Resolution Foundation

BRIEFING

Calculating the Real Living Wage for London and the Rest of the UK: 2020-21

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November 2020

This report sets out the method through which the Living Wage rates in London and the rest of the UK are calculated by the Resolution Foundation and overseen by the Living Wage Commission on behalf of the Living Wage Foundation.

The rate for the UK Living Wage for 2020-21 is £9.50.

The rate for the London Living Wage for 2020-21 is £10.85.

Acknowledgements

This report was commissioned by the Living Wage Foundation as part of the Resolution Foundation's role in calculating the Living Wage.

Section 1

Foreword from the Chair of the Living Wage Commission

This is the fifth year that the Living Wage Commission (LWC) has set the wage rates for the UK and London and, in the face of the economic turmoil created by the pandemic, its role has never been more important.

The basic intuition behind the Living Wage is a very simple one: to determine the wage rates necessary to ensure that households earn enough to reach a minimum acceptable living standard as defined by the public. Putting this into practice, however, requires a range of assumptions to be used and judgements made spanning issues such as the measurement of household costs, the nature of government support available to households and the appropriate use of data sources. As ever, the LWC is grateful to the Resolution Foundation team for guiding us through this.

As we do each year we have followed the established methodology to calculate the hourly wage rates. This has led to new Living Wage rates of £9.50 across the UK and £10.85 in London.

The body of this report sets out the detail of the calculation. Let me just point out three issues that shaped this year's calculation.

First, as ever, the wider inflation context is important. The overall inflation rate - CPIH inflation has averaged 1.1 per cent in 2020 - is lower than we have seen in recent years, which has served to reduce upward pressure on both the UK and London rates. Indeed, if we look at particularly important items like rental costs we see that they have actually fallen in cash terms in London, creating downward pressure on the Living Wage in the capital, while they have increased by significantly less than overall inflation across the rest of the UK. Again, this is a different pattern to the one we have grown familiar with over the last decade.

Second, the LWC made some significant methodological changes this year. In 2019 the LWC asked Resolution Foundation to review the key assumptions used in relation to housing costs and pension contributions. On the former, the LWC has now reached the view that the established approach of making stylised assumptions about the housing tenure used by different family types is no longer appropriate. In particular, it doesn't take sufficient account of the growing share of families with children living in the private rented sector. Instead, the LWC has decided that each year our calculation should reflect the actual pattern of tenure used by different household types. When it comes to pensions, the LWC took the view that employee workplace pension contributions should be incorporated into the Living Wage calculation. These contributions reduce workers' take-home pay: a worker paid the Living Wage while contributing to a pension would not be able to meet the full costs associated with the basket of goods and services considered to constitute an acceptable standard of living. In effect, pension contributions have become a new (and welcome) social norm via 'auto-enrolment' and, as such, should be reflected in our assessment.

Third, the LWC faced a unique challenge this year in deciding how to handle the 'temporary' boost to levels of Universal Credit and working tax credits announced by the government in response to the pandemic in spring 2020. Normally, changes in benefit levels are automatically incorporated into our calculation. This year, however, the LWC had to determine whether to reflect a temporary change that the government is currently committed to removing in April 2021. Doing so would result in the Living Wage rates see-sawing sharply downwards then back upwards. After careful consideration the LWC came to the view that, in line with our goal of seeking to avoid extreme year-to-year volatility in the rates, we would not incorporate this change in the 2020-21 calculation. Instead, the LWC will return to this issue once it is clearer whether the temporary boost will indeed be removed or instead become a permanent part of the social security system.

Stepping back from the technical discussion of the calculation, it is worth reflecting on the state of the debate on the Living Wage as we move through the different stages of the Covid-crisis. On the one hand, it's clear that even amid the current economic storm the Living Wage campaign continues to thrive: the number of accredited employers continues to rise, and new analysis confirms that we can increasingly see the significance of the Living Wage in the wider distribution of earnings in the UK. In the nation's pay data, as well as its public discourse, the Living Wage is making its mark.

Yet it is salutary to remember that even before the crisis struck over 5 million workers were paid less than our fair pay benchmark. The fact that over half of the nation's care workers – those who we all clapped so loudly earlier this year - are paid less the real Living Wage brings home both the size of the challenge as well as the potential that may exist to mobilise public sentiment.

As the nation seeks to renew itself following the pandemic it will need yardsticks to help navigate its way towards a more equitable and resilient economy. One of them should be the real Living Wage. The LWC will ensure it remains a robust and credible fair pay benchmark available to employers, workers, civil society and government.

