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# Low cost but acceptable

A minimum income standard for working households with children, living in Swansea, South Wales



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### **The Family Budget Unit (FBU)**

The Family Budget Unit is an educational charity (No 298813) and private limited company (No 2211830) founded in 1987 with three objectives:

- To advance the education of the public in all matters relating to comparative living standards and living costs throughout the United Kingdom.
- To carry out research into the economic requirements and consumer preferences of families of different composition, for each main component of a typical family budget.
- To publish the useful results of such work.

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# Foreword

**by Paul O'Shea, Regional Secretary, Cymru/Wales Region**

I am very pleased to be providing a foreword to this report and that UNISON is associated with this important work. Low pay and poverty remain continuing problems condemning a large number of our members, their families, and the wider population to real financial hardship.

This cannot be right in a modern economy which is the fourth strongest in the world. It is economically inefficient and morally wrong. UNISON, with others, is at the forefront of a campaign to achieve a 'living wage'. Whilst we welcome the existence of the National Minimum Wage, the government holds to the view that the minimum wage is a threshold for benefits rather than a genuine tool to lift people out of poverty. We truly believe that the Low Pay Commission, which is responsible for setting the minimum wage, should now accept that the minimum wage is a weapon against low pay and poverty. We believe that the living wage approach would boost incomes, health and social capital, and save the government billions of pounds in taxpayers' money.

This report provides independent and authoritative evidence to support the campaign for a living wage to achieve justice, not charity, for all our citizens.

# UNISON Wales introduction

This report has been prepared for UNISON CYMRU WALES jointly by the Family Budget Unit at the University of York and the National Centre for Public Policy at the University of Wales Swansea. The report extends the pioneering work of the Family Budget Unit on the budget standards of low-income households and the incomes required to meet those standards through a case study in Wales. The report is in two parts. The first sets out the broad policy framework in Wales around the interrelated themes of low pay, poverty and social exclusion. The second part is dedicated to a case study based at Swansea and provides the details of budget requirements for various types of family units.

There is a keen and contested debate on the measurement of poverty and there are a number of different methodologies in current usage. The budget standards methodology is somewhat unique amongst this repertoire in that it focuses on the calculation of weekly cost minimum needs taking into account food, clothing, housing, transport and all the other costs needed to maintain an acceptable standard of living. UNISON argues that this analysis is necessary for Government before it deliberates on the level of minimum wages, unemployment benefits, Working Families Tax Credit and taxation. The key point is that such transparency over the list of essential items, their quantities and costs, informs a wider public debate about poverty and the appropriate levels of statutory minimum incomes both in and out of work.

The key finding of this report is that:

*“The net incomes (earnings and child benefit minus income tax and National Insurance Contributions) required to avoid poverty by working households with young children, living in Swansea, are well above net incomes at the level of the statutory minimum wage”*

This evidence lends weight to UNISON's campaign for a living wage – an absolute minimum level of pay that enables workers to achieve an acceptable standard of living without having to depend on government assistance. The implication of the budget requirements calculated for a one-earner family with two children in Swansea is that a net minimum of £310 per week would need to be earned to service an acceptable living standard. This translates into approximately £5.10 per hour that is well above the current statutory national minimum standard of £4.20 per hour.

The report raises another important issue. Although, Welsh Assembly Government is committed to tackling problems of poverty and social exclusion, and this is evidenced in many of its policy strategies and interventions, its role in influencing macro-economic policy and welfare benefits is restricted by the present configuration of devolved powers and duties. Unless this is addressed, Welsh Assembly Government can claim to be impotent in these key policy areas.

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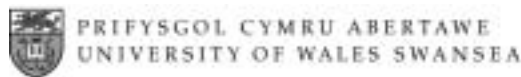
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## **Abbreviations**

CIPFA	Chartered Institute of Public Finance and Accounting
DWP	Department for Work and Pensions
FBU	Family Budget Unit
FIS	Family Income Supplement
LCA	Low Cost but Acceptable
MBA	Modest but Adequate
NI	National Insurance
RPI	Retail Price Index
RV	Rateable Values
VAT	Value Added Tax
WFTC	Working Families Tax Credit

# The policy context: Poverty and social exclusion in Wales

**National Centre for Public Policy**  
*Paul Williams Senior, Research Fellow*



*Guide me, O Thou Great Redeemer  
Pilgrim through this barren land  
I am weak but Thou art mighty  
Hold me with Thy powerful hand  
Bread of Heaven  
Bread of Heaven  
Feed me now and evermore*

## Families and Low Incomes

The reality of life for individuals and families on low incomes is catastrophic. It involves both material deprivation, and emotional and psychological distress. Dean and Melrose (1999) refer to poverty as exclusion from the public sphere of citizenship. "Making ends meet on a low income means going without. It generally means having no social life, with families spending a lot of time at home together. This can cement relationships but more often it places a strain on them, resulting in family breakdown in extreme cases. It leads to poor diets, with choices between eating healthy foods or having sufficient to eat, and to economies in the use of heating and water. These, in turn, contribute to health problems, as does inadequate housing. People living on state benefits usually have insufficient income to cover even their basic needs" (Kempson, 1996:xi).

Persistent low income is a condition that is disproportionately "accounted for by lone parents and their children, pensioners (particularly single pensioners), social tenants, and people in workless households" (Hills, 2002:230). The number of people living in households in the UK on low incomes (calculated as having less than 60% of median income) remains at an historic high and largely unchanged since the early 1990's; children continue to be more likely than adults to live in low income households; and half of lone parents do not have paid work (Rahman et al, 2001). There has been an increase in the percentage of workers on low pay (and very low pay) as well as an increase in incomes inequalities (McKnight, 2002:100). This author, also, maintains that "it is low-pay 'careers' in the form of persistence in low pay, or cycling between low-pay and no-pay, that has the most damaging effects rather than a temporary experience of low pay (McKnight, 2002:117). Most worryingly is the propensity of poverty and inequality to perpetuate into future generations.

# Changing governance structures in Wales

In recent years, Wales has been the subject of radical institutional and organizational change. Governance arrangements have been transformed by the creation of devolved government in the shape of Welsh Assembly Government. Local government is now the responsibility of 22 unitary authorities, and health services are being re-configured and re-organised. The modernisation agenda has impacted on all aspects of government and new relationships between different tiers of government, other sectors and the wider community are emerging around complementary and interconnected policy agendas.

The spirit of devolution implies a commitment to devising policy interventions and solutions that are specific to, and appropriate for the multiple social, economic and environmental needs of the people of Wales. However, in common with other parts of the U.K., it shares a deep concern for the problems and consequences of poverty and social exclusion. It is a sad indictment of an advanced twenty first century society that continues to countenance the wholly inadequate material and emotional condition of a significant proportion of its citizens. Despite both the rhetoric and reality of measures that successive governments have championed in order to address this issue, fundamental inequalities in society remain stubbornly impervious to significant change. The determinants and dimensions of poverty and social exclusion are many and varied. However, there is little doubting that low pay and inadequate incomes are highly significant factors.

Although Wales has a form of devolved government, its limitations need to be recognised. It has no primary legislative powers and its citizens are still locked into U.K. statutory frameworks and provisions, in particular in relation to social security and welfare benefits. Macro determinants of social and economic status and inequalities are similar between England and Wales. In addition, the consequences of globalisation are equally applicable and transcend political and administrative boundaries. The ability of Welsh institutions to make a difference is severely constrained, and in many cases, only possible at the margins.

