



Trust for London

Tackling poverty and inequality

London's Poverty Profile

Reporting on the recession

Tom MacInnes, Anushree Parekh and Peter Kenway



A summary of this report can be downloaded in PDF format from
www.londonpovertyprofile.org.uk

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About Trust for London

Trust for London is one of the largest independent charitable foundations in London, providing grants to the voluntary and community sector of over £6 million per annum. It aims to enable and empower Londoners to tackle poverty and inequality, and their root causes. Established in 1891, it was formerly known as City Parochial Foundation.

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New Policy Institute is a progressive think tank, founded in 1996. Wholly independent, it has neither financial backers nor political patrons. Almost all its funding is project-based and comes principally from charitable foundations, trade unions, voluntary sector organisations and public sector bodies.

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Foreword

Since the first report was launched last year, *London's Poverty Profile* has established itself as an independent and comprehensive source of data on poverty in the capital. This special edition does not replicate last year's indicators but aims to capture the impact of the recession. Whilst the recession has ended, its legacy has not and the full price for the financial crisis is yet to be paid. The Comprehensive Spending Review will result in significant public spending cuts. As an independent charitable funder tackling poverty and inequality in London, our key concern is that these do not fall disproportionately on the poorest and most marginalised.

This *London's Poverty Profile* report shows that some of the gains of the past decade have been wiped out. Unemployment is likely to continue to rise and, as with previous recessions, it is young people who will be most affected. One in three of those unemployed in the capital are aged under 25, and it is those with no work experience, poorest exam grades and from the most disadvantaged neighbourhoods who are most likely to feature in the statistics in this report.

The Government's emphasis is on helping people from welfare into work and this is an area we also invest in. However, employment does not guarantee a route out of poverty. Our report illustrates the rapid growth of in-work poverty over the last decade. There has been nearly a quarter of a million increase in the number of working-age adults in working households living in poverty in London.

Low pay is a major factor in explaining this, which is why we have invested £1 million into the campaign for a London Living Wage. Currently set by the Greater London Authority at £7.85 per hour, the living wage lifts the pay of those who are the poorest and enables them to live in one of the world's most expensive cities.

Coupled with low pay, housing or the lack of affordable provision, is London's other significant problem. The proposed Government cap on housing benefit will have a major impact as to where low-income families can live, with much of Inner London no longer being affordable. This risks further concentrating poverty in Outer London, a trend highlighted in our report. There may be other ways in which we can address London's housing issues, for example through the introduction of rent controls which are used extensively in cities in the USA.

We know through the work we fund and the organisations we support that poverty has a terrible impact on the lives of Londoners. Together with the stark economic inequality in the capital, this makes living here even more difficult, and the psychological effects can be difficult to quantify. Alongside this research, we have commissioned acclaimed theatre company *iceandfire* to gather the life stories of people living in poverty, using their own words. These are available on *London's Poverty Profile* website and they capture the real voices and human profile of the hard statistics in this report.

As with the first report it throws down a challenge to all of us to act now to reduce the profile of poverty and inequality in London. This must mean carefully thinking through the impact of the impending cuts and who will pay the price.

Peter Williams

Chair, Trust for London

Introduction and summary

Aim of the report

The first *London's Poverty Profile* covered the period up to the start of the economic downturn in early 2008. We noted then that between the compiling of the data and the publishing of the report, the economic landscape of London was being changed by the recession. The main purpose of this update is to describe how much has changed in London since 2007 and to look at the extent of this transformation. As such, it concentrates on the economic effects of the recession – principally worklessness and resulting low income.

We look at worklessness through the unemployment figures and the statistics on out-of-work benefit claimants. In the low-income chapter we look at poverty both in and out-of-work. Finally, we look at levels of personal and household debt, including the rising number of house repossessions across London.

In doing this, we take the same approach as in the original report. We compare London's position to the rest of England. Then we look inside London, at Inner and Outer London, and where possible, its boroughs and wards. Frequently, we group London's boroughs into 'sub-regions': the Inner East & South; Inner West; Outer East & North East; Outer South; and Outer West & North West^[1]. These sub-regions are used for official statistical purposes but are more than just convenient – they have a consistency that the broader groupings of Inner and Outer London lack.

This update covers the period up to the end of 2009, by which time the UK economy was growing again. Although the recession had therefore officially ended, it does not necessarily mean that the period covered in this report represents the worst of its effects. Unemployment in London was still higher in mid-2010 than it had been 12 months earlier. This is not at all surprising: following the last recession in the early 1990s, unemployment carried on going up in London 18 months after the economy had started to grow again.

Moreover, the government expects hundreds of thousands of public sector jobs to be lost in the next five years, and although London is less dependent on such employment than some other regions, it will not be immune to these cuts. Some policies of the coalition administration – such as the limit on Housing Benefit, restricting payments to £400 per week for larger families – are likely to affect London disproportionately.

This report is complemented by a dedicated website, www.londonspovertyprofile.org.uk which provides updates to the indicators, including those featured in the first report.

^[1] The boroughs in each sub-region are listed in the chart on page 9.

