



Households below a Minimum Income Standard: 2008/09 – 2019/20

by Matt Padley and Juliet Stone.

This is the ninth in a series of reports monitoring the total number of people in the UK living below MIS, and explores in detail the family and household characteristics of people with incomes below that level. The report focuses on three groups – children, working-age adults and pensioners – looking at how they have got on between 2008/09 and 2019/20.

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This report looks at changes in the adequacy of incomes, as measured by individuals' ability to reach the Minimum Income Standard (MIS). MIS establishes a benchmark rooted in what members of the public agree is needed for a minimum socially acceptable standard of living in the UK today. This is the ninth in a series of reports monitoring the total number of individuals in the UK living below the MIS threshold, and explores in detail the family and household characteristics of people with incomes below MIS. The report focuses on three groups – children, working-age adults and pensioners – looking at how they have got on between 2008/09 and 2019/20.

What you need to know

- In 2019/20, 27.7% of all individuals in the UK (18.2 million people) were living in households with incomes below MIS, compared to 26.7% (16.2 million) in 2008/09. This means that they did not have the income required to be able to afford the goods and services the public think you need to meet material needs and participate in society.
- The proportion of all individuals below MIS has fallen from 30.0% in 2018/19.

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JRF is working with governments, businesses, communities, charities and individuals to solve UK poverty. Households below a Minimum Income Standard: 2008/09–2019/20 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) provides a benchmark of income adequacy, firmly rooted in what members of the public think is needed for a minimum socially acceptable standard of living in the UK today. This report provides an estimate of the proportion of people who fall below this level, and those with incomes below 75% of MIS. Individuals below 75% of MIS face a greatly increased likelihood of deprivation compared with those whose incomes are above the MIS benchmark.

This report looks at the period between 2008/09 and 2019/20, the most recent year for which household income data are available. The latest year has seen a decrease in the proportion of individuals in households below MIS compared to 2018/19, largely a result of an uptick in household income levels reported in Households Below Average Income (Department for Work and Pensions, 2021). The number and proportion of all individuals below MIS remains above the level reported in 2008/09.

Key messages

- In 2019/20, 27.7% of all individuals in the UK (18.2 million people) were living in households with incomes below MIS, compared to 26.7% (16.2 million) in 2008/09. This means that they did not have the income required to be able to afford the goods and services the public think you need to meet material needs and participate in society.
- The proportion of all individuals below MIS has fallen from 30.0% in 2018/19.
- The proportion of individuals with a household income below MIS varies across demographic groups: 39.8% of children, 26.5% of working-age adults and 17.8% of pensioners were below the MIS benchmark in 2019/20.
- Children living with a lone parent are far more likely to be in a household below MIS than those living in couple-parent families: 71.4% of children in lone-parent households are growing up with inadequate income, compared to 30.7% in couple-parent households. Their likelihood of being below MIS has increased over the latest year.
- In 2019/20, half (50.6%) of all children in lone-parent families were living in households with incomes below 75% of MIS, the point at which the risk of being materially deprived increases substantially. The proportion below this level has increased from 47.1% in 2018/19.
- For single pensioners, the likelihood of living below MIS has increased substantially since 2008/09, from 15.8% to 27.1%, with female pensioners more likely to be living below MIS than male pensioners.
- One fifth of working-age households below MIS (20.2%) are those where all adults are in full-time work.
- Non-working households account for a decreasing proportion of working-age households below MIS, falling from 11.2% in 2008/09 to 7.2% in 2019/20.
- However, the likelihood of falling below MIS for out-of-work households (unemployed or inactive) has been consistently high, never dropping below 75% for any family type, across the whole period that this analysis has been conducted. Little has been done by the Government to address this long-standing and growing problem.

Table 1: Number and proportion of individuals in households below MIS and below 75% of MIS, 2008/09 and 2019/20

	Percentage of total population		Number below MIS (millions)		Percentage below MIS		Number below 75% of MIS (millions)		Percentage below 75% of MIS	
	2008/09	2019/20	2008/09	2019/20	2008/09	2019/20	2008/09	2019/20	2008/09	2019/20
All	100.00%	100.00%	16.2	18.2	26.7%	27.7%	10.1	11.2	16.6%	17.1%
Working-age adults	59.9%	60.6%	9.8	10.5	26.9%	26.5%	6.4	6.8	17.7%	17.1%
Children	21.4%	21.2%	5.1	5.5	39.0%	39.8%	3.1	3.6	23.5%	25.7%
Pensioners	18.7%	18.2%	1.4	2.1	12.3%	17.8%	0.6	0.9	5.4%	7.2%
Subgroups										
Children with lone parents	5.0%	4.7%	2.0	2.2	67.1%	71.4%	1.3	1.6	42.6%	50.6%
Children with couple parents	16.4%	16.5%	3.0	3.3	30.5%	30.7%	1.8	2.0	17.7%	18.6%
Parents	21.7%	21.2%	4.2	4.5	31.9%	32.1%	2.6	2.9	19.5%	20.6%
Single working-age adults, no children	17.3%	18.9%	3.7	4.0	35.2%	32.1%	2.7	2.7	25.5%	22.0%
Couple working-age adults, no children	21.0%	20.5%	1.9	2.1	14.9%	15.7%	1.2	1.2	9.4%	8.9%
Single pensioners	7.3%	7.0%	0.7	1.2	15.8%	27.1%	0.3	0.6	7.1%	12.0%
Couple pensioners	11.4%	11.1%	0.7	0.9	10.0%	11.9%	0.3	0.3	4.3%	4.2%

1 Introduction

More than a year and a half on from the social, political and economic shockwaves caused by COVID-19, the UK finds itself confronting not only the fallout from the pandemic, but the consequences of political decisions made in a pre-COVID era. COVID-19 has brought significant economic uncertainty and prompted a range of short-term, mostly short-lived, interventions to support people in a range of different ways – for example, furlough and the job retention scheme, increases in the level of Universal Credit (UC), and a realignment of Local Housing Allowance (LHA) to reflect the 30th percentile of local rents. Despite substantial public and political opposition, and high-profile campaigns, the Government has proceeded with the cut to UC from early October 2021; furlough and the Coronavirus Job Retention scheme came to an end at the end of September 2021; and LHA rates, having been realigned with the local market in 2020/21, have once again been frozen in cash terms for 2021/22. Each of these changes brings challenges in terms of living standards both at a national level, but more critically for households and individuals for whom these additional supports have been invaluable.

The Budget in November 2021 did bring some more ‘positive’ news, particularly for working households, with a reduction in the taper rate – the rate at which individuals lose their UC payment as their earnings rise above the work allowance – from 63p to 55p, an increase of £500 per year in the UC work allowance, and an increase in the National Living Wage (NLW) for over-23s from £8.91 to £9.50 from April 2022. However, while these changes are welcome, they are very much focused on in-work households and do not benefit most of those currently claiming UC: claimants who are out of work and job-seeking, or who are not required to work, still face a reduction in support because of the £20 a week cut. The Resolution Foundation estimates that of the 4.9 million families on UC in 2022–2023, around 3.6 million – or 73% – will see their incomes fall rather than gaining from the changes introduced in the 2021 Budget (Brewer et al, 2021). For those families in receipt of Working Tax Credits, rather than UC, the temporary uplift has been removed and there was nothing in the Budget to mitigate this. Those on legacy benefits such as Jobseeker’s Allowance did not receive the uplift. The IFS, in their analysis of the Budget, highlights the lack of support within the current social security system for out-of-work adults without children, with benefits having not increased in real terms since 1975 (Xu, 2021).

Recent weeks have also seen challenges with supply chains across the UK, shortages of fuel and certain consumer goods in shops, rapid and substantial increases in home energy costs, and a return to inflation at a level not seen in the UK for several years. As incomes are being challenged for many through the removal of or reduction in support, costs (the other side of this often carefully balanced, precarious equation), particularly the costs of essentials, are increasing. This combination presents substantial challenges to living standards and reinforces the importance of both maintaining the public conversation about minimum living standards (see Davis et al, 2021) and of continuing to track the adequacy of individual incomes relative to these standards.

Against this backdrop, this latest report updates the analysis of income adequacy in the UK to 2019/20. The latest year shows a reduction in the proportion of all individuals below MIS in the UK, but also serves to highlight the uneven distribution of the risk of low income across demographic groups: 39.8% of children lived in households with incomes below MIS in 2019/20, but 71.4% of children in lone-parent households are below this level; 17.8% of pensioners were below MIS in 2019/20, but 27.1% of single pensioners have inadequate income.

Charting the adequacy of incomes relative to MIS remains a key task in a society where such variation exists; it is arguably an even more critical task in the coming years, as the fallout from COVID-19 – and the different ways in which this is experienced across and within demographic groups – begins to become clear.

A note on the figures in this report

The numbers and percentages included in this report¹ are calculated using population weights provided by the Department for Work and Pensions (DWP) as part of the Household Below Average Income

(HBAI) data series. These weights are designed to produce sample estimates grossed up to apply to the whole population, accounting for differences in response rates among different types of household.

The 2019/20 HBAI statistics incorporated a minor methodological revision to capture all income from child maintenance, back-dated for the full time series from 1994/95. The grossing weights were also updated. Therefore, this year's numbers may vary slightly when compared with previous reports in the Households Below MIS series.²

More information on the processes used to calculate the grossing factors can be found in the Households Below Average Income (HBAI) Quality and Methodology Information Report, available at: <https://bit.ly/3pFm8l8>

Examining very specific subgroups of the population can result in estimates based on comparatively small sample sizes. In this situation, there may be an increased margin of error associated with weighting. This is particularly true if a few cases within the subgroup of interest have very small or very large grossing factors, and resulting estimates can have relatively wide confidence intervals. The findings for subgroups broken down by multiple domains (eg family type, work status and year) should therefore be treated with caution.

Box 1: How MIS measures the income required for an acceptable standard of living

MIS is the income that people need for 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 household in order to meet these needs, and to participate in society. The research entails a sequence of detailed deliberations by groups of members of the public, informed by expert input where this is necessary. The groups work to the following definition:

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.

MIS distinguishes between the needs of different family types. It considers directly the needs of working-age households with and without children (ie households that comprise a single adult or a couple, with or without dependent children), and the needs of single and couple pensioner households. However, for the purposes of estimating the total number of people below MIS in the population, a set of assumptions about the income requirements of other households has been devised, using the MIS results as a starting point (Hirsch et al, 2016). The analysis of numbers below MIS also uses rolling averages of annually adjusted income benchmarks, after housing and childcare costs, to compare to income data from the Family Resources Survey. This helps ensure that changes in minimum requirements identified when the research is refreshed for each household type every four years are introduced gradually, avoiding artificially reporting a sudden change. By measuring incomes after housing and childcare costs, this analysis avoids making prior assumptions about these costs, which in practice can be highly variable. One aspect of housing costs that it does not fully capture, however, is home maintenance: the MIS model bases this on what the public think that tenants would need to spend as a minimum, while for homeowners it takes mortgage payments into account, but not the cost of maintaining one's own home.

The MIS research is funded and supported by the Joseph Rowntree Foundation (JRF) and carried out by the Centre for Research in Social Policy (CRSP) at Loughborough University. It has produced annual updates since 2008. MIS was originally developed in partnership with the Family Budget Unit at the University of York, bringing together expert-based and 'consensual' methods (based on what members of the public think).

Further information and publications related to MIS are available at: www.minimumincomestandard.org

2 Who is most likely to have an income below MIS?

Box 2: Key points

- In 2019/20, 27.7% of all individuals living in the UK had an income below MIS.
- The proportion of individuals living below MIS is well below the peak in 2013/14, and has fallen markedly in this last pre-pandemic year.
- The likelihood of living in a household with an income below MIS fell for all broad demographic groups between 2018/19 and 2019/20.
- Children remain the group most likely to be living in a household with inadequate income, with 39.8% living below MIS in 2019/20. This has decreased in the last year and, for the first time since 2009/10, is back (marginally) below 40%.
- Unlike other groups, the proportion of pensioners living in a household with an income below MIS remained substantially higher in 2019/20 than it was in 2008/09. Over this period the proportion below this level has increased from 12.3% to 17.8%.

This chapter looks at how the likelihood of having an income below MIS has changed over time. It estimates the proportion of individuals in the UK who lack the income needed to reach a minimum socially acceptable standard of living, and looks at how key subgroups have fared in the period between 2008/09 and 2019/20.

Box 3: Categorising individuals within analysis of income adequacy

In the analysis of the Family Resources Survey and MIS data presented here, individuals are categorised according to the following definitions.

