

# REPORT ON THE REBASING OF THE MINIMUM INCOME STANDARD, 2020

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## EXECUTIVE SUMMARY

1. The Minimum Income Standard was developed by the Joseph Rowntree Foundation (JRF) in the UK in 2008. Its purpose is to identify:

*What families with children need to meet material needs and participate in society<sup>1</sup>.*

2. The principle underpinning the MIS is:

*Minimum income is based on needs and not wants, but it provides more than what is just needed for survival. It supports social participation and recognises that choice is important, but also that choice cannot be unlimited.*

3. The MIS was rebased by identifying the basket from scratch in October 2020. This was done by members of the public identified by employers on the Island, and in the case of IRB and people in receipt of the Basic Island Pension (BIP) by the Benefits Office. Group participants were identified using a range of criteria to ensure a mix of people from different socio-economic backgrounds. Workshops to identify the contents of the MIS basket were held in the middle of October 2020, with a review and feedback session in January 2021. The groups were supported with two moderators.

<b>Table 1: MIS Rates</b>	<b>Family of Four</b>		<b>One Female</b>		<b>One Male</b>	
	<b>Per Week</b>	<b>Annual</b>	<b>Per Week</b>	<b>Annual</b>	<b>Per Week</b>	<b>Annual</b>
<b>GLH AND CAR</b>						
Total	£294.72	£15,325.29	£138.30	£7,191.75	£138.37	£7,195.03
Per Adult Hour	£3.93		£3.69		£3.69	
<b>GLH NO CAR</b>						
Total	£320.71	£16,653.97	£134.55	£6,996.53	£132.55	£6,892.57
Per adult Hour	£4.28		£3.59		£3.53	
<b>PRIVATE RENT AND CAR</b>						
Total	£358.98	£18,643.90				
Per adult Hour	£4.79					
<b>MORTGAGE AND CAR</b>						
Total	£364.18	£18,914.25	£183.71	£9,553.03	£183.78	£9,556.31
Per Adult Hour	£4.86		£4.90		£4.90	
Baby	£62.36	£3,809.46	Creche = 52% of baby expenditure			

4. Therefore the minimum a family of four needs, in a GLH house is both adults in full-time work earning £3.93/ hour after tax. For a family with a mortgage this rises to £4.85/ hour earnings after tax with both adults in full-time work.

<sup>1</sup> Davis, Abigail, Donald Hirsch, Matt Padley and Claire Shepherd, 2020, *A Minimum Income Standard for the United Kingdom in 2020*. York: Joseph Rowntree Foundation.

5. These figures are broadly commensurable with a commonly held view that a person needs to earn £5.00/ hour to be able to stay working on the Island and build their own home.

## INTRODUCTION

### Background

6. The Minimum Income Standard was developed by the Joseph Rowntree Foundation (JRF) in the UK in 2008. Its purpose is to identify:

*What families with children need to meet material needs and participate in society<sup>2</sup>.*

7. The principle underpinning the MIS is:

*Minimum income is based on needs and not wants, but it provides more than what is just needed for survival. It supports social participation and recognises that choice is important, but also that choice cannot be unlimited.*

8. In the UK the MIS is determined by regular research using focus discussion groups with members of the public where different groups meet every four years to consider from scratch what families with children need. It also takes into account expert evidence for example on good nutrition and adequate household energy use. It is focused on needs rather than wants, necessities rather than luxuries.
9. Outside of the UK the MIS method is gaining international acceptance having been adopted or adapted in Ireland, France, Japan, Portugal, Austria, Guernsey<sup>3</sup> and St Helena. It allows countries to identify a minimum income which takes into account the local context of social norms and priorities. It does not allow for comparisons across different countries of actual living standards<sup>4</sup>.

