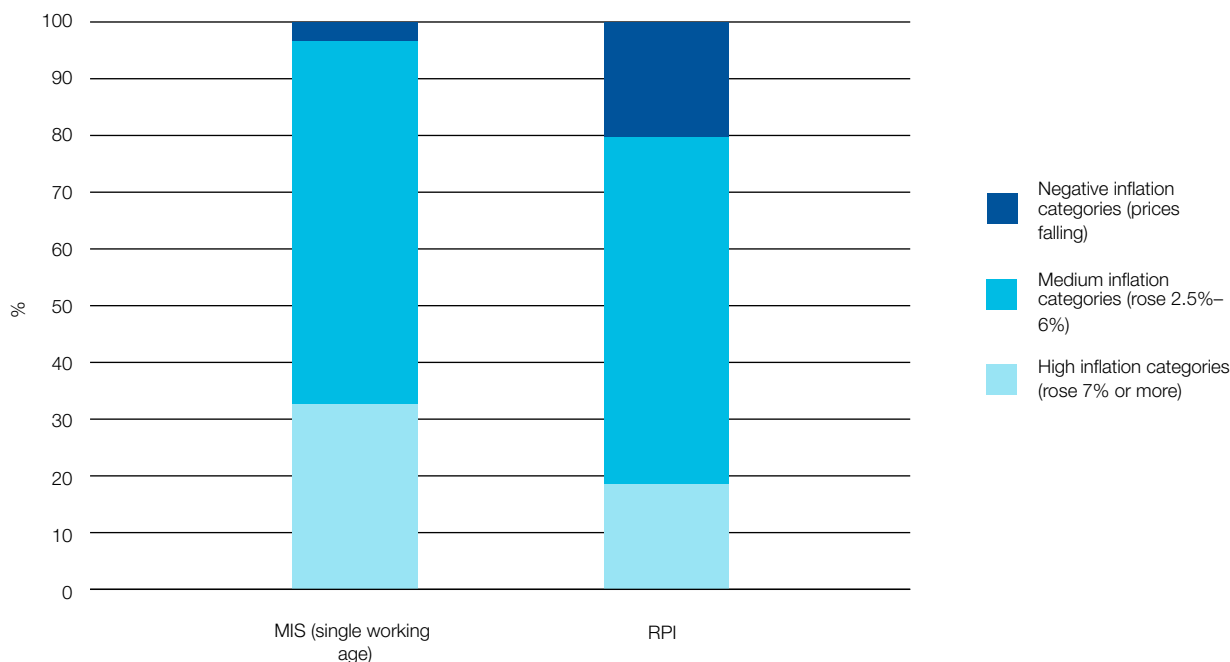
This striking finding that the cost of a minimum budget is rising much faster than general inflation is not difficult to explain. Quite simply, things whose prices are rising the fastest tend to be over-represented in a minimum budget compared to the RPI, while items whose prices are falling are under-represented. Put another way, those goods and services that people on the minimum income spend proportionately more on than average tend to be items whose prices are rising fastest. This is shown in Table 1, which lists the RPI inflation rate for each category of items alongside the weighting it is given in the RPI and in an MIS budget for a single person of working age.

Table 1: Inflation rates of spending categories and their importance in the RPI and MIS, April 2009

| Category | Annual inflation rate | % of RPI | % of MIS budget (single working age) |
|-----------------------------------|------------------------------|-----------------|---|
| Food | 8.6% | 11.8% | 19.9% |
| Alcohol | 2.6% | 6.3% | 2.0% |
| Tobacco | 0.0% | 2.7% | 0.0% |
| Clothing | -5.2% | 3.9% | 3.3% |
| Water rates | 4.7% | 1.4% | 2.2% |
| Council Tax | 2.7% | 4.0% | 6.2% |
| Household insurances | 2.8% | 0.8% | 0.8% |
| Fuel | 11.7% | 4.9% | 4.6% |
| Other housing costs | 3.5% | 2.1% | 1.1% |
| Household goods | 5.6% | 7.0% | 4.6% |
| Household services | 2.5% | 6.1% | 4.6% |
| Personal goods and services | 2.8% | 4.1% | 3.9% |
| Motoring | -5.1% | 12.1% | 0.0% |
| Other travel costs | 6.8% | 2.0% | 8.3% |
| Social and cultural participation | 4.1% | 10.5% | 14.0% |
| Rent* | 3.0% | 6.2% | 24.4% |
| Mortgage | -46.9% | 4.1% | 0.0% |

*This figure uses the actual average rise in a council rent in the reference local authority (Loughborough), rather than the RPI. This is because the original MIS used the council rent to illustrate the minimum, and the RPI combines in one category social and private rents, which have been moving in opposite directions.

Figure 2: Composition of MIS and RPI, by inflation rate of various categories of goods and services, April 2009



The effect of these differences is more clearly demonstrated in Figure 2. It shows that categories of goods and services that have fallen in price (mortgages, cars and clothes) comprise only 3 per cent of an MIS budget, but count for a fifth of RPI. Conversely, high-inflation categories – food, fuel and public transport – between them comprise a third of an MIS budget, but less than one fifth of the RPI.

These patterns, shown here for a single working-age adult, are repeated across all the MIS household types.

Comparison between indexed and re-priced inflation rates

During April 2009, the MIS team re-priced items included in the original budgets, using information published on the internet and in-store information. This was necessarily an imperfect process, since not all products are defined in identical ways from one year to the next, and fluctuating prices and discounting policies made the task more complicated. Where necessary the team took pragmatic decisions about closest substitutes. Also, some items (e.g. amount spent on birthday presents) were expressed as a cash sum rather

than a specific set of items. In these cases, comprising on average about a fifth of budgets for families with children and a third for those without, an RPI inflation rate for the relevant category was applied, meaning that in reality a comparison between re-pricing and applying the relevant inflation rate was applied to most but not all of the budgets (after housing and childcare costs).

Table 2 shows, for the four family types that have been used to illustrate MIS results, the inflation rate using a re-pricing method alongside the indexed method, and the difference in the uprated MIS totals using each method. This analysis does not include housing costs, since the indexed method used the re-priced figure for a council rent (see note to Table 1 above). For families with children, the table includes totals with and without childcare. For this large item, the re-priced total did not rise because the providers consulted had not put up their prices. On the other hand, the RPI shows that domestic services, of which childcare is a part, rose by about 3 per cent, and childcare costs were rising faster than this in England according to the annual Daycare Trust survey published in January 2009 (Daycare Trust, 2009). The correct inflation rate for this large item is thus hard to determine accurately.