Children are individuals aged under 16, or aged 16 to 19 years old, and they are:

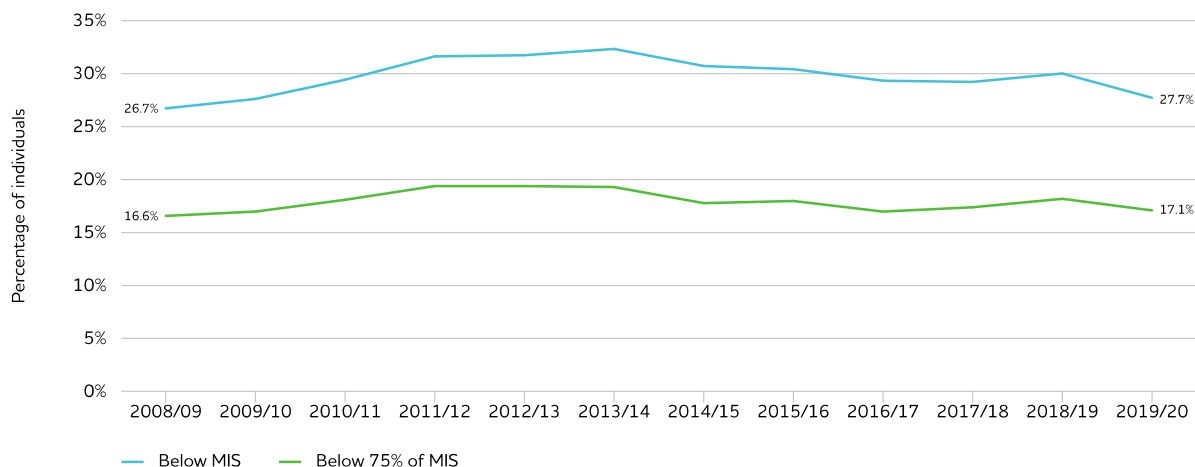
- not married, nor in a civil partnership, nor living with a partner; and
- living with parents/a responsible adult; and
- in full-time, non-advanced education, or in unwaged government training.

Pensioners are defined as women aged 60 and over, and men aged 65 and over, for the years 2008/09 until 2017/18. To reflect the equalisation of State Pension age to 65 for women, from 2018/19 onwards pensioners are defined as those aged 65 and over, regardless of sex.

All other individuals are defined as working-age adults.

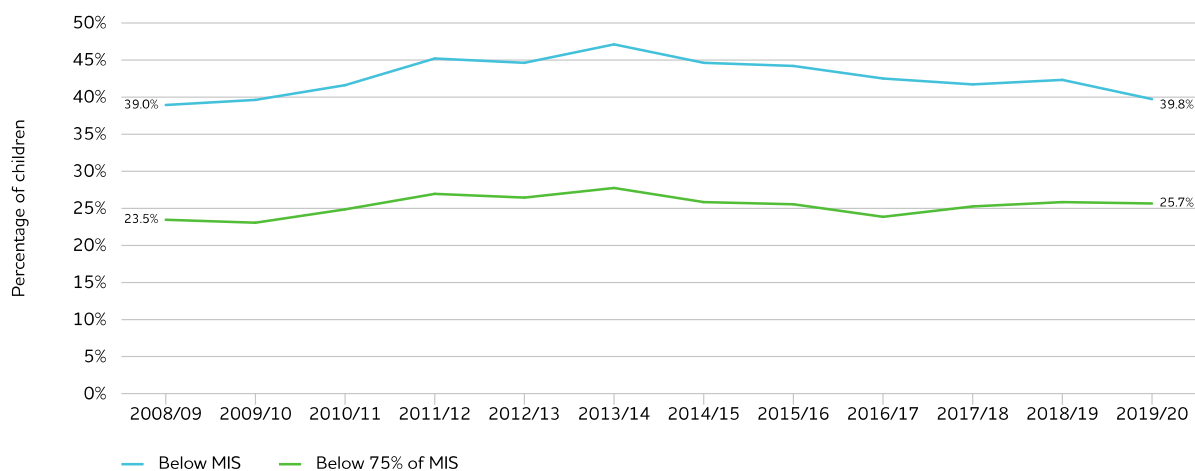
Figure 1 shows that there has been a decrease in the proportion of individuals below MIS in 2019/20, the latest year for which data are available. In 2019/20, 27.7% of individuals in the UK were living in households that lacked the income necessary to provide a minimum socially acceptable standard of living. This remains higher than the 26.7% below MIS in 2008/09, but is a decrease from 30% in 2018/19. The proportion below 75% of MIS – and consequently at far greater risk of material deprivation (Hirsch et al, 2016) – has also decreased between 2018/19 and 2019/20. In the previous report (Padley and Stone, 2021), it was recognised that the analysis of income data for the UK in 2018/19 and 2019/20 was very much an analysis of the calm before the impending storm – these latest data confirm that this period of calm has indeed continued this year.

Figure 1: Percentage of individuals below MIS and below 75% of MIS



Children continue to be the group who are most likely to be living in a household with inadequate income (see Table 1), although as for the population as a whole, the proportion of children below MIS fell from 42.4% in 2018/19 to 39.8% in 2019/20. Despite this decrease, it remains the case that around 2 in every 5 children in the UK in 2019/20 – 5.5 million – were living in households with incomes below MIS. The proportion below 75% of MIS has been at a very similar level since 2017/18 at just over a quarter of all children – 3.6 million in 2019/20. This means that around 1 child in every 4 in the UK is living in a household that faces a significant risk of lacking the sorts of things that many of us take for granted day to day.

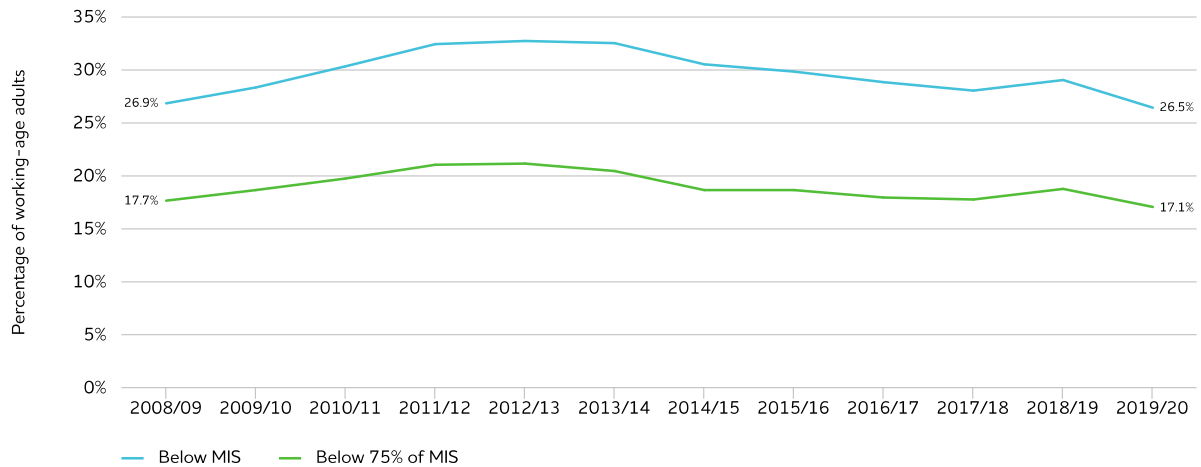
Figure 2: Percentage of children below MIS and below 75% of MIS



The proportion of working-age adults below MIS has also decreased in the last year, falling from 29.1% in 2018/19 to 26.5% in 2019/20. The same pattern can be seen for the proportion below 75% of MIS, falling from 18.8% in 2018/19 to 17.1% in 2019/20. The proportion both below MIS and below 75% of MIS is now at a lower level than at any other point in the period analysed here. While this fall in the likelihood of having an inadequate income is welcome, some caution is required in reading too much into change over a single year (see Handscomb et al, 2021). Some official estimates of household incomes show a significant increase between 2018/19 and 2019/20 (Department for Work and Pensions, 2021), but others show that median incomes remained flat in this period (Office for National Statistics, 2021). There has clearly been a downward trend since the peak in 2012/13. Tracking what happened to this trend during the pandemic and how this is affected as we move into the post-COVID future remains an important task.

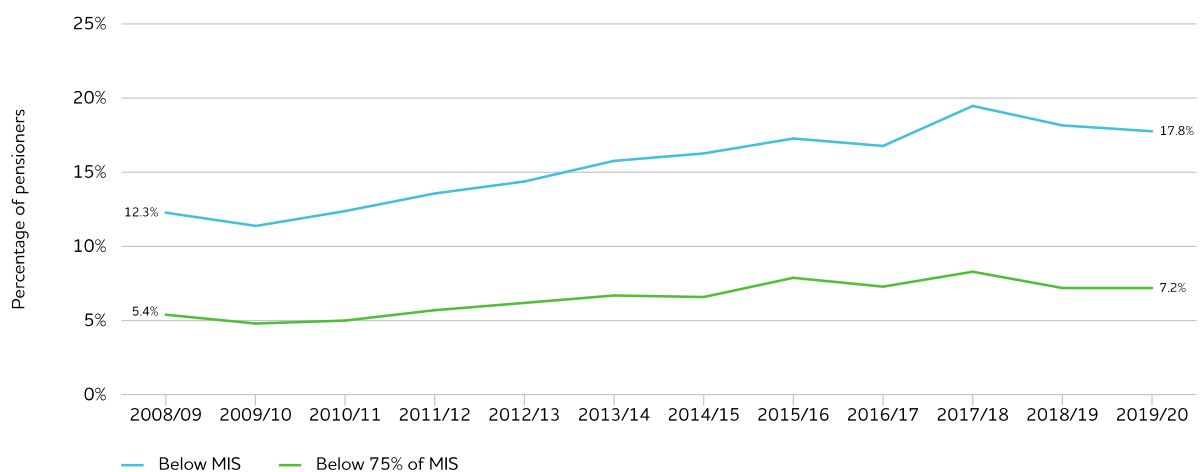
In 2019/20, 10.5 million working-age adults were living in households below MIS, a decrease of 1.1 million since 2018/19; 6.8 million working-age adults were living in households with incomes below 75% of MIS, 0.7 million fewer than in 2018/19.

Figure 3: Percentage of working-age adults below MIS and below 75% of MIS



As a group, pensioners remain the least likely to be living below MIS, as has been the case since this series of reports began (Padley and Hirsch, 2013). Yet while working-age adults and children have seen a decrease in the likelihood of living in a household with an inadequate income in recent years, pensioners have seen the likelihood of being below MIS increase by 44.7% (from 12.3% to 17.8%) over the period looked at here. The likelihood of having an income below 75% of MIS has increased by a third (33.3%) between 2008/09 and 2019/20. This means that in 2019/20, there were 2.1 million pensioners living in households with incomes below MIS – up from 1.4 million in 2008/09; 0.9 million of these have incomes below 75% of MIS, an increase of a quarter of a million since 2008/09. This points to a gradual reduction in the adequacy of pensioner incomes over time. Some of this is explained by changing social norms and expectations regarding what constitutes a minimum socially acceptable standard of living in retirement: adjusting for inflation, a minimum budget for single pensioners has increased by 20% between 2008/09 and 2019/20, while for couple pensioners it has increased by 21% over the same period (see Davis et al, 2021).

Figure 4: Percentage of pensioners below MIS and below 75% of MIS

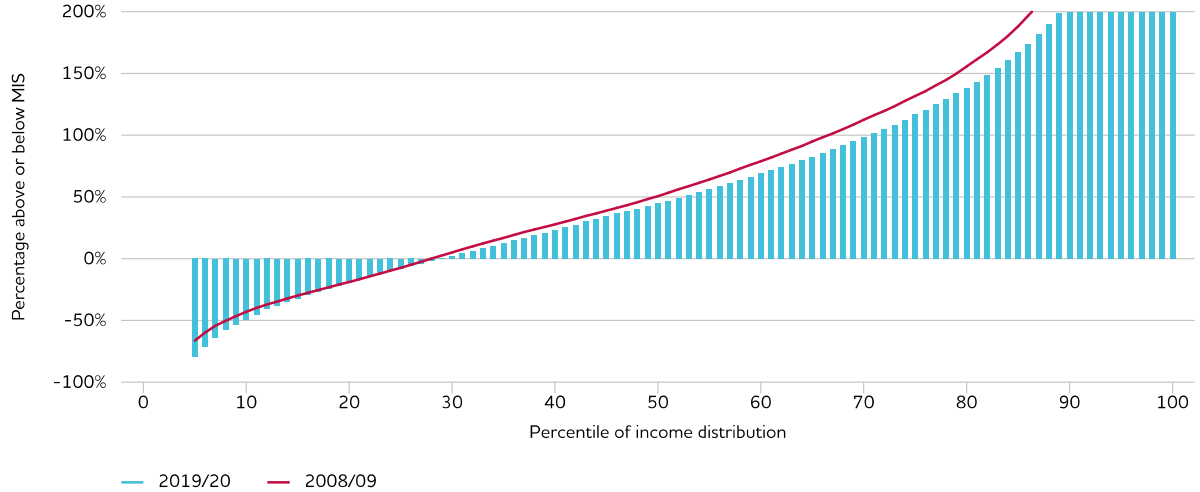


How far do incomes fall below MIS?