Gavin Kelly, Chair, Living Wage Commission

Section 2

Introduction

This paper sets out the method for determining the independently-calculated Living Wage rates in London and the rest of the UK, and the respective rates that will apply from 9 November 2020. These rates provide a benchmark for employers that voluntarily commit to go further than paying government-set minimum wages, ensuring their staff earn a wage that they can live on. We detail the sources underpinning the calculations, based on the best available evidence about living standards and costs, and how these and other inputs to the calculation have changed since last year.

We (Resolution Foundation) have been involved in calculating the Living Wage since 2016, when we undertook a review of the Living Wage methodology overseen by the Living Wage Commission (from hereon 'the Commission') on behalf of the Living Wage Foundation.[1] Under the guidance of the Commission, we have continued to use the methodology set out in that review. Some adjustments have been made to reflect changes to policy, the main one being that the roll out of Universal Credit is reflected in the assumptions relating to the tax and benefit system. But the key components – the basket of goods determined by the Minimum Income Standard focus groups, the pricing of those inputs, and the process of deriving wage requirements based on those costs – have been consistent.

This year is the first time since 2016 that substantive changes have been made to the methodology. Following a review over the last year, for the 2020-21 rates, the Commission has decided that the calculation should include the costs of contributing to workplace pension schemes (which are now the norm, and which reduce workers' disposable incomes), and that assumptions relating to rental tenure should be changed to better reflect actual tenure patterns among low income households. In this report we outline the rationale for those changes, and their impact on the rates.

On top of electing to make those policy changes, this year the Commission also had to decide how to react to the 'temporary' policy changes brought in as a result of the Covid-19 crisis (specifically, this is the £20/week increase to the standard elements under Universal Credit and Working Tax Credits). Because Government policy remains (as of October 2020) that these are temporary changes, the Commission decided not to incorporate these changes into the 2020-21 rates and instead to come back to this in future years in light of any further government announcements. This decision is also

1 C D'Arcy & D Finch, Making the Living Wage: The Resolution Foundation review of the Living Wage, Resolution Foundation, July 2016; Living Wage Commission, Closing the Gap: A Living Wage that means families don't go short, September 2016.

explained in more detail in the methodology section.

The bulk of the rest of this report is a methodology section, which sets out how the inputs to the calculation have changed; the changes made the methodology for 2020; and how all of this affects the rates for 2020-21. Following this there is an annex detailing the cost inputs and wage requirements for each family type in the calculation, for London and the Rest of UK rates.

Section 3

The Living Wage rates for 2020-21

The Living Wage rates for 2020-21, which apply from 9 November 2020, are:

- UK: £9.50.
- London: £10.85.

The rest of this report describes the methodology through which the Living Wage rates in London and the rest of the UK are calculated and the factors influencing changes in the rates this year.

Section 4

Contributions to changes in the rates

The increase in the RLW rates for 2020-21, compared to the 2019-20 rates, are 10p and 20p in London and the Rest of the UK, respectively. This section outlines contributions to those increases.

As in other years, changes in the RLW rates this year come from a number of sources: the changing prices of goods and services; changes to the tax and benefits system, which affect the relationship between pay and income; changes in the basket of goods and services which constitute the Minimum Income Standard the calculation is based on; changes in assumptions made on housing tenure and pension contributions; and some technical methodological changes.

The basket of goods and services

The basket of goods and services which underpins the Living Wage calculation comes from Minimum Income Standard (MIS) research with the public, undertaken by the Centre for Research in Social Policy at Loughborough University.[2] This basket is regularly updated to ensure it reflects any changes in the public's views of what constitutes an acceptable standard of living. Specifically, every other year the basket is reviewed from scratch, with a focus (alternately) on the needs of families with children or families without children. In 2020-21 the basket for families with children was reviewed, which led to some small changes, including slightly greater use of transport services (in the shape of more car trips).[3] Greater use of transport will have had a small upwards pressure on the Rest of UK rate, but not on the London rate, because transport costs are collected separately for London (families are assumed to use public transport only).

Prices

This year, increases in the RLW rates are fairly low in comparison to some previous years. The main reason for this is that inflation is low, which means the cost of the items in the basket of goods and services has not risen very much. CPIH inflation in 2020 has so far (in the months to August) averaged at 1.1 per cent, compared to 1.8 per cent in 2019 and 2.3 per cent in 2018.