Key findings

- Around 7% of London's working-age population are unemployed, compared to 6% in the rest of England. Whereas unemployment in the rest of England was rising as early as 2005, in London unemployment only began rising in 2008. The level of unemployment in London is back to where it was in the late 1990s.
- The rate of unemployment is still highest in the Inner East & South boroughs where around one-in-three unemployed people in London live. However, the unemployment rate has risen more quickly in Outer London (an increase of around 50%) than Inner London (an increase of around 25%) since 2007.
- This pattern is the same for people receiving Job Seeker's Allowance (JSA). Although the highest rates are found in the Inner East & South (Tower Hamlets and Hackney), all of the ten boroughs with the highest increase in the JSA reciprocity rate are in Outer London.
- Inner West London has seen the lowest increases in unemployment, so whereas in 2007 the unemployment rate was higher in the Inner West than in all three Outer London sub-regions, it is now lower than the Outer East & North East and the Outer West & North West.
- The unemployment rate among young adults is disproportionately high and higher than at any time in the previous 17 years. One in three of London's unemployed population are aged under 25.
- The level of personal unsecured debt in London is close to the national average. But the incidence of problem debt is higher – 8% of households (some 230,000 in total) are in arrears with bills, and half of these owe over £500.
- Since 2002, mortgage repossessions as a proportion of mortgage holders have been higher in London than the average for the rest of England. In 2009, the rate of mortgage repossessions in London was higher than any other English region apart from the North East.
- The proportion of landlord repossessions is higher in London than elsewhere. There is, though, no consistent pattern within London – mortgage repossessions are slightly higher in Inner London, but landlord repossessions are much higher in Outer London.
- Poverty in London is still high for all age groups compared to anywhere else in England, and higher still in Inner London. Child poverty is around 40% in London, meaning that over 600,000 children in London live in low-income households. However, this figure is lower than a decade ago due to declining child poverty in Inner London.
- The number of working-age adults in poverty in London has increased since the late 1990s to over 1.2 million. The proportion of London's low-income population who are in Outer London has now risen to 56%.
- In the three years to 2008/09, there were 310,000 more Londoners living in low-income, working households than there were at the end of the 1990s. During the same period, the number of children and working-age adults in low income, workless households fell by around 130,000. The result is that over half of all adults and children in low-income households live in a working household.

An overview of London's boroughs

The table opposite brings together borough level statistics for four indicators: the proportion of working-age adults claiming Job Seeker's Allowance; the unemployment rate; the proportion of mortgage owning households issued with a claim for repossession; and the proportion of households in rented accommodation issued with a claim for eviction.

As well as the current figures, the table shows how the levels in each borough^[2] have changed in recent years. For the first two of these (claims for JSA and unemployment), the rate of change is measured between 2007 and 2009. For mortgage repossession, we compare 2005 to 2009, simply because the deterioration in this statistic started in the middle of the 2000s, not just with the onset of the recession. For landlord actions, no change is ranked simply because the variation over time has been small.

For each of the resulting seven statistics, the boroughs with the four highest ('worst') proportions are coloured red. The next four are coloured a dark orange, the next eight light orange. The remaining 16 boroughs, representing half of all boroughs in London, and therefore those below the average, are in beige.

By looking at both levels and rates of change, we can see both how areas compare to each other, and whether or not they are getting worse. If, for instance, a borough is coloured light orange for the current level of unemployment, and red for the rate of increase, it means that while its current level is just above average, it is getting worse much more quickly than elsewhere.

On the indicators in the table, both the Inner East & South and Outer East & North East are clearly far more darkly coloured in than the other regions of London. There is little to choose between the two.

Four of the five boroughs in the Inner West are beige, and none of the five boroughs have above average rates of mortgage or landlord repossession. The Inner West now has more in common with its neighbours in Outer West & NW and Outer South London than with the rest of Inner London.

Albeit on a limited number of indicators, this table shows a real concentration of disadvantage. Eight boroughs have worse than average levels on all four indicators. Five of these (Haringey, Newham, Barking & Dagenham, Enfield and Waltham Forest) have also seen their levels of unemployment, JSA receipt and mortgage repossessions increase faster than the London average. Conversely, seven boroughs (Camden, Kensington & Chelsea, Wandsworth, Westminster, Richmond, Kingston and Merton) are better than average on every single measure.

^[2] The very small size of the City of London and its unique characteristics means that this report does not provide data relating to it.

		Level in 2009				Rate of increase		
		1	2	3	4	1	2	3
Key								
■ Worst 4 boroughs – highest								
■ Next 4 boroughs								
■ Next 8 boroughs								
■ Remaining 16 – below average								
Inner West	Camden							
	Hammersmith & Fulham							
	Kensington & Chelsea							
	Wandsworth							
	Westminster							
Inner East & South	Hackney							
	Haringey							
	Islington							
	Lambeth							
	Lewisham							
	Newham							
	Southwark							
	Tower Hamlets							
Outer East and North East	Barking & Dagenham							
	Bexley							
	Enfield							
	Greenwich							
	Havering							
	Redbridge							
	Waltham Forest							
	Outer West and North West	Barnet						
Brent								
Ealing								
Harrow								
Hillingdon								
Hounslow								
Richmond								
Outer South	Bromley							
	Croydon							
	Kingston							
	Merton							
	Sutton							

