



A Minimum Income Standard for the United Kingdom in 2021

by Abigail Davis, Donald Hirsch, Matt Padley and Claire Shepherd.

This report looks at the current levels of MIS and the extent to which people can achieve it based on benefits, Universal Credit and the National Living Wage.

It also looks at preliminary research on how norms have been affected by the COVID-19 pandemic.

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The Minimum Income Standard (MIS) presents a vision of the living standards that we, as a society, consider everyone in the UK should be able to achieve. This is the 2021 update of MIS for the United Kingdom, based on what members of the public think we all need for an acceptable minimum standard of living. It shows that in 2021, many people on low incomes are being held back from reaching this standard, because of unstable work, inadequate pay and a benefits system that does not provide adequate income security.

What you need to know

Two Government actions can loosen some of the constraints that are preventing families from reaching MIS:

- Instead of taking away £20 a week from millions of families' already-precarious incomes this October by cutting Universal Credit (UC), keep this lifeline. The Government should also ensure that people who are still receiving the 'legacy benefits' that UC is replacing, many of whom are disabled or carers, are no longer excluded from this vital improvement to support.
- Develop a strategy to make jobs work, by improving the stability and adequacy of earnings from work, and focusing on reducing the uncertainties that people now face in the labour market, by working to provide better jobs. This is particularly urgent as the furlough scheme comes to an end, also in October 2021.

We can solve UK poverty

JRF is working with governments, businesses, communities, charities and individuals to solve UK poverty. *A Minimum Income Standard for the United Kingdom in 2021* plays an important part in monitoring costs and living standards – a key focus of our [strategy to solve UK poverty](#).

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Executive summary

The Minimum Income Standard (MIS) presents a vision of the living standards that we, as a society, consider everyone in the UK should be able to achieve. In this year's MIS report, we report on the current levels of MIS, on the extent to which people can achieve this based on benefits, Universal Credit (UC) and the National Living Wage (NLW), and on preliminary research considering how norms have been affected by COVID-19.

In 2021, MIS budgets previously drawn up by members of the public have been updated by inflation, and our calculations take account of the benefit, UC and income tax levels introduced in April this year. Inflation, while still low by historic standards, has started to return, and to affect households' ability to make ends meet. Families with children saw a 2.5% rise in minimum living costs and a 3–4% rise in childcare costs, but benefits and UC increased at a slower rate. In 2021:

- Out-of-work families with children on UC fall about 40% short of the income they need, and those without children fall 60% short.
- Work improves income considerably, even part-time jobs on the NLW, but still mainly falls short of enabling people to reach MIS, holding back millions of households from reaching the income considered adequate by society. Even working full time, a single person falls 14% short of this standard and a lone parent with two children falls 12% short, although a couple with two children can reach it if both parents work full time. For those with part-time jobs, the shortfalls are much greater, underlining the damaging effects of uncertain and sporadic work.
- Cutting UC by £20 per week, as planned for October 2021, is set to make these outcomes considerably worse. Other adverse factors that need addressing include the growing reach of the Benefit Cap, now affecting families with two or more children, and the growing number of families living in privately rented housing, for whom high rents can reduce net incomes considerably.

In April and May 2021, new MIS research consulted members of the public, asking them to reflect on the impact of a year of COVID-19, and exploring whether and to what extent it had changed their perceptions of what is needed for a minimum socially acceptable standard of living in the UK. This preliminary research was not used this year to alter MIS budgets, but to gain insights that will inform future research revising the budgets.

Participants in this research reflected on how they have been living differently during the pandemic, particularly how this has affected the ways they spend money on their homes, on technology, on travel and on recreation. For some of these changes, especially those affecting recreation and social interaction, members of the public consider that needs are not being met at present, and continue to view these needs in much the same way as pre-pandemic. This confirms that it remains important for people to have the resources needed to participate in society, as they did pre-pandemic.

In other cases, people are less certain about whether previous spending patterns will return. These include the balance between online and in-person shopping, work patterns and their consequences for travel, and the technological requirements of a home. In particular, they anticipate that work will be different in the future, and this could significantly affect the minimum cost of living, but in different ways for different people. Future research will therefore have to look afresh at what can be considered a common minimum, that everyone should be able to afford.

The report concludes that using MIS to identify what we, as a society, consider to be a living standard that everyone ought to be able to reach, has become more relevant than ever in the 2020s. In the wake of the pandemic, it is essential that we develop new approaches to ensuring that people are not held back by inadequate benefits, and uncertain and unstable job prospects. The first step must be to recognise the value of the additional support in helping families build better lives, and not take away £20 a week from the already-precarious incomes of millions of families by cutting UC this October. It must also look at new ways of creating good, stable jobs, as the backup provided by the furlough scheme is withdrawn.

1 Introduction

As the United Kingdom assesses the short- and longer-term effects of COVID-19, millions of households are struggling to make ends meet. Even before the pandemic, three in ten UK households had incomes too low to meet a minimum budget as defined by members of the public (Padley and Stone, 2021). The restrictions that have accompanied COVID-19 have disrupted people's livelihoods, hitting families on low incomes hard (Hill and Webber, 2021).

The Minimum Income Standard (MIS) provides a vision of the standard of living that we, as a society, consider that people should be able to achieve. To meet this standard, households need not just to reach a given income level at a point in time, but to achieve a degree of security and stability that many people find elusive. People are being held back by unstable labour markets and uncertainties over benefits, as well as by inadequate levels of income from earnings and from the state.

During the pandemic, Government measures have gone some way towards mitigating its impact so far on living standards, in particular through the furlough scheme and the £20-a-week increase in Universal Credit (UC) rates, but households will face new uncertainties when this support falls away (Brewer et al, 2021). In future years, the MIS benchmark will be particularly important in assessing what is needed for people to achieve stable incomes to reach the standard that society expects. MIS will also show how this standard evolves as society changes, reviewing whether the profound impact of COVID-19 on society has altered what people think a minimum acceptable living standard includes.

Since 2008, MIS research has worked out how much income households require to meet their material needs and participate in society, based on the deliberations of groups of members of the public. This report presents the MIS results for 2021, and compares them to incomes of people on minimum wages and out-of-work benefits. The household budgets used in this report were originally researched in 2018 and 2020, and this report updates them, based on inflation, to 2021 prices. It also compares these updated MIS budgets to the incomes of those relying on UC and minimum wage income, at the rates introduced this April.

This year's report, the 14th in the MIS series, has a number of distinctive features:

- Comparisons of working-age incomes with MIS are now focused on households claiming UC. Previous versions had started by looking at 'legacy' benefit and tax credit entitlements. UC has now become the dominant system, even though the switchover is far from complete, following a doubling of the number of households on UC during the pandemic (increasing from 2.58m in February 2020 to 5.04m in February 2021). In this report, we have continued to make some comparisons with the legacy system where relevant, and the online Minimum Income Calculator (see Box 1) still allows results to be generated for the legacy benefit system.
- This year, for the first time, our income calculations assume that working people contribute to a pension scheme. Following the full rollout of auto-enrolment in employer schemes, participants in MIS working-age discussion groups have unanimously agreed that contributing at standard rates to such a scheme should be the default assumption when calculating what people need to earn (although our Minimum Income Calculator allows users to 'opt out' of this if they wish). MIS discussion groups were firmly of the view that they should be included, since auto-enrolment suggests that the Government expects that people will need to make that provision for their retirement. We assume here that people in work are auto-enrolled in work-based pensions, on standard conditions that require employees to contribute 4% (net of tax) of eligible earnings to the scheme. This change has typically added around £1,000 a year to the earnings required to reach MIS (see Appendix 1, Table 7).
- In 2021 we carried out additional research investigating the extent to which current views of necessities have been affected by the COVID-19 pandemic. This provided an initial reflection on areas of life that have changed in the UK over the past 16 months. It is still too early to translate these into any new 'norms' that could eventually influence what is considered to be part of a minimum acceptable standard of living in the UK. However, this preliminary research allows us to

start considering how such new norms might be investigated, and will be explored in more detail in the MIS 2022 report.

This update is part of a regular annual cycle of MIS updates. Table 1 shows the work being carried out in the present four-year cycle. Each household budget is researched from scratch once in the cycle ('rebased'), and then reviewed after two years. In other years, including 2021, previously identified budgets are updated to take inflation into account. In 2022, budgets for households without children will be fully rebased, and budgets for those with children reviewed. The new research in 2022 will explore and incorporate any changes in how minimum living requirements are viewed by the public resulting from the pandemic. Box 1 gives further details about MIS.

Table 1: The current MIS updating cycle

	2020	2021	2022	2023
Households without children	Review	Inflation uprating	Rebase	Inflation uprating
Families with children	Rebase	Inflation uprating	Review	Inflation uprating

Box 1: MIS in brief

What is MIS?

MIS is the income that people need to reach a minimum socially acceptable standard of living in the UK today, based on what members of the public think. It is calculated by specifying baskets of goods and services required by different types of households to meet these needs and to participate in society. Specifically, the minimum is defined as follows, based on consultation with groups of members of the public in the original research:

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

How is it arrived at?

Members of the public have detailed negotiations, in groups, about the things a household needs to achieve an acceptable living standard. Each set of groups has a different role. The first groups go through all aspects of the budget, in terms of what goods and services would be needed, of what quality, how long they would last, and where they would be bought. Experts make selective inputs, notably checking the nutritional adequacy of the food baskets, calculating domestic fuel requirements and advising on motoring costs. Subsequent groups check and amend the budget lists, which are then priced at various stores and suppliers by the research team. Groups typically comprise six to eight people from a range of socioeconomic and ethnic backgrounds, but all participants within each group are from the household category under discussion. So, parents with dependent children discuss the needs of parents and children, working-age adults without children discuss the needs of single and couple adults without children, and pensioner groups decide the minimum for pensioners. In all, over 160 groups have been used to research MIS since its inception in 2008, involving a new set of participants on each occasion.

