

Colloque international
Quel budget minimum pour participer à la vie sociale ?
Un débat européen sur les budgets de référence
13 octobre 2015

Donald Hirsch

[slide 1 – title slide]

Introduction

Good morning. I am delighted to be in Paris at this event. The work that I lead on creating a Minimum Income Standard for the United Kingdom has been going for seven years now, and in that time the interest in such work has grown across Europe. It has been very encouraging to see the French version of this work emerge, with the excellent report published by ONPES earlier this year. The basic principles of this method have been the same in the UK and in France even though, inevitably, there have been various aspects distinctive to each country. We would not after all expect France to produce any product without a French flavour, which always adds an agreeable Gallic taste.

Our Minimum Income Standard was developed on the basis of two principles that had emerged from the observation and analysis of poverty and social exclusion

First, that an adequate living standard depends on more than just meeting crude material needs, and is just as much about meeting social needs. The minimum that you need to fulfil material and social needs in combination can be interpreted as representing what it is to be fully part of society.

Second, that the most reliable “experts” in what it means to participate in society are members of the general public, collectively making judgements about what it is to be included or excluded, in the context of contemporary norms. If you can operationalise a social consensus about what is needed as a minimum, that can tell you things about social participation that cannot be derived from scientific experts, first because a minimum acceptable level of living is so closely tied to custom and contemporary conditions rather than

static physical necessities, and second because contemporary needs, norms and customs cannot be defined by actual consumption behaviours, which are constrained by the current distribution of financial resources. For example if we were to define a commodity as “essential” just because, say, 80% of households had it, this would mean we count 20% of the population as being “excluded” whether they are living in a highly equal or an unequal society.

Method

Here [slide 2] are some essential features of the Minimum Income Standard. The aim is to compile complete household budgets for a range of family types, working to a common definition of a “socially acceptable minimum”. The method is not to carry out a survey but rather for groups to work together to formulate a consensus view. The ultimate judgement about minimum needs lies with these groups, although some aspects of compiling budgets is done with the help of expert information, such as conforming to nutritional standards and research into prices.

In the UK we regularly carry out and update these studies, and have identified how needs change as the result of changes in society, but we have also noted that despite a decline in average living standards in the recession, the definition of a minimum standard has remained largely stable. The method has been applied in several other countries. In each place where it has been tried, researchers have found the method to be feasible, although there are always challenges in developing a consensus within a particular culture.

The approach

- Compiling household budgets to represent a minimum acceptable standard of living
- Consensus built in deliberative focus groups, supported by some expert knowledge
- Launched in 2008, research repeated in the UK every two years: shows evolution of the socially defined minimum
- Teams have used a similar approach in Ireland, Portugal, Japan, Austria, France

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Identifying social consensus

- Socially mixed, demographically similar groups
- Projection rather than preferences
- Collaborating to build a case study around what is needed in a home
- Negotiation and discussion where initial differences
- Check-back and resolution of differences by subsequent groups

3

Distinguishing needs from wants

'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.'

4

An iterative process

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graph TD; A[Identify the minimum standard] --> B[Identify the minimum standard]; B --> C[Identify the minimum standard]; C --> D[Identify the minimum standard]; D --> E[Identify the minimum standard]; E --> F[Identify the minimum standard];
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[slide 3]

I won't go into detail about the practicalities of the method, which are quite similar to the French approach. The most important points concern how we reach agreement among groups. To represent a consensus across society, we ensure that participants come from all walks of life, although we also assemble

people from similar demographics – so a group of single working age people act as experts on what a single working age person needs . We find that even though each person has their own lifestyle and preferences, they are able to agree quite quickly on most things because we use a projection method to say what an imaginary person would require, and this is strengthened by building a narrative around someone’s life, starting with what they would need in each room of their home. Of course, people do not instantly agree on everything but by discussing what makes something a “need to have” item rather than just “nice to have”, using a common definition, each group comes to a commonly agreed view on most things, and subsequent groups resolve any remaining differences.

[slide 4]

This approach is held together by an explicit definition of what the groups are identifying – a minimum that sticks to needs and not to things that are nice to have. This definition is always pinned on the wall in the discussions and groups frequently refer to it. It shows that it is about having what you need, but in a broader context than what you need to survive – about what you need to have choices and participate. This wording was developed with members of the public – it will be different in each country and perhaps reflects some cultural differences in how a minimum is conceived: certain opportunity and choice are important in UK contemporary thinking

Slide 5

Like other countries’ methods, we use an iterative sequence involving groups and expert inputs. The task groups are the ones that originally develop the detailed lists of items, with subsequent groups checking that they agree with the decisions taken and resolving outstanding differences. This sequence is followed for each demographic type to draw up and cost a weekly budget for a type of household

Slide 6

As I mentioned earlier, this is a continuing programme of work. We are funded by an independent charity, Joseph Rowntree Foundation, both to renew the research and to look for ways of applying it. IN general terms, we have found

that while some of the contents of household budgets have changed since 2008, there has been remarkable stability in most items that are included, even when we carry out fresh research without any references to what had been decided four years earlier. This both helps build confidence in the robustness of the findings and also has shown that in a period when prosperity declined, the concept of a minimum did not reduce.