- 1 Job Seeker's Allowance recipiency
- 2 Unemployment
- 3 Mortgage repossessions
- 4 Landlord repossessions

Chapter one:

Unemployment and worklessness

Key points

- For at least the last 15 years, unemployment has been higher in London than the rest of England, but in 2009 the gap was lower than at any point in that period.
- Where unemployment in Inner London used to be one-third higher than Outer London, the gap has now almost closed.
- This is because, during the recession, unemployment rose more quickly in Outer London (by around 50%) than Inner London (around 25%). The proportion of working-age adults who are unemployed is now around 7% in both Inner and Outer. This represents around 350,000 people.
- Unemployment has increased across all ethnic groups and among those who were born in the UK as well as those born abroad.
- The increase among young adults is disproportionately large – one in four economically active young adults are unemployed, a rate around two and a half times higher than the average for the whole population. One in three of London's unemployed population is aged under 25.

Context

In this section we look at unemployment in London, over time, compared to the rest of England and within the capital itself. To be classed as unemployed, someone must be lacking work but actively seeking it and available to start a job within two weeks.

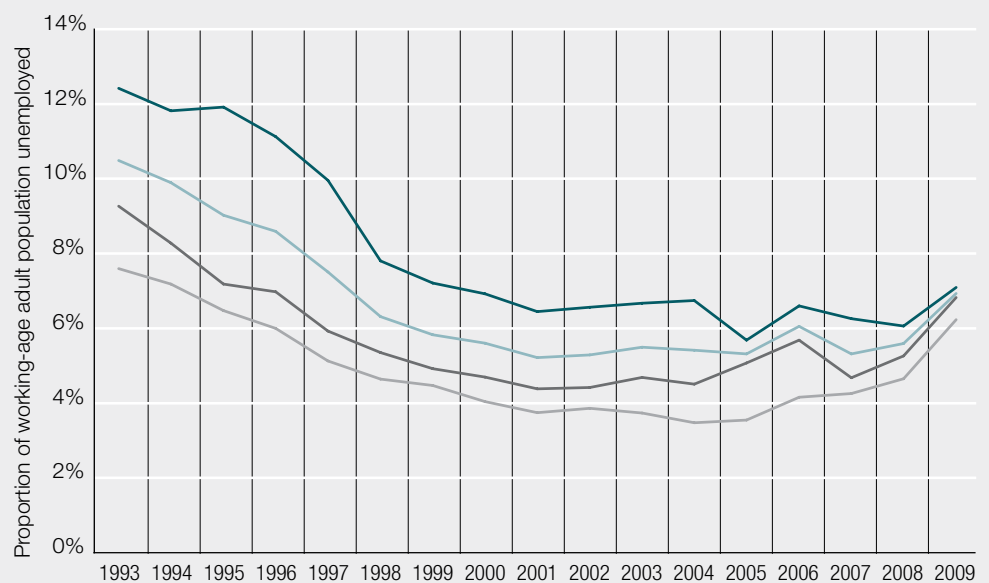
In the previous Poverty Profile, we saw that London had a high proportion of people who lacked work but were not seeking work, and so would not be classed as unemployed. This is still the case, but to concentrate on the effects of the recession, we look only at those officially unemployed.

Unemployment

Figure 1.1 – Unemployment, Inner, Outer, London and rest of England



Source: Labour Force Survey, ONS, 1993 to 2009



What does this graph show?

This graph shows the proportion of the working-age population in London and elsewhere who were officially unemployed over the last 17 years.

The graph begins at the end of the last recession, where unemployment in London was around 10%, compared to around 8% in the rest of England. This was higher still in Inner London, at around 12%.

In 2007, around 6% of working-age adults in Inner London and 5% in Outer London were unemployed. In 2009, both were around 7%, with the rate in Inner London slightly above, and Outer London slightly below. In the rest of England, the proportion of working-age adults who were unemployed was 6%. Throughout the period shown in the graph, the gap between London and the rest of England has never been lower than it was in 2009.

By mid-2010, a period not shown in the graph, unemployment in London was higher than it was a year previously, but slightly lower than it was six months earlier. Unemployment in England as a whole in mid-2010 was lower than it was 12 months earlier.