From its inception, Welsh Assembly Government has accorded social exclusion a high priority. Its overall planning framework for Wales, articulated in the document *Better Wales* (2000), is underpinned by three guiding principles – one of which is attacking poverty and promoting social inclusion. This has led to major area-based programmes targeting deprived communities such as the *Communities First* programme, and strategies designed to reduce inequalities such as in health. The *Annual Report on Social Inclusion in Wales* (Welsh Assembly Government, 2002) also refers to interventions and specific policies in relation to equality of opportunity, skills training and employment, and the economy. It also works in partnership with other agencies and organizations that have a significant impact on local people and communities around quality of life issues such as housing, education, transport and work. Local authorities, through the mechanism of Policy Agreements, assist in the delivery of policies and programmes that ostensibly have anti-poverty and social inclusion perspectives.

However, the challenges are considerable and the incidence of poverty and social exclusion continues to bedevil the best intentions of policy makers. The availability of reliable research and information specifically on the situation in Wales is not extensive, and much of the data is aggregated in combined English and Welsh studies. A picture of some of the perspectives of multiple deprivation is conveyed by the following statistics:



- Gross Domestic Product in Wales is about 22% lower than that in England and 16% lower than in Scotland. Only, the North –East of England, of the English regions has a lower figure than Wales.
- Incomes are lower than in both England and Scotland, and more income comes from social security benefits and more people claim income support than England.
- More people in Wales have limiting long-term illnesses than in England and Scotland and more claim related social security benefits.
- More people in Wales are served Meals on Wheels than in England and Scotland

*Source: Welsh Assembly Government, Statistical Directorate.*

The Welsh Assembly Government Annual Report on Social Inclusion in Wales (2002) indicates that in 1998/99:

- Wales had 68% of residents living in households with below average incomes compared with 62% for Great Britain as a whole.
- 80% of children in Wales lived in households with incomes below half the average income compared with 74% for Great Britain.
- 22% of adults of working age in Wales lived in households with incomes below half the average income, compared with 19% for Great Britain
- Also, in 2001, 70,000 of Welsh workless households contained dependent children, and the figures indicate that Wales has a higher proportion of children under 16 living in income support households (13.5% in the UK and 18.9% in Wales).
- The seasonally adjusted ILO unemployment rate in 2001 was 6.0% in Wales compared to 5.2% in the UK.

Additional perspectives on the incidence of social exclusion in Wales are provided by the following statistics (National Assembly for Wales, 1999):

- In 1997, around a half of households in Wales had an annual income of less than £10,000
- In 1997, around 40% of households had no savings
- In 1997–98, 20% of households were in receipt of housing benefit
- In 1996–97 the proportion of households receiving family credit or income support was 25% compared with 19% in England

The problem of low pay is recognised by the Equal Opportunities Commission in Wales as a particular gender issue. It estimates that job segregation means that they work in a narrow range of low-paid occupations with some 60% living below the European poverty threshold. The Low Pay Commission (1998), in their work on the national minimum wage, discovers that the incidence of low pay varies by location, sector, industry and size of firm. Its research shows that the worst affected areas are rural. For example, in Fishguard and Monmouth, the percentage earning less than £3.50 per hour, was 27% and 25% respectively. In mid-Wales the main employment opportunities are in the low-paying sectors such as agriculture and retailing. The Commission also concluded that low pay is more prevalent within certain groups of workers: women, young people, people with disabilities and ethnic minorities. In addition, in-work poverty – the situation of many low paid workers – is frequently complicated by the intricately interrelated systems of tax, National Insurance and in-work benefits.

The Welsh Affairs Committee (2001) concluded that “Wales has a higher rate of children living in

poverty, lower levels of educational achievement, housing of poor quality, low rates of pay, a higher rate of working age households in employment, a higher proportion of people on income replacement benefits, a particularly high proportion in receipt of sickness or disability benefits, and a lower life expectancy". So, the nature of social exclusion was similar to other parts of the UK. but Wales suffers disproportionately. The Committee is also concerned that the division of responsibility between Welsh Assembly Government and UK Government may inhibit effective interventions because "it divides those responsible for tackling social exclusion in Wales from those who can give them the means to it. It divides those who are assisting disadvantaged communities from those who are assisting disadvantaged individuals through the benefits system. And it divides those who are responsible for economic regeneration from those who make economic policy".

The New Policy Institute regularly monitors poverty and social exclusion in the UK. Whilst observing that relevant statistics for Wales are in short supply, it estimates that in 2001, there were 700,000 people living on incomes below the low-income threshold that the government uses when monitoring the numbers of people in income poverty, and in addition, one third of children (250,000) live in households below the low-income threshold. Finally, there are around 250,000 people who are both working and on low incomes – particularly where part-time work is involved or where one of the adults is working and the other is not.

## UNISON and Low Pay

UNISON has long been concerned with low wage levels in the public sector and maintains that low pay remains an important determinant of poverty. Although it is generally recognised by national government, that local government and health authorities have a major role to play in combating poverty and social inequality, it is somewhat bizarre that many public sector employment practices run contrary to these ambitions. It is perverse that public taxes are used to fund private sector contracts, and if they are not translated into profits to enable decent wage rates to be paid to its workers, the taxpayer will again be called upon to fund tax credits, benefits and low cost housing to subsidise those on low incomes! And this is without the hidden costs of stress, loss of dignity and feelings of citizenship felt by those who are underpaid and under-valued in society.

UNISON has undertaken and published its own research (September 2000) on the effects of contracting out in the NHS and local government on the terms and conditions of the workforce. This identifies the existence of a two-tier workforce – one that is protected by the terms of TUPE on transfer from the public sector to a new service provider, and another group – new employees – that are offered no protection at all and have to bear the brunt of lower pay, poorer conditions of service, and in most cases, no occupational pensions provision. The worst affected by outsourcing are those in low paid jobs, often part-time, and there is a significant problem relating to the gendering effects of contracting out with its disproportionate effect on women because of their predominance in the public sector. UNISON's research also reveals that many contracts operated by firms involve a number of different terms and conditions for staff. In addition, concern was expressed that promotion or redeployment was often conditional upon staff accepting new contracts that were not protected by TUPE. As a

result, staff were often unwilling to change with its implications on staff mobility and career progression. Therefore, UNISON is committed to the notion of 'fair wages' for those workers contracted out to the private sector from previous public sector organizations. A 'two-tier' workforce is iniquitous – it leads to loss of morale, reduced productivity and commitment to the organization, raised absenteeism, and is not in the interests of good business. Fair wages regulations in public contracting are simply directed towards the protection of the pay, conditions and pensions of all staff irrespective of employer.

Also, UNISON is campaigning for a 'living wage' – an absolute minimum level of pay that enables workers to achieve an acceptable standard of living without having to depend on government assistance (UNISON, 2002). This differs slightly from the fair wage in that; the living wage rests on the notion of a minimum standard and the fair wage on comparability. Fuller and Kenway (2001) emphasise that "the living wage therefore complements the system of benefits and credits, shifting a greater responsibility for achieving minimum standards to the employer, while leaving scope for the supportive role of the state". The concept of the living wage has a great deal of resonance with the principles underpinning the current study and its focus on minimum income standards.

