



# Households below a Minimum Income Standard: 2008/09 to 2013/14

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by Matt Padley and Donald Hirsch

This report looks at how many people live in households with insufficient income to afford a minimum socially acceptable standard of living according to the Minimum Income Standard (MIS).

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This report looks at the changes in the adequacy of incomes, as measured by households' ability to reach the Minimum Income Standard (MIS), a measure rooted in what the public consider is needed for a minimum acceptable standard of living. This is the fourth in an annual series; it monitors the number of people living below the MIS threshold, as well as how many are well above and how many are well below this standard.

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## This paper:

- examines changes in the adequacy of household incomes between 2008/09 and 2013/14;
- looks at who is most likely to lack the income needed for an adequate standard of living;
- analyses the numbers and characteristics of those falling above and below the Minimum Income Standard.

# Contents

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	Executive summary	1
1	Introduction	4
2	Who is most likely to lack the income needed for an adequate standard of living? The risk of being below MIS	9
3	The composition of numbers below MIS	19
4	Who exceeds and who falls short of what is required for an adequate income and by how much? The profile of numbers above and below MIS	23
5	Employment status and low income	29
6	Conclusion	40
	Notes	42
	References	43
	About the authors	44
	List of figures	
1	The risk of an individual being below MIS has increased substantially between 2008/09 and 2013/14	9
2	The most significant increase in risk of being below MIS was for families with children for who this risk increased by a third between 2010/11 and 2013/14	10
3	The risk of being below three-quarters of MIS rose significantly between 2008/09 and 2013/14 for both working-age households with and without children...	11
4	... and there was a similar pattern for the risk of being below half of MIS	11
5	The risk of having a very low income for young single people living alone increased between 2012/13 and 2013/14	14
6	Lone parents have a greater risk of being below MIS, but the risk has	15

	increased for all families with children	
7	The risk of having a low income is greatest in London, but has increased most in the East Midlands (rolling three year averages)	18
8	The risk of having a very low income is greatest in London, but the North East region has seen the largest increase (three year averages)	18
9	Below MIS 2013/14 (2008/09): couples with children have had the greatest numbers below MIS since 2008/09 and their share is growing	19
10	Below MIS 2013/14 (2008/09): the more detailed breakdown reveals that couples with one or two children are the two most common groups	20
11	Below 50 per cent of MIS in 2013/14 (2008/09): working-age individuals in couples make up a growing proportion of this group, while those in households with children still account for the largest share	21
12	Below 50 per cent of MIS 2013/14 (2008/09): the more detailed breakdown shows that single working-age adults and couples households with two children are the groups with the most individuals living on very low incomes	21
13	Below MIS 2013/14 (2008/09): just less than a third of households on low incomes are in the private rented sector	22
14	Below 50 per cent of MIS 2013/14 (2008/09): equal proportions of households in the private and social rented sector have half of the income they need	22
15	The profile of individuals relative to MIS; most people remain well above the threshold, but this proportion is falling	24
16	The number of working-age adults without children who are well above the MIS threshold has fallen	24
17	Well over two-thirds of couples without children remain substantially above the MIS benchmark	25
18	Fewer than half of single people have an income that is at least 50 per cent above the MIS level	25
19	More than a quarter of young single people living on their own have incomes more than 25 per cent below the MIS threshold	26

20	All families with children have seen a significant downward shift since 2008/09, with much of this change coming since 2011/12	26
21	More than 85 per cent of individuals in lone parent households now have an income below or just above the MIS threshold	27
22	Couples with children have experienced a substantial increase in the proportion below the MIS threshold	27
23	More than three-quarters of pensioners have an income at least 25 per cent above the MIS threshold	28
24	The risk of falling below MIS for single adults younger than 35 years is high, even with some work	29
25	Young singles living on their own have a substantial risk of being on a very low income; this risk has grown for those not working	30
26	The risk of falling below MIS doubled for single full-time employees over 35 between 2008/09 and 2012/13, but risks were relatively stable in the following year	30
27	The risk of falling below MIS for non-working couples without children has risen from just over half to three-quarters	31
28	Lone parents who work full-time have seen the highest increase in the risk of having incomes below MIS	32
29	Couples with children have, in each employment category, seen their risk of being below MIS increase over time	32
30	Change in risk and composition by employment, single working-age adults under 35 living alone, 2008/09 – 2013/14	36
31	Change in risk and composition by employment, lone parents, 2008/09 – 2013/14	36
32	Change in risk and composition by employment, couples with children, 2008/09 – 2013/14	37
33	Single-adult households (with and without children) below MIS by employment status 2013/14 (2008/09)	38
34	Couple households below MIS by employment status 2013/14 (2008/09)	39
35	Working-age households with some work make up a greater proportion of	39

households with incomes below MIS in 2013/14 (outer circle) than in 2008/09 (inner circle)

List of tables

1	Changes in population in household categories measured by MIS	7
2	Changes in percentage of individuals below MIS by household type	12
3	Changes in percentage of individuals below three-quarters and below half of MIS	13
4	The risk of having a low income is greater and has grown sharply for younger households	16
5	Social tenants are most likely to have incomes below MIS	17
6	Changes in the risk of falling below MIS by employment status, and the composition of each household type by employment status	34

# Executive summary

## Key points

- The Minimum Income Standard (MIS) is a benchmark of income adequacy based on what the public think is needed for a minimum acceptable living standard. In 2013/14 28 per cent of people living in households covered by the standard had incomes below the minimum. The proportion of people living in households with an income below MIS increased by a third between 2008/9 and 2013/14, although between 2012/13 and 2013/14 the rate of increase slowed.
- Since 2010/11, families with children have seen the greatest increase in risk of low income. The proportion of people in families falling below MIS continued rising in 2013/14, to 40 per cent. For households without children, the risk of being below MIS shows some signs of falling, but this hides an increase for singles and a decrease for couples from a spike in 2012/13.
- Working families with children in particular have faced a growing risk of having low incomes. For example, 41 per cent of lone parents working full-time still have incomes below MIS, up from 26 per cent in 2008/9. For couple families, where both parents work full time, the risk has risen from 5 to 12 per cent; where one works full-time and the other does not work it has risen from 38 to 51 per cent.
- Social tenants became more likely to have incomes falling short of the minimum in 2013/14, while for households in other tenures, the risk changed little. This coincides with the year the under-occupancy charge (the so-called 'bedroom tax') was introduced.
- For pensioners, the risk of being below MIS rose slightly, but it remains far lower than for other groups, at 8.5 per cent.
- The majority (51 per cent) of all people with incomes below the minimum now live in families with children headed by two parents, up from 45 per cent in 2008/9.

This report looks at living standards between 2008/09 and 2013/14. This was a period when the cost of essential goods and services increased rapidly, earnings were mostly falling or stagnant, and, between 2009/10 and 2012/13, average household incomes (median equivalised income) fell sharply, before levelling off at the end of the period. At the same time, the employment rate fell in 2008/09, before levelling off, and then climbing again from 2012/13 onwards. Unlike poverty measures which depend on relative income thresholds, MIS is not affected by fluctuations in average incomes. It is instead based on current public views of what is essential for a decent standard of living, views that did not change significantly between 2008 and 2014.

The analysis presented here shows that between 2008/09 and 2013/14 the risk of having insufficient income rose for all groups, although this risk is not distributed evenly across different household types. In the first part of this period, when unemployment and inflation were rising while earnings were falling in real terms, young adults living alone were hit hardest. From 2010 onwards, families with children have seen the most significant increase in the risk of having insufficient income and between 2012/13 and 2013/14 it is working households with children who have fared the worst as small increases in wages have been offset by changes to benefit and tax credits.

Overall:

- Of the 3.8 million individuals living in **single working-age** households in the UK, 1.4 million lacked the income required for an adequate standard of living in 2013/14. This was 38 per cent of single working-age households, up from 29 per cent in 2008/09.
- Of the 8.2 million individuals living in **couple working-age** households without children in the UK, 1.1 million lacked the income required for an adequate standard of living in 2013/14. This was 14 per cent of couple working-age households, up from 10 per cent in 2008/09.
- Of the 3.2 million individuals living in **lone parent households with between one and three children** in the UK, 2.3 million lacked the income required for an adequate standard of living in 2013/14. This was 72 per cent of lone parent households, up from 65 per cent in 2008/09.
- Of the 17.1 million individuals living in **couple households with between one and four children** in the UK, 5.9 million lacked the income required for an adequate standard of living in 2013/14. This was 35 per cent of such households, up from 24 per cent in 2008/09.
- Of the 9.7 million individuals living in **pensioner** households in the UK, 823,000 lacked the income required for an adequate standard of living in 2013/14. This was 8.5 per cent of pensioner households, up from 7.3 per cent in 2008/09.
- **In total**, 42 million people live in households of types whose minimum needs are covered by the MIS research. Of these, 11.6 million were below MIS in 2013/14. This was 28 per cent of such individuals, up from 21 per cent in 2008/09. This increase in risk by a third gives an indication of how much more common it has become to live on an income below what you need, although it is not a full count of how many people in the UK are below this level since not all household types are covered.

The analysis shows that the level and trend in numbers below MIS varies according to:

- **Age group:** households with members under 35 remain the most likely to be below MIS and are nearly four times as likely to be below this level as pensioners. At very low income (below half of MIS) there is a convergence in risk among working-age adults above and below 35.
- **Tenure:** tenants are far more likely to be below MIS than owner-occupiers, and in 2013/14 more than half of social tenants had incomes below this level. The largest growth in risk of low income was for social tenants who saw a 3.5 percentage point increase in risk between 2012/13 and 2013/14 compared with less than one percentage point for private renters. This increased risk coincided with the 2013 introduction of the under-occupancy charge (the so-called 'bedroom tax'), which has reduced help with rent for almost half a million low-income tenants, affecting around one in seven social tenants claiming Housing Benefit. There are similar proportions of private tenants and social tenants on very low incomes, below half of MIS.
- **Region:** London and Northern Ireland are the parts of the UK where households face the greatest risk of low income, with 29 per cent of households now below MIS. Households in the East Midlands and Wales have seen the fastest growth in the risk of low income over the latest three years, rising from around one in five to one in four households.

The majority of people living below MIS are in families with children, with over half of these being in couples with children and over a third in couples with one or two children. When looking at overall income distribution, including people above and below the MIS threshold, the greatest disparities are among single people without children who have relatively high chances of being both well above and well below MIS. While individuals in other household types have experienced a downward pressure on income between 2008/09 and 2013/14, pensioners have seen little significant change in the income distribution relative to MIS over this period.

As in the previous report, this report looks at how living standards have changed according to the employment status of the household. The risk of having an income below MIS is highest for those households without work, but the risk of falling short of a decent standard of living has



increased sharply for many people in working households. Consequently, of all the individuals living in households below MIS, the proportion living in households where all adults are in full-time employment increased from 11 per cent to 15 per cent, while the proportion without work fell from 44 per cent to 38 per cent between 2008/09 and 2013/14.

While employment rates have been improving, this has not stemmed the increase in the number of families with children with below minimum incomes:

- **Couples with children** were more likely to work full-time in 2013/14 than in 2008/09, and their employment rates were higher than before the recession. However, cuts in tax credits, lower real wages and rising costs mean that the risk of working families being below MIS increased. The risk more than doubled from 5 to 12 per cent for households with two full-time workers. Where only one adult was working the risk increased from 38 to 51 per cent.
- **Lone parents** were also more likely to be in full-time employment in 2013/14 compared with 2008/09, and there were more in part-time jobs and fewer out of work. However, as with couples, work has become a less sure route to adequate income; the risk of being below MIS has increased from 26 to 41 per cent for full time workers between 2008/09 and 2013/14.
- **Young single households** have witnessed recovering fortunes with a fall in youth unemployment. The risk of being out of work has fallen back to just above pre-recession levels, and the overall risk of being below MIS has fallen from 42 per cent in 2011/12 to 35 per cent in 2013/14, although still higher than 2008/9 when it was 29 per cent.

# 1 Introduction

Emerging out of a period of recession, the UK has seen signs of economic recovery in the last couple of years. In 2015 there was a return to real-terms pay growth, with signs of faster wage growth for lower earners (Gardiner, 2015) and the UK is currently enjoying its highest ever rates of employment. These positive signs are clearly to be welcomed, but the period under consideration here – 2008/09 to 2013/14 – was one in which real wages were growing only gradually. Average weekly earnings increased by around one per cent (compared with the previous year) in 2013 (ONS, 2015) while median equivalised household income in this year (2013/14) was the same as in 2012/13 (DWP, 2015).

There are signs that things may be improving for some people, but largely absent from the recent discussion of the upward trajectory of a number of key economic indicators is an analysis of what has been happening to living standards; a topic that was prominent throughout the 2015 general election campaign has now all but disappeared from mainstream public debate. Growth in pay and employment each have a potentially pivotal role to play in improving living standards across the board, but in order to demonstrate their effect it is important to keep track of what has been happening to living standards, both in terms of the overall direction of travel and in relation to the distribution of incomes relative to MIS. Charting the adequacy of incomes relative to the Minimum Income Standard is one key way in which this can be done, in particular through looking at how many people are living below a minimum acceptable standard of living.

The Minimum Income Standard (MIS – see Box 1) is a benchmark rooted in what the public considers this minimum to be. In each of the last three years, the trend in the number of households living below this standard and a long way below it – as well how many are substantially above it – has been examined in this annual appraisal (Padley, Valadez and Hirsch, 2015; Padley and Hirsch, 2014; Padley and Hirsch, 2013). This series has shown a continuous increase in the number of households below the minimum, and has tracked which households have struggled to make ends meet over this period.

The report this year brings the analysis up to 2013/14, the most recent year for which income data is available. Overall the latest data shows a levelling off of the risk of having an income below the MIS threshold between 2012/13 and 2013/14. Since 2008 there has been an increase each year in the risk of individuals in households for whom the Minimum Income Standard is currently calculated having incomes below that required for a minimum socially acceptable standard of living. However, while between 2008/09 and 2012/13 the average annual increase in risk for all individuals was 1.6 percentage points, between 2012/13 and 2013/14 the increase was 0.4 percentage points. Although overall the upward trend has slowed, for individuals in households with children, particularly couple parent families, the risk of having insufficient income continues to rise at a similar rate to the average over preceding years.

The figures are broken down by age, region and housing tenure. They are also broken down by employment status of the adults in each household (other than pensioner households). As in the last report in this series, this makes it possible to analyse the extent to which changes in the numbers below MIS have been affected on the one hand by changes in the number of households without work, or without full-time work, during the period under review, and to what extent they are the result of changes in risks within employment status categories. It is clear from this analysis that it is working households with children who fared the worst between 2012/13 and 2013/14.

### **Box 1: The Minimum Income Standard**

The Minimum Income Standard (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 MIS research is funded by the Joseph Rowntree Foundation 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' (based on what the public think) methods. 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 applies to 'nuclear' families and to childless adults: that is, households that comprise a single adult or a couple, with or without dependent children.

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

Further information and publications available at: [www.minimumincomestandard.org](http://www.minimumincomestandard.org)

## **Methodology**

The report uses detailed survey information on the living conditions of people in the UK and the resources available to them, such as household incomes. It compares this with what the public thinks is required for an acceptable standard of living in the UK today, according to the Minimum Income Standard (MIS) research. The analysis offers insight into how many people are below the minimum, how far they are below the minimum and who they are.

What is presented here is based on a detailed analysis of the Family Resources Survey (FRS) from 2008/09 to 2013/14 (Department for Work and Pensions, National Centre for Social Research and Office for National Statistics, 2015), and comparison with MIS requirements for this period. The comparisons made here are based on the income required to achieve an acceptable standard of living for different households in relation to their composition (for example whether they are single person or couple households, and whether or not they have children). The calculations both of requirements and actual incomes are made net of both housing and childcare costs, in order to consider whether net disposable income after paying for these items meets the minimum standard.

The households covered by MIS and reported here are those comprising either a single adult or couple, of working age or of pension age, plus up to four dependent children for couples or three for lone parents. Other household compositions, including those with more than one adult other than a couple – such as where individuals are living in houses of multiple occupation – are not included in this analysis. The calculations presented here cover nearly two-thirds of the UK population – 42 million individuals living in 20 million households (see Box 2). As they do not

cover the whole population, the figures presented here cannot be used to make an accurate estimate of the total number of people with inadequate income in the UK or be compared to current poverty measures. Instead, the purpose here is to monitor the situation for particular groups.