A crucial aspect of MIS is its method of developing a negotiated consensus among these socially mixed groups. This process is described in detail in Davis et al (2015). The MIS approach uses a method of projection, whereby group members are asked not to think of their own needs, but of those of hypothetical individuals (or case studies). Participants are asked to imagine walking round the home of the individuals under discussion, to develop a picture of how they would live, to reach the living standard defined above. While participants do not always start with identical ideas about what is needed for a minimum socially acceptable standard of living, through detailed discussion and negotiation they commonly converge on answers that the group as a whole can agree on. Where this does not appear to be possible, for example where there are two distinct arguments for and against the inclusion or exclusion of an item, or where a group does not seem able to reach a conclusion, subsequent groups help to resolve differences.

What does it include?

As set out in the definition above, a minimum is about more than survival alone. However, it covers needs, not wants; and necessities, not luxuries: items that the public think people need to be part of society. In identifying things that everyone requires as a minimum, it does not attempt to specify extra requirements for particular individuals and groups who may have additional needs – for example, those resulting from living in a remote location or having a disability. So, not everybody who has 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.

How can the results be accessed?

There are several ways of accessing MIS results, all via the results page¹ on the Loughborough University MIS website:

1. The online Minimum Income Calculator² shows the budgets and earnings requirements for any specified household type.
2. There are detailed lists of the items used to compile the budgets for each household type.
3. For users who want to analyse the data, there are spreadsheets showing the budgets broken down by category for each of the main household types for each year of MIS.

4. There is also an Excel version of the current year calculator that can generate results for any specified household type for the present year.

To whom does it apply?

MIS applies to households that comprise a single adult or a couple, with or without dependent children. It covers most such households, with its level adjusted to reflect their composition. The needs of more than a hundred different family combinations (according to numbers and ages of family members) can be calculated. It does not cover families living with other adults in the main calculations, although supplementary reports on single adults sharing accommodation (Hill et al, 2015) and single adults in their 20s living with their parents (Hill and Hirsch, 2019) estimate variations for these household types.

Where does it apply?

MIS was originally calculated as a minimum for Britain; subsequent research in Northern Ireland in 2009 showed that the required budgets there were all close to those in the rest of the UK, so the national budget standard now applies to the whole of the UK.

This main UK standard is calculated based on the needs of people in urban areas outside London. Most groups are held in Midlands towns and cities, but from 2018 budgets have been reviewed in other parts of the UK. The research has also been applied in other geographical contexts, in supplementary projects considering costs in rural England (Smith et al, 2010), London (Padley et al, 2021), remote rural Scotland (Hirsch et al, 2013), and Guernsey (Smith et al, 2011). The London research is ongoing, and Inner and Outer London budgets are shown as a variation of the main UK results budgets in the online Minimum Income Calculator. Other countries have used the same overall method but employed their own definitions of the minimum, carrying out studies in Japan (Davis et al, 2013), Portugal (raP, nd), France (Gilles et al, 2014), Thailand, Singapore (Teo and Ng, 2019), Tunisia and Mexico (Aban Tamayo et al, 2020). An ongoing MIS programme in the Republic of Ireland uses methods based on the UK work (Collins et al, 2012). Pilot research has also been carried out in South Africa (Byaruhanga et al, 2017).

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 asked to talk about what defines poverty, but instead what, in today's society, constitutes an acceptable minimum. However, it is relevant to the poverty debate in that almost all households officially defined as being in income poverty (having below 60% of median income) are also below MIS. Thus, households classified as being in relative income poverty are generally unable to reach an acceptable standard of living as defined by members of the public.

Who produces it?

The main MIS research is supported by the Joseph Rowntree Foundation (JRF) and carried out by the Centre for Research in Social Policy (CRSP) at Loughborough University. The original research in 2008 was developed by CRSP in partnership with the Family Budget Unit (FBU) at the University of York.

2 MIS budgets in 2021

MIS produces budgets for a wide range of household types. Specifically, budgets are calculated for pensioners, working-age adults without children and families with children; within each of these, we distinguish budgets for single adults/lone parents and for couples. For families with children, budgets can be calculated to include up to four children with couple parents and up to three with lone parents, in any combination of four age categories: aged 0–1, aged 2–4, primary school age and secondary school age. The online calculator allows budgets for these combinations to be calculated. In our main analysis, we look at four examples within these categories, whose minimum budgets are set out in Table 2.

Table 2: Weekly MIS budgets, four household types, April 2021

	Single adult, working age	Couple pensioner	Lone parent with two children aged 2–4 and primary school age	Couple with two children aged 2–4 and primary school age
Food	£50.99	£75.25	£81.43	£111.94
Alcohol	£6.10	£12.37	£5.40	£10.47
Tobacco	£0.00	£0.00	£0.00	£0.00
Clothing	£9.46	£15.82	£36.31	£46.52
Water rates	£6.09	£7.18	£10.90	£10.90
Council Tax	£17.17	£22.92	£21.82	£29.08
Household insurances	£1.57	£1.55	£1.31	£1.46
Fuel	£13.50	£15.07	£18.04	£19.25
Other housing costs	£1.48	£2.99	£1.94	£1.94
Household goods	£10.05	£17.55	£26.67	£27.56
Household services	£7.66	£10.77	£13.64	£10.84
Childcare	£0.00	£0.00	£225.39	£225.39
Personal goods and services	£17.62	£38.67	£31.73	£41.59
Motoring	£0.00	£0.00	£69.08	£69.61
Other travel costs	£43.30	£19.16	£6.30	£32.49
Social and cultural participation	£44.82	£81.56	£86.16	£97.73
Rent	£95.45	£86.81	£93.02	£93.02
Total excluding rent and childcare	£229.81	£320.86	£410.74	£511.39
Change since 2020	1.3%	1.0%	2.5%	2.4%
TOTAL ALL	£325.26	£407.67	£729.14	£829.80
Total excluding childcare	£325.26	£407.67	£503.75	£604.41
Total excluding rent, childcare, Council Tax and water (comparable to After Housing Cost income measure)	£206.55	£290.76	£378.02	£471.41
Total excluding childcare and Council Tax (comparable to Before Housing Cost income measure)	£308.08	£384.76	£481.94	£575.33
Total excluding rent, Council Tax, childcare	£212.64	£297.95	£388.92	£482.31

Overall, these figures reflect the return of some modest inflation in 2021 compared with flat prices the previous year. The Consumer Price Index (CPI) rose by 1.5% overall in the year to April 2021. Some items such as food saw no change, and this is reflected in the modest increases for households without children. However, for families with children whose budgets include running a second-hand car, a 14% rise in the price of petrol from its low point in April 2020 contributed to MIS budgets rising slightly faster than the CPI overall.

Two further increases affecting households this year have been Council Tax, which rose by an average of 4%, and childcare, which rose around 3–4% (for preschool nursery places). Rents increased by around 1.5% in both the private and social housing sectors.

Since 2008, when MIS results were first calculated, budgets have fluctuated to some degree, but remained broadly stable in real terms. Figures 8–10 in Appendix 1 show these changes. Some fluctuations have occurred due to items being added, changed or subtracted at each 'rebase', or because the cost of essentials rose at different rates than general prices. Pensioner budgets have trended upwards, having started out below those of working-age adults, with which they have converged to some extent (see Davis et al, 2018). CPI-adjusted pensioner budgets are now about 20% higher than in 2008, while other budgets are typically 5–10% higher, much of which can be accounted for by prices of MIS items changing at different rates from the overall CPI. Appendix 2 considers how changes in MIS budgets compare to changes in median income over the period. It shows that because MIS has not tracked such fluctuations in actual incomes, households on the relative poverty line of 60% of the median have been better or worse off relative to the MIS threshold at different times.

3 Comparison of MIS with incomes on benefits and the National Living Wage

How do the minimum incomes guaranteed by benefits and by the National Living Wage (NLW) compare to the MIS benchmark? This chapter looks in turn at the situation for adults without children, families with children and pensioners. It compares disposable household incomes with the equivalent MIS budgets. 'Disposable income' is used here to mean the amount available to a household to spend each week after paying taxes (including Council Tax), and covering their rent and any childcare costs.

Working-age adults without children

For working-age adults without children, the minimum disposable income guaranteed through benefits is far lower, relative to MIS, than for families with children or for pensioners. Conversely, the income gains from working full time on the NLW are larger, allowing couples to reach MIS on the NLW, and singles to get close to doing so. These results are illustrated in Figures 1 and 2. They show that:

- A working-age adult or couple relying on out-of-work benefits gets less than half of what they need through UC. Without last year's £20-a-week increase to UC, which is included here, the proportion falls to around one third. Those relying on Income Support/Jobseeker's Allowance in the legacy benefits system already have extremely low incomes relative to need, and if UC is cut on 1 October 2021 as planned, so will claimants of UC. The figures also include an estimate of how much the rent element of UC is likely to fall short of an actual private rent, due to restrictions in the uprating of the Local Housing Allowance. In 2020, this rent penalty was greatly reduced for many tenants by recalibrating the rent element to the 30th percentile of local rents, but the refreezing of these rates this year means that annual increases in rent are not being covered.
- A single person working full time more than doubles their disposable income compared to those not working. This is not quite enough to reach MIS, but the gap has been reduced greatly by the introduction of the NLW. In 2015, a single person working full time on the minimum wage fell 30% short of what they required; now it is just 14%. The gap has narrowed over this period as the NLW has risen faster than inflation. Since April 2015 it has risen by 37%, compared to CPI inflation of just 10%.
- Singles working part time or with intermittent work can end up a long way short of what they need. Figure 1 shows, for example, that working half time on the NLW, a single person ends up one-third short of MIS. While almost 80% of employed people without children still work full time,³ the precarity of work over the past year has restricted the working options of younger adults in particular. These figures show how important access to full-time work can be for the living standards of this group.
- A couple without children is the one household type whose income can greatly exceed MIS on the NLW, provided that both partners work full time. This type of household has the most favourable ratio of income to costs.