Figure 1.2 – Number of unemployed by sub-region

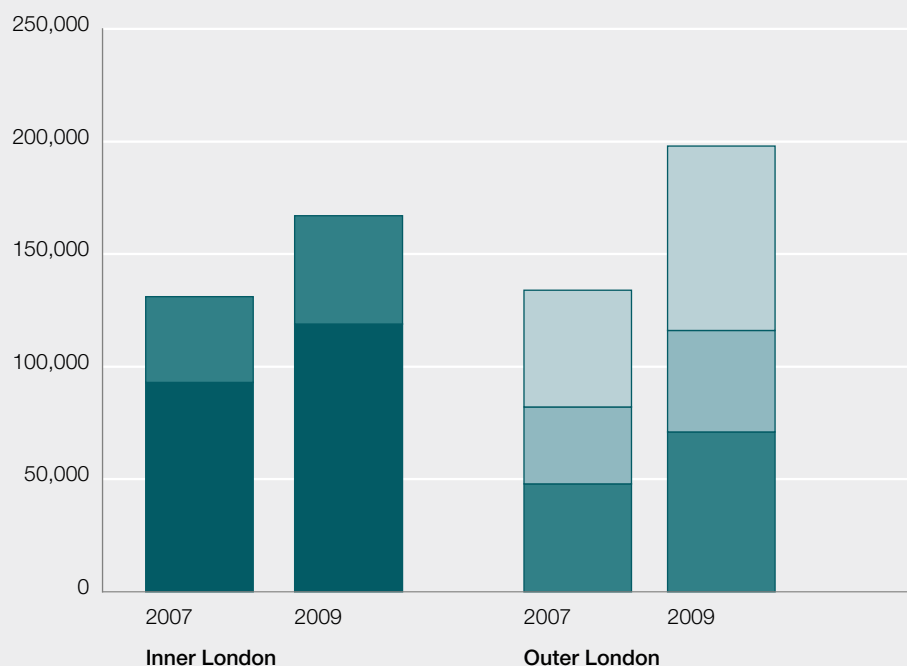
Inner London

- West
- East & South

Outer London

- West & North West
- South
- East & North East

Source: Labour Market Statistics, ONS, 2007 and 2009



What does this graph show?

Around 365,000 people were unemployed in London in 2009. This is up from 265,000 two years earlier. All London's sub-regions have seen an increase, but these increases have been by no means uniform. Note that this number does include a small number of people above the state pension age (who are actively seeking work).

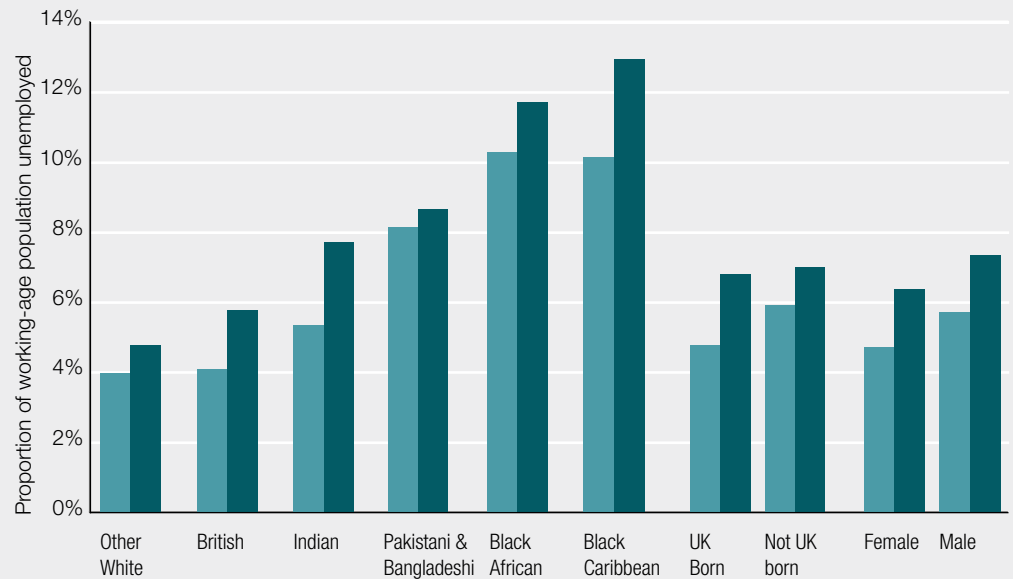
In Inner West London, around 10,000 more people were unemployed in 2009 than 2007. In the Inner East & South, the number of unemployed people rose by 26,000 from 93,000 to 119,000 and the Outer South by 11,000. In the Outer West & NW the increase was 30,000, and in the Outer East & NE the rise was 23,000.

So, since 2007, the number of unemployed people in Inner London has risen by around one-quarter. In Outer London it has risen by around one half. This means that whilst in 2007 the numbers unemployed in Inner and Outer London were roughly the same, the gap has now widened so that Outer London now has significantly over half of the capital's unemployed population.

Figure 1.3 – Unemployment, pre and post recession by ethnicity, and country of birth and gender

2007
2009

Source: Labour Force Survey, ONS, 2007 and 2009



What does this graph show?

Taking the year before the recession and the most recent year, this graph shows that the proportion of people who are unemployed rose, for all ethnicities, for men and for women, and irrespective of whether they were born in the UK or outside.

There is no obvious pattern by ethnicity or gender. The largest increase by ethnicity (around 3 percentage points) is for the Black Caribbean group, where a higher proportion of people were already unemployed. But the second highest is in the Indian group, where unemployment was previously low.

The unemployment figures for people born outside the UK can be affected by both inward and outward migration. Patterns of immigration and emigration have varied during the recession. In 2008, the number of non-UK nationals both migrating in and out of the UK was higher than at any time in the previous decade. In 2009, both numbers fell, to some 430,000 long-term immigrants, and 200,000 long-term emigrants^[3].

So while it would not be quite correct to say that all groups have been hit equally, it is true that unemployment has affected the whole population, with no one ethnic group and neither gender being hit disproportionately.