MIS divides children into four age bands, each with different needs. This allows the calculation of income benchmarks for multiple household types (for example, a couple with two children of pre-school age and two children of primary school age), and gives a total of 107 different household types. The calculations here are based on the minimum budget requirements for each of these household types in April 2008, 2009, 2010, 2011, 2012 and 2013, excluding housing or childcare costs. These income requirements are compared with the equivalent actual net income for all FRS households coded according to which of the 107 types they fit into. This comparison allows for the construction of a new dataset calculating the percentage of the MIS requirement provided by actual net incomes. This dataset is then weighted using the FRS grossing factors to ensure that it is representative of the two-thirds of the UK household population used in the analysis here. Note that unlike the after housing costs (AHC) income measure used in the Households Below Average Income (HBAI) statistics, the income measure here subtracts childcare costs, which are also excluded from the minimum income threshold. Therefore the comparison is between people's disposable income after paying for housing and childcare, and minimum budget requirements excluding these items. The analysis is conducted in this way because of the significant variability in the costs of these two items.

## Box 2: Interpreting the data for the households whose needs MIS can describe

The Minimum Income Standard describes the needs of most households in the UK, but because of the large variations in the ways individuals combine into households, cannot produce budgets for all possibilities. MIS does not cover about one in five households containing about one in three individuals – mainly “multi-unit” households in which people live with someone other than their partner, parent or dependent child.

A first implication of this incomplete picture is that this report does not try to estimate how many people, in total, are living below MIS in the UK. It concentrates on looking at the risk of being below MIS among households of given types. It also considers the trend over time in the total risk of living below MIS for all people living in MIS-type households.

Even in considering these findings, however, some caution needs to be expressed, because they could potentially reflect changes in the composition of the population by household type. For example if fewer children were born to lone parents but more lone parents’ children became young adults still living in the household (a type not measured by MIS), there would be a fall both in the absolute numbers living below MIS and in the overall risk of living below MIS (due to a population reduction in lone parents with dependent children, a high-risk group).

**Table 1** shows the change in the population by MIS household category over the five year period covered by this report. It shows that overall, the numbers in MIS households have risen the same rate as the overall population. However, there has been a sharp fall in the number of young single adults forming their own households, a smaller fall in the population of lone parent families and higher than average increases in the number of couple families and pensioners.

Table 1: Changes in population in household categories measured by MIS

	Thousands of individuals	2008/09	2013/14	Change	
	Single working age	3915	3798	-3.0%	
	Of which under 35	1076	889	-17.3%	
	Over 35	2839	2908	+2.4%	
	Couple no children	8299	8222	-0.9%	
	Lone parent family	3311	3215	-2.9%	
	Couples with children	16036	17071	+6.5%	
	Pensioners	8896	9687	+8.9%	
	All in MIS households	40456	41993	+3.8%	
	Total population	60700	63000	+3.8%	

The most important of these variations is for young singles, a relatively high risk group, for whom the issue of household formation is particularly likely to be fluid. A single young adult may live on their own, share with their peers or live with their parents. Only the first of these is measured in MIS. If as seems likely the fall in single households is related to housing affordability, this compositional change could affect not just the total number of young singles below MIS but also the risk. If the young singles not forming households have lower than average income, the low-income risk among those who do still form households may fall, even though nobody gets better off. Thus changes in the risk reported for young singles must be interpreted with caution. On the other hand, the effect of this trend on the overall risk of being below MIS will not be great, since the reduction of 186,000 in the numbers in young single households represents less than half a per cent of the overall population covered by MIS.

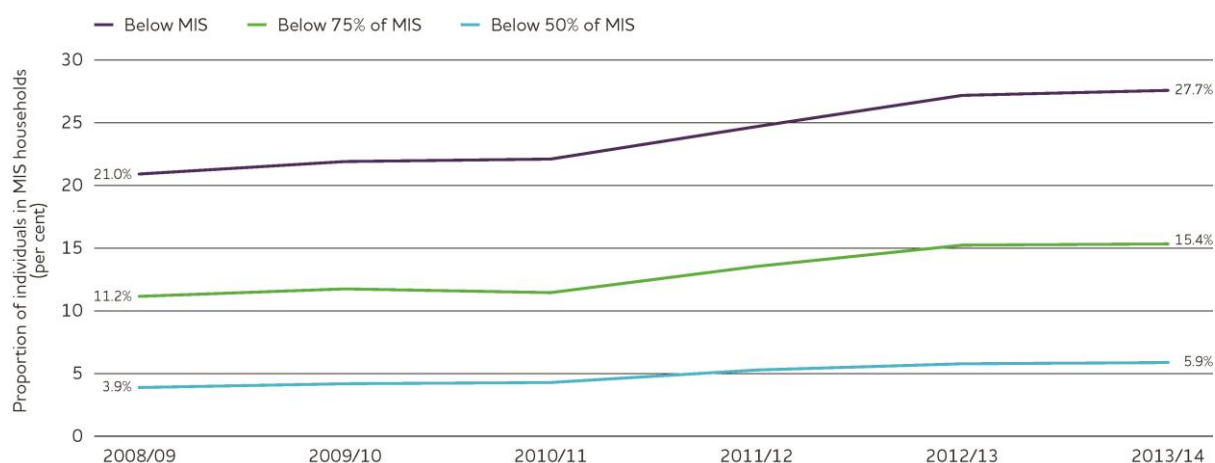
The other compositional changes noted above – the relative reduction in the population living in lone parent households and increase in pensioners and couples with children – are less likely to have important distorting effects. Not only are the variations somewhat smaller, but there is also less reason than with young singles for whom affordability affects household formation to think that a change in composition will greatly affect a group's income profile. The biggest single change in the population within MIS categories, other than young singles, is a sharp increase in the number of households comprising couple pensioners. The largest contributing factor to this is likely to be a fall in the proportion of couple pensioners living with older dependent children or young adults (who are excluded from the MIS count). Such a demographic change would not obviously affect the income profile of couple pensioners living on their own, in a particular direction.

## 2 Who is most likely to lack the income needed for an adequate standard of living? The risk of being below MIS

**The risk of being in a household without an adequate standard of living increased substantially between 2008/09 and 2012/13 but is largely unchanged in 2013/14**

People in households whose income requirements and adequacy can be measured through MIS account for about two-thirds of the UK population. **Figure 1** shows that of individuals living in these households more than a quarter have a household income that falls below MIS. Although the risk of having an income below MIS has increased by a third since 2008/09, between 2012/13 and 2013/14 there was very little change in the risk of having insufficient income. This pattern holds for the risk of being below MIS as well as having low or very low income (being below 75 per cent and 50 per cent of MIS respectively).

**Figure 1: The risk of an individual being below MIS has increased substantially between 2008/09 and 2013/14**



**Figure 1** gives a valuable overall picture of what is happening in relation to the risk of having an income below that needed for a minimum standard of living in the UK. However one-third of the population, including those living in shared accommodation and multi-benefit unit households, are not included in this analysis and individuals in these households may well have different risks from those covered by MIS. As in each of the previous reports, looking in more detail at what has happened to the risks faced by individuals in particular household types provides a more valuable means of assessing how living standards are faring in a period of public sector austerity and a tough economic climate; whose living standards are improving and which groups continue to face very challenging circumstances in terms of the adequacy of their incomes to provide what the public think is needed for a minimum acceptable standard of living?

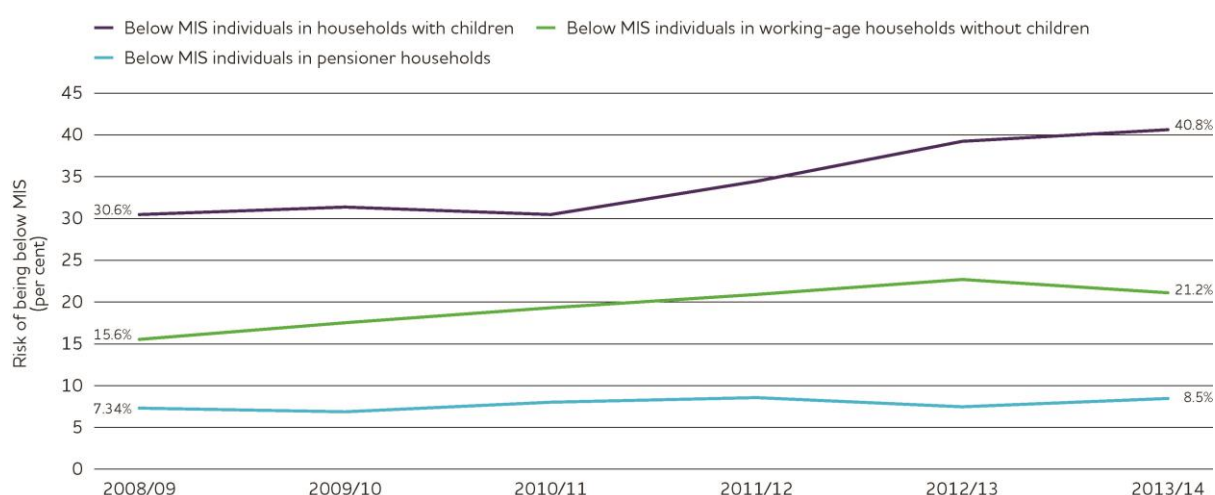
## Risk continues to vary substantially across different household types. The risk of inadequate income is still highest and continues to increase for families with children, while working-age individuals without children have seen a slight reduction in risk between 2012/13 and 2013/14

It is well established that household type is a key factor in determining the risk of having an inadequate income according to what the public thinks, and there continues to be distinct and significant differences between the risks faced by individuals in households with and without children.

Figure 2 indicates that individuals in households with children continue to have a greater risk of being below MIS than those in working-age households without children (41 per cent compared with 21 per cent in 2013/14). For those with children the risk of being below MIS continued to increase in 2013/14. The risk of being below MIS for those without children is showing signs of decreasing overall although this hides an increase for single people and a decrease for couples from a spike in 2012/13. Since 2010/11 individuals in working-age households without children have seen their risk of having an inadequate income increase by just less than one-tenth, while in the same period individuals in households with children have seen their risk of having inadequate income increase by a third. This continuing increase in risk since can be seen, at least in part, as resulting from the significant changes in tax credits for families with children, introduced by the Coalition government, which began to take effect from 2011 onwards. This was at a time when wages were stagnant and the cost of essentials was rising.

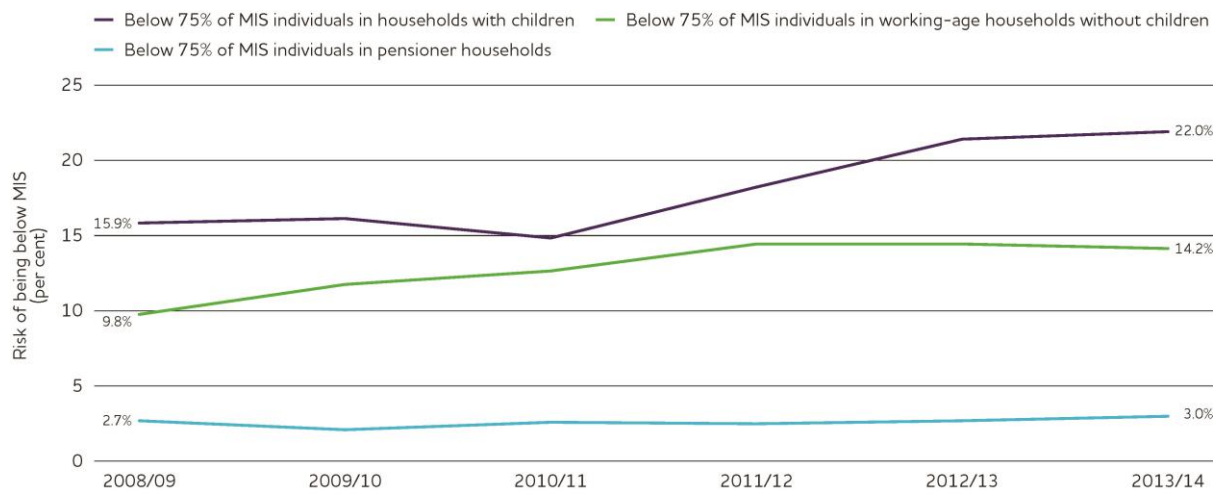
Pensioners continue to have a substantially lower risk of being below MIS than either of the other household types and this risk has remained reasonably static between 2008/09 and 2013/14. Where other household types, particularly those with children, are facing the consequences of a fall in the value of state support and a long period of falling real-terms wages, pensioners have been protected from these changes to the benefit system.

**Figure 2: The most significant increase in risk of being below MIS was for families with children for who this risk increased by a third between 2010/11 and 2013/14**





**Figure 3: The risk of being below three-quarters of MIS rose significantly between 2008/09 and 2013/14 for both working-age households with and without children...**



Individuals in households with children still have the greatest risk of having less than three-quarters of what they need for an adequate standard of living when compared with households without children (22 per cent compared with 14 per cent in 2013/14). However there was little change in the risk of being below three-quarters of MIS for any household type between 2012/13 and 2013/14. Individuals in households both with and without children also saw an increase in their risk of having an income below half of MIS since 2008/09.

**Figure 4:... and there was a similar pattern for the risk of being below half of MIS**

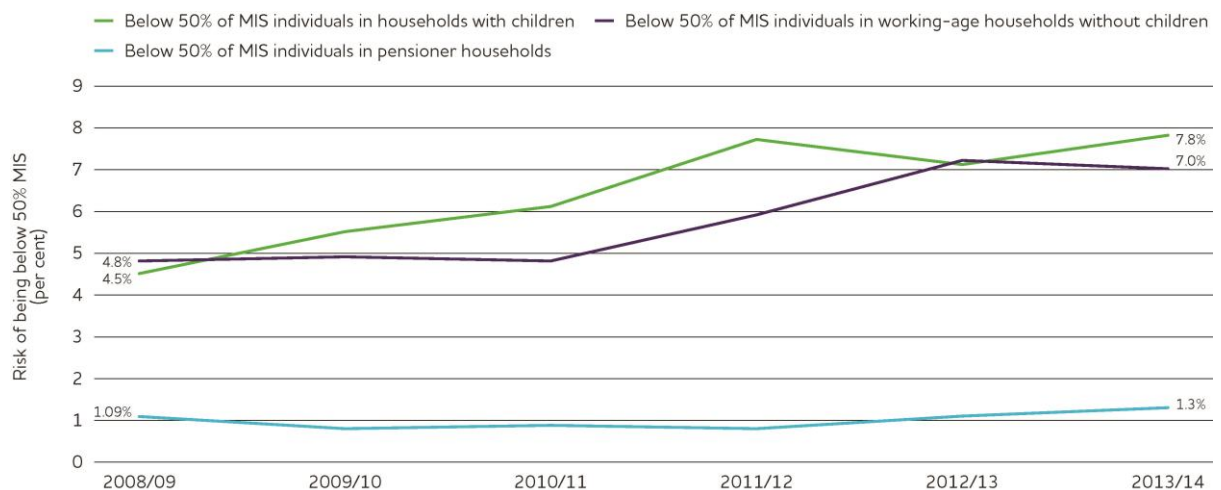


Table 2 shows in more detail how the risks for different groups have changed since 2008/09. All household types, except pensioner couples, have seen an increase in the risk of having insufficient income since 2008/09. For single working-age adults without children and individuals in households with children there has been a continuous increase in risk over this period. The greatest increase has been for individuals in couple parent households who have seen the risk of having inadequate incomes increase by just over 11 percentage points; for comparison, the risk for individuals in lone parent households has risen by just over seven percentage points over the same period.

Between 2008/09 and 2010/11 families with children had no overall increase in the risk of being below MIS – with the risk for lone parent families falling. Since this point there has been a more than ten percentage point increase in risk for individuals in both lone and couple parent households. These increases, which mean that households with children have seen their risk of being below MIS climb above 40 per cent for the first time in 2013/14, can be explained by the changes to benefits and tax credits for families, particularly benefit freezes and adjustments to the rate at which benefits are withdrawn for working households. This reduction in state support came at a time when wages were stagnant and the cost of essentials was rising.