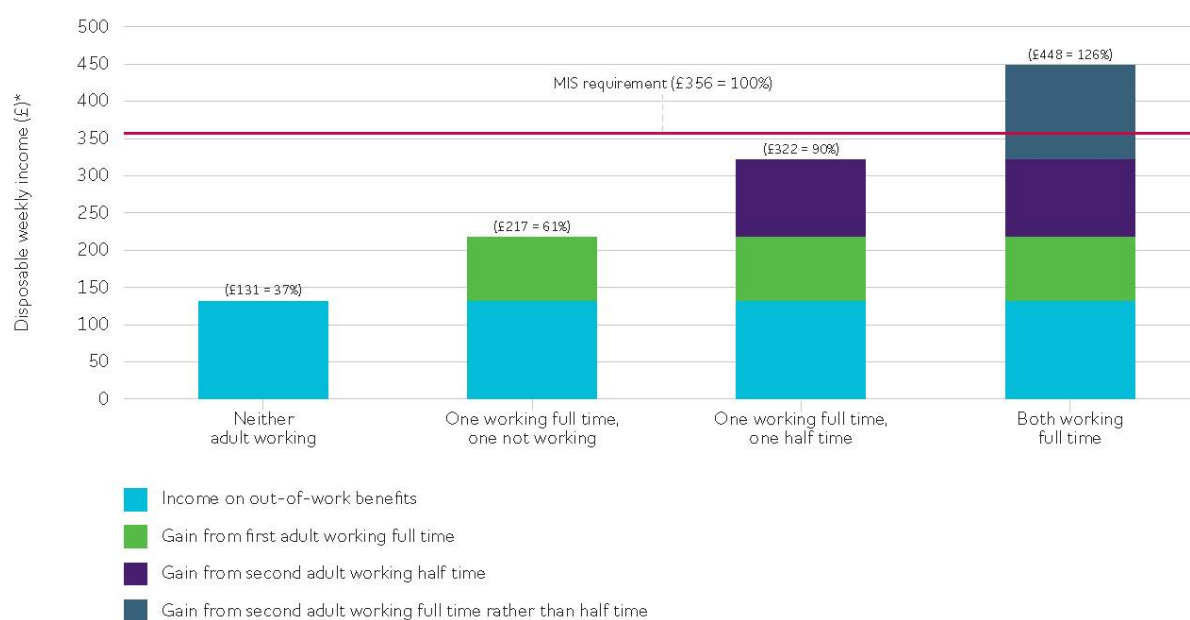
Figure 1: By working full time on the NLW, a single adult without children can double their out-of-work income, but still fall short of MIS



Note: *Assumes UC £20 increase is in place. If UC is reduced by £20 per week as planned in October 2021, percentages reduce: from 42% to 33% (not working); from 65% to 56% (half time); and from 86% to 83% (full time).

Percentages show the percentage of MIS budget covered, net of rent, childcare and Council Tax.

Figure 2: A couple without children can get comfortably above MIS if both work full time on the NLW



Note: *Assumes UC £20 increase is in place. If UC is reduced by £20 per week as planned in October 2021, percentages reduce: from 37% to 31% (neither working); and from 61% to 55% (one working full time). Two working adults without children are not eligible for UC in the other two examples shown.

Percentages show the percentage of MIS budget covered, net of rent, childcare and Council Tax.

Alongside the calculations of incomes relative to MIS of people on the NLW, we also calculate what they need to earn to meet the MIS budgets fully.

A single person needs to earn £20,400 a year to reach the MIS level. This compares to earnings of £17,400 working full time (37.5 hours a week) on the NLW. Without the assumption that they pay auto-

enrolled pension contributions, the earnings requirement would be £19,600, compared to the £19,100 needed in 2020.

A couple without children, both working, need to earn £27,400 a year between them (an average of £13,700 each) to reach MIS. If they both work full time on the NLW, they will earn £34,800 between them.

Families with children

For families with children, the minimum income guaranteed by out-of-work benefits is not as low, relative to MIS, as for working-age adults without children, but nevertheless falls a long way below the income required. Working on the NLW, a lone parent's income still falls short of MIS, but a couple can potentially reach the standard if both parents work full-time. This is illustrated in Figures 3 and 4, using examples of a lone parent and couple parents, both with two children aged 3 and 7.

A lone parent with two children faces a shortfall of over £140 a week in meeting the MIS budget if they are out of work. A part-time job can close about half of this gap, where the parent works half time on the NLW. Working full time makes them better off, but they still fall £46 a week short of being able to afford the minimum living standard set out by MIS, and they would need to earn £27,500 a year to reach this standard fully. Families with children sometimes see relatively small gains where a parent works full time rather than part time, caused by a combination of the reduction of UC as earnings rise, and the need to spend some of these earnings on childcare.

For working couples, the situation is more favourable. While they fall over 40% short of MIS if they are out of work, even taking account of last year's £20 increase in UC, this can be reduced to 15% short if one parent works full time on the NLW; to 5% if a second parent works half-time; and, if both are working full time at this wage rate, each earning £17,400 a year, their income slightly exceeds the MIS level.

Three factors in particular have made it possible for some working parents to get closer to the MIS level than in the recent past – although with some important caveats in each case:

- UC pays up to 85% of childcare costs, an improvement from the 70% paid by Working Tax Credit. The key caveat here is that the limits to eligible childcare costs have not been increased since 2005, and the average cost of full-time childcare exceeds these limits in an increasing number of cases, particularly for families with children under 2, who are ineligible for the 30-hours early years entitlement. For example, for a lone parent with a child under 2, working full time rather than part time would make them worse off financially. They would have to contribute over £100 out of their wages towards full-time childcare costs, making them nearly £50 a week worse off than if they worked half time with much lower childcare costs.
- The increases in the NLW have helped families become better off, especially those with two wages. Until 2019, these increases were to a significant degree offset by real-terms cuts in UC. However, in 2020 and 2021, UC has risen.
- The additional £20-a-week increase in UC has helped all families claiming it to get closer to MIS. In Figures 3 and 4, without this increase, the percentages shown would be about five points lower for a lone parent and four points lower for a couple family. If UC is cut by £20 as planned in October 2021, progress in getting some families closer to MIS through better pay would be reversed.

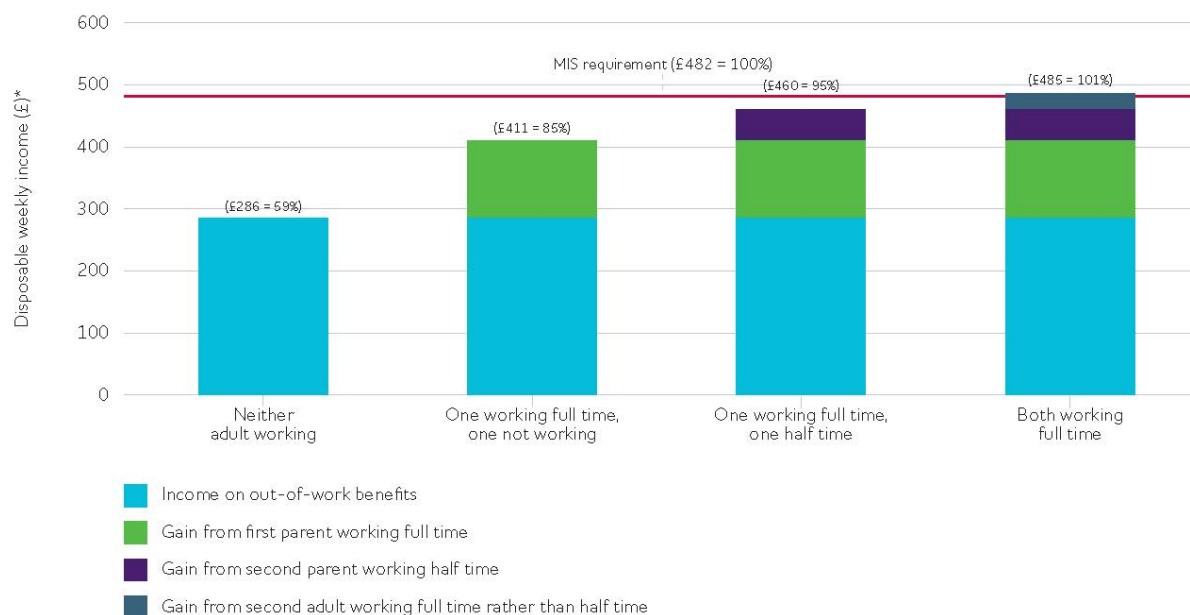
Figure 3: A lone parent with children aged 3 and 7 can halve the amount they fall below MIS if they get a part-time job on the NLW, but childcare costs means that they only gain slightly more by working full time



Note: *Assumes UC £20 increase is in place. If UC is reduced by £20 per week as planned in October 2021, percentages reduce: from 63% to 58% (not working); from 82% to 77% (half time); and from 88% to 83% (full time).

Percentages show the percentage of MIS budget covered, net of rent, childcare and Council Tax.

Figure 4: A couple with two children aged 3 and 7 can reach MIS on the NLW only if both parents work full time



Note: *Assumes UC £20 increase is in place. If UC is reduced by £20 per week as planned in October 2021, percentages reduce: from 59% to 55% (neither working); from 85% to 81% (one working full time); from 95% to 91% (one full time, one half time); and from 101% to 97% (both full time).

Percentages show the percentage of MIS budget covered, net of rent, childcare and Council Tax.

Two other features of UC work against these improvements for some families. First, for families with three or more children, the two-child limit on UC entitlements, affecting those born after April 2017, continues to bite. For a couple with children now aged 3, 7 and 14, for example, out-of-work benefits

provide less than half the income required for MIS, and even if both parents work full time, they end up over £110 a week short of meeting the standard.

Second, the effect of the Benefit Cap continues to cut ever more deeply into the incomes of out-of-work families, because of the cap being frozen despite prices and benefit entitlements rising. The calculations shown in Figure 4 assume families are in social housing, which means that they do not generally hit the Benefit Cap if entitled to benefits for up to two children (although with last year's £20 UC increase, they just reach the level of the cap). If they are paying a private rent, on the other hand, they are highly likely to hit the cap. Figures 5 and 6 illustrate both scenarios for an out-of-work couple with two children. Even with the modest private rent shown (based on lower-quartile rents in a low-cost region, the East Midlands), disposable income is reduced by £40 a week, leaving the family with only 51% of the disposable income they need to reach MIS.

