



# MINIMUM INCOME STANDARD AND SCOTLAND

## Briefing note

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This note clarifies several issues related to the discussion of a minimum income guarantee (MIG) in Scotland, and its use of the Minimum Income Standard (MIS) as a benchmark.

### 1. Are different MIS budgets needed in Scotland?

The Minimum Income Standard is designed to cover the United Kingdom as a whole, based on the idea that, across the UK, households of a particular type face a set of common minimum costs. This is supported by accumulated evidence from MIS studies showing:

- That the underlying concept of what comprises a minimum is common across the UK. In the first MIS study published in 2008, geographical checkback groups, including for Scotland, established this at a broad level. Further geographical studies such as in Northern Ireland (2009), rural England (2010) and London (2015) confirmed that concepts of minimum living standards are largely common in different parts of the UK, even where certain situational factors changed the cost of reaching them.
- That the great majority of goods and services that comprise minimum budgets, other than housing and childcare (which can be separated out – see below) can generally be bought at common prices at national chain stores across the country. Other than in remote rural Scotland and some specific instances in London, such stores have been found to be accessible.

Some geographical situations such as rurality and living in London can bring systematically different, and largely additional costs to those identified in MIS. This has been dealt with by acknowledging that the main MIS is a baseline minimum for the UK based on urban locations outside London, and that some other geographical factors can bring additional costs. So far, however, we have not identified any such factors that systematically make urban Scotland different from the rest of urban UK.

Since 2018, MIS research has interrogated this assumption in every two-year cycle of fresh research. Whereas most of the groups of members of the public determining what items should go in a minimum basket are based in England, biannual review groups are held across the four nations.

This is part of a process whereby budgets are fully constructed from scratch every four years, but after two years a series of review groups check their validity. By undertaking these review groups across urban areas of Scotland, England, Wales and Northern Ireland, we are able to see whether any differences between these areas need taking into account. The overwhelming finding from these groups is that there are only very few, very minor differences. So far none has been significant enough to affect the overall budgets.

This gives us confidence to conclude that, excluding rent and childcare, MIS budgets are as valid for Scotland as they are for England. It is interesting to note that, before instituting the current review method in 2018, we talked informally to the Scottish Government about the possibility of carrying out a separate set of “checkback” groups in Scotland to quantify any variation specifically in urban Scotland. This idea was not pursued, on the basis that identifying and reporting a very small variation based on incidental differences would have the potential for sowing confusion, without bringing any real value in the application of MIS findings. This would certainly be true today, when for example Scotland is using MIS budgets as part of the basis for measuring fuel poverty. A very slightly different benchmark would not materially alter findings about the progress in tackling fuel poverty, but rather would create unhelpful discrepancies in the presentation of these measures over time.

## 2. Applying MIS budgets in Scotland

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While a minimum household budget net of rent and childcare can thus be seen as effectively the same in Scotland as the rest of the UK, it is also relevant in some contexts to take account of several differences affecting incomes in Scotland. These include the cost of rent and childcare, the effect of fiscal policies on incomes and the effect of public policy on household spending requirements.

### Rent and childcare costs

Private rents vary greatly through Scotland; on average they are higher than in the Midlands and North of England, but lower than the South of England. (Table 54a of this source). Childcare costs are low relative to England – on average about 20% lower. Neither of these differences affect consideration of minimum income guarantees or basic benefits, as long as they are not intended to cover rent or childcare, as at present. On the other hand, any Scottish calculation of minimum earnings requirements, including of a living wage, would be affected by cheaper childcare.

### Fiscal policies affecting income

Scotland has recently adopted new fiscal policies affecting income, notably a different income tax schedule and the introduction of the Scottish Child Payment (SCP). The SCP in particular makes a substantial difference to the incomes of low-income families.

As with housing costs, this does not affect the debate about how much a minimum income guarantee needs to be in light of MIS: the present policies could be seen rather as a step towards achieving this. On the other hand, if one were to take current fiscal policies as given, and consider what minimum wage is needed to provide an adequate income, Scottish policies become very pertinent. Put bluntly, the Living Wage calculated taking account of measures such as the Scottish Child Payment would be substantially lower than the UK Living Wage calculation, which does not take it into account.

### Policies affecting household costs

Some Scottish policies affect the costs currently included in MIS budgets for households with children. In particular, free school meals for all primary school children and free bus travel for all children would reduce these budgets. Means-tested free school meals have not been built into MIS calculations when commenting on benefit adequacy, since many families do not take them up because of the stigma associated with this. This changes if these become universal. For transport, MIS budgets include cars for households with children, but also include the cost of bus travel for secondary school children to get to and from school; removing this cost through free bus travel would directly affect the MIS budget for households with children of this age. Free prescriptions reduce health costs for working age adults in Scotland compared to England, where they must pay.

It would be problematic for MIS to start building in variations for such subsidies whenever they become available in different parts of the UK. It would require detailed and continuous monitoring of policies within the nations or at regional/metropolitan authority level. MIS always involves some degree of simplification, and so far one aspect of this has been only taking account of public subsidies that apply across the whole of the UK.

### Remote rural Scotland

The one area of the UK where MIS research has found that budgets (excluding rent and childcare) are very different from the standard UK model is remote rural Scotland, where items such as travel, home energy and household goods cost substantially more. After an initial study showing this in 2013, a follow-up study for the Scottish Government (in 2020/21) has established a basis for incorporating an uplift for remote areas in the income benchmark used in measuring fuel poverty. This specific information is useful in designing policies supporting remote rural areas, whether by reducing costs, for example through home energy schemes, or ensuring that where public funds target areas where income deprivation is higher, these additional costs are taken into account. There may also, in principle, be a case for higher income guarantees in these areas, but such a policy could be problematic. It is impossible to be precise about the exact extent of extra costs in the many different areas where they exist, or to map accurately where those additional costs start. Geographically differentiated benefit rates are therefore likely to be heavily disputed.

## Conclusion

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Among the differences identified in this briefing, the only ones likely to provide a systematic case for adapting MIS to Scottish conditions when designing a minimum income guarantee are differences in policies affecting household costs: free travel and school meals for children, free prescriptions for working age adults and any other form of public provision that reduces household costs compared to England. Even here, there may be pitfalls in terms of having to adapt a minimum income guarantee as policies evolve – with the unfortunate logic that a new benefit in kind ought to be matched by a lowering of the income guarantee level. The alternative is to accept, as a simplification, that the UK MIS gives a reasonable income benchmark to work towards, in Scotland as in other parts of the UK, continuing to take account only of UK-wide subsidies.