## Future Policy Directions

Hills (2002), in drawing attention to the dynamic and multi-dimensionality of poverty and deprivation, offers a very useful framework for understanding policy interventions. He refers to prevention of an event or reduction of the risk of entering an undesirable state, and promotion of exit or escape – both of which are 'active' parts of a welfare state. Secondly, he refers to policies that concentrate on protection from the impact of an event, and propulsion away from adverse circumstances by reinforcing the benefits of exit – strategies that may be viewed as passive interventions.

In reality, effective action to tackle poverty and social exclusion will probably require a combination of each of the above policies. The question for Wales, is what action can be taken by Welsh institutions alone, and which are dependent on UK Government policies. There is strong causal evidence of the links between lack of basic education skills and social exclusion particularly in relation to the chances of decent employment and income levels. Similarly, the incidence of youth unemployment appears to decrease the chances of later sustainable employment with consequent deleterious effects. It is evident that poverty is concentrated into areas causing significant polarisation within and between communities. Therefore, the Welsh Assembly Government's Communities First Programme and its strategy on education and training, the Learning Country (2002), are well directed towards the root problems of poverty. Other strategies and policies of the Assembly – in health, housing, transport and others – also impact on the anti-poverty and social exclusion agenda.

On the broader aspects of economic policy and welfare benefit regimes, the role of the Welsh Assembly in its present guise, is far weaker and, perhaps, only further devolved powers can address this deficiency.



# Low cost but acceptable

A minimum income standard for working  
households with children, living in Swansea,  
South Wales

# Foreword

**Hermione Parker**

**“Social Science fiction” or plain common sense?**

This report is the first such enquiry to investigate living standards in Wales. The report uses a methodology called Budget Standards to estimate the earnings required to avoid poverty by one- and two- parent households, each with a boy and a girl aged 4 years and living in Swansea, South Wales. The living standard measured, called Low Cost but Acceptable (LCA), marks the poverty threshold. In wealthy countries like the UK, most people aim above LCA, in the direction of a standard called Modest But Adequate (MBA), at roughly twice the poverty threshold. The Family Budget Unit (FBU) measures both standards.

The Family Budget Unit was formed in 1985. With the help of funding from the Joseph Rowntree Foundation and from bases at the University of York, King's College London and Sheffield City Polytechnic (now Sheffield Hallam University), research was undertaken into the origins, methods and uses of budget standards in different countries (Bradshaw, J. ed, 1993). Since then a series of reports has estimated living costs, for households of different composition, first at the MBA standard, latterly at the LCA standard. In 1998 the FBU prepared a major report, financed by the Zacchaeus 2000 Trust, which estimated the gross and net incomes required to reach the LCA standard by households with children aged 10 and 4 years, living in Local Authority rented accommodation in York (Parker, H. ed, 1998). In 2000, a similar report, financed by Age Concern England, estimated the incomes required by retirement pensioners to reach the LCA standard (Parker, H. ed, 2000). The following year, on the invitation of UNISON, two reports estimated living costs, at the LCA standard, of households with children living in London's East End (Parker, H. ed, 2001).

Elsewhere in the developed world budget standards research is financed partly or wholly by government. Only in the UK have successive governments turned a blind eye. On 13th August 2002, speaking on Radio 4's Inside Money programme, Malcolm Wicks MP, Britain's Minister for Work, dismissed the argument that social security benefit levels can be set at an adequacy standard using scientific methods (BBC Radio 4, 2002). Why? Certainly budget standards methodology has its limitations, but when used in conjunction with other methods, it adds a further dimension to the debate about poverty. Put another way, without it decisions regarding wages, personal taxation and social security benefits will continue to be taken in the dark.

# 1 Summary

**The purpose of this study is three-fold:**

**First**, to estimate the net incomes required to avoid poverty, in April 2002, by one- and two- parent households, each with a boy aged 10 years and a girl aged 4 years, living in the city of Swansea, South Wales.

**Second**, to calculate the gross weekly earnings required to produce those net incomes.

**Third**, to draw attention to the increased scale of the Poverty Trap.

*The living standard measured is called Low Cost but Acceptable (LCA) and marks the poverty threshold.*

**The method used is called budget standards.** These are specified baskets of goods and services which, when priced, measure predefined living standards. The study updates to April 2002 prices the findings of a similar study of the living costs at the LCA standard of lower paid households in York. It then adjusts the updated York budgets to match the circumstances and preferences of similar households in Swansea and ends by grossing up the Swansea budget totals for income tax and NI contributions, less social security benefit entitlements in April 2002. A full working week is assumed to comprise 38.5 hours. Part-timers are assumed to work 17 hours.

**Findings.** Table 1 summarises the report's main findings. Recent increases in Working Families Tax Credit (WFTC) have significantly reduced the wages required by households with young children to reach LCA level. At the minimum wage, all the Swansea households in full-time paid work, but not the part-timers, have net incomes (including WFTC) above LCA level.

**The downside is an unprecedented increase in the Poverty Trap.** So long as the families are receiving WFTC they gain at most 30.6 pence out of each extra £ earned (Table 10). The earnings required to escape the poverty trap vary according to household composition, budget costs, hours worked, benefit regulations and tax liabilities. The two-parent households in this report need above average male manual earnings to escape the Poverty Trap and benefit by 68 pence out of each extra £ earned. The lone mothers need close to three-times average female manual earnings.

Table 1

**Net weekly incomes, gross weekly earnings and hourly wages required to reach LCA standard, local authority tenants with a boy aged 10 and a girl aged 4 years**

Swansea, South Wales

April 2002

Household type	Net incomes required £ week	Working time Hours	Gross earnings required £ week	Wages required £ hour
Two-earner couple	310	38.5 + 17.0	228	4.10
One-earner couple	271	38.5	158	4.10
One-earner couple	257	17.0	152	8.93
Lone mother	310	38.5	158	4.10
Lone mother	252	17.0	85	4.98

Sources: Table 8 and 9



## 2 Budget standards explained

- 2.1 The research method used by the Family Budget Unit (FBU) is a modified form of the methodology called Budget Standards, meaning specified baskets of goods and services – for households of different composition, living in different circumstances – which, when priced, can be used to represent predefined living standards. It descends from the method pioneered by Seebohm Rowntree for his study of poverty in York, in 1901 (Rowntree, B.S., 1901). Today, as a result of computer technology, it has greater potential than ever before.
- 2.2 It is important to understand that the households whose needs are tabulated in the FBU budgets are hypothetical, not actual households. In real life, few households (or families) have identical needs or preferences. Some need to spend more, a minority less than the FBU budgets in this report indicate. For example, some households have heating systems that are more expensive than the gas central heating assumed here; they may be paying off debts, fines or maintenance costs; or they may be unable to get to work without a car. Users of the FBU data can overcome such differences, by adjusting the 'variable cost' budget components (rent, council tax, fuel, transport and so forth) to match their own costs, or, in the case of Trade Unions, to match the various circumstances of their members.