After weighting across family types, the increase in the cost of the basket of goods and services used in the calculation was 1.4 per cent in London and 1.5 per cent in the rest of

2 More information on the Minimum Income Standard research can be found at: https://www.lboro.ac.uk/research/crsp/mis/.
3 Joseph Rowntree Foundation, A minimum income standard for the United Kingdom in 2020, July 2020.

the UK. This lower cost growth is part of the reason for the lower increase in the London rate this year. Low overall cost increases, and low growth in London in particular, was primarily driven by low growth in the core basket of goods and services (0.5 per cent in London, and 1.4 per cent in the Rest of the UK). Changes in rental costs are particularly noteworthy – these actually fell in cash terms London (-0.2%) while they only rose by significantly less than inflation in the Rest of the UK (+0.6%). Both reduced pressure on the LW rates, particularly in the capital. Again, this is a different pattern to the recent past. Other cost elements – council tax, childcare, and travel – saw faster growth but comprise a smaller share of the overall basket of goods and services and so did not outweigh those slower cost increases in the main elements.

Policy

Another factor which can affect the rates are changes to the tax and benefits system, since that affects how much families need to earn to reach a given income standard. In 2020-21, working age benefits rose in line with CPI inflation (specifically, based on CPI inflation in September 2019 of 1.7 per cent) and the personal tax allowance was unchanged at £12,500. This is in contrast to recent years in which working age benefits were frozen in cash terms and in which the personal tax allowance was rising. The effect on the rates of raising working age benefits (which, compared to holding them constant, exerts downwards pressure on the RLW rates) slightly outweighs the effect of holding the personal tax allowance constant (which, compared to raising it, exerts upwards pressure on the rates). This means the overall impact of policy changes is a small downwards effect on the rates.

Alongside those changes, an ongoing policy change which is having an effect on the RLW rates is the roll out of Universal Credit, which exerts a downward effect on the RLW rates due to its more generous treatment of rental costs compared to the legacy system. We have assumed in our calculation, based on estimates produced by the Office for Budget Responsibility, that 40 per cent of families in our calculation are claiming Universal Credit, compared to 60 per cent on the legacy Tax Credits system.

Another significant policy change this year was the temporary £20/week increase to the standard elements in Universal Credit and Tax Credits. Because this was introduced as a one-off temporary measure the Commission decided not to incorporate it into this year’s calculation – this is discussed in more detail in the following methodology section.

Overall impact on the RLW rates

Overall, the combined impact of changes in prices, in the basket of goods and services, and in policy, was a fairly modest 5p of upwards pressure to the London rate and 7p to the

Rest of UK rates. The rest of the change in the rates are driven by methodology changes, which are discussed in the following section.

Section 5

Methodology

In this section we provide an outline of the current methodology, including the data sources and assumptions used, and then set out the changes made to the methodology for the 2020-21 rates.

Outline of current methodology

In broad terms, the calculation is as follows. It is founded on the construction of a basket of goods and services that together represents an acceptable standard of living, as determined through research with members of the public. The hourly Living Wage rates are then calculated by taking a weighted average of the earnings required (accounting for tax and benefits) for a range of family types (with and without children) to earn enough to afford the items in that basket of goods and services, and therefore to meet that standard of living. For many items in the basket (such as food, clothing, and utilities), costs are similar across the UK. For some items, however, there is significant regional variation – this is the case for housing, council tax, childcare, and travel. Those costs are collected separately and weighted appropriately.

1. A basket of goods and services

To provide a 'basket' of goods to underpin the Living Wage rates in both London (LLW) and the rest of the UK (UKLW), we use the Minimum Income Standard (MIS) research carried out by the Centre for Research in Social Policy (CRSP) at Loughborough University.[4] A variety of household types are included in order to reflect the diversity of families across the UK (see Tables 1 and 2 in the Annex for full details) with each basket varying by family type to reflect their specific requirements. The same basket of goods and services applies for both the LLW and UKLW rates (with two exceptions).[5]

The next step is to calculate costs for these items. For a 'core' part of the basket, costs do not vary significantly across the UK, and the price inputs are the same for the London and Rest of UK rates. For those items costs are taken from the MIS research, which draws prices primarily from national chain stores.

4 The basket of goods and services for each family type and its costs can be found at: www.minimumincome.org.uk, with detailed baskets of goods and services available at: www.jrf.org.uk/income-benefits/minimum-income-standards.

5 One exception is that, for transport, London families are assumed to use public transport, whereas families in the wider UK are assumed to mainly travel by car. As is discussed in the following section on housing costs, the other is an adjustment made to the tenure assumption for single people without children living in London. Because living alone in a studio or one-bedroom home is far less common in London, we apply a reduction based on the costs faced by people in shared accommodation, for example paying an appropriate share of heating bills. For further detail see K Hill, D Hirsch & M Padley, Minimum budgets for single people sharing accommodation, CRSP Working Paper 642, 2015.

