



Households below a Minimum Income Standard: 2008/09 - 2016/17

by Juliet Stone, Matt Padley and Donald Hirsch

This is the seventh in a series of reports monitoring the number of people in the UK living below an adequate standard of living. It focuses in particular on three demographic groups – children, working-age adults and pensioners – exploring how they have fared between 2008/09 and 2016/17.

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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), a measure rooted in what members of the public consider is needed for a minimum socially acceptable standard of living. This is the seventh in a series of reports monitoring the total number of individuals in the UK living below the MIS threshold, and looking in detail at the family and household characteristics of those below this threshold. This report focuses in particular on three demographic groups – children, working-age adults and pensioners – exploring how they have fared between 2008/09 and 2016/17.

Actions

- JRF recommends that the Government should lift the freeze on working-age tax credits and Universal Credit a year early, so that support keeps up with the rising cost of living.

We can solve UK poverty

JRF is working with governments, businesses, communities, charities and individuals to solve UK poverty. *Households below a Minimum Income Standard: 2008/09–2016/17* 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) is a benchmark of income adequacy, rooted in what members of the public think is needed for a minimum socially acceptable standard of living. This report looks at the proportion of individuals who fall below this benchmark, and at those with incomes below 75% of MIS. People with incomes below 75% of MIS face a greatly increased likelihood of deprivation compared with those whose incomes are above the MIS benchmark.

This year's report covers the period from 2008/09 to 2016/17, the latest year for which household income data are available. It is set in the context of some gradual improvement in real-terms earnings and average income, after an earlier period in which they fell or stagnated. This has resulted in an overall reduction in the number of people in low-income households, but the number below MIS remains higher than a decade ago and many of those who have moved above MIS still remain vulnerable because their incomes are close to that line.

The relative poverty indicators have not mirrored this overall reduction, because in most household categories, median income has risen at a faster rate than the minimum income suggested by the MIS benchmark. Gains have not been evenly spread across groups, and some have seen no fall in the risk of having an income below MIS, reflecting two underlying influences. One issue is that while earnings have risen, income from benefits and tax credits has fallen in real terms, meaning that groups who depend more on the latter are particularly vulnerable, especially lone parents. The other issue is that some groups have seen minimum costs rise more than others, causing more to fall behind; this has especially been the case for single pensioners and lone parents.

Key points

- In 2016/17, 29% of all individuals were in households with incomes below MIS, meaning their income is insufficient to afford the things that the public thinks you need to meet material needs and participate in society. The proportion of individuals below MIS has gradually reduced since 2013/14, having increased every year between 2008/09 and 2013/14. In 2016/17, 18.7 million people were below MIS, compared to 16.5 million in 2008/09. About half of this change was related to the population being larger, but the proportion below MIS also remained higher, at 29.0% in 2016/17 compared to 27.2% in 2008/09.
- The proportion of all individuals with incomes below 75% of MIS in 2016/17 has returned to the level reported for 2008/09. These are individuals whose incomes are well below what is needed, and who face a greatly increased likelihood of being materially deprived. Currently, 10.8 million people are living in households with incomes below this level.
- The proportion of individuals with a household income below MIS varies greatly across demographic groups: 42.5% of children, 29% of working-age adults, and 16% of pensioners. Of these three groups, the proportion of children and pensioners living in households with an income below MIS in 2016/17 is well above the level reported for 2008/09; the proportion of working-age adults below MIS is at a similar level in 2016/17 as it was in 2008/09.
- The continued reduction in the proportion of all individuals below MIS in 2016/17 has largely been driven by the fall in the proportion of working-age adults below this level.
- Lone parent households, the group with the greatest risk of being below MIS, have seen no significant drop in this risk in recent years, and a small increase in the latest reported year. Nearly three in four children with lone parents are below the MIS level.
- The other exception to the general trend seen in other groups is pensioners, who became more likely to fall below MIS between 2013/14 and 2016/17. Single pensioners in particular have seen a significant increase in the likelihood of being below MIS, rising from 15.5% in 2008/09 to 27% in 2016/17. More than one in four single female pensioners and one in five single male pensioners were in households with incomes below MIS in 2016/17.

Women in their early 60s have seen a dramatic rise in the likelihood of being below MIS, doubling

from 19% to 39% between 2008/09 and 2016/17. Around a third of retired single women in this age bracket were below MIS in 2016/17. This compares with just one in five of those who were in work, but more than two thirds of women aged 60–64 who were out of work. The likelihood of being below MIS increased for each of these three categories between 2008/09 and 2016/17. However, while the likelihood of inadequate income rose by around 50% for retired women, the proportion tripled for women who were in work, and more than doubled for women who were unemployed or inactive.

- A growing proportion of households below MIS are those where there is full employment. Of all working-age households below MIS in 2016/17, more than one in eight (11.6%) are households where all adults are in work; this compares to around one in ten (9.7%) in 2008/09.

Table 1: Number and proportion of individuals in households below MIS and below 75% of MIS, 2008/09 and 2016/17

	Number below MIS (millions)		Proportion below MIS		Number below 75% of MIS (millions)		Proportion below 75% of MIS	
	2008/09	2016/17	2008/09	2016/17	2008/09	2016/17	2008/09	2016/17
All	16.5	18.7	27.2%	29.0%	10.2	10.8	16.9%	16.8%
Working-age adults	10.0	10.8	27.4%	28.7%	6.5	6.7	18.0%	17.8%
Children	5.1	5.8	39.6%	42.5%	3.1	3.2	23.8%	23.8%
Pensioners	1.4	2.1	12.3%	16.0%	0.6	0.9	5.5%	6.9%
Subgroups								
Children with lone parents	2.1	2.2	68.5%	71.8%	1.3	1.4	43.1%	45.9%
Children with couple parents	3.1	3.6	30.8%	34.0%	1.8	1.8	17.8%	17.3%
Parents	4.3	4.9	32.4%	35.2%	2.6	2.7	19.6%	19.5%
Single working-age adults, no children	3.8	3.9	36.2%	34.4%	2.7	2.8	25.9%	24.3%
Couple working-age adults, no children	1.9	2.0	15.1%	15.9%	1.2	1.2	9.7%	9.8%
Single pensioners	0.7	1.3	15.9%	26.7%	0.3	0.6	7.2%	11.8%
Couple pensioners	0.7	0.8	10.0%	9.9%	0.3	0.3	4.4%	4.0%

In conclusion, the middle part of the present decade saw some welcome reductions in the likelihood of being below MIS for some groups, especially working-age adults, and particularly of being a long way below MIS. However, these improvements were not shared across all groups, and there remain more people overall falling short of a minimum income today than in 2008. These differential results are showing that some of the groups who already have the highest rates of low income remain vulnerable, particularly those relying on benefits and tax credits.

1 Introduction

This report sets out how many people were living in households with incomes below that needed for a minimum socially acceptable standard of living, as measured by the Minimum Income Standard (MIS), in 2016/17 and each of the previous eight years. The report makes use of the most recent available household income data (Department for Work and Pensions, 2018) to explore what has happened to the adequacy of incomes as we passed the mid-point of this decade. Overall, it shows a continuation in the reduction of the proportion of the UK population living in households with incomes below MIS that began in 2013/14, although the proportion living in a household with an inadequate income remains above the level reported in 2008/09. Modest growth in real earnings – while stalling towards the end of 2016 and throughout 2017 – and the introduction of the National Living Wage (NLW) in April 2016 may have had some positive impact on households with modest and low earnings. However, the latest evidence shows that these improvements have had the greatest benefits for those towards the middle of the overall income distribution, while households on lower incomes who rely on benefits have seen this source of income fall sharply (Cribb et al, 2018).

As demonstrated in previous reports in this series (see, for example, Padley et al, 2017a and 2017b), MIS continues to provide an important alternative means through which trends in living standards can be tracked. In the current political climate, dominated by debate and disagreement over Brexit and its potential macro-economic, social and cultural fallout, discussions and concerns about living standards can end up being side-lined, particularly because they are not at present changing rapidly. Gradual reductions in the proportion of individuals living below MIS are to be welcomed, but within this ‘good news’ story, the use of MIS as a living standards indicator uncovers a more nuanced and varied picture. For example, while overall there has been a reduction in the proportion of children living in households with an income below MIS (falling from 44.2% to 42.5% between 2015/16 and 2016/17), children in lone parent families have not experienced a similar improvement, and their risk of having an inadequate family income increased in the latest reported year (2015/16 to 2016/17). One of the biggest ‘good news’ stories of the past few years has been in relation to employment, which is currently at record levels, but the analysis presented here reveals the growing inadequacy of incomes experienced by many in work; half of all single-breadwinner, working-age couple parent households do not have the income needed for a minimum socially acceptable standard of living in 2016/17; around 40% of lone parents in full-time work similarly have an income below MIS.

This year’s report once again considers both the overall number of people below MIS, and also how many fall well below this benchmark (having less than 75% of MIS), increasing the risk of serious hardship and deprivation – those with an income of less than 75% of MIS are four times as likely to experience some form of deprivation as those with an income of MIS or above (Hirsch et al, 2016).

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

MIS is the income that people need in order to reach a minimum socially acceptable standard of living in the United Kingdom 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 knowledge where needed. 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 (i.e. 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 home-owners 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

Quantitative analysis of income adequacy relative to MIS provides a range of valuable insights, but it is also crucial to seek to understand the lived experiences of people living below MIS and below 75% of MIS. On-going research exploring the experiences of households whose incomes are between 50% and 90% of MIS, and who have children, helps to illustrate some of what it means not to reach MIS. These experiences have been described in an initial study of 30 families (Hill et al, 2016), supplemented by an update that revisited 18 of these families after two years, with an initial paper (Hill and Davis, 2018) reporting on some of their experiences over time. The first study drew attention to differences between families who were able to 'get by' on a low income, albeit with very little leeway if things were to go wrong, and those who constantly struggled just to 'keep afloat'. It identified factors that influenced families' ability to cope, including health, employment opportunities and the availability of family support. It showed how families on low incomes needed, but often lacked, stability.

In this context, the follow-up study gives evidence of continuity and change in such families' experiences over time. Among its key findings so far have been that:

- Parents trying hard to keep active in the labour market can find it difficult to match employment to changing domestic circumstances. Changes can include a working partner moving out, children starting school, and new health issues for parents or children that require extra flexibility. Access to good childcare support from family or friends can be vital in enabling parents to move into and maintain work; those without this resource can have more limited work options.

"I have had to beg and plead with my bosses at the minute to get me the hours that I needed to work around my children."

This lone parent has been moving in and out of part-time work over the past two years. While her income is generally around 20% below MIS when working, it dropped well below that level when she was out of work and awaiting benefits.

- Parents in the study were generally positive about working, but there was a need to balance a desire to maximise their earnings with the costs to family life of working long hours. A mother who had moved from not working to a full-time job was considering whether she could reduce her hours, as she was concerned about the impact of her working on her children (one of whom was finding it hard with her not being at home so much). Other parents who had reduced hours noticed that this did not have a very great impact on their earnings, but helped relieve stress and improved family relationships:

“[I am] so much more chilled... [My child] is glowing now that I am able to walk her to school and pick her up a few days a week ... We have organised all of our after-school activities for the days I am free so we do swimming lessons now, and we do netball and it is even things like I volunteer at the school.”

This lone parent has moved from full-time to part-time work. Her income remains about 10% below MIS, but has not deteriorated, since lower pay is more than offset by lower childcare costs and entitlement to Housing Benefit.

On the other hand, some parents emphasised that sacrifices affecting their children may be needed, in order to earn enough money to provide for their needs:

“I have got to get up, I have got to get my daughter ready for school and I have got to take her with me ... So she goes off into breakfast club bless her at 7 o'clock in the morning [...] I have no choice, this is the situation ... She is not happy getting up that early, she is not good on a morning either bless her, but it is what it is, it is what I have to do, I have no choice in the matter so she understands if she wants things, then I need to go to work.”

This mother, who lives with her partner, is working increased part-time hours. The family's income remains slightly below MIS; extra earnings have been offset by lower benefits when their older child left school.

Other parents, moving into work from not working at all, thought that there was a benefit in getting out of the house and building their confidence in employment, even if they were not substantially better off. Some mothers in particular said it had provided a newfound independence and sense of control in earning their own money, in some cases for the first time in years.

- Families relying on benefits feel vulnerable because benefit payments can stop and start in unpredictable ways, potentially leaving them with little or nothing to live on. Complex and protracted appeals for health-related benefits can compound their worry and stress.

“My money just stopped so then you're not prepared for a stop then either, if you're not expecting it ... It has been really difficult, really, really tough, I wouldn't have got through without friends and the food bank ... There are days when there has literally been a tin of beans and a loaf of bread in the cupboard and the kids have eaten and I haven't you know... every time I start to get a handle on it, it changes, so I don't have any control over it whatsoever. I can literally get a letter at any time saying the money is stopping so you just don't know, you can't plan anything, I can't plan any payments in the future, past the next maybe next week ... There is no stability, no security in it, no nothing, so what do you do? You muddle on and keep your head down and hope that the door doesn't knock.”

This lone parent has managed for periods of time without Employment Support Allowance or Jobseekers' Allowance. The family's income remains far below MIS – presently about 45% below – and was lower still while benefits stopped, but improved when health-related benefits rose.

Parents expressed particular worry about the transition to Universal Credit (UC). Respondents were not all negative about UC: for example, one parent receiving it found it helpful that payments were changed in real time to reflect changes in earnings, because this prevents overpayments from building up (for example where tax credits are calculated on a previous year's earnings). However, concerns were expressed about: monthly payments of the benefit that would upset families' budgeting arrangements geared to a shorter cycle; the payment of rents through the individual

rather than directly to the landlord, which could cause problems related to benefits coming in after rent was due; and, most of all, the well-publicised delays in the initial payment of UC:

Woman: "I have thought about the future and we have discussed like going on Universal Credit and things like that, it absolutely scares me."

Researcher: "Have they sent you any information about when that might be?"

Woman: "No, no [my partner] has asked a few times in the Job Centre and they have said it will come in eventually, or like we have been told it is, you know, for families that have to make a new claim. So like if he was to get a full-time job and then that didn't last and he has to make a new claim, and I just know I wouldn't be able to cope."

Researcher: "What are the key things that would make it hard for you to cope with Universal Credit?"

Woman: "The fact that they leave you so long before you get your money and then I would be worried about how I would pay my bills every month ... And I have just heard so many horror stories about how it is never paid on time, and you know people get in rent arrears and threatened with eviction. I think we would be worse off Well it is like that if they do make it eight weeks [wait for first payment] and then you just get a month's [benefit payment], what are you supposed to do about the other month? ... It is just a big worry."

This mother and her partner only have income from benefits. Their income has fallen even further below MIS – from about 40% to 45% below – due to a reduction in Housing Benefit.

One important source of change that can have a range of implications for families is in household costs as children get older. On one hand, a child starting school could bring some benefits, including receiving free school meals, incurring fewer daytime costs such as snacks, and giving a parent more opportunities to work without incurring childcare costs. On the other hand, as children got older, meeting costs such as secondary school uniforms and greater food bills created significant strains. Parents were also aware of greater peer pressure, for example in terms of how their children dressed and their ability to take part in activities, and the concern that their children should not feel left out or bullied made it harder to limit certain expenditures. The MIS benchmarks used in this report take account of the higher cost of children at rising ages – other than for childcare, a secondary school child adds well over twice as much as a pre-school child to overall household costs (Hirsch, 2018).

Families' resilience in meeting growing costs and responding to new circumstances can be heavily influenced by the strength of their support network. A number of parents facing an additional or unexpected expense reported that their parent, sibling or ex-partner had stepped in to cover it, or to loan the family money. Having extended family to call on for flexible childcare support as working patterns change can also be invaluable. However, such support could not necessarily be relied upon, as illustrated when one parent lost some free childcare support when her mother started a new job. Others were finding that as their own parents grew older, they were starting to need more help themselves, and could offer less.

These findings underline the fact that the households with low incomes discussed in this report are not a stable group with unchanging lives, but experience low income in a way that evolves over time. Not being able to afford a MIS budget does not automatically lead to hardship, but families who are just coping in normal times find it hard to respond to the changes that they inevitably experience as children grow older; as work, benefit or health situations change; and as new children arrive and, in some cases, as partners leave. In these circumstances, having stable, dependable support from extended families and/or from the state to help them through tough times becomes particularly important; families unable to rely on such backup feel particularly vulnerable.