### Current Situation in St Helena

10. In St Helena the MIS was introduced in 2013 to see *benefit levels linked to a bespoke St Helenian basket of essential goods<sup>5</sup>*. The local basket focused on single adults and families in receipt of benefits<sup>6</sup>. In hindsight – and given the contents of the 2020 rebased basket – the focus on families on benefits in 2013 downwardly skewed the basket. It was probably informed by social notions that identify benefits with poverty rather than a socially acceptable minimum income that meets the rationale of a MIS:

- a) *Health and well-being*
- b) *Living life in a practical way*
- c) *Social participation and interaction*
- d) *Development and opportunity*

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<sup>2</sup> Davis, Abigail, Donald Hirsch, Matt Padley and Claire Shepherd, 2020, *A Minimum Income Standard for the United Kingdom in 2020*. York: Joseph Rowntree Foundation.

<sup>3</sup> [https://en.wikipedia.org/wiki/Minimum\\_Income\\_Standard](https://en.wikipedia.org/wiki/Minimum_Income_Standard)

<sup>4</sup> Padley, M. and Davis, A, 2020, 'Applying the Minimum Income Standard in diverse national contexts' in C. Deeming (ed.) *Minimum Income Standards and Reference Budgets: international and comparative policy perspectives*. Bristol: Policy Press. Referenced <https://www.lboro.ac.uk/research/crsp/publications/>

<sup>5</sup> SHG, 2013. *Minimum Income Standard for St Helena*. Jamestown: St Helena Government, p.3.

<sup>6</sup> SHG, 2013. *Minimum Income Standard for St Helena*. Jamestown: St Helena Government, p.13.

e) *Choice*<sup>7</sup>

11. In 2013 the first MIS was £71.64/ week for a single IRB claimant. The basket was re-costed annually and from 2018 twice annually by Statistics with incremental increases, and in October 2020 it was £93/ week.
12. Therefore it was seven years since the MIS was initially based. Elected Members requested that the basket be reviewed as the MIS was considered low.
13. It was also timely, and in keeping with good practice to rebase it as this should take place every four years. Through time people's expenditure patterns shift and it was anticipated in St Helena that what was considered as essential to meet needs would have changed and would include more items in the basket around socialisation in the community, educational materials, internet and child care costs.
14. Therefore there was expected to be a significant increase in the MIS – especially one that was considered by the public to meet the principle and rationale of a MIS rather than a MIS informed by social notions of what people on social security need or deserve. The 2013 MIS was not a true MIS as internationally understood. This means however than another means is required to set the IRB rate.
15. Interestingly the 2020 UK MIS research found the minimum that households require continues to change as technology develops and living patterns shift, but the overall amount needed had not changed significantly<sup>8</sup>. However in St Helena it was considered that this would not be case as the MIS had been heavily informed in 2013 by the situation of IRB families.

## METHODOLOGY FOR A SOCIALLY ACCEPTABLE MINIMUM INCOME

### Ownership: MIS set by the Public

16. The MIS was rebased by identifying the basket from scratch in October 2020. This was done by members of the public identified by employers on the Island, and in the case of IRB and people in receipt of the Basic Island Pension (BIP) by the Benefits Office. The methodology was informed by the 'gold standard' of JRF<sup>9</sup>, but it was simplified for a population of 4,500 as opposed to 66.7m in the UK<sup>10</sup> and applied basic principles of the JRF approach<sup>11</sup>. It was also simplified bearing in mind a consultation tired public and because of budget constraints which prevented the large number of workshops attended by the public in the UK.
17. Group participants were identified by employers and the Benefits Office using a range of criteria to ensure a mix of people from different socio-economic backgrounds. This avoided using the same participants as in 2013. Two groups were recruited with the same

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<sup>7</sup> Davis, Abigail, Donald Hirsch, Matt Padley and Lydia Marshall, 2015. How much is enough? Reaching social consensus on minimum household needs. Loughborough University, Centre for Research in Social Policy, p.39

<sup>8</sup> Davis, Abigail, Donald Hirsch, Matt Padley and Claire Shepherd, 2020, *A Minimum Income Standard for the United Kingdom in 2020*. York: Joseph Rowntree Foundation, p. 19

<sup>9</sup> Davis, Abigail, Donald Hirsch, Matt Padley and Claire Shepherd, 2020, *A Minimum Income Standard for the United Kingdom in 2020*. York: Joseph Rowntree Foundation, p.6.