Young adults and unemployment

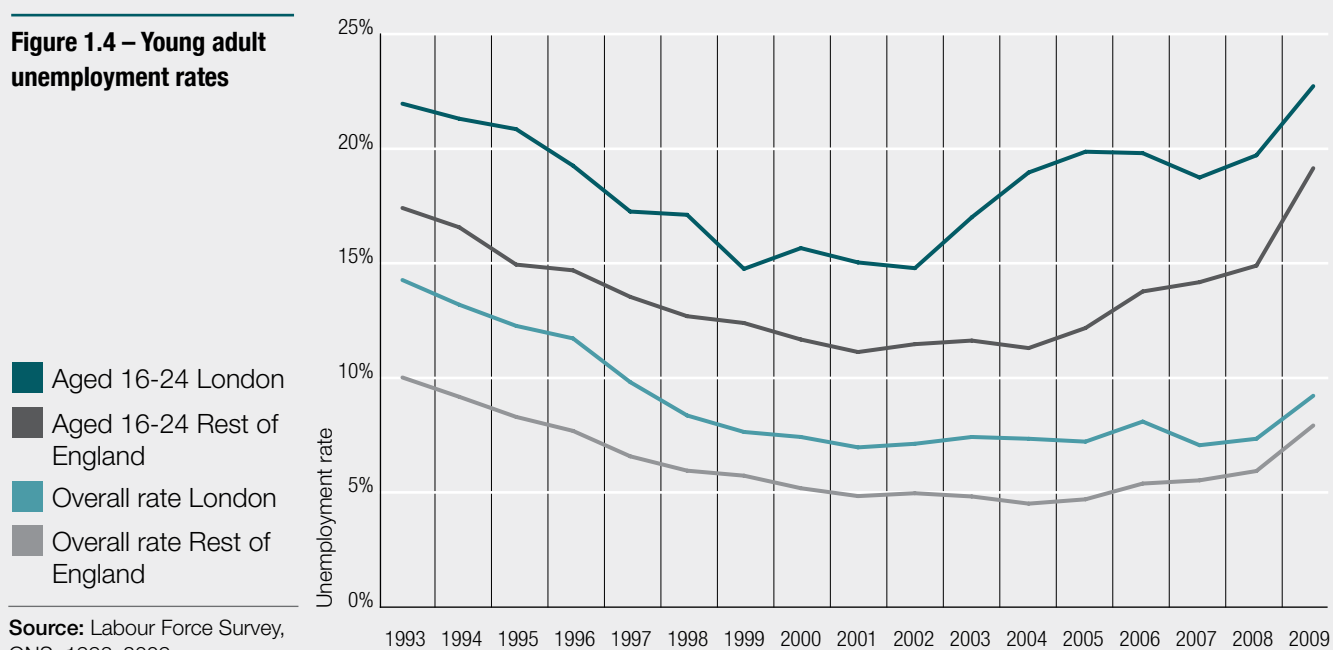
The next graph looks at unemployment by age – young adults aged 16 to 24 compared to the rest of the working-age population. There is an obvious overlap with “NEETs” (those not in education, employment or training) but NEETs are usually taken to be 16–19 year olds – essentially economically inactive school leavers. We look here at a broader age group.

This graph is shown on a slightly different basis to the previous unemployment graphs. The lines below show the unemployed as a proportion of the economically active (those in work and the unemployed) rather than the overall population. This is because, in London especially, the 16–24 age group contains a high proportion of students, who are not working but also not unemployed. 30% of 16–24 year olds in London are students, compared to 20% in the rest of England.

^[3] Source: Migration Statistics Quarterly report, Office for National Statistics, August 2010. The phrase “long-term” refers to migrants moving for a period of a year or more.

The unemployment rate for the whole population is shown as well. Note that this is a little higher than the line in graph 1, above, as, again, it is expressed as a proportion of a smaller group, that is, the economically active.

Figure 1.4 – Young adult unemployment rates



Source: Labour Force Survey, ONS, 1993–2009

What does this graph show?

The unemployment rate of under 25s in London is far higher than the average, at around 22%. It is also higher than the average for the rest of England, where the rate is closer to 19%.

Whilst the rate of young adult unemployment is higher in London than the rest of England, the trends are quite similar. Both start off high following the last recession, and decrease until around 2001. But then both begin to rise, even while unemployment in the rest of the population remains static.

Young adult unemployment is now higher than at any time in the previous 17 years, but this is not true for the population as a whole. The rate for the whole population is where it was 11 years ago. So the young adult unemployment rate is now both higher and increasing more rapidly than for older adults.