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

Box 2: Key points

- In 2016/17, 29% of all individuals living in the UK have an income below MIS.
- Overall, the proportion of individuals below MIS has been falling slowly since a peak in 2013/14, although it remains above the level in 2008/09.
- Children are the group most likely to be living in a household with inadequate income across the eight-year period from 2008/09 to 2016/17: 42.5% were living below MIS in the most recent year.
- Pensioners are the least likely to be living on an income below MIS, although the likelihood of having an income below MIS has increased for this group; this runs counter to the trend for the overall population in recent years.

This chapter describes how the likelihood of having an income below MIS has changed during the eight-year period between 2008/9 and 2016/17.¹ Estimates of the proportion of individuals lacking the income needed for a minimum socially acceptable standard of living are presented for the whole UK population, and for the key subgroups of children, working-age adults and pensioners. Later chapters investigate these groups in greater depth by splitting them into more detailed categories relating to other key demographic characteristics, household composition, and housing and employment status.

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.

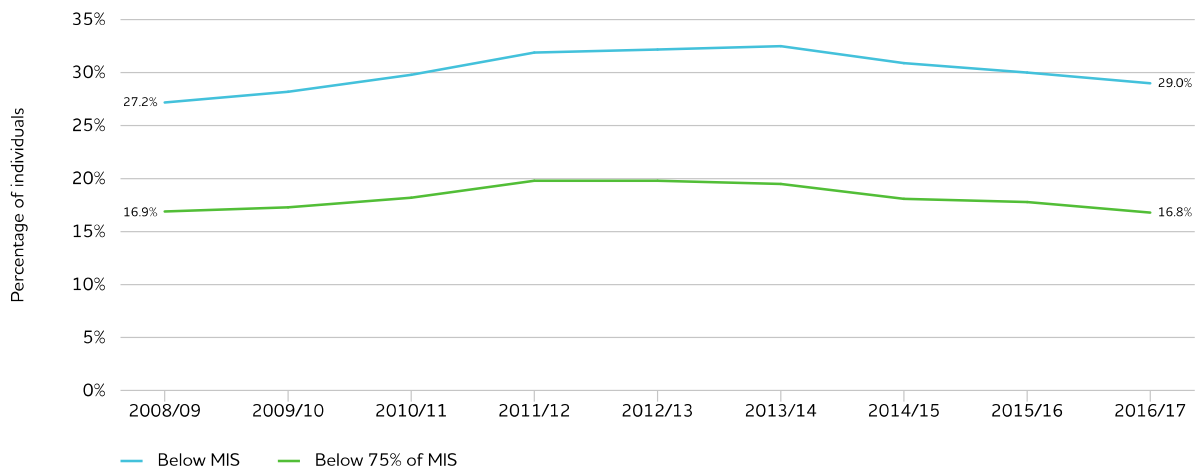
Pensioners are defined as women aged 60 and over, and men aged 65 and over (this is the current Family Resources Survey definition).

All other individuals are defined as **working-age adults**.

Figure 1 shows that the proportion of individuals below MIS rose steadily during the first part of the period in question. Between 2008/09 and 2013/14, the proportion of individuals with an inadequate income rose by 5.3 percentage points from 27.2% to 32.5%, meaning that around 20 million individuals in the UK were living below MIS. In more recent years, the overall picture is one of slow improvement; by 2016/17, the proportion of individuals below MIS had fallen back to 29%, a decrease of 3.3 percentage points. In spite of this improvement, the proportion of individuals below MIS remains above that in 2008/09, with just under 19 million people still having inadequate incomes.

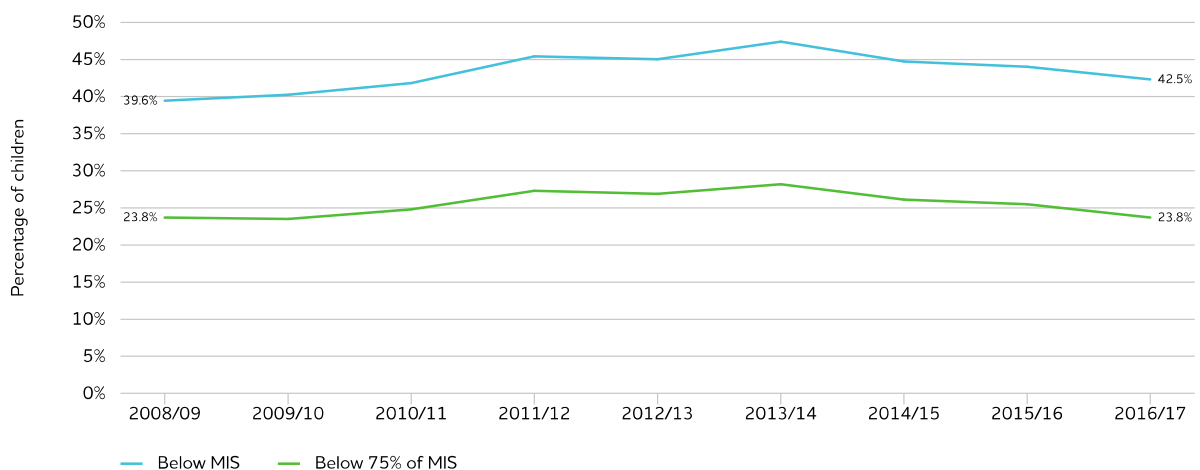
The proportion of individuals living with an income below 75% of MIS also peaked in 2013/14, and since then has fallen 2.6 percentage points, from around 12 million to just under 11 million individuals. The proportion of individuals below 75% of MIS has in fact returned to the level seen in the first year of reporting (2008/09), at just under 17% of the population.

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



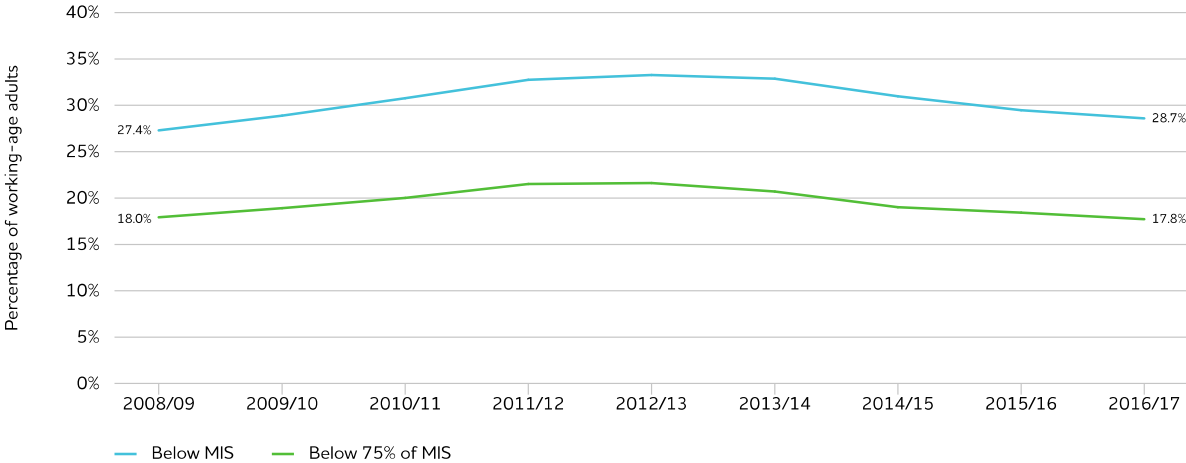
It is important to consider in more detail whether this pattern of declining income inadequacy, with a more recent trend towards improvement, is applicable to specific subgroups of the population. As in previous years, this report focuses on three main groups: children, working-age adults and pensioners. The first point to note in Figure 2, which shows the proportion of children below MIS and below 75% of MIS, is that children have remained the group most likely to be living in a household with inadequate income throughout the eight-year period from 2008/09 to 2016/17. The likelihood of a child being in a household below MIS is consistently 12–15 percentage points higher than the likelihood for the general population. Despite some improvement in more recent years, reflecting the trend in the total population, 5.8 million children were still living below MIS in 2016/17, compared with 5.1 million in 2008/09. Just under a quarter of all children, around 3.2 million, were living in households with incomes below 75% of MIS in both the earliest and the most recent period.

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



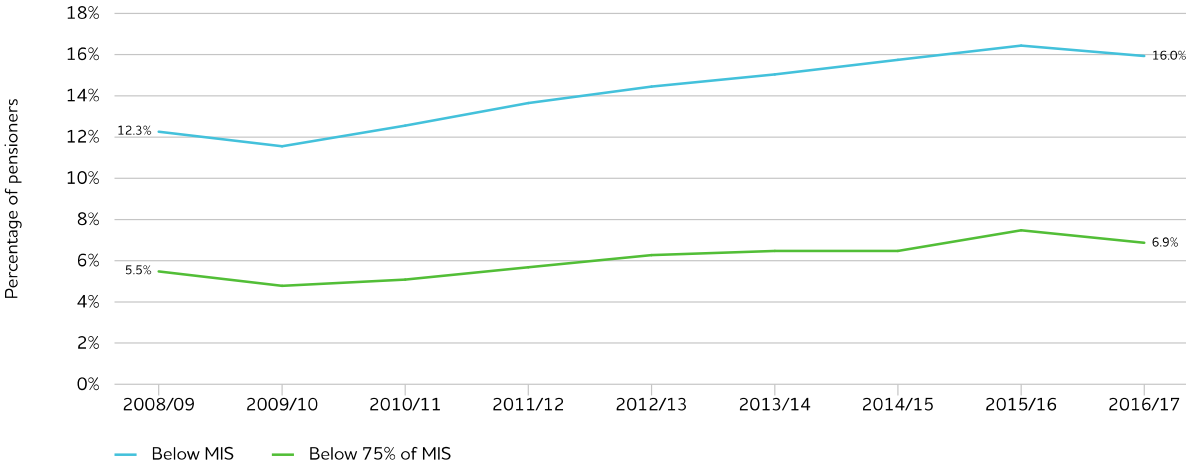
Working-age adults represent the majority (just under 60%) of all individuals, hence the trend in the proportion below MIS and below 75% of MIS in Figure 3 closely resembles the trend for the total population. After increasing steadily and reaching a peak in 2012/13, the proportion of working-age adults with inadequate incomes has gradually declined. The number of working-age adults in households below MIS increased from 10 million in 2008/09 to 12.4 million in 2012/13, and had fallen back to 10.8 million by 2016/17. Reaffirming the trend observed in the total population and in children, the proportion of working-age adults below 75% of MIS increased steadily until 2013/14, followed by a gradual reduction. In the most recent period this had returned to the level observed in 2008/09, with approximately 6.5 million individuals living below 75% of MIS.

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



Among the three major subgroups explored in this report, pensioners are consistently the least likely to be living below MIS. However, the trend over the eight-year period covered here is different to that for children and working-age adults. In particular, pensioners are the only group for whom the likelihood of having an inadequate income has continued to increase beyond 2013/14. Between 2008/09 and 2015/16, the proportion of pensioners living below MIS increased by 4.2 percentage points, rising from around 1.4 million to 2.1 million individuals. It is only in the most recent year that the decline seen in the total population and the other two subgroups can also be seen for pensioners, with the number below MIS falling slightly. A similar pattern is observed for pensioners living below 75% of MIS, rising by 1.4 percentage points – from around 600,000 to 900,000 individuals – between 2008/09 and 2016/17. Possible explanations for this distinct pattern of change in the likelihood of pensioners being in a household below MIS are explored in more detail in Chapter 4.

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



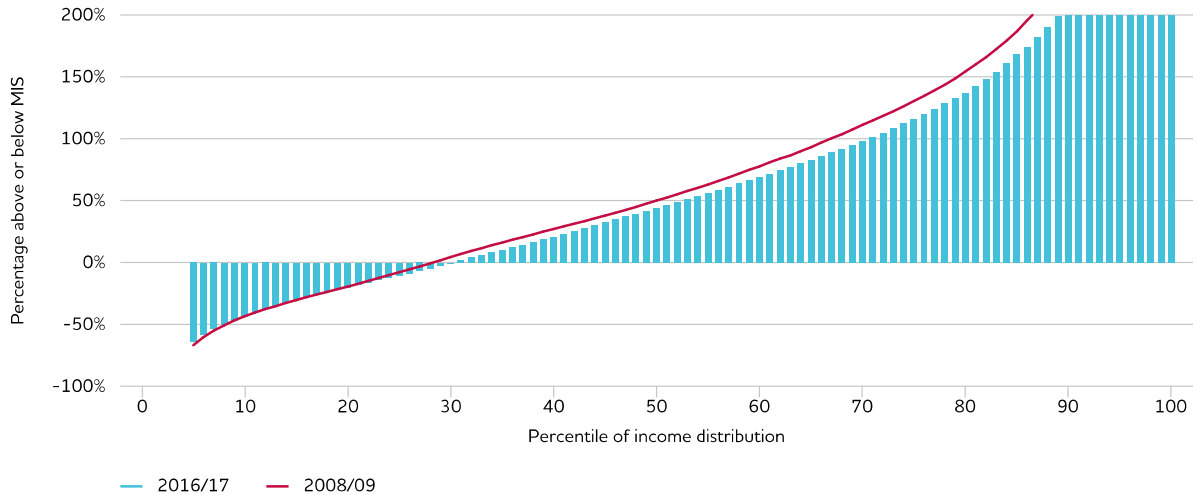
How far do incomes fall below MIS?

Looking at the proportion of individuals who fall below the MIS threshold provides useful information about the overall extent to which people are living with inadequate incomes. However, this indicator does not provide any information regarding how far incomes fall below or above this threshold. Figures 5, 6, 7 and 8 estimate the depth of low income for the total population, and for the three key groups described above. The figures show, for each population of interest, percentiles of household income as a proportion of MIS. The bars represent the degree to which incomes fall above or below MIS for each percentile in 2016/17. For example, someone at the 10th percentile of the distribution, meaning that their income as a proportion of MIS is lower than that of 90% of the population, had an income around 43% below MIS in 2016/17. For comparison, the line on each figure shows the situation in 2008/09.

Figure 5 shows the overall pattern of income relative to MIS, across the distribution. For those with incomes in the lower third of the distribution, the extent to which they fall below the MIS threshold looks remarkably similar in 2008/09 and 2016/17. This reflects Figure 1, which indicated that the proportion of individuals below MIS and below 75% of MIS has returned almost to 2008/09 levels, following a period of increase and then decline. In other words, both the likelihood and the depth of income below MIS look similar in 2008/09 and in the most recent year, but this masks a period of change in the intervening years.

For those above the lowest third of the income distribution, the extent to which their incomes are above the MIS threshold is lower in 2016/17 than in 2008/09. For example, for those whose income is at the 35th percentile, their income is 10% above MIS in 2016/17, but it was 16% above MIS in 2008/09. This suggests that individuals who are around the point in the distribution where incomes start to rise above MIS are in a more precarious position in 2016/17 than in 2008/09, and may be at greater risk of falling below MIS if their circumstances change.

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



Notes: individuals in the 99th percentile have household incomes above 1,000% of MIS. 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 are excluded.

Figure 6 highlights the depth of low income for children living in households with incomes below MIS in 2008/09 and 2016/17. This shows that the magnitude of shortfall in household income is greater for children at any one point in the income distribution than for the population as a whole. For example, at the 20th percentile of the distribution of income as a proportion of MIS, incomes fall an average of 30% below MIS for children, compared with 20% in the total population. This reinforces the evidence that children are particularly vulnerable to income inadequacy – they are not only more likely to live in households below MIS than the total population and other subgroups, but shortfalls at particular points of the income distribution are relatively high. As observed for the total population, the pattern is similar in 2008/09 and 2016/17, particularly for the third of children with the lowest household incomes. However, the group slightly above this position still have somewhat worse outcomes relative to MIS than in 2008/09, representing a larger group just below MIS.