Figures 5 and 6 give an estimate of the depth of low income for the whole UK population and for pensioners, showing percentiles of household income as a proportion of MIS. The bars in the figures show the extent to which household incomes are above or below MIS for each income percentile in 2019/20. Someone at the 20th percentile of the income distribution, meaning that their household income is lower than that of 80% of the population, had an income in 2019/20 around 19% below MIS. The line on both figures shows 2008/09.

Figure 5 shows how far incomes fall below MIS, and how far they are above MIS, for the whole population. In 2019/20, individuals reached the MIS threshold by the 29th percentile of the income distribution; in 2008/09, individuals reached this threshold by the 28th percentile. It is clear from Figure 5 that although the income percentile at which the MIS threshold was reached in 2019/20 and 2008/09 is very similar, across the income distribution there is a gap between the two time points. For example, in 2008/09, those at the 33rd percentile had an income an average of 12.6% above MIS, while in 2019/20 this was 8.4% above. This gap between the two time points is not as pronounced as in analysis presented in previous reports, but it remains the case that individuals below MIS are further below this threshold in 2019/20 than in 2008/09. For example, in 2008/09, those at the 10th percentile were 43.3% below MIS, compared to 49.7% below in 2019/20.

Figure 5: Household income as a proportion of household MIS requirement, all individuals



Notes: Individuals in the 100th percentile have household incomes around 1000% of MIS in 2019/20 and around 2000% in 2008/09. To avoid this skew in the distribution dominating the graph's scale, incomes above twice the MIS level are not fully shown.

Results showing the very lowest incomes (at least 70% below MIS) are unreliable and these (percentiles one to four) are excluded.

Figure 6 shows the depth of income below MIS for pensioners. In 2019/20, pensioners reached the MIS threshold by the 18th percentile, compared to the 29th percentile for all individuals. In 2008/09, pensioners reached the MIS threshold by the 13th percentile. Figure 6 also shows that between 2008/09 and 2019/20, across the income distribution, pensioners have seen household income as a proportion of MIS fall: at the 10th percentile, incomes are 16.7% below MIS in 2019/20 compared to 7.6% in 2008/09; at the 25th percentile, pensioners in 2019/20 are in households with incomes 10.2% above MIS, compared to 24.8% in 2008/09.

Figure 6: Household income as a proportion of household MIS requirement, pensioners

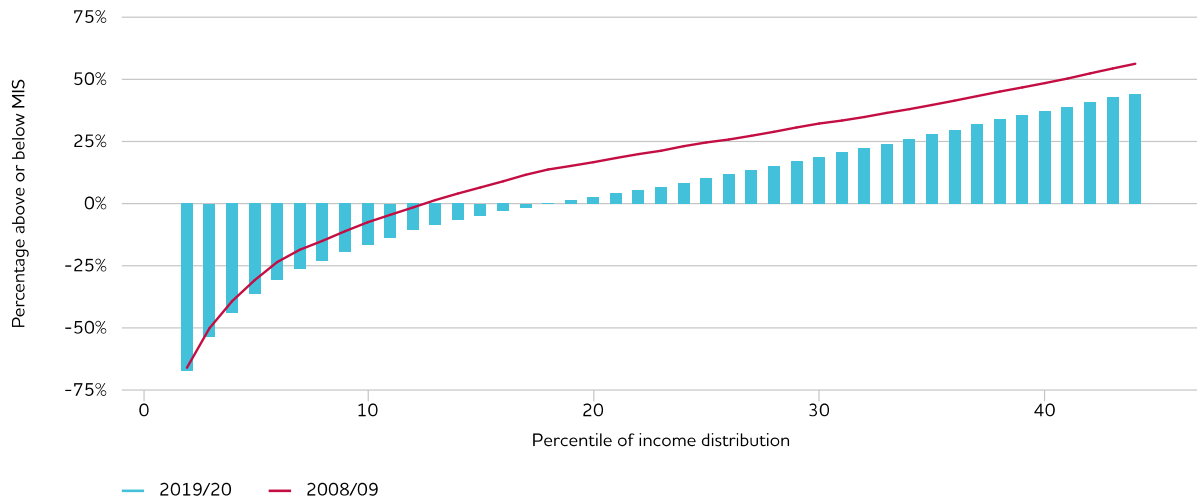


Table 2 sets out how the incidence and depth of shortfalls in income have changed between 2008/09 and 2019/20 for children, working-age adults and pensioners. Children have seen the largest increase in the average depth of shortfall of income, rising from 28.7% in 2008/09 to 32.3% in 2019/20. The ‘income gap’ – the average shortfall per head for the whole demographic group – has increased for both pensioners (by 0.8 percentage points) and children (by 1.6 percentage points) over this period. However, the ‘income gap’ for children and working-age adults is higher than for pensioners, and is highest for children.

Table 2: Depth and incidence of income below MIS

	Children		Working-age adults		Pensioners	
	2008/09	2019/20	2008/09	2019/20	2008/09	2019/20
Percentage of population below MIS (incidence)	39.0%	39.8%	26.9%	26.5%	12.3%	17.8%
Average percentage that they are below MIS (depth)	28.7%	32.3%	33.1%	33.3%	24.9%	21.5%
Income gap indicator (incidence times depth)	11.2%	12.8%	8.9%	8.8%	3.0%	3.8%

3 Trends in the likelihood of having a low income: comparing MIS and relative income indicators

Box 4: Key points

- This chapter compares the 'below MIS' and 'below 75% of MIS' indicators with the 'relative after housing costs low-income measure' from the annually updated HBAI data series.
- For much of the period from 2008/09 to 2019/20, MIS and relative income indicators, such as the 'below 60% of median equivalised household income' UK poverty line, have shown different trends.
- For all individuals, the 'below MIS' and 'below 75% of MIS' indicators show a decrease in the latest year, while the '60% of median' indicator has shown a small increase in 2019/20.
- For children, the 'below MIS' indicator shows a sharp decrease in 2019/20, while the 'below 75% of MIS' has also decreased slightly. Conversely, the relative income indicator shows that the proportion of children living in poverty according to this measure increased in 2019/20.
- Both the MIS and relative income indicators show a decrease in the proportion of working-age adults below these thresholds in the latest year.
- For pensioners, the 'below MIS' indicator shows a further decrease in 2019/20, the 'below 75% of MIS' is stable, and the relative income indicator shows a substantial increase in the latest year.

When this series of annual reports began in 2013 (Padley and Hirsch, 2013), a key aim was to provide an alternative means of tracking living standards to the HBAI series (Department for Work and Pensions, 2021). A key indicator of 'relative poverty' in HBAI, which counts individuals in households with below 60% of median equivalised income, charts low income against contemporary norms (accepting that the meaning of living on a given income changes over time as society changes). Broadly speaking, MIS shares this goal of tracking incomes against contemporary social norms, but the HBAI series makes use of a different approach to tracking change over time and translating it into a benchmark. The difference in method used by MIS and HBAI impacts the trends shown by each. The relative income measure makes the assumption that a threshold at which people can avoid poverty in a contemporary context changes in a way that is directly proportionate to median incomes – so if the median income falls, the 'poverty line' falls, potentially reducing the proportion of households below this threshold, even though there may have been little or no change in the material circumstances of households. The MIS-based indicator, however, is grounded in the direct and regularly updated exploration of the goods and services the public consider necessary for a minimum living standard.

Since 2008/09, the indicators based on MIS and that based on 60% of median income have, in general, shown quite different trends, largely as a consequence of the different basis for each. While there has been some growth in household incomes in the period being explored here, much of this period was marked by falling or stagnant incomes, resulting in a lower poverty line and consequently fewer people considered to be living in poverty. The MIS indicators have shown the opposite. As incomes have stagnated or fallen, fewer individuals have had the income needed to reach this minimum socially acceptable standard of living: income growth in recent years has resulted in fewer individuals being below the MIS threshold.

Figures 7 to 10 show the two MIS indicators and compare these to the relative income indicator of poverty between 2008/09. In the latest year, 2019/20, all indicators based on MIS have remained the same or shown a decrease, as household incomes have shown a significant increase in official estimates (Department for Work and Pensions, 2021). The relative income indicator, however, shows an increase for all groups except working-age adults. This increase is particularly marked for pensioners in the latest year who, in contrast with working-age adults, have seen a smaller real-terms increase in median incomes in 2019/20 (see Handscomb et al, 2021). The overall picture of increasing numbers below 60% of median but falling numbers below MIS can be explained by the sharp, single-year rise in median incomes, by 4.5% in real terms, in 2019/20.

Figure 7: Comparison of MIS and relative income indicators, all individuals; percentage point change in population falling below various thresholds since 2008/09

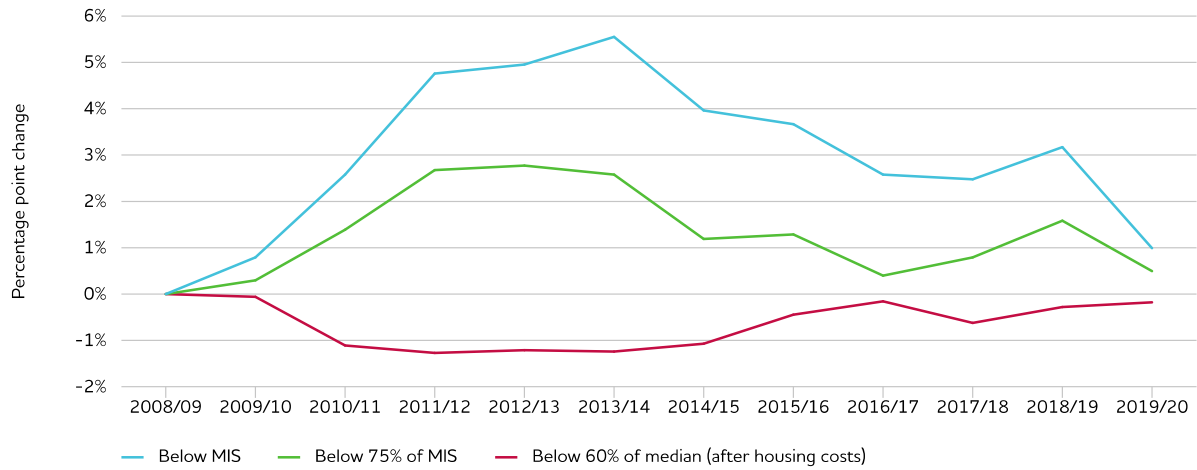


Figure 8: Comparison of MIS and relative income indicators, children; percentage point change in population falling below various thresholds since 2008/09

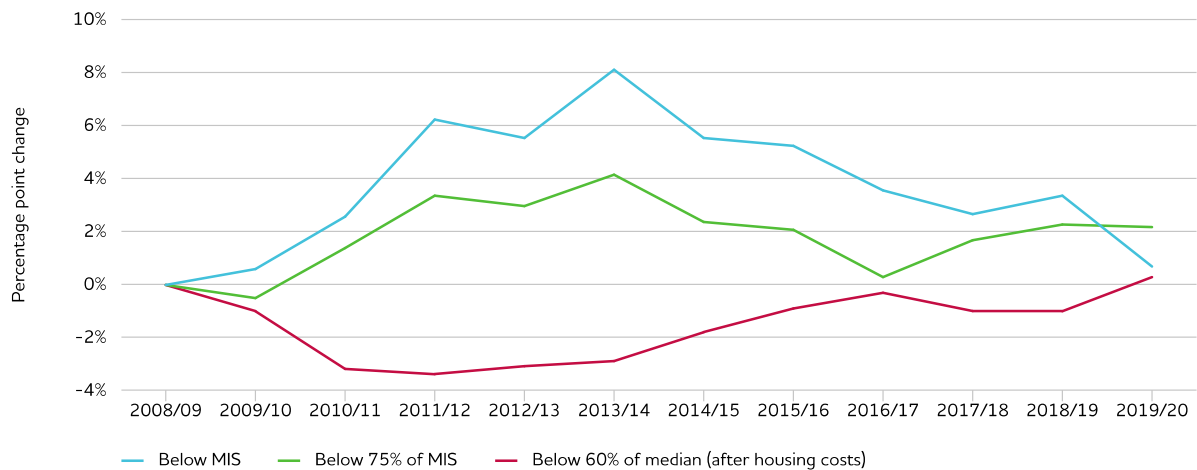


Figure 9: Comparison of MIS and relative income indicators, working-age adults; percentage point change in population falling below various thresholds since 2008/09