Table 2: Indexation compared to re-pricing (£ per week)

| Single working age | | | | | |
|-----------------------------------|-----------------|----------------------|------------------|----------------------|----------------------|
| Category | MIS 2008 | Index updated | Re-priced | Index error £ | Index error % |
| Food | 40.34 | 43.79 | 45.65 | -1.86 | -4.6 |
| Alcohol | 4.38 | 4.49 | 4.53 | -0.04 | -0.9 |
| Tobacco | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 |
| Clothing | 7.64 | 7.24 | 7.85 | -0.61 | -7.9 |
| Water rates | 4.71 | 4.93 | 4.97 | -0.03 | -0.7 |
| Council Tax | 13.33 | 13.69 | 13.73 | -0.03 | -0.2 |
| Household insurances | 1.79 | 1.84 | 1.86 | -0.02 | -1.1 |
| Fuel | 9.00 | 10.06 | 10.31 | -0.25 | -2.8 |
| Other housing costs | 2.29 | 2.37 | 2.38 | -0.01 | -0.5 |
| Household goods | 9.50 | 10.03 | 9.81 | 0.22 | 2.3 |
| Household services | 9.99 | 10.24 | 10.22 | 0.02 | 0.2 |
| Childcare | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 |
| Personal goods and services | 8.40 | 8.64 | 8.70 | -0.06 | -0.7 |
| Motoring | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 |
| Other travel costs | 17.03 | 18.19 | 17.68 | 0.51 | 3.0 |
| Social and cultural participation | 29.73 | 30.95 | 30.80 | 0.15 | 0.5 |
| Total | 158.12 | 166.47 | 168.47 | -2.01 | -1.3 |

| Pensioner couple | | | | | |
|-----------------------------------|-----------------|----------------------|------------------|----------------------|----------------------|
| Category | MIS 2008 | Index updated | Re-priced | Index error £ | Index error % |
| Food | 53.25 | 57.81 | 62.56 | -4.75 | -8.9 |
| Alcohol | 7.40 | 7.59 | 8.22 | -0.63 | -8.5 |
| Tobacco | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 |
| Clothing | 9.93 | 9.41 | 10.28 | -0.87 | -8.8 |
| Water rates | 5.56 | 5.82 | 5.86 | -0.04 | -0.7 |
| Council Tax | 17.77 | 18.26 | 18.30 | -0.04 | -0.2 |
| Household insurances | 1.65 | 1.69 | 1.80 | -0.11 | -6.5 |
| Fuel | 10.62 | 11.87 | 12.24 | -0.37 | -3.5 |
| Other housing costs | 3.61 | 3.74 | 3.75 | -0.01 | -0.4 |
| Household goods | 11.12 | 11.75 | 11.61 | 0.14 | 1.3 |
| Household services | 9.07 | 9.30 | 9.57 | -0.26 | -2.9 |
| Childcare | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 |
| Personal goods and services | 23.65 | 24.32 | 24.46 | -0.14 | -0.6 |
| Motoring | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 |
| Other travel costs | 4.65 | 4.97 | 4.97 | 0.00 | 0.0 |
| Social and cultural participation | 43.21 | 44.98 | 45.32 | -0.34 | -0.8 |
| Total | 201.49 | 211.50 | 218.94 | -7.43 | -3.7 |

| Couple + 2 children | | | | | |
|-----------------------------------|-----------------|----------------------|------------------|----------------------|----------------------|
| Category | MIS 2008 | Index updated | Re-priced | Index error £ | Index error % |
| Food | 97.47 | 105.82 | 104.88 | 0.93 | 1.0 |
| Alcohol | 6.06 | 6.22 | 6.52 | -0.30 | -4.9 |
| Tobacco | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 |
| Clothing | 29.26 | 27.73 | 29.44 | -1.70 | -5.8 |
| Water rates | 5.45 | 5.70 | 5.74 | -0.04 | -0.7 |
| Council Tax | 20.73 | 21.30 | 21.35 | -0.05 | -0.2 |
| Household insurances | 2.23 | 2.29 | 2.67 | -0.38 | -17.1 |
| Fuel | 18.49 | 20.66 | 21.67 | -1.01 | -5.4 |
| Other housing costs | 7.26 | 7.51 | 7.54 | -0.03 | -0.4 |
| Household goods | 17.39 | 18.37 | 19.03 | -0.66 | -3.8 |
| Household services | 13.21 | 13.55 | 13.62 | -0.08 | -0.6 |
| Childcare | 186.98 | 193.47 | 186.63 | 6.84 | 3.7 |
| Personal goods and services | 27.39 | 28.17 | 26.90 | 1.27 | 4.7 |
| Motoring | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 |
| Other travel costs | 35.02 | 37.42 | 37.39 | 0.03 | 0.1 |
| Social and cultural participation | 90.08 | 93.78 | 98.67 | -4.90 | -5.4 |
| Total | 557.03 | 581.98 | 582.05 | -0.06 | 0.0 |
| Total excluding childcare | 370.05 | 388.51 | 395.42 | -6.91 | -1.9 |

| Lone parent + 1 child | | | | | |
|-----------------------------------|-----------------|----------------------|------------------|----------------------|----------------------|
| Category | MIS 2008 | Index updated | Re-priced | Index error £ | Index error % |
| Food | 47.05 | 51.08 | 53.93 | -2.86 | -6.1 |
| Alcohol | 3.48 | 3.57 | 3.98 | -0.40 | -11.6 |
| Tobacco | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 |
| Clothing | 16.41 | 15.56 | 17.17 | -1.61 | -9.8 |
| Water rates | 7.38 | 7.73 | 7.78 | -0.05 | -0.7 |
| Council Tax | 15.55 | 15.98 | 16.01 | -0.04 | -0.2 |
| Household insurances | 1.99 | 2.05 | 2.19 | -0.14 | -7.0 |
| Fuel | 16.43 | 18.35 | 19.32 | -0.97 | -5.9 |
| Other housing costs | 2.12 | 2.19 | 2.20 | -0.01 | -0.4 |
| Household goods | 16.37 | 17.30 | 17.26 | 0.03 | 0.2 |
| Household services | 6.72 | 6.89 | 6.99 | -0.10 | -1.5 |
| Childcare | 135.05 | 139.73 | 134.75 | 4.98 | 3.7 |
| Personal goods and services | 19.47 | 20.03 | 19.74 | 0.29 | 1.5 |
| Motoring | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 |
| Other travel costs | 17.16 | 18.34 | 18.22 | 0.12 | 0.7 |
| Social and cultural participation | 40.16 | 41.81 | 41.33 | 0.48 | 1.2 |
| Total | 345.35 | 360.60 | 358.37 | 2.23 | 0.6 |
| Total excluding childcare | 210.31 | 220.86 | 223.62 | -2.76 | -3.0 |