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

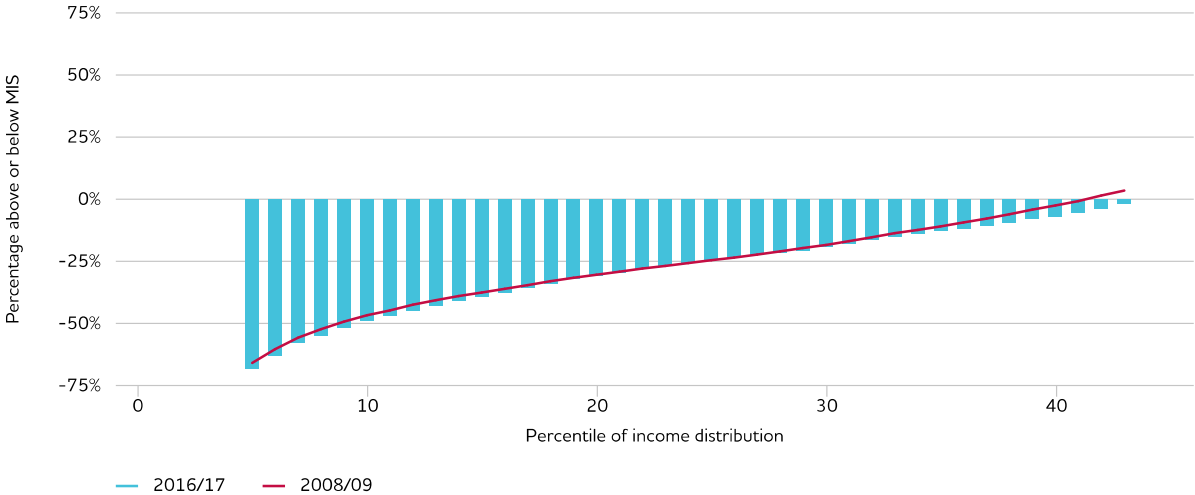
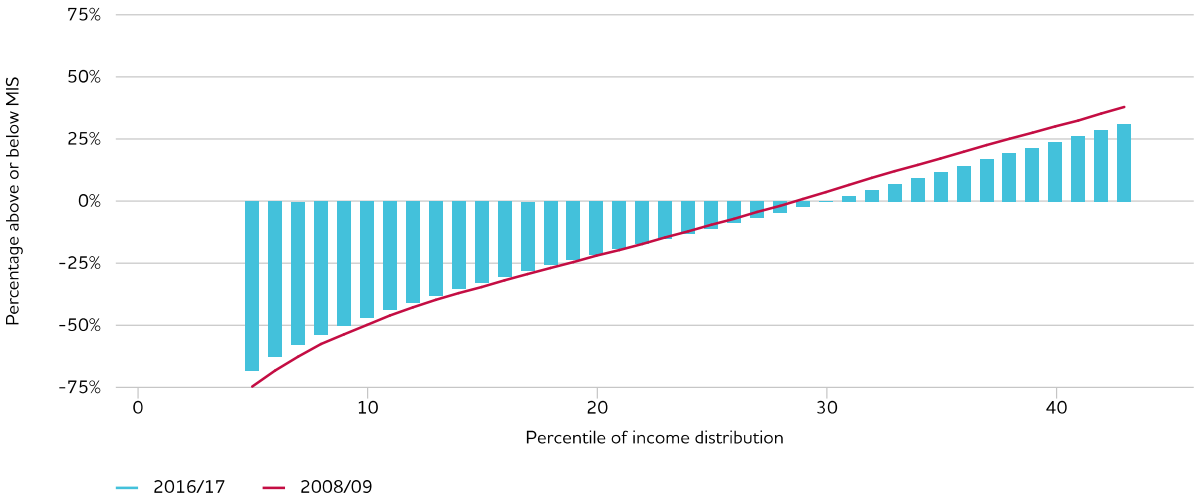


Figure 7 looks at how far the incomes of working-age adults fall below MIS. As shown in Figures 2 and 3, a smaller proportion of working-age adults than children are in households below MIS. Incomes reach MIS level at around the 30th percentile of income distribution. Comparing the estimates for 2008/09 and 2016/17 suggests that for those at the lower points of the income distribution, up to around the 20th percentile, there has been slight improvement in the extent to which their incomes fall below MIS. As seen in the estimates for the total population in Figure 5, the extent to which incomes are above the MIS threshold is lower in 2016/17 than in 2008/09. At the 33rd percentile of the distribution, average incomes were 12.3% above MIS in 2008/09, but only 6.9% above MIS in 2016/17, potentially leaving more working-age adults vulnerable to falling below MIS. More broadly, the variation in income levels has reduced, resulting in a slight narrowing of the extent of difference within the lower half of the distribution.

Figure 7: Household income as a proportion of household MIS requirement, working-age adults



The depth of income below MIS for pensioners is shown in Figure 8. These depth estimates show a similar story to that in Figure 4: pensioners were the subgroup least likely to be living in a household with inadequate income, but showed the biggest and most persistent rise in the proportion below MIS over the eight-year period covered here. Although pensioners reach the MIS threshold by the 16th percentile of income distribution in 2016/17, and are therefore relatively more likely to be above MIS than children and working-age adults, this has increased from the 12th percentile in 2008/09. The level and distribution of pensioners' income in relation to MIS has also shown the most pronounced change over the eight-year period. In particular, while there are similarly few pensioners living at least 25% below MIS

as in 2008/09, the shortfall has grown at most points of the distribution. For example, at the 10th percentile of income distribution, incomes were 15.3% below MIS in 2016/17, compared with just 8.0% below MIS in 2008/09. At the 20th percentile, pensioners were living in households with incomes an average of 6.8% above MIS, compared with 16.4% above MIS in 2008/09.

Figure 8: Household income as a proportion of household MIS requirement, pensioners

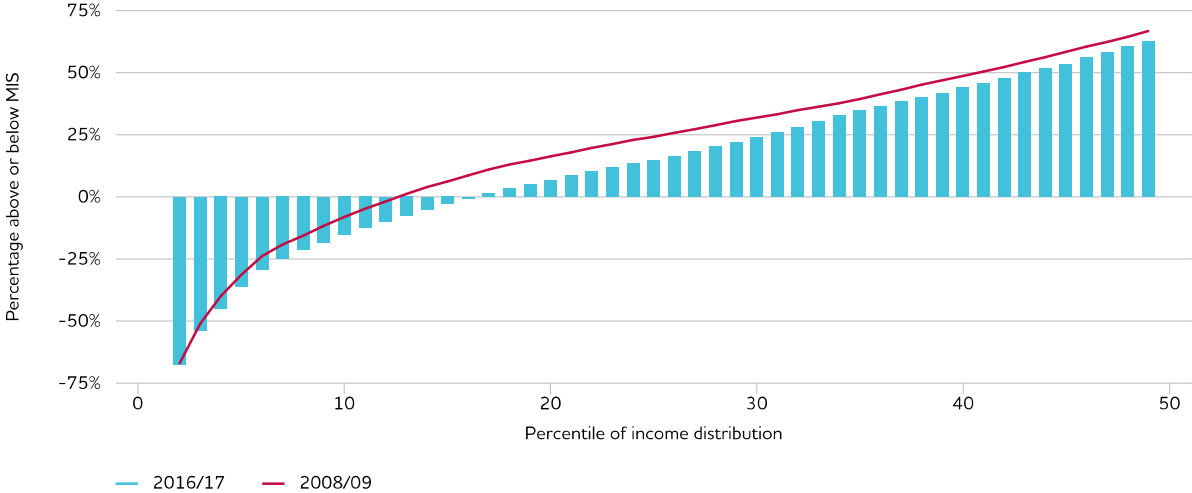


Table 2 presents a comparison of how the incidence and depth of deficits in income have changed between 2008/09 and 2016/17 in the three key demographic groups. The overall picture is of relative stability but, as noted in previous sections, this masks a period of increase and then decline in the prevalence of income inadequacy in the intervening years. Among all three groups, but particularly for working-age adults, there has been a reduction in the average amount that those with incomes below MIS fall short, shown by the depth indicator. The highest relative increase in the proportion of individuals below MIS is observed among pensioners. This means that pensioners show the greatest relative increase in average shortfall per head of the whole population (the ‘income gap’), which has risen by around 25% for pensioners. Nevertheless, pensioners still remain the least likely to be living in a household below MIS and, among those living below MIS, have a smaller shortfall than the other two demographic groups. The income gap remains highest among children, while for working-age adults the income gap has decreased slightly, because the reduction in average depth has outweighed the increase in incidence.

Table 2: Depth and incidence of income below MIS

	Children		Working-age adults		Pensioners	
	2008/09	2016/17	2008/09	2016/17	2008/09	2016/17
Percentage of population below MIS (incidence)	39.6%	42.5%	27.4%	28.7%	12.3%	16.0%
Average percentage that they are below MIS (depth)	28.7%	28.1%	33.0%	30.2%	25.1%	24.4%
Income gap indicator (incidence times depth)	11.4%	12.0%	9.0%	8.7%	3.1%	3.9%

Note: the terminology used in this table has been adapted since the previous report to better reflect how the ‘poverty gap’ or ‘income gap’ is described elsewhere.

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

Box 4: Key points

- MIS and relative income indicators, such as the 'below 60% of median equivalised household income' UK poverty line, show different trends in income adequacy between 2008/09 and 2016/17; this is a consequence of the different ways in which each indicator approaches the tracking of low income.
- For all individuals, the MIS indicator shows that the proportion below this threshold increased between 2008/09 and 2013/14, but has fallen in recent years; the '60% of median' indicator for all individuals remained relatively stable across the whole period.
- The 'below MIS' and 'below 75% of MIS' indicators show a continued reduction in the proportion of children living in households with inadequate income, while the relative income indicator shows that the proportion of children living in poverty has risen in three out of the past four years.
- The '60% of median income' indicator shows that over the eight-year period between 2008/09 and 2016/17 as a whole, there has been no change in the proportion of pensioners living in poverty; the 'below MIS' and 'below 75% of MIS' indicators show a growing proportion of pensioners with incomes below that needed for a minimum socially acceptable standard of living.

The 'Households below a Minimum Income Standard' series provides an alternative means of tracking living standards to the 'Households Below Average Income' (HBAI) series (Department for Work and Pensions, 2018). The key HBAI indicator of 'relative poverty', which counts individuals in households with below 60% of median income, has a broadly similar objective to MIS, which is to track low income against contemporary norms (accepting that the meaning of living on a given income changes over time as society changes). However, they use very different methods of capturing this change and translating it into a benchmark, and this is having crucial effects on the trends shown by each method. The relative income measure makes the simplified assumption that a threshold at which people can escape poverty in a contemporary context changes in direct proportion to median incomes. Thresholds relative to MIS are rooted in a more direct exploration of what goods and services the public consider to comprise a minimum living standard, and how this is changing.

The results below show that over the past decade, these measures have revealed markedly different trends. In general, in the early part of the period, falling real incomes meant a lower relative poverty threshold. This resulted in poverty, according to this indicator, falling or remaining stable, even in years where people on low incomes were becoming worse off. In more recent years, poverty has started rising because some groups on low incomes are not 'keeping up' with a rising median. Broadly speaking, MIS figures show the reverse: increasing numbers of people on low incomes in the times when real incomes were falling, and a decrease more recently as things have improved. This reflects the fact that while MIS thresholds have evolved with changing times, and overall have risen faster than general inflation, they are not subject to fluctuations in average incomes year-to-year. This does not negate the importance of relative income; a long period of average income growth may have an impact on what the public think is needed in order to participate in society. In such a scenario, MIS would help identify these changes in social norms, as well as the consequences of changes on a minimum basket of goods and services. However, in the recent context of fluctuating average incomes, MIS has provided a more grounded benchmark against which to observe income trends than a median income indicator.

The Social Metrics Commission's new poverty indicator (2018) uses a wider measure than income to estimate the total financial resources available to households. The indicator defines poverty as being below 55% of the median total financial resources on this measure, and therefore remains a 'relative' benchmark that can fall if incomes drop, although the smoothing of the benchmark over more than one year will help to reduce the impact of short-term fluctuations in median incomes.

To set the context, Figure 9 sets out what has been happening to median equivalised weekly income, before housing costs (BHC) and after housing costs (AHC), between 2008/09 and 2016/17. As was the case in the previous report, household incomes have continued to rise in 2016/17, although real earnings growth stalled during 2016 and into early 2017. The increase in household incomes means that the relative poverty indicator, pegged to 60% of median income, has also continued to rise.

Figure 9: Median equivalised income, CPI-adjusted, 2008/09–2016/17 (index, 2008/09 = 100)

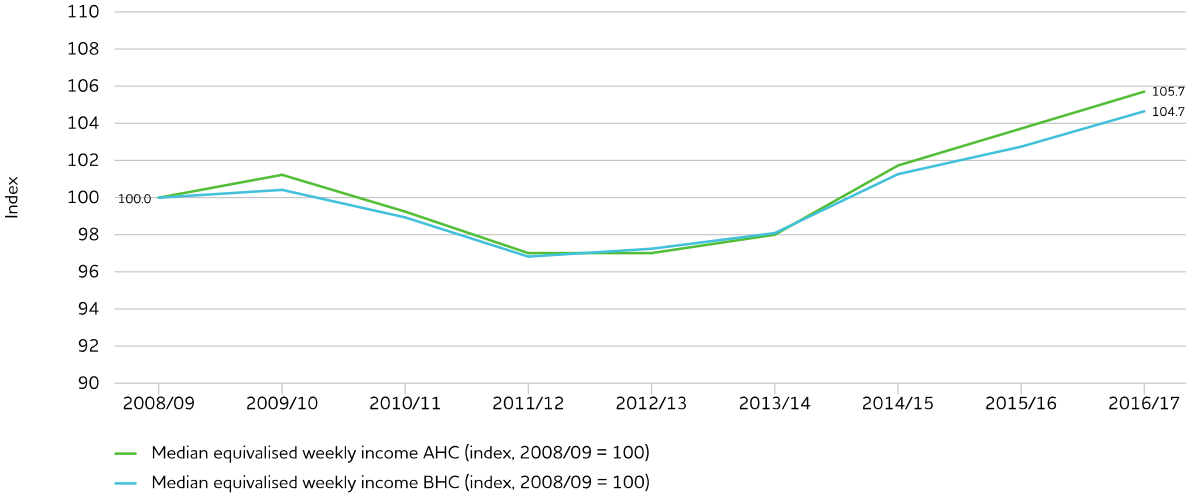
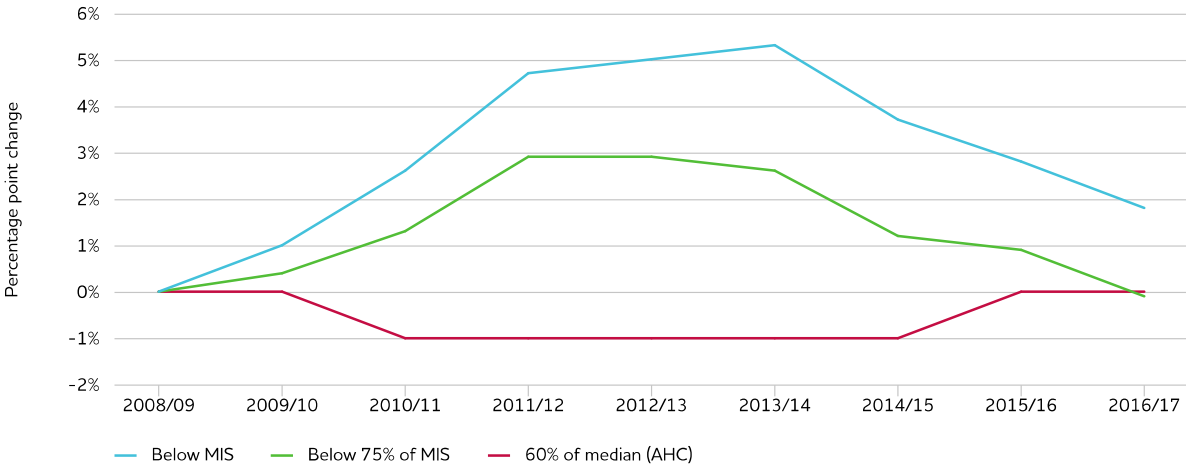


Figure 10 sets out two MIS thresholds – ‘below MIS’ and ‘below 75% of MIS’ – and compares these to the relative income indicator of poverty over the eight-year period between 2008/09 and 2016/17 for all individuals. For each of these indicators, income is net of housing costs. Over the period in question, it is clear that these two sets of alternative indicators show different trends. Broadly speaking, the proportion of individuals below MIS rose in the first part of the period and fell more recently, while the proportion below 60% of median income remained largely stable. This can be explained to a large degree by the fact that initially falling median incomes created a falling relative poverty line that disguised rising shortfalls relative to costs, whereas in the later period, when median incomes have risen relative to costs, some reduction in the number of households unable to meet a minimum budget has been disguised by a rising benchmark. The recent improvement relative to MIS is particularly visible when considering the proportion with below 75% of MIS, whose incomes are typically close to the 60% of median income line.

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



A broadly similar pattern can be seen in Figure 11 for children. While the ‘below MIS’ and ‘below 75% of MIS’ indicators show a continued reduction in the proportion of children living in households with

inadequate income and with a greater likelihood of being in poverty, the relative income indicator shows that the proportion of children living in poverty has risen in three out of the past four years.