More generally, it should be noted that most of the calculations of disposable income as a percentage of MIS reported in this and the previous section have declined slightly since April 2020 (when UC was increased by £20), indicating a decline in the adequacy of these incomes. For example, the percentage of MIS provided by working-age benefits has fallen by about one percentage point, continuing a long-term decline in the UC rates (not including last year's £20 increase; see Appendix 1, Table 5). This is the result of UC and benefits being uprated by only 0.5% in April 2021, as a result of being based on the inflation rate the previous September, whereas by April, the CPI had risen to 1.5%. While these mismatches between the timings of benefit rises and price rises should not have a significant long-term impact, the return of inflation creates new vulnerabilities among those living on low incomes, particularly where the price of essentials rises faster than general inflation. For families with children, this has already occurred in 2021, when the high increase in petrol prices caused budgets for families with children to rise by around 2.5%, faster than the CPI overall. (MIS upratings apply inflation rates for each CPI expenditure category to corresponding areas of the budgets, rather than using the overall CPI inflation rate.)

Figure 5: An out-of-work couple with two children paying a social rent of £93 a week only just reaches the Benefit Cap, and ends up with 59% of the disposable income they need

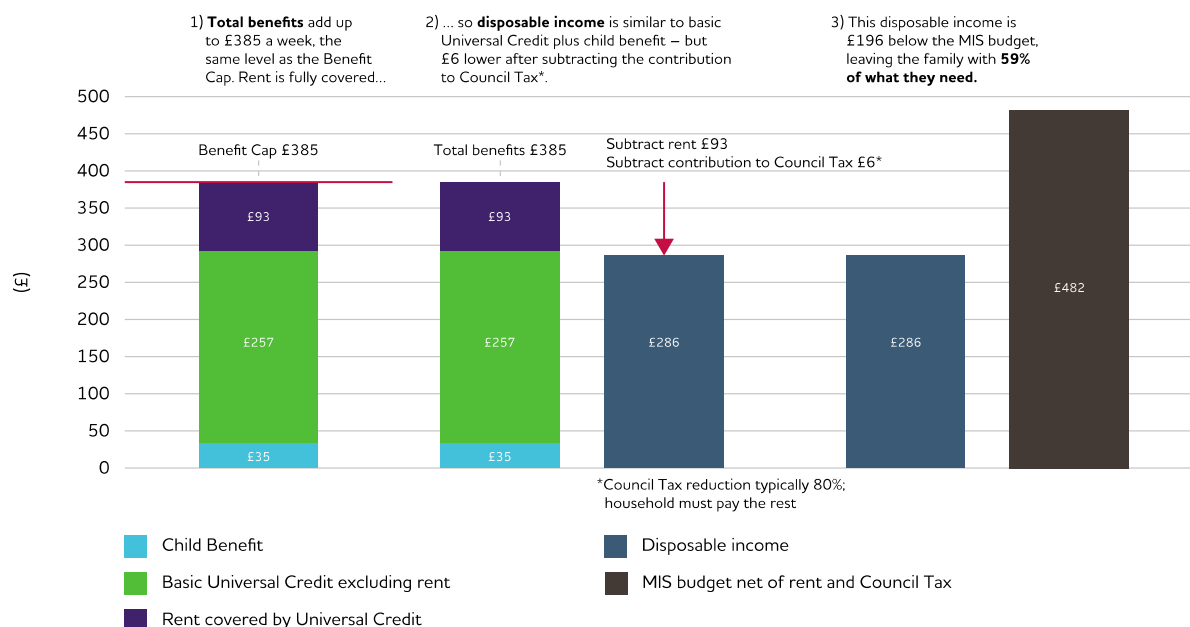
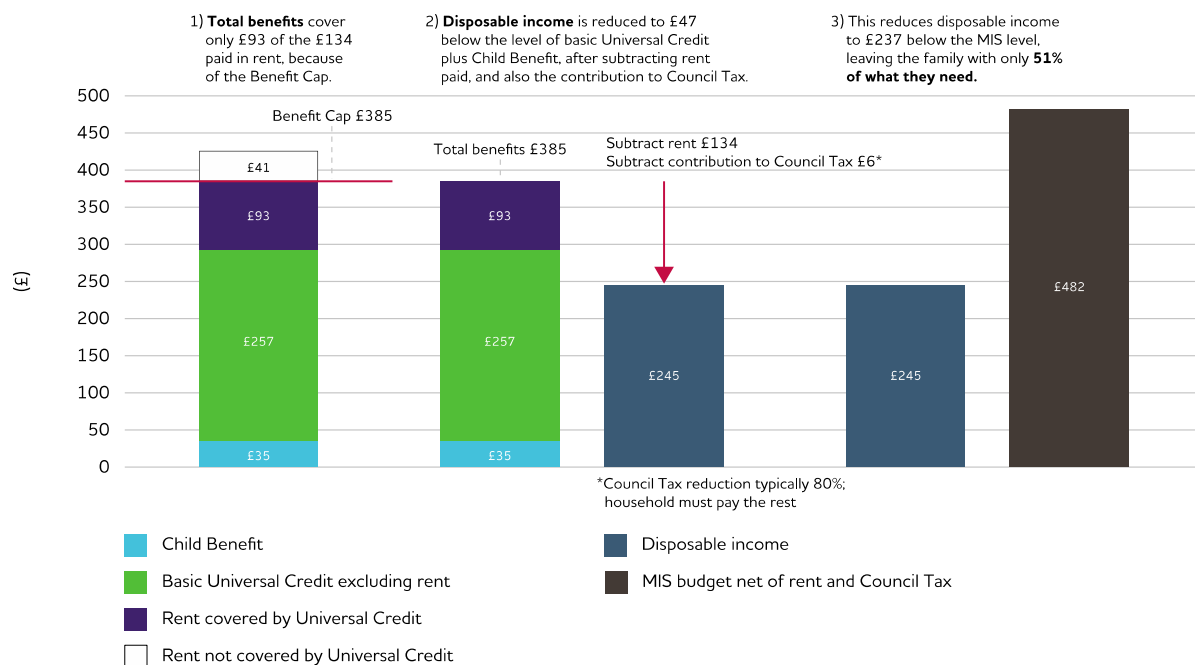


Figure 6: For the same family as in Figure 5 with a modest private rent of £134 a week, the Benefit Cap reduces disposable income by £41 a week, to only 51% of the MIS budget



Pensioners

In terms of guaranteed income through the benefit system, pensioners fare better than working-age adults with or without children, with a greater proportion of their income relative to MIS covered. As a baseline, the Pension Credit tops up income to a guaranteed level, which combined with the universal Winter Fuel Allowance brings pensioner income to only slightly below the MIS level. However, to get to the full MIS level, it is not sufficient to have a small amount of pension to supplement Pension Credit. This is because the Pension Credit is generally withdrawn pound for pound as pension income rises (an exception is older pensioners still benefiting from the Savings Credit, which is being phased out). In other words, if Pension Credit brings someone's income to £10 a week below MIS, but that person has £10 a week in pension income, they will still be £10 below MIS, because their Pension Credit entitlement will be reduced by that amount.

This means that to achieve incomes above MIS, people need pension incomes equivalent to an amount slightly above the Pension Credit level. For those who do not own their homes, this must also be enough to cover rent, taking account of the fact that Housing Benefit and Council Tax Support also start to be withdrawn above the Pension Credit level. (The MIS calculations shown here assume a baseline case of paying an average social rent). The new single-tier pension makes it easier to achieve this, by paying eligible pensioners with full contribution records an amount similar to the Pension Credit level, and therefore creating a nearly-adequate income that can be supplemented with a work or private pension, or savings income, without a means test that withdraws this additional income pound for pound by reducing benefits if they receive income from elsewhere.

These results are shown in Figure 7. Pensioners are guaranteed an income that falls slightly short of MIS. The gap is greater for a couple, but if both receive the full state pension, the gap becomes very small.

A single pensioner can reach the full MIS level with pension income of £12,800 a year, of which a full state pension can potentially provide £9,400, requiring an additional £3,400 in private or occupational pension, or savings income, to top this up. Tapering of Housing Benefit and Council Tax Support still means much of this extra income is clawed back, but since the total top-up required is low, it does not take a very large additional pension to reach MIS. For a couple where both have a full state pension, each would require an additional £1,100 a year in pension or savings income to reach MIS.

Figure 7: Weekly disposable income on Pension Credit and full state pension, compared to MIS: single pensioner (top), couple pensioner (bottom)



Note: Full state pension is £9,400 a year per person – to reach MIS, a single pensioner requires a gross income of £12,800; each couple pensioner requires a gross income of £10,500.

4 COVID-19 and public views of a minimum living standard in 2021

The last MIS research consulting members of public was completed in early 2020 (Davis et al, 2020). The final group took place the day before the World Health Organization declared COVID-19 a pandemic. Since then, people have experienced changes and challenges in multiple dimensions of everyday life, as lockdowns and restrictions have been imposed and lifted. While the next MIS research is not due until 2022, this year we held additional groups to start to consider the impact of the pandemic. Their aim was to capture people's reflections after a year of COVID-19, and explore whether and to what extent it had changed their perceptions of what is needed for a minimum socially acceptable standard of living in the UK.

We held nine online discussion groups during April and May 2021; three with working-age adults without children, three with parents and three with pensioners. Each group lasted three hours and comprised between six and eight people from a range of backgrounds, housing tenures and income sources (work/pension and/or benefits). Participants were recruited by a professional recruitment company, selected by household type and geographic region as shown below.

Table 3: Participants by household type and geographic region

Working-age adults	Parents	Pensioners
North East England	North England	West Midlands
Wales	Scotland	North West England
Northern Ireland	South West England	South East England

Participants reviewed the lists of items required for a minimum socially acceptable standard of living agreed by groups in 2020, and we asked if any of these should be changed to reflect different expectations or needs resulting from the pandemic. The discussions were recorded, transcribed and thematically analysed to identify similarities and differences between the demographic groups, and capture the range of experiences and opinions.