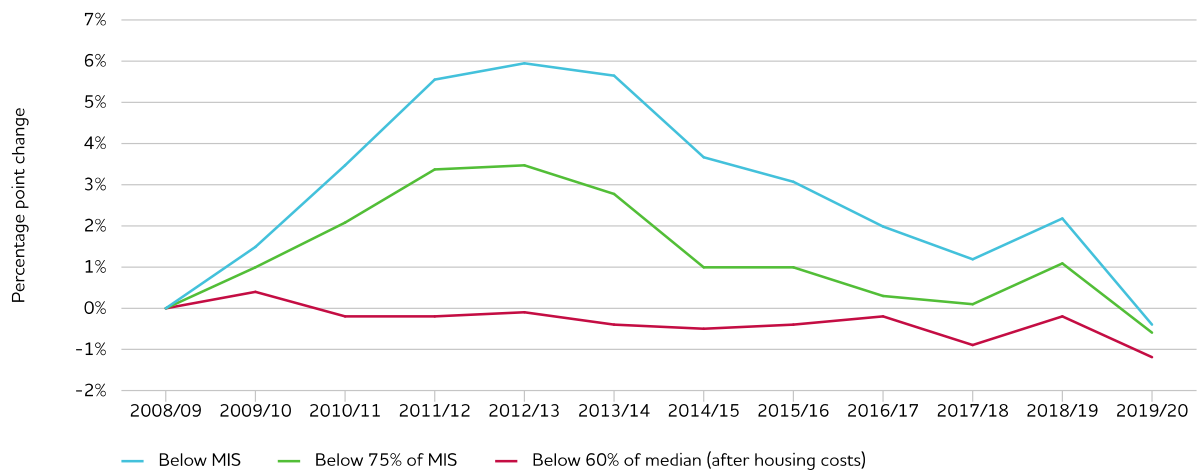
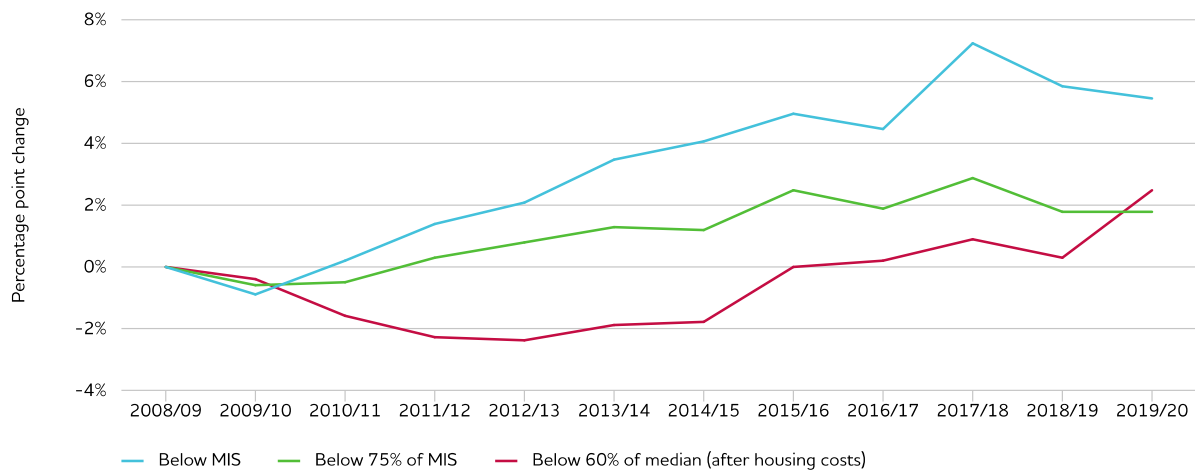


Figure 10: Comparison of MIS and relative income indicators, pensioners; percentage point change in population falling below various thresholds since 2008/09



Figures 11 to 13 show the composition of the overall population with incomes below MIS, below 75% of MIS and below 60% of contemporary median income. There have been changes in the composition of those below MIS and those below 75% of MIS. Below MIS, a greater proportion of all individuals below this threshold in 2019/20 are pensioners compared to 2008/09. Below 75% of MIS, there has been a decrease in the proportion of all individuals below this level who are working-age adults, and an increase in the proportion of pensioners and children. Compared to 2008/09, there has been no change in the proportion of working-age adults, children and pensioners who make up those below 60% of median income.

Figure 11: Composition of individuals below MIS, 2008/09 and 2019/20

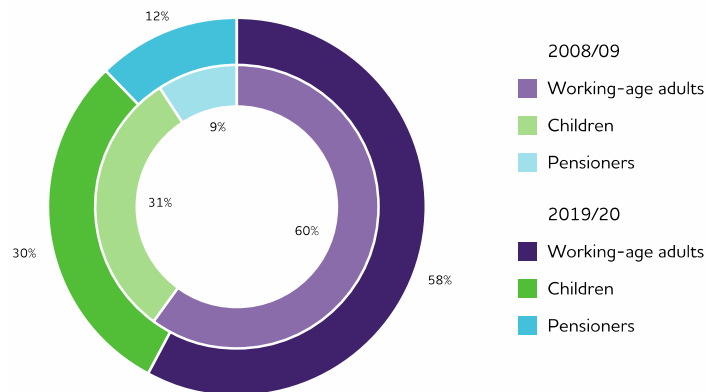


Figure 12: Composition of individuals below 75% of MIS, 2008/09 and 2019/20

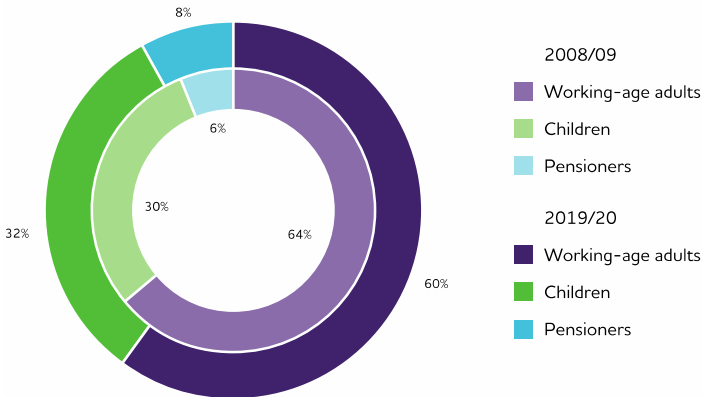
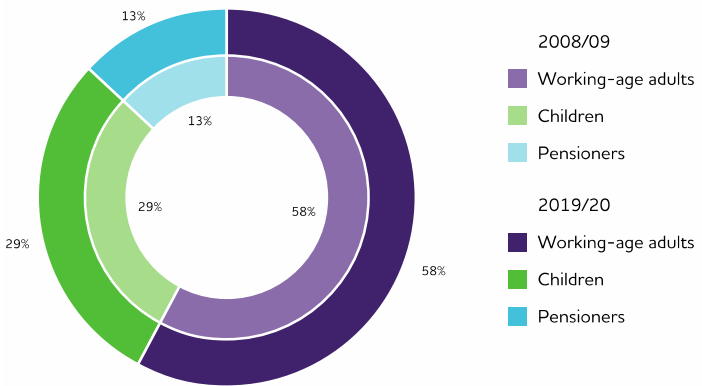


Figure 13: Composition of individuals below 60% of contemporary median income, 2008/09 and 2019/20



4 Household characteristics affecting the likelihood of having an income below MIS

Box 5: Key points

- Around a third (34.1%) of children in working families were below MIS in 2019/20.
- Children living with a lone parent are more than twice as likely to live in a household with an inadequate income compared to children living in couple-parent households (71.4% compared with 30.7%), and their likelihood of being below MIS has increased in the latest year.
- Three fifths (60.2%) of children living below MIS are in couple-parent households, with two fifths (39.8%) living in lone-parent families.
- In 2019/20, single working-age adults without children were twice as likely to be living in a household below MIS, compared with those with a partner (32.1% compared with 15.7%).
- Just over a quarter of single pensioners (27.1%) were below MIS in 2019/20, up from 15.8% in 2008/09. Couple pensioners are far less likely to be in a household with an inadequate income (11.9%).
- For single pensioners, women (28.7%) are more likely than men (24.0%) to be living on an income below MIS.
- Individuals aged 16–34 are most likely to be living on an inadequate income, with 28.0% below this level in 2019/20. The most substantial increase in the likelihood of having inadequate income over time is in the 65 and over age group, where this increased from 11.4% in 2008/09 to 17.8% in 2019/20.
- Households in London show the greatest likelihood of being below MIS in comparison with other regions, although the proportion below this level has not changed significantly over time. In the North East there has been an increase in the proportion of households below this level since 2008/09, and this region has the highest proportion of children living in households below MIS.

This chapter looks in more detail at the three key demographic groups analysed here – children, working-age adults and pensioners. The analysis looks in more detail at how the likelihood of being in a household below MIS varies by family characteristics and household composition. We also examine how income adequacy varies by housing tenure, region and age.

Children

Figure 14 shows the relationship between family composition and the likelihood of children living in a household with an income below that needed for a minimum socially acceptable standard of living. Children living with a lone parent are far more likely to be in a household with an income below MIS than children living with two parents. In the latest year, the likelihood of being below MIS has fallen for children in couple-parent households – from 34.9% in 2018/19 to 30.7% in 2019/20 – whereas it has increased for children in lone-parent households – up from 69.1% in 2018/19 to 71.4% in 2019/20. In general, two-parent households may have seen more benefit from the increases in earnings over recent years, while lone parents, with higher levels of part-time employment and economic inactivity, are less likely to have seen the same kind of improvements.

While children living with a lone parent are far more likely to be in a household with inadequate income than those living in couple-parent households, the majority of children in the UK live in couple-parent families (77.8% in 2019/20), and so the majority of children below MIS in 2019/20, as in previous years, are in couple-parent families – 3.3 million (60.2%) compared with 2.2 million (39.8%) children in lone-parent families.

Figure 14: Proportion of children below MIS, by family type

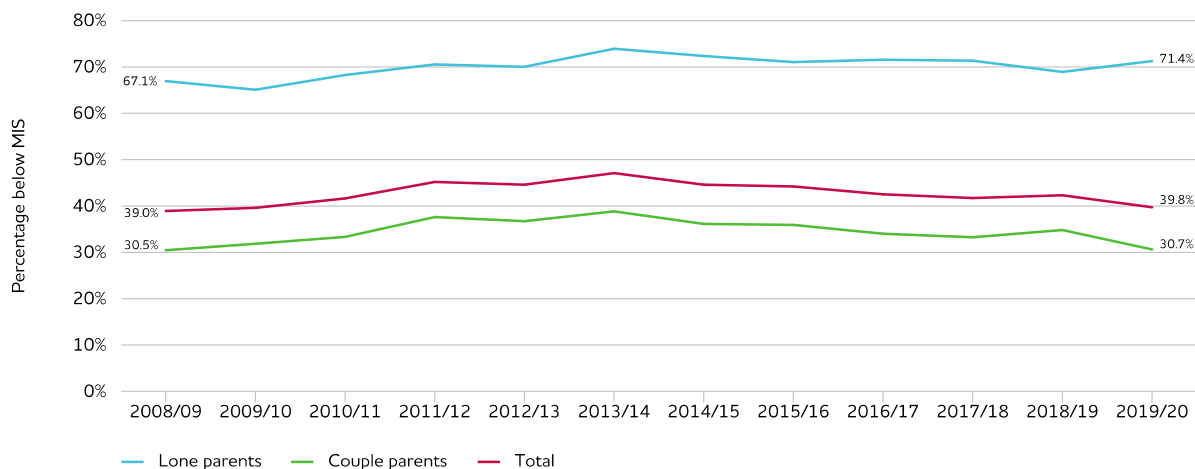
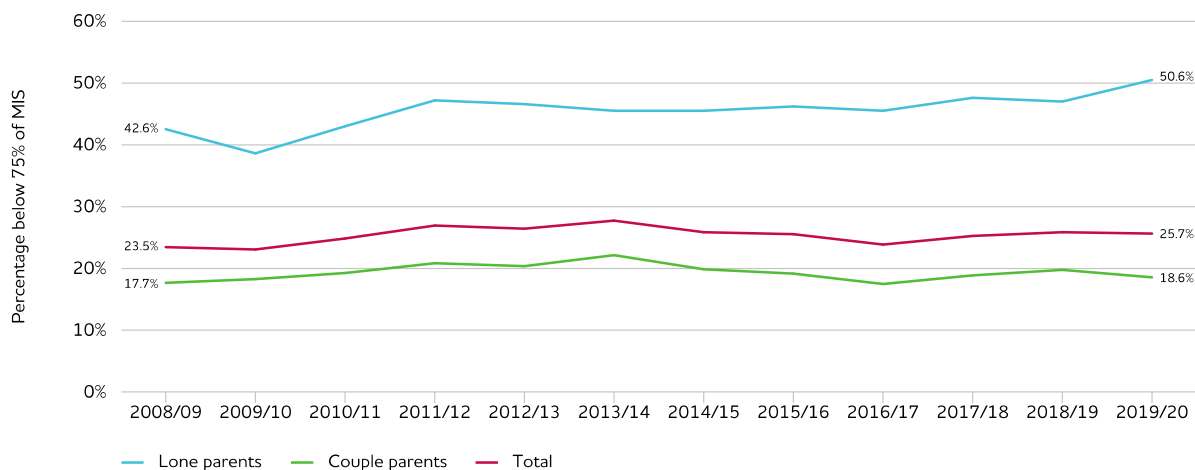


Figure 15 shows the proportion of children in households below 75% of MIS by family type. The overall trend over time is similar to that seen in Figure 14, with children in lone-parent families far more likely to be in a household below 75% of MIS than those in couple-parent households. For the first time since this series of reports began in 2013 (Padley and Hirsch, 2013), just over half (50.6%) of all children in lone-parent families are living in households with incomes below 75% of MIS, the point at which the risk of being materially deprived increases substantially. In 2019/20, 1.6 million children in lone-parent families and 2 million children in couple-parent households were living below 75% of MIS, an increase of around 268,000 since 2008/09 for children living with lone parents, and 256,000 for those living in two-parent households.

