

## SOCIAL ASSISTANCE AND THE MEASUREMENT OF MINIMUM COST OF LIVING IN THE UNITED KINGDOM

Jonathan Bradshaw

Seminar  
Doshisha University  
Kyoto  
Japan  
18 July 2009

### Background

- ◆ In every country the state supports the market and the family through social security
- ◆ Structure and level of that support varies
- ◆ But every social security system has a package of measures providing **MINIMUM INCOME SUPPORT** – social assistance
- ◆ Means (and asset) tested and tax funded
- ◆ Test of family obligations
- ◆ Safety net against poverty
- ◆ Salience varies

### Apologies

- ◆ Written paper too UKcentric
- ◆ Since travelling have found out more about Japan
- ◆ Helped by
- ◆ Dr Aya Abe (Japan Institute of Demography and Social Security); Professor Rie Iwanaga (Kanagawa University) and Professor Uzuhashi
- ◆ Lecture now a discourse on how we measure minimum income schemes

### Brief history of social assistance in the UK

- ◆ Beveridge 1942 tripartite structure
  - ◆ Social insurance
  - ◆ Family allowances
  - ◆ Social Assistance – residual benefit
  - ◆ +NHS and full employment
- ◆ National Assistance 1948 – many changes of name
- ◆ NA never residual because
  - ◆ Insurance benefits too low
  - ◆ Gaps in insurance – lone parents, disabled, housing costs
  - ◆ Growth in long term unemployment
  - ◆ Extended to supplement in work benefits (tax credits)
- ◆ Now 34 per cent of benefit expenditure
- ◆ Main benefit for unemployed and lone parents
- ◆ Substantial percentages of income of pensioners and disabled
- ◆ Determines living standard of 10 per cent
- ◆ **VERY IMPORTANT TO SOCIETY**



## Japan?

---

- ◆ Social assistance residual
- ◆ Social assistance (Livelihood Assistance) in Japan very small in terms of % population helped - 1.2 per cent in 2006
- ◆ Maybe more now because of recession?
- ◆ Took 9.2 per cent of the social security budget in 2008
- ◆ Not extended to low paid
- ◆ Very unlikely to get it if unemployed working aged
- ◆ 44% elderly, 12% disabled, 25% sick, 10% single mothers



## How do we evaluate social assistance

---

- ◆ Many criteria
  - ◆ Adequacy
  - ◆ Coverage
  - ◆ Take-up
  - ◆ Incentives
- ◆ Concentrate on adequacy
- ◆ Four approaches to the evaluation of adequacy
  - ◆ Benefit levels over time – some data on Japan
  - ◆ Meeting need – no data on Japan
  - ◆ Tackling poverty – some data on Japan
  - ◆ International comparisons - some data on Japan



## Benefit levels in the UK

---

- ◆ In 1948 based on Rowntree's 1936 budget standard
- ◆ Never rebased
- ◆ No rationale for levels
- ◆ Ministers decide
  - ◆ What can be afforded
  - ◆ What impact on incentives
  - ◆ Their judgement of need
- ◆ Differentials are the results of uprating policy
  - ◆ Earnings index for some groups
  - ◆ RPI for some groups
  - ◆ Rossi index for some groups

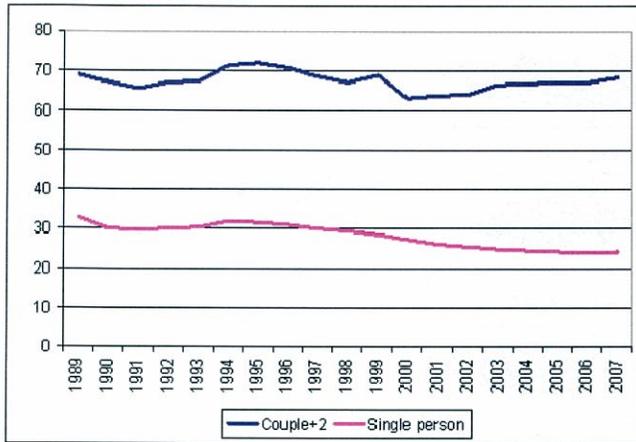


## Trends over time

---

- ◆ Pensioners and families with children – more than doubled in real terms and slight improvements with earnings
- ◆ Rest – improved in real terms but not since 1980s. Lost ground in comparison with earnings 21%-11% 1971 to 2007
- ◆ Relationship between earnings and prices determines benefit levels
- ◆ Absurd variations by family type – more generous to pensioners and families with children