Groups identified and considered various items through the lens of the pandemic, reaching consensus for the most part about the areas of expenditure in which the pandemic was likely to have an impact on the cost of a minimum budget going forward. Some budget elements were discussed and agreed to be unlikely to change in future MIS research, either because changes were likely to be temporary, or because they had been experienced during earlier phases of lockdown but had since reverted to 'normal' levels. In other cases, although people's access to goods or services had been limited over the past year, the need for them was not considered to have changed. The examples included below illustrate the kinds of conversation and deliberation that groups undertook.

Participants reflected in particular on four questions, under which we report on their discussions below:

- What had they missed most during the pandemic?
- What changes had been brought about by COVID-19?
- Did they think these were likely to continue in the future?
- Had there been any effect on how people thought about financial stability and security?

What have people missed most during the pandemic?

Social contact

The constraints on social contact had been widely experienced and keenly felt across all groups. Participants talked about not being able to see family and friends in person. Important family occasions and visits to see relatives in other countries had been postponed indefinitely.

Although technology had offered some people a way of keeping in touch, groups agreed that this was not an adequate substitute.

Man: "I mean to quote my mother, she hasn't been able to see my two sisters or her daughters for some time ... and she turned around the other day and she said 'Christ, I even miss arguing with them'."

[laughing]

Researcher: Is she not arguing with them online?

Man: No, it is not the same she said.

Woman 1: For me it is social contact has been the biggest loss.

Woman 2: Yes, meeting people, socialising.

Woman 1: For me it has been holidays, weekends away, dating, going to church all things outside of the house, getting out of the house ... luckily, I am not a depressive type of person, but I am surrounded by people who are really, really depressed at the moment and they have also lost the ability to want to go out.

Woman 2: I just miss my grandchildren and going places with them.

Pensioners group

Choices

A common theme that emerged from the discussions was that people missed having the range of choices and opportunities that they had had before lockdowns and restrictions on, for example, social contact and movement. This was expressed in terms of missing freedom and spontaneity in how, where and with whom they could spend their free time.

Woman 1: "My nan passed away with [COVID-19], I couldn't go to her funeral, that was really difficult for me, very, very difficult. So I know you say what have we missed, but that to me was a massive part of my life I missed out where I couldn't take part in that. Basically social interaction with other people... for me there's quite a bit I've missed out on."

Woman 2: "Yeah, it's like now you've got to plan your journey or everything, in terms of whether you've got a mask on, what way they sanitise it, whether there's social distancing, you just can't be spontaneous anymore, you've actually got to plan the outings, which takes the fun out of it."

Parents group

What changes have been brought about by COVID-19?

Changes to working life

The pandemic's effects on working life were diverse and often dependent on the nature of an individual's employment. People talked about having to adapt to a changing situation. Some had found themselves making difficult choices for pragmatic reasons.

Woman: “Even though both of our jobs fortunately have been fine, I was actually on maternity leave, I’ve really just gone back in the last few months; we felt like both of our choices were limited in a way. My husband, he’s been working from home and his job’s OK, he works for a drinks company, but ... before all this, we’d been talking about him maybe going for another job but he’s just ... it’s this whole thing of, right your job’s safe, there’s no point, you know, taking a risk, mainly because there’s not that many opportunities out there. Also for me, I decided to go back part time but a lot of childcare options were totally limited as well because nurseries were obviously shut. They’ve also ... a lot of them aren’t doing half-days anymore, so that was like a factor in our decision-making process ... thankfully we do have grandparents who are, like, looking after our son, but it did mean that I basically had to go back the certain amount of days that I’ve gone back.”

Man: “I started off, I was a contractor with the company I’m currently with now, and I was ... well it was November 2020 I was told my contract was due to cease and having looked at the sort of job boards and speaking to agents, I think generally the job market across the board was pretty flat for obvious reasons, and I think for me there was a lot of uncertainty there, and the opportunity came to go permanent or apply for a permanent role with the company I’m currently with, and I was very fortunate to get the role. The flip side of that was that my earnings, and again I’m not trying to sound ungrateful in the slightest, I was, you know, very grateful, but my earnings went down by 25%, which, you know, played a major impact on day-to-day living. So in professional terms it’s had a major impact, and obviously that’s affected me personally because of the financials as well.”

Parents group

The sudden disappearance of seasonal work, with festivals and live events cancelled, and the corresponding effects of travel restrictions on the hospitality industry, had taken their toll on people working in those sectors. Those who were self-employed reported finding the situation extremely stressful, with little or no business and no certainty about when or how they would recover, although this varied across different roles and occupations.

Working-age adult groups discussed the practicalities of working from home. They agreed that if additional equipment (laptop, monitor, headset, etc.) was essential, that the cost should be met by the employer, although people’s experiences of the adequacy or availability of resources varied significantly.

Woman: “I’ve got a really old laptop with my job, which is very difficult. I tried to log onto it today just before this and the whole thing went black. Like it stopped working and that’s been supplied by my employer.”

Researcher: “So in that situation, can I just ask then, what do you do? Are you able to go back to them and say, ‘This isn’t fit for purpose?’”

Woman: “Yes, but we’ve been waiting for months. I work for a charity and ... I’ve been waiting since Christmas to get a new one. We were commissioned by the council to [purchase new equipment] back in December, so we are waiting and [the computers] are there but we haven’t got them as yet.”

Working-age adults without children group

However, there were also positive experiences. Some had flourished: one self-employed participant had moved the location of their business from a commercial property to their own home, saving them money on overheads, and their partner had successfully moved his personal training business online. Others had found that working from home had advantages.

“What I’ve actually valued is time back with the kids and that’s been working from home. That’s been challenging in its own right but still, working from home, so you know as soon as I’ve logged off, I’m at home. I don’t have a commute, I’m there with the children, I can dedicate my time, I get a lot of ... you know, I get probably [at] least two hours back a day from the commute ... The kids’ clubs [being shut] it’s a shame because, you know, they’re missing out on interaction with others, the fun and the exercise, and that type of scenario. But on the flip side of that, it’s been quite positive because [it used to be] come the weekend, right, we need to be there ... we need to be there Saturday morning to do this and then we need ... on Sunday morning we need to get up early to do this and go take the kids swimming. So it’s been a lot more relaxed and a lot more ... yeah, we’ve had a lot more freedom.”

Man, Parents group

Travel to work was one area where the kinds of job people did had the potential to make a significant difference in how they lived day to day and the costs they incurred. For several respondents, not having to commute every day had resulted in a reduction in costs, whereas key workers who had continued to work throughout the pandemic had not had the same potential savings on transport.

Woman 1: “I’ve found I’ve definitely spent less on transport ... I used the car every day when I was going to work and now I’m not going as far and I’m maybe only using my car twice a week. My expenditure on transport has really reduced drastically, but I wouldn’t say I’m spending that money on anything else.”

Woman 2: “I’ve definitely saved on transport over the last year. I would normally have a tunnel toll and at the moment I’m paying that twice a week instead of five times a week and that makes a huge, huge difference.”

Working-age adults without children group

Some participants suggested that ‘blended’ or ‘hybrid’ working was likely to continue at least for the foreseeable future, if not indefinitely.

“I work in an office but I’ve been told that because of the success of working from home, that they’re now going to possibly change the contract so that we have an option to work more often from home. Even if lockdown ends. So that they’re going to close the office down, maybe just make a hub in the town so I can just go and get things done, but I don’t necessarily have to travel to work which means that I would normally pay £60 a month for my bus fare that would be the monthly ticket. I don’t need to do that so I won’t need that from now on.”

Man, Working-age adults without children group

Groups agreed that spending more time at home, either on furlough or working, was likely to have affected spending on lighting, heating and cooking, especially during the cold weather and shorter daylight hours of winter.

Financial stability and security

Some people said that as they had reduced some areas of everyday spending (for example, by not going out, not going on holiday and not travelling to work), they had saved money. Others found that this kind of reduction in spending had not resulted in an increase in savings because the money had been spent ‘elsewhere’. Previous evidence (Hill and Webber, 2021) shows that low-income families in particular have seen additional spending pressures. Living with the constraints and uncertainty caused by COVID-19 had increased some people’s awareness of financial precarity, and this had affected how they felt about their finances.

Man: “I’ve seen my mates who thought they were in the most secure jobs out of all of us and they’re the ones that are out of it, so it shows that it could hit anyone at any time and, you know, some companies have gone under pretty quickly.”

Woman: “I know a lot of people who are nervous about their job and they’re just using the phrase ‘I’m just keeping my head down’, you know they don’t want to be noticed and put at risk because they know how difficult it will be to get another job in this climate. We know that there’s loads of people out of work. We had a job last week that we advertised and we had 70 applicants for it in one day, and there’s just awful stories of people who’ve been made redundant and who are desperate for work, and I think it just makes people feel very nervous and concerned about how precarious their position might be in the future.”

Working-age adults without children group

Access to goods and services

Each group discussed perceptions of changes in how people accessed goods and services. This included, but was not limited to, buying groceries, household goods and clothing. It also included positive and negative experiences of accessing health and personal care services, and alternatives to pre-pandemic leisure services, such as going to the gym or eating out.

The pre-pandemic MIS 2020 budgets included the cost of midweek supermarket deliveries for working-age couples without children, as they said it would be harder for them to get a weekly shop for two people home on the bus. In April 2020 this was priced at £3.49 a month for a 12-month subscription with unlimited deliveries Tuesday–Thursday (minimum spend £40). Pensioners in 2020 agreed that they preferred to shop in person, and would go more frequently throughout the week, so would be able to manage this with public transport. Parents’ budgets include a second-hand car per household, which would be used to bring shopping home.

The 2021 groups discussed whether households should have the choice to have their groceries delivered. Participants were aware that the cost of this service had significantly increased during the pandemic, owing to higher demand, and that at the start of lockdown it had been very difficult to book a delivery slot. Furthermore, because of low stocks, there were accounts of people only receiving a small proportion of the goods they had ordered. As the restrictions lifted, and the levels of supply and demand in supermarkets returned to a more stable level, it had been easier to access this service. Pensioners and working-age adults without children felt that people should be able to have their weekly grocery shopping delivered if they chose to.

