

## Conceptual note No.7

# Living Standards in the UK

*Demi Patsios, University of Bristol,  
Paddy Hillyard, Queens University Belfast*

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## Introduction

The overall aim of the PSE UK study is improve the measurement of poverty, deprivation, social exclusion and standard of living in the United Kingdom. While the main focus of the study is on the poor, impoverished, deprived and socially excluded, one specific objective is to expand our understanding of the living standards of the whole of the UK population. This conceptual note will provide a theoretically as well as methodologically well-grounded selection of measurement dimensions and indicators which can be used as an instrument to operationalise and analyse living standards in the UK using PSE UK survey data.

The first step in constructing any sort of indicators system, whether it is living standards, quality of life, poverty or social exclusion, is the development of a conceptual framework. The purpose of such a framework is to guide and to justify the selection of measurement dimensions and indicators (Berger-Schmitt & Noll, 2000: 6). Much like the fields of poverty and social exclusion, there is little agreement on the definition as to what exactly constitutes living standards and how it should be measured. The crucial question then is, how the term 'living standards' is defined, which components and aspects are covered and to which areas of 'welfare' it is related.

**Living standards** are the sum total of individual, household and societal welfare. However, there are different opinions of what the right notion and conceptualization of welfare is (Zapf, 2002). In the past, the notion of welfare was synonymous with material level of living (or wealth) and rates of economic growth as measured by GDP or GNP per capita. The idea of wealth as the primary goal of societal development was eventually broadened to include qualitative aspects of welfare development, and quality of life became the leading welfare paradigm and societal goal (Berger-Schmitt & Noll, 2000).

**Quality of life** is "the most widely recognised and the most frequently used framework for analysing the welfare development of a society" (Berger-Schmitt & Noll 2000: 8). Zapf (2002) states that: "It is a multidimensional concept which encompasses both material and immaterial, objective conditions and subjective, individual and collective aspects of welfare" (p. 6). Quality of life is conceptualized mainly as individual welfare or welfare of households (Zapf, 2002). "Components of this individual welfare are not only good objective living conditions, but also subjective wellbeing" (Zapf, 2002: 6).

## Approaches to measuring welfare and quality of life

Zapf (2002) offers a very helpful taxonomy of welfare concepts, which combines objective and subjective measures at the individual and societal level (see Fig 1). Using this taxonomy, three main approaches to welfare measurement - based on the level (individual vs. societal) and type of measurement (objective vs. subjective) used - can be identified. The first rely on objective indicators for welfare measurement like the Scandinavian level of approach to survey research (Erikson 1974, 1993). The second, known as the American quality of life approach, bases welfare predominantly on subjective indicators with wellbeing of individuals as final outcome of conditions and processes (Campbell, 1972, 1976; see also Noll, 2004). The third combines objective and subjective indicators; examples of which are the German welfare approach (Zapf, 1987), Allardt's "having, loving and being" trio approach towards welfare (1972, 1993), and work carried out in New Zealand on material wellbeing (Perry, 2002, 2009).

**Figure 1: Taxonomy of welfare concepts**

	Objective indicators	Subjective indicators
Individual level	Objective living conditions (e.g. income)	Subjective well-being (e.g. income satisfaction)
Societal level	Quality of society (e.g. income distribution)	Perceived quality of society (e.g. conflict between rich and poor)

Source: Zapf (2002), p. 9.

### The Scandinavian level of living approach

This approach follows the tradition set by Jan Drewnowski (1970), who conceptualised welfare in terms of objective needs, and Richard Titmuss' (1958) studies of the British welfare state in which level of living was defined as person's command over resources (Berger-Schmitt & Noll, 2000). The theoretical assumption of this objectivist approach is that there are so-called basic needs and that satisfying these basic needs determines individual welfare (Zapf, 2002). "Resources are defined in terms of money, property, knowledge, psychic and physical energy, social relations, security and so on" (Erikson & Uusitalo, 1987: 189; see also Johansson, 1973 for work carried out in Sweden).

### The American subjective wellbeing approach

Although American researchers also use objective indicators when assessing quality of life, there is a longstanding tradition to analyse subjective well-being, which is concerned with individual's subjective experience of their lives (Diener & Suh, 1997).

*The underlying assumption is that well-being can be defined by people's conscious experiences – in terms of hedonic feelings or cognitive satisfactions. The field is built on the presumption that to understand the individuals' experiential quality of well-being, it is appropriate to directly examine how a person feels about life in the context of his or her own standards (Diener & Suh, 1997: 191).*

### Combining objective and subjective measures

There is today, however, much more consensus that objective living conditions and subjective evaluations are actually just two sides of one coin,

*Subjective evaluations of personal life circumstances can relate to life as a whole as well as to different life domains, like work or income. This underlines the complementary nature of the two approaches, objective welfare measurement, and subjective well-being. (Zapf, 2002: 7).*

## Operationalisation and analysis of living standards in the PSE UK

For purposes of operationalizing and analysing living standards in the UK, living standards will be defined using measurements of objective living conditions and subjective assessments of these living conditions, which include several domains of the living situation which are relevant to the individual welfare regardless of whether they are considered to be outcomes, resources, capabilities, or external circumstances (Noll, 2002, 2004). We suggest the following definition which will guide development of the living standards index.

*Living standards gauge what people have, what they do and where they live. They are determined not only by choices and personal preferences but also by the degree of command they have over resources which restrict or do not restrict them in having or doing or participating in things they have reason to value including not only items and activities seen as essential but also those seen as desirable. Resources which individuals and households have command over include monetary and non-monetary assets, short and long term. They also include housing, neighbourhoods, social services and social networks, and a range of social and leisure activities.*

### Conceptual framework

Whilst the emphasis of the PSE UK survey is on poverty and social exclusion, there are many measures and variables in the survey which can inform individual and household welfare, in terms of objective living conditions and subjective assessment of these living conditions (see Figure 2).

**Figure 2: Domains and indicators of living standards in the UK**

<b><i>What you have</i></b>	<b><i>What you do</i></b>	<b><i>Where you live</i></b>
<b><i>Objective living conditions</i></b>		
Finances (and debts) Consumer durables Consumption items	Social networks and social support Social activities Civic participation	Housing Neighbourhood problems Local Services
<b><i>Subjective assessment of objective living conditions – domain specific</i></b>		
Financial difficulties Giving/receiving gifts Quality of Goods Spot purchases Economising behaviours	Satisfaction with day-to-day activities Attachment to community	Satisfaction with housing Satisfaction with area
<b><i>Subjective assessment of living standards – in general (optional indicators)</i></b>		
Satisfaction with living standards Subjective poverty Peace of mind Overall well-being		

### The UK Living Standards Index (UK-LSI)

It is intended that the UK-LSI will measure the full-continuum (or spectrum) of living standards in Great Britain and Northern Ireland by developing a summative (aggregate) index based on relevant domains and indicators identified above. The primary focus will be on measures obtained at the micro-level for individuals and households, which can be related to their other characteristics, i.e. age, gender, living arrangements, ethnicity, etc.

**Methods of analysis**

Confirmatory Factor Analysis (CFA), Classical Test Theory (CTT), and two-parameter Item Response Theory (IRT) models will be used to analyse living standards in the UK. A comparison of these various methodological approaches will add greater insight into living standards research.

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