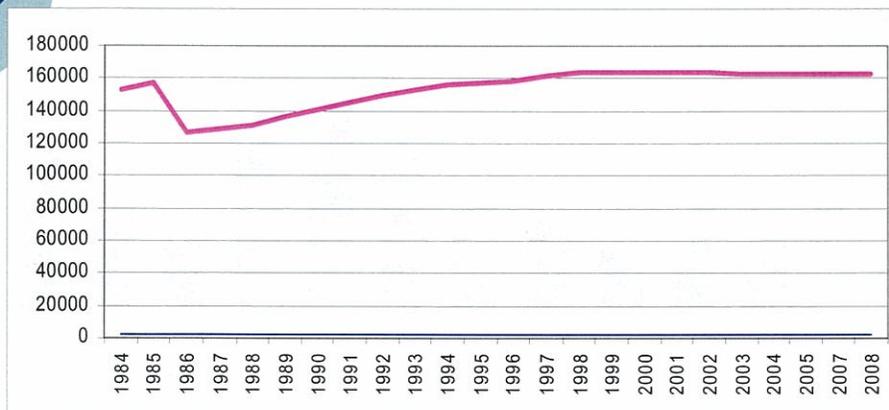
## Replacement rates of Income Support as a proportion of net income. One earner, two-thirds average earnings



## Japan over time

- ◆ The level of Livelihood Assistance was based on 60 per cent of median consumption for a standard family 25 years ago (vague reference to average elsewhere)
- ◆ Benefit levels were reduced in 2003 and have remained flat since.

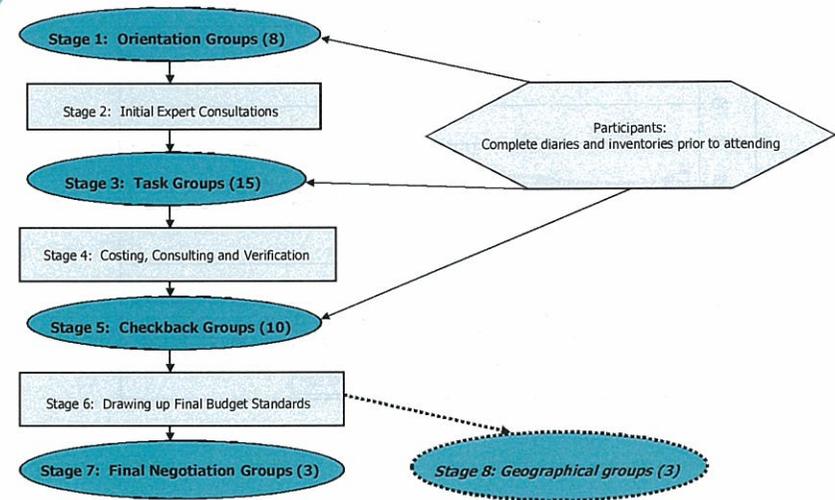
## Livelihood Assistance for a standard family (man 33, woman 29 child 4) 1994-2008 per year. Source: Iwanaga



## Comparison with need

- ◆ Normative budget standards –York/Family Budget Unit
- ◆ Consensual methods – Loughborough.
- ◆ Combined in Minimum Income Standards Project