Figure 15: Proportion of children below 75% of MIS, by family type



Figures 16 and 17 look at the relationship between family work status and the likelihood that a child will be living in a household below MIS or below 75% of MIS. As in previous years, the majority of children living in workless households (84.6%) are below MIS, and nearly two thirds (65.8%) are living in households with incomes below 75% of MIS. Although the likelihood of being in a household below MIS is greater in workless families, the majority of children in the UK live in households where there is work (88.8% in 2019/20), and so the majority of those growing up in households with inadequate incomes are in working households. In 2019/20, 1.3 million children in households with incomes below MIS were in workless families and 4.2 million children were in working households.

Figure 16: Proportion of children below MIS, by family working status

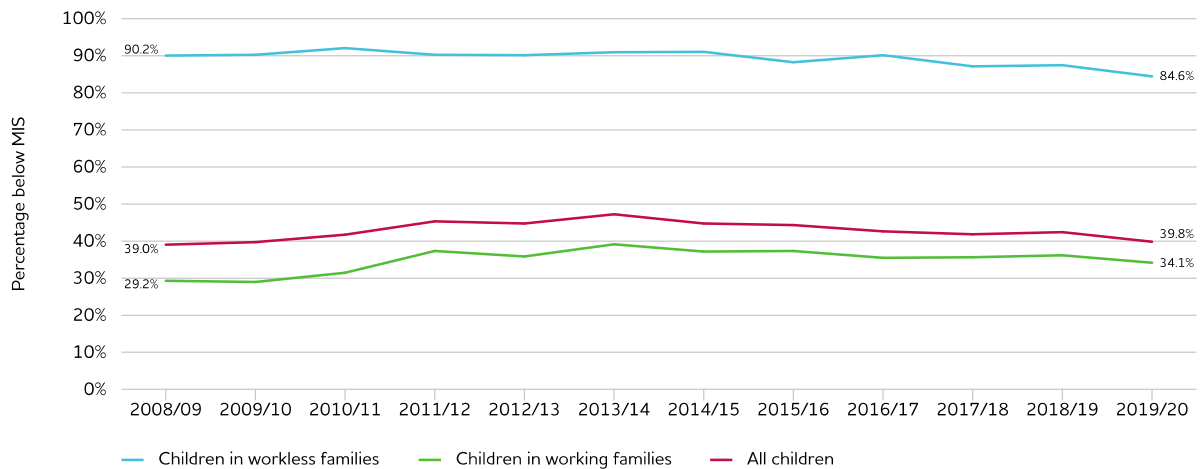
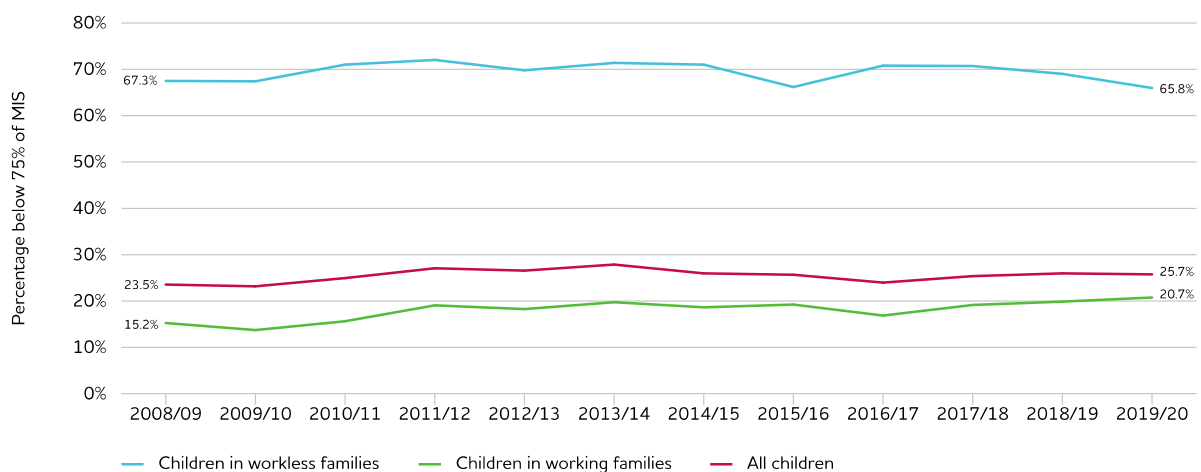


Figure 17: Proportion of children below 75% of MIS, by family working status



Working-age adults

Working-age adults make up the largest proportion of the population in the UK, and consequently the trend in the proportion of individuals below MIS in this demographic group follows the overall trend observed for the population as a whole (see Figure 1). Figures 18 and 19 show that working-age adults with dependent children are more likely to be in a household with an inadequate income than those without children. The likelihood of being below MIS or below 75% of MIS in 2019/20 for working-age adults without children is below the level it was in 2008/09, reflecting the sharp increase in estimates of household incomes reported in the latest year (Department for Work and Pensions, 2021).

Figure 18: Proportion of working-age adults below MIS, by household type

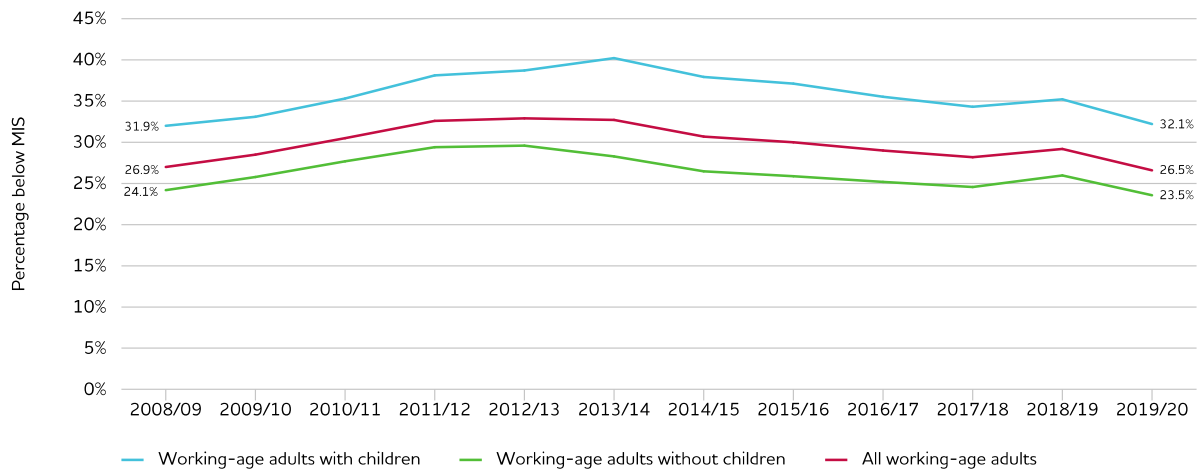
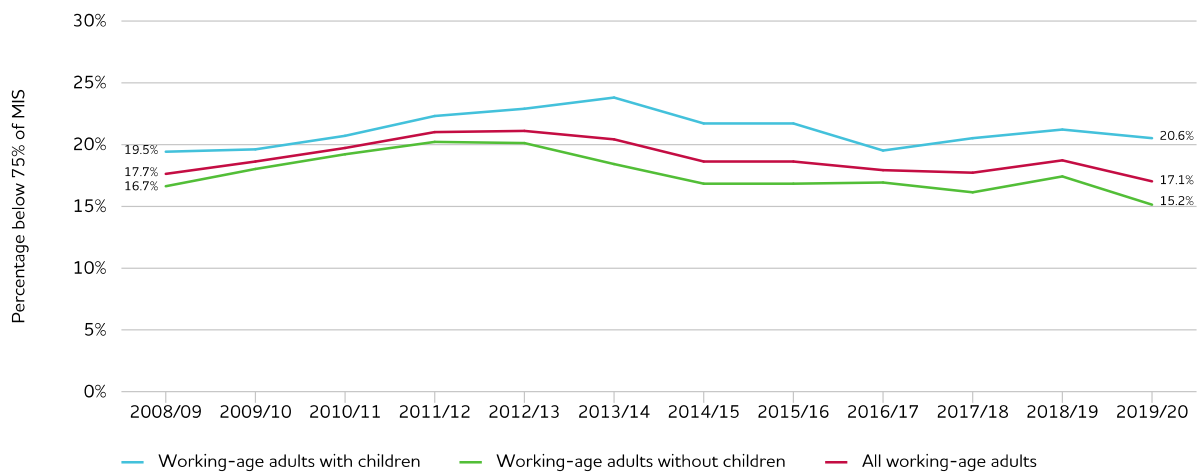


Figure 19: Proportion of working-age adults below 75% of MIS, by household type



Figures 20 and 21 show the relationship between partnership status and income adequacy among working-age adults without children. As at all points across the period being explored here, single working-age adults without children remain more likely to be living in households below MIS and below 75% of MIS. However, the proportion of single working-age adults without children below MIS is at its lowest level (32.1%), with a sharp decrease over the latest year. The proportion of working-age couples without children below MIS, and below 75% of MIS, has remained relatively stable over recent years.

Figure 20: Proportion of working-age adults without children below MIS, by household type

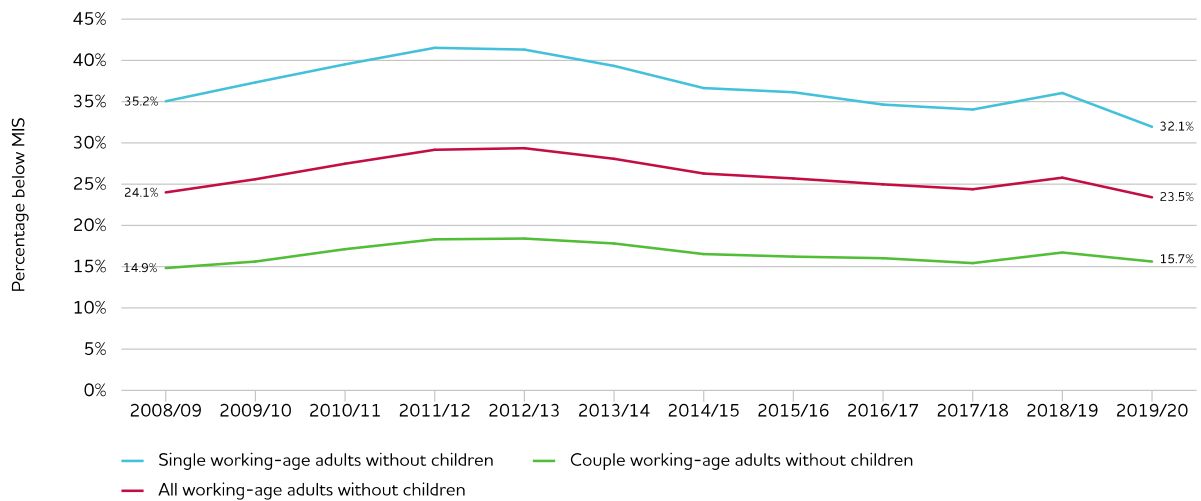
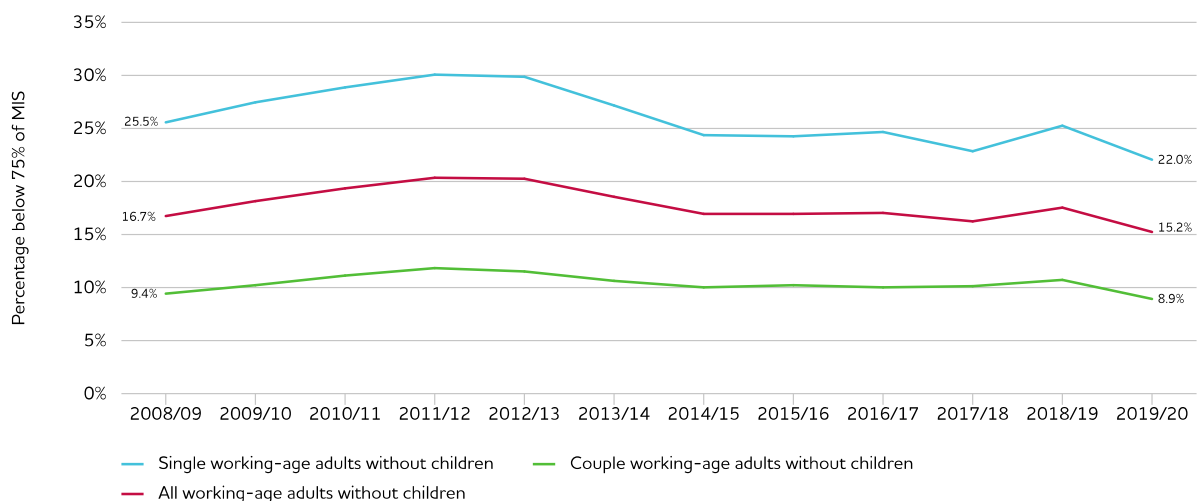


Figure 21: Proportion of working-age adults without children below 75% of MIS, by household type



Pensioners

Figure 22 sets out the trend in the likelihood of being below MIS among pensioners in different household types. What is most clear here is that the likelihood of being below MIS has increased significantly between 2008/09 and 2019/20 for single pensioners, while for couple pensioners there has been little substantial change over time. In 2019/20, single pensioners were more than twice as likely to be living in a household with inadequate income as couple pensioners (27.1% compared with 12.0%). Single pensioners account for nearly three fifths (59.1%) of all pensioners with incomes below MIS in 2019/20; in 2008/09 they accounted for just over half (50.3%).