<sup>10</sup><https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates>

<sup>11</sup> Davis, Abigail, Donald Hirsch, Matt Padley and Claire Shepherd, 2020, *A Minimum Income Standard for the United Kingdom in 2020*. York: Joseph Rowntree Foundation, p.6.

composition of five persons, and with the exception of one person from a middle income family in Group 2, all fully attended. There was a good age range and gender balance between the ages of 17 and 65+, with a tendency towards people from younger families.

18. The workshops took place over four half days in the middle of October 2020, with a review and feedback session in January 2021. In the first three sessions Group 1 focused on discussing, negotiating and agreeing on a list of required goods and services for the individual under discussion. Group 2 supported Group 1 in the fourth session with a review of anomalies and any outstanding issues. The composition criteria for each group was
  - a) Adult from low income working family x 1
  - b) Adult from IRB family x 1
  - c) Young working adult, under 25 years x 1
  - d) Adult from a middle income working family x 1
  - e) Adult in receipt of BIP x 1
  
19. The groups were supported with two moderators who:
  - a) Used headings to focus discussion – meals, clothing, housing, household goods and services, communications, personal and toiletries, transport, insurance, and social and cultural participation;
  - b) Focused discussion on a family of a manual worker and a shop worker, which Group 1 considered typical of a low income family;
  - c) Facilitated and moderated discussion with reference to the principle and the rationale underpinning a MIS. This included supporting the group project themselves into the situation of a typical low income family, and steering participants away from over-using their personal situation. Two participants were particularly insightful about needs rather than wants with strong opinions on the inadequacy of the minimum wage. There was a clear difference between the views of older members and younger members- older members were used to doing with less and younger members had expectations that more was needed to meet current needs.
  
20. Group 1 developed the basket for each case study individual. The focus was on an ordinary low income family without framing them in the context of IRB, as the IRB rate is below the income poverty line of 60% of median earnings<sup>12</sup>. The individual case studies were:
  - a) Adult man of 40 years, selected on basis of middle age and a manual worker;
  - b) Adult woman of 40 years, selected on basis of middle age and a shop worker;
  - c) Boy of 12 years, Prince Andrew School (secondary) age;
  - d) Girl of 12 years, Prince Andrew School (secondary) age;
  - e) Baby of 0-12 months.
  
21. Group 1 started each case study with developing a detailed basket for one week and then moving to monthly and annual expenditure needs. After each workshop the lead moderator wrote up the basket for review the following day. Each workshop followed a pattern of reviewing the work of the previous workshop, before developing the basket for a new case study. In a fourth workshop the findings of Group 1 were presented to Group 2 to review, identify any anomalies, gaps and outstanding issues. Changes to the basket were jointly discussed, negotiated and agreed by both groups. Overall an iterative process was followed

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<sup>12</sup> The St Helena MIS of £4,628 in 2018 was 55% of the median wage. The 2020 UK MIS of £19,200 is 70-75% of the UK median wage, regardless of family type - a percentage that is above the standard poverty line of 60% of median income. See Davis, Abigail, Donald Hirsch, Matt Padley and Claire Shepherd, 2020, *A Minimum Income Standard for the United Kingdom in 2020*. York: Joseph Rowntree Foundation, p.13.

through the use of the case studies, the use of headings to focus discussion and repetition to develop the basket. Advice was provided by the Health Promotor on meals and diet.