**Table 2: Changes in percentage of individuals below MIS by household type**

	Single working-age	Couple working-age	Single pensioner	Couple pensioner	Lone parent	Couple parent
2008/09	28.6%	9.5%	10.4%	5.0%	65.1%	23.5%
2009/10	32.0%	10.3%	10.7%	4.2%	63.1%	25.1%
2010/11	34.0%	12.2%	11.9%	5.3%	60.4%	24.7%
2011/12	36.2%	13.3%	13.1%	5.4%	66.7%	28.5%
2012/13	36.6%	17.3%	12.9%	4.0%	71.1%	33.6%
2013/14	37.7%	13.7%	14.9%	4.3%	72.4%	34.8%
Percentage point change 2008/09 – 2013/14	9.1%	4.2%	4.5%	-0.7%	7.3%	11.3%

**Table 3: Changes in percentage of individuals below three-quarters and below half of MIS**

Below 75% MIS	Single working-age	Couple working-age	Single pensioner	Couple pensioner	Lone parent	Couple parent
2008/09	19.7%	5.0%	4.1%	1.7%	37.1%	11.5%
2009/10	22.7%	6.2%	3.9%	0.9%	35.7%	12.3%
2010/11	23.5%	7.3%	4.4%	1.2%	29.8%	11.9%
2011/12	27.3%	8.0%	4.5%	1.2%	40.0%	14.1%
2012/13	25.1%	10.3%	5.2%	1.0%	45.2%	17.3%
2013/14	27.5%	8.0%	6.5%	0.7%	42.1%	18.2%
Below 50% MIS						
2008/09	9.2%	2.3%	1.6%	0.7%	7.7%	4.3%
2009/10	11.3%	2.5%	1.7%	0.2%	7.8%	4.4%
2010/11	12.0%	3.2%	1.6%	0.4%	7.7%	4.2%
2011/12	16.0%	4.3%	1.5%	0.3%	9.8%	6.2%
2012/13	13.7%	4.5%	2.3%	0.4%	12.1%	6.3%
2013/14	15.7%	4.2%	3.0%	0.2%	9.6%	6.5%

The number of individuals in households below 75 per cent and below 50 per cent of MIS follows a broadly similar pattern to those below MIS. As Table 3 shows, individuals in most household types have faced a worsening situation since 2010/11, with substantial increases in the risk of being below three-quarters and below half of MIS for individuals in lone and couple parent households respectively. Lone parent households have, since 2008/09, been at the greatest risk of having incomes below 75 per cent of what the public says is needed for an acceptable standard of living and nearly one in ten individuals in these households has less than half of the income needed to reach MIS. Individuals in couple parent households have seen a steadily increasing risk as state protection from low income has been lessened through changes to the benefits and tax credit system and with real-terms falls in wages and rising cost of essentials over much of this period; nearly one in five individuals in couple parent households now have an income below three quarters of MIS. The greatest risk of very low income however – below half of MIS – is faced by single working-age adults; nearly one in six had incomes below this level in 2013/14.

### **Single working-age adults without children continue to face a higher risk of living below MIS than couples without children**

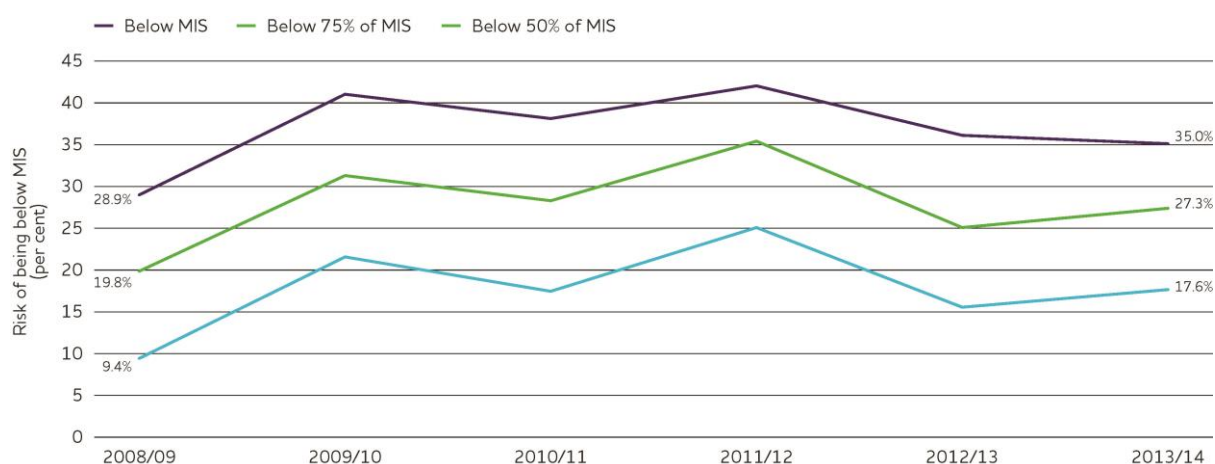
As in preceding years, in working-age households without children, the greatest risk of being below MIS is faced by single people (38 per cent) rather than couples (14 per cent). Single people continue to face a significantly greater, and increasing, risk of having a very low income, with more than a quarter (28 per cent) having less than three-quarters of what is needed for an acceptable standard of living and 16 per cent having less than half. As has been the case in each year since 2008/09, single people without children have the greatest risk of having a very low income of any of the groups looked at here, and this risk has grown steeply from one in eleven to nearly one in six.

## The risk of low income for young single people living on their own has fallen following a peak in 2011/12, but far fewer young single people are living alone

Young single people, defined here as single working-age adults under the age of 35 and living on their own, have seen their overall risk of having insufficient income fall slightly between 2012/13 and 2013/14, although the risk of being below MIS is still six percentage points above the 2008/09 level. Until 2012/13, young singles had a greater risk of not having enough income for an acceptable standard of living compared with single working-age adults over the age of 35: in 2011/12, for example, 42 per cent of young single people were below MIS compared with 34 per cent of single working-age adults over 35. In 2013/14, 35 per cent of young single people were below MIS compared with 39 per cent of single working-age adults over the age of 35. It is unlikely that this is a result of improving conditions for young people living on their own, but rather at least partly reflects a significant reduction – of around a quarter since 2009 – in the numbers of young single working-age adults living on their own. That is to say, single under-35s on low incomes are apparently becoming less likely to form separate households, meaning that those who do live on their own are slightly less likely to have low income.

Between 2012/13 and 2013/14 there has, on the other hand, been a modest increase for young single people in the risk of having a very low income (below 50 per cent MIS), following a significant fall over the previous year and this group is at most risk of having incomes below half of what is needed for an acceptable standard of living.

**Figure 5: The risk of having a very low income for young single people living alone increased between 2012/13 and 2013/14**



## All types of families with children became more likely to be living on low incomes between 2012/13 and 2013/14

As reported in previous years, for families with children the risk of having insufficient income varies significantly according to whether or not there are one or two parents in the household. Between 2008/09 and 2013/14, individuals living in lone parent households have consistently had the greatest risk of being in a household with an income insufficient for an acceptable standard of living; this risk has increased from 65 to 72 per cent over this period. Individuals in couple parent households have also seen an increase in the risk of having insufficient income since 2008/09, meaning that in 2013/14 35 per cent of individuals in couple parent households lacked the income needed for an acceptable standard of living.

Although there has been a slight fall in the risk of having an income below three-quarters of MIS for individuals in lone parent families between 2012/13 and 2013/14, the situation remains a dismal one with more than 40 per cent of individuals in these households living below this level in 2013/14. One in ten (9.6 per cent) individuals in lone parent households had an income below half of MIS in 2013/14. For couple parent households the risk of having an income below three-quarters of MIS increased between 2012/13 and 2013/14 as did the risk of having an income below half of MIS, and approaching one in five individuals in these households had an income below three-quarters of what is needed for an acceptable standard of living.

**Figure 6: Lone parents have a greater risk of being below MIS, but the risk has increased for all families with children**

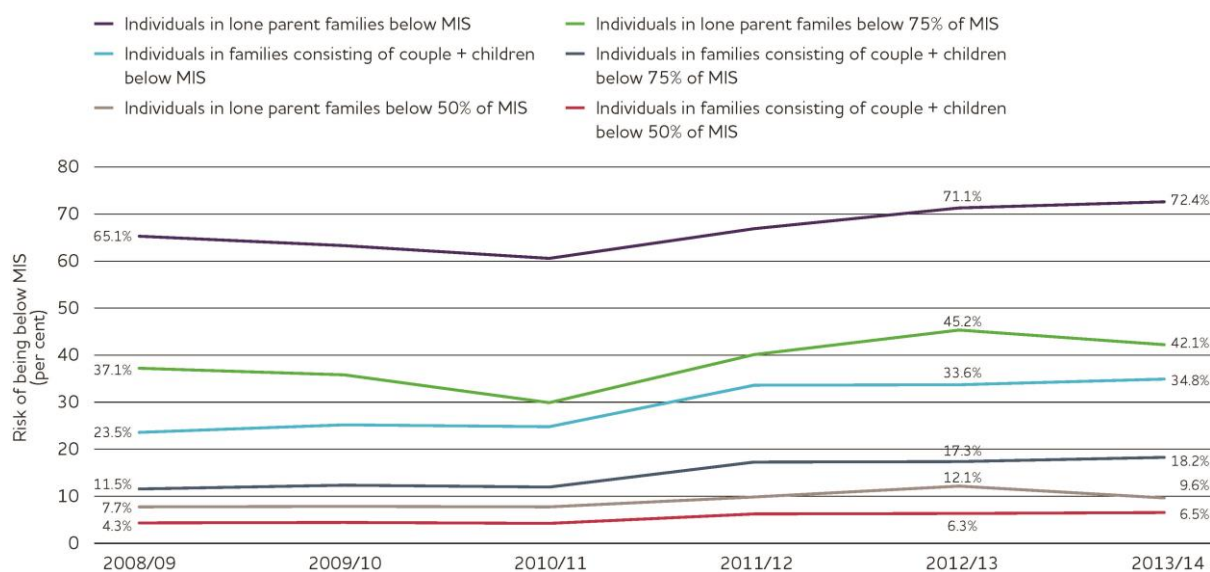


Figure 6 shows that the risks faced by couples with children increased each year since 2008/09, although individuals in these households face substantially lower risks than lone parent families. However, the number of individuals in couple parent households below MIS has increased by more than two million between 2008/09 and 2013/14, while in lone parent families it has increased by less than a tenth of this amount: 2.2 million and 172,000 respectively. The picture is similar for the increase in numbers below three-quarters of MIS: 1.25 million in couple families compared with 126,000 in lone parent families. These absolute numbers emphasise the extent to which growth in inadequate income has been concentrated among couples with children.

## Risks by household characteristics

The following comparisons look at the risk of a given household falling below MIS according to age, housing tenure and regional location of the household. This provides an indication of which factors are linked to households being on low incomes.

### As in preceding years the younger the household, the more likely it is to be living on a low income...

The risk of being below MIS according to age is related to the age of the household reference person. Table 4 shows that the risk of having an income that is below MIS is smallest for the over-65s and greatest for those under 35. The under-35s have seen the largest increase in their risk of being below MIS since 2008/09 – an increase of nine percentage points. Table 4 also shows that there was little change in the risk faced by the different age groups between 2012/13 and 2013/14.

The under-35s continue to have the greatest risk of having an income below three-quarters and below half of MIS. However there is a convergence at very low income of working-age adults above and below 35 which may reflect a shift in tenure mix from the social to the private rented sector where housing costs are greater.

**Table 4: The risk of having a low income is greater and has grown sharply for younger households**

	Year	Age 16–34	Age 35–64	Age 65+
Below MIS	2008/09	29.1%	21.0%	8.3%
	2009/10	31.3%	22.4%	8.0%
	2010/11	33.4%	22.6%	9.3%
	2011/12	35.8%	25.3%	9.8%
	2012/13	37.9%	28.5%	9.0%
	2013/14	38.1%	28.4%	10.4%
Below 75% of MIS	2008/09	16.4%	12.7%	3.2%
	2009/10	19.1%	13.5%	2.6%
	2010/11	19.4%	13.2%	3.1%
	2011/12	23.8%	15.2%	3.0%
	2012/13	23.2%	17.1%	3.4%
	2013/14	23.1%	17.5%	4.1%
Below 50% of MIS	2008/09	5.7%	5.1%	1.3%
	2009/10	7.7%	5.2%	1.0%
	2010/11	8.2%	5.4%	1.1%
	2011/12	10.7%	6.6%	1.0%
	2012/13	9.1%	7.6%	1.5%
	2013/14	9.3%	8.1%	1.8%

### ... and the risk of having low income continues to be greatest in the rental sector

It is clear from the previous reports in this series that the risk of having low income changes according to tenure type and the data from 2013/14 confirms this. Households in the rental sector continue to have a far greater and generally increasing risk of having incomes below that needed to reach an adequate standard of living compared with those who own their home. In 2013/14, for the first time, more than half of those in the social rented sector have incomes below the level of MIS, an increase of three and a half percentage points between 2012/13 and 2013/14, which is an additional 120,000 people. Nearly a third of social tenants have an income below three-quarters of what is needed for an acceptable standard of living, an increase of just over two percentage points. At the same time, the risk faced by private tenants of being below MIS and below three-quarters of MIS has remained relatively static. The introduction of the under-occupancy charge (the so-called 'bedroom tax') in April 2013 may go some way towards explaining the more significant increase in risk faced by social tenants relative to private tenants between 2012/13 and 2013/14. This measure led to a reduction in support with housing costs for almost half a million (around one in seven) social tenants by an average of £15 a week. This represents 12 per cent of a minimum weekly budget for a single person, and 4 per cent of that of a couple with two children.

**Table 5: Social tenants are most likely to have incomes below MIS**

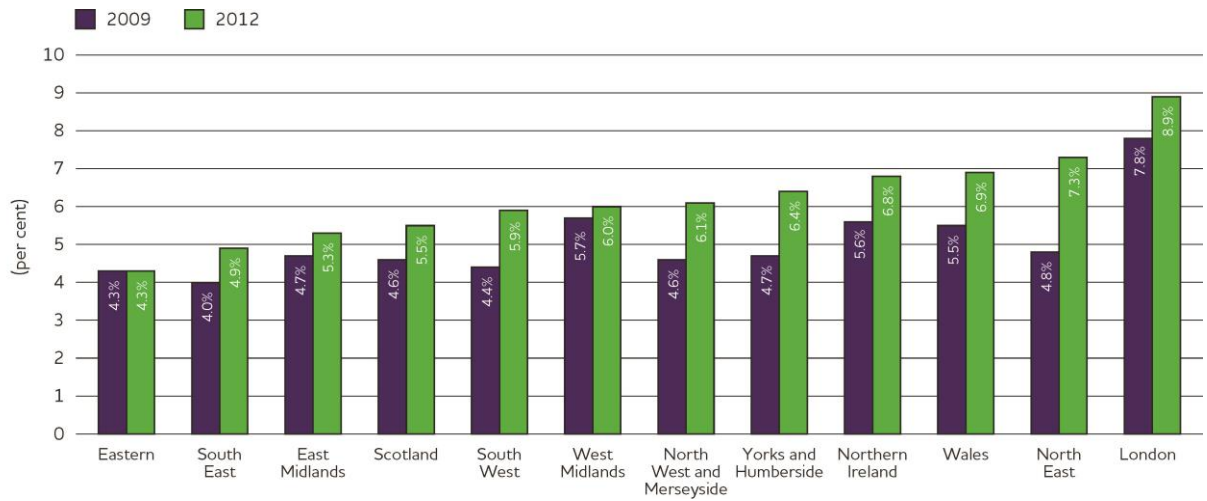
	Year	Social	Private rented	Mortgage	Owned outright
		rented			
Below MIS	2008/09	42.6%	36.4%	9.4%	9.5%
	2009/10	43.5%	37.7%	11.3%	8.4%
	2010/11	44.1%	39.8%	10.3%	9.8%
	2011/12	47.8%	41.7%	12.0%	10.8%
	2012/13	48.9%	43.7%	12.9%	10.5%
	2013/14	52.4%	44.3%	12.6%	10.6%
Below 75% of MIS	2008/09	25.7%	22.3%	4.7%	4.2%
	2009/10	26.0%	24.3%	5.6%	3.6%
	2010/11	25.9%	24.2%	5.1%	4.0%
	2011/12	30.3%	27.9%	6.0%	4.2%
	2012/13	30.6%	27.2%	6.2%	4.9%
	2013/14	32.7%	27.8%	6.3%	5.0%
Below 50% of MIS	2008/09	7.7%	9.0%	2.4%	2.0%
	2009/10	8.8%	10.0%	2.4%	1.7%
	2010/11	9.6%	10.7%	2.1%	1.7%
	2011/12	11.7%	13.1%	2.9%	1.8%
	2012/13	12.5%	10.8%	2.8%	2.5%
	2013/14	13.4%	13.1%	2.6%	2.4%