2. Costs that vary more significantly across the UK

Some items, of course, vary in price considerably in different parts of the country, and costs for those items are gathered separately, and weighted to provide inputs for London and the Rest of UK. Those items are housing, council tax, childcare, and transport. The following sections of this report outline the data sources used for those items, and any important assumptions made.

2.1 Housing costs

As we will outline later, assumptions relating to housing tenure are changing for 2020-21 (this doesn't affect the data sources used for the respective tenures). Up until now, to determine the type of accommodation required for different family types we have followed the findings of the MIS research. For the UKLW this has meant the following assumptions:

- Singles and couples without children live in one-bedroom homes in the private rented sector (including studio accommodation for singles)
- Households with one child live in a two-bedroom home in the social rented sector
- Households with two, three or four children live in a three-bedroom home in the social rented sector.

For the LLW the assumptions have been the same, apart from in one case. For singles without children, in order to reflect the high cost and availability of one-bedroom flats in London, some are assumed to share. We use a weighted average based on analysis of the most recent census, which found that 54 per cent of singles live in shared accommodation.[6] Later in this section we will explain how these assumptions concerning the accommodation for different families are changing for 2020-21.

The housing costs associated with each type of accommodation are drawn from a variety of sources, using the latest available data. Average social sector rents are taken from the 2020 UK Housing Review, using the London estimate and an average for the UK excluding London. We then uprate those rent levels in line with current policy which is to decrease social sector rents by 1 per cent in 2020-21. An average for only three-bedroom properties is no longer provided so we produce an estimate taking the differential when last available (in 2014).

For the private rented sector, consistent UK-wide data is not available. For the UKLW, we take the best available data from each nation and produce a weighted average. The data used for England are published by the Valuation Office Agency.[7] For Scotland, the

6 K Hill, D Hirsch and M Padley, Minimum budgets for single people sharing accommodation, CRSP Working Paper 642, 2015.
7 Valuation Office Agency, Private Rental Market Summary Statistics – April 2019 to March 2020, June 2020.

data are published by the Scottish Government.[8] For Wales, the data are published by StatsWales.[9] For Northern Ireland, the data are published by the Analytical Services Unit of the Department for Social Development.[10] For the LLW, the London data published by the Valuation Office Agency is used. In both the UKLW and LLW, the rents taken are at the lower quartile in the private rented sector.

The sample taken by the Valuation Office Agency statistics can mean that year-to-year fluctuations occur in the detailed breakdown of rents reported – especially in London. We therefore take a three-year rolling average of rents for both London and the rest of the UK. Doing so minimises annual volatility but also means that it takes longer for the most recent trends to become apparent. Tables 1 and 2 show how these costs vary by room size for the UKLW and LLW.

2.2 Council tax

Different family types are assumed to pay different rates of council tax, based on the number of children they have and how this is likely to affect their housing needs. A weighted average of the total council tax bill for a Band D property in each billing authority is used as a baseline, calculated from published UK,[11] Scottish[12] and Welsh[13] government statistics on Band D rates. This is then adjusted to the relevant band for each family type.

For the rest of the UK, the bands denoted in MIS research are applied (a couple without children, in Band B, pays seven-ninths of the Band D rate while families with children, in Band C, pay eight-ninths). For London, the same assumptions apply except that families with more than one child are assumed to live in a Band D property. Single adult reductions of 25 per cent are applied to all single person households in the UKLW calculation and to those treated as living alone in the LLW calculation (46 per cent of singles).

2.3 Travel costs

The travel cost assumptions for the UKLW are drawn from MIS research. In London, a weighted average is used across Inner and Outer London families. In Outer London, the cost of a monthly zone 4-6 travelcard is included and for those in Inner London, a monthly zone 1-3 travelcard.[14] For families with children aged 11+, two journeys a day for

8 Scottish Government, Private Sector Rent Statistics, Scotland, 2010 to 2019, November 2019.
9 StatsWales, Private sector rents by local authority, 1 January to 31 December 2019, 2020.
10 Department for Social Development, Northern Ireland Housing Statistics 2018-19, December 2019. Because the data for Northern Ireland supplies only a median figure and for a more limited range of accommodation we make adjustments to these, based on the relationship between different sized properties.
11 MHCLG, Council Tax levels set by local authorities in England 2020 to 2021, March 2020.
12 Scottish Government, Council Tax by Band 2020-21, April 2020.
13 StatsWales, Average band D council tax, by billing authority, 2020.
14 Transport for London, Adult rate prices: All Tube, DLR, London Overground and TfL Rail services and National Rail services in Z1-9, 2020.

five days a week (to get to and from school) are budgeted for, taking account of the cost of and savings provided by a Zip Card – a card entitling under-18s to discounted travel. The values for these figures at the time of calculation are included in Table 2.