Figure 22: Proportion of pensioners below MIS and below 75% of MIS, by household type

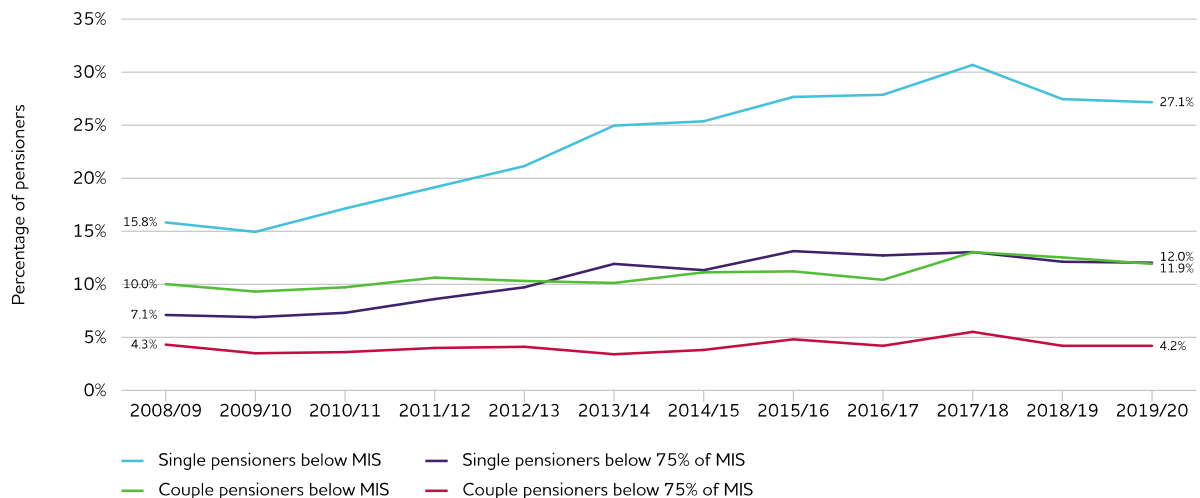
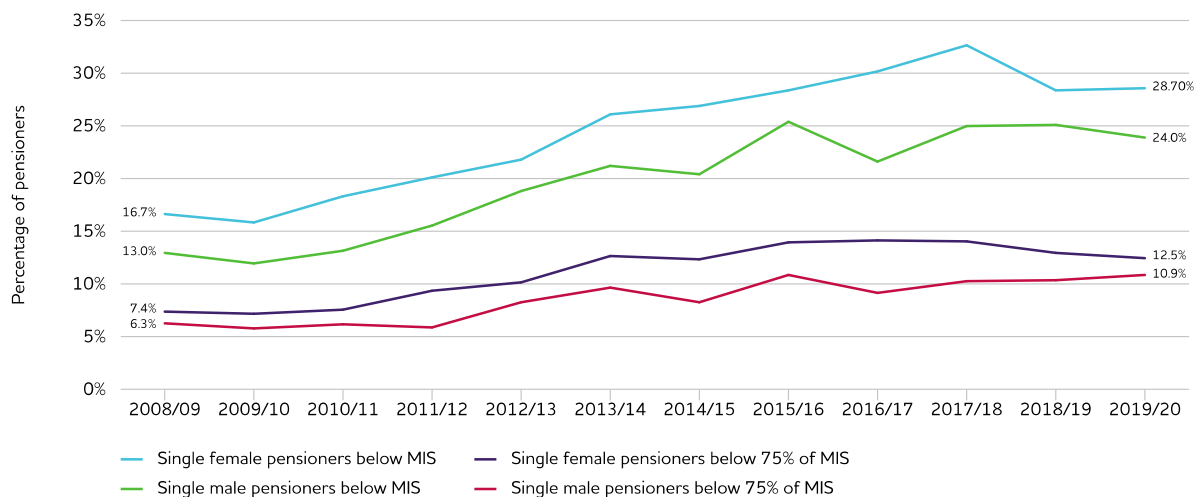


Figure 23 looks in greater detail at the results for single pensioners, showing that the likelihood of being in a household with inadequate income is greatest for single female pensioners, with 28.7% below MIS in 2019/20 compared to 24.0% of single male pensioners. Of the 1.2 million single pensioners below MIS in 2019/20, women accounted for 70.2%. This highlights not just the greater ‘risk’ of having an income below MIS faced by single female pensioners, but also the substantially greater number of single female pensioners living in households with inadequate income, compared to single male pensioners.

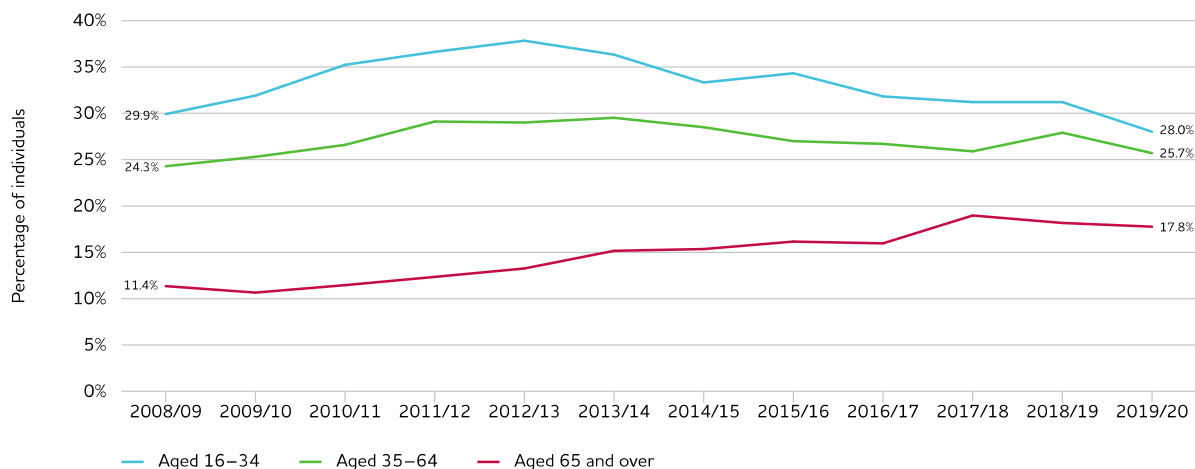
Figure 23: Proportion of single pensioners below MIS and below 75% of MIS, by gender



How does the likelihood of having an income below MIS vary across age groups?

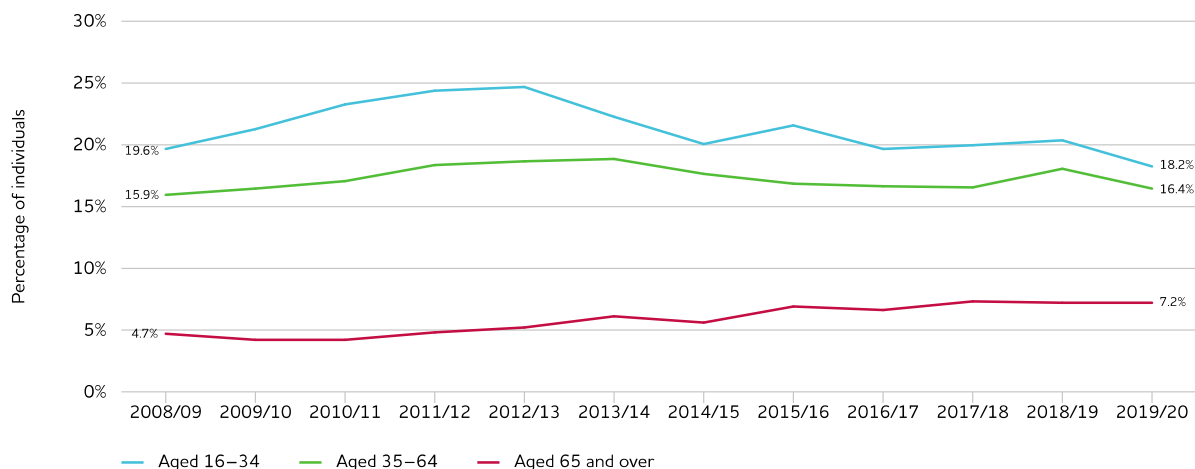
Throughout the period covered by the analysis, young adults (aged 16–34) have been the group most likely to be living in a household below MIS (Figure 24) or below 75% of MIS (Figure 25), and this remained the case in the latest year. However, the proportion of individuals aged 16–34 below MIS in 2019/20 was lower than at any other point in the period covered here. Over time, the gap between the 16–34 and 35–64 age groups has narrowed, and while individuals 65 and over remain the least likely to be living on an inadequate income, this age group has seen the biggest rise since 2008/09, with a 56.1% increase in the proportion of individuals below MIS, leading to somewhat of a convergence between age groups.

Figure 24: Proportion of individuals below MIS, by age group



Note: full-time students are excluded.

Figure 25: Proportion of individuals below 75% of MIS, by age group



Note: full-time students are excluded.

Differences in the likelihood of having an income below MIS by housing tenure

Keeping with the trend from previous years, in 2019/20, those who own their own home – either with a mortgage or outright – were least likely to be in a household with an income below MIS (Figure 26) and below 75% of MIS (Figure 27). Those living in rented accommodation, whether in the social or private rented sectors, continue to be far more likely to be living in a household with an income below MIS, although in the latest year there has been a decrease in the proportion below this level in each of these tenures. The proportion below MIS in the social rented sector fell from 63.1% in 2018/19 to 59.4% in 2019/20 and is at the lowest level over the time period analysed here. The proportion below MIS in the private rented sector is also lower than at any other point in this series, having fallen from 48.6% in 2018/19 to 43.4% in 2019/20.