Figure 11: Comparison of MIS and relative income indicators, children; percentage point change in population falling below various thresholds since 2008/09

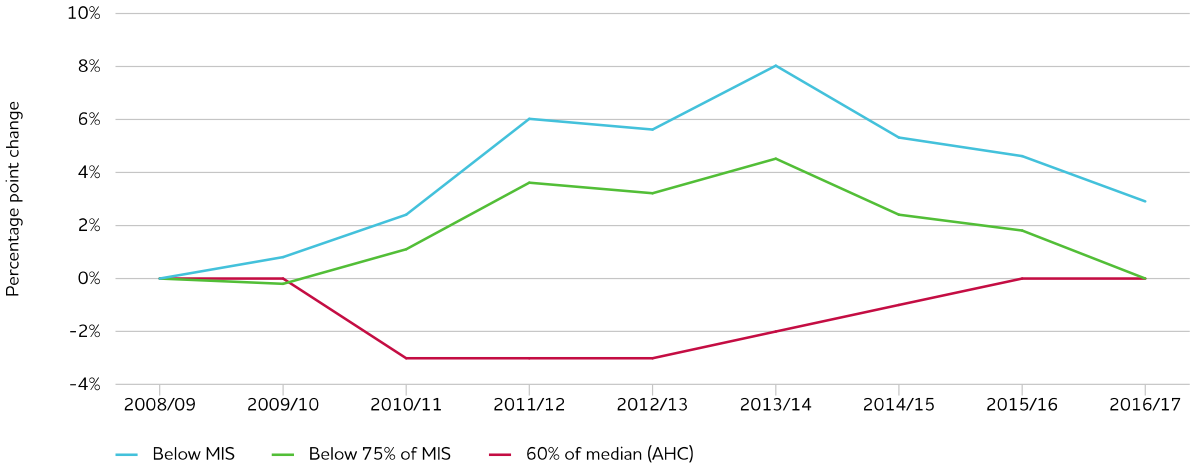
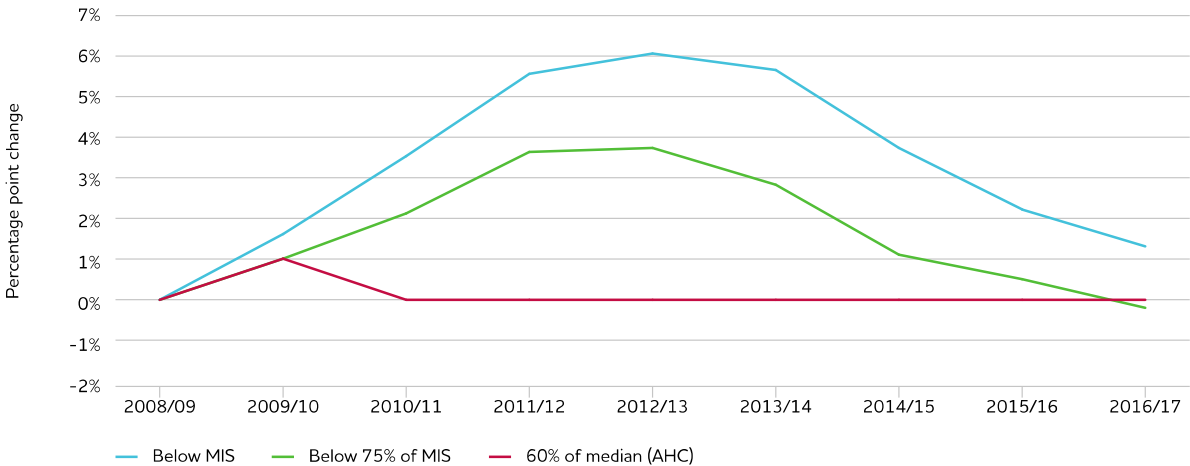


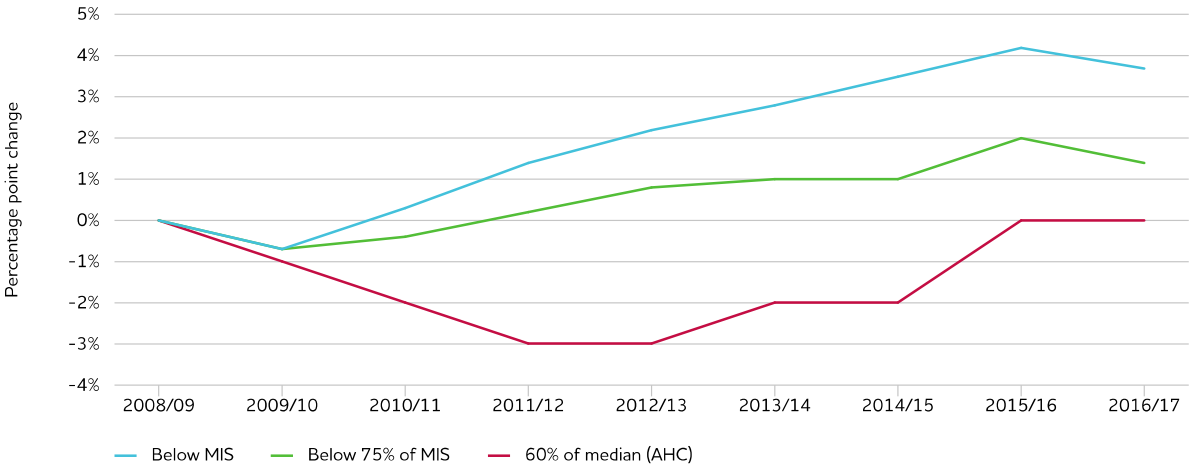
Figure 12 shows a prolonged period of stability in the proportion of working-age adults defined as being 'in poverty' according to the relative income indicator. In contrast, the 'below MIS' and 'below 75% of MIS' indicators show a gradual reduction in the proportion of working-age adults with inadequate income, with the proportion 'below 75% of MIS' at a lower level in 2016/17 than in 2008/09.

Figure 12: Comparison of MIS and relative income indicators, working-age adults; percentage point change in population falling below various thresholds since 2008/09



In Figure 13, a comparison of MIS-based and relative income indicators for pensioners again reveals a contrast in the stories told by each about what has been happening to living standards for this group in the UK since 2008/09. While the relative income indicator suggests that over the eight-year period as a whole, there has been no change in the proportion of pensioners living in poverty, the 'below MIS' and 'below 75% of MIS' indicators show a growing proportion of pensioners with incomes below that needed for a minimum socially acceptable standard of living. It remains the case that the likelihood of being below MIS or below 60% of median income for pensioners is lower than for other groups, but as noted in Chapter 2 and explored in more detail in Chapter 4, the reduction in the proportion of children and working-age adults below MIS has not been replicated in pensioners.

Figure 13: Comparison of MIS and relative income indicators, pensioners; percentage point change in population falling below various thresholds since 2008/09



Figures 14, 15 and 16 show the composition of the overall population with incomes below MIS, below 75% of MIS, and below 60% of contemporary median income. Within the UK population as a whole, the distribution of working-age, children and pensioner groups has changed between 2008/09 and 2016/17: working-age adults accounted for 59.5% of the population in 2008/09 and 58.3% in 2016/17; children accounted for 21.4% in 2008/09 and 21.2% in 2016/17; and pensioners accounted for 18.7% in 2008/09 and 20.5% in 2016/17. Over the eight-year period being explored here, there has been an increase in the proportion of those below MIS and below 75% of MIS who are pensioners, with an accompanying reduction in the proportion made up by working-age adults. However, it remains the case that pensioners only comprise just over one in ten people below MIS. The change in the distribution of the three key groups within the general population between 2008/09 and 2016/17 suggests that at least some of the change in composition of those below MIS is explained by this broader, population-level change. There has been no change in the proportion of working-age adults, children and pensioners who comprise those below 60% of contemporary median income over this period.

Figure 14: Composition of individuals below MIS, 2008/09 and 2016/17

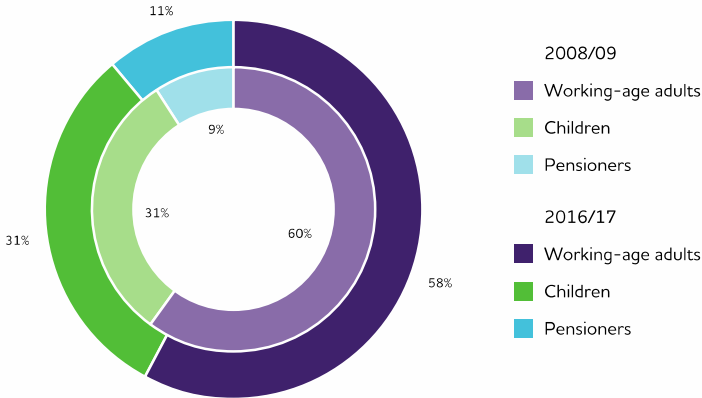


Figure 15: Composition of individuals below 75% of MIS, 2008/09 and 2016/17

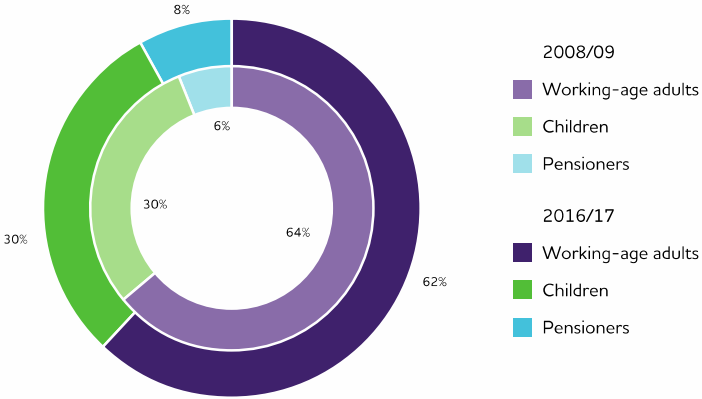
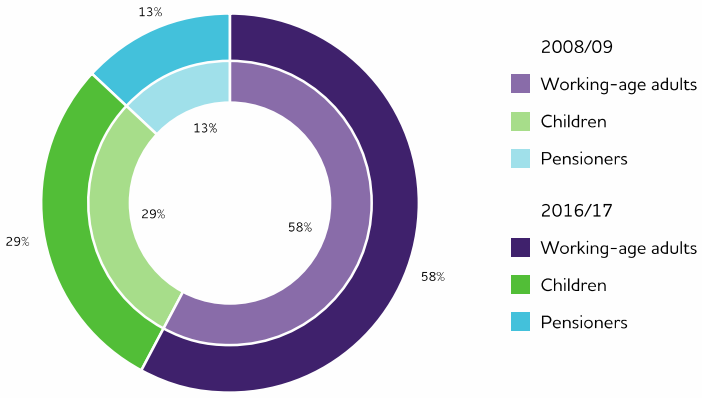


Figure 16: Composition of individuals below 60% of contemporary median income, 2008/09 and 2016/17



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

Box 5: Key points

- Children living with a lone parent are twice as likely to be in a household below MIS as those living in couple parent families in 2016/17, although a greater number of children below MIS are in couple parent families (3.6 million) compared to lone parent families (2.2 million).
- Over a third of children (35.2%) in working families are below MIS in 2016/17.
- More than a third of single working-age adults without children (35.3%) are living in households below MIS, compared with just 16.1% of those who live with a partner.
- Single pensioners (26.6%) are far more likely to be below MIS than couple pensioners (9.9%). The likelihood of single pensioners being below this level has increased by more than 70% between 2008/09 and 2016/17, while for couple pensioners it has remained stable.
- Within the single pensioner groups, female pensioners are more likely than male pensioners to be living on an inadequate income.
- Those aged 16–34 are most likely to have an income below MIS, with 30.7% below this level in 2016/17.
- Almost two thirds of individuals living in social housing (64.2%), and almost half of those in private rented accommodation (45.4%), are living in a household with an income below MIS.

The preceding sections of this report provided an overview of how patterns of income adequacy have changed since 2008/09 for three broad demographic groups. This section takes these three groups – children, working-age adults and pensioners – and examines in more detail how the likelihood of being in a household with an income below MIS varies by family characteristics and household composition. The analysis also explores how income adequacy varies by housing tenure, geography and age.

Children

Figure 17 highlights the strong association between family composition and the likelihood of children living in a household with an income below MIS. Children living with a lone parent are twice as likely to be in a household below MIS as those living in couple parent families. In 2016/17, 72% of children in lone parent families were living in households with an inadequate income. However, because couple parent families are more numerous overall than lone parent families, a greater number of children below MIS are in couple parent families: 3.6 million children compared with 2.2 million in lone parent families. Children living in couple parent families have experienced a slightly reduced likelihood of being in a household below MIS since 2013/14 (echoing the trend in the total population), while children in lone parent families have not benefited from this improvement to the same extent. Indeed, there was a slight increase in the proportion of children in lone parent families with inadequate incomes between 2015/16 and 2016/17.

Figure 17: Proportion of children below MIS, by family type

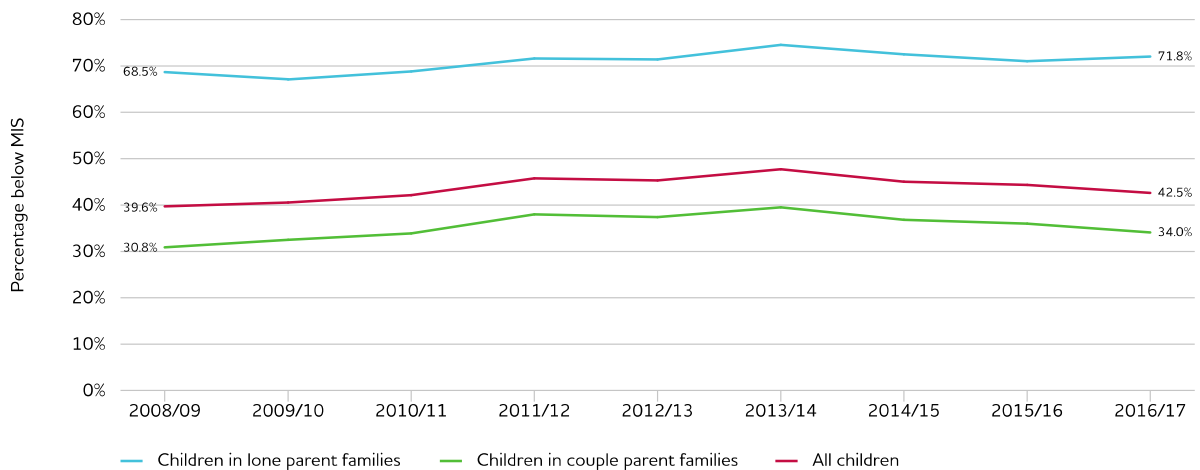
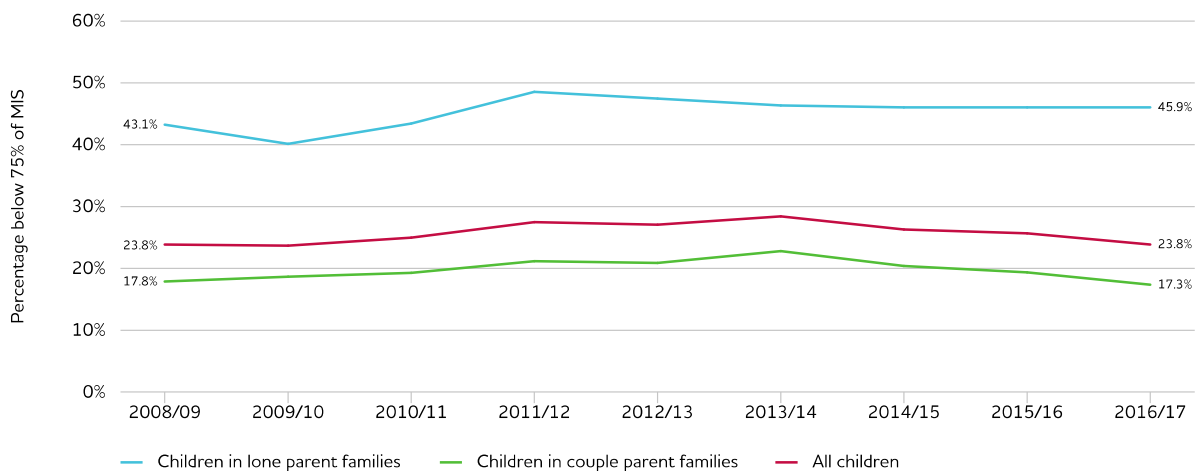


Figure 18 shows the proportion of children in households below 75% of MIS by family type. This emphasises the extent of the disadvantage experienced by children in lone parent families, with nearly half of such children living in households with an income below 75% of MIS, compared with less than one in four children in couple parent families. This proportion has remained relatively stable since 2013/14, but as in Figure 17, children in couple parent families experienced a declining likelihood of being in a household below 75% of MIS during the same period. In 2016/17, 1.4 million children in lone parent families and 1.8 million in couple parent families were living below 75% of MIS.