Overall, these re-pricing results suggest that the extent to which inflation of a minimum budget is higher than general inflation may be somewhat underestimated by using RPI data: when excluding childcare from the analysis, all four budgets show a higher re-priced than indexed MIS inflation rate of between two and four percentage points.

Despite these discrepancies, the results do not seem to suggest that MIS items in certain categories are systematically rising faster than suggested by the RPI. Table 2 shows that, compared to the overall rise in prices on both measures, most differences between the re-priced and indexed results are relatively minor. There are a number of cases where there are more significant differences, but these do not follow obvious patterns. For example, on three of the food budgets the re-pricing results suggest that the indexed increase may be an underestimate of the real rise in cost of the budget, but on a fourth it suggests the reverse. The one category that does appear to show a pattern is clothing, which fell in the RPI but rose by up to 4 per cent in MIS. However some caution is needed in interpreting this difference, since in many cases it is difficult to find identical items to compare from one year to the next. In some cases where cheaper options had become available, it was not possible to say with confidence that these were the same quality as the equivalent items the previous year, so a cautious approach was taken towards including clothes at reduced prices.

The conclusion must therefore be that price indices are at present a reasonably reliable means of estimating changes in the MIS budgets. They are readily available without extra research, and do not appear to introduce undue inaccuracies. Even though they are not a perfect measure of the increase in a minimum budget, the alternative of direct re-pricing also has considerable imperfections, described above. Moreover as time goes on, fewer of the items originally specified in the budgets will be on the market in the same form, and a re-pricing method will therefore become more loosely related to the original list. Using the RPI is another way of expressing the price trend for the kinds of items included in the budget, and as shown above produces similar results. This all points to the conclusion that it is not necessary

to re-price the items each year when updating the budgets, and that a new pricing exercise should be carried out only when a new set of items has been identified by fresh research ('re-basing').

2 MIS and changes in living standards: what is included in the minimum

The Minimum Income Standard involves a contemporary definition of what living standard is required to participate in society. This necessarily changes over time. What society considers an acceptable norm in one generation may be seen as wholly inadequate in the next.

While such changes are often gradual, ideally a standard should be continuously updated, to keep pace with the overall trend. The alternative of only changing the contents of budgets occasionally can mean that by the time such changes are made, the published budgets have become well out of date. On the other hand, it is impractical to repeat the research into what should be included on a very frequent basis. In MIS, therefore, it was proposed that in between periodic 'rebasings' that repeat the methods of the original research, annual 'upratings' should include some estimate of how general living standards are changing and therefore of how fast the value of the minimum should alter in real terms. Initially, such annual adjustments would be indicative, based on a hypothesis about the relationship between general spending and changes in the minimum. But over time the experience of rebasing the budgets should give better insights about how to estimate the annual changes.

Uprating for changes in living standards: the proposed method and its results

After considering various methods of making this estimate, the first MIS report proposed using Expenditure and Food Survey (EFS) data, which shows how much general spending on various goods and services types is rising. A limitation of such a method is that the EFS data are two to three years out of date. However, analysis based on past data showed that in a world in which living standards gradually and continuously rise,

this would not produce excessive inaccuracies, and would certainly create a more up-to-date estimate of contemporary standards than one based only on inflation uprating. This was borne out by analysis of movements in the budget standards over time produced by the Family Budget Unit (Oldfield and Bradshaw, 2008).

Specifically, the proposal was to calculate the latest available full year percentage change in average spending in each category in the EFS, in real terms (i.e. adjusted for inflation in that year). This would represent an estimate of the real annual increase in consumption of that item required in a minimum budget. So, for example, if average household spending on food had risen by 3 per cent between 2005 and 2006 (the latest years with full survey evidence available when this analysis was being compiled), but food prices had risen by 2 per cent in that period, we would assume that the value of a minimum food budget is rising by 1 per cent in real terms per year. In translating this into a rise in the budget between 2008 and 2009, we would apply the latest annual inflation rate on top of this 1 per cent real-terms increase.

Analysis of the 2006 EFS figures shows a very mixed picture for different groups. The analysis starts by looking separately at real rises in spending in each category by pensioners, by working-age adults without children and by families with children. In each case, these percentage rises are then translated into rises in required spending in each category shown in the MIS results. For example, food spending per household by working-age adults without children rose by 4.4 per cent in real terms in 2006. This translates into a real-terms rise of just under £2 for a single adult, who in 2008 required £40.34 to meet a minimum weekly food budget. Adding up calculations in all areas of MIS spending in this way, and comparing the revised total with the original, gives the following results:

- spending by pensioners rises by 6 per cent in real terms;
- spending by working-age adults rises by 3 per cent in real terms;
- spending by families with children falls by 3 per cent in real terms.

(See Appendix 1 for more detail.)

