

The number of households in the UK falling below the Minimum Income Standard continues to rise

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However you define poverty, households on the lowest incomes are falling further short of reaching a decent standard of living, writes [Donald Hirsch](#).



Defining poverty is never easy. Last week's [reopening of the debate](#) about its measurement revealed both the complexity of this issue and the willingness of people on both sides of the political debate to define to their own advantage. But let's not allow the resulting confusion to blind us to clear-cut trends, which unfortunately are going in the wrong direction.

Even imperfect measures can show some simple truths. In the mid 1990s, the myth that a rising tide of prosperity had lifted all ships was punctured by [John Hills' studies](#) for the Joseph Rowntree Foundation demonstrating that the poorest groups had become no better off in absolute terms and much worse off relative to the average. For the next decade the relative income measure (a poverty line of 60 per cent median income), however arbitrary in where it was set, proved an effective acid test of how far the poorest were able to start catching up this lost ground.

In the past decade when median income itself has gone down as well as up, this measure has become harder to interpret. Since 2010, it shows no change in the number of children in poverty relative to a falling median, but a 13 per cent rise in poverty using a fixed threshold (the 2010 median). In other words, a falling tide is lowering all ships. Hardly a good news story.

While it doesn't take a lot of ingenuity to see this, the lack of a single benchmark that can capture what is happening to low incomes in changing times can spread confusion. Our Minimum Income Standard (MIS), whose [latest results](#) are published today, helps paint a clearer picture. Although not claimed as a measure of poverty, it sets a threshold that describes the minimum income needed for an acceptable living standard according to members of the public, allowing us to observe trends in who is below this and by how much.

This has two advantages over a relative income threshold. First, it is tangible, describing an identifiable basket of goods and services and their costs. Second, the change in its level over time is not determined by fluctuations in average income but by real changes in what items the public consider to be necessities, and in their costs.

Since the standard was launched in 2008, the baskets compiled for MIS have stayed roughly the same size in terms of content for most households, but their cost has risen significantly more than people's incomes. The resulting trend in the adequacy of the incomes of the worse-off families can be measured in two ways. One is to look at the [numbers below MIS](#), which have been growing. The other is to consider how model households on basic incomes – out-of-work benefits or the minimum wage – are faring relative to what they need.

Today's report shows that people both in and out of work on these minimum incomes have fallen a lot further behind meeting their minimum needs. For example, working families on the Minimum Wage are typically £2,000 a year further short of being able to afford a MIS budget than they were in 2008. It is in this context that the Chancellor needs to consider what effects further cuts in support might mean for low income families, ahead of next week's Budget.

About the Author

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