Figure 18: Proportion of children below 75% of MIS, by family type



During the eight-year period covered in this report, children are consistently more likely to be living in households below MIS than working-age adults or pensioners. Figures 17 and 18 demonstrate that this pattern of relative disadvantage is driven primarily by children living in lone parent families. For children in couple parent families, the proportion below MIS is much closer to the estimate for the total population.

Figures 19 and 20 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. Figure 19 shows that nine out of ten children in workless households are living below MIS, and this has consistently been the case across the time period in question. In 2016/17, 1.6 million children in workless families were living in a household with inadequate income. However, it is among children in working families that an increase in the proportion living in households below MIS is seen over this period. Between 2008/09 and 2016/17, the proportion of children in working families living below MIS increased by 5.4 percentage points, and by 1 million children, from 3.2 million to 4.2 million. The proportion below MIS peaked in 2013/14 at 47.6% (4.4 million children). The trend is similar, although less pronounced, for children living below 75% of MIS (Figure 20). In 2016/17, around 2 million children in working families were living in a household below 75% of MIS.

Figure 19: Proportion of children below MIS, by family working status

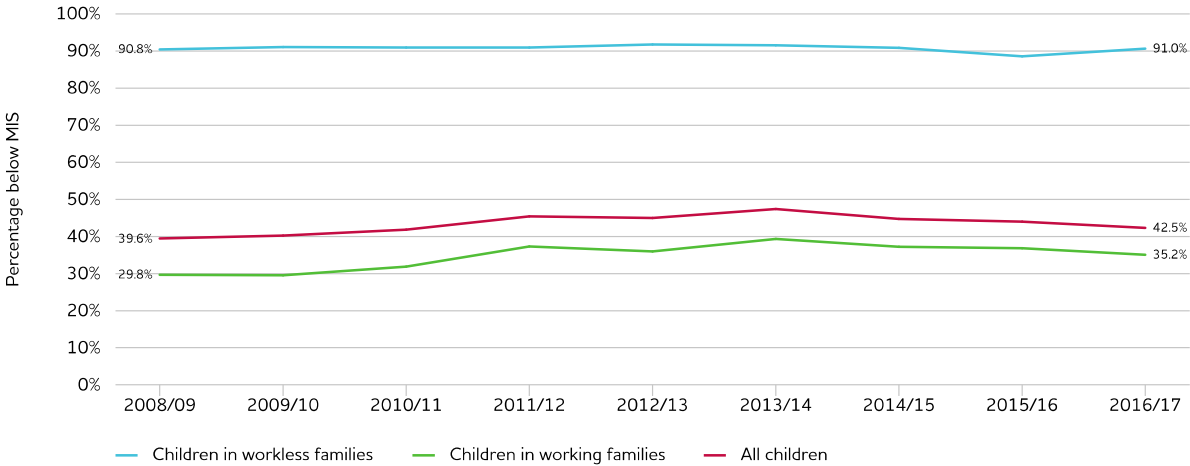
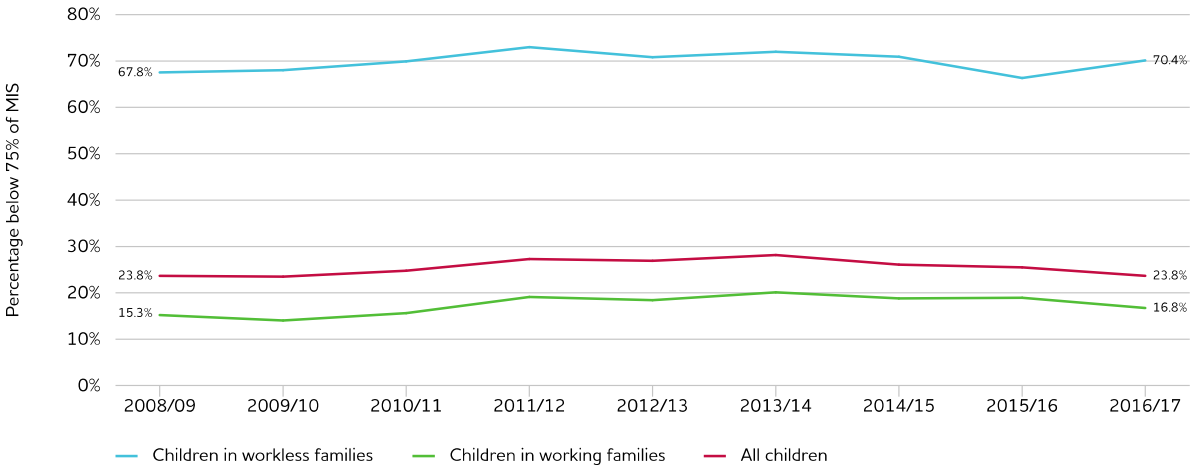


Figure 20: Proportion of children below 75% of MIS, by family working status



Working-age adults

The estimates reported in Chapter 2 showed that the trend in the proportion of working-age adults living below MIS closely resembles the trend observed in the total population. However, looking at this group in more detail reveals that working-age adults with dependent children fare substantially worse than those without children. Furthermore, Figure 21 shows that the gap between these two groups has grown over time – the difference in proportions was 8 percentage points in 2008/09, and had increased to 10.6 percentage points in 2016/17. All working-age adults experienced a rise in their likelihood of being below MIS between 2008/09 and 2011/12, but while the proportion below MIS began to fall after 2012/13 for working-age adults without children, it continued to increase until 2013/14 for those with children. Therefore, despite some improvement over the most recent period in each of these groups, working-age adults with children continue to lag further behind. In the most recent year, 4.9 million working-age adults with children and 5.9 million without children were living below MIS. Looking at the proportion below 75% of MIS in Figure 22 reveals a similar trend – working-age adults without children are actually slightly less likely to be below 75% of MIS compared with 2008/09, while those with children have returned to the level observed in 2008/09.

Figure 21: Proportion of working-age adults below MIS, by household type

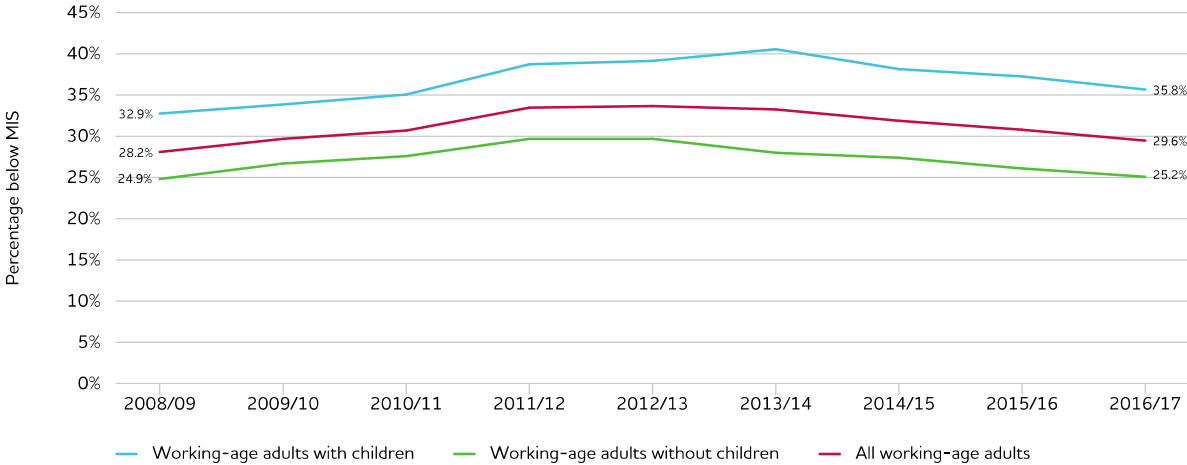
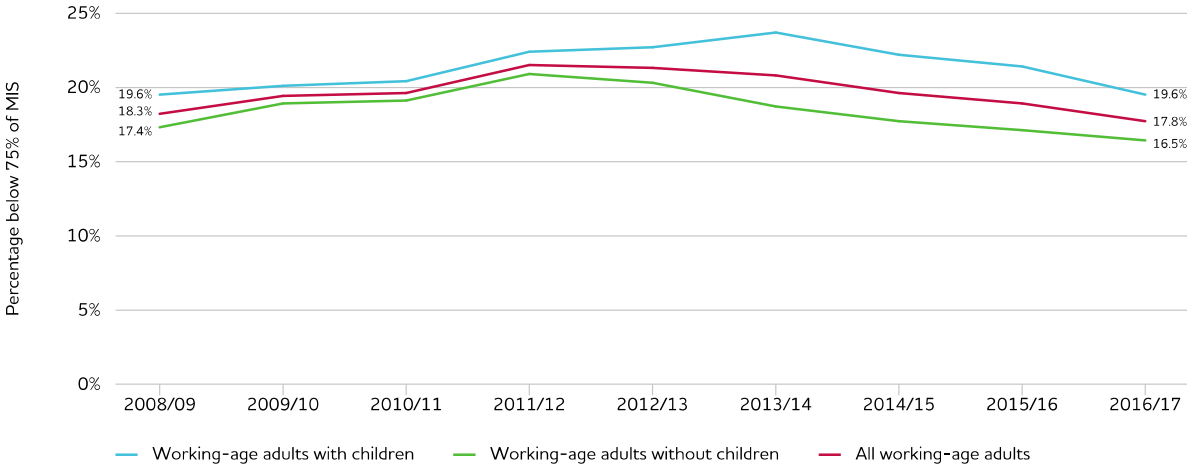


Figure 22: Proportion of working-age adults below 75% of MIS, by household type



Figures 23 and 24 focus on how the likelihood of being below MIS varies by partnership status of working-age adults without children. Figure 23 shows that more than a third of single working-age adults without children are living in households below MIS, compared with just 16% of those who live with a partner. This disparity is also evident in relation to very low income – around one in four single working-age adults without children are living below 75% of MIS, compared with one in ten of those who are part of a couple.

Figure 23: Proportion of working age adults without children below MIS, by household type

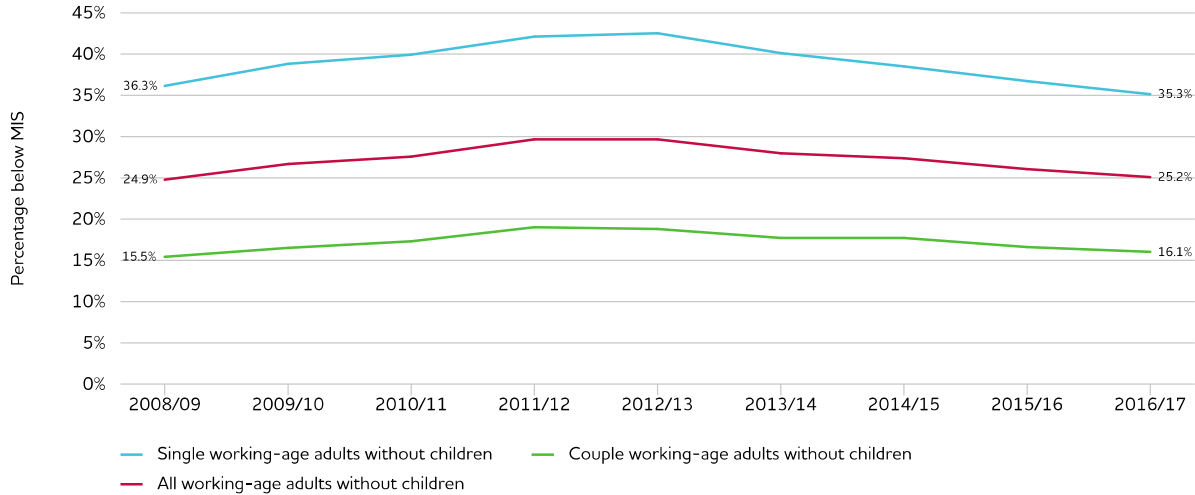
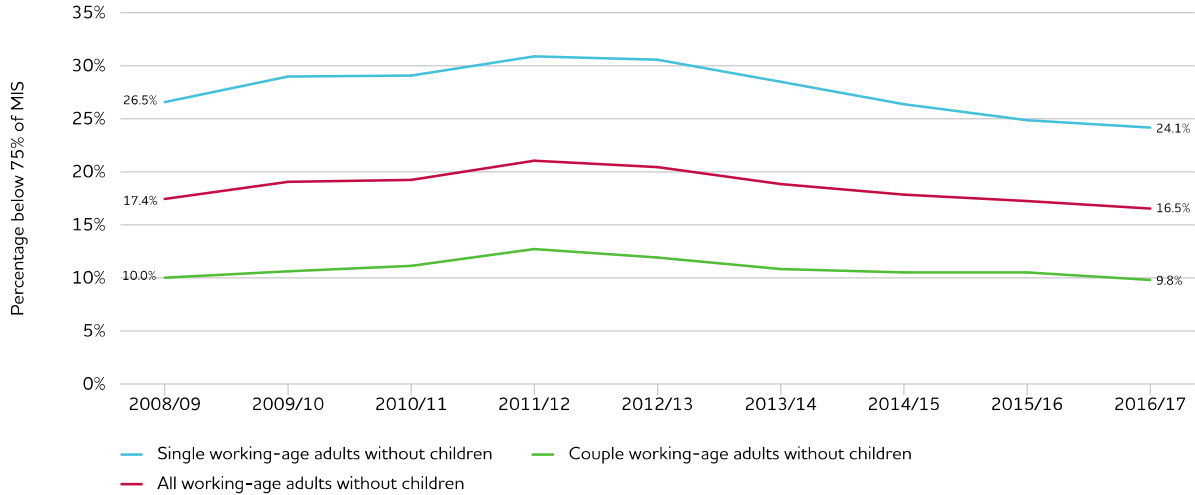


Figure 24: Proportion of working age adults without children below 75% of MIS, by household type



Overall, the likelihood of falling below MIS has declined for all subgroups of working-age adults following a peak between 2012 and 2014. There remains, however, substantial variation across these groups regarding the likelihood of having an inadequate income. Couples without children fare best, with only 16.1% of this group having an income below MIS. Conversely, having children and being single are both associated with an increased likelihood of inadequate income. The proportion in a household below MIS is similar for parents and for single working-age adults without children – around one in three individuals in each of these groups has an inadequate income. However, there are likely to be different reasons underlying this pattern. For parents, the costs of bringing up children – both the direct costs and the opportunity costs related to employment constraints – will increase their likelihood of experiencing a shortfall in household income. For single working-age adults without children, the explanation is more likely to relate to the fact that they are unable to take advantage of the economies of scale that are available to couples.

Pensioners

Figures 25 and 26 explore in more detail the trend in the likelihood of pensioners being below MIS. Earlier in this report, Figure 4 showed that although pensioners are less likely to be in a household below MIS than children and working-age adults, they have shown a more consistent increase in their likelihood of inadequate income than the other two subgroups. Figure 25 reveals that this increase appears to be driven entirely by the trend among single pensioners. For pensioners who are living with a spouse or

partner, their likelihood of being below MIS or below 75% of MIS has remained very stable during the eight-year period explored here, at around 10% and 4%, respectively. For single pensioners, the likelihood of being below MIS has increased by more than 70% between 2008/09 and 2016/17, with the number of individuals living below this level rising from 0.7 million to 1.3 million.