For the most part, this related to concerns about staying safe, and the risk of catching or transmitting the virus when visiting busy supermarkets. People also felt that if this had become a regular practice over the last year, people might have come to rely on the convenience and time-saving that it offered. The parents groups agreed that driving to the supermarket and bringing the shopping home in the car would still meet parents’ needs, so didn’t feel that grocery delivery costs should be added to those households’ budgets.

People discussed having more takeaways and food deliveries, particularly in the first lockdown in 2020, although for some the novelty of this had worn off. There was a particular emphasis on supporting local businesses, and several groups talked about purchasing food from neighbourhood restaurants or cafés that would not previously have offered takeaways, to assist their local hospitality businesses during lockdowns. There was also shared experience for some of doing more cooking from scratch, partly from necessity and partly because people had more time available. For some households, cooking had become a family activity.

“I’m cooking a lot at home now and a lot with my children as well. I think they like to interact with like, you know, helping out in the kitchen, even washing the dishes, my youngest one said like, you know, I’ll even wash dishes for you. But yeah, it’s good interaction, you know, between the parents and the children.”

Man, Parents group

Discussions around changes relating to shopping centred around the rise of online retail, which most people seemed to feel was inevitable and had been precipitated by the pandemic, coupled with the likely further decline of the high street. Many people had been reliant on online shopping while non-essential shops had been closed for long periods of time.

“I think there would be more postage and delivery because now most people are buying online. For myself, like even groceries, you know I’m buying online, I’ve not been out to a shop for quite a number of weeks now. And clothes-wise, you know because all the shops have been closed, you know the children’s clothes, again, that’s being done online as well. So most people are now, you know, going towards the online option now.”

Man, Parents group

At the time the focus groups took place, some of the restrictions preventing non-essential retail opening had been lifted, but some people felt that they were likely to continue to order goods online due to changes in the retail experience, and also because of health concerns.

“I used to love shopping, it was just a really good experience, just going out and you know hanging out with some friends, trying stuff on, it was just a really nice experience. And then I went once everything was opened again and I felt it was like extremely, extremely stressful and I’m not going to be going back! I just ... I’m going to be sticking to kind of online. It’s just the queues, the mask and just like ... it was just ... just too much. So I think for myself, I’ll be sticking to online shopping.”

Woman, Parents group

Conversely, some people said that the pandemic had caused them to shop more locally to support small businesses and independent traders, and to use family-run businesses rather than chain stores. There were accounts of both giving and receiving this kind of support.

“In my area there is a lot of local businesses offering this now and I think it is important as well in this time to try and support these local businesses, so a lot of the local cafés that haven’t been able to open have been doing this delivery service which has been great, I think.”

Man, Pensioners group

“I think when all this happened last year, things changed so drastically ... I was running our own shop, and the landlord wasn’t very understanding, so the rent obviously had to be paid, so we had no choice but to give the keys back and to close the shop. So the first week into everything was extremely stressful because obviously we’ve got three kids and a lot to do. I come from kind of a coffee shop background ... so I started baking from home basically and the response that I got from my local community was absolutely amazing.”

Woman, Parents group

Opinions varied on whether the amount allocated for postage and delivery costs would need to be increased to enable people to access goods without being reliant on in-person shopping, and this will be further explored in MIS 2022 groups.

Some people had changed the way they exercised, for example accessing online workouts from home and buying exercise equipment to support their attempts to replace the classes and gyms they would have been attending under normal circumstances. Others talked about going for more walks and exploring their local area.

Seeing an optician had not been problematic during this period, but it had been more difficult to access dental treatment, with reports of practices only being prepared to see patients if they were experiencing pain. Some had also had difficulty getting appointments with their GP, and had not been able to access other medical services such as physiotherapy. Conversely, others remarked on the fact that they found the system of phone and online GP appointments more efficient and thought that this might continue beyond the pandemic.

Groups considered the budgets for hairdressing carefully, with several accounts of prices having increased since lockdown. For the most part, people thought the relatively small increases were

justifiable, taking into account the months of lost business, the cost of PPE equipment for staff and the fact that social distancing meant that fewer customers could be accommodated at one time, resulting in further loss of potential income. Sanitising each work station in between customers also took time and limited the number of available bookings. Although some people had found alternatives to visiting the barber or hairdresser – cutting their own hair, investing in hair clippers or having their partner cut their hair – groups agreed that paying for a haircut was still a need for people's self-esteem.

Hygiene

Groups discussed the effects of COVID-19 on personal and domestic hygiene. Following Government guidelines, everyone had become used to washing their hands more frequently. There was consensus that the amount of soap included in the budgets should be increased, as well as other cleaning products (particularly anti-bacterial surface cleaner and floor cleaner). People said that consumption of these products was much higher in the early stages of the pandemic, when there was greater concern about surface rather than airborne transmission of the virus. However, it was generally agreed that people were cleaning their homes more frequently than they used to, and that particularly for those working at home, being at home more meant that there was more general cleaning up and washing up to be done.

There was a similar discussion about laundry, in terms of whether people were washing clothes more frequently. Generally, people thought that although this had been the case during the first lockdown in March 2020, this was not a change that had continued. However, this could depend on the nature of their work. Some participants who were working from home thought that the amount of laundry they did had stayed the same or decreased, but this was not the case for everyone. Key workers, who had continued to work throughout the pandemic, and in particular those who were in public-facing roles, might have faced higher laundry and domestic energy costs because of a need to wash their work clothes more frequently.

"Again it's situation-specific. I know people who were essential workers and stuff like that, and they would normally wash their polo shirt every shift but not the trousers. But because of COVID they're coming in, stripping off from work, sticking it in a bin bag and washing everything every day."

Man, Working-age adults without children group

Groups agreed that hand sanitiser should be added to each household budget – something that had not been included by pre-pandemic MIS groups, apart from one small bottle to keep in the changing bag required by parents of infants and preschool children, as a way of cleaning hands when out and about with very young children if there were no hand-washing facilities available.

There was discussion of the need for face masks for people to use when outside the home and in enclosed spaces. There was agreement that washable fabric face coverings would meet the need for most people (with the exception of children under 5). However, this was another example where there was a difference between those able to work from home and those who were still having to attend a workplace every day. It was suggested that wearing a fabric mask all day was uncomfortable and impractical, and that for people in this situation the budgets should also include enough single-use masks for those who needed to wear one five days a week at work.

Effects on children

Parents reflected on positive and negative effects on children. Having competing needs for space had been stressful for some, as had home schooling. For parents with younger children, their need for constant supervision could be challenging, but some had seen benefits in spending more family time together. Teenage children were more likely to be self-sufficient in terms of both home schooling and entertaining themselves, although parents were not without reservations about this, especially in relation to the amount of time spent on screen, and particularly on social media platforms. Generally, there was sympathy for young people and an awareness that this had been a challenging time for them not being able to see their friends. The lack of social interaction with peers was seen as detrimental for all ages of children.

Man 1: "I've got like two teenage daughters, so when we get through like the home schooling and they've been at home, and I've been working during the day, you find that you're on top of each other. So you've got these Zoom meetings ... they've got their Zoom meeting in where I am, and I've got a Zoom meeting on the settee, so you find that we ... you know, we all are on top of each [other], which can be quite stressful. And for them not meeting their friends, it's affected their mental wellbeing as well, you know, hearing about Covid on a daily basis."

Man 2: "We adopted [a child] just at the start of the first lockdown and the biggest impact on her has been social ... social development. She was 1, she's 2 now, so she would have been [at] playgroup in the week or something like that, mixing with other children, she just hasn't had the opportunity to do that."

Parents group

Parents mentioned that children who had been able to resume their pre-lockdown activities were often more enthusiastic about them than they had been before, giving them opportunities to let off steam and spend time with children their own age.

What changes are likely to continue in the future?

Some people wanted to retain improvements they had made during the pandemic, such as eating more healthily and exercising more. For some people, lockdown had given them an opportunity to assess various aspects of their lives and decide to do things differently. This meant taking up new hobbies for some, while for others it was a chance to slow down and not be so busy; for parents with young children, it had given them greater opportunity to spend time together as a family.

All groups agreed that the one-week UK-based holiday included in MIS still represented a way of meeting people's need to spend time with their family away from the stresses and strains of everyday life, and to get away from their own four walls. Even though it had not been possible for many people to go away at all during the pandemic, the enforced absence of holidays had made it all the more important to meet this need when restrictions were lifted. What people thought was likely to change was that the prices of UK holidays would be much higher, partly because of increased demand and partly so that the industry could try to recoup the losses suffered in 2020.

In terms of societal change, there was consensus that working from home was likely to continue, at least part of the time, for the foreseeable future, but there was acknowledgement that this was not an option for many people working in retail, service industries, hospitality, health and other sectors. Some people thought that the public were likely to continue observing social distancing and greater levels of hygiene, such as more frequent hand-washing. Discussions about community and levels of kindness and consideration suggested that there had been some positive effects of facing shared adversity.

"I think for me, it's actually made me a lot more aware of my immediate surroundings. We know our neighbours now like super well. I just don't know if that would have happened naturally or so quickly. So I think that has changed because actually it means that my whole neighbourhood is actually a very different place to live in I live in a cul-de-sac so I would say at least seven to eight houses, not big houses or anything but we're quite close to each other. So just over lockdown everyone was out, a lot of people were furloughed or the weather was great last summer so people were just outside and they couldn't go anywhere else so you would just stand and chat with a cup of tea. So it's just meant that we've just got to know each other a lot more. It's made the feel of the street completely different to when we moved here a few years ago."

Woman, Working-age adults without children group

Summary

It is too soon to say whether the opinions and experiences outlined in this chapter will result in changes to future MIS baskets of goods and services. However, it has identified some key areas where life has changed, and within those some aspects where people think that things will not necessarily return to a

pre-pandemic 'normal'. These concern the ways in which people work and shop, and, potentially, related aspects of how and where people travel.