2.4 Childcare costs

Given we assume all adults in the calculation work full time – 37.5 hours per week, in line with the UK average over recent years – all families with children aged 11 and under are assumed to use full-time childcare (42.5 hours per week). This is calculated for 47 weeks of the year, taking account of hours provided through the free early years education offers, school and the school holidays. Full-time nursery care is assumed for pre-school aged children all-year-round, after-school clubs for children of primary school age during term-time and childminder provision during school holidays.

Costs are calculated using the most recent data collated by the Family and Childcare Trust.[15] For the UKLW, a weighted average for the regions/nations of the UK excluding London is calculated, weighted by the number of children. For the LLW, we use an adjusted average taking account of the differential between London and the rest of the UK, based on 2016 data.[16] This year's calculation once again assumes that the government's policy of providing an additional 15 hours of free childcare (bringing the total to 30 free hours) for working parents of 3 and 4 year-olds in England is in place.

3. Tax and benefit system

The taxes paid and benefits received by each family type are calculated using the Resolution Foundation micro-simulation model. We assume that each family type claims every benefit to which they are entitled. We include policy changes applying to the 2020-21 financial year including the personal tax allowance remaining at £12,500 and ending of the working age benefits freeze (they were uprated in line with inflation, as before the freeze).

Away from the levels of thresholds and payments, a broader shift has also been taking place in the benefit system, as Universal Credit (UC) continues to be rolled out. UC replaces the existing tax credit-based system, which the majority of families included in the Living Wage calculation are currently entitled to. The calculation assumes some of the families in the Living Wage calculation receive UC, based on the OBR's estimate for the proportion of the caseload migrated in 2020-21.[17]

15 L Coleman & J Cottell, Childcare Survey 2020, Coram Family and Childcare, 2020.
16 For the LLW, we remove the highest outlier estimates that upwardly skew the resulting London average.
17 OBR, Economic and fiscal outlook fiscal supplementary tables: expenditure, March 2020.

Changes to the methodology for the 2020/21 rates

That is the methodology as it has stood since 2016. In 2019, the Commission agreed to review two aspects of this methodology, and this resulted in changes being agreed for the 2020-21 calculation. In this section we describe those changes and how they've been incorporated into the calculation. Alongside those two major methodological changes were some technical adjustments made following a periodic review of all calculation steps and data sources. Finally, the Commission also had to make a decision following a significant but temporary change to the benefits system made in March 2020 following the Covid-19 crisis. These are all set out below.

Allowing for pension contributions

The Commission has decided that workplace pension contributions should be incorporated into the Living Wage calculation. This is because, firstly, pension contributions reduce workers' take-home pay: a worker paid the Living Wage and contributing to a pension would not be able to meet the costs associated with the basket of goods and services considered to constitute an acceptable standard of living. And secondly because contributions to workplace pensions have become the norm for all workers since the introduction of 'auto-enrolment'. In 2019 only 9 per cent opt out of auto-enrolment, and participation rates are above 80 per cent even for lowest earners.[18]

The Commission decided to apply the minimum allowable pension contributions under auto-enrolment, which is 5 per cent. The methodology now calculates families' wage requirement based on pay net of these contributions.

Accommodation assumptions to reflect actual tenure trends among low income households

As set out earlier in this section, the established methodology (used between 2016 and 2019) makes binary assumptions about the accommodation type of each family type. Families with children are assumed to live in the social rented sector, and families without are assumed to live in the private rented sector. This assumption is based on what MIS focus groups consider it reasonable to expect families will have access to.

However, these assumptions of private sector or social rented sector do not reflect the reality that many families within children live in the private rented sector, and some families without children live in the social rented sector. The Commission decided that the assumptions relating to tenure (and therefore, the cost inputs used for each family) should be changed so that they reflect actual tenure.

18 DWP, Automatic Enrolment evaluation report 2019.

We have calculated weighted rental inputs for each family type (in London and Rest of UK separately) by applying the proportion of low income families who rent (again, separately for London and Rest of UK) that live in each tenure. Rental tenure has been calculated at the broad family level – singles and couples with and without children. The data source used for the 2020-21 calculation was the Family Resources Survey, 2017/18, and assumptions relating to accommodation size and data sources are unchanged. Low income is defined as the bottom half of the income distribution, based on net equivalized household income, and pensioners and non-working households are excluded from this part of the calculation.