## 3 Limitations of budget standards

- 3.1 Although the Family Budget Unit has done its best to produce budgets for Swansea which match the preferences of low-income Swansea households, the figures are essentially illustrative. We recognise that no two households make the same choices. We also recognise that ethnic minorities have their own food preferences and dress codes (Parker, H. ed., 2001).
- 3.2 Due to the diversity of circumstances in which people live, it would be inappropriate to generalise the findings of this report for all lower paid households with children, in Swansea or elsewhere. It is with the variability of people's circumstances and preferences in mind that the FBU distinguishes between budget standard costs (food, clothing, personal care etc) which tend to be similar across the UK, and variable costs (rent, council tax, fuel, transport, debt etc) which differ greatly.
- 3.3 To estimate living costs at LCA level of households with more children than those assumed for this study – or with babies, toddlers, teenagers, or children with disabilities – these budgets would required adjustment.

## 4 Which living standard?

For its research, the Family Budget Unit distinguishes three levels of living (Figure 1)

### Level 1

The poverty threshold, equates to the FBU's Low Cost but Acceptable (LCA) standard and is the subject of this study. In York 1998, and in Swansea 2002, the FBU researchers have identified and costed the components of a minimum living standards designed to promote good health and enable lower paid households — Dads, Mums and kids — to reach their full potential. Although LCA falls well below the MBA standard, (roughly half), it is more than a survival standard.

### Level 2

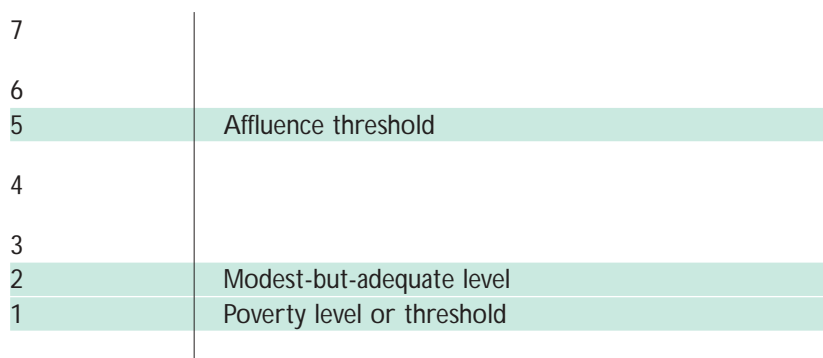
Modest But Adequate (MBA), or Reasonable, is sufficient to live comfortably and avoid debt problems and represents the standard at which most households aim.

### Level 5

Affluence is included here as an indicator, but is irrelevant to most households.

Figure 1

### The prosperity number scale measuring the standard of living



*Family Policy, Penguin Books, 1972, p 165*

# 5 How the Swansea budgets were established

## 5.1 FBU methodology

The methods used by the FBU depend partly on the nature of the research projects it undertakes, with three main variations:

- New budgets are constructed
- New budgets are derived from previously constructed budgets
- Budgets previously constructed are updated with the Retail Prices Index

The Swansea LCA budgets have been derived from the FBU's 1998 York LCA budgets (Parker, H., ed, 1998). Swansea and York are not dissimilar as pricing centres for local costs. Compared with York, Swansea has lower overall housing costs, due mainly to lower rents and council tax. But home contents insurance, electricity, water rates and sewerage rates are higher in Swansea than York. Fixed charges for water and sewerage are four times higher in Swansea. Travel by bus, for comparable journeys, is also more expensive, although Swansea's 'unlimited travel' bus pass is better value than its York equivalent.

The main conclusion arising from a focus group discussion organised by Swansea University (see Stage 2 below), was that participants perceived English prices to be higher than Swansea prices. But when they spoke about English prices, they were mainly referring to prices in the South of England, especially London. York prices are not significantly higher than Swansea prices – probably £1 – £3 a week more per shopping basket. Affordability was another recurring topic. In some cases wage rates were said to be below the national minimum wage.

## 5.2 Research in four stages

### Stage 1

*Update the FBU's LCA budget standard for the York households with children aged 10 and 4 years, from January 1998 to April 2002 prices, using the Retail Prices Index (RPI).*

Between January 1998 and April 2002, the RPI increased by 10.2%. For updating purposes, each item of each component of the FBU budget standard was linked to its nearest, appropriate group of goods in the General Index of the Retail Prices Index.

### Stage 2

*Set up a 'working family' focus group, in the suburbs of Swansea.*

The group, which was organised by Swansea University in a local family centre, consisted of lower paid, working families with young children. Its purpose was to identify areas of difference between the York LCA budgets, updated from January 1998 to April 2002 prices, and the Swansea LCA budgets. The discussion focused on shopping habits, life-styles and the availability of appropriate, nearby shops. The researchers subsequently explored differences in prices and spending patterns, which had arisen during the discussion. Where verified, the York standard was adjusted to match the Swansea findings.

### Stage 3

*Adjust the budget standard to take account of cost differences found.*

This stage of the research was carried out with the help of the Swansea focus group. In general, the group portrayed a lifestyle similar to that of the York, 1998 groups. They were of the opinion that housing costs are lower in Swansea, whereas the costs of services – especially insurance, travel, gas, electricity, water and childminding – are higher.

Outlets similar to those used for collecting prices in York were found in Swansea. In addition, the availability of markets and market shops in Swansea was a gain. Young children in both cities tend to walk or cycle to school. Only a few families at the living standard portrayed here own a car. Buses are the most usual means of transport. Weekly bus passes, although good value in Swansea, are seldom purchased by members of the FBU focus group. Their journeys tend to be shorter and less frequent. Tickets are purchased as and when required. Only a few of the Swansea group reported taking annual holidays and those who do tend to stay with relatives living in tourist areas of Wales. Most of the group lived in depressed areas, with a high incidence of vandalism, which appears to be reflected in the higher costs of insurance in Swansea than in York.

Adjustments to the York budgets were found to be necessary, to take account of the lower costs of Council Tax and local authority rents in Swansea and the higher costs of water and sewerage, electricity, public transport and house contents insurance. The rates per hour for childminding in Swansea were found to be similar to those in York.

### Stage 4

*Gross up the required expenditures for income tax and NI contributions payable in April 2002, less all social security benefits to which the households have entitlement*

The resulting figures show the gross weekly earnings (and wage rates) required by each household type to avoid poverty. This stage of the research was carried out by Holly Sutherland, at the Microsimulation Unit, University of Cambridge, using a computer model called Polimod.

## 5.3 Two categories of expenditure

Every FBU budget distinguishes between the following categories of expenditure:

**Budget standard expenditures:** which tend to be similar between households of the same composition, living in similar circumstances and similar locations, e.g. food and clothing.

**Variable expenditures:** which tend to differ according to location and circumstances, e.g. housing, fuel, and transport.

In each case the sum of the above expenditures represents the spending power required by a particular household type, living in the defined circumstances, to reach the LCA standard.

## 5.4 Adjustments to York 1998 budgets

### Budget standard expenditures

Apart from adjustments in line with retail prices, no alterations have been made to the budget standard costs in the York 1998, LCA budgets. The Swansea group demonstrated shopping habits and lifestyles similar to those underlying the York budgets and had similar access to nearby supermarkets, High Street stores and leisure facilities. Most retail chains use national pricing systems, only a few items are priced by local managers. Although similar households make different choices, experience in most Western countries, including the UK, suggests that the total amounts spent by shoppers at the same living standard are similar.