Figure 26: Proportion of individuals below MIS, by housing tenure

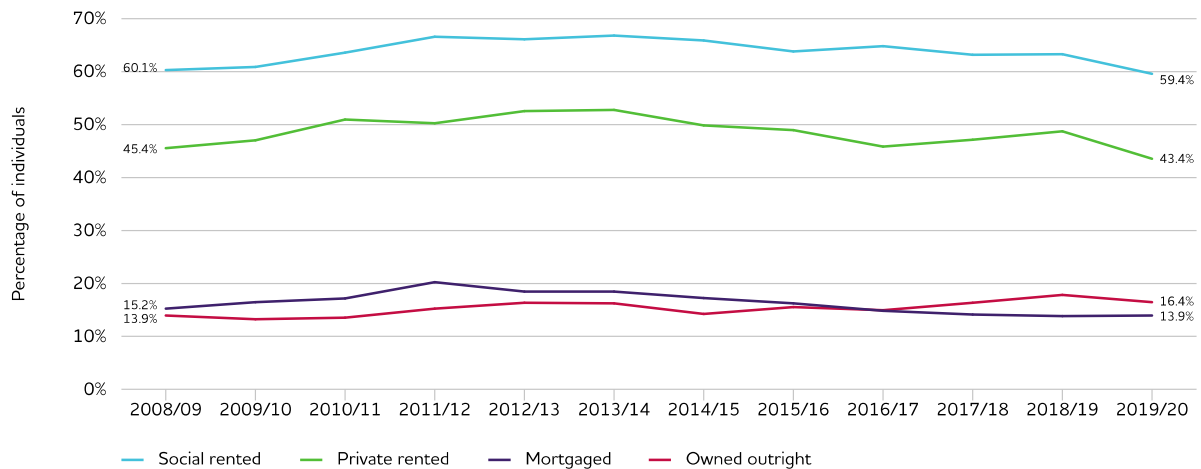


Figure 27: Proportion of individuals below 75% of MIS, by housing tenure

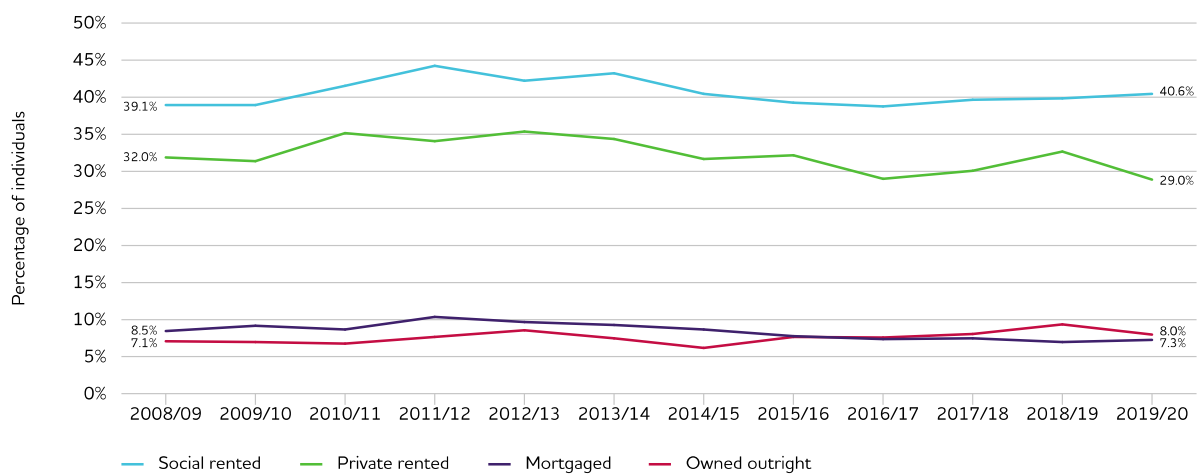


Figure 28 shows that there has been a significant increase in the proportion of pensioners across all housing tenures who were below MIS in 2019/20 compared to 2008/09. This increase is most stark for pensioners in rented accommodation – 41.9% of pensioners in private rented housing had an income below MIS in 2019/20, compared to 26.0% in 2008/09; 39.1% of pensioners in social housing were in a household with an inadequate income in 2019/20, compared to 22.8% in 2008/09. Although owner-occupation among pensioners has been very high, this is now declining and there are critical questions about the adequacy of income for those pensioners who have to continue paying rent throughout retirement (see Padley and Shepherd, 2021).

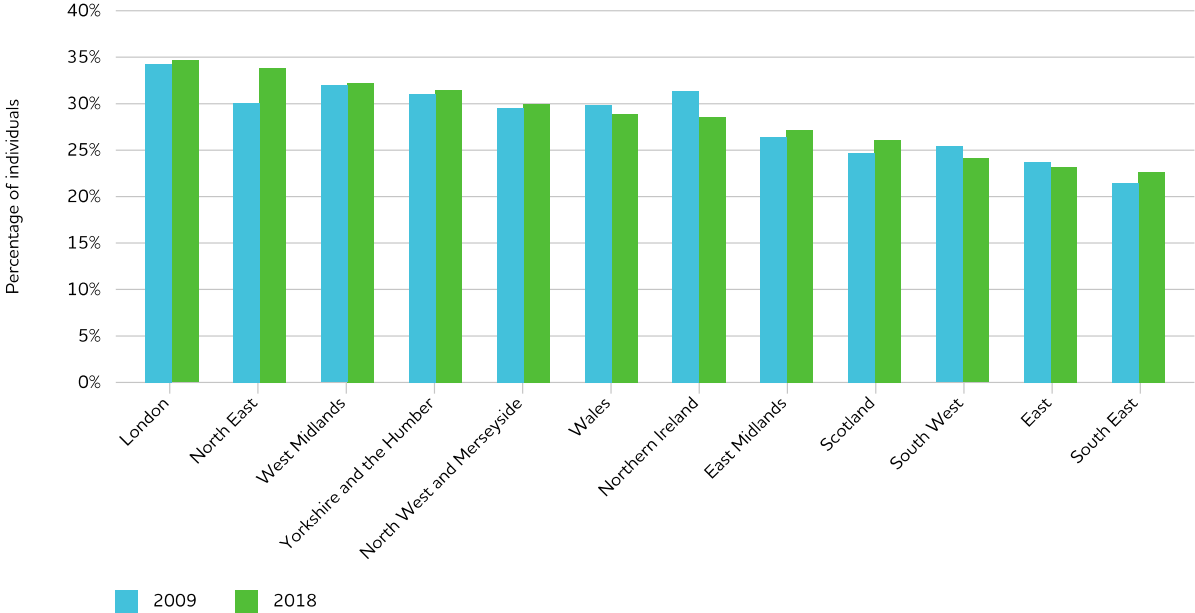
Figure 28: Proportion of working-age adults and pensioners below MIS within each housing tenure, 2008/9 and 2019/20



Geographical variation in the proportion of individuals with incomes below MIS

Figure 29 sets out how the likelihood of living in a household below MIS varies by location across the UK, and over time. London has the highest proportion of individuals living in households with inadequate income, and this has not changed substantially over the period analysed here. The North East has seen the largest increase in the proportion living below MIS of any of the locations specified here, increasing from 30.2% in 2009 to 34.0% in 2018.

Figure 29: All individuals below MIS, by location (three-year averages)

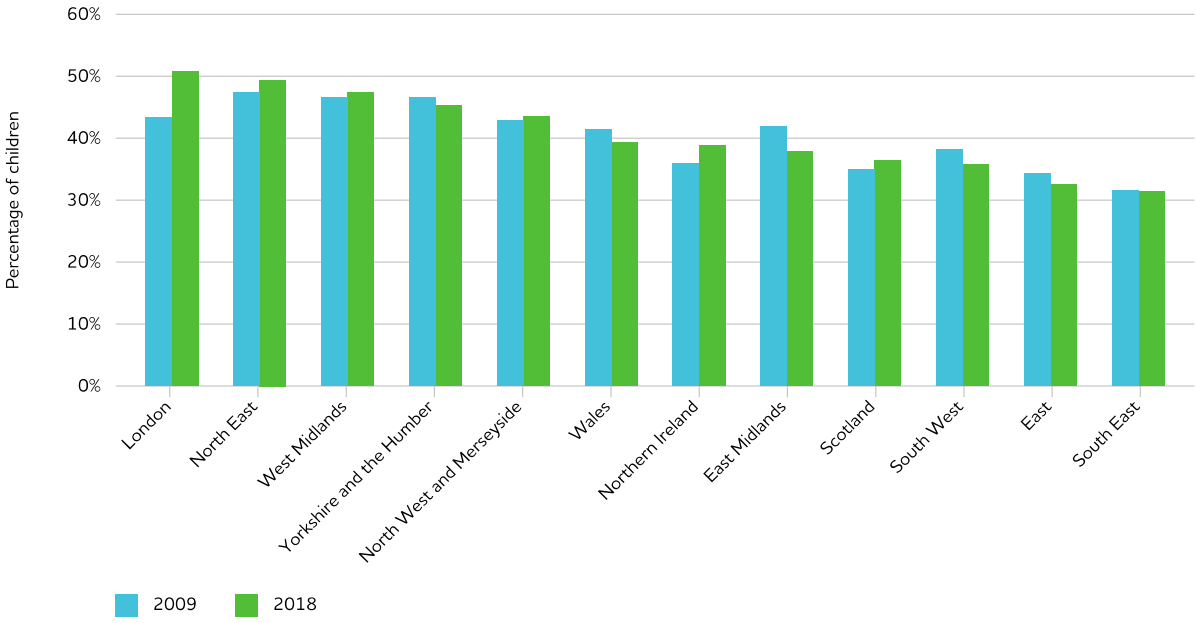


Note: data for 2009 are an average of 2008/09, 2009/10 and 2010/11; and data for 2018 are an average of 2017/18, 2018/19 and 2019/20.

Figure 30 looks at the likelihood of children living in a household below MIS according to location. The location with the highest proportion of children living in households with inadequate incomes is the North East, with 51.0% below this level in 2018. This location has also seen the most substantial increase

between 2009 and 2018, replicating the trend seen in child poverty levels in the North East over recent years (see also Hirsch and Stone, 2021).

Figure 30: Children below MIS, by location (three-year averages)



Note: data for 2009 are an average of 2008/09, 2009/10 and 2010/11; and data for 2018 are an average of 2017/18, 2018/19 and 2019/20.

5 Employment status and low income

Box 6: Key points

- Among single working-age adults, 10.9% of those in full-time employment are in a household below MIS compared to 91.8% of those who are unemployed.
- A substantial proportion of working lone parents are below MIS: 43.3% of lone parents in full-time employment and 80.0% – or 4 in every 5 – lone parents in part-time or self-employment.
- One in five working-age households below MIS (20.2%) are households where there is full employment. Non-working households account for a decreasing proportion of working-age households below MIS, falling from 11.2% in 2008/09 to 7.2% in 2019/20.

This chapter looks in more detail at working-age adults, focusing in particular on the links between employment status and the likelihood of living in a household with inadequate income.³

Figure 31 shows the proportion of single working-age adults without children in households with inadequate income. Individuals who are not working – either unemployed or economically inactive – are most likely to be in a household below MIS, but a greater proportion of those classified as unemployed are below this threshold. As noted in previous reports, the inadequacy of out-of-work, safety-net benefits relative to MIS is a key factor here (see Davis et al, 2020).

Figure 31: Proportion of single working-age adults without children below MIS, by employment status

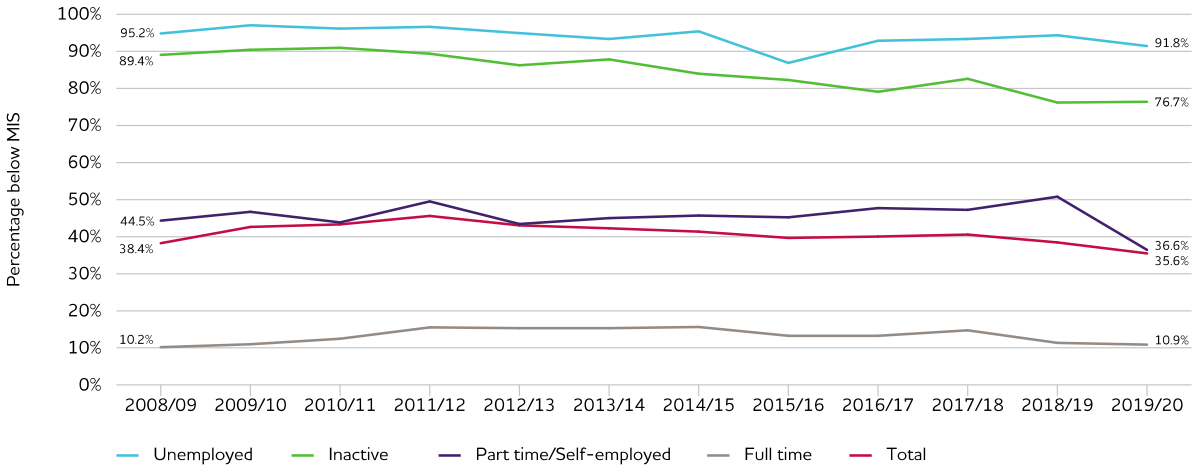
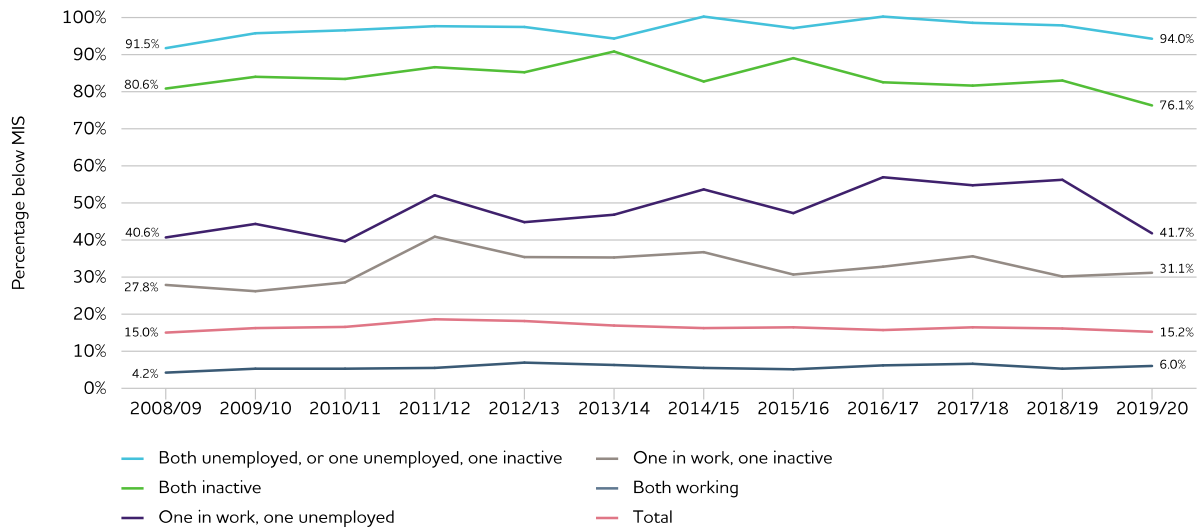