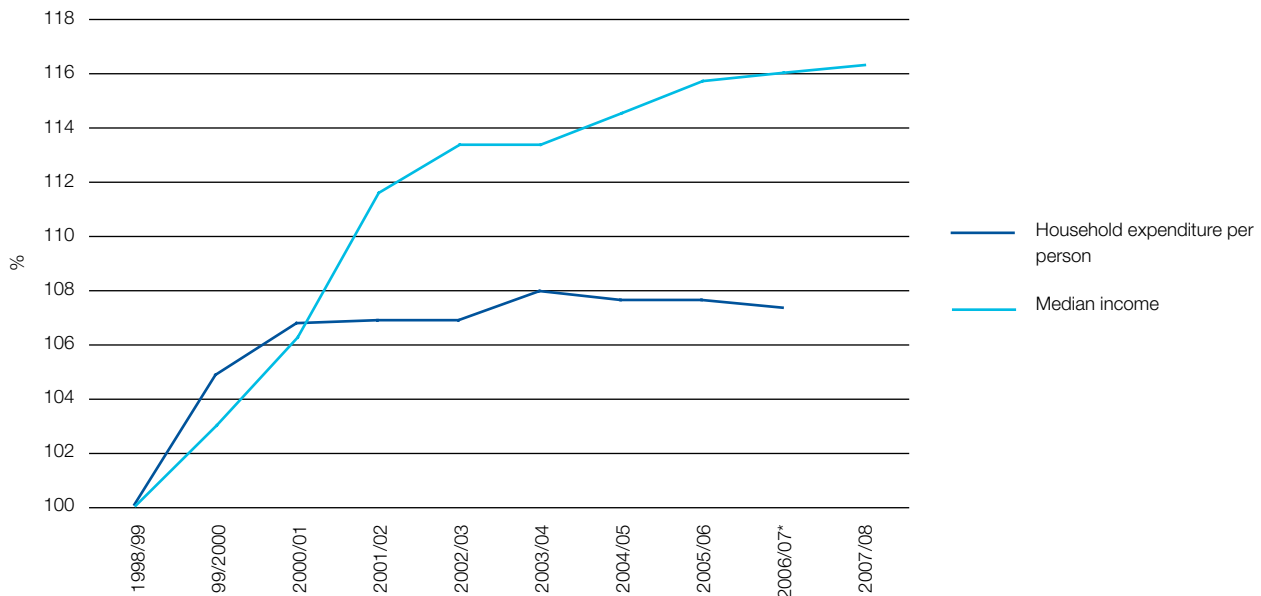
In practice, these results, based on what was happening in 2005–6, now seem a poor guide to estimating what might have happened in the past year to the real value of a minimum acceptable standard of living as defined by the general public. We no longer live in a relatively stable world of gradually and continuously rising living standards. The mixed picture given by the above results are indicative of a wider change. By the middle of the present decade, the rapid growth of the turn of the century had already ended: growth in median incomes was levelling off, and the overall trend in household expenditure per person was virtually flat, showing a very small fall in the past three

years (see Figure 3). It is now clear that this was not simply a pause in an upward trend. Today, national income and, in all likelihood, average levels of household spending are declining.

Under such circumstances, it would appear foolish to go ahead with a methodology which, because in 2006 there was still growth in real spending levels for some household types, would assume that their minimum acceptable budgets rose above the rate of inflation between 2008 and 2009. Rather, we should admit that at a time when economic circumstances have changed profoundly since the latest survey evidence was collected, we are not in a position to say with any confidence how the public’s definition of a minimum acceptable standard of living has recently changed.

Therefore, we have taken a cautious approach and are publishing only an inflation-based uprating to MIS between 2008 and 2009. The April 2009 figures in this report and in the Minimum Income Calculator are the April 2008 figures adjusted for changes in prices. The proposed method to use past evidence on spending trends to feed into uprating has been suspended.

Figure 3: Trends in real household expenditure and median income (1998/99=100)



*Expenditure figures for calendar year 2006

Sources: Department for Work and Pensions (2009), National Statistics (2008)

However, the research team and the Joseph Rowntree Foundation considered it important to start to investigate what impact today's economic changes might have on attitudes to minimum incomes. The Foundation therefore commissioned CRSP to undertake some exploratory research on this issue.

Minimum living standards in a recession: are attitudes changing?

By the end of 2008, the changes in trend described above had become clearly apparent, leading the MIS team at CRSP to abandon the idea of feeding past spending trends into the uprating process. In the short time available, the team looked for a way of gathering some initial indicator of how the public's definition of minimum acceptable living standards might change as a result of current economic circumstances. In April 2009, it ran three focus groups to discuss aspects of what might now be included in a minimum budget. Such exploratory discussions were not intended to be used to recalibrate the level of MIS in 2009, but to help in a more general way to inform debate about minimum incomes, and also to inform the design and timing of future more detailed research.

Each group comprised either working-age adults without children, pensioners or parents. They were drawn from members of previous MIS task groups (the groups drawing up full lists of items), who were therefore familiar with the issues around MIS. Each session lasted two and a half hours.

Each group discussed selected aspects of what an imaginary family would need to reach a minimum acceptable living standard: what would go in a living room, what quality of food would be required, what quality of clothes would be required and what would be spent in selected categories linked to social and cultural participation. These examples were chosen as indicative of things that could potentially change as a result of greater general prosperity or austerity. At the beginning of each session, it was explained that the purpose was to revisit budgets in light of recession and changed economic circumstances. However, it was emphasised that the issue at stake was not whether people with fewer resources need

to 'tighten their belts' to accommodate their budgets, but rather whether norms have changed so that people are seen to need less. Later, the groups were asked to reflect on whether and how recession is changing attitudes to necessities.

It must be emphasised that these groups were not set up to take firm decisions about how to revise budgets, and the exercise was too small to produce reliable evidence of what should now be included or excluded. Rather, they were seen as expert discussion groups to give preliminary indications of what kinds of effects recession might be having on attitudes relevant to MIS.

The following observations about these discussions may be indicative of what more detailed research about the effect of recession might in the future uncover.

Participants reiterated most of the core principles determining minimum acceptable standards, and in most cases came up with very similar lists of items. They were clear, as in the original research, that a minimum acceptable standard of living required both physical essentials and social participation, as well as some degree of comfort. There was no evidence of even a partial retreat to the idea that in a time of austerity, meeting only basic human needs such as food and shelter would be enough. On the contrary, when discussing 'little comforts' such as occasional treats and a comfortable place to sit in one's living room, some participants emphasised that these are all the more important in a world where many people have extra stresses that they need to escape from. In fact, identifying the contents of a living room from a blank sheet of paper, each of the three groups came up with a strikingly similar (almost identical) list to the previous research.