## Households in Northern Ireland and London have the highest risk of low income but the risk has increased most in the East Midlands and Wales

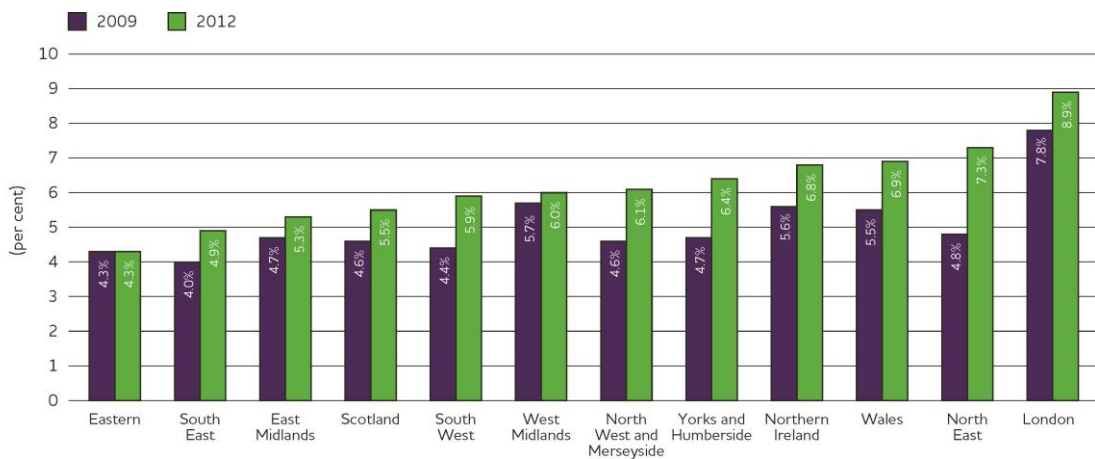
Figures 7 and 8 show rolling three-year averages of the proportion of households below MIS and below half of MIS in UK regions. It is clear that the risk of being below MIS varies considerably by region. Just under one in five MIS households in the Eastern region in 2012 has an income below the threshold. By contrast, in seven regions more than a quarter of households has an income below MIS, with 29 per cent of households in London having an income below this level.<sup>2</sup> Figure 7 shows that all regions in the UK have seen an increase in the risk of being below MIS between 2009 and 2012, but that risk is not evenly distributed across the regions – some have fared far worse than others. The East Midlands, the North East and Wales have seen increases of around five percentage points in the proportion of households with incomes below that needed for an acceptable standard of living since 2009, while the Eastern region has seen an increase of around one and a half percentage points.

Figure 8 shows that the proportion of very low-income households, with incomes below 50 per cent of MIS, has also increased in all except one region – the Eastern region – since 2009. London continues to be the region in which households face the greatest risk of falling below half of MIS, while households in the Eastern region are least likely to have incomes below half of MIS. The North East region in particular has suffered badly over this period: it has seen a sharp rise in the proportion of households with incomes below MIS and the greatest increase in the proportion of households with very low incomes. By comparison, the South East/East regions have experienced the smallest changes in the proportion of households with inadequate incomes.

**Figure 7: The risk of having a low income is greatest in London, but has increased most in the East Midlands (rolling three year averages)**



**Figure 8: The risk of having a very low income is greatest in London, but the North East region has seen the largest increase (three year averages)**





### 3 The composition of numbers below MIS

This section of the report looks at how many individuals and households are below MIS in different groups. While some groups have a relatively small risk of being below MIS, it is conceivable that they may make up a substantial proportion of those who have inadequate incomes if their numbers overall are large as a proportion of the total population.

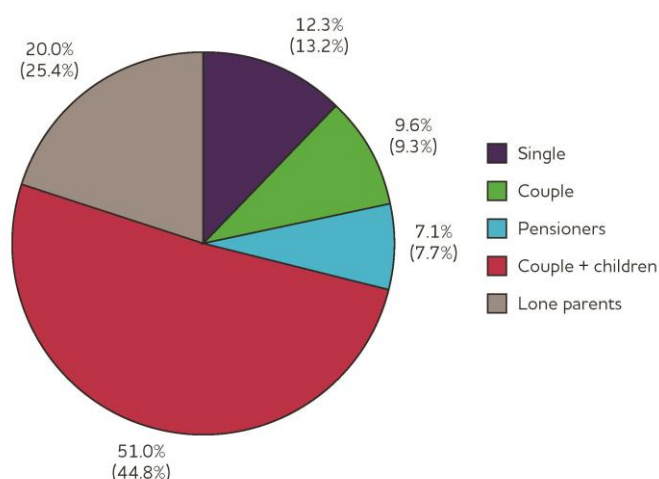
#### For the first time in this series, more than half of individuals with household incomes below MIS are in couple parent families...

Figures 9 and 10 show how individuals in households below MIS are distributed across different groups. Since 2008/09, the largest group has consistently comprised individuals living in couple households with children, and in 2013/14 for the first time accounted for over half of all individuals below MIS. Households made up of couples with children therefore not only account for a significant and growing proportion of the *numbers* with an insufficient income to provide an acceptable standard of living, but also have a higher than average – and increasing – risk of being below MIS.

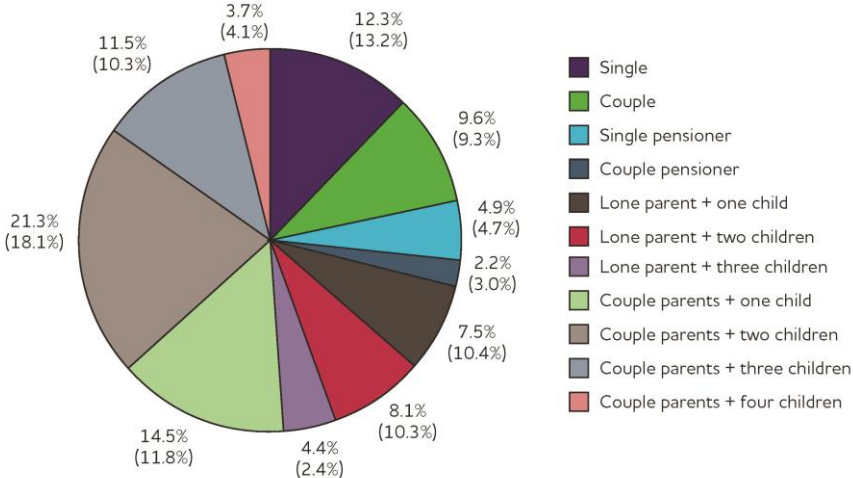
As in preceding years, the next largest group comprises individuals living in lone parent households, a group which also has a very high risk of being below MIS, although this group has been falling as a proportion of the total since 2008/09. Individuals in one parent families accounted for one-fifth of the total in 2013/14 while in 2008/09 they accounted for just over a quarter. In combination with couple households with children, lone parent households make up more than 70 per cent of all people below MIS.

Outside of the changes in the proportion of lone and couple parent households below MIS, the overall composition of the numbers below MIS has not changed significantly between 2008/09 and 2013/14.

**Figure 9: Below MIS 2013/14 (2008/09): couples with children have had the greatest numbers below MIS since 2008/09 and their share is growing**



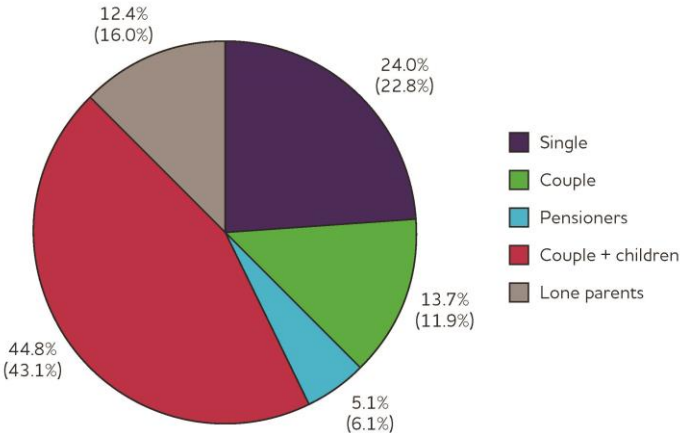
**Figure 10: Below MIS 2013/14 (2008/09): the more detailed breakdown reveals that couples with one or two children are the two most common groups**



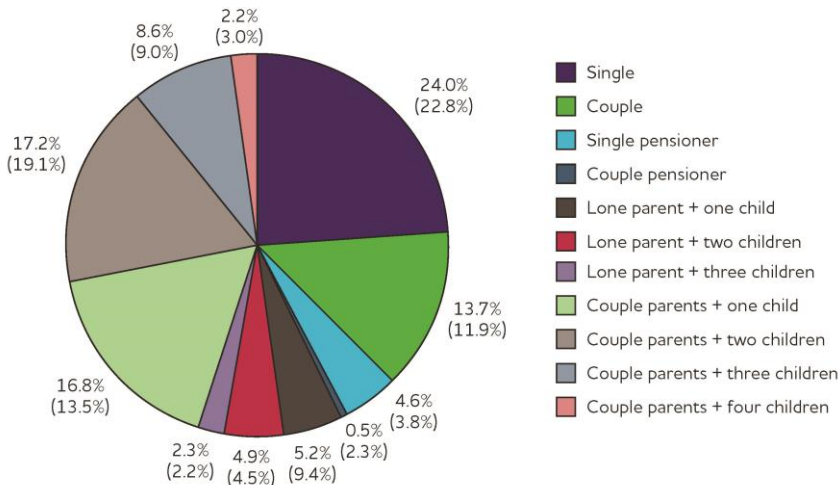
**... but the greatest growth in very low income has been among those without children**

The share of households with children with income below half of MIS is smaller than for all those below MIS – 57 rather than 71 per cent – and this proportion has fallen since 2008/9. However, 45 per cent of individuals in households with below half MIS are now in couples with children, slightly more than in 2008/9. In contrast, those living in lone parent households, account for 12 per cent of the total, a proportion that is at its lowest over the five year period and has fallen each year. The proportions of very low-income households who are singles and who are couples without children have both risen.

**Figure 11: Below 50 per cent of MIS in 2013/14 (2008/09): working-age individuals in couples make up a growing proportion of this group, while those in households with children still account for the largest share**



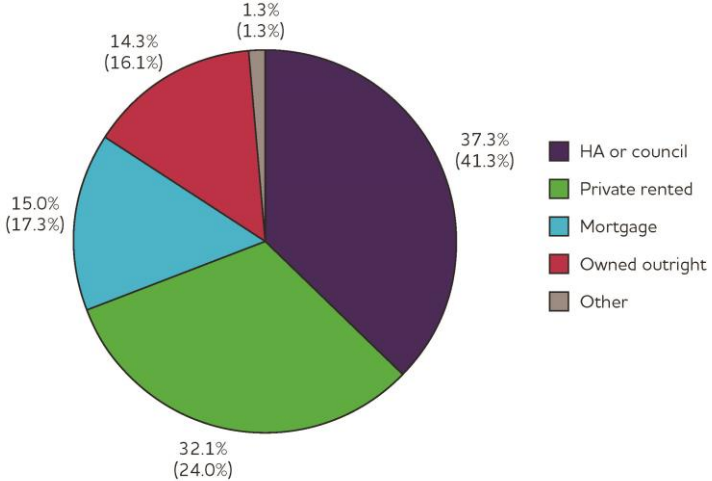
**Figure 12: Below 50 per cent of MIS 2013/14 (2008/09): the more detailed breakdown shows that single working-age adults and couples households with two children are the groups with the most individuals living on very low incomes**



**Households in the private rented sector continue to account for an increasing proportion of households living on low incomes ...**

A growing proportion of households below MIS are found within the private rented sector, but as in previous years the largest proportion of individuals below MIS are in the social rented sector. The proportion of households below MIS in the private rental sector has increased year-on-year from 24 per cent in 2008/09 to 32 per cent in 2013/14, while the proportion of households below MIS that are in the social rented sector has fallen from 41 per cent (2008/09) to 37 per cent (2013/14), where it has been since 2010/11.

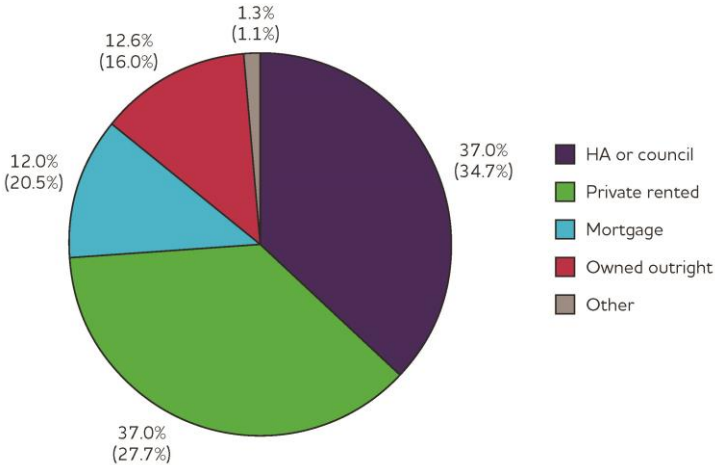
**Figure 13: Below MIS 2013/14 (2008/09): just less than a third of households on low incomes are in the private rented sector**



**... while nearly three-quarters of all households with a very low income are in rented housing**

When looking at the composition of those with less than half of the income needed for an adequate standard of living, households in the private and social rented sectors each account for 37 per cent. Over the five-year period looked at here, there has been a ten percentage point increase in the proportion of households below half of MIS who are in the private rented sector.

**Figure 14: Below 50 per cent of MIS 2013/14 (2008/09): equal proportions of households in the private and social rented sector have half of the income they need**



## 4 Who exceeds and who falls short of what is required for an adequate income and by how much? The profile of numbers above and below MIS

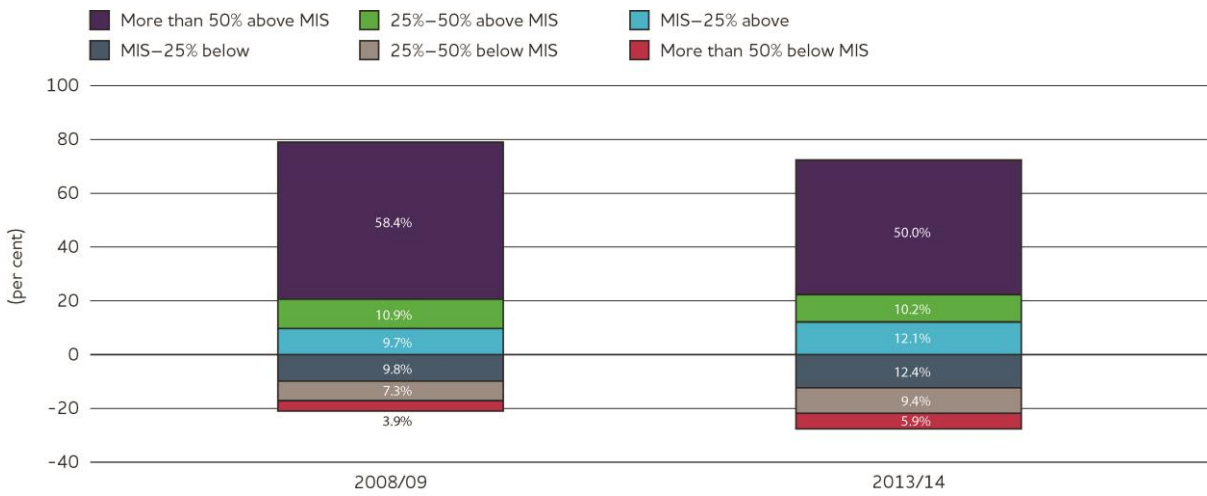
This part of the report looks at the income profiles of various groups in relation to MIS, showing the proportion whose incomes are in various bands above and below MIS, expressed as a percentage of MIS. What this analysis shows is how the overall distribution of income has changed between 2008/09 and 2013/14.