Other considerations for 2020-21 methodology

In March 2020, the Chancellor announced a temporary £20/week increase to the standard element in Universal Credit (as well as to the legacy equivalent, Working Tax Credits). As discussed earlier in this section, the generosity of the benefits system affects the RLW rates because some families in the calculation receive support through the benefits system, and a more generous system means the earnings needed to achieve a given level of income is lower.

Normally such policy changes would be fed directly into the calculation. However, because this was explicitly announced as a temporary change (it remains Government policy that the change will be reversed in April 2021) the Commission decided not to include it in this year's calculation. Part of the Commission's remit is to give consideration to the volatility of rates from year to year. Introducing into the calculation a major increase followed by a major decrease in benefits generosity in successive years would automatically generate a significant decrease and then increase in the RLW rates. The Commission will review this decision for next year's calculation in light of any further government policy announcements on this matter.

Implementing methodology changes

The joint impact of making an allowance for auto-enrolment pension contributions and changing rental cost inputs to reflect actual tenure will generate upwards pressure on the RLW rates. The Commission decided that these changes should be phased in rather than brought in at once – again to minimise volatility in the rates. Such an approach is similar to the approach taken when the methodology for the London rate was changed to align with the Rest of UK rate in 2016, where the new methodology was phased in over a number of years. The new housing and pension assumptions will be fully phased in over the next few years.

A technical review of all existing calculation steps

In addition to making those methodology changes outlined above, we have this year undertaken a technical review of all steps in the calculation (Resolution Foundation has been tasked with undertaking periodic technical reviews by the Commission). This has led to three adjustments. The first change is to include single households without children in our tax-benefit modelling. Under the legacy benefits system those households did not (under the parameters in our calculation) receive support through the benefits system because their costs were too low. But they do under Universal Credit because of its more generous treatment of rental costs. The roll out of Universal Credit means that this support for single households now needs to be included in the Living Wage calculation. Doing so lowers the wage requirement of this household type, the effect of which is a reduction in the London RLW rate by 13p and no impact on the Rest of UK rate (because rents are lower outside London).

A second change takes account of the fact that some of the larger families in our calculation can benefit from stopping claiming Universal Credit and instead claiming tax-free childcare. They can receive more financial support from doing so, and therefore their wage requirement is consequently lower. Implementing this change lowers the London rate by 8p and has no bearing on the Rest of UK rate. A third change relates to the treatment of food costs in relation to childcare. We used to make an adjustment to allow for lunch time costs for families with children but these are now captured in the childcare cost inputs and so this adjustment has been removed. Implementing this change lowers the Rest of UK and London rates by 7p.

Section 6

Annex: living costs and wage requirements by family type

This annex sets out the living costs and wage requirements by family type. Because we are now phasing between two methodologies (with and without the inclusion of new tenure weighting and workplace pension contributions) we have shown tables for each version of the model.

Base methodology

UK RLW

Family type	Living costs					Hourly wage requirement	Weights
	"Core" basket	Rent	Council tax	Childcare	Total		
Single	£208.89	£94.44	£20.14	£0.00	£323.47	£9.95	32.4%
Couple	£349.06	£102.61	£26.85	£0.00	£478.52	£6.65	33.9%
Single parent with one child (age 3-4)	£296.30	£80.97	£23.01	£78.45	£478.73	£12.30	0.9%
Single parent with one child (age 5-11)	£317.83	£80.97	£23.01	£74.95	£496.77	£13.85	3.4%
Single parent with two children (age under 3 & 3-4)	£354.64	£88.87	£23.01	£268.08	£734.61	£16.35	0.2%
Single parent with two children (age 3-4 & 5-11)	£375.74	£88.87	£23.01	£153.40	£641.03	£15.15	0.6%
Single parent with two children (age 5-11 & 12-16)	£429.87	£88.87	£23.01	£74.95	£616.71	£18.80	1.7%
Single parent with three children (age 3-4 & 5-11 & 12-16)	£487.63	£88.87	£23.01	£153.40	£752.92	£22.25	1.1%
Couple parent with one child (age 3-4)	£389.27	£80.97	£30.69	£78.45	£579.37	£7.65	3.8%
Couple parent with one child (age 5-11)	£410.79	£80.97	£30.69	£74.95	£597.40	£8.30	7.0%
Couple parent with two children (age under 3 & 3-4)	£446.11	£88.87	£30.69	£268.08	£833.75	£9.70	1.6%
Couple parent with two children (age 3-4 & 5-11)	£467.22	£88.87	£30.69	£153.40	£740.18	£9.10	2.7%
Couple parent with two children (age 5-11 & 12-16)	£521.34	£88.87	£30.69	£74.95	£715.85	£10.35	6.5%
Couple parent with three children (age under 3, 3-4 & 5-11)	£550.78	£88.87	£30.69	£343.04	£1,013.37	£14.85	0.5%
Couple parent with three children (age 3-4 & 5-11 & 12-16)	£600.61	£88.87	£30.69	£153.40	£873.57	£12.85	0.9%
Couple parent with three children (age 5-11, 5-11 & 12-16)	£617.56	£88.87	£30.69	£74.95	£812.07	£11.95	1.6%
Couple parent with four children (age under 3, 3-4, 5-11 & 12-16)	£655.12	£88.87	£30.69	£343.04	£1,117.71	£16.65	1.0%