Figure 25: Proportion of pensioners below MIS and below 75% of MIS, by household type

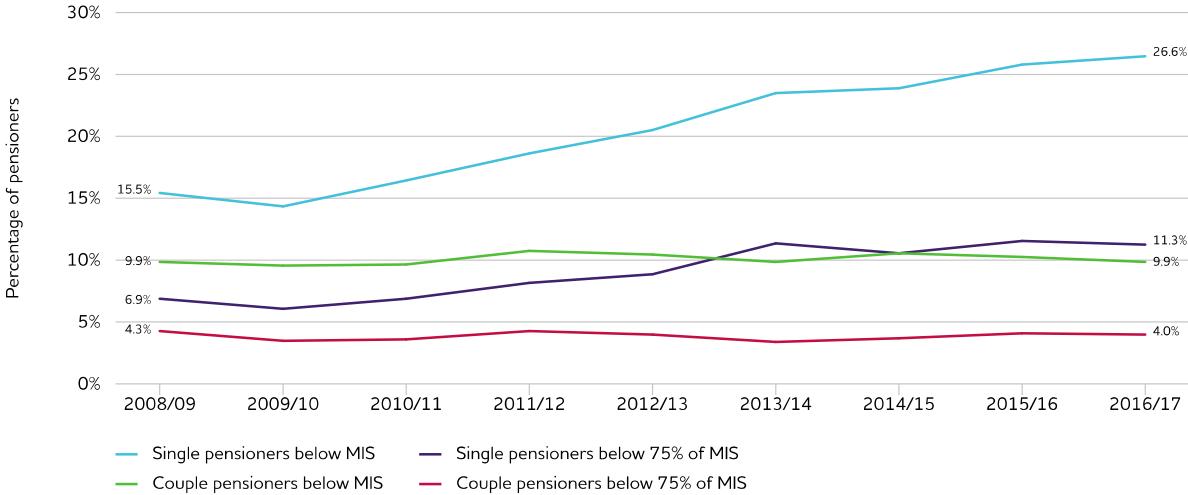
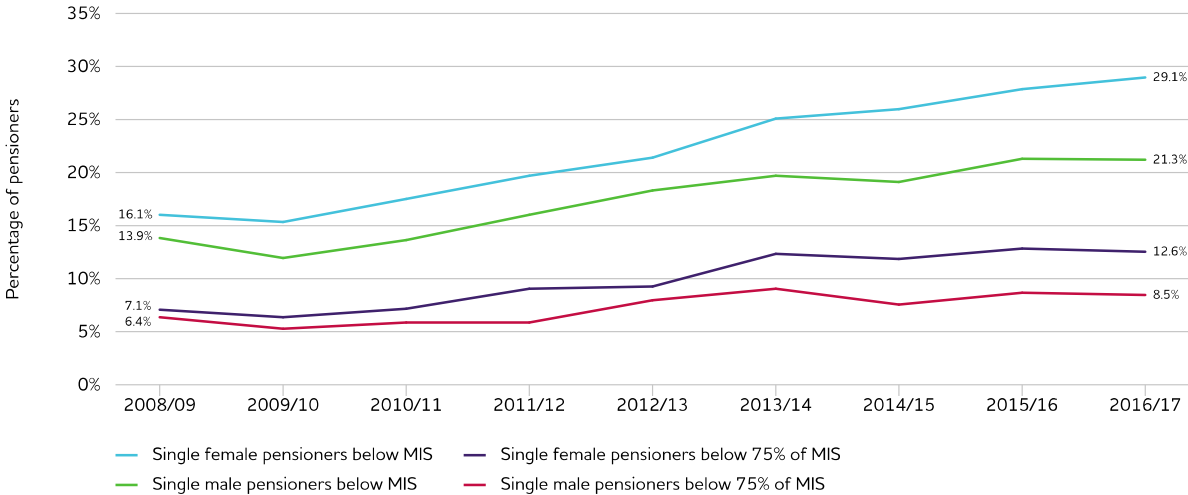


Figure 26 further breaks down the estimates for single pensioners by gender. This highlights that it is single female pensioners who are most likely to fall short of a minimum socially acceptable standard of living – their probability of being below MIS almost doubled between 2008/09 and 2016/17, rising from 16% to 29%. The probability increased at a similar rate for single male pensioners up until 2013/14, but unlike their female counterparts, this increase subsequently slowed for men.

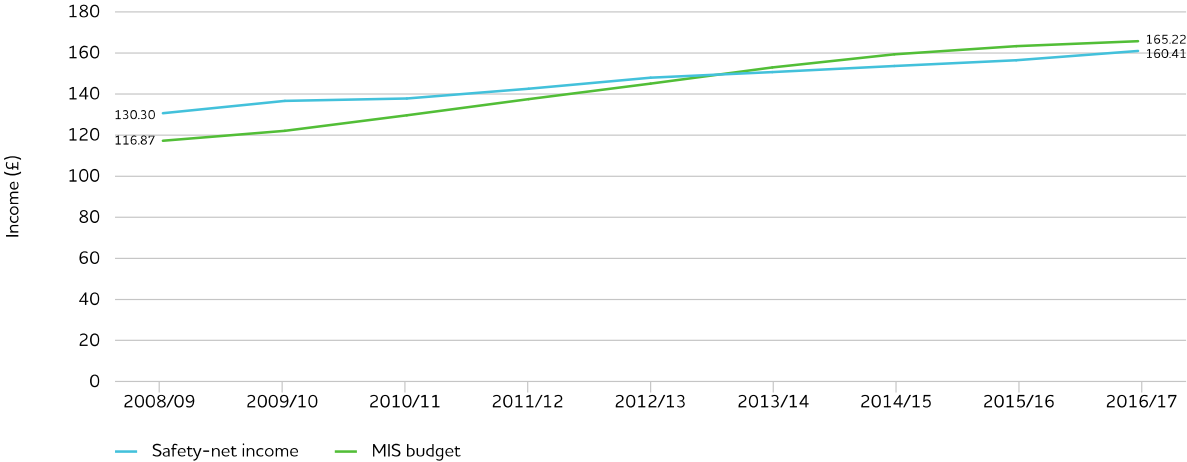
Figure 26: Proportion of single pensioners below MIS and below 75% of MIS, by gender



The previous report in this series (Padley et al, 2017b) included a detailed discussion of possible reasons for the different trends in the likelihood of pensioners being below MIS. It is likely that the explanation relates in part to the insufficient uprating of state pensions and Pension Credit – while the pensions ‘triple lock’ means that these have risen in line with the consumer price index, the cost of minimum budgets as defined by MIS have increased more rapidly. This is in part due to the cost of some commodities such as food and fuel rising faster than general prices, and in part due to pensioners identifying additional needs (such as computers) that were not included in the original budgets for pensioners. The latter will particularly affect single pensioners, as they will bear the cost of additional items alone, while for couple pensioners, economies of scale mean that these additional costs are

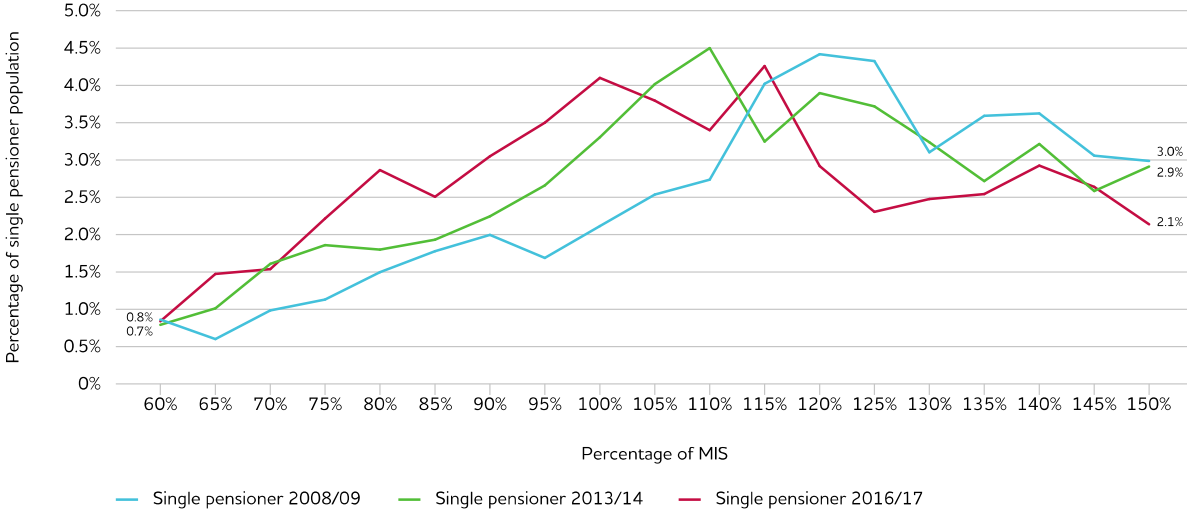
substantially reduced. Figure 27 shows how safety-net benefits (Pension Credit and the Winter Fuel Payment) have failed to keep pace with pensioners' increasing requirements, moving from comfortably above the MIS level in 2008/09 to just below in more recent years.

Figure 27: Single pensioners' safety-net income compared to MIS (£ per week)



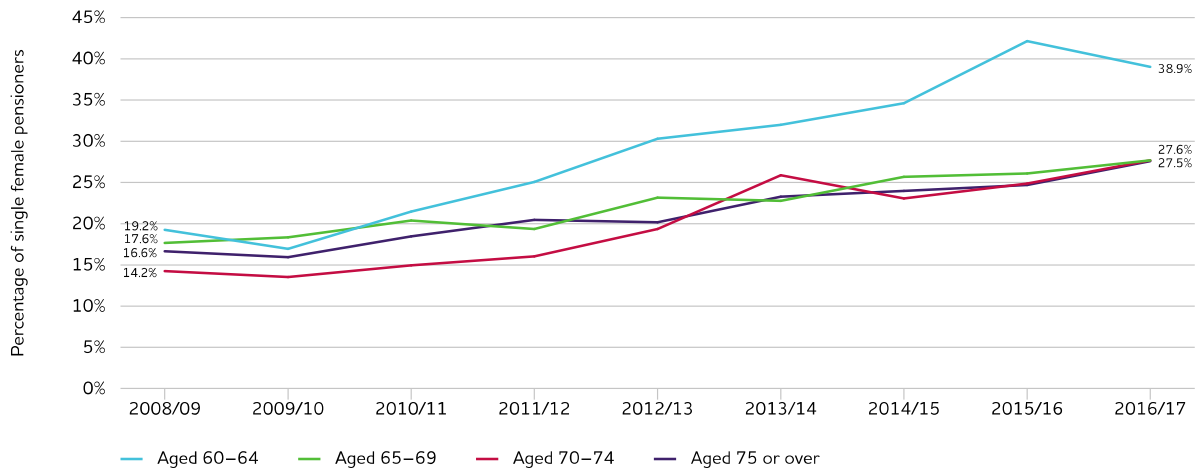
The previous report also showed how pensioner incomes have become more closely clustered around the MIS level, meaning that small changes in income will be more likely to result in falling below MIS. Figure 28 shows that in 2008/09, the distribution of single pensioner incomes peaked at around 120% of MIS for that year, compared with around 110% of MIS in 2013/14, with peaks at 100% and 115% in the most recent year.

Figure 28: Distribution of single pensioners' incomes, relative to MIS (selected years)



These comparisons can help explain why single pensioners have become more likely to fall below MIS overall. However, the different trend for men and women requires further exploration in order to clarify why single female pensioners have shown such a striking increase in the likelihood of having an income below MIS, as observed in Figure 26. Figure 29 indicates that it is women in their early 60s who have seen the most dramatic rise in the likelihood of being below MIS, doubling from 19% to 39% between 2008/09 and 2016/17. In comparison, the increase is much less pronounced for older women, hence the gap between women aged 60–64 and those aged 65 and over has become markedly wider.

Figure 29: Single female pensioners below MIS, by age



Note: women aged 60 and over are currently defined as pensioners within the Family Resources Survey, a categorisation reflected in this analysis.

Part of the explanation for this trend is likely to be connected to changes in the state pension age that have been introduced during the past decade. The first stage is the planned gender equalisation of the state pension age, namely an increase from 60 to 65 years of age for women, phased in from April 2010. By 2017, women needed to be least 63 years old to be eligible for a state pension (the exact date of eligibility depends on a woman’s date of birth). Single women aged 60–64 can therefore be divided into three categories: ‘working’, ‘retired’ (drawing state pension and inactive), or ‘out of work’ (not drawing state pension and inactive, or unemployed and looking for work).

As shown in Figure 30, the raising of women’s pension age from 2010 onwards was associated with a fall in the share of single women aged 60–64 who were classified as retired, and an increase in those either working or out of work. Those in work are now the most prevalent group of women in this age band.

Figure 30: Work status of single women aged 60–64

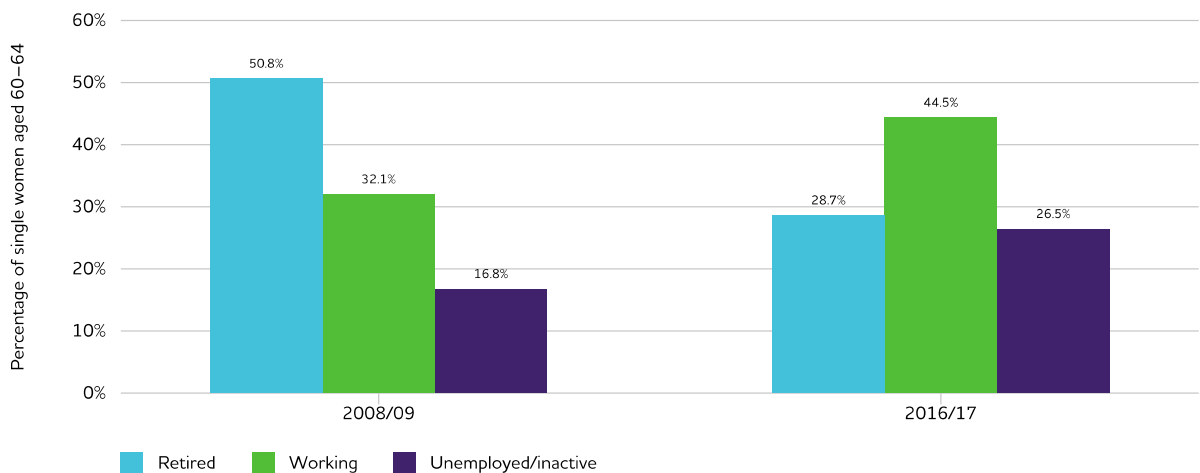
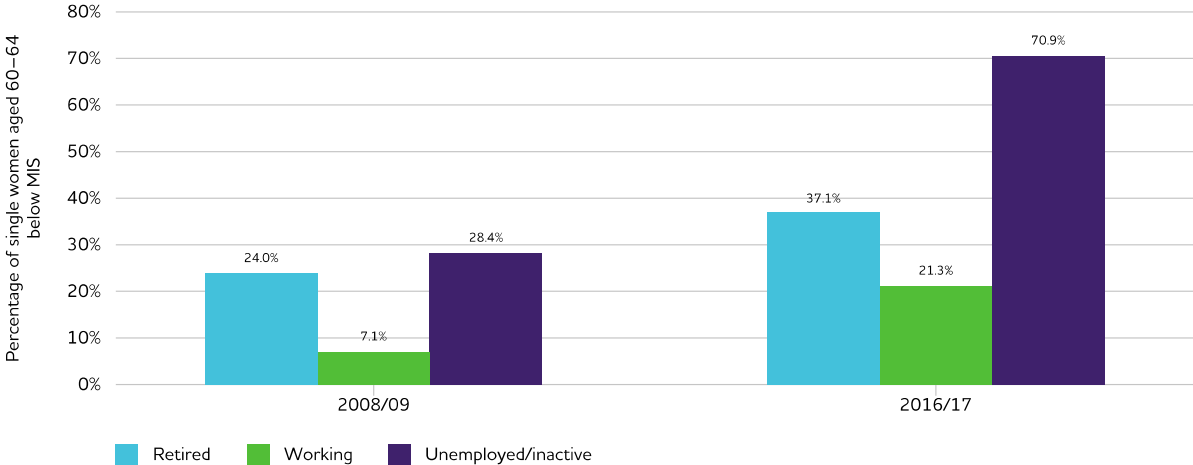


Figure 31 shows that around a third of retired single women in this age bracket were below MIS in 2016/17. This compares with just one in five of those who were in work, but more than two thirds of women aged 60–64 who were out of work. The likelihood of being below MIS increased for all groups between 2008/09 and 2016/17. However, while the likelihood of inadequate income rose by around 50% for retired women, the proportion tripled for women who were in work, and more than doubled for women who were unemployed or inactive.

Figure 31: Proportion of single women aged 60–64 below MIS, by work status



A single measure can be calculated to estimate the relative importance of changes in composition and incidence in contributing to an overall trend (see Sutherland et al, 2003, for a detailed example of the technical method for such ‘decomposition’ of population trends). In this case, it can be used to decompose the elements that caused the likelihood of being below MIS for women aged 60–64 to rise by 22 percentage points between 2008/09 and 2016/17. This reveals that the increased proportion of single women aged 60–64 who were unemployed/inactive – the group most likely to be below MIS – accounted for a rise of around 2 percentage points. However, the concurrent rise in the proportion that was in employment (the group least likely to be below MIS) meant that the net effect of the changing composition of the population was negligible.