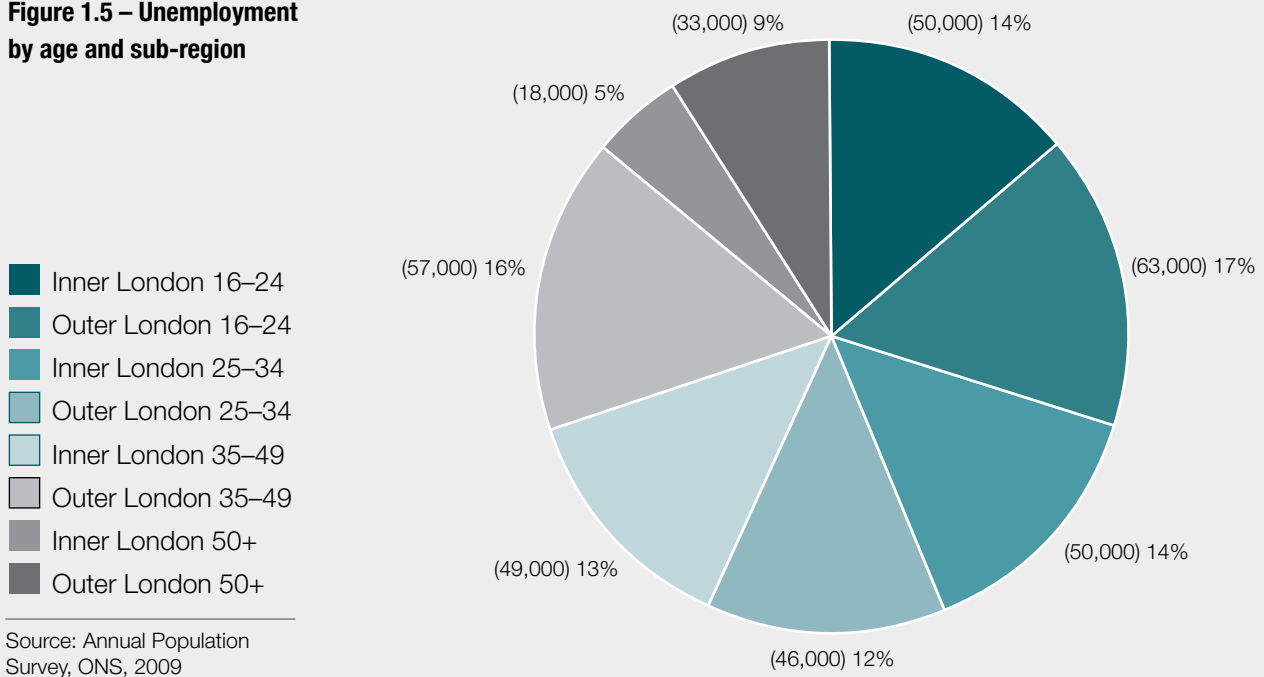
The high rate of young adult unemployment is undoubtedly one of the most serious problems emerging from the recession. But it would be a mistake to see it as solely caused by the downturn of the last couple of years. Rather, it is a chronic problem across the country, and particularly acute in London, as highlighted in the previous Poverty Profile.

Other points

Young adult unemployment is higher in Inner London – 25% – than Outer London where it is 21%. This has been the case throughout the series shown above and although the gap is slightly smaller than it was 15 years ago, it has never really closed. This contrasts with the overall picture for unemployment, where there has been substantial convergence between Inner and Outer London.

However, as can be seen in the next chart, the actual numbers of young adults unemployed is greater in Outer than Inner London, due to the larger population.

Figure 1.5 – Unemployment by age and sub-region



What does this graph show?

In 2009, around one-third of unemployed people in London are aged under 25. Rather more are in Outer London than Inner London. Just over a quarter of all those unemployed were aged between 25 and 34, and a similar number for those aged between 35 and 49. Some 14%, or one in seven, of those officially unemployed in London are aged over 50, including some who are older than the state pension age.

Part-time work

Despite all these changes, though, the number of people working in London in 2009 was actually slightly higher than in 2007 at around 4 million. The reason for the rising unemployment rate was that the working-age population also grew over the same period.

Within this working population, it has been part-time work that has been responsible for much of the growth. The number of people working part-time grew by around 8%, from 760,000 in 2007 to 825,000 in 2009, as the numbers of both men and women working part-time went up. This mirrors national trends.

Part-time work in itself is not necessarily an indicator of problems in the labour market, and generally part-time work is less common in London than elsewhere. However, an increasing number (around 137,000 in 2009) say they are only working part-time because they cannot find a full-time job.

Pay and low pay

In 2008 and 2009, median hourly pay of London residents rose roughly in line with the rate of inflation, at around 4% per year. The pay of the bottom quarter of employees living in London rose ahead of inflation. Median hourly pay in 2009 was £14.31, and pay at the bottom quartile was £9.45. Both figures are much higher than the national average.

For part-time employees, whose average pay is in any case lower, hourly pay rose ahead of inflation in 2009 but barely rose at all in 2008. The combined effect over the two years, though, is still an above-inflation rise.

Median gross pay; that is, the total annual pay of London residents, rose by less in 2009 than 2008, but still rose roughly in line with inflation over the period.

Chapter two:

Out-of-work benefits

Key points

- Since the start of the recession in 2008, London has seen a smaller overall rise in people claiming Job Seeker's Allowance (JSA) than any other region in England.
- Around 4% of working-age adults in London (some 215,000) were claiming JSA in November 2009, a figure very close to the national average and an increase of around 80,000 compared to two years earlier.
- This increase is far from evenly spread throughout London. Whilst the number of claimants has risen by around three-fifths in Inner London, it has nearly doubled in Outer London. As a result, there are now more JSA recipients in Outer London than Inner London.
- All seven boroughs in the Outer East & NE are among the ten London boroughs with the largest increases in JSA recipients. The three boroughs with the lowest increases are all in the Inner West.
- Around half of those making a new claim for JSA had previously claimed within the last six months. This means that large numbers of people are moving into work for short periods before coming back onto JSA.
- Most people receiving out-of-work benefits in London are not receiving JSA. Nearly 100,000 more people in London claim some form of incapacity or disability related benefit than claim JSA.