## Minimum Income Standards Methods Map



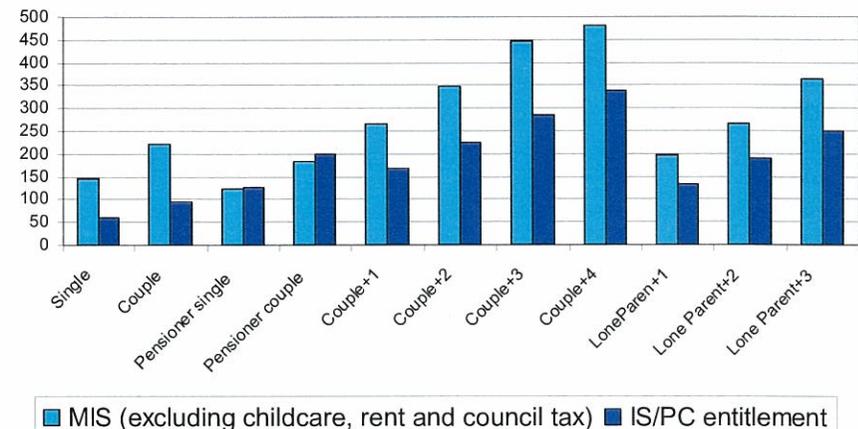
### A definition of the 'minimum standard':

*'A minimum standard of living in Britain 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.'*

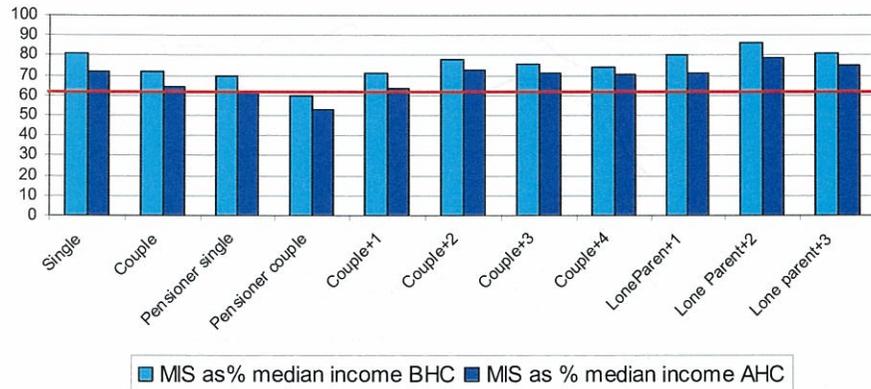
### MIS in £ per week: April 2008

	Single working age	Pensioner couple	Couple + 2 children	Lone parent + 1 child
Food	40.34	53.25	97.47	47.05
Clothing	7.64	9.93	29.26	16.41
Fuel	9.00	10.62	18.49	16.43
Council tax and water rates	18.04	23.33	26.18	22.93
Household goods & services	19.49	20.19	30.60	23.09
Personal goods & services	8.13	23.65	27.39	19.47
Transport	17.03	4.65	35.02	17.16
Social & cultural participation	29.73	43.21	90.08	40.16
Other	8.44	12.66	15.54	7.57
Total less rent	157.84	201.49	370.05	210.31
Rent	52.30	64.43	69.40	64.07
<b>TOTAL</b>	<b>£210.14</b>	<b>£265.92</b>	<b>£439.45</b>	<b>£274.38</b>

### Comparison with social assistance: April 2008



## MIS as a % Median Income April 2008



## Other Findings

- ◆ Cost of a child
- ◆ Modified OECD equivalence scale
  - ◆ Low for families with children and single working age
  - ◆ High for pensioners
- ◆ Scheme for uprating annually and
- ◆ Rebasing every 4/5 years
- ◆ Ready Reckoner

The screenshot shows the homepage of the Minimum Income Standard (MIS) project. The page features the MIS logo, a navigation menu, and a main content area with a quote from the project's launch. A sidebar contains a list of links to various resources.

**mis**  
minimum income standard for Britain

4<sup>th</sup> November 2008

MIS Ready Reckoner

Project Information | Project Team | Funder | Project Advisory Group | Publications | Related Projects | Links | Contact Us

**A Minimum Income Standard for Britain.....**

“This project brings together the expertise of CRSP and the Family Budget Unit (FBU) to develop a minimum income standard that will allow an acceptable standard of living in Britain for different family types.”

**Minimum Income Standard Launch**

On 1st July 2008 the MIS team launched its final report in London at Cash Street Neighbourhood Centre at 100 Stamford Street, London. This report is the culmination of two years of research, based on work with 39 focus groups involving more than 200 people, who were actively engaged in shaping the research, in combination with input from experts on housing and nutrition.

The report sets out a series of minimum income standard budgets for 4 household types: single adults, couples with two children, lone parents with one child and couple pensioners.