It may be expected that in a context of austerity, the public view of what is needed in order to have a minimum socially acceptable standard of living would shift accordingly. However, public views about what is needed in order to reach this acceptable standard of living have remained relatively stable (Davis *et al.*, 2014), although the inclusion of a car for families with children in 2012 did make a difference, particularly for smaller families. While there were changes in MIS requirements in 2012, the sharp increase in the risk of being below MIS for individuals in households with children began in 2010/11 and continued at a similar rate until 2013. The changes outlined here, therefore, can principally be seen as resulting from changes in the resources available to individuals rather than changes in views about what constitutes a minimum socially acceptable standard of living.

### **The number of individuals living below MIS has increased and the proportion well above MIS is also shrinking**

Figure 15 shows the distribution of all individuals in households that are currently covered by MIS. As in previous years, the majority of individuals (72 per cent) continue to have enough income to afford what the public thinks is needed for an acceptable standard of living. However, the downward pressure evident across the series of reports also continues: since 2008/09 there has been a downward pressure on incomes relative to MIS. This report has already shown that a growing proportion of individuals have incomes below MIS, but it is clear that there have also been some significant changes in the profile of those with incomes above MIS. The overall proportion of people with at least MIS has fallen by seven percentage points between 2008/09 and 2013/14 (from 79 to 72 per cent) and the proportion who have an income at least 50 per cent above the MIS threshold – those that could reasonably be considered to be ‘comfortably’ above the minimum – has fallen by eight percentage points (from 58 to 50 per cent).

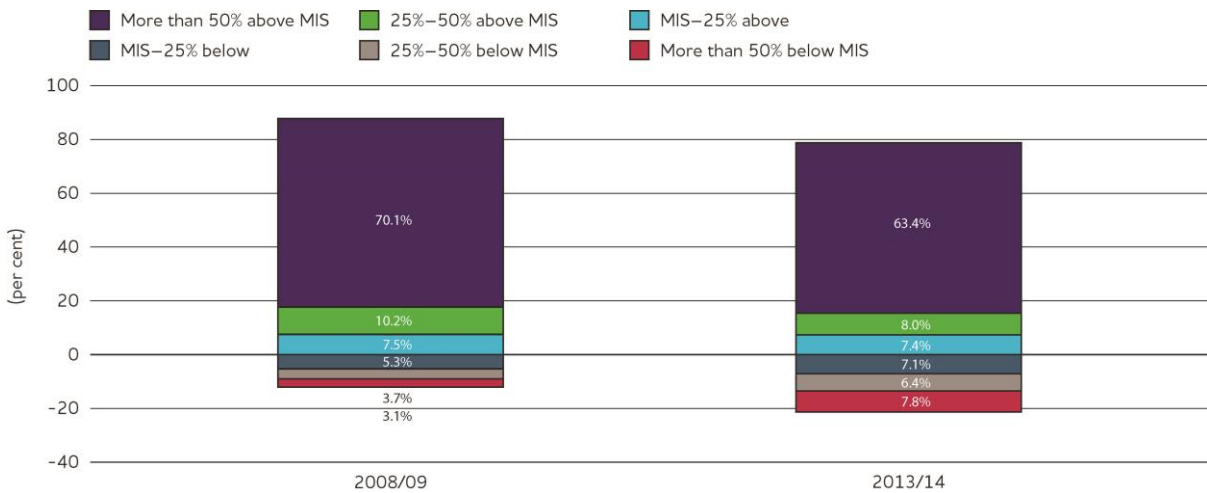
**Figure 15: The profile of individuals relative to MIS; most people remain well above the threshold, but this proportion is falling**



**A substantial proportion of working-age adults without children continue to have incomes at least 50 per cent above the MIS threshold**

Looked at as a group, the position of individuals in working-age households without children relative to MIS has seen downward pressure between 2008/09 and 2013/14. It is notable from Figure 16 that the number of individuals with incomes of at least 50 per cent above MIS decreased by just less than seven percentage points between 2008/09 and 2013/14. However, between 2012/13 and 2013/14 there was a small increase in the proportion of individuals with incomes at this level, from 60 per cent to 63 per cent. People above MIS and without children have least dependence on state benefits, so are best positioned to start becoming better off as a result of wages growth. On the other hand, the proportion on very low incomes, who are more likely to rely on benefits, has continued to grow.

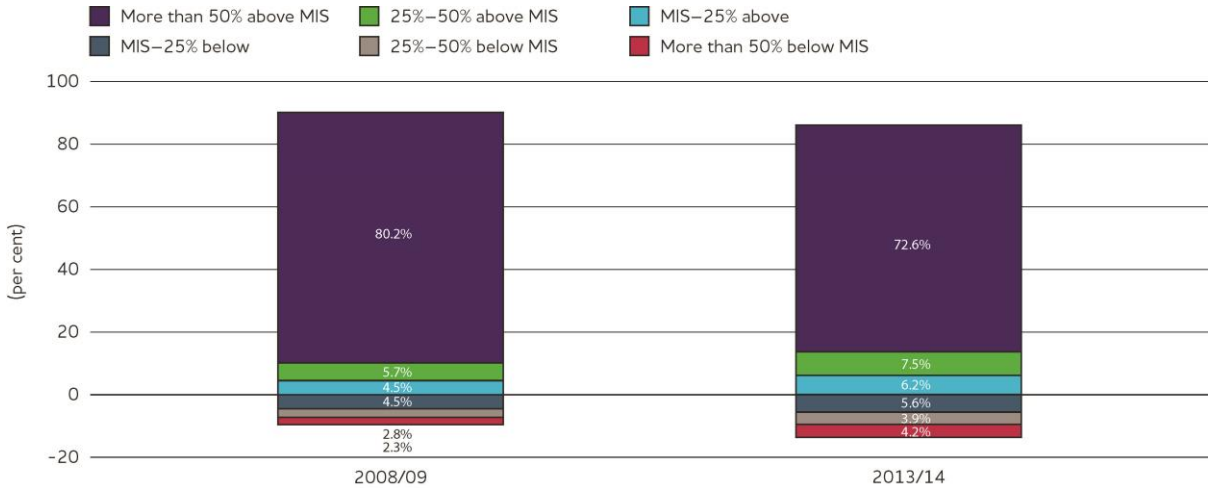
**Figure 16: The number of working-age adults without children who are well above the MIS threshold has fallen**



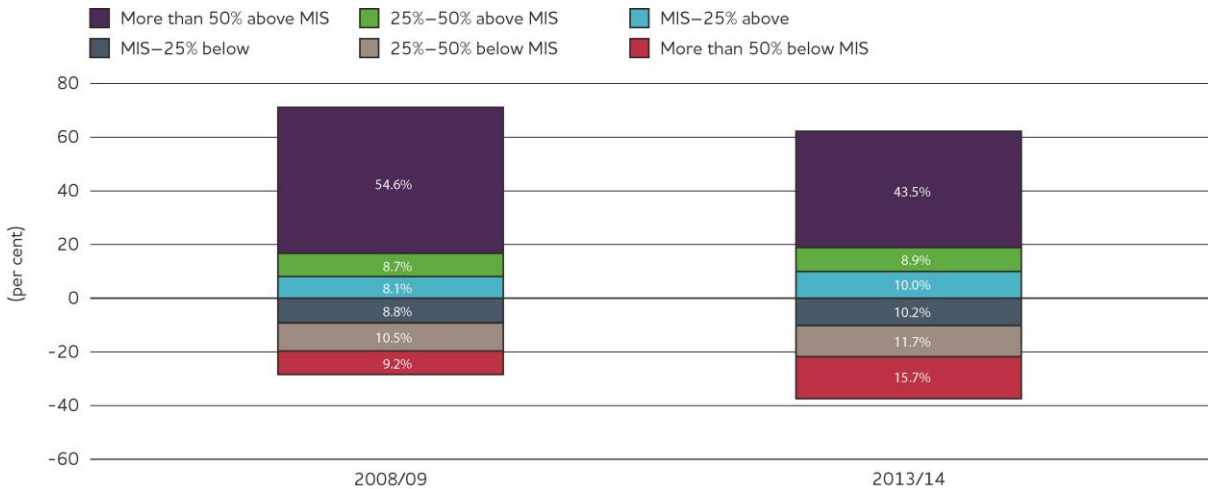
It is possible to look at working-age individuals without children as individuals in single and couple households (Figures 17 and 18). When this is done, some clear differences in distribution relative to MIS emerge. In general, couples are more likely to be well above the MIS threshold. Well over two-thirds of couples, but well under half of single people, have an income that is at least 50 per cent above MIS. The proportion of individuals with incomes at least 50 per cent above MIS in each group has fallen since 2008/09, although for couples between 2012/13 and 2013/14 there are signs of a reversal, with a six

percentage point increase in this period. There has been a significant increase in the number of couples without children falling below the MIS threshold but this increase has been far greater for single working-age individuals – between 2008/09 the proportion of people falling below the MIS threshold increased by just under a third from 29 to 37 per cent.

**Figure 17: Well over two-thirds of couples without children remain substantially above the MIS benchmark**



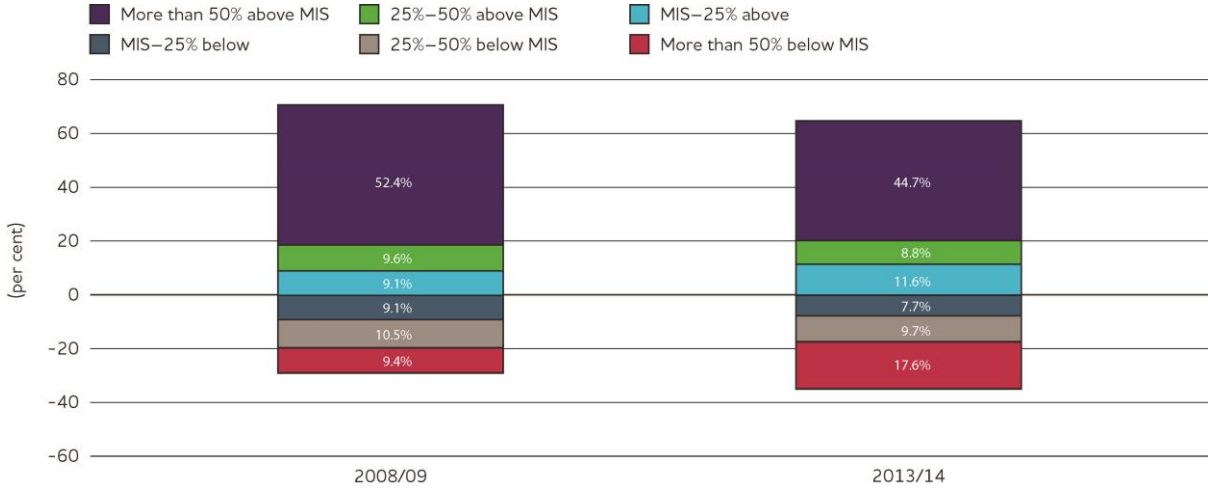
**Figure 18: Fewer than half of single people have an income that is at least 50 per cent above the MIS level**



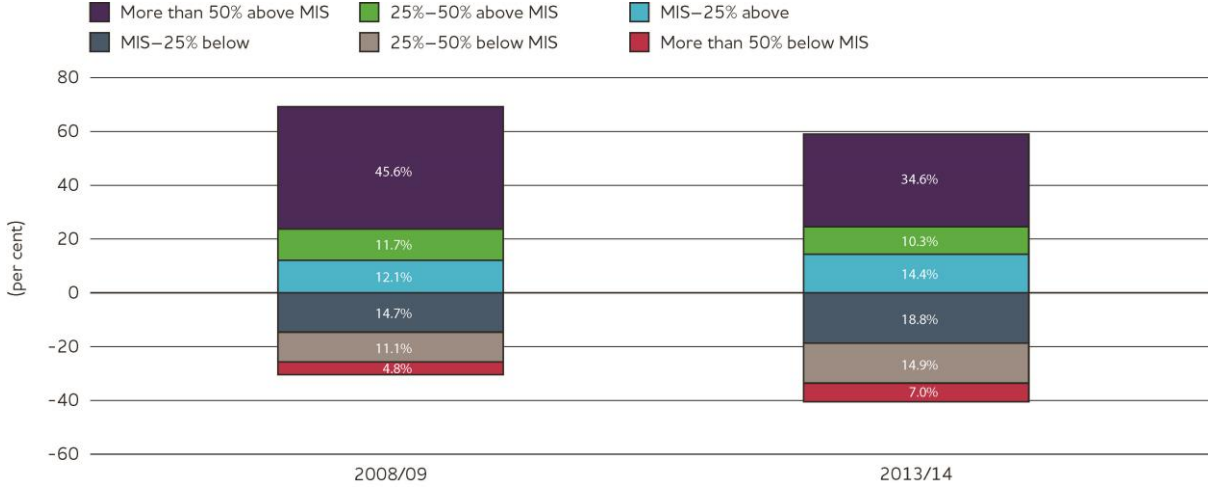
Single working-age individuals, as in previous years, are a differentiated group in terms of income distribution. In comparison to the overall distribution, a greater proportion of single people living on their own are below half of MIS (16 per cent compared with six per cent for all individuals). Simultaneously, the proportion of single working-age individuals with incomes at least 50 per cent above MIS is not that different to the overall average (44 per cent compared with 50 per cent).

Breaking down working-age adults without children even further, we can look at what has happened to young single individuals (under 35) living alone. Between 2008/09 and 2013/14 the proportion of this group with very low incomes – more than 50 per cent below the MIS threshold – has nearly doubled from nine per cent (2008/09) to just under 18 per cent (2013/14).

**Figure 19: More than a quarter of young single people living on their own have incomes more than 25 per cent below the MIS threshold**



**Figure 20: All families with children have seen a significant downward shift since 2008/09, with much of this change coming since 2011/12**



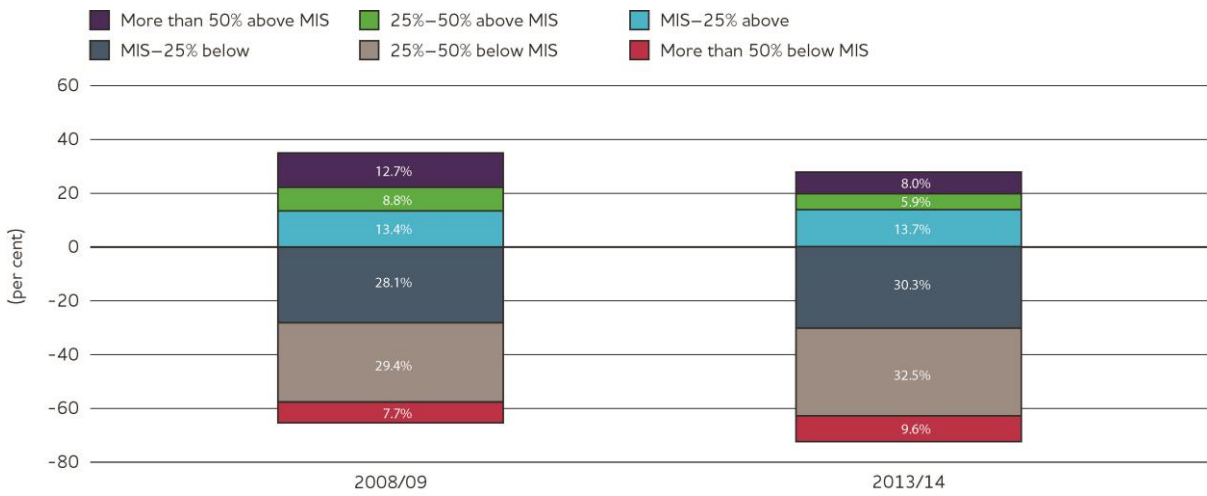
**For couple parents, the proportion with an income below MIS has increased particularly fast**

It is clear that lone parent and couple parent households have had different experiences in terms of what has happened to their income profile since 2008/09. Both lone and couple parent families have experienced downwards pressure, but couples have seen a far greater increase in the numbers with incomes below MIS. Between 2008/09 and 2013/14 the proportion of individuals in couple households with children below MIS has increased by just under a half; for lone parents the increase over this period was around ten per cent.