Context

By looking at unemployment statistics, the previous section allowed us to look at how the recession had affected London compared to other parts of the country. It also allowed us look within London to a certain extent. In this section, we look at people claiming out-of-work benefits, as this allows us to look at the boroughs within London.

The first graph looks at all working-age adults receiving key out-of-work benefits. These benefits can be divided into two types, *contributory benefits*, which are paid to an individual who has made sufficient national insurance contributions, and *income related benefits*, which are paid to ‘families’ (singles or couples, with or without dependent children) with little or no other *family* income or savings.

The graph shows, by type of recipient, the main benefits out-of-work adults receive^[4].

- Job seeker’s allowance (JSA), paid to those out-of-work but actively seeking it. There is both an income based and contribution based version of this benefit. The contribution based version is limited to six months, after which a claimant may receive the income based benefit, or no benefit at all, depending on their family income. ‘Receiving JSA’ is not the same as ‘unemployment’, which is measured (via a household survey) and covers people who want paid work, are actively seeking it and are available to start almost straightaway.
- Incapacity benefits, either Employment and Support Allowance (ESA), or Incapacity Benefit/ Income Support (IB/IS), which it is replacing. Both are paid to out-of-work adults with disabilities or who are ill. There are two rates of ESA, one for those assessed as able to work and one for those not able to work, the former rate being higher than the JSA rate. There is a contribution based version of ESA. Unlike JSA, it is not time limited.
- Benefits for lone parents of young children, usually Income Support.
- Benefits paid to people with caring responsibilities, again, usually Income Support (IS).
- Other income related benefits, generally Income Support or Pension Credit, although both are very small groups among those of working-age.

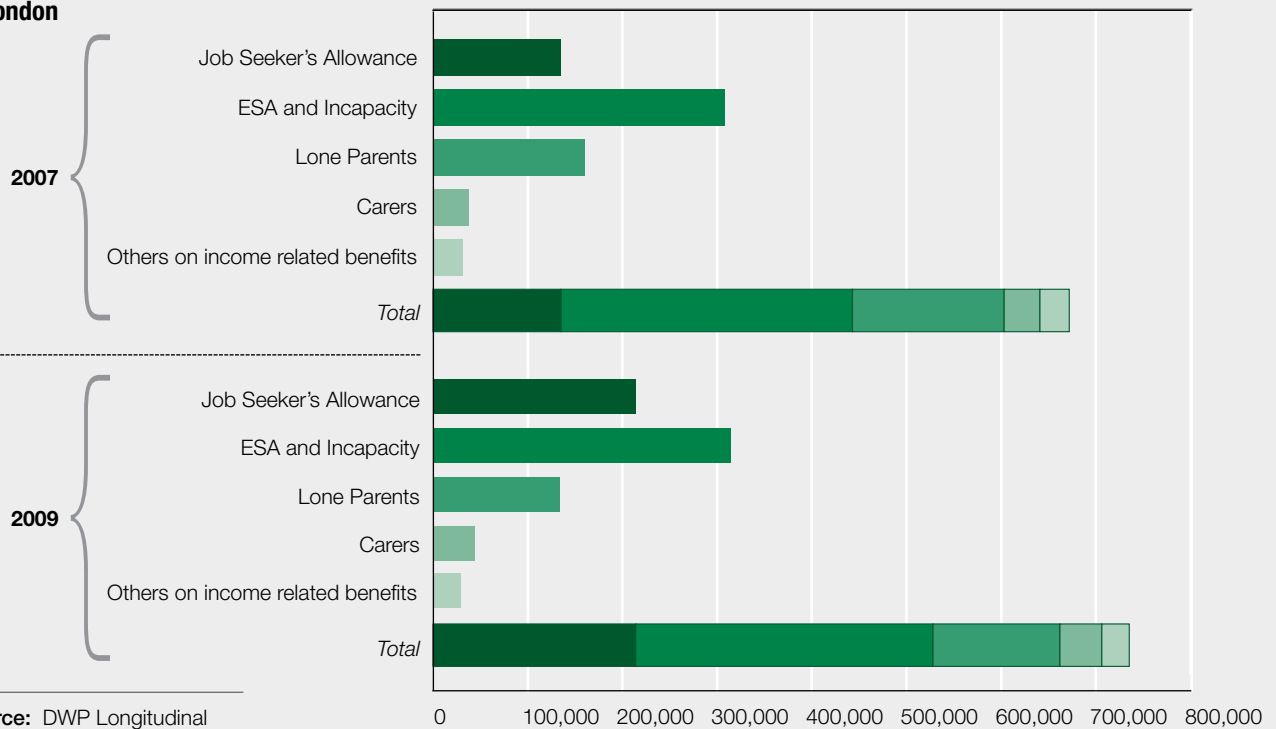
In terms of the incomes these benefits provide, none (bar Pension Credit) comes near either the poverty threshold or the Minimum Income Standard^[5]. In 2009, the basic rate of JSA was £64.30 per week for a single adult and £100.95 for a couple. Rises since 2009 have been tiny – £1 for a single adult, £2 for a couple per week.