Sponsored by the Joseph Rowntree Foundation, the project was undertaken by the Centre for Research in Social Policy (CRSP) at Loughborough University and the Family Budget Unit at York University.

[Join email list](#) | [read more](#) | [Search the website](#)

Maintained by The MIS Team

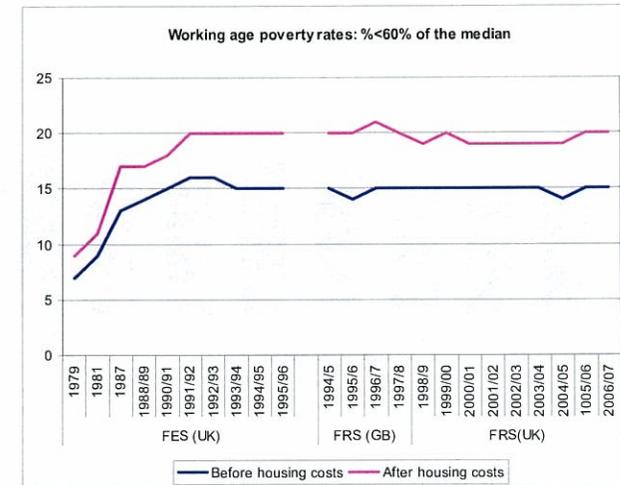
## Poverty: Short History of poverty measurement in the UK

- ◆ 1899 Seebohm Rowntree first study of poverty in York – budget standard on mere physical efficiency-absolute necessities
- ◆ Beveridge Report 1942 based on Rowntree’s 1936 budget standard – minimum subsistence
- ◆ Townsend critique – poverty relative
- ◆ *Poor and Poorest* – national assistance + 40%
- ◆ Adopted by government in Minimum Income series
- ◆ Link with benefit rates abandoned by Thatcher government in 1980s

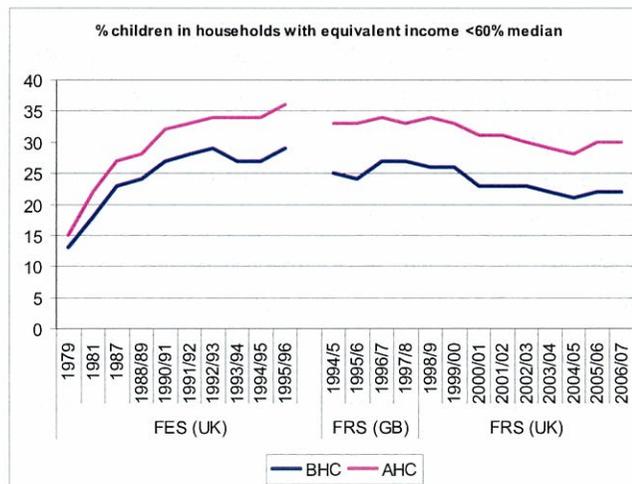
## Poverty effectiveness:

- ◆ Adopted relative income measure - <60 per cent of equivalent median income
- ◆ Still used today in UK and EU, OECD uses 50 per cent median threshold
- ◆ Meanwhile Townsend *Poverty in the UK* (1979) relative deprivation
- ◆ Mack and Lansley (1983) *Breadline Britain* – socially perceived necessities
- ◆ Gordon et al updates
- ◆ Adopted by Government in three tier approach