The increase in the proportion of single women aged 60–64 below MIS was therefore almost entirely accounted for by the rise in incidence within subgroups by employment status. The increased incidence of inadequate income among women who were unemployed/inactive accounted for around half of the overall rise, with the retired and working groups accounting for around a quarter each. In summary, women who are not able to retire as a result of the increase in the state pension age are therefore more likely to rely on out-of-work benefits; this growing group of unemployed or inactive older women has less adequate income on average than any previous category in this age-group, driving an increase in the income shortfall. Those in work, under the new constraint of the later pension age, are also doing worse than previous workers at this age.

How the likelihood of having an income below MIS varies across age groups

The importance of age in affecting an individual’s likelihood of living with an inadequate income is not just limited to pensioners. Table 3 summarises the relationship between age and income adequacy for three broad age groups of adults. Young adults (aged 16–34) are the group most likely to be living in a household below MIS or below 75% of MIS across the eight years explored here. Reflecting the results for pensioners, individuals aged 65 and over are most likely to have an adequate income, with adults aged 35–64 at an intermediate level. Young adults may be particularly likely to have insufficient income for a number of reasons, including: the lower minimum wage for under-25s; lower levels of state assistance with housing costs for under-35s; and high levels of unemployment. Nevertheless, both working-age groups have shown a recent improvement in average income levels relative to MIS, following a peak in 2012/14. Individuals aged 65 and over had the biggest increase in the likelihood of being below MIS, but remain the least likely to have an inadequate income overall.

Table 3: The likelihood of low income, by age group

	Year	16–34	35–64	65 and over
Below MIS	2008/09	27.7%	24.6%	11.5%
	2009/10	30.7%	25.8%	10.9%
	2010/11	33.2%	27.0%	11.6%
	2011/12	35.2%	29.4%	12.5%
	2012/13	36.5%	29.3%	13.5%
	2013/14	34.9%	29.7%	14.5%
	2014/15	32.7%	28.8%	14.8%
	2015/16	32.0%	26.7%	15.4%
	2016/17	30.7%	26.4%	15.1%
	Below 75% of MIS	2008/09	17.4%	16.1%
2009/10		19.5%	16.6%	4.3%
2010/11		20.8%	17.2%	4.3%
2011/12		23.1%	18.7%	4.8%
2012/13		23.3%	18.9%	5.3%
2013/14		20.9%	18.9%	5.8%
2014/15		19.8%	17.9%	5.4%
2015/16		19.6%	16.6%	6.4%
2016/17		18.5%	16.4%	6.1%

Note: Full-time students are excluded.

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

Table 4 shows the proportion of individuals living in a household below MIS or below 75% of MIS by housing tenure. Owner-occupiers (mortgaged or owned outright) are least likely to be in a household with inadequate income. Unsurprisingly, the proportion below MIS has remained relatively stable, particularly for those who own their home outright and will therefore not be subject to variable housing costs. Among people living in the rented sector, almost two thirds of individuals living in social housing and nearly half of those in private rented accommodation are living in a household below MIS.

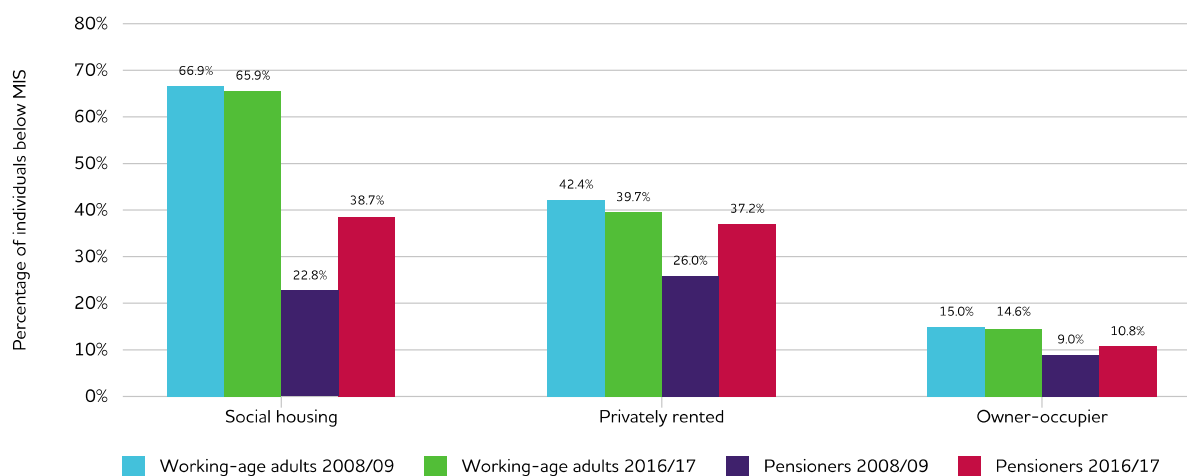
Table 4: The likelihood of low income, by housing tenure

	Year	Housing association/local authority	Private rented	Mortgaged	Owned outright
Below MIS	2008/09	61.3%	45.6%	15.6%	14.1%
	2009/10	61.6%	47.8%	16.9%	13.6%
	2010/11	63.7%	51.5%	17.5%	13.8%
	2011/12	66.7%	50.3%	20.6%	15.6%
	2012/13	66.5%	52.9%	18.9%	16.6%
	2013/14	67.0%	52.9%	18.7%	16.0%
	2014/15	65.5%	49.9%	17.5%	14.5%

	2015/16	62.8%	48.5%	15.9%	15.0%
	2016/17	64.2%	45.4%	14.7%	14.4%
Below 75% of MIS	2008/09	39.7%	32.1%	8.6%	7.4%
	2009/10	39.5%	32.0%	9.5%	7.1%
	2010/11	42.1%	35.2%	8.9%	6.9%
	2011/12	45.1%	34.7%	10.8%	8.0%
	2012/13	43.0%	36.1%	10.0%	8.7%
	2013/14	44.0%	34.8%	9.6%	7.5%
	2014/15	41.0%	32.3%	9.0%	6.3%
	2015/16	38.8%	32.1%	7.7%	7.6%
	2016/17	38.6%	28.8%	7.3%	7.3%

Figure 32 shows how pensioners living in rented accommodation have been particularly affected by an increasing likelihood of being below MIS. This further highlights that the overall rise in the proportion of pensioners below MIS observed in Figure 4 does not affect all pensioners equally. Although pensioners who own their home, either outright or with a mortgage, may also have experienced reductions in income relative to MIS, they are more likely to have an income sufficiently above the threshold that they do not fall below the minimum budget.

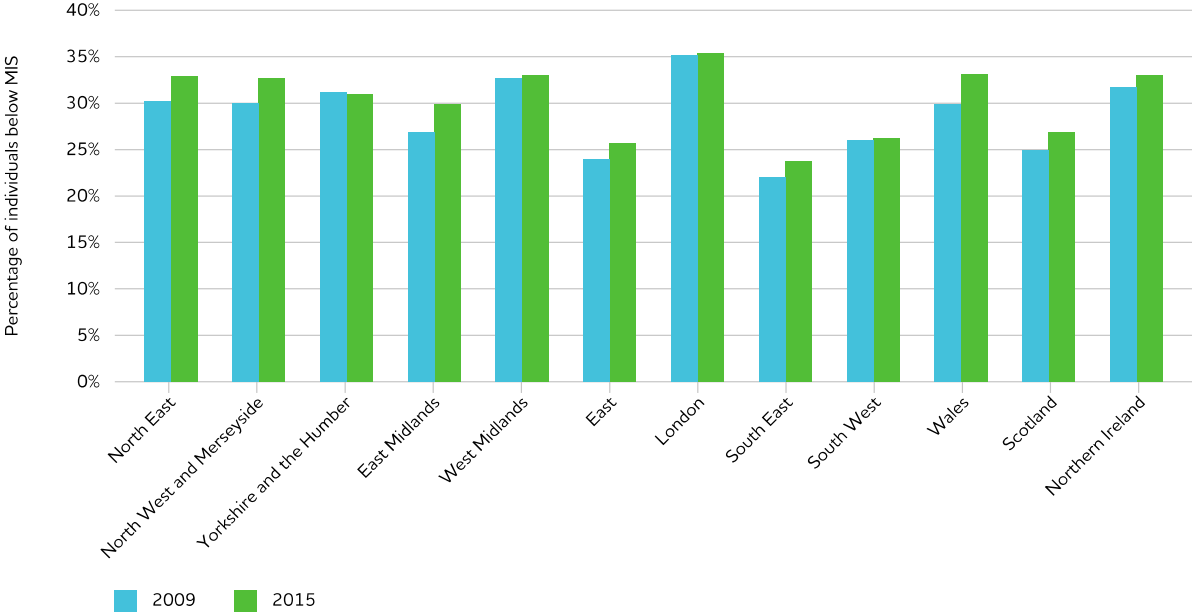
Figure 32: Proportion of working-age adults and pensioners below MIS within each housing tenure, 2008/9 and 2016/17



Geographical variation in the proportion of individuals with incomes below MIS

Differences in the probability of an individual being in a household with inadequate income depending on their location in the UK are shown in Figure 33. London consistently includes the highest proportion of individuals in households below MIS, with more than a third of the population of the capital in households with inadequate incomes. This is unsurprising, given that poverty tends to be more prevalent in large metropolitan areas for various reasons, including higher housing and childcare costs, greater income inequalities, and higher than average proportions of ethnic minority groups. Around a third of individuals in the West Midlands were also living in a household below MIS; this reflects that the second largest city in the UK, Birmingham, is located in this region. The overall proportions below MIS have remained relatively stable between 2009 and 2015.

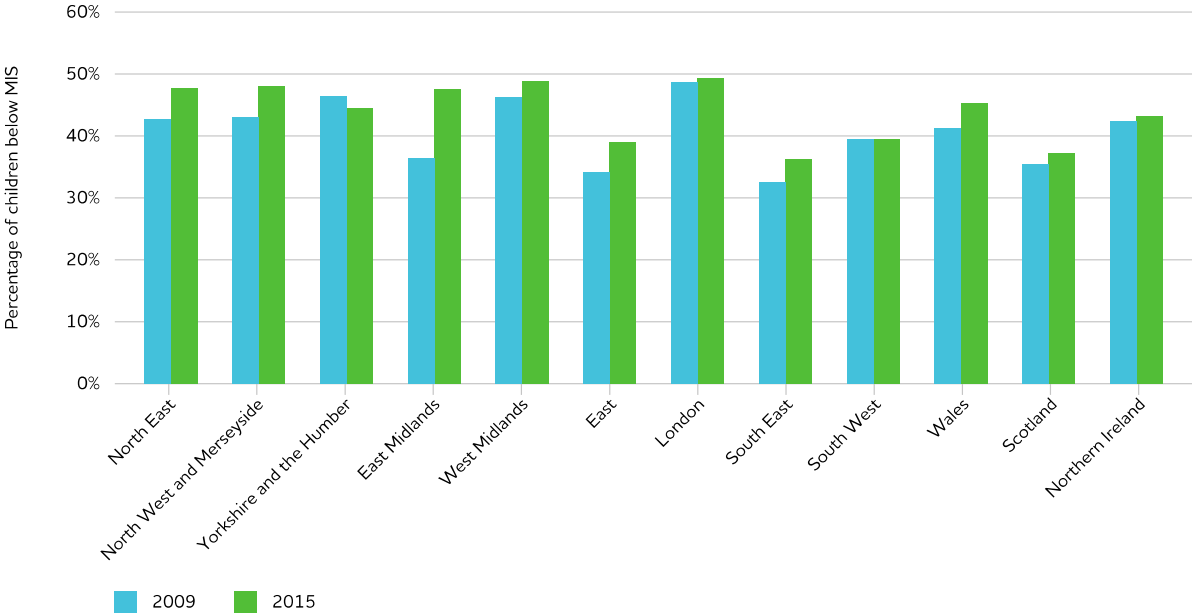
Figure 33: All individuals below MIS, by location (three-year averages)



Note: data for 2009 are an average of 2008/09, 2009/10 and 2010/11; and data for 2015 are an average of 2014/15, 2015/16 and 2016/17.

Figure 34 focuses on children and their probability of being in a household below MIS according to location. Levels are again high in the capital, and in other areas that include large metropolitan areas. Almost half those children living in London, the West Midlands (including Birmingham) and the North West (including Manchester) are living in a household below MIS. In most areas there was little change between 2009 and 2015 (although most areas showed a slight increase in the proportion of children below MIS), with the exception of the East Midlands, with a rise of 11 percentage points from 37% to 48%.

Figure 34: Children below MIS, by location (three-year averages)



5 Employment status and low income

Box 6: Key points

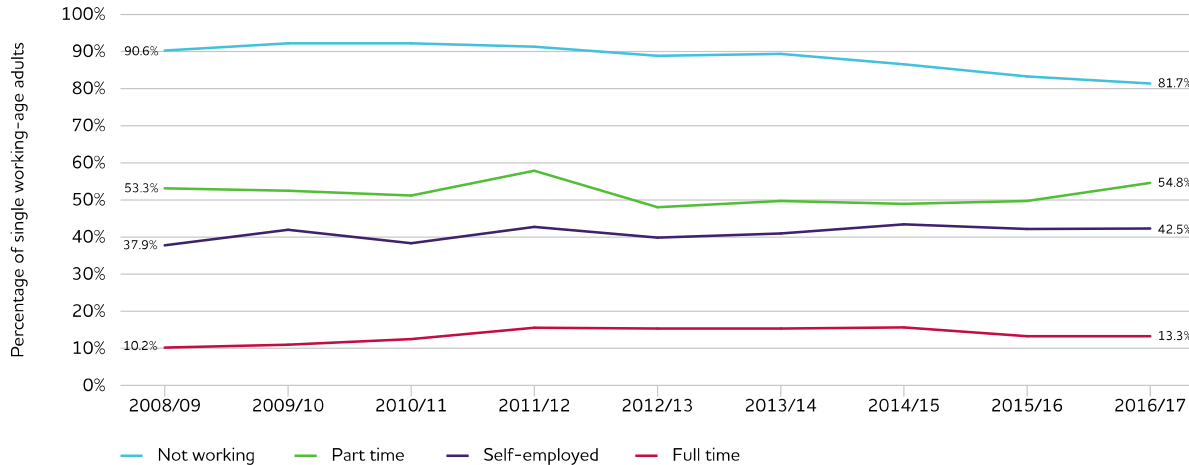
- Nearly three quarters of lone parents in part-time employment (73.6%) are below MIS, while more than a third of lone parents in full-time employment (38.8%) are living below this level in 2016/17.
- Half of all single-earner working-age couples with children (49.6%) have an income below MIS.
- A growing proportion of households below MIS are those where there is full employment. Of all working-age households below MIS in 2016/17, more than one in eight (11.6%) are households where all adults are in work; this compares to around one in ten (9.7%) in 2008/09.

This chapter focuses on employment status (being in full-time employment, part-time employment, self-employed or out of work) at an individual and household level. The findings highlight the importance of employment status as a major factor associated with the likelihood of living in a household with insufficient income to reach a minimum acceptable living standard. The impact of household work status on living standards for children was demonstrated in Chapter 4: nine out of ten children in workless households are living below MIS (Figure 19). It is also clear that among working-age adults, the likelihood of having an inadequate income varies substantially according to household type, with the presence of children and partnership status both showing a strong association with income adequacy (Figures 21–24). The analysis in this chapter looks in more detail at employment status and focuses on four key subgroups of the working-age population: single adults; couples without children; couples with children; and lone parents.

Figure 35 shows the proportion of single working-age adults without children in households below MIS. Unsurprisingly, the likelihood of having an inadequate income is by far the highest for those who are not working, although this is the only group that has seen an overall improvement since 2008/09. Within this group, the proportion defined as unemployed has decreased from 20% in 2008/09 to 16% in 2016/17, while the proportion defined as permanently sick or disabled has remained stable at around 64%.