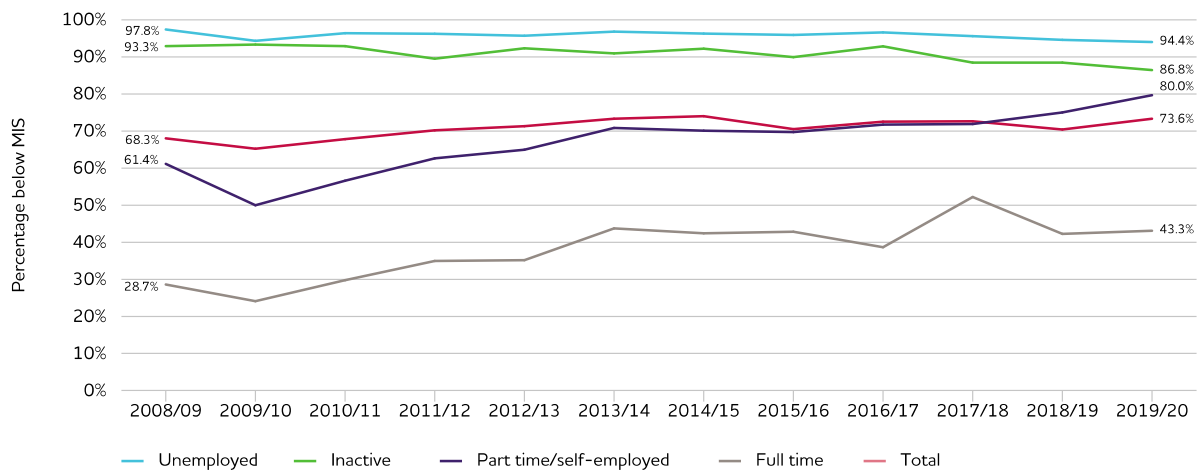
Figure 32 looks at the proportion of working-age couples without children who are in households below MIS. As with single working-age adults, couples who are unemployed, economically inactive or a combination of both, are most likely to have an income below MIS, for the same reasons as outlined above. Across the period analysed here, a small proportion of couples where both are in work are in households with incomes below MIS.

Figure 32: Proportion of working-age couples without children below MIS, by employment status



Figures 33 and 34 look at the relationship between employment status and the likelihood of having an income below MIS for parents. Figure 33 shows that for lone parents, as for other demographic groups, those most likely to be below MIS are those who are unemployed (94.4%) or economically inactive (86.8%), although the risk of being below MIS for these groups has remained relatively stable over the period being analysed here. However, for lone parents in full-time work, the likelihood of being below MIS has increased substantially, from 28.7% in 2008/09 to 43.3% in 2019/20. Similarly, the proportion of lone parents in part-time work or self-employed, with an income below MIS, has also increased sharply over this period, from 61.4% in 2008/09 to 80.0% in 2019/20. In recent years, work has often been championed as the best way out of low income, but it is clear from these data that full- and part-time work fail to provide the income needed for a minimum socially acceptable standard of living for many lone parents.

Figure 33: Proportion of lone parents below MIS, by employment status



For working-age couples with children, the proportion below MIS has been reasonably stable over time: in 2019/20 as in 2008/09, 25.8% of couple parents were living in a household below MIS. Figure 34 sets out the relationship between combined economic activity status and income adequacy. For couples with children where either both are unemployed, or where one parent is unemployed and the other is economically inactive, everyone interviewed in the Family Resources Survey with this economic status has an income below MIS. Although this subgroup accounts for only a very small proportion of all couples with children (0.9%), this does serve to highlight again the inadequacy of safety-net benefits relative to an income that is sufficient to meet their minimum needs.

Figure 34: Proportion of working-age couples with children below MIS, by employment status

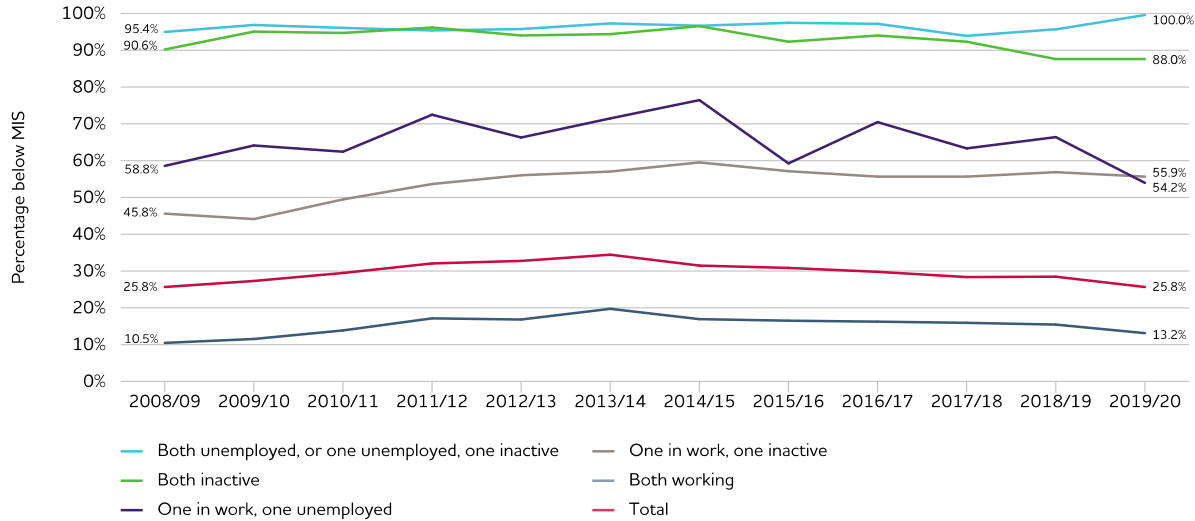


Table 3 shows how different categories of household employment status were distributed across subgroups of working-age adults in 2008/09, comparing this to 2019/20. ‘Risk’ here is the proportion of individuals in each subgroup estimated to be in a household below MIS. ‘Composition’ is the proportion that each employment status category comprises within each household type.

For single working-age adults with no children, there has been an increase in the proportion who are in part-time work or self-employed, and those who are economically inactive, while the proportion in full-time employment has decreased since 2008/09.

For lone parents there has been a compositional shift, with a far greater proportion in part-time work or self-employed in 2019/20 compared to 2008/09. For working-age couples with and without children, the compositional shift has been to a greater proportion of households where both adults are in work.

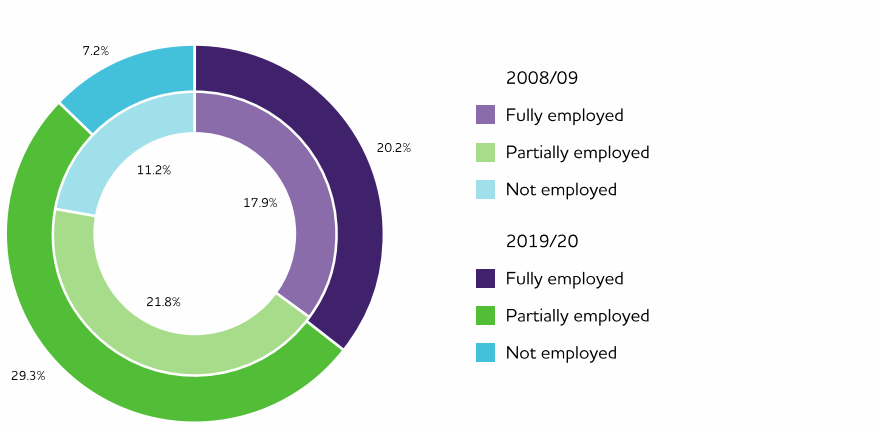
In general, across most subgroups, there are larger proportions of individuals in work (full time, part time and self-employed) in 2019/20 than in 2008/09, but this has not resulted in the likelihood of inadequate income decreasing over the period analysed here. Indeed, despite there being more people in work overall, the likelihood of being below MIS remains higher than in 2008/09.

Table 3: Changes in the risk of falling below MIS for working-age adults, by employment status; and composition of each household, by employment status

		2008/09		2019/20	
		Risk	Composition	Risk	Composition
Single adults with no children	Full-time employed	10.2%	57.6%	10.9%	53.3%
	Part time/self-employed	44.5%	15.9%	36.6%	19.4%
	Unemployed	95.2%	5.4%	91.8%	4.2%
	Inactive	89.4%	21.1%	76.7%	23.0%
Lone parents	Full-time employed	28.7%	28.5%	43.3%	27.0%
	Part time/self-employed	61.4%	27.1%	80.0%	40.3%
	Unemployed	97.8%	7.5%	94.4%	3.5%
	Inactive	93.3%	36.9%	86.8%	29.2%
Couples with no children	Both working	4.2%	78.1%	6.0%	81.5%
	In work and unemployed	40.6%	3.5%	41.7%	2.7%
	In work and inactive	27.8%	12.8%	31.1%	11.2%
	Both inactive	80.6%	4.4%	76.1%	4.0%
	Unemployed and unemployed/inactive	91.5%	1.2%	94.0%	0.5%
Couples with children	Both working	10.5%	66.6%	13.2%	73.7%
	In work and unemployed	58.8%	3.8%	54.2%	2.6%
	In work and inactive	45.8%	24.4%	55.9%	20.7%
	Both inactive	90.6%	3.2%	88.0%	2.1%
	Unemployed and unemployed/inactive	95.4%	2.0%	100.0%	0.9%

Figure 35 captures the changing nature of the relationship between work and adequate income for working-age households. This compares fully-employed households (where all adults are in work) with partially-employed households (in which at least one adult is in work of any type) and households where no adults are in work. Clearly, income adequacy is an issue for working households in 2019/20, with adults where no-one works accounting for a smaller proportion of households below MIS over time.

Figure 35: Composition of working-age households below MIS, by employment status, 2008/09 and 2019/20



6 Conclusions

Overall, this report shows that the proportion of individuals living in households within incomes below what is needed for a minimum socially acceptable standard of living has fallen in the latest year, 2019/20. This continues a general downward trend in the proportion below MIS since a peak in 2013/14. In 2019/20, 18.2 million individuals in the UK were living in households with incomes below MIS compared to 16.2 million in 2008/09.

Children remain the most likely to be living in a household with inadequate income, although the proportion below MIS decreased in 2019/20 as it did for the population as a whole. In 2019/20, 39.8% of children – 5.5 million – are living in households with incomes below MIS, with 3.6 million of these children in households with incomes below 75% of MIS, and therefore at greater risk of material deprivation.

Running counter to the overall trend, children living in lone-parent households have seen an increase in the likelihood of being below MIS (71.4% in 2019/20), and are more than twice as likely to be growing up in households with inadequate income compared to children growing up in households with two parents (30.7%). There are likely many factors contributing to this, but lone parents in 2019/20 continued to be impacted by the rising cost of essentials and the benefits freeze between 2015 and 2020, which amounted to a substantial real-terms cut in social security. It also continued to be the case in 2019/20 that work does not guarantee an adequate income. Despite significant increases in the statutory minimum wage over recent years, a growing proportion of lone-parent households, where the parent is working full time, are below MIS – 43.3% of lone parents in full-time work did not have the income they needed for a minimum standard of living in 2019/20, while 80.0% of lone parents who work part time or are self-employed are below MIS.

Pensioners continue to be the least likely to have an income below MIS – with 17.8% below this level in 2019/20 – but the risk of having an income below MIS has increased significantly since 2008/09, particularly for single pensioners. Pensioners who are living in rented accommodation are now also far more likely to have inadequate income than in 2008/09.

In many ways, the challenges identified in the Households below a Minimum Income Standard series have not changed significantly since the first report in 2013. Questions about the adequacy of wages and the extent to which work enables households to meet their minimum needs persist; the level and adequacy of the safety net provided by our social security system, and how this system can work 'best' in tandem with wages, also continue to present as unresolved or unsolved policy problems. While there were some promising signs in 2019/20 with a continued fall in the proportion below MIS, this needs to be seen both in the context of these ongoing challenges and in the knowledge that COVID-19 and its impact on household incomes is yet to be captured in this annual analysis of income adequacy.

Notes

1. Figures are rounded to one decimal point throughout the report.
2. Some of the figures presented in this report for past years differ slightly from previously published data, due to some technical improvements in the calculation of household income and grossing factors in the HBAI data, and in how results for the survey sample are translated into estimates of how many people in certain groups have incomes below MIS.
3. In Chapter 5, results are shown only for households comprising a single benefit unit – ie a single adult or couple plus any dependent children – according to the employment status of its adult member/s. This produces totals that differ slightly from corresponding results in the rest of the report, which also cover people living in households that include others outside their benefit unit, such as parents living with grown-up children

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The Joseph Rowntree Foundation has supported this project as part of its programme of research and innovative development projects, which it hopes will be of value to policy-makers, practitioners and service users. The facts presented and views expressed in this report are, however, those of the authors and not necessarily those of JRF.

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First published January 2022 by the Joseph Rowntree Foundation
PDF ISBN 978 1 911581 99 4
Cover image: SolStock / iStock

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