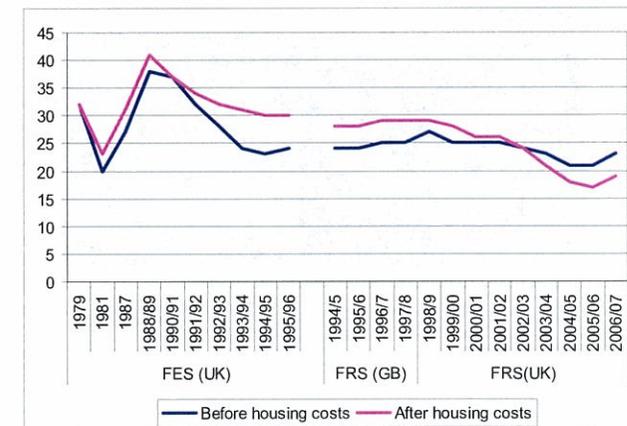
## Poverty rate: Working aged adults



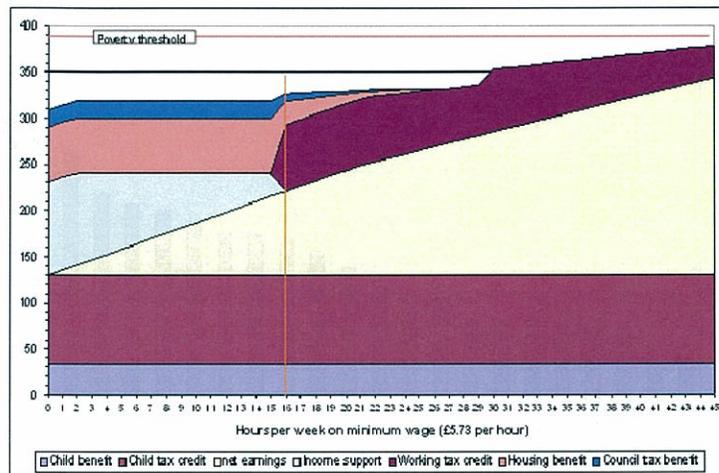
## Poverty rates: Children



## Poverty rates: Pensioners



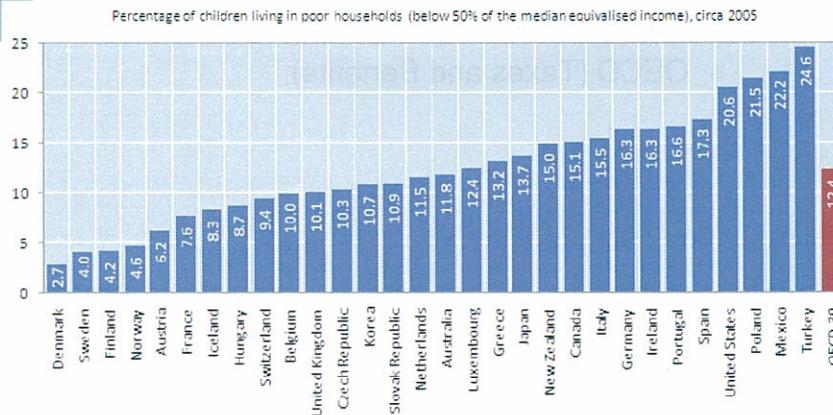
Net disposable income for a couple plus two children before housing costs by hours supplied at the minimum wage from April 2009. Rent = £60 per week, Council Tax = £18.00 per week



## Japan and poverty

- ◆ According to OECD *"Growing Unequal"* Japan's
  - ◆ Inequality higher than OECD average
  - ◆ Poverty rate (less than 50% median) 4<sup>th</sup> highest in the OECD
  - ◆ Poverty increased between 1995-2005
  - ◆ Working age poverty rate is 14 per cent
  - ◆ 57 per cent for out of work singles in poverty
  - ◆ 31 per cent out of work couples in poverty
  - ◆ Child poverty = 14 per cent - above OECD average
  - ◆ Increased 1995-2005

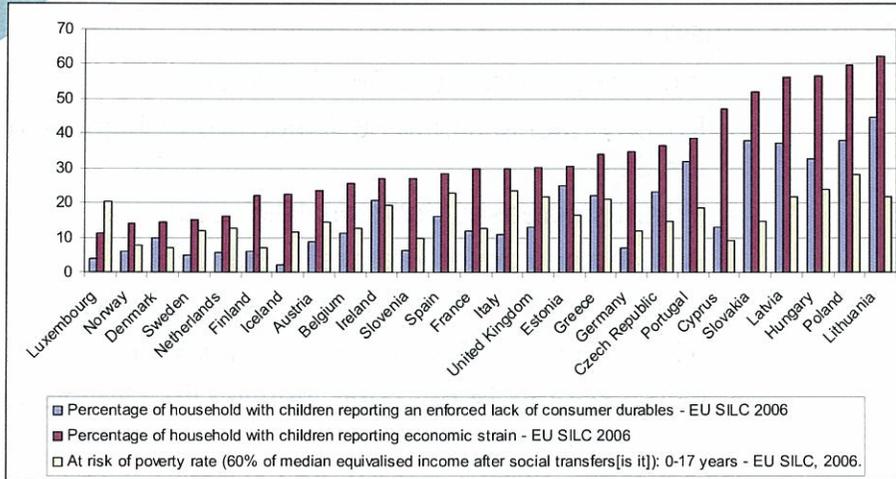
## OECD: Child poverty < 50 per cent median 2005