One of the key findings is that the effects of the pandemic are likely to be different depending on the sector and type of employment people work in. Analysis conducted by the Office for National Statistics (2020) found that those able to work from home were more likely to be from higher-paying jobs, meaning that households living at or below MIS are less likely to have been able to do this. Those who are unable to work from home will not have been able to save time or money on commuting. Public transport in some cases has offered reduced services and restricted occupancy, so that buses are at full capacity with far fewer passengers because of social distancing. Childcare became harder to arrange where people could no longer rely on informal care from relatives.

The MIS 2022 research will enable us to make more detailed comparisons between the pre- and post-COVID-19 landscape for different household types, and identify which aspects of different households' lives have been affected and what the cost implications are. Future reports in the Households Below MIS series will present further analysis, looking at the number and composition of household types most at risk of not having sufficient income to reach a minimum socially acceptable standard of living. Both will continue to provide a crucial way of monitoring the effects of the pandemic on living standards over time.

5 Conclusion

Since 2008, MIS research has provided an annually updated household income benchmark that both reflects current living standards and captures societal changes over time. In the past 16 months, everyday life has changed dramatically for many in the United Kingdom. It is not yet clear what longer-term effects, if any, COVID-19 will have on the cost of maintaining a minimum acceptable standard of living. Our latest research indicates that there are likely to have been impacts on some, but not all, areas of household living costs. It also illustrates ways in which people's need for secure, stable and adequate incomes is more important than ever.

Members of the public are clear that in many respects, needs remain largely unchanged despite the constraints caused by COVID-19. This particularly applies to social interaction and leisure, where the pandemic has underscored the importance of activities included in MIS, by showing how much they are being missed, and the effects on adults' and children's wellbeing of going without them.

Some findings this year relate to changes that were already taking place before the pandemic. Reliance on technology, for example, particularly for communication and accessing goods, has increased for many, confirming the need for adequate IT equipment in the home and the importance of being able to shop online. These trends may be an indicator of lasting changes in the ways in which people live, and how they spend money. Our 2022 review and rebase of budgets will establish which, if any, of the changes described here have continued.

Our research suggests that a key area influencing this will be the ways in which people work. Working from home has become increasingly common for some over recent years, but has expanded significantly during the past year. Working from home, from a workplace or from a combination of the two can have significant effects on costs, including travel and domestic fuel. Given that we can expect greater diversity in working patterns for some people, a challenge in MIS going forward will be to identify a shared idea of the minimum required to have choices and opportunities, particularly in accessing employment.

At the same time, the challenge of ensuring that people have stable work and incomes that allow them to cover these costs will become even more important when the furlough scheme ends in October 2021, particularly in areas of the labour market such as tourism, where the pandemic has affected the continuity of employment. Support through UC is due to be cut by £20 a week at the same time, producing a severe risk of leaving households well below what they require for MIS. In addition, rising inflation adds to the risk that people on low incomes will be unable to attain acceptable living standards, particularly if, as occurred this year, prices of essentials increase faster than the index used to uprate UC.

The Government has gone some way in recent years towards improving incomes by raising the NLW, but on its own that is not enough. Alongside better wages, improved financial support for people on low incomes, and improvements in the quality and stability of work available, are crucial in helping people to reach adequate living standards.

In improving financial support, a vital first step is to recognise the value of the additional support in helping families build better lives, and not take away £20 a week from the already-precarious incomes of millions of families by cutting UC this October. Creating better jobs is a longer-term task, and one that is well overdue in a world where many people have precarious employment. However, the ending of the furlough scheme, which has provided a temporary prop in terms of income stability, makes it even more urgent for the Government to develop a coherent strategy to support the creation of decent and stable jobs in the post-pandemic world.

Notes

1. <https://www.lboro.ac.uk/research/crsp/mis/results/>
2. Centre for Research in Social Policy (CRSP) Minimum Income Calculator. Available at: <https://www.minimumincome.org.uk>
3. <https://bit.ly/359mVkg>
4. <https://www.budgeting.ie>
5. https://www.saspri.org/SASPRI/SASPRI/wp-content/uploads/Docs/MIS_Pilot_in_South_Africa_150217.pdf
6. <https://whatsenoughsg.files.wordpress.com/2019/05/what-older-people-need-in-singapore-a-household-budgets-study-full-report.pdf>

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Appendix 1: MIS results over time

The historical results given here have been compressed from recent versions, and are focused on the UC regime for working-age cases. For earlier and more detailed data, see the 2020 MIS report.

Note: due to a technical error, budgets for families with children in the 2020 report were shown as about 1% lower than they should have been. The figures for 2020 shown in this appendix are now correct.

Table 4: Budget totals excluding rent and childcare, 2008–2021

	Single, working age		Couple, working age	
	In current year prices	Inflation adjusted to 2021 prices	In current year prices	Inflation adjusted to 2021 prices
2008	£158	£207	£245	£321
2009	£166	£212	£256	£328
2010	£175	£216	£273	£336
2011	£185	£218	£287	£339
2012	£193	£221	£302	£346
2013	£201	£225	£315	£352
2014	£195	£215	£320	£352
2015	£196	£216	£322	£355
2016	£199	£218	£330	£363
2017	£207	£222	£345	£369
2018	£214	£223	£351	£367
2019	£221	£226	£365	£373
2020	£227	£230	£373	£379
2021	£230	£230	£379	£379

	Single pensioner		Couple pensioner	
	In current year prices	Inflation adjusted to 2021 prices	In current year prices	Inflation adjusted to 2021 prices
2008	£132	£173	£201	£264
2009	£139	£177	£211	£270
2010	£147	£182	£222	£274
2011	£155	£183	£233	£275
2012	£159	£182	£231	£265
2013	£165	£185	£241	£270
2014	£182	£200	£263	£289
2015	£183	£202	£264	£291
2016	£187	£205	£267	£294
2017	£192	£206	£275	£294
2018	£196	£205	£302	£315
2019	£201	£206	£310	£317
2020	£206	£209	£318	£322
2021	£208	£208	£321	£321

	Lone parent with two children		Couple with two children	
	In current year prices	Inflation adjusted to 2021 prices	In current year prices	Inflation adjusted to 2021 prices
2008	£283	£371	£370	£485
2009	£295	£378	£387	£495
2010	£309	£381	£403	£497
2011	£326	£385	£425	£502
2012	£362	£415	£455	£521
2013	£375	£420	£471	£528
2014	£383	£422	£482	£530
2015	£384	£423	£484	£534
2016	£372	£409	£456	£501
2017	£381	£408	£468	£500
2018	£390	£407	£480	£501
2019	£398	£407	£491	£502
2020	£401	£407	£500	£507
2021	£411	£411	£511	£511