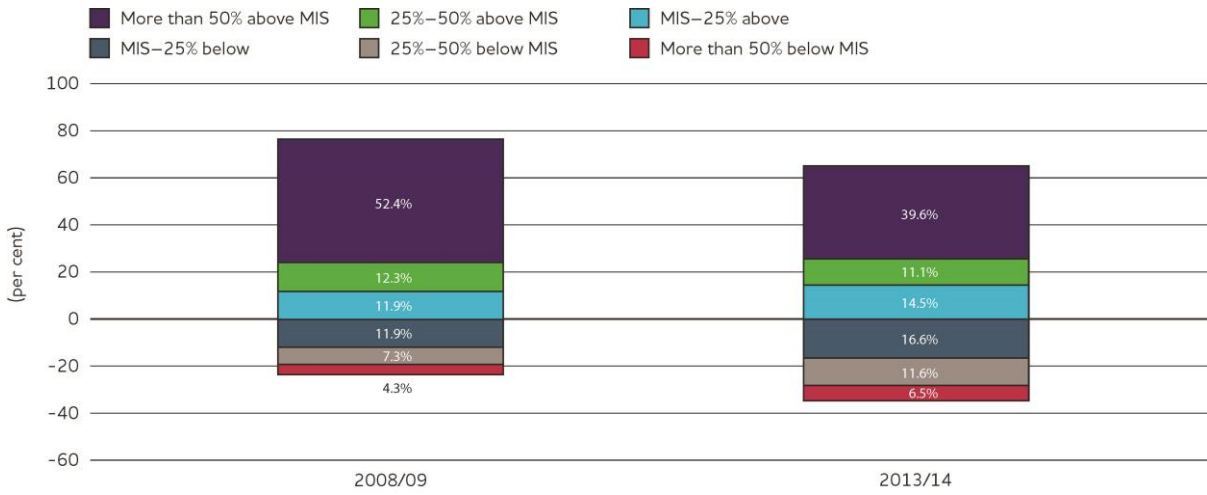
Couple households with children have experienced a particularly sharp change in the risk of being below MIS, increasing from 24 to 35 per cent over this five-year period. For lone parents the increase was proportionately much lower – from 65 to 72 per cent. However, this means that individuals in lone parent households in 2013/14 were still more than twice as likely to be below MIS than those in couples with children. Moreover, while around half individuals in couple parent households are at least 25 per cent above MIS, only 14 per cent of lone parent families are in this situation.



**Figure 21: More than 85 per cent of individuals in lone parent households now have an income below or just above the MIS threshold**



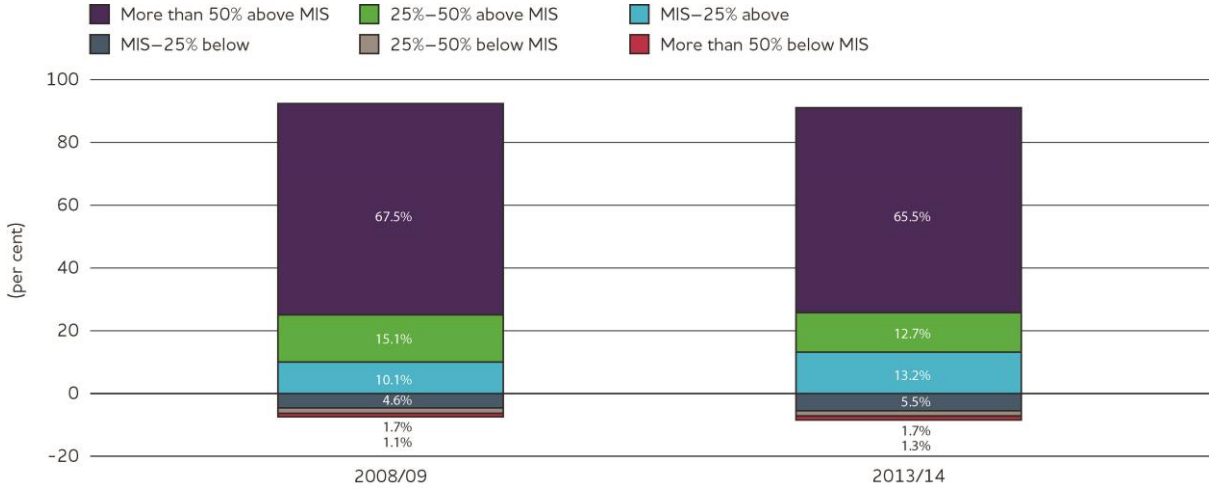
**Figure 22: Couples with children have experienced a substantial increase in the proportion below the MIS threshold**



**Pensioners are the least likely to have an income below MIS and most have incomes well above this threshold**

As in all previous reports, pensioners remain the group least likely to have incomes below the MIS threshold, with 92 per cent having incomes above this level in 2013/14. Further, while in general other groups have experienced a downward pressure on income between 2008/09 and 2013/14, there has been little significant change in the distribution of pensioners relative to MIS over this period. It remains the case that the incomes of pensioners have been well protected over this period while all other households types have experienced worsening circumstances.

**Figure 23: More than three-quarters of pensioners have an income at least 25 per cent above the MIS threshold**



# 5 Employment status and low income

This section looks at how the risk of falling below MIS varies according to employment status (full-time employment, part-time employment, self-employment, and out of work <sup>2</sup>), and at the numbers with insufficient income in each of these categories. This allows for a broad analysis of composition and incidence effects – the extent to which not having the income needed to reach a socially acceptable standard of living is associated with changes in employment status or with increases in low income linked to a given employment status respectively. However, the analysis here does not provide a full account of the role of the interaction between employment and wage effects as an increase in risk of having an income below MIS for part-time workers, for example, may result from either a reduction in average hours worked or lower wages for someone with unchanged hours.

The analysis looks at the working-age population living in MIS households in five groups, identified by their different employment patterns: single working-age adults under 35 years old, single working-age adults over 35 years old, couples without children, lone parents, and couples with children.

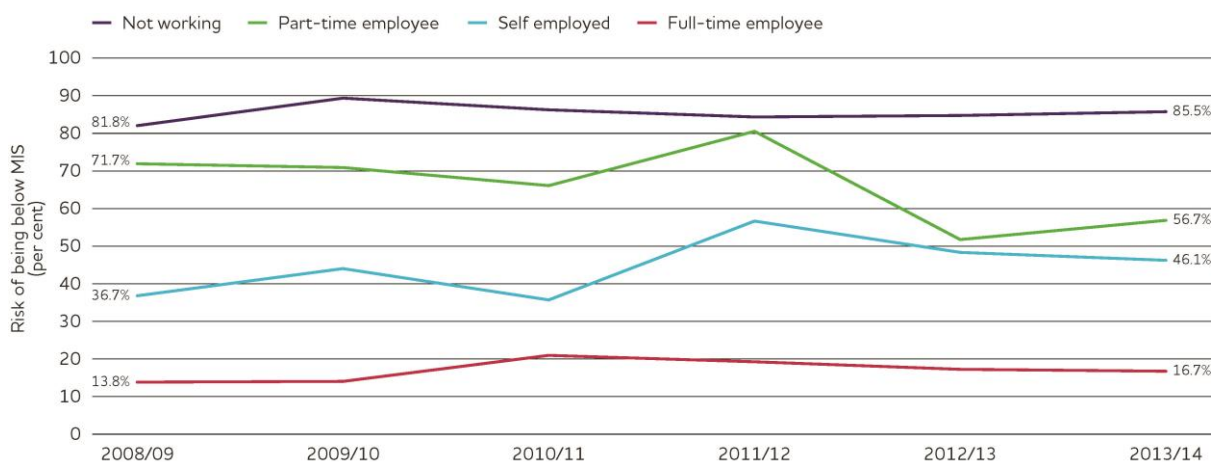
The analysis looks in turn at:

- how the risk of **households** having an income below MIS varies by employment status for different groups;
- how this interacts with the changing distribution of **households** across these employment categories, influencing the overall numbers below MIS;
- the proportion of **households** below MIS that are fully employed, partially employed and not working, and how this has changed between 2008/09 and 2013/14.

## The risk of being below MIS by employment status

### Younger single people living on their own are at high risk of low income if they do not work full-time

**Figure 24: The risk of falling below MIS for single adults younger than 35 years is high, even with some work**

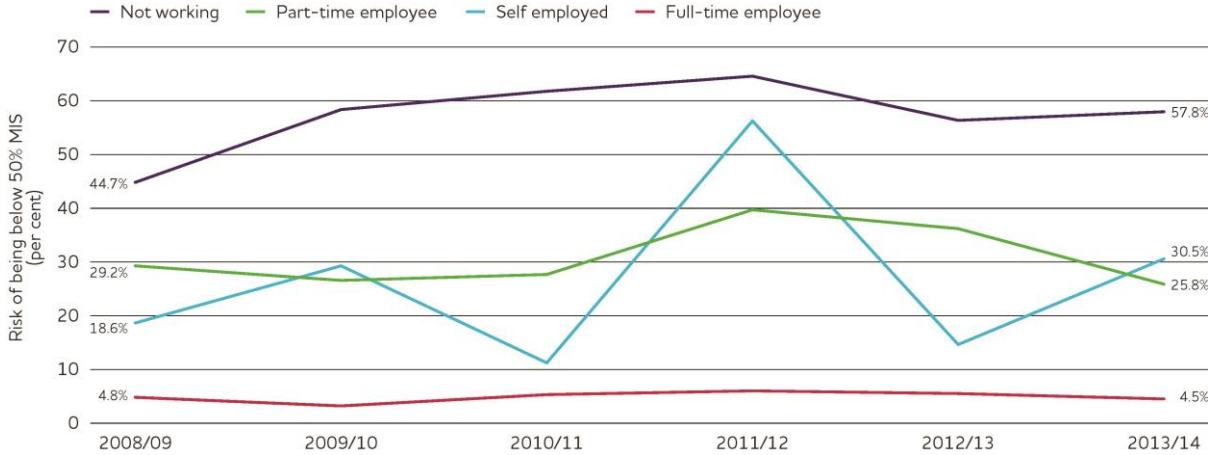


The risk of having an inadequate income increased for younger single adults living on their own between 2008/09 and 2013/14. As would be expected, the risk of being below MIS is greatest for those who are not working, but more than half of younger individuals employed on a part-time basis have incomes below MIS and more than one in six in full-time work are below this level. The risk of being below MIS for

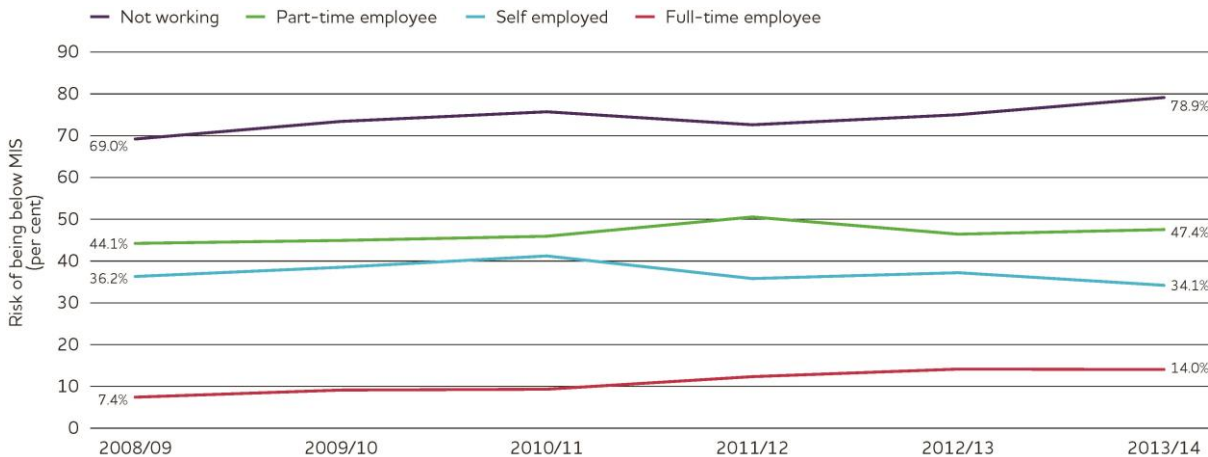
young single adults living on their own and not in full-time employment has varied significantly over this five year period, variation that continues into 2013. Given these fluctuations, the small increase in the proportion of part-time employees below MIS and the small decrease in the proportion of self-employed individuals below MIS should not be taken as indicative of a broader trend. Moreover, only one in eight single young adults are in these categories; nearly 70 per cent of single young adults, and 85 per cent of those who work, are working full-time. In this context, it is encouraging that full-timers in this group are more likely to earn at least the minimum in 2013/14 than they were in 2008/09, although there has been a downward trajectory since a peak in 2010/11. It is also the case that the absolute number earning at least the minimum has fallen, due to fewer young adults living on their own (and therefore covered by this analysis).

Looking at the risk of having a very low income (below half of MIS) among younger single adults living on their own (Figure 25), there are similar fluctuations in risk between 2008/09 and 2013/14, but this is based on a very small sample, and subject to sample error; this is particularly true for young single people living alone in self-employment. Most importantly, the risk of having a very low income has increased for young single people who are out of work, at a time when the value of benefits relative to MIS has declined.

**Figure 25: Young singles living on their own have a substantial risk of being on a very low income; this risk has grown for those not working**



**Figure 26: The risk of falling below MIS doubled for single full-time employees over 35 between 2008/09 and 2012/13, but risks were relatively stable in the following year**

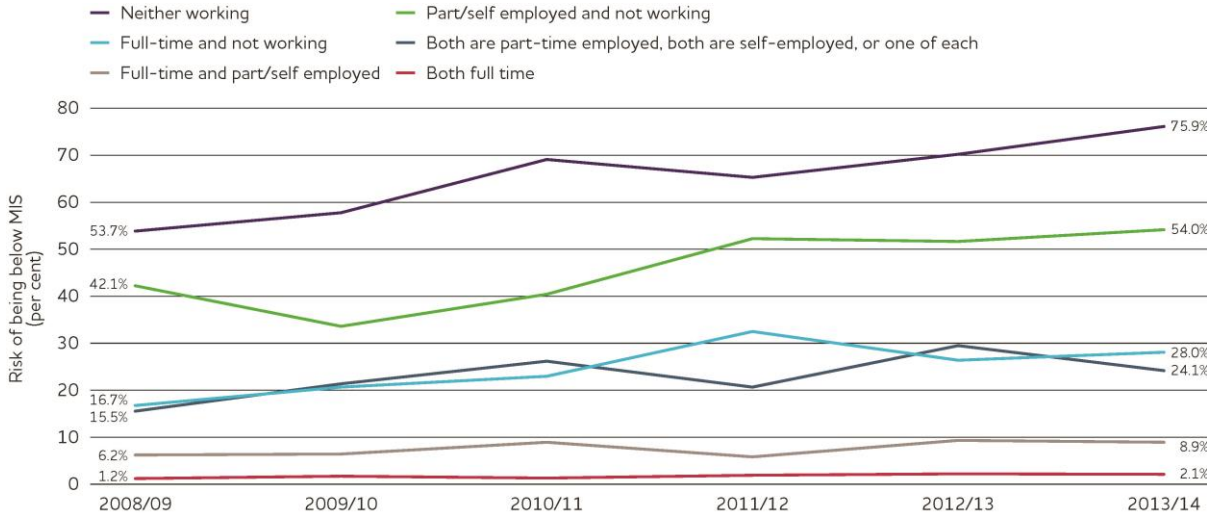


## Single working-age adults aged over 35 who live on their own have a lower risk of low income than younger single people, but among full-time workers, these risks have converged over time

Between 2008/09 and 2013/14, older single working-age adults living on their own have faced a growing risk of having inadequate incomes across all but one employment category: there has been a small fall in the proportion of self-employed older single working-age adults below MIS over this period. Risk of low income is lower than for younger working-age individuals in each category, but there has been a convergence of risk for full-time workers in each age group. The most significant increase in risk over this period is for those who are not working. This group saw their risk of not having the income needed for an acceptable standard of living increase by 10 percentage points between 2008/09 and 2013/14.