Technological change creates changing attitudes about what to include as necessities. Each of the three groups got into a detailed discussion about computers, the internet and telephones. Their eventual conclusions were consistent with the original groups' – that everyone needs both a landline and a mobile and that only families with children need a computer – but these issues caused considerable debate and some disagreement. In the words of one participant: "It's difficult, because we're still at a stage with computers where people have different

ideas about them ... If you have it you think it's necessary, if you don't you don't." There was also new debate about whether a landline is really still essential, with younger people inclined to question whether you really need one any more. Overall, these discussions about technology suggested that future budgets could be affected by changed technological circumstances, which could both add and subtract costs.

In a few cases, groups identified needs that might be met with a more modest level of consumption. In general within the areas of the budgets discussed, any small differences from the original research in the range of necessities discussed did not appear to relate to greater acceptance of austerity. However, there were some exceptions. For example, working-age participants thought that expectations of how often you go out may be changing. "Whereas a couple of years ago you had to go out every week and if you didn't you were really boring, now if you say no, not this week, nobody bats an eyelid." Participants often felt that some forms of behaviour, like going to discount supermarkets, are starting to feel more socially acceptable. All the groups carefully debated how much it was necessary to spend on birthday presents, and tended to come to slightly lower amounts than previously. There is scope here for expectations in spending on such discretionary items to shift downwards, given that they are likely to be highly influenced by actual practice. However, this does not mean that pressures to consume have disappeared. Parents, for example, continued to be protective of children's consumption wherever they felt that there may be serious social costs to denying them things that others have. One participant said that she would still have to re-wrap a value brand chocolate bar in her son's packed lunch in foil to save him embarrassment.

Participants discussed ways in which a similar outcome could be achieved more economically by looking more carefully at how money was spent. The groups spent a lot of time discussing the merits of buying second-hand, discounted and value items. As in the earlier research, they took a pragmatic view about what is acceptable in various circumstances. But they also expressed a desire to look more closely at what is available and at what you really get for your money. Value brands in the

supermarket were seen in many cases as providing just as good quality (e.g. for basic dry goods) as more expensive brands. "Half to two thirds [of food spending] would just be the basic items ... you can buy value range, for your staples." Insofar as social acceptability may in the past have been influenced by packaging and by supermarket outlet (with discount stores carrying some stigma), this was perceived as having reduced. The groups also gave considerable thought to options for 'shopping around' for second-hand furniture or clothes. Pensioners frequently emphasised the scope for getting good quality in second hand shops. Participants of working age emphasised new internet-based means of doing so, such as eBay and Freecycle. They reflected on the difference in younger people's minds between the stigma of "having to buy things at charity shops" and the status of getting a good deal on eBay: "People are proud of getting a bargain. It wouldn't be the same in a charity shop even though it's the same stuff."

Questions of quality interact with changing pricing regimes. Closely related to the issue of quality are the ways in which supermarkets and chain stores price their goods. Participants in the groups reported that these had been subject to considerable change recently. Some goods had increased sharply in price, but then had been selectively discounted. Some ranges had changed their character, for example with value ranges costing a bit more and rising in quality, and being marketed to consumers who would not previously have bought them. This made it difficult for participants to specify what range they would buy from, since much depended on what was on offer on a particular day. At present it is hard to know to what extent such price variation is due to a unique combination of fluctuating prices of raw materials and the onset of recession, causing both supply-side and demand-side instability.

Present economic circumstances are in the forefront of people's minds when they consider consumption needs. Participants in the groups talked frequently about how tighter economic circumstances are affecting not just spending behaviour but attitudes to consumption. At the forefront of many discussions was inflation – the awareness that things like food are costing more lay behind the need to shop carefully and look for

deals. Others of working age spoke of the difficulty in getting credit as affecting particular areas of 'lumpy' spending such as Christmas presents for children, where previously the attitude had been "we can't let them go without; if necessary we can pay later". Others mentioned reduced earnings, even of those in work, for example through restriction in overtime. Pensioners mentioned the loss of income from savings because of low interest rates. Overall, the feeling was of concern over a tighter economic situation, even among those who had not directly felt its impact.

Attitudes to greater austerity may differ across family types. The above perspectives pick up common threads across the three groups with different family types. There were also some attitudes distinctive to each group – although these should be interpreted with extra caution given that there was only one group for each category. The families of working age were more clear-cut about the effect of the new environment on attitudes to spending than were the pensioners. There was a strong feeling among younger groups that "the party's over", and that some aspects of spending that people had taken for granted, funded where necessary by credit, need to be re-examined. To some extent parents welcomed a perceived lessening of pressure to consume to keep up with other families: "Thank goodness it's finally come to a stop ... you've got to find a balance because you don't want your child to think that everything's given to them." Pensioners, on the other hand, felt that there would not be much change in norms for them because they had not previously got into a culture of thoughtless spending. "I've always had to budget ... we're used to saving up ... you learn to live on it [what you've got]."

The above perspectives from the groups suggest that recent changes do have an important bearing on minimum income standards, but it is too early to measure this effect. Overall then, participants maintained their commitment to the main elements of a minimum acceptable standard of living established in the original research, but illustrated how changes in attitudes could start to alter the budgets in future years. In particular, they looked for ways in which the same standard of living could be maintained more economically, with more thought and effort to get

value for money. In this respect the mood was not so much one of austerity, but of prudence.

It would be premature to claim, on the basis of reports from a few groups so early into these changes, that we can describe a clear trend. Rather, the above findings suggest that a deeper analysis of this kind will be needed in the next year or two in order to maintain MIS as an accurate description of what people think today.

3 The 2009 budgets

Based on the analysis in Sections 2 and 3, the MIS budgets for 2009 have been set as the 2008 budgets uprated according to inflation in the broad components of the RPI. The online Minimum Income Calculator allows budgets to be calculated for most types of single-unit household, and for items such as housing costs to be adapted to individual circumstances. A single-unit household is one where a single adult or a couple live on their own or only with dependent children. Budgets vary according to whether families have single adults or couples, whether they are pensioners or of working age and the number and age of their children.