Figure 8: Inflation-adjusted change in working-age adult budgets, 2008 = 100

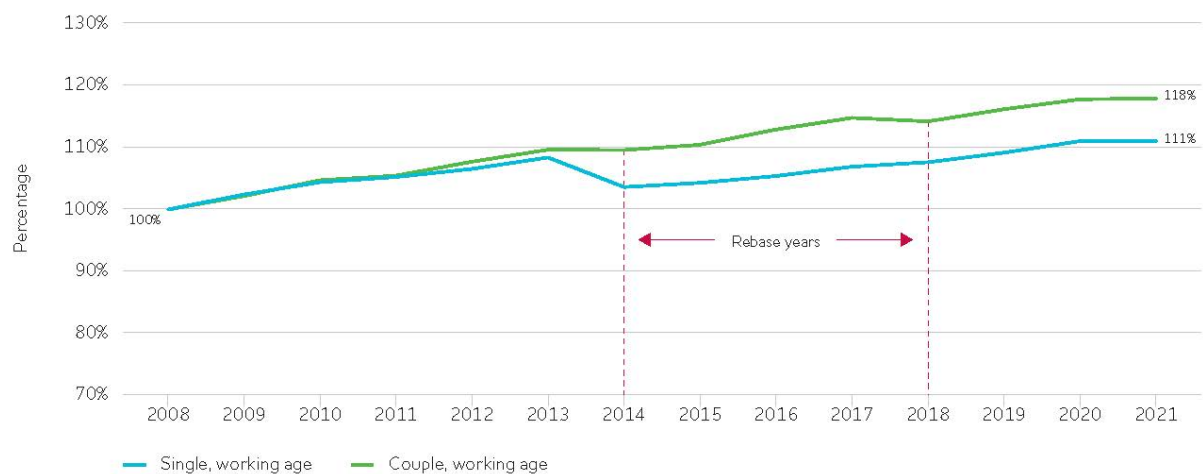


Figure 9: Inflation-adjusted change in pensioner budgets, 2008 = 100

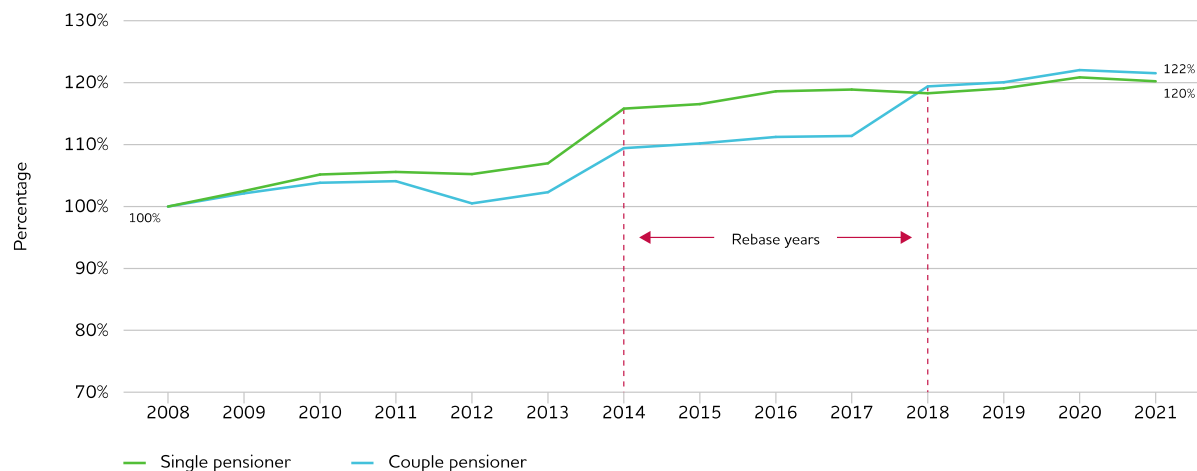


Figure 10: Inflation-adjusted change in family budgets, 2008 = 100

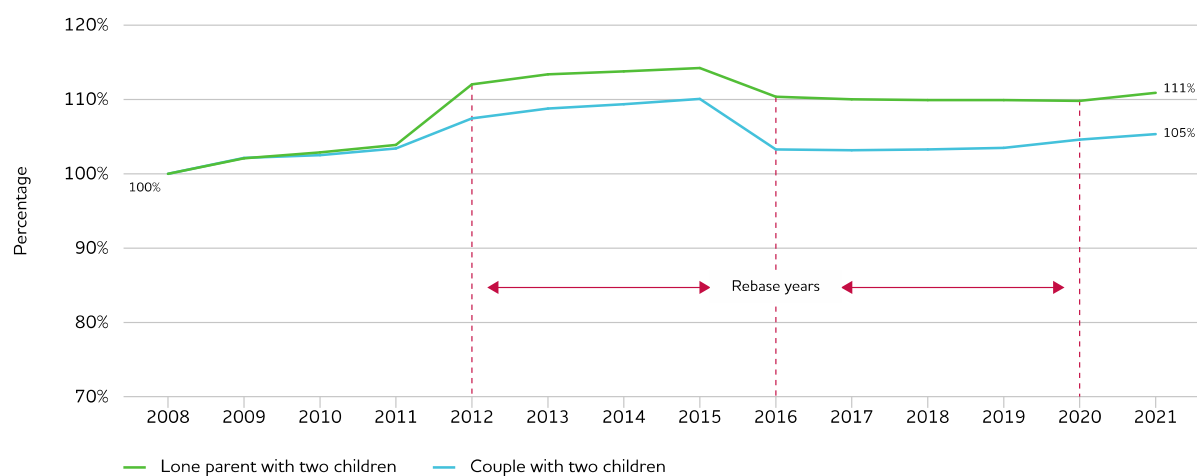


Table 5: Percentage of MIS covered by safety-net income, 2008–2021 (permanent system, not including £20 increase to UC in 2020 and 2021)

	2008	2012	2016	2020	2021
Single, working age	42%	40%	38%	34%	33%
Couple, working age	42%	39%	35%	32%	31%
Single pensioner	108%	101%	93%	94%	95%
Couple pensioner	105%	104%	98%	92%	92%
Lone parent with children aged 4 and 7	68%	63%	63%	59%	58%
Couple with children aged 4 and 7	62%	60%	61%	56%	55%

Note: results apply both to UC and to legacy benefits.

Table 6: Disposable income as percentage of MIS working on National Minimum Wage/National Living Wage

	Single person working full time	Couple with two children, both working full time	Couple with two children, one working full time, one half time	Lone parent with two children, working full time	Lone parent with two children, working half time
On tax credits					
2010	79%	89%	90%	97%	96%
2015	70%	84%	82%	87%	85%
2020	86%	95%	92%	85%	84%
On Universal Credit					
2016	77%	93%	90%	82%	78%
2017	78%	95%	91%	78%	76%
2018	80%	96%	90%	81%	75%
2019	82%	98%	93%	84%	77%
2020	88%	104%	98%	91%	84%
2021*	86%	101%	95%	88%	82%

Note: *From 2021, this assumes contribution to auto-enrolled pension. This change reduced all of the figures in the final row of this table by one percentage point in 2021 in all cases shown above, except for a lone parent working half time on the NLW, who does not earn enough to trigger auto-enrolment. Assumes £20 UC increase is in place.

Table 7: Annual earnings required to reach MIS, working full time and paying for childcare

	Single person	Couple with children aged 4 and 7, total	Couple with children aged 4 and 7, each parent	Lone parent with children aged 4 and 7
On tax credits				
2010	£14,436	£14,864	£29,727	£18,781
2015	£17,102	£20,024	£40,047	£32,109
2020	£19,200	£18,700	£37,400	£31,900
On Universal Credit				
2016	£17,300	£34,800	£17,400	£25,700
2017	£17,900	£33,800	£16,900	£25,900
2018	£18,400	£34,600	£17,300	£29,600
2019	£18,800	£34,000	£17,000	£28,700
2020	£19,100	£30,600	£15,300	£24,400
2021*	£20,400	£34,200	£17,100	£27,500

Note: *From 2021, this assumes contribution to auto-enrolled pension. In 2021, this assumption increased earnings requirements by £800 for a single person and for each member of a couple with two children, and by £1,300 for a lone parent with two children.

Appendix 2: MIS, median income and the poverty line

The relative poverty line of 60% of median income is used to track low income over time in relation to general living standards. MIS provides an alternative way of doing this, setting a threshold at a different level, based on social consensus about what income is required as a minimum. Comparison of MIS and the poverty line across time indicates the extent to which a socially defined minimum changes in line with median incomes. Comparison across household types indicates the extent to which income ‘equivalence scales’, which set different poverty thresholds according to household composition, correspond to the relative needs of different households as identified in the MIS research.

Figure 11 shows how MIS has changed over time, relative to median income and hence the poverty line. It uses the example of a single adult without children, which shows a broadly similar pattern to other household types (other than pensioners – see below). This shows two phases over the period shown. In the first four years after the 2008 financial crisis, median incomes stagnated and then fell, while MIS rose slightly in ‘real’ terms, largely because the cost of essentials such as food were rising faster than the overall inflation index. As a result, someone on the relative poverty line was significantly worse off, relative to MIS, in 2012 than in 2008. Between 2013 and early 2020, on the other hand, modest income growth returned, while MIS requirements remained largely stable in real terms. This reduced the gap between MIS and the poverty line. Overall, therefore, MIS levels did not track fluctuations in relative income, so the adequacy of a poverty-line income moved in the opposite direction to income growth.

Figure 11: MIS compared to the poverty line: single adult, no children

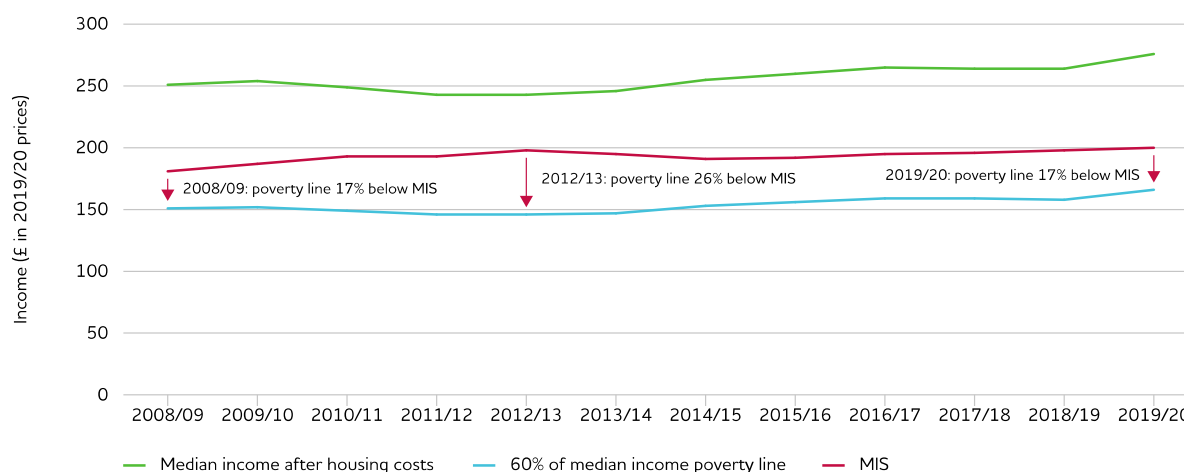


Table 8 compares different household types over time, showing what percentage of equivalised median income is represented by MIS, and hence how the poverty line compares to MIS, for households of different composition. This varies considerably across household types, ranging from lone parent families, who need to get to nearly 80% of median income to reach MIS, and hence who fall a quarter below MIS if they are on only 60% of median income; to pensioners, whose MIS thresholds are much closer to the poverty line – and in the case of couple pensioners, slightly below it. These differences reflect the fact that, in MIS terms, the equivalence scales used to adjust median income by household type underestimate the relative costs of singles relative to couples, children relative to adults and pensioners relative to working-age adults. (In the last case, they give the same weighting to pensioners and working-age adults.) International evidence based on MIS in different countries broadly confirms these patterns (Hirsch et al, 2020).

Table 8: MIS relative to median income and the poverty line after housing costs, 2008/09–2019/20 (latest year data available)

	Single, working age, no children		Couple, working age, no children	
	MIS as a percentage of median	Poverty line relative to MIS	MIS as a percentage of median	Poverty line relative to MIS
2008/09	72%	-17%	66%	-9%
2012/13	81%	-26%	75%	-21%
2016/17	74%	-19%	73%	-18%
2019/20	73%	-17%	71%	-16%

	Single pensioner		Couple pensioner	
	MIS as a percentage of median	Poverty line relative to MIS	MIS as a percentage of median	Poverty line relative to MIS
2008/09	59%	2%	53%	13%
2012/13	65%	-8%	56%	7%
2016/17	68%	-12%	57%	5%
2019/20	65%	-8%	59%	1%

	Lone parent with two children		Couple with two children	
	MIS as a percentage of median	Poverty line relative to MIS	MIS as a percentage of median	Poverty line relative to MIS
2008/09	79%	-24%	73%	-18%
2012/13	93%	-36%	82%	-27%
2016/17	84%	-29%	72%	-17%
2019/20	79%	-24%	69%	-13%

Finally, note that while in most of the cases shown in Table 8, MIS as a percentage of the median peaked in 2012/13, as illustrated in Figure 11, for pensioners it continued to rise – especially pensioner couples. This is linked to a continuous growth in the real value of pensioner MIS budgets (shown in Figure 9 above), as they have largely converged with those of working-age adults, although a gap remains, due in large part to subsidies such as pensioners' free bus passes (see Davis et al, 2018).

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