## For couples without children, the risk of low income is greatest and increasing for those where neither adult is in work

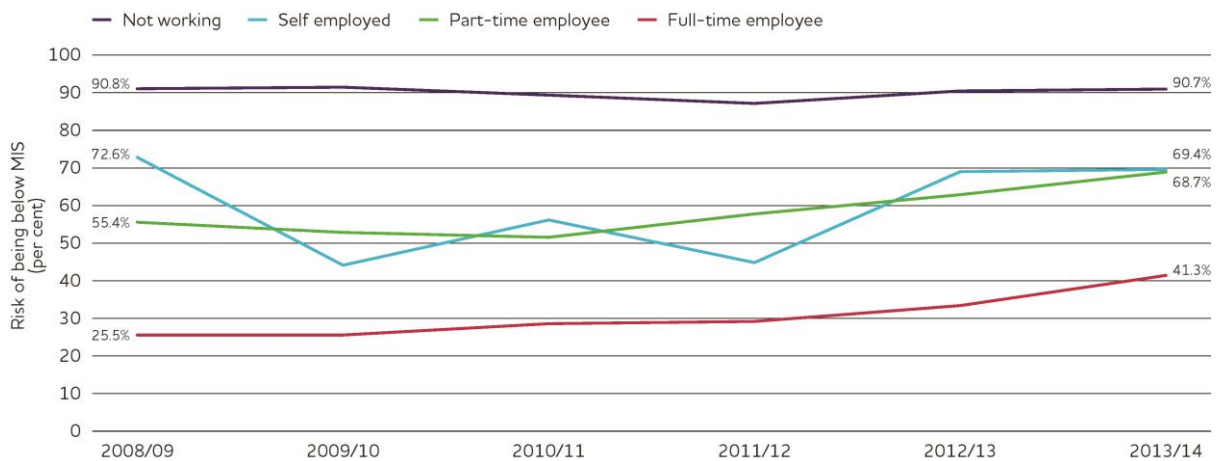
**Figure 27: The risk of falling below MIS for non-working couples without children has risen from just over half to three-quarters**



In working-age couples without children, by far the greatest risk of having insufficient income is for households where no adults are in work: the risk of being below MIS where neither are in work increased from just over 50 per cent to more than 75 per cent between 2008/09 and 2013/14. Couples with only a small amount of work – where one is in part-time work or self-employment and one is not working – have seen their risk of low income increase from one third in 2009/10 to more than a half in 2013/14. In general the risk of low income decreases as the overall amount of work in the household increases – less than 10 per cent of couples without children were below MIS where one was in full-time employment and the other had some work and only two per cent of couples with both in full-time employment were below MIS in 2013/14.

## Lone parents working full-time saw a significant increase in their risk of having an income below MIS between 2012/13 and 2013/14

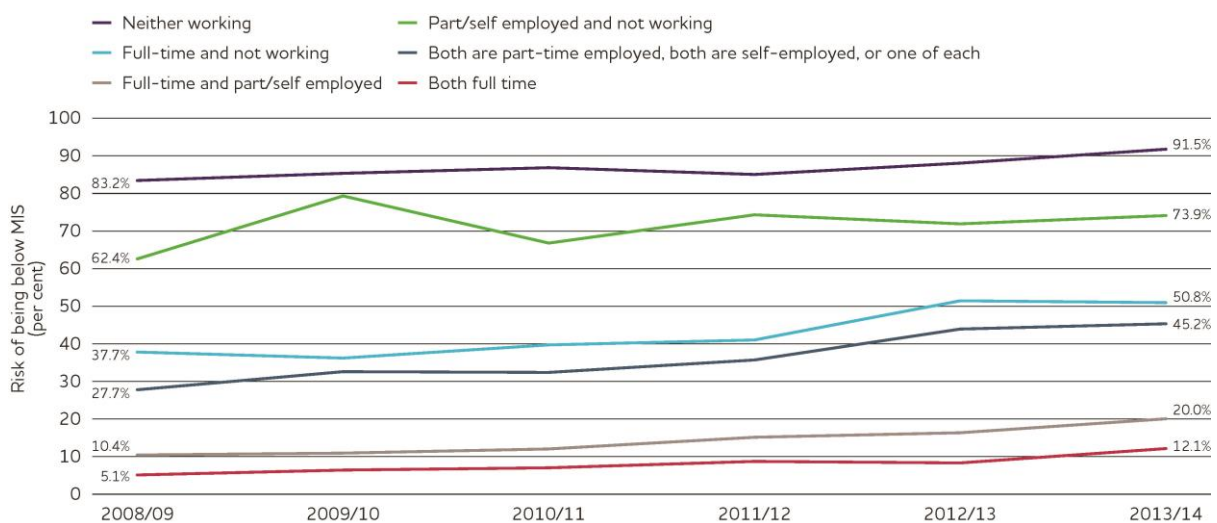
**Figure 28: Lone parents who work full-time have seen the highest increase in the risk of having incomes below MIS**



In 2008/09 just over a quarter of lone parents in full-time work had an income below that needed for a socially acceptable standard of living. By 2012/13 this had risen to one-third of lone parents in full-time employment, an increase of eight percentage points. Between 2012/13 and 2013/14 the risk of low income increased as much in one year as it had in the preceding four years. It is likely that this is a consequence of cumulative changes to state support for working families in recent years – such as the freezing of disregards and real terms cuts in benefits with uprating fixed at one per cent – and rising costs, particularly for those in the social rented sector.

The proportion of lone parents not in work who are below MIS has remained relatively stable at around 90 per cent since 2008/09. Lone parents in part-time employment have seen a steady increase in the risk of having an income below MIS, rising from 51 per cent in 2010/11 to 69 per cent in 2013/14. The picture is less clear with regard to self-employment where there has been significant variation in the risk of having low income over this five year period, but this can be attributed to the small sample size.

**Figure 29: Couples with children have, in each employment category, seen their risk of being below MIS increase over time**



The risk of not having the income needed for a minimum socially acceptable standard of living steadily increased for couples with children between 2008/09 and 2013/14, but there have been particularly acute increases in risk between 2012/13 and 2013/14 for households where both adults work full-time or there is a mix of full-time and part-time/self-employment. In households where both adults are in

work there was an increase in the risk of being below MIS of just over three percentage points between 2008/09 and 2012/13; between 2012/13 and 2013/14 this risk increased by just less than four percentage points, a greater increase than over the previous four years combined. A similar pattern is evident where there is one full-time worker and one with some work: the risk of being below MIS increased by just less than six percentage points between 2008/09 and 2012/13, and by just less than four percentage points between 2012/13 and 2013/14. While other combinations of employment categories face a higher risk of not having the income needed for a socially acceptable standard of living, it is couples where both work full-time or one full-time and the other has some work who have seen the biggest recent increase in risk.

## The interaction of employment profiles and risks of falling below MIS

The number of individuals with incomes below MIS is shaped not only by the risk of a household of a particular demographic and employment type having insufficient income, but also by the employment profile within households. So, for example, the number of households of a particular type who are below MIS can increase either because wages and/or benefits become less likely to raise working and non-working families above the MIS threshold, or because the loss of employment or a reduction in working hours puts the family in an employment category where the risk of low income is higher (a move from full- to part-time for instance). This is the 'composition and incidence' dichotomy described earlier.

**Table 6** shows the employment profile of each type of working-age household and presents the risk of having an income below MIS for each employment status in 2008/09 and 2013/14. The risk here is the proportion of households within each household type and employment status who have an income below that needed to reach MIS in a given year. Composition here is the proportion that each employment type makes up within particular household types – so 28 per cent of lone parents were in full-time employment in 2008/09 and 25.5 per cent of them were below MIS. In 2013/14, 22 per cent of lone parents were working full-time, and 33.3 per cent of them had incomes below the MIS threshold.

**Table 6: Changes in the risk of falling below MIS by employment status, and the composition of each household type by employment status**

		2008/09		2013/14	
		Risk	Composition	Risk	Composition
Single under 35	Full-time	13.8%	72.0%	16.7%	68.7%
	Part-time	71.7%	7.2%	56.7%	7.4%
	Self-employed	36.7%	5.0%	46.1%	4.7%
	Out of work	81.8%	15.9%	85.5%	19.3%
	<b>Total</b>	<b>33.1%</b>	<b>100.0%</b>	<b>35.0%</b>	<b>100.0%</b>
Single 35+	Full-time	7.4%	52.3%	14.0%	51.7%
	Part-time	44.1%	6.6%	47.4%	8.1%
	Self-employed	36.2%	10.6%	34.1%	9.0%
	Out of work	69.0%	30.6%	78.9%	31.2%
	<b>Total</b>	<b>32.4%</b>	<b>100.0%</b>	<b>38.5%</b>	<b>100.0%</b>
Lone parents	Full-time	25.5%	28.2%	41.3%	26.5%
	Part-time	55.4%	23.7%	68.7%	27.4%
	Self-employed	72.6%	4.0%	69.4%	4.8%
	Out of work	90.8%	44.1%	90.7%	41.3%
	<b>Total</b>	<b>63.7%</b>	<b>100.0%</b>	<b>70.5%</b>	<b>100.0%</b>
Couples no children	Both working full-time	1.2%	49.3%	2.1%	51.4%
	One full-time and one part/self employed	6.2%	22.4%	8.9%	23.3%
	One working full-time and one not working	16.7%	11.4%	28.0%	10.5%
	Mix of part-time and / or self-employed	15.5%	6.9%	24.1%	7.0%
	One part/self-employed and one not working	42.1%	4.7%	54.0%	3.8%
	Neither is working	53.7%	5.3%	75.9%	4.0%
	<b>Total</b>	<b>11.4%</b>	<b>100.0%</b>	<b>13.7%</b>	<b>100.0%</b>
Couples with children	Both working full-time	5.1%	23.9%	12.1%	26.5%
	One full-time and one part/self employed	10.4%	35.8%	20.0%	34.9%
	One working full-time and one not working	37.7%	20.4%	50.8%	19.4%
	Mix of part-time and / or self-employed	27.7%	7.2%	45.2%	7.9%
	One part/self-employed and one not working	62.4%	7.6%	73.9%	6.3%
	Neither is working	83.2%	5.0%	91.5%	4.9%
<b>Total</b>	<b>24.3%</b>	<b>100.0%</b>	<b>33.3%</b>	<b>100.0%</b>	



Figures 30 to 32 capture the recent trends for three different household types, showing for different employment categories the 'incidence' of being below MIS on the vertical axis and the 'composition' of the population on the horizontal. The overall number below MIS, which is proportional to the area of each bar, can increase in one of two ways. One way is for the risk to increase: the bar gets taller (and the bar gets shorter when the risk reduced between 2008/09 and 2012/13). The other is for more people to move to more risky categories, which is illustrated by the full employment bars getting narrower and the bars for other riskier employment groups getting wider.

While the incidence (or risk) of being below MIS has tended to go up in most categories (as shown in the previous section), the importance of compositional shifts varies across demographic groups. This can be interpreted as showing that, for some groups, job loss or moving to more part-time employment has been a bigger factor, relative to reductions in real wage or benefit rates.

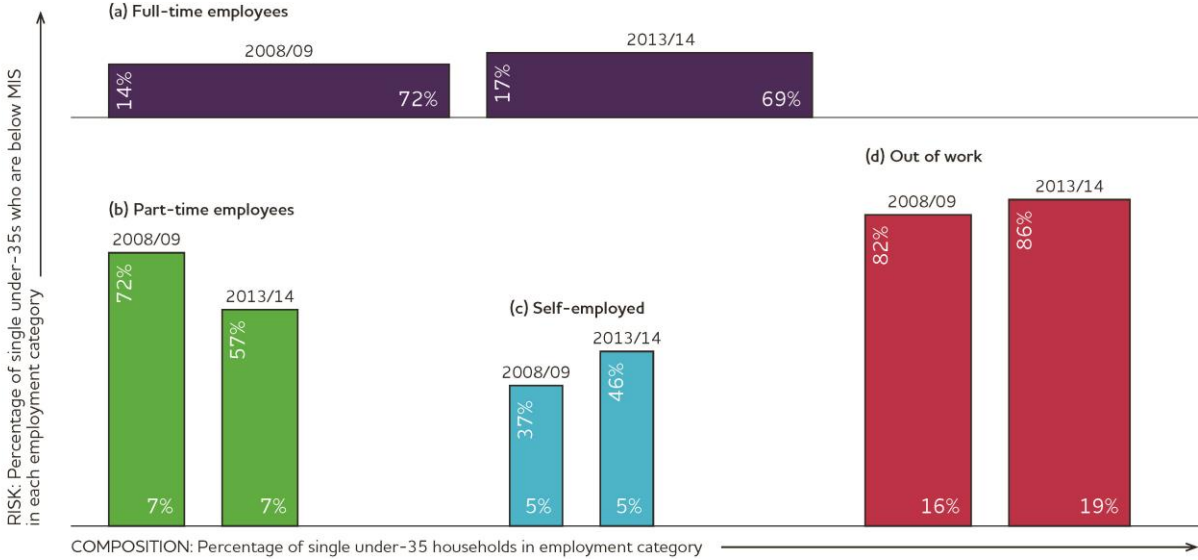
### **For young single people, there was relatively little change in composition or risk between 2008/09 and 2013/14**

While between 2008/09 and 2012/13 it was clear that compositional effects had been largest for single people aged under 35, with an increase from 16 to 24 per cent out of work, between 2012/13 and 2013/14 this fell back to 19 per cent, with an improving employment situation. Consequently over the five-year period in question there has been only a modest deterioration in risk and composition for this group (Figure 30), combining to increase the risk of being below MIS from 29 to 35 per cent, down from a peak of 42 per cent in 2011/12 (see Figure 5 above).

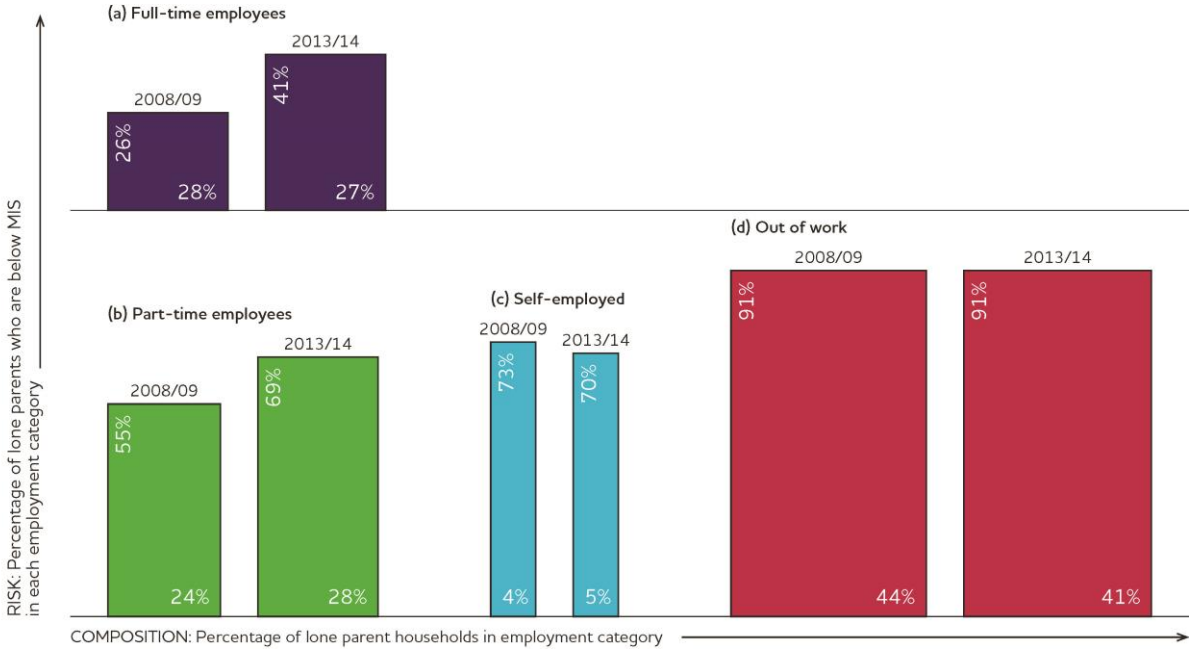
### **For lone parents, increased risk among both full-time and part-time workers is driving increases in numbers with insufficient income**

Figure 31 shows the change in risk and composition for lone parents. There are some compositional effects here, principally in the increased proportion of lone parents in part-time employment, from 24 per cent in 2008/09 to 28 per cent in 2013/14. This is a benign effect, since it matches a decrease in the proportion out of work. However, more significant here are changes in the risk of low income for lone parents in both full-time and part-time employment. The growing risk of low income for full- and part-time lone parent workers is likely to be related to rising costs over this period alongside falling incomes as a result of changes in uprating to tax credits and benefits, a freeze in the amount that individuals can earn before they start to lose these benefits, and cuts to tax credits in the previous parliament. While working-age adults without children benefit from small increases in pay, lone parents in full- and part-time work may not as small gains are offset by reductions in support.