#### Food

The FBU food budgets contain a balance of foods promoting short and long-term good health. At the LCA standard, food prices are based on supermarket own-brand or low-price brands. For the FBU's 1998 York budgets, food was priced using Sainsburys and Kwik Save pricing databases, to find economy lines and low, but not necessarily the lowest, prices. In Swansea, local street markets and market shops also reflect the level of affordability in the area. The prices of fresh fruit and vegetables described by the Swansea focus group may well reduce the cost of some items in the food budgets, but there was overall agreement that the weekly food bill in York was about right.

#### Clothing

In 1998, mail order catalogues, national retailers, local markets and discount stores were the main outlets used to price the clothing requirements of men, women and children in low-income households in York. At LCA level, clothing costs in Swansea appear to be on a par with York. Affordability appears to drive the Swansea families to consider charity shops, second-hand clothing and sales shopping more readily than their counterparts in York. However, in line with Family Budget Unit methodology, the LCA standard presented here assumes new goods and standard prices throughout. If people save money by buying second-hand goods, that is their choice, but they should not be expected to do so.

#### Personal care, household goods, household services, leisure goods

No regional price adjustments were made.

#### Leisure activities

The FBU leisure activities budgets are compiled by averaging the number of physical activities, interests and home entertainments undertaken, based on social surveys. The costs of swimming, keep-fit activities, a week's annual holiday at the seaside, day trips and school outings are all included – plus cost-free activities like walking, cycling, and public amenities such as parks and playgrounds. Swansea leisure prices are comparable with the updated York prices.

## 5.5 Adjustments to York 1998 budgets

### Variable expenditures

Prices and costs of certain expenditures tend to differ, according to location (town or country) and region (Yorkshire or South Wales). Exploring the variable costs elements of the FBU budget standard was therefore a main purpose of this research.

#### Rent

The average weekly rent for a three-bedroom, terraced, local authority dwelling is lower in Swansea than in York. Table 2 summarises the differences in April 2002. The Swansea tenant pays £431 a year less than the York tenant.

Table 2

#### Local authority rents: Swansea, Cardiff and York

Average, 3 bedroom house, £ week

April 2002

	Average rent	Compared with York
Swansea	47.62	- 8.29
Cardiff	57.47	+1.56
York	55.91	

Source: CIPFA, Housing Rents Statistics at April 2001, updated to April 2002

#### Council tax

For council tax purposes, both the Swansea properties are in band B. A comparison of council tax rates in York and Swansea indicated that the York local authority tenants pay £92.04 more a year than the Swansea local authority tenants. However Council Tax rates are similar in comparable areas of Swansea and Cardiff. Single householders pay 75% of the standard charge.

Table 3

#### Council Tax: Swansea, Cardiff and York

April 2002

	£ week	£ year
Swansea	11.19	581.63
Cardiff	11.15	580.00
York	12.96	580.00

Source: Local Authority, Council Tax Departments

## Water and sewerage

Different methods of calculating water and sewerage bills make accurate comparisons difficult, but regional differences for domestic users are generally quite small. Table 4, however, shows significant differences between York and Swansea, especially in relation to standing charges. Swansea levies fixed charges for sewerage and water which are four times higher than in York. The rate per RV for water is similar in both locations, but the rate per RV for sewerage is roughly 50% higher in York than Swansea. Assuming a rateable value of 115RV, annual costs are £52 higher in Swansea for water and £49 higher for sewerage.

Table 4

### Water and Sewerage charges: Swansea and York

April 2002

	Standing charge £ year	Rate per RV pence	Total cost £ year
Swansea			
Water	80.23	0.3966	125.84
Sewerage	102.98	0.4607	155.96
York			
Water	21.00	0.4570	73.55
Sewerage	25.00	0.7170	107.45

Source: Yorkshire Water / Welsh Water

## Gas and electricity

The Family Budget Unit estimates gas and electricity costs according to family composition, house dimensions and the assumed use of appliances. Annual gas consumption is set at 21,693 units for a couple with two young children and 21,638 units for a lone mother with two children of similar age, assuming both households live in a 3-bedroom house. Annual electricity consumption in respect of lights and appliances is set at 2,574 units for the couple with children and 2,048 units for the lone mother.

British Gas is the principal supplier of gas in both locations and charges the same rate per kilowatt nationally. A higher rate is charged for the first 12.5 kWh per day, but no standing charges are made. Electricity is supplied by SWALEC in Swansea and Northern Electric in York. SWALEC charges more per unit and has a higher standing charge than Northern Electric. VAT at 5% is charged on all fuel bills.

Table 5  
**Fuel costs compared : Swansea and York**  
 April 2002

		Swansea	York
British Gas per kWh	higher rate	2.038p	2.038p
	lower rate	0.4607	155.96
Gas standing charge		Nil	Nil
SWALEC per unit		7.08p	
Northern Electric per unit	higher rate		6.99p
	lower rate		5.75p
Electricity standing charge/year		£49.64	£30.20

Sources: British Gas Bill and telephone enquiries York and Swansea.

\* British Gas : The first 4,550 kWh per year are charged at a higher rate

\*\* Northern Electric: The first 2,500 units are charged at a higher rate

### House contents insurance

Insurance assessors consider much of York to be 'low-risk', which may in part account for the relatively high costs of insurance in the area of Swansea selected for this study. In both cases the sum insured is £20,000 for a Standard Cover policy covering basic risks. In Swansea the annual cost is £201.37, which is double the cost of a similar policy in York.

### Transport: bus fares

Like York, Swansea offers weekly bus passes for people who commute to the city centre, using a local bus service. A York bus pass, for unlimited journeys in the York area, costs £10.50 per adult per week. A similar bus pass in Swansea costs £8.50. A single return journey in Swansea costs £2.50 per adult and £1.50 per child. York bus fares for a return journey are about 50 pence cheaper than Swansea equivalent (Table 6). The budget standard for both locations includes five return bus journeys per week to and from work and two leisure journeys for parents and children.

Table 6  
**Bus fares: Swansea and York. £ ticket**  
 April 2002

	Adult	Child
Swansea return to city centre	2.50	1.50
Weekly unlimited bus pass	8.50	
York return to city centre	2.05	1.00
Weekly unlimited bus pass	10.50	

Source: Swansea travel information point; City of York Council Travel Information



### Transport: motoring costs

Because car-ownership can be a necessity, the FBU includes the costs of car ownership, as an option, in all its budgets. The figures, which exclude travel-to-work costs, are based on the assumptions that the car is seven years old, second-hand, insurance group 4/5, and that the annual mileage is 5000 miles. The cost of a comprehensive car insurance policy, with maximum 'no claims' bonus of 67% is also included. In Swansea, such a policy would cost £202 a year for a couple. In York a similar policy would cost £220 a year.

A transport budget for a car owner is shown in Table 7. It includes a small number of bus journeys, the average weekly cost of one taxi fare a year and the costs of buying and maintaining a bicycle for each adult. Bicycles for children are included in the Leisure Goods standard. Due to rounding there may be discrepancies between the figures shown and their totals.

