

# A Minimum Income Standard for the UK in 2022

The Minimum Income Standard (MIS) sets out a vision of the living standards that we as a society agree everyone in the UK should be able to achieve. In 2022, the rising cost of living presents the most significant challenge to living standards for many years, and comes after a period of social and economic uncertainty resulting from the Covid-19 pandemic. There is a growing gap between what people have and what people need for a decent standard of living. Millions of people in the UK risk falling well short of this standard as costs continue to rise and our social security system fails to provide adequate and appropriate support. Short-term support measures will only go so far; we need a social security system that is fit for today.

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## Key points and recommendations

- MIS continues to provide a unique lens through which to observe and track the impact of social, economic and cultural change on our shared vision for living standards in the UK.
- In 2022, we have recalculated from scratch the minimum budgets for pensioner and working-age households without children, and reviewed and updated the budgets for households with children.
- The research this year was undertaken at a time of uncertainty and flux. It spanned a period in which the UK was emerging from prolonged periods of Covid-19 restrictions, with the resulting 'freedoms' this afforded, and in which the cost of living began to increase at the fastest rate for many years. We have yet to understand the full impacts of these factors on MIS.
- A single person needs to earn £25,500 a year to reach a minimum acceptable standard of living in April 2022. A couple with two children needs to earn £43,400 between them.

- The increase in what is needed for a minimum living standard over the past year is in part a consequence of the rapidly rising cost of many goods and services, such as domestic fuel, which have substantially increased what is required to reach MIS.
- Part of the increase is also due to changes in the specification of what is needed for a minimum living standard. The budgets reflect changes in society and emphasise the crucial importance – across all age groups – of activities outside the home for social participation, which cost more than before.
- The cost of living support payments aimed at supporting households likely to be most affected by rising costs is welcome, but it does not solve more entrenched problems within the social security system. Even with the cost-of-living support payments, a couple with two children, on out-of-work benefits, only have just over half (52%) of what they need for a minimum standard of living.
- Working households can get closer to reaching MIS, but the support payments do little to address the cost-of-living challenge. A couple with two children and one parent working full-time on the National Living Wage, the other not working, reach 76% of MIS without the cost-of-living support payments; the same family only reach 79% of MIS with the payments.

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# Background

Since 2008, the Minimum Income Standard (MIS) has shown what households need to spend in order to reach an acceptable standard of living, based on detailed deliberations by groups of members of the public. The groups in the latest research were conducted over a period during which there were at first restrictions on social interaction because of Covid-19, followed by a lifting of the previous limitations, and then rapidly rising inflation. This context is important. We are at a particular moment when 'post-Covid freedoms' are meeting the fastest rise in the cost of living for 40 years head-on, and where socially, economically, politically and culturally there is significant national and global uncertainty. The extent to which public perceptions of what is needed for a minimum socially acceptable standard of living have been shaped by this unique combination of factors will only become clear over time. Discussions with groups of members of the public to rebase minimum budgets for all households

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In this context, the UK Government announced a series of one-off measures in May 2022 designed to help the most vulnerable households with the increasing cost of living. These followed the earlier announcement of a £150 council tax rebate for all households living in council tax bands A to D, and included amongst other measures:

- A £400 universal payment – the Energy Bills Support Scheme – to all households to assist with increasing energy costs, to be credited to customer accounts over six months from October 2022.
- A £650 one-off Cost of Living Payment for families on means-tested benefits, including Universal Credit and Pension Credit.
- A £300 payment to all pensioner households to help cover the rising cost of energy over the winter.

Taking this support package into account, Figure 1 shows that a couple with two children on out-of-work benefits are falling well short of what they need, and even where both parents are working full-time, their combined income is nearly but not quite sufficient to reach MIS. Single people without children – in receipt of cost of living support payments – have around a third (32%) of what they need on out-of-work benefits, and 78% of what they need in full-time work on the NLW. Lone parents have incomes around half of MIS (54%) if not working, and 81% if working full-time on the

## Past pain, future pain

Since the start of the pandemic in 2020, there has been uncertainty about exactly what the future will bring. Although the source of uncertainty may have changed over time, the coming years are likely to be as challenging as the past few years. Further increases in domestic energy prices in October this year, and then again in January 2023, could have catastrophic consequences for households whose incomes are already under significant pressure. The rising cost of many other essentials, such as food, will only add to the burden that many households are already struggling to bear.

It is easy to think in the face of these past, present and future challenges that there could be a trimming back of what the public think is needed for a minimum standard of living. And yet as we saw from our 2021 research, social contact and interaction with others outside the home remained a central element of a minimum standard even when this was not possible. What is clear from the 2022 discussions is that for now at least, this continues to be the case, and that there is a belief that everyone should be able to make the most of life, given the experiences of the past two years.

This desire is undoubtedly tempered by the uncertainty and challenge posed by the rapidly rising cost of essentials, which will result in many households having to make incredibly tough decisions about which

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