**Figure 30: Change in risk and composition by employment, single working-age adults under 35 living alone, 2008/09 – 2013/14**



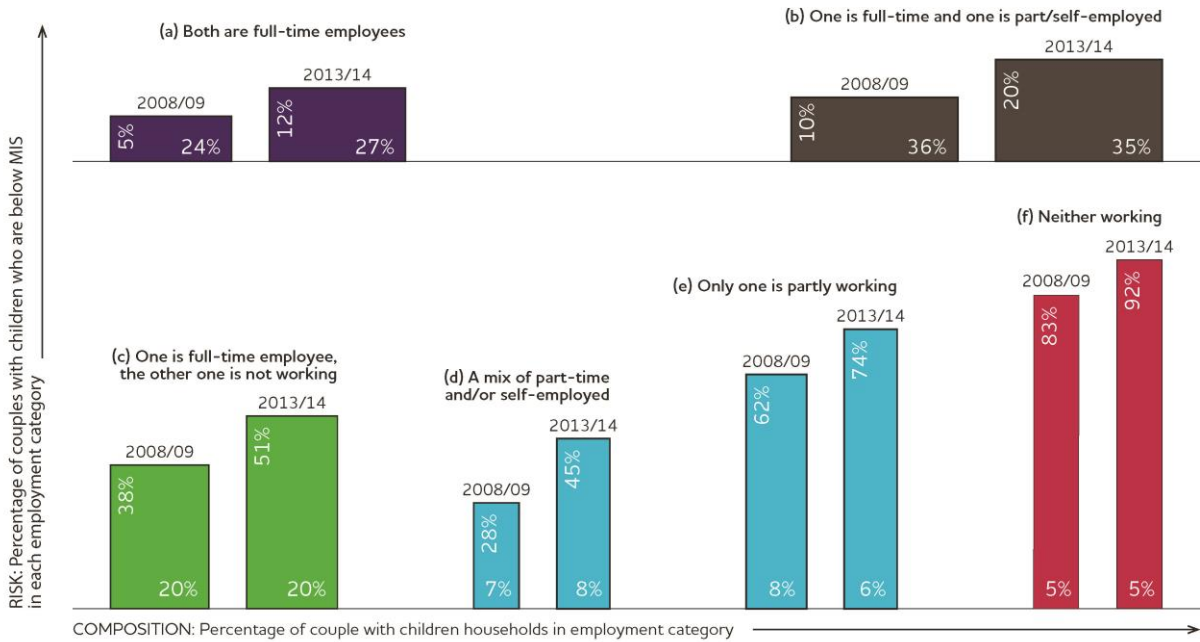
**Figure 31: Change in risk and composition by employment, lone parents, 2008/09 – 2013/14**



## For couple parent households, as for lone parents, increased risk for full-time workers is driving the increase in numbers below MIS, offset slightly by a rise in full-time employment

Figure 32 shows that just as for lone parents, the most significant effects here are changes in the risk of low income for couple parents where both are working either full-time or with a mix of full-time and part-time/self-employment. The overall risk of being below MIS has risen substantially for households where all adults are in full-time work (from five per cent in 2008/09 to 12 per cent in 2013/14) and where one adult is in full-time and the other in part-time work or self-employment (from 10 per cent in 2008/09 to 20 per cent in 2013/14). These two groups between them account for over half of all couple parent households. This shows that even with two workers in the household, the risk of having an income below MIS has increased significantly over this period, with a substantial proportion of this change coming between 2012/13 and 2013/14. As with lone parents, the growing risk of low income for these two groups of couple parent households is likely to be linked to rising costs over this period, falling incomes as a result of fixing the annual uprating of tax credits and benefits to one per cent, and cuts to tax credits under the 2010-2015 Coalition government, as well as the freeze in the amount that individuals can earn before they start to lose these benefits. Also in common with lone parents, couples with children have improved their employment risk, with an increase in the proportion of households where both parents work full-time, but this has not been enough to stem the increase in the overall proportion of couple-parent families below MIS.

**Figure 32: Change in risk and composition by employment, couples with children, 2008/09 – 2013/14**



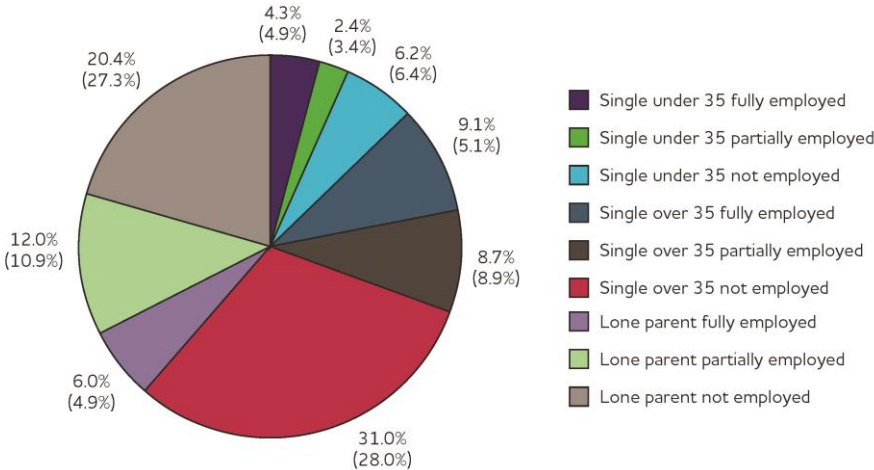
# The composition of households below MIS by household type and employment status

## The make-up of single-adult households below MIS has changed since 2008/09: over 35s in full-time work and those not working are an increasing proportion of households below MIS

This section looks at what proportion of households below MIS are in particular household types with one of three employment statuses. The classification looks separately at households with one and two adults, in each case using three simplified categories:

- fully employed: all adults in the household work full-time;
- out of work: no adults in the household work;
- partially employed: all other households. These are working households in which, potentially, income could increase by someone entering employment or working more hours (although this arbitrarily assumes that a self-employed person could do so).

**Figure 33: Single-adult households (with and without children) below MIS by employment status 2013/14 (2008/09)**



Nearly one-third of all single adult households who are below MIS are out-of-work adults over 35 and this group make up 17 per cent of all working-age households with incomes below MIS. In combination with lone parents without work, this group accounts for more than half of all single adult households below MIS and more than a quarter of all working-age households below MIS.

While most groups shown in Figure 33 have seen little change in the proportion of households below MIS that they represent, single adults over 35 in full-time employment make up an increasing proportion of those below MIS. In 2008/09 this group made up five per cent of single adult households below MIS (three per cent of all working-age households below MIS), but by 2013/14 this had risen to nine per cent (and five per cent of all working-age households below MIS). Although it remains the case that single people under 35 have a greater risk of not having the income needed for a socially acceptable standard of living, it is single adults over 35, both in full-time employment and out of work, who make up a growing proportion of those below MIS. This may be because young single people find it increasingly untenable to live on their own and consequently have had little choice but to either move back in/continue to live with parents or live in shared accommodation. In these instances the low incomes experienced by under-35s are not necessarily being picked up in this analysis. Non-working lone parents now comprise a fifth of single-adult households below MIS, down from over a quarter in 2008/09, helped by a reduction in the number of non-working lone parents.

**For couple households, it is those with children in partial employment and where both are in full-time work who make up a growing proportion of households below MIS**

**Figure 34: Couple households below MIS by employment status 2013/14 (2008/09)**

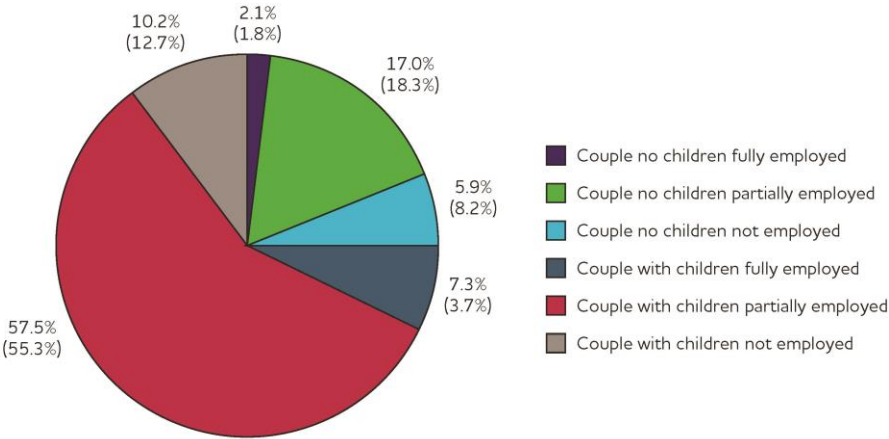
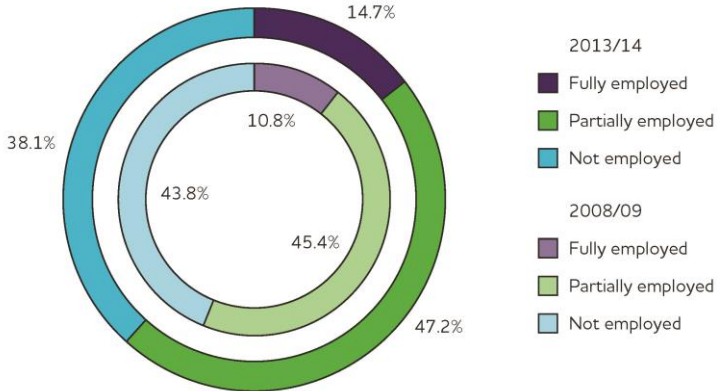


Figure 34 shows the profile of couple working-age households, with and without children, below MIS by employment status. Over half of all couple households below MIS are those in which there is a couple with children who are in partial employment; this group also accounts for over a quarter (27 per cent) of all working-age households with incomes below the MIS threshold. Couples without children who are partially employed account for nearly a fifth of couple households below MIS and make up eight per cent of all working-age households below MIS. Couples with children in which both adults are working form a growing proportion of couple households below this level: in 2008/09 this group made up less than four per cent of the total while in 2013/14 this had increased to more than seven per cent. However, this group represents a small proportion of all working-age households below MIS.

Figure 35 shows what has happened to the overall composition of working-age households with incomes below MIS between 2008/09 and 2013/14. It is clear, as indicated elsewhere in this report, that a growing proportion of households with employment do not have the income required for a minimum socially acceptable standard of living.

**Figure 35: Working-age households with some work make up a greater proportion of households with incomes below MIS in 2013/14 (outer circle) than in 2008/09 (inner circle)**



## 6 Conclusion

Since the publication of the first in this series of annual reports in 2013, the analysis of household incomes relative to the Minimum Income Standard has provided an effective means through which to chart how households have fared in a difficult economic context. Since 2008/09, stagnating wages, cuts in the real value of both in- and out-of-work benefits, and other policy measures such as the increase in hours requirements for couples claiming tax credits, have all put pressure on family finances. This pressure has not been well captured by a standard relative poverty measure, which compares incomes to an average that has itself fallen. During this period, the alternative means of keeping track of the adequacy of incomes offered by MIS has provided useful insight, by monitoring the number of households with incomes below what is needed for what the public view as a minimum acceptable standard of living.

The results outlined in this report show, once again, that while the rate of increase slowed between 2012/13 and 2013/14, the overall proportion of individuals in households below the MIS threshold has continued to grow. However, a more detailed look at what has happened for different household types reveals variation both in terms of the rate of change in the proportion with insufficient incomes and in what has been driving this change.

Among all households covered by MIS (currently about two-thirds of UK households), the risk of individuals within these households having an income below the MIS benchmark grew by around a third, from 21 to 28 per cent, between 2008/09 and 2013/14. Individuals in households with children saw their the risk of having an income below MIS rise from 31 to 41 per cent over this five-year period (an increase of just under a third), while individuals in working-age households without children saw their risk increase from 16 to 21 per cent (also an increase of just under a third, but from a lower starting point). This means that more than one in three individuals in households with children are living below MIS while just over one in five individuals in working-age households without children are below this level. Moreover, while individuals in working-age households without children account for just over one-fifth of all individuals below MIS, households with children make up over 70 per cent. There was little change in the (much lower) risk facing pensioner households between 2008/09 and 2012/13, a pattern that continues into 2013/14. While the distribution of incomes relative to MIS has shifted downwards for individuals in most household types – fewer with incomes more than 50 per cent above MIS and a greater proportion with incomes below MIS – the distribution of incomes among pensioners has remained remarkably stable over this time.

Three key observations emerge from an analysis of the latest available data.

First, despite improvements in employment levels, things are getting progressively worse for households with children. The analysis examining how incomes relative to MIS are related to employment status reveals very little change in terms of changing work status over the past five years for households with children: there have been small increases in the numbers of households with children with some work, matched by a decrease in the number out of work. Far more important is the growing risk of being below MIS for families with any given working status, including where all adults in a household are in full-time work. The increase in risk between 2012/13 and 2013/14 for full-time workers is the same as the total in the preceding four years. In other words, even full-time work is no longer providing enough income to reach what the public view as the socially acceptable minimum. The explanations for this are likely to lie in changes in state support for working families over recent years – such as real terms cuts in benefits – alongside earnings increases that fall below inflation and the rising costs of essentials between 2008/09 and 2013/14. Whereas in the past work was seen as the surest route out of low income, the findings presented here make it clear that there is a growing risk of it proving inadequate in this respect.

This poses a challenge to both state and employers: there are critical questions about the role and value of in-work support for households with children and at the same time the part played by low pay in increasing the risks faced by these households may require action from employers. The recently announced National Living Wage is a welcome first step in tackling low pay and future reports in this series will be able to consider the effects of this on incomes relative to MIS.

There are signs of recovery in some but not all the factors influencing these results. There have been more significant increases in average earnings since 2013, generally ahead of inflation, and there are signs that wage growth among lower-paid workers is increasing at a faster rate (Gardiner, 2015). At the same time, the proportion of workers paid below the voluntary higher living wage, which is set with reference to the cost of essentials, has grown steadily between 2009 and 2014 and the proportion of workers on the minimum wage has increased year on year since the early 2000s (Corlett and Gardiner, 2015). The likelihood that the proportion of individuals in households below MIS, particularly those who depend more on state support, such as families with children, will fall significantly over the next couple of years seems slim.

Second, previous reports have identified single working-age adults under the age of 35, living on their own, as the group facing the most extreme increases in the risk of having insufficient income. Between 2012/13 and 2013/14, however, there are signs that low income is affecting single people more generally: over-35s living on their own now have a greater risk of low income than younger single people living on their own. Part of the explanation for this lies in the increasing difficulty for young single people of living alone: fewer are now doing so. Below-inflation wage increases up to 2013 along with reductions in housing support and increasing rents in both the social and private rented sectors go some way to explaining this fall in the number of young single households.

However, it is also important to recognise the role of low-paid employment in the increasing risk of low income facing older single people living on their own. In other words, it is not just the young who are now struggling in low-paid employment with high housing costs; a growing number of older single people with full-time jobs are finding that their incomes are below that needed to achieve what the public thinks is required for a minimum acceptable standard of living. There was a significant convergence between the risk of inadequate income for younger and older single people in full-time work between 2008/09 and 2013/14. The analysis presented here suggests that until wages truly recover – with increases consistently ahead of inflation – an increasing proportion of single working-age adults living alone, young and older, will continue to struggle. That said, more consistent increases in average earnings in 2014 and 2015 are likely to have eased this situation – something that may be revealed in future reports in this series.

Finally, the results in this report suggest that the introduction of the under-occupancy charge (or so-called 'bedroom tax') in 2013 contributed to the increased risk of having insufficient income for those households living in social housing; it certainly reduced the amount of support with housing costs by an average of £15 per week for a substantial number of social tenants. This is an effect that was predicted in the previous report. Between 2012/13 and 2013/14 the proportion of social tenants with incomes below MIS rose above 50 per cent for the first time and a third of households in social housing now have incomes below three-quarters of MIS, up from just over a quarter in 2008/09.

# Notes

1. *A Minimum Income Standard for London* (Padley et al., 2015) was published in 2015 and for the first time looked in detail at what households in Inner and Outer London need in order to reach an acceptable standard of living as defined by members of the public. In future reports the analysis of households below MIS in London will make use of London-specific MIS requirements, but in this report UK MIS budgets have been used in the analysis.
2. The definitions for full-time, part-time, and self-employment used here follow the FRS definitions, which are based upon self-assessment and not on number of hours worked. The percentages shown in Figures 24 to 32 reflect the fluctuating number of hours that part-time and self-employed could include, especially after the recession. Out of work includes unemployment, looking after family, and temporarily or permanently disabled; it excludes students and retired people.



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