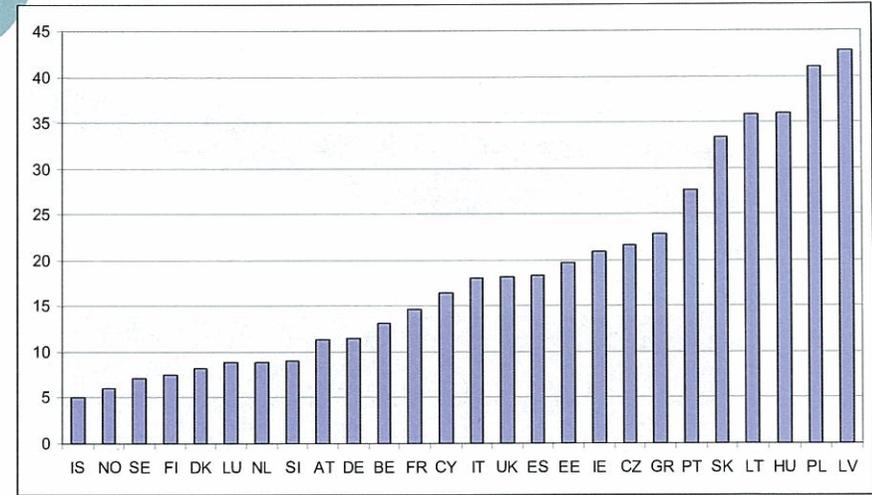
## Problems with income based poverty thresholds

- ◆ Unreliable
- ◆ Excludes dissaving, gifts, borrowing, home production
- ◆ Consumption probably better but lumpy
- ◆ Thresholds arbitrary
- ◆ Equivalence scales not science
- ◆ Rates hide gaps, persistence etc
- ◆ Deprivation measures better (Aya Abe)
- ◆ Overlapping measures even better

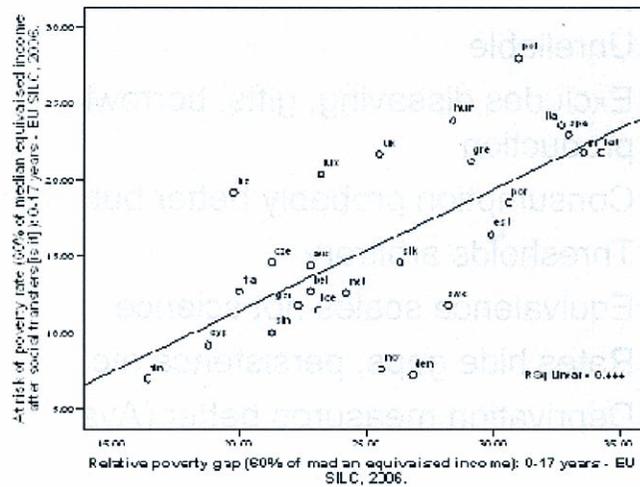
## Child poverty rates, deprivation and economic strain: SILC 2006



## Child poverty rates based on overlaps – two or more dimensions: EU SILC



## Child poverty rates by child poverty gaps: SILC 2006



## Comparative

- ◆ Model family methods
  - ◆ York studies
  - ◆ OECD (Taxes and Benefits)