Table 3 summarises the new budgets for four family types, with the totals listed in five different ways that allow different kinds of comparison to be made. The 'headline' budget total is the net amount that is needed to cover all expenses except rent and childcare. Rent imposes a substantial fixed cost on families, and the price of an adequate home varies across the country. The online calculator allows the rent (or mortgage) assumption to be adjusted to reflect the situation of an individual or prevailing prices in a local community. Childcare is a large cost for some but not all families with children, and so is shown separately. This too can be adapted in the Minimum Income Calculator. However, for each of these items, an illustrative figure is shown in this report, necessary to calculate the gross earnings required to meet a budget (see Table 5). In the case of housing, the rent on a council flat in Loughborough is used as a baseline. This does not show an average rent for the country, but a very modest 'minimum' level, so that very few people could spend less on rent and still reach an acceptable living standard. In the case of childcare, the cost of full-time provision has been estimated for both lone parents and couples (although not applied in the earnings calculation for couples – see below).

Table 3: Summaries of MIS for four family types, April 2009 (£ per week)

| Category | Single working age | Pensioner couple | Couple + 2 children | Lone parent + 1 child |
|---|--------------------|------------------|---------------------|-----------------------|
| Food | 43.79 | 57.81 | 105.82 | 51.08 |
| Alcohol | 4.49 | 7.59 | 6.22 | 3.57 |
| Tobacco | 0.00 | 0.00 | 0.00 | 0.00 |
| Clothing | 7.24 | 9.41 | 27.73 | 15.56 |
| Water rates | 4.93 | 5.82 | 5.70 | 7.73 |
| Council Tax | 13.69 | 18.26 | 21.30 | 15.98 |
| Household insurances | 1.84 | 1.69 | 2.29 | 2.05 |
| Fuel | 10.06 | 11.87 | 20.66 | 18.35 |
| Other housing costs | 2.37 | 3.74 | 7.51 | 2.19 |
| Household goods | 10.03 | 11.75 | 18.37 | 17.30 |
| Household services | 10.24 | 9.30 | 13.55 | 6.89 |
| Childcare | 0.00 | 0.00 | 193.47 | 139.73 |
| Personal goods and services | 8.64 | 24.32 | 28.17 | 20.03 |
| Motoring | 0.00 | 0.00 | 0.00 | 0.00 |
| Other travel costs | 18.19 | 4.97 | 37.42 | 18.34 |
| Social and cultural participation | 30.95 | 44.98 | 93.78 | 41.81 |
| Rent | 53.87 | 66.36 | 71.62 | 65.99 |
| 'Headline' total – excluding rent and childcare | 166.47 | 211.50 | 388.51 | 220.86 |
| Total including rent and childcare | 220.33 | 277.87 | 653.60 | 426.59 |
| Totals excluding: | | | | |
| Rent, Council Tax, childcare (comparable to out-of-work benefits) | 152.77 | 193.25 | 367.21 | 204.89 |
| Rent, Council Tax, childcare and water rates (comparable to after housing costs in Households Below Average Income) | 147.84 | 187.43 | 361.51 | 197.16 |
| Council Tax, childcare (comparable to before housing costs in HBAI) | 206.64 | 259.61 | 438.83 | 270.88 |

Comparison with benefits

Tables 4 to 6 update comparisons presented in the original MIS report. These key results show how minimum incomes compare to the current levels of benefits, the National Minimum Wage and the official poverty line.

As shown in Table 4, basic out-of-work benefits provide less than half of a minimum income for an adult with no children and about two thirds for families with children. The safety-net benefit for pensioners, Pension Credit, pays about enough for them to meet the MIS. These figures are almost identical in 2009 and 2008. In April 2009, most benefits rose by about 5–6 per cent, based on an inflation figure taken from the previous September, which was much higher than the annual inflation index to April. This means that technically, the real value of benefits appreciated significantly compared to the previous year. On the other hand, as discussed above, MIS also rose by about 5 per cent in the same period, because the cost of a minimum budget rose much faster than prices generally. These two factors have cancelled each other out.

In the year to April 2009, therefore, the higher than average inflation rate faced by people on minimum incomes has been compensated by the accident of inflation having fallen sharply between the month on which benefit upratings are based and the month they were implemented. However, if inflation were to continue at a higher rate for a minimum budget, it is likely that in future years benefit rates will rise proportionally slower than

minimum requirements. One cannot be sure that this will be the case – it is hard to predict, for example, what will happen to food prices. Nevertheless, differential inflation rates raise the issue of whether indices applied to benefit upratings fairly reflect rising costs for those who rely on them.

Required earnings and comparison with the minimum wage

The previous MIS report noted that few families can expect to reach a minimum income as defined by MIS as a result of having one person working full time on the National Minimum Wage (NMW). Table 5 shows that this has not changed in 2009. The NMW has risen by 4 per cent, and minimum income requirements slightly faster. The gap in money terms between the minimum wage and the required wage rate shown in the table has remained the same for a single person and risen somewhat for the families with children. The broad pattern is that the NMW would have to be about £1 higher to allow single people and lone parents to reach the MIS by working full time, but would need to double for someone to support a couple with children at this level if their partner is not working.

Table 4: MIS compared with out-of-work benefit income, April 2009 (£ per week)

| | Single working age | Pensioner couple | Couple + 2 children | Lone parent + 1 child |
|---|---------------------------|-------------------------|----------------------------|------------------------------|
| MIS excluding rent, Council Tax and childcare | 152.77 | 193.25 | 367.21 | 204.89 |
| Income Support*/Pension Credit | 64.3 | 203.24 | 230.34 | 137.62 |
| Difference (negative number shows shortfall) | -88.47 | 9.99 | -136.87 | -67.27 |
| Benefit income as % of MIS | 42% | 105% | 63% | 67% |

*Including Child Benefit and Child Tax Credit

Table 5: Gross earnings required by one earner to meet MIS, April 2009 (£ per week)

| | Single working age | Couple + 2 children excluding childcare | Lone parent + 1 child with childcare |
|--------------------------------------|---------------------------|--|---|
| MIS (including rent and Council Tax) | 220.33 | 460.13 | 426.59 |
| Gross earnings required | 265.79 | 530.02 | 232.48 |
| Hourly wage rate for 37.5 hour week | 7.09 | 14.13 | 6.20 |
| National Minimum Wage, hourly | 5.73 | 5.73 | 5.73 |

The required earnings figures also produce the 'headline' annual earnings required in order to meet a minimum income standard. These have risen from £13,400 to £13,900 for a single person and from £26,800 to £27,600 for a couple with two children.