Table 7  
**Transport budget, car owners. £ week**  
April 2002

	Couple	Lone mother
1. Motoring costs		
Motor vehicle depreciation	6.84	6.84
Insurance (fully comprehensive)	3.88	4.14
Road Tax	3.66	3.66
Petrol and oil	9.69	9.69
Repairs and maintenance	4.42	4.42
Car parking	0.34	0.34
<i>Sub total motoring costs</i>	<i>28.83</i>	<i>29.09</i>
2. Other transport costs		
Train	0.00	0.00
Coach	0.00	0.00
Bus (adult)	4.90	0.00
Bus (child)	1.47	1.50
Taxi	0.11	0.11
Bicycle costs (average)	0.74	0.38
<i>Sub-total other transport costs</i>	<i>7.23</i>	<i>1.99</i>
3. Total transport, car owners	36.06	31.08

### **Childcare costs**

Childminding charges by registered childminders are included for lone mothers working part-time (17 hours per week) and full-time (38 hours per week); and for second earners in two-parent households (17 hours per week). Childminding costs after school and during school holidays are taken into account. Childminding hours (which are calculated over one year and include travel time between place of work and the childminder) average 40<sup>2</sup> hours a week for parents working full-time and 19<sup>2</sup> hours a week for parents working 17 hours a week. The National Childminding Association (NCMA) Membership Survey 1999 showed that the average rate charged by childminders in South Wales and Yorkshire & Humberside was £2.00 per hour. The hourly rate used here is based on the results of that survey, uprated to April 2002 using the Retail Prices Index.

Low-income working families receiving Working Families Tax Credit are entitled to Child Care Tax Credits worth 70% of up to £135 a week for one child and 70% of up to £200 a week for two or more children. A childcare bill of £100 for one child would therefore leave the parent having to find £30 a week.

### **Pets**

The costs of owning a cat are included for each household, as in previous FBU budgets.

### **Alcohol**

Alcohol is included, but the quantity is limited to two-thirds of the healthy drinking limits set by the Health Education Authority (HEA) in 1996. No regional adjustments were made to the purchase prices of alcohol, which is priced in supermarkets, not pubs.

### **Tobacco**

Tobacco purchases are shown as nil in all FBU budgets, on health grounds.

### **Charitable donations**

An average weekly expenditure of £0.76 is included, for both households.

## 6 Summary of findings

The report has three main findings. These show:

- 1 The net weekly incomes required by the Swansea households to avoid poverty
- 2 The gross weekly earnings required by the Swansea households
- 3 The greatly increased scale of the poverty trap

### 6.1 Net weekly incomes required to avoid poverty, April 2002 Swansea and York compared

Based on the FBU's estimates of needs and living costs, and assuming that the mothers in paid work use childminders, the net incomes required by the Swansea households are summarised in Table 8. For mothers who use a nursery instead of a childminder, the costs are likely to be higher.

Table 8

Net weekly incomes required to reach LCA standard

**Working households with boy aged 10 and girl aged 4 years**

Swansea and York

April 2002

Household type	Working time Hours week	Net incomes required £ week (rounded)	
		Swansea	York
Two-earner couple	38.5 + 17.0	310	310
One-earner couple	38.5	257	259
One-earner couple	17.0	257	259
Lone mother	38.5	310	313
Lone mother	17.0	252	254

Source: Family Budget Unit

## 6.2 Gross weekly earnings required to avoid poverty Swansea, April 2002

The wage rates required to prevent poverty vary according to household size, household composition and household circumstances. Table 9, derived from Appendices 1 and 2, summarises the weekly earnings and hourly wages required by the FBU's Swansea households to avoid poverty, in April 2002.

Table 9  
Gross weekly earnings / hourly wages to reach LCA standard  
**Households with boy aged 10, girl aged 4 years**  
Swansea, South Wales. Hours and £ week  
April 2002

Household type	Working Hours week	Earnings required £ week	Minimum wage required £ hour	Net income surplus/deficit at minimum wage £4.10 £ week
Two-earner couple	38.5 + 17.0	227.55	4.10	+19.27
One-earner couple	38.5	157.85	4.10	+13.18
One-earner couple	17.0	151.88	8.93	-16.60
Lone mother	38.5	157.85	4.10	+28.69
Lone mother	17.0	84.69	4.98	-5.70

Source: Family Budget Unit, 2002

The low wage rates required by the households working full-time are due to Working Families Tax Credit (WFTC), the rates of which are considerably higher than those payable with its predecessor benefits, Family Credit and Family Income Supplement.

The net income, including WFTC, of the two-earner couple working full-time is £19 a week above the LCA standard; the net income, including WFTC, of the lone mother working full-time is £29 a week above LCA standard. Both margins could quickly vanish if fares to work, childminding or other variable costs were higher than those assumed here.

The net incomes, including WFTC, of the households working part-time fall below LCA level.

## 6.3 The poverty trap

The term *Poverty Trap*, and the problems associated with it, date back to the introduction of means-tested *Family Income Supplement (FIS)* in 1971, which created the situation – still with us today – whereby lower paid households with children are charged income tax, NI contribution and Council Tax *at the same time* as their means-tested benefits, in this case *Working Families Tax Credit (WFTC)*, are being withdrawn.

In 1988, FIS was replaced by *Family Credit (FC)* and in 2000 by *Working Families Tax Credit*. As a result of WFTC, lower-paid households with children have more money to spend than before, but are caught in a poverty trap of unprecedented proportions. Table 10, taken from a Department for Work and Pensions (DWP) publication, illustrates the scale and intricacies of the poverty trap for a couple with two children. On gross weekly earnings between £156.14 (the minimum wage for a 38-hour working week) and £383.92, the increased spending power from each extra £ earned is 30.6 pence. The rest goes in increased income tax and NI contribution and reductions in Working Families Tax Credit entitlements.

Table 10  
Marginal deduction rates  
**Married couple with 2 children under 11, LA tenant**  
June 2002

Gross earnings £ week	Comments	Marginal Deduction Rates
34.71	Income reduces Housing Benefit/Council Tax Benefit	85.0%
88.75	Tax payable at 10% (offset by Children's Tax Credit)	86.1%
89.00	NI contribution becomes payable	86.5%
95.13	Working Families' Tax Credit reduced by take-home pay	93.9%
125.67	Income tax payable at 22% (offset by Children's Tax Credit)	93.9%
141.16	Council Tax Benefit disappears	93.9%
144.12	Housing benefit disappears	67.6%
156.14	Child Tax Credit reaches maximum	69.4%
383.92	Working Families' Tax Credit disappears	32.0%
585.00	National Insurance Upper Earnings Limit	22.0%
663.75	Tax payable at 40% (Children's Tax Credit taper at 6.7%)	46.7%
816.43	Child Tax Credit disappears (Tax payable at 40%)	40.0%

Source: DWP, *Tax Benefit Model Tables, June 2002, Page 71. Information Centre, ASD*  
Department for work and Pensions, *Information Centre, ASD, Newcastle-upon-Tyne, NE98 1YX. Author's underlining.*

At the minimum wage of £4.10 an hour (£157.85 for a working week of 38<sup>7</sup> hours), the FBU's Swansea lone mother – working full-time, with childcare costs to pay - is entitled to WFTC of £161.89 a week, bringing her total net weekly income (including child benefit) to £338.56, which is £28.69 *higher* than her assessed basic needs in the Family Budget Unit's LCA standard. Her problem is to lift her family's living standard further in

the direction of the *Modest But Adequate* (MBA) standard at which most UK households aim. For so long as she received WFTC – no matter how hard she works – her net weekly income increases by roughly 30 pence out of each extra £ earned. To escape the poverty trap, she needs gross weekly earnings of £590 a week/ £30,680 a year. Only then does her marginal tax rate (including NI contribution) go down to 32%, like the rest of us. Yet £590 is more than twice average female manual earnings.