London RLW

Family type	Living costs						Hourly wage requirement	Weights
	"Core" basket	Rent	Council tax	Travel	Childcare	Total		
Single	£156.94	£150.04	£11.07	£31.24	£0.00	£349.29	£10.80	43.1%
Couple	£266.51	£240.89	£22.88	£62.47	£0.00	£592.75	£8.90	25.1%
Single parent with one child (age 3-4)	£229.42	£115.41	£19.61	£31.24	£101.80	£497.48	£10.90	0.8%
Single parent with one child (age 5-11)	£249.60	£115.41	£19.61	£31.24	£95.70	£511.56	£12.30	3.5%
Single parent with two children (age under 3 & 3-4)	£285.31	£129.29	£22.06	£31.24	£351.97	£819.86	£20.80	0.2%
Single parent with two children (age 3-4 & 5-11)	£304.85	£129.29	£22.06	£31.24	£197.51	£684.94	£14.50	0.6%
Single parent with two children (age 5-11 & 12-16)	£349.48	£129.29	£22.06	£37.49	£95.70	£634.02	£17.20	1.8%
Single parent with three children (age 3-4 & 5-11 & 12-16)	£404.58	£129.29	£22.06	£37.49	£197.51	£790.92	£23.15	1.5%
Couple parent with one child (age 3-4)	£296.97	£115.41	£26.15	£62.47	£101.80	£602.80	£7.25	3.9%
Couple parent with one child (age 5-11)	£317.15	£115.41	£26.15	£62.47	£95.70	£616.88	£7.75	5.7%
Couple parent with two children (age under 3 & 3-4)	£351.37	£129.29	£29.42	£62.47	£351.97	£924.51	£11.85	1.6%
Couple parent with two children (age 3-4 & 5-11)	£370.91	£129.29	£29.42	£62.47	£197.51	£789.59	£9.05	2.5%
Couple parent with two children (age 5-11 & 12-16)	£415.54	£129.29	£29.42	£68.72	£95.70	£738.67	£9.90	5.3%
Couple parent with three children (age under 3, 3-4 & 5-11)	£433.67	£129.29	£29.42	£62.47	£447.67	£1,102.52	£16.20	0.5%
Couple parent with three children (age 3-4 & 5-11 & 12-16)	£474.42	£129.29	£29.42	£68.72	£197.51	£899.35	£12.90	0.9%
Couple parent with three children (age 5-11, 5-11 & 12-16)	£488.89	£129.29	£29.42	£74.98	£95.70	£818.27	£12.00	1.6%
Couple parent with four children (age under 3, 3-4, 5-11 & 12-16)	£524.41	£129.29	£29.42	£68.72	£447.67	£1,199.51	£17.85	1.2%

New methodology: with rental costs weighted according to tenure and inclusion of pension contributions