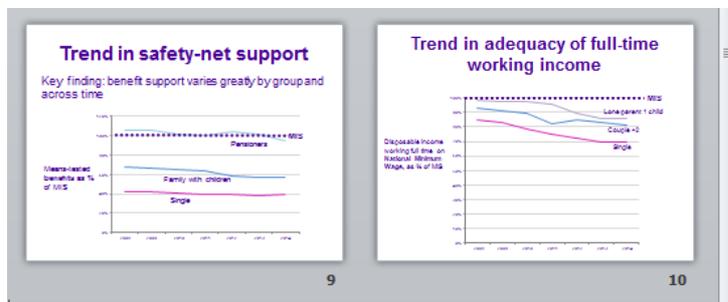


Slide 7

This finding about fairly stable income requirements at a time when actual real incomes are declining is an interesting explanation of why MIS budgets are now quite high as a percentage of median income. In 2008, they were mainly just over 70 per cent of median – so above the official poverty line, but not a very long way above it. However, as the country has become worse off, so the amount needed has grown as a percent of median income. Measuring this can be quite sensitive to what you assume about housing costs, and what is happening to the cost of a basic rent in the sector that you are using. We therefore prefer the bottom measure shown here, which looks at the cost of non-housing items as a percentage of median income after housing costs have been subtracted. This “After housing cost” measure is also used as one measure of poverty in the UK. Using this criterion, we find that a MIS budget is still well below the median income – about 20 per cent below for a single person. In France, where you do not have this “after housing cost” measure, it is higher, but perhaps it is influenced by the fact that one needs to assume housing costs that may not be very different from the median, since people have limited choices about what they pay for their rent. It is also worth observing that perhaps the high percentage of median found in France is influenced, like in the UK, that median real incomes have fallen, and if they rise again we may return to a lower percentage. (The forecast in the UK is that we will have healthy growth in the next five years, but you can’t always believe the forecasts!)

Slide 8

As I said, we are supported not just to make these calculations but to look at how they can be used in practice. They have been well reported, discussed and analysed in the UK. The most prominent effect has been to support the development of a voluntary “living wage”, based on an average of what different household types would need to earn in order to reach the standard. Over 1000 employers, including large private companies, local government and the Scottish government have adopted this for their workers. Also, a range of charities giving financial aid are using the standard to assess whether applicants are in financial need.



Slide 9

Our results have been a valuable tool of analysis over the past few years. When average incomes fall, a relative-income measure of poverty does not measure the increase in need very well. However, increasing numbers of people are falling below our standard. One aspect of this is a decline in the support given by social assistance, relative to the minimum needed. But this graph also shows that the adequacy of social security benefits is very different for various groups, so a single unemployed person gets less than half what they need but a pensioner gets about the minimum requirement.

Slide 10

There has also been a decline in the adequacy of incomes for people earning the minimum wage, partly because real wages have fallen and partly because government support for working people on low incomes has declined.

Slide 11

But have these results had any impact on social policy? Certainly not on social security benefits, which have been cut brutally in real terms by the present government. However, I think our work has certainly contributed to policy on wages. It has helped show that even someone without a family working full time cannot support themselves adequately on the UK's relatively low minimum wage. The very well publicised living wage campaign, which draws on this finding, has helped create a political atmosphere in which it has become popular to promise higher minimum wages – which is very different from the more free-market approaches of the past. In 2015, a new “National Living Wage” – a compulsory supplement to the Minimum Wage for people over 25 – was announced. You can see from this graph that the projected level of this wage is a clear break from the past.

Slide 12

This slide translates this increase into the percentage of MIS that would be reached by 2020 by a single person (with an assumption that MIS still remains stable in real terms). This shows that for the first time, it could become close to enough. I should mention that the story for families with children is very different – they will have big cuts in benefits from the state, so despite higher earnings, their incomes are likely to fall as a percentage of MIS. However, in a generally gloomy climate, this slide does show how a well publicised standard can have an impact.

End slide

I would like to end by saying that I am really looking forward to discussion about the parallel efforts to develop income standards in France and in other countries. I think we all face similar challenges and from reading the French report I have been fascinated both by the similarities and by some of the differences in how income standards are being developed and interpreted in our countries. Your perspectives are certainly feeding our ideas as we continue our programme of research in the UK.