Table 6: MIS compared to median income (£ per week)

| | Single working age | Pensioner couple | Couple + 2 children | Lone parent + 1 child |
|--|---------------------------|-------------------------|----------------------------|------------------------------|
| a) Before housing costs: estimated median* | 263 | 393 | 550 | 342 |
| MIS excluding childcare and Council Tax | 207 | 260 | 439 | 271 |
| MIS as % of median | 78 | 66 | 80 | 79 |
| b) After housing costs: estimated median* | 193 | 332 | 465 | 259 |
| MIS excluding childcare, Council Tax, water rates and rent | 148 | 187 | 362 | 197 |
| MIS as % of median | 77 | 56 | 78 | 76 |

*Adjusted for household composition. Unlike in the previous report, the latest available median income figure is used here without adjustment even though it applies to 2007/08 (see text).

Comparison with the poverty line

Finally, in order to compare MIS to the poverty line, Table 6 looks at the percentage of median income represented by an MIS budget. As in the previous exercise, most budgets are significantly above the 60 per cent median threshold that is taken as the official poverty line. The one exception among all the family types in MIS is pensioner couples, whose minimum requirement after housing costs is slightly below the poverty line. However, even in this group, the majority will effectively require more than the 60 per cent median, because most pensioners live in houses

rather than flats as assumed for the minimum, and this imposes extra costs such as heating.

The percentages of median income shown in Table 6 are all substantially higher than they were in 2008, by three to five percentage points. This is due to the fact that MIS has risen with inflation, but the poverty line is assumed to have remained the same. This latter assumption must be treated with some caution since it is not based on up-to-date survey evidence: the latest income survey covers 2007/08 (DWP, 2009). The assumption of no rise in median income since 2007/08 is based on the fact that prices measured by RPI rose only by about 1 per cent between October 2007, the middle of that period, and

April 2009, while a contracting economy makes it likely that real median income fell slightly.

Whether or not the estimates shown here prove to be exactly accurate, they illustrate how the present combination of economic trends could cause the effect of recession on poverty to be understated. If median incomes are broadly constant in cash terms but benefits rise, this will help reduce relative poverty rates (or at least offset the rise due to job loss). However, if cash income rises are only enough to cover the rising cost of a minimum budget (as shown above in the case of benefit rises), this positive effect on poverty will be illusory.

Indeed, the latest poverty figures (DWP, 2009), covering 2007–8, offer some evidence that the inability to afford necessities is already worsening compared to the level of poverty as measured through relative income. In the latest year, there was a jump of 200,000 in the number of children whose families both had incomes below 70 per cent median (roughly the MIS level) and said they were unable to afford a number of necessities. This contrasted to no change in the overall percentage on low incomes, whether measured against a 60 per cent or a 70 per cent median threshold. This suggests that there has been a growth in the number of people on given levels of relative income who find that this income is not enough to afford necessities.

4 Conclusion

In tough economic times, a growing number of people ask themselves whether they have enough income to afford a minimum acceptable standard of living. Many fall out of work. More find it hard to make ends meet. People who have taken for granted a given standard of living suddenly have their expectations shattered. In such circumstances, a benchmark like MIS can help society to keep sight of what levels of income it finds unacceptable.

This report shows that the cost of a minimum living standard rose by about 5 per cent in the year to April 2009, even though prices overall fell. Fortunately for people on the lowest incomes, benefits rose by a similar amount to MIS, because the rise was based on an earlier inflation figure. However, in future years, on present policies, they may lose out from upratings policies pegged to general inflation. And a levelling out of average incomes could bring beneficial effects for published poverty rates, even though in reality the buying power of people on low incomes, relative to the average, may not have improved. So inflation continues to make people living at or below minimum incomes highly vulnerable.

At the same time, the way in which people think about minimum incomes could start to change. Participants in the exploratory groups that were part of this research reiterated the main principles of a minimum income standard that permits both physical and wider social needs to be met. However, they also suggested that in hard times people may be starting to think more carefully about essential needs and how they can best be met. They are inclined to shop around more, and to expect others to do so. They also suggested that as pressures to consume ease (a trend welcomed by some), the contents of the minimum budgets may need to be reassessed. These changes are not yet well enough defined to alter the minimum standard, but a sustained downturn would make some level of reassessment of the standard desirable.

In the meantime, a clear-cut result of tough economic times will be to cause more people to fall below a minimum acceptable standard of

living. In particular, those who lose their jobs find themselves unable to get even close to maintaining this standard if they have to rely on benefit income. Many people in work are also struggling to make ends meet. A vigorous public and political debate about the acceptable level of a minimum income and how to achieve it, following through from recession into recovery, is as important as ever.

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Appendix 1: Illustrative application of applying household expenditure rises to estimate a cost of living increase

The original methodology proposed for changing MIS data annually to reflect changes in standards of living was to work out real-terms changes in spending for the latest year available and apply them to current inflation rates. This method, not followed through for reasons explained in the text, produced the results shown in Table A1 below. The steps involved were:

1. Calculation of the percentage rise in expenditure per household in each category for each broad family type, using Expenditure and Food Survey (EFS) data. This 'annualised' expenditure rise for 2006, the latest data available at the time of analysis, was based on comparing EFS 2006 with EFS 2005–6 – annual surveys with an overlapping nine month period due to a change in the survey from financial to calendar years. The rise was taken as representing nine months, and multiplied by 1.33 to get an annualised rise.
2. Calculation of equivalent inflation rate, based on an RPI rise over the relevant nine month period multiplied by 1.33.
3. Calculation of the annual rate of rise in real-terms spending per household in 2006 by dividing (2) by (1).
4. Application of the real rise in spending to the MIS 2008 totals. Were the method to have been followed through, the results shown in the final column of each section would have represented the MIS level in 2008 prices adjusted for change in standard of living. To get a final 2009 figure, it would have had to be multiplied by the current inflation rate.

The final number in each section shows the percentage rise or fall in real terms of the whole budget under this method. For families with children it is a fall, for families without children a rise.