22. As the basket was developed assumptions made by the groups were noted. These are set out in Table 2 below.

**Table 2: Assumptions**

Family and Housing	<ul style="list-style-type: none"> <li>• A shop worker and a manual worker are typical of low income families.</li> <li>• A low income family lives from week to week. It cannot afford to import goods and there is little opportunity to save.</li> <li>• Government Landlord Housing (GLH) has become a <i>luxury</i>, as GLH houses are not available, and low income families are now renting privately. They are more likely to be living in a built-up area without a kitchen garden.</li> </ul>
Food/ Meals	<ul style="list-style-type: none"> <li>• Meals apply to all the family and baby food is prepared using the ingredients of meals.</li> <li>• Five fruit/ vegetables are needed a day.</li> <li>• Five meals and snacks are needed a day - breakfast, morning break, lunch, afternoon break and supper.</li> <li>• Food is averaged over the year, it is not practical to plan and cost according to availability and therefore common ingredients are used.</li> <li>• Fewer sugary drinks are being consumed now (an impact of sugar tax) and there is a growing preference to using sugar-free soft drinks.</li> <li>• Child 0-12 months is breast fed, and moved onto formula and goes to crèche at three months.</li> <li>• Child of 12 years consumes 75% of adult consumption.</li> <li>• Child of 8 years consumes 70% of adult consumption.</li> <li>• International football opportunities are encouraging football amongst school boys justifies what might be a higher calorie load than is nutritionally recommended.</li> </ul>
Clothing	<ul style="list-style-type: none"> <li>• Hand me downs are less common now, but low income families buy/ use some second hand goods and clothes. Use of the charity shop is increasing, but with limited opening hours it is not accessible to everyone.</li> <li>• Clothes bought locally are of low quality and do not last (quantity over quality). Designer labels are unaffordable.</li> <li>• Female shop worker has part-uniform.</li> <li>• Male manual worker required to buy work boots - not provided by employer.</li> </ul>
Household Goods	<ul style="list-style-type: none"> <li>• A low income family buys goods locally; they cannot afford to import goods</li> <li>• Goods bought locally are of low quality and do not last long.</li> <li>• Local goods can be purchased on hire purchase, whereas imported goods have to be paid for upfront.</li> </ul>
Transport	<ul style="list-style-type: none"> <li>• An old car is a practical solution for family transport and is calculated to be cheaper than local transport to take children to crèche and events.</li> </ul>
Communications	<ul style="list-style-type: none"> <li>• There is a growing trend towards prioritising internet over TV amongst low income families. A low income family cannot afford a TV subscription but has a TV screen for watching DVDs. A cheap smart mobile is used rather than a landline.</li> <li>• There is a land line to receive calls and for internet, but outgoing calls cannot be made.</li> </ul>

23. On the whole there was broad agreement within and between the groups. Points of difference arose when:

- a) A moderator questioned the short life span of clothing and the group felt strongly that clothing bought locally did not last;
- b) A moderator asked about the use of hand me downs/ second hand baby items and other items, and the group set some goods as second hand.
- c) Child intakes were higher than considered good for health advised by the Health Promoter, but were justified by the groups in terms of a long school day from 7.30 to 17.00 and parental experience and culture. There was also a concern that if a child was considered by a teacher or someone else to have insufficient food with him/ her at school then a parent could be reported to Child and Adult Social Care (CASC).

24. Examples of meeting family needs in terms of the rationale of a MIS are set out below.

**Table 3: Examples of How the Basket Meets the Rationale of a MIS.**

Health and well-being	<ul style="list-style-type: none"> <li>• Five fruit/ vegetables a day</li> <li>• Baby breast-fed only for first three months.</li> </ul>
Living life in a practical way	<ul style="list-style-type: none"> <li>• Low income family has a car to take children to crèche and events in the absence of an adequate public transport system to go to scattered facilities and because it is cheaper.</li> <li>• Internet and DVDs are practical alternatives to TV.</li> <li>• Landline for incoming calls only.</li> </ul>
Social participation and interaction	<ul style="list-style-type: none"> <li>• Participation in 15 cultural events a year</li> <li>• One take away snack every second Saturday</li> <li>• Pocket money to meet children's attendance at Scouts or Guides and New Horizons</li> <li>• Laying aside money on a weekly basis with a retailer for Christmas</li> <li>• Social obligation to contribute to local charities and events (adults and children affected).</li> </ul>
Development and Opportunity	<ul style="list-style-type: none"> <li>• Inclusion of bronze internet.</li> <li>• Inclusion of a Kindle Fire (for family)</li> <li>• Inclusion of toys and games for children.</li> </ul>
Choice	<ul style="list-style-type: none"> <li>• Internet or TV subscription (not both, and groups chose internet)</li> </ul>

25. The groups focused on what they considered needs and not wants. Items which were considered 'wants' and do not appear in the basic basket include:

- a) Privately imported goods and clothing;
- b) Eating meals out in restaurants;
- c) More internet usage than the bronze package which is limited to a maximum of 2,250 MB/ month;
- d) Tobacco and alcohol;
- e) A newer car (a 20 year old Ford was considered enough to meet needs);
- f) Travelling overseas for a holiday.