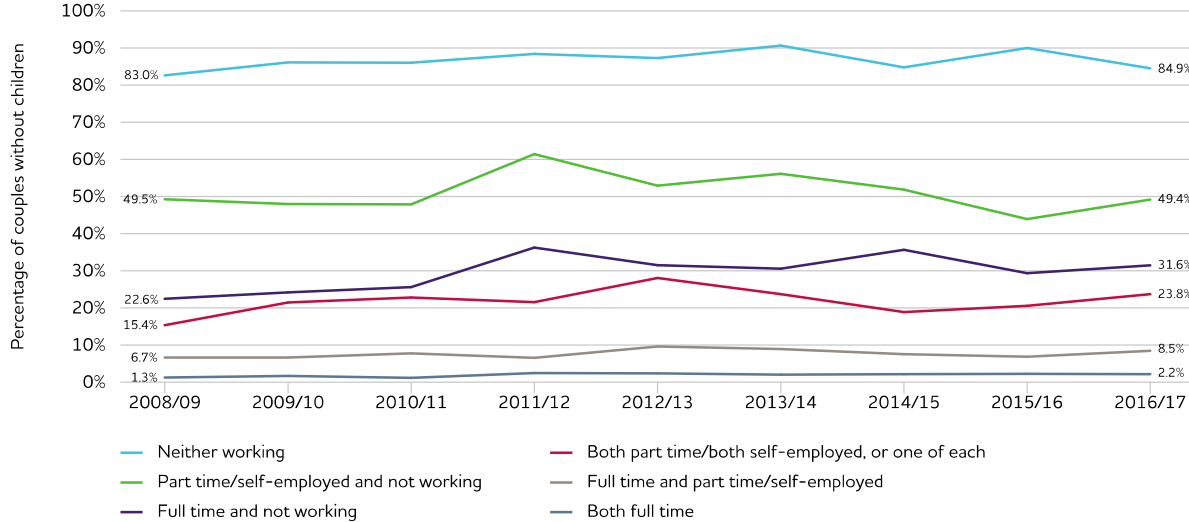
Single working-age adults who are in full-time employment are least likely to be in a household below MIS. However, the likelihood of having an income below that needed for a minimum socially acceptable standard of living is relatively high for those who are self-employed or working part time, at 42.5% and 54.8%, respectively. In 2016/17, around 180,000 single working-age adults without children who were working part-time, and a similar number who were self-employed, had an income below MIS. Moreover, although only 13.3% of full-time working single adults are below MIS, this still equates to 278,000 individuals for whom full-time employment does not provide a socially acceptable standard of living. The likelihood of being in a household below MIS has increased for all employment groups apart from those who are not working, further emphasising the prevalence of in-work poverty.

Figure 35: Proportion of single working-age adults without children below MIS, by employment status



In Figure 36, it becomes clear that for couples without children, their likelihood of falling below MIS is dependent upon their combined employment status. Couples where both partners are working full time are very unlikely to have an inadequate income, with only around 2% of this group having a combined income that falls below the acceptable minimum standard. In the remaining cases where both partners are working in some capacity, whether full time, part time or self-employed, the proportion below MIS ranges from 8.5% to 23.8% in the most recent year. Where only one partner is working, the likelihood of being below MIS is somewhat higher, ranging from 31.6% to 49.4%, rising to 84.9% when neither partner is working.

Figure 36: Proportion of working-age couples without children below MIS, by employment status



The next two figures look at how employment status relates to the likelihood of having an inadequate income among parents. The proportion of lone parents living below MIS mirrors the estimate for children living in lone parent households, at 71.7% in 2016/17 (around 1.1 million lone parents). Figure 37 shows that for lone parents, the association between employment and income adequacy broadly reflects the trends for non-parents shown in the previous two figures, with the highest likelihood of being in a household below MIS among those who are not working, and lowest among those in full-time employment. However, for every employment status, the proportion of lone parents in a household below MIS is higher than for single working-age adults without children. Particularly striking is the increasing prevalence of income inadequacy among lone parents who are in work. Between 2008/09 and 2016/17, the proportion below MIS increased by 10 percentage points for lone parents in full-time work, and by nearly 14 percentage points for those in part-time work. In 2016/17, nearly three quarters

of lone parents who were working part time and more than a third of those working full time were in household below MIS. Overall, the number of working lone parents who were living below MIS increased from around 350,000 in 2008/09 to more than 500,000 in 2016/17.

Figure 37: Proportion of lone parents below MIS, by employment status

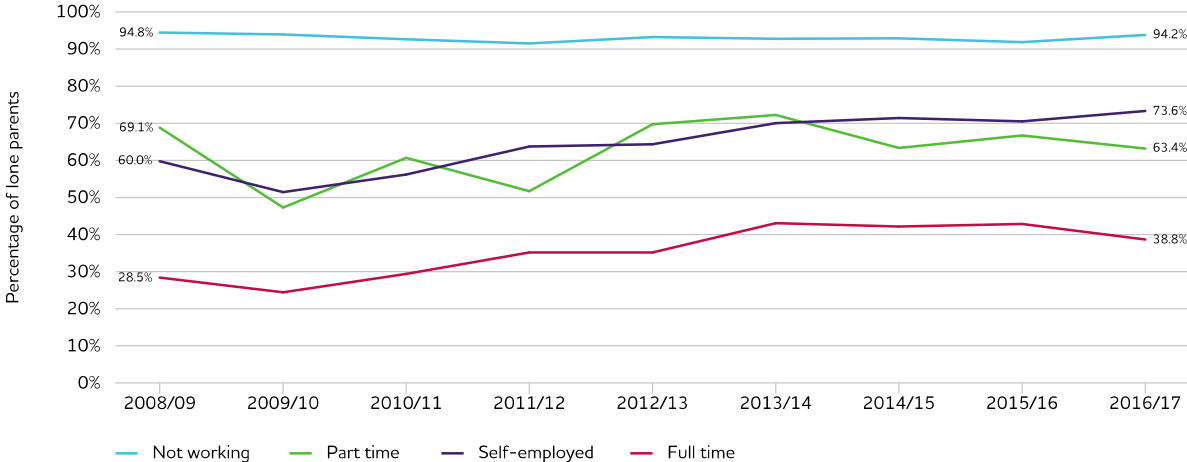
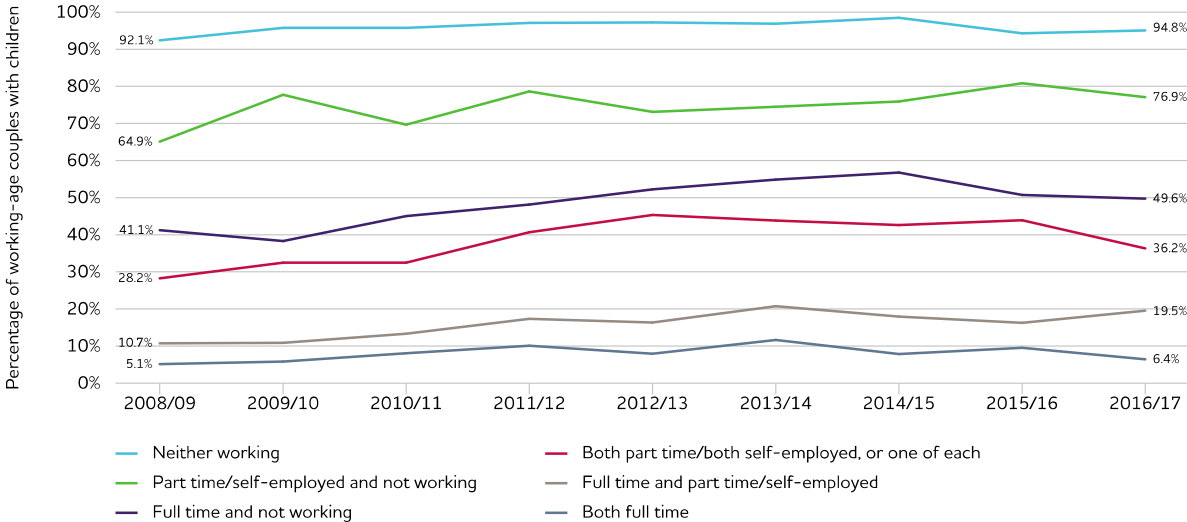


Figure 38 shows that among couple parents, the proportion below MIS has been more stable than for lone parents. Overall, 28.3% of couple parents were living in a household below MIS in 2016/17, rising from 23.8% in 2008/09. However, increases in the likelihood of having an inadequate income are more pronounced among households where at least one parent is in work, particularly if one partner is in full-time work and the other is not. Around one in five parents are below MIS in households where one partner is working full time and one works part time or is self-employed, as are half of those in households where one partner works full time and the other is not working. More than two thirds of those in households where just one partner is in part-time work or is self-employed have an inadequate income.

Figure 38: Proportion of working-age couples with children below MIS, by employment status



The prevalence of inadequate levels of income within the population and in particular subgroups can be affected, in part, by the changing distribution of population characteristics. Table 5 shows how different categories of household employment status were distributed within subgroups of working-age adults in 2008/09, and more recently in 2016/17. 'Risk' in this table 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.

Table 5: Changes in the risk of falling below MIS, by employment status; and composition of each household, by employment status

		2008/09		2016/17	
		Risk	Composition	Risk	Composition
Single working-age adults	Full time	10.2%	57.6%	13.3%	52.7%
	Part time	53.3%	6.7%	54.8%	8.3%
	Self-employed	37.9%	9.2%	42.5%	10.6%
	Out of work	90.6%	26.5%	81.7%	28.4%
Lone parents	Full time	28.5%	28.5%	38.8%	26.1%
	Part time	60.0%	22.9%	73.6%	29.8%
	Self-employed	69.1%	4.2%	63.4%	5.9%
	Out of work	94.8%	44.4%	94.2%	38.2%
Couples with no children	Both working full time	1.3%	48.2%	2.2%	48.5%
	One full time and one part time/self employed	6.7%	22.5%	8.5%	24.0%
	One working full time and one not working	22.6%	11.5%	31.6%	10.3%
	Mix of part time and/or self-employed	15.4%	7.3%	23.8%	8.0%
	One part time/self-employed and one not working	49.5%	4.8%	49.4%	4.3%
	Neither working	83.0%	5.7%	84.9%	4.9%
Couples with children	Both working full time	5.1%	23.9%	6.4%	27.7%
	One full time and one part time/self employed	10.7%	35.4%	19.5%	34.9%
	One working full time and one not working	41.1%	20.4%	49.6%	18.6%
	Mix of part time and/or self-employed	28.2%	7.3%	36.2%	7.9%
	One part time/self-	64.9%	7.8%	76.9%	7.4%

employed and one not working				
Neither working	92.1%	5.3%	94.8%	3.4%

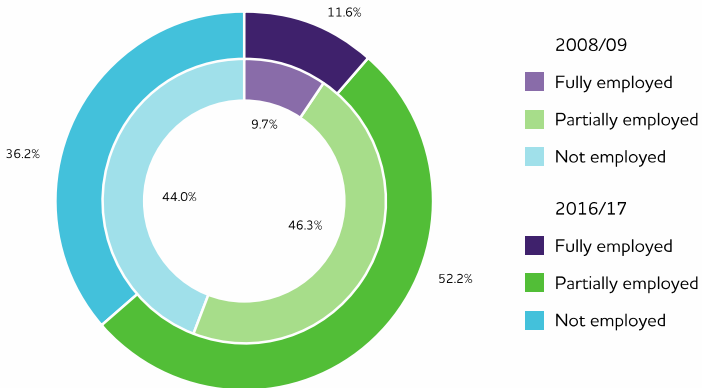
Since 2008/09, single working-age adults have become slightly less likely to be in full-time work, and more likely to be in part-time work or not working. As shown in Figure 35, the proportion of single adults below MIS has increased slightly for all of those in employment, with a decrease in those who are out of work. Overall, the number of single adults with an inadequate income despite being in any type of work increased from 445,000 in 2008/09 to 640,000 in 2016/17.

For lone parents, there has been a slight decrease in the proportion who are working full time, but an increase in those who are in part-time work or are self-employed. The proportion of lone parents who are not working has also dropped from 44.4% to 38.2%, equivalent to around 80,000 fewer individuals. This may, in part, reflect changes in the conditionality of benefits. Before 2008, lone parents were eligible to claim Income Support until their youngest child reached the age of 16. However, this age threshold has been gradually reduced over the past decade, and lone parents are no longer eligible for income support once their youngest child reaches the age of 5. Table 5 shows that although an increasing number of lone parents are now working, this increase has been in part-time work and self-employment, rather than full-time work. Moreover, as observed in Figure 37, the likelihood of being below MIS has increased substantially for lone parents who are in work. This suggests that rather than improving their living standards, increased employment appears to have resulted in a higher proportion of lone parents living in a household with an income insufficient for a socially acceptable standard of living.

Among couples without children, the proportion in each employment category has remained reasonably consistent between 2008/09 and 2016/17, with couples who are both working full time representing around half of this subgroup in both time periods. However, in other couples where at least one partner is working, the proportion of households with an income below MIS has increased notably in most cases.

For couples with children, the proportion of households where both parents are working full time increased from 23.9% in 2008/09 to 27.7% in 2016/17, and the proportion where neither parent is in work fell from 5.3% to 3.4%. However, as in the other household types, this move towards employment has not resulted in a decline in the number of households with an inadequate income. Overall, the numbers in Table 5 suggest that there is a continued move towards an increased prevalence of inadequate incomes for those who are in work, particularly where not everyone has a full-time job. Figure 38 summarises this trend for working-age households, comparing fully employed households (where all adults are in full-time work) with partially employed households (where at least one adult is in work of any type) and households where no adults are in employment. This highlights that non-working households represent a declining share of households below MIS; three quarters of this decrease is accounted for by the relative increase in the number of people living in households where people work, but not everyone full time – who are now the majority of those below MIS.

Figure 39: Composition of working-age households below MIS, by employment status, 2008/09 and 2016/17



6 Conclusions

This report shows that the proportion of individuals living in households with incomes below that needed to reach MIS has continued to fall in 2016/17, a trend that began between 2013/14 and 2014/15. The proportion of all individuals at risk of serious hardship and deprivation (below 75% of MIS) is now at almost exactly the same level as reported at the start of this series in 2008/09. These reductions are not revealed in the relative poverty indicators, because median income is rising at a faster rate than the income that this research suggests is needed for a minimum, in most household categories.

Children remain the most likely of the three broad demographic groups explored in this report to be living in a household with an income below that needed for a minimum socially acceptable standard of living. While the proportion of children growing up in households with inadequate income has fallen from a high of around 48% in 2013/14, some 43% of children in 2016/17 – around 5.8 million – are still in households below this level. The proportion of working-age adults below MIS has fallen from a high point in 2012/13. However, in 2016/17 there are 10.8 million people still living below this level, 800,000 more than in 2008/09.

These modest recent reductions in the proportion of the population living below MIS are to be welcomed, although some of the reported improvement is related to individuals moving from below to just above MIS: a precarious position, particularly in an environment of slow wage growth and rising costs. This overall trend also serves to mask some substantial differences in what has been happening for different groups. Some groups within the population appear to have benefited from increases in wages, particularly for those on low incomes, through the introduction of the NLW: the proportion of single working-age adults with incomes below MIS is lower in 2016/17 than in 2008/09. Other groups, though, have not seen a similar improvement. For example, in households where there is some work, but where not all of this is full time, there have been continued increases in the proportion of individuals below MIS. This reflects more general evidence that real increases in earnings have not been translated into a general improvement in the living standards of the worst-off section of the population. This is partly because most households in the lower part of the income distribution rely on combining earnings, if any, with benefits and tax credits in order to make ends meet, and cuts in the latter are not fully offset by any earnings increases.

Two groups, single pensioners and lone parents, have fared particularly badly over the eight-year period focused on here, a trend that is linked both to costs and incomes. As noted in our previous report (Padley et al, 2017b), over recent years pensioners have faced additional costs in order to reach a minimum socially acceptable standard of living, and these have often been in areas of spending where couples benefit from economies of scale while single pensioners do not (this is the case, for example, in home energy costs or transport costs associated with increased taxi use). A compounding factor identified in the report has been the impact of a delayed state pension age on the incomes of single women in later working life.

Like single pensioners, lone parents do not benefit from the economies of scale that partnered parents do, particularly in relation to transport, home energy and childcare, where costs are rising most rapidly. Looking forward, as well as being squeezed by rising costs, lone parents are also less likely than a two-earner household to gain from the planned increases in the NLW, and face a continued freeze in both Child Benefit and tax credits. Note that the two groups identified as vulnerable here are predominantly women – around 90% of all lone parents, and nearly 80% of single people over 60 who are below MIS, are female. Thus, recent influences on low income have had a gender bias in their consequences, with female-dominated groups being more vulnerable to the most adverse trends.

The use of MIS as a means of tracking income adequacy has pointed to improvements for some individuals. However, beneath the 'good news' story of a continued fall in the overall proportion of those with an income below MIS, is the lived reality of the continued struggle to make ends meet for certain groups within the population. For this reason, the continued monitoring of the adequacy of incomes for these particular subgroups remains of critical importance.

Notes

1. Note that some of the figures presented in this report for past years differ slightly from previously published data, due to some technical improvements in how results for the survey sample are translated into estimates of how many people in certain groups have incomes below MIS.

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