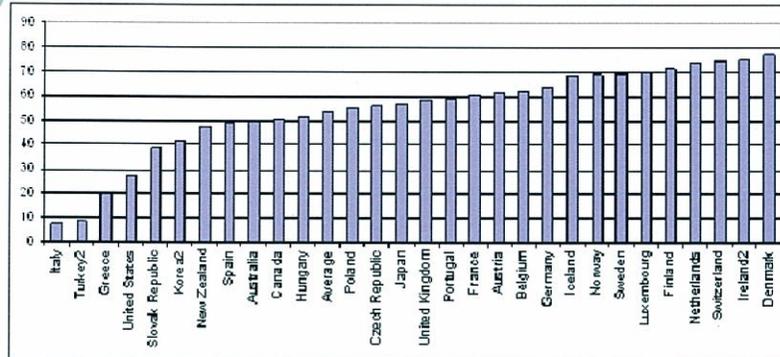


## Discussion topics.

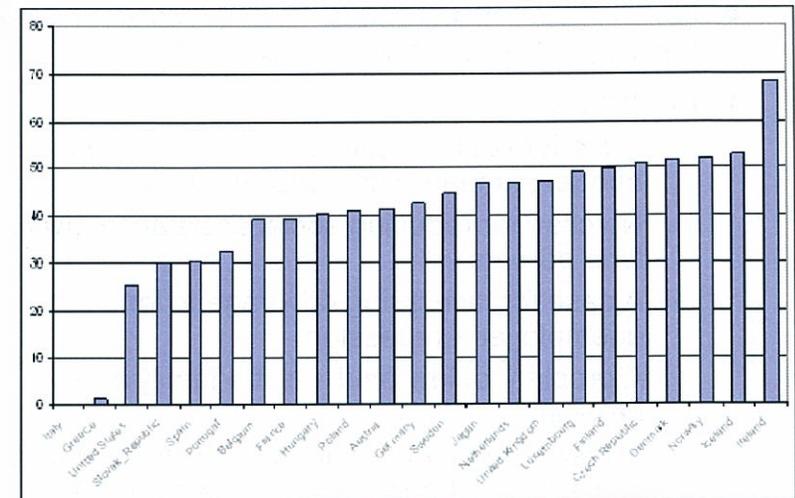
---

- ◆ Not easy to learn lessons from abroad and UK probably not the best model
- ◆ Is there a
  - ◆ Case for testing basis of social assistance using budget standards and MIS methods?
  - ◆ No case for reducing social assistance levels to lone parents
  - ◆ A case for increasing coverage to long term unemployed - recession
  - ◆ A problem of low paid – is it a family benefit problem?
  - ◆ Is there a problem of housing costs for the poor – new housing benefit only for six months?

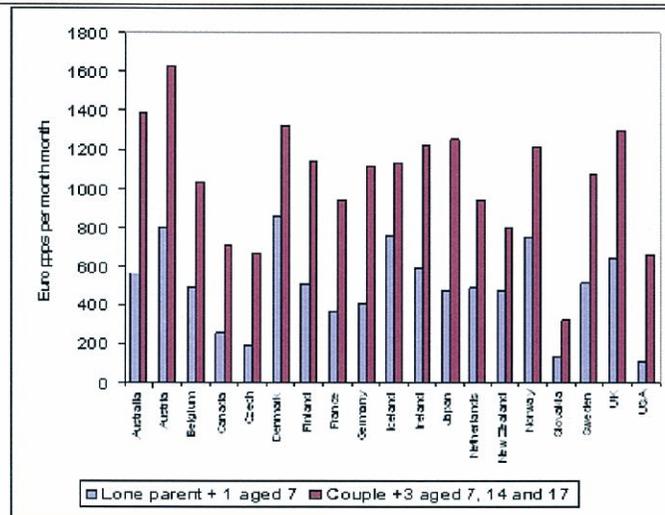
## Average net replacement rate for four family types after five year unemployment on social assistance 2006



## Net income of lone parents with two children on social assistance as a % of the average production wage. OECD 2007



## Social assistance payable to two family types



## Conclusions

- ◆ Japanese social assistance
  - ◆ Level middling
  - ◆ Fallen over time
  - ◆ Poverty high and rising
  - ◆ No clear rationale for benefit levels
  - ◆ Coverage poor - low paid and unemployed
  - ◆ Take-up low (Only 5-40 per cent of households with incomes below the LA threshold are receiving social assistance).
- ◆ Japanese government wants to cut Livelihood Assistance on the grounds that those receiving it are better off than "hardworking poor" who aren't. Already abolished lone parent premium. Extend coverage better?
- ◆ Family mean-test - uncertainty about eligibility and stigma