### Lessons from the Group Work

26. As already noted the workshops were limited to four half day sessions. If practical when the basket is reviewed in two years (see Next Steps) a session is needed to include a basket for a male and a female adult 65+ and a male and a female primary school student.

27. Asking employers and the Benefits Office to nominate participants worked well. With the exception of one person who did not attend the Group 2 session, the last session, all those nominated attended and participation was good. A number of employers were approached to nominate participants according to specified socio-economic criteria. Those who

responded positively and whose employees attended were supportive of the exercise citing its usefulness for informing:

- a) Terms and conditions of financial products;
- b) The minimum wage.

### Costing of the Basket

- 28. Most of the basket was costed by the Statistics Office in SHG using nine retail outlets (town and country) and an average price per item was used. Items costed by the groups included car costs and social participation costs. Public transport was missed as the groups considered a car essential and this was added later. Interestingly the cost proved the point of the groups that public transport is more expensive than running an old unsophisticated Ford Mark 1 model.
- 29. The groups agreed a menu for a week’s meals which was converted into ingredients and costed by the owner of a local restaurant.
- 30. Statistics tried to assess the longevity of goods and clothing using the knowledge of retailers, but this proved too variable. The feedback session in January used a different method to assess longevity – using the life span of one item and not how many items a year were needed, which was what was done originally. This improved the quality of data, although privately the facilitators considered many items of clothing would be made to last longer in reality.

### Review and Feedback Session

- 31. The key findings of the rebasing were presented to the groups in January for review and feedback. This session was added after the workshops because of the large difference between the basket of 2013 which stood at £93/ week in 2020 and the new basket of 2020. A large part of this difference was due to the 2013 budget focusing on the situation of IRB families, but it was also considered prudent for the groups to finally review the finished product and to provide final advice on the methodology as this was a significant piece of work which would influence and inform decision-makers, in particular the minimum wage.

### Next Steps

- 32. In the UK the JRF rebases the MIS basket every four years (Y1) with a review of the basket in Y3. Inflation upgrades are applied (if applicable) in Y2 and Y4. Table 4 sets out a timetable for St Helena.

**Table 4: MIS Timetable.**

	Y1 - 2020	Y2 -2021	Y3 - 2022	Y4 - 2023
MIS	Rebase	Inflation review	Review	Inflation review

- 33. As already noted the 2020 UK MIS research found the minimum that households require continues to change as technology develops and living patterns shift, but the overall amount needed had not changed significantly<sup>13</sup>.

## FINDINGS

<sup>13</sup> Davis, Abigail, Donald Hirsch, Matt Padley and Claire Shepherd, 2020, *A Minimum Income Standard for the United Kingdom in 2020*. York: Joseph Rowntree Foundation, p. 19

34. The basket allowed for a minimum income standard to be identified for the following families:
- A family of four, assuming a boy and a girl of 12 years in a three bed GLH house.
  - A family of four, assuming a boy and a girl of 12 years with a mortgage in a three bed house.
  - A family of four, assuming a boy and a girl of 12 years privately renting a three bed house.
  - A single adult in a one bed GLH house.
  - A single adult with a mortgage for a starter one bed house.

A single adult renting in the private sector was not considered as there are very few one bed affordable properties for rent.

<b>Table 5: MIS Rates</b>	<b>Family of Four</b>		<b>One Female</b>		<b>One Male</b>	
<b>GLH AND CAR</b>	<b>Per Week</b>	<b>Annual</b>	<b>Per Week</b>	<b>Annual</b>	<b>Per Week</b>	<b>Annual</b>
Total	£294.72	£15,325.29	£138.30	£7,191.75	£138.37	£7,195.03
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36. These figures are broadly commensurable with a commonly held view that a person needs to earn £5.00/ hour to be able to stay working on the Island and build their own home.