Table A1: Household expenditure rises in four family types (2006) applied to MIS

| Families with children | % rise in spending | | | Weekly budgets (£) | | | |
|-------------------------------|--|--------------------|--------------------|--------------------|--------------------------|------------|--------------------------|
| | | | | Lone parent + 1 | | Couple + 2 | |
| Expenditure category | Annualised rise in household spending (all with children) 2006 | RPI inflation 2006 | Real rise 2006 | MIS 2008 | Real rise applied to MIS | MIS 2008 | Real rise applied to MIS |
| Food and non-alcoholic drinks | 1.0% | 2.7% | -1.6% | 47.05 | 46.31 | 97.47 | 95.95 |
| Alcohol | 0.7% | 2.4% | -1.6% | 3.48 | 3.42 | 6.06 | 5.96 |
| Tobacco | 12.0% | 0.0% | 12.0% | 0.00 | 0.00 | 0.00 | 0.00 |
| Clothing and footwear | -0.9% | -0.9% | 0.1% | 16.41 | 16.43 | 29.26 | 29.29 |
| Water rates | 10.0% | 5.5% | 4.3% | 7.38 | 7.70 | 5.45 | 5.68 |
| Council Tax | 4.5% | 4.7% | -0.1% | 15.55 | 15.53 | 20.73 | 20.70 |
| Insurance | 8.4% | 2.8% | 5.5% | 1.99 | 2.10 | 2.23 | 2.35 |
| Childcare | 3.5% | 5.2% | -1.6% | 135.05 | 132.93 | 186.98 | 184.05 |
| Fuel, light and power | 20.4% | 27.3% | -5.4% | 16.43 | 15.54 | 18.49 | 17.49 |
| Other housing costs | -26.1% | 4.9% | -29.6% | 2.12 | 1.49 | 7.26 | 5.11 |
| Household goods | -0.2% | 1.4% | -1.6% | 16.37 | 16.12 | 17.39 | 17.11 |
| Household services | 4.7% | 3.8% | 0.9% | 6.72 | 6.78 | 13.21 | 13.33 |
| Personal goods and services | 0.9% | 2.9% | -2.0% | 19.47 | 19.09 | 27.39 | 26.85 |
| Motoring | 0.5% | 0.0% | 0.5% | 0.00 | 0.00 | 0.00 | 0.00 |
| Other travel costs | -20.9% | 1.2% | -21.8% | 17.16 | 13.42 | 35.02 | 27.38 |
| Leisure goods and services | 2.6% | 3.6% | -1.0% | 40.16 | 39.77 | 90.08 | 89.21 |
| | | | Total without rent | 345.35 | 336.63 | 557.03 | 540.46 |
| | | | % change in total | | -2.5% | | -3.0% |

| Working-age adults | % rise in spending | | | Weekly budgets (£) | |
|-------------------------------|--|--------------------|--------------------|----------------------------|--------------------------|
| | | | | Single person, no children | |
| Expenditure category | Annualised rise in household spending (all working-age adults without children) 2006 | RPI inflation 2006 | Real rise 2006 | MIS 2008 | Real rise applied to MIS |
| Food and non-alcoholic drinks | 7.2% | 2.7% | 4.4% | 40.34 | 42.11 |
| Alcohol | 0.8% | 2.4% | -1.6% | 4.38 | 4.31 |
| Tobacco | -7.5% | 0.0% | -7.5% | 0.00 | 0.00 |
| Clothing and footwear | 2.5% | -0.9% | 3.4% | 7.64 | 7.90 |
| Water rates | 7.4% | 5.5% | 1.9% | 4.71 | 4.80 |
| Council Tax | 3.3% | 4.7% | -1.3% | 13.33 | 13.16 |
| Insurance | 2.8% | 2.8% | 0.1% | 1.79 | 1.79 |
| Fuel, light and power | 16.6% | 27.3% | -8.4% | 9.00 | 8.25 |
| Other housing costs | 7.0% | 4.9% | 2.0% | 2.29 | 2.34 |
| Household goods | 10.2% | 1.4% | 8.7% | 9.50 | 10.32 |
| Household services | -7.8% | 3.8% | -11.2% | 9.99 | 8.87 |
| Personal goods and services | 5.2% | 2.9% | 2.2% | 8.40 | 8.58 |
| Motoring | -5.0% | 0.0% | -5.0% | 0.00 | 0.00 |
| Other travel costs | 15.3% | 1.2% | 14.0% | 17.03 | 19.41 |
| Leisure goods and services | 7.1% | 3.6% | 3.3% | 29.73 | 30.72 |
| | | | Total without rent | 158.12 | 162.56 |
| | | | % change in total | | 2.8% |

| Pensioners | % rise in spending | | | Weekly budgets (£) | |
|-------------------------------|--|---------------------------|-----------------------|---------------------------|---------------------------------|
| | | | | Pensioner couple | |
| Expenditure category | Annualised rise in household spending (all pensioners) 2006 | RPI inflation 2006 | Real rise 2006 | MIS 2008 | Real rise applied to MIS |
| Food and non-alcoholic drinks | 7.4% | 2.7% | 4.7% | 53.25 | 55.74 |
| Alcohol | 7.1% | 2.4% | 4.5% | 7.40 | 7.73 |
| Tobacco | 2.1% | 0.0% | 2.1% | 0.00 | 0.00 |
| Clothing and footwear | 4.4% | -0.9% | 5.4% | 9.93 | 10.46 |
| Water rates | 8.7% | 5.5% | 3.0% | 5.56 | 5.73 |
| Council tax | 5.6% | 4.7% | 0.9% | 17.77 | 17.93 |
| Insurance | 7.3% | 2.8% | 4.4% | 1.65 | 1.72 |
| Fuel, light and power | 23.3% | 27.3% | -3.1% | 10.62 | 10.29 |
| Other housing costs | -0.2% | 4.9% | -4.9% | 3.61 | 3.43 |
| Household goods | -4.3% | 1.4% | -5.6% | 11.12 | 10.51 |
| Household services | -1.5% | 3.8% | -5.1% | 9.07 | 8.61 |
| Personal goods and services | 25.6% | 2.9% | 22.1% | 23.65 | 28.86 |
| Motoring | -3.5% | 0.0% | -3.5% | 0.00 | 0.00 |
| Other travel costs | 42.6% | 1.2% | 40.9% | 4.65 | 6.56 |
| Leisure goods and services | 12.3% | 3.6% | 8.4% | 43.21 | 46.84 |
| | | | Total without rent | 201.49 | 214.41 |
| | | | % change in total | | 6.4% |

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