UK RLW

Family type	Living costs					Hourly wage requirement	Weights
	"Core" basket	Rent	Council tax	Childcare	Total		
Single	£208.89	£86.04	£20.14	£0.00	£315.07	£10.10	32.4%
Couple	£349.06	£94.26	£26.85	£0.00	£470.17	£6.75	33.9%
Single parent with one child (age 3-4)	£296.30	£100.57	£23.01	£78.45	£498.33	£14.20	0.9%
Single parent with one child (age 5-11)	£317.83	£100.57	£23.01	£74.95	£516.37	£15.85	3.4%
Single parent with two children (age under 3 & 3-4)	£354.64	£114.00	£23.01	£268.08	£759.74	£18.90	0.2%
Single parent with two children (age 3-4 & 5-11)	£375.74	£114.00	£23.01	£153.40	£666.16	£18.05	0.6%
Single parent with two children (age 5-11 & 12-16)	£429.87	£114.00	£23.01	£74.95	£641.84	£20.70	1.7%
Single parent with three children (age 3-4 & 5-11 & 12-16)	£487.63	£114.00	£23.01	£153.40	£778.05	£24.40	1.1%
Couple parent with one child (age 3-4)	£389.27	£106.81	£30.69	£78.45	£605.22	£8.50	3.8%
Couple parent with one child (age 5-11)	£410.79	£106.81	£30.69	£74.95	£623.24	£9.20	7.0%
Couple parent with two children (age under 3 & 3-4)	£446.11	£122.01	£30.69	£268.08	£866.89	£11.30	1.6%
Couple parent with two children (age 3-4 & 5-11)	£467.22	£122.01	£30.69	£153.40	£773.32	£10.60	2.7%
Couple parent with two children (age 5-11 & 12-16)	£521.34	£122.01	£30.69	£74.95	£748.99	£11.45	6.5%
Couple parent with three children (age under 3, 3-4 & 5-11)	£550.78	£122.01	£30.69	£343.04	£1,046.52	£16.30	0.5%
Couple parent with three children (age 3-4 & 5-11 & 12-16)	£600.61	£122.01	£30.69	£153.40	£906.71	£14.20	0.9%
Couple parent with three children (age 5-11, 5-11 & 12-16)	£617.56	£122.01	£30.69	£74.95	£845.21	£13.25	1.6%
Couple parent with four children (age under 3, 3-4, 5-11 & 12-16)	£655.12	£122.01	£30.69	£343.04	£1,150.86	£18.20	1.0%

London RLW

Family type	Living costs						Hourly wage requirement	Weights
	"Core" basket	Rent	Council tax	Travel	Childcare	Total		
Single	£156.94	£133.23	£11.07	£31.24	£0.00	£332.48	£10.75	43.1%
Couple	£266.51	£212.62	£22.88	£62.47	£0.00	£564.48	£8.70	25.1%
Single parent with one child (age 3-4)	£229.42	£165.15	£19.61	£31.24	£101.80	£547.22	£14.05	0.8%
Single parent with one child (age 5-11)	£249.60	£165.15	£19.61	£31.24	£95.70	£561.30	£15.10	3.5%
Single parent with two children (age under 3 & 3-4)	£285.31	£191.10	£22.06	£31.24	£351.97	£881.67	£24.85	0.2%
Single parent with two children (age 3-4 & 5-11)	£304.85	£191.10	£22.06	£31.24	£197.51	£746.75	£19.05	0.6%
Single parent with two children (age 5-11 & 12-16)	£349.48	£191.10	£22.06	£37.49	£95.70	£695.83	£20.00	1.8%
Single parent with three children (age 3-4 & 5-11 & 12-16)	£404.58	£191.10	£22.06	£37.49	£197.51	£852.73	£25.50	1.5%
Couple parent with one child (age 3-4)	£296.97	£228.83	£26.15	£62.47	£101.80	£716.22	£9.10	3.9%
Couple parent with one child (age 5-11)	£317.15	£228.83	£26.15	£62.47	£95.70	£730.30	£11.30	5.7%
Couple parent with two children (age under 3 & 3-4)	£351.37	£270.22	£29.42	£62.47	£351.97	£1,065.45	£14.20	1.6%
Couple parent with two children (age 3-4 & 5-11)	£370.91	£270.22	£29.42	£62.47	£197.51	£930.53	£11.70	2.5%
Couple parent with two children (age 5-11 & 12-16)	£415.54	£270.22	£29.42	£68.72	£95.70	£879.61	£12.15	5.3%
Couple parent with three children (age under 3, 3-4 & 5-11)	£433.67	£270.22	£29.42	£62.47	£447.67	£1,243.45	£19.90	0.5%
Couple parent with three children (age 3-4 & 5-11 & 12-16)	£474.42	£270.22	£29.42	£68.72	£197.51	£1,040.29	£16.75	0.9%
Couple parent with three children (age 5-11, 5-11 & 12-16)	£488.89	£270.22	£29.42	£74.98	£95.70	£959.21	£15.50	1.6%
Couple parent with four children (age under 3, 3-4, 5-11 & 12-16)	£524.41	£270.22	£29.42	£68.72	£447.67	£1,340.44	£21.65	1.2%

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