Table 11 shows the gross weekly earnings required by the FBU's Swansea households to escape the poverty trap.

Table 11  
Poverty Trap escape points  
**Households with boy aged 10, girl aged 4 years**  
Swansea, South Wales, £ week  
April 2002

Household type	Working time Hours week	Gross earnings to escape poverty trap			Net income at poverty trap escape points £ week
		£ year	£ week	£ hour	
Two-earner couple	38.5+17.0	23,429	450.55	9.89+4.10*	398.01
One-earner couple	38.5	21,260	408.85	10.62	347.35
One-earner couple	17.0	19,640	377.70	22.22	326.17
Lone mother	38.5	30,671	589.82	15.32	470.91
Lone mother	17.0	23,504	452.00	26.59	376.69

Source: Family Budget Unit, 2002

\*Second earner earns £4.10 hour throughout

# 7 Conclusion

7.1 The report has two main conclusions:

- That the net incomes (earnings + child benefit – income tax – NI contribution) required to avoid poverty by working households with young children, living in Swansea, are well above net incomes at the minimum wage.
- That working Families Tax Credit relieves but does not prevent the resulting poverty. On the contrary, by raising the escape points from the poverty trap to above average manual earnings for men, and to nearly three times average manual earnings for women, WFTC makes it virtually impossible for lower paid families with children to improve their financial situation by their own efforts.

7.2 The report also raises the following policy issues:

- Is the LCA standard, which measures the poverty threshold, a sufficient reference point for wage bargaining?
- Or should the FBU's Modest But Adequate (MBA) standard, or some proportion of it, be used as an additional reference point?
- How far up the earnings distribution should the poverty trap be allowed to operate?

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# Appendix 1

Gross weekly earnings required to reach LCA level.

**Couple with boy aged 10, girl aged 4 years.**

Local authority tenants, SWANSEA, SOUTH WALES. April 2002 prices, taxes and benefits.  
£s / hours week

	Two earners 38.5 hrs + 17 hrs	One earner 38.5 hours	One earner 17 hours
<b>A Budget standard costs</b>			
Food	62.84	62.84	62.84
Clothing	23.44	23.44	23.44
Personal care	4.39	4.39	4.39
Household goods	16.43	16.43	16.43
Household services	5.00	5.00	5.00
Leisure	23.52	23.52	23.52
<i>Total budget standard costs</i>	<i>135.61</i>	<i>135.61</i>	<i>135.61</i>
<b>B Variable costs</b>			
Housing (of which rent £47.62)	53.04	53.04	53.04
Council tax	11.19	11.19	11.19
Fuel	12.73	12.73	12.73
Transport (no car) *	10.51	10.51	10.51
NHS charges	3.11	3.11	3.11
Insurance/pension contributions	3.87	3.87	3.87
Debts/fines/maintenance orders	0.00	0.00	0.00
Job-related costs	67.02	14.02	13.40
of which : childcare	39.60	None	None
: bus fares to work	25.00	12.50	12.50
Seeking work costs	0.00	0.00	0.00
Pets (one cat)	3.49	3.49	3.49
Alcohol (units 14 man + 10 woman)	8.99	8.99	8.99
Tobacco	0.00	0.00	0.00
Charitable donations	0.76	0.76	0.76
<i>Total variable costs</i>	<i>174.70</i>	<i>121.70</i>	<i>121.08</i>
<b>C Total costs (A + B)</b>	<b>310.31</b>	<b>257.31</b>	<b>256.69</b>
<b>D Gross weekly earnings required to reach lca standard</b>			
A + B Total costs at LCA standard	310.31	257.31	256.69
Net incomes	329.58	270.49	256.69
(-) Child Benefit	26.30	26.30	26.30
(+) Income Tax	0.60	0.60	0.00
(+) National Insurance Contributions	6.89	6.89	6.29
(-) Working Families Tax Credit	83.21	93.82	84.80
(-) Housing Benefit	0.00	0.00	0.00
(-) Council Tax Benefit	0.00	0.00	0.00
(=) <i>Gross weekly earnings required</i>	<i>227.55</i>	<i>157.85</i>	<i>151.88</i>
(=) <i>Hourly wages required</i>	<i>4.10</i>	<i>4.10</i>	<i>8.93</i>

Family Budget Unit, August 2002

\* Total transport costs, car owners, £36.06

# Appendix 2

Gross weekly earnings required to reach LCA level

**Lone mother with boy aged 10, girl aged 4 years**

Local authority tenant, SWANSEA, SOUTH WALES. April 2002 prices, taxes and benefits  
£s / hours week

	One earner 38.5 hours	One earner 17 hours
<b>A Budget standard costs</b>		
Food	40.41	40.41
Clothing	19.39	19.39
Personal care	3.67	3.67
Household goods	15.50	15.50
Household services	4.73	4.73
Leisure	21.86	21.86
<i>Total budget standard costs</i>	<i>105.56</i>	<i>105.56</i>
<b>B Variable costs</b>		
Housing (of which rent £47.62)	53.04	53.04
Council tax	8.39	8.39
Fuel	11.85	11.85
Transport (no car)*	7.43	7.43
NHS charges	0.04	0.04
Insurance/pension contributions	3.87	3.87
Debts/fines/maintenance orders	0.00	0.00
Job-related costs	111.26	53.00
of which : childcare	97.24	39.60
: bus fares to work (7 day bus pass)	12.50	12.50
Seeking work costs	0.00	0.00
Pets (one cat)	3.49	3.49
Alcohol (units: 10 woman)	4.18	4.18
Charitable donations	0.76	0.76
Tobacco	0.00	0.00
<i>Total budget standard costs</i>	<i>204.31</i>	<i>146.05</i>
<b>C Total costs (A + B)</b>	<b>309.87</b>	<b>251.61</b>
<b>D Gross weekly earnings required to reach lca standard</b>		
A + B Total costs at LCA standard	309.87	251.61
Net incomes	338.56	251.61
(-) Child Benefit	26.30	26.30
(+) Income Tax	0.00	0.00
(+) National Insurance Contributions	6.89	0.00
(-) Working Families Tax Credit	161.89	140.62
(-) Housing Benefit	0.00	0.00
(-) Council Tax Benefit	0.00	0.00
(=) <i>Gross weekly earnings required</i>	<i>157.85</i>	<i>84.69</i>
(=) <i>Hourly wages required</i>	<i>4.10</i>	<i>4.98</i>

Family Budget Unit, August 2002

\* Total transport costs, car owners, £31.08

# Appendix 3

Gross weekly earnings required to reach LCA level

**Couple with boy aged 10, girl aged 4 years**

Local authority tenants, YORK. April 2002 prices

£s / hours week

	Two earners 38.5 + 17 hours	One earner 38.5 hours	One earner 17 hours
<b>A Budget standard costs</b>			
Food	62.84	62.84	62.84
Clothing	23.44	23.44	23.44
Personal care	4.39	4.39	4.39
Household goods	16.43	16.43	16.43
Household services	5.00	5.00	5.00
Leisure	23.52	23.52	23.52
<i>Total budget standard costs</i>	<i>135.61</i>	<i>135.61</i>	<i>135.61</i>
<b>B Variable costs</b>			
Housing (of which rent £55.91)	59.39	59.39	59.39
Council tax	12.96	12.96	12.96
Fuel	12.27	12.27	12.27
Transport (no car)*	8.66	8.66	8.66
NHS charges	3.11	3.11	3.11
Insurance/pension contributions	1.81	1.81	1.81
Debts/fines/maintenance orders	0.00	0.00	0.00
Job-related costs	62.52	11.77	11.15
of which: childcare	39.60	0.00	0.00
:bus fares to work	20.50	10.25	10.25
Seeking work costs	0.00	0.00	0.00
Pets (one cat)	3.49	3.49	3.49
Alcohol (units 14 man + 10 woman)	8.99	8.99	8.99
Tobacco	0.00	0.00	0.00
Charitable donations	0.76	0.76	0.76
<i>Total variable costs</i>	<i>173.96</i>	<i>123.21</i>	<i>122.59</i>
<b>C Total costs (A + B)</b>	<b>309.58</b>	<b>258.82</b>	<b>258.20</b>

Family Budget Unit, August 2002

\* Total transport costs, car owners: £34.78

# Appendix 4

Budget costs at LCA level

**Lone mother with boy aged 10, girl aged 4 years**

Local authority tenant, YORK. April 2002 prices

£s / hours week

	One earner 38.5 hours	One earner 17 hours
<b>A Budget standard costs</b>		
Food	40.41	40.41
Clothing	19.39	19.39
Personal care	3.67	3.67
Household goods	15.50	15.50
Household services	4.73	4.73
Leisure	21.86	21.86
<i>Total budget standard costs</i>	105.56	105.56
<b>B Variable costs</b>		
Housing (of which rent £55.91)	59.39	59.39
Council tax	9.72	9.72
Fuel	11.54	11.54
Transport (no car)*	6.53	6.53
NHS charges	0.04	0.04
Insurance/pension contributions	1.81	1.81
Debts/fines/maintenance orders	0.00	0.00
Job-related costs	109.01	50.75
of which: childcare	97.24	39.60
: bus fares to work (7 day bus pass)	10.25	10.25
Seeking work costs	0.00	0.00
Pets (one cat)	3.49	3.49
Alcohol (units: 10 woman)	4.18	4.18
Tobacco	0.00	0.00
Charitable donations	0.76	0.76
<i>Total variable costs</i>	206.47	148.21
<b>C Total costs (A + B)</b>	312.03	253.77

Family Budget Unit, August 2002

\* Total transport costs, car owner: £31.17

# Appendix 5

## Swansea focus group report

### 1 Background

In June 2002, a group of five women from working households in Swansea met in a Family Centre to discuss issues relating to their shopping habits and lifestyles. The group, which was organised by the University of Swansea, portrayed a life style very similar to the life styles described by the groups who participated in the FBU's first report at the LCA standard (Parker, H. ed.1998), which estimated the living costs of low-income households with children, living in York.

Some of the living costs reported by the Swansea focus group were lower than in York, particularly in respect to housing. However their levels of affordability were also low. Swansea group members said that their wages were only slightly above the minimum wage and that many employers, such as care homes, pay less than the minimum wage. Only a few had Union membership. Rents and council tax were said to be considerably lower in Swansea than in Cardiff or York. The families struggle to make ends meet and their lifestyles are constrained by their low spending power. This is reflected in the decisions they take relating to housing, clothing, travel, leisure activities and holidays.

### 2 Housing

Most of the group members live in depressed areas of Swansea, where the psychological effects of poverty, aggravated by vandalism, appear to be high.

"It's silly," said one participant, "the Council want to put good people into the bad areas to bring them up, and it just brings them down. And the bad people into the good areas, like they've done on the street I live in... My mother has had three wooden gazebos (burnt) nearly to the floor, they've taken everything."

### 3 Clothing

Opportunities for clothes shopping in Swansea are similar to York. In both cities residents have access to M&S, Debenhams, Woolworths, Next, Asda, local markets, school shops, discount stores and a range of home shopping catalogues. They also noted a tendency to replace clothing during sales periods. Shopping in charity shops and 'passing-on' clothing within families is widespread.

### 4 Food

Food is purchased at local supermarkets, street markets and corner shops – Asda and Kwik Save for the weekly food shop, Lidl and the local market for fresh fruit and vegetables. When asked about their weekly food expenditures in relation to household size and composition, the expenditures they reported were similar to those reported by low income families in York. They showed great interest in TV programmes about food, especially those which expose harmful or hidden food additives. When they talked about their diets, they showed a sound understanding of good nutrition, for example:

"My husband doesn't eat any vegetables at all, only rubbish-burgers".

For the most part, the families eat out at modest places: 'Early bird' pub meals or at McDonalds, some about once a week, others very seldom. From time to time they also purchase take-away foods.

## **5 Services**

The costs of certain services are considered to be high. All group members had house contents insurance, at a cost of £15–£20 a month. Car insurance and travel costs in general are also considered to be high. Some of the group members have access to a car, especially when a partner or close relative works in the motor trade. For those without a car, a taxi ride home once or twice a week, for example after the weekly shop at the local supermarket, is commonplace. Travel-to-work costs were generally reckoned to be high, even when a weekly bus pass is purchased. Journeys by train are dear and reserved for treats. Water bills were also said to be high, but some of the cost may be accounted for by the common use of water meters in the area. Within the group, those living in modern housing quoted gas bills of about £20 a month, compared with £40 a month for people living in older properties. SWALEC and British Gas are the main suppliers of electricity and gas in the area. In lone-parent families and two-earner families, childcare at around £20 a day for a nursery and childminding services are out of reach financially. Instead, there is much reliance on the extended family, especially grandmothers.

## **6 Leisure**

Very few of the group members are able to take holidays and those who do tend to stay with relatives in tourist areas of Wales. They make occasional day trips to theme parks, but the main leisure activities are walking and cycling. Some take advantage of the City Council Leisure Passport, which costs £2 a year (children free) and enables low-income families to take their children swimming.

## **7 Money management**

All group members have bank accounts, cheque-books and cheque-cards and two had credit cards – a similar financial set-up to that of better-off working families. Weekly items like food are paid for in cash, but direct debits are used to pay for less regular expenses. Questions about debt were not asked, but one group member volunteered the following information:

"I had so much debt once I said I wouldn't do it again. I pay it straight off." With which another agreed: "Yes, I pay mine straight off." And there was plenty of nodding of heads around the table.

Finally, when asked what they knew about price differences between Swansea and elsewhere in the UK, their response was in terms of affordability rather than costs:

"England is so expensive, it's very low paid down here."

"Cardiff is the same, with the wages up there."

"In Gloucester we had a friend of ours, he's just come back, who was on £500 for three days work... My friend, she had to work a seven-day week and she earned £300. The difference is diabolical."

"They get the Welsh workers to get up there to work, because the English won't work the hours, for that level of pay."



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