^[4] There is not sufficient space to fully explain the different types of available benefits here. We find the Welfare benefits and tax credits handbook, published by the Child Poverty Action Group, to be an invaluable resource in this regard.

^[5] See A Minimum Income Standard for the United Kingdom in 2010, Davis, Hirsch, Smith (http://www.minimumincomestandard.org/downloads/2010_launch/MIS_report_2010.pdf). Note that this is after housing costs are deducted, and housing benefit is not considered when making the above statement.

Out-of-work benefits

Figure 2.1 – Working-age adults receiving out-of-work benefits in London



Source: DWP Longitudinal Study, 2007 and 2009

What does this graph show?

At the end of 2009 around 735,000 working-age adults in London claimed some out-of-work benefit. The single largest group among these are people claiming for reasons of incapacity or illness (either IB/IS or ESA).

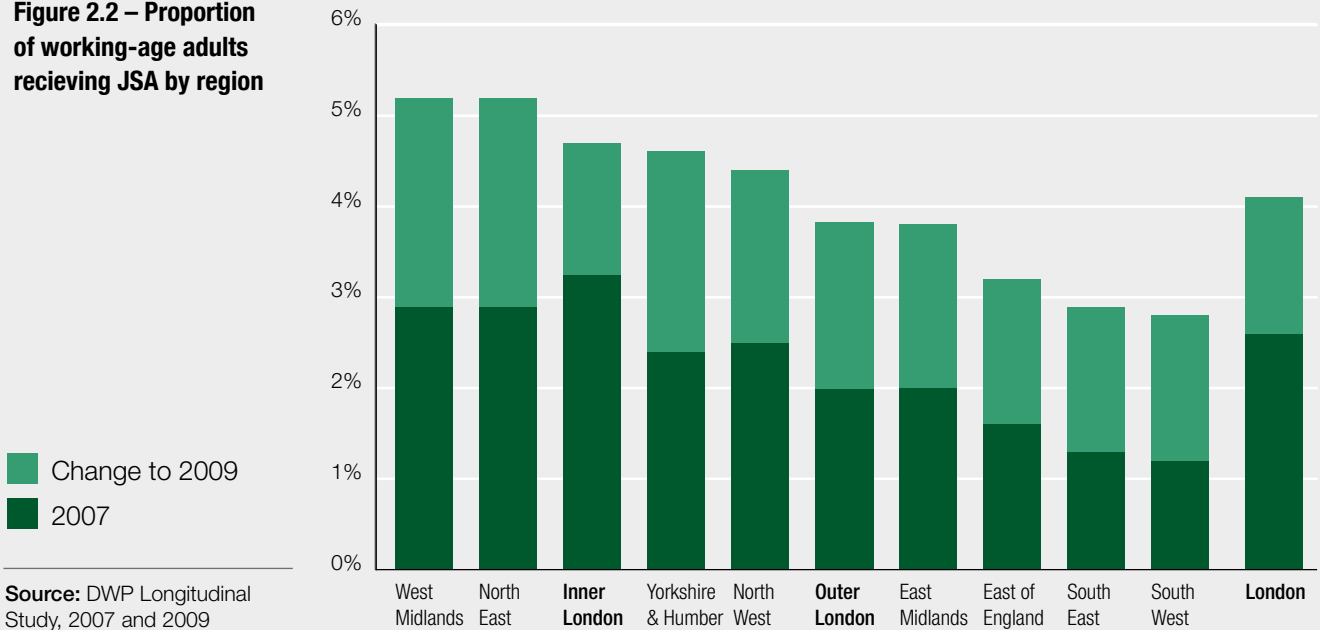
The total figure is up by around 60,000 compared to 2007. Nearly all of this increase has been in JSA, with some small rises in incapacity and carers' benefit numbers.

The number of people claiming JSA has risen by just over 80,000 (around 60%) to 214,000. Some of this increase is as a result of changing rules regarding lone parents. In 2008, lone parents whose children were younger than 12 were moved to JSA. In 2009, this age was further lowered to 10, with a further change to age 7 planned for October 2010. In the graph above, the number of lone parent IS claimants fell by 26,000 between 2007 and 2009. However, this is only one-third of the total increase in JSA.

Job Seeker's Allowance

Given that nearly all of the increase in the number of people receiving out-of-work benefits in the last two years has been among the unemployed, the rest of the chapter concentrates on people receiving Job Seeker's Allowance. Receiving JSA is not the same as being unemployed. The previous chapter showed that 7% of the population of London were unemployed, but only 4% received JSA. It is possible to be unemployed and not qualify for JSA. For people who have worked long enough to make sufficient contributions the automatic entitlement to the contribution based JSA only lasts six months. Thereafter, the benefit is means tested, which results in many people losing the right to the benefit.

Figure 2.2 – Proportion of working-age adults receiving JSA by region



Source: DWP Longitudinal Study, 2007 and 2009

What does this graph show?

The proportion of people receiving JSA in Inner London is, at around 5%, slightly above the national average. In Outer London, at 4%, it is slightly below. The net effect is that London overall is broadly average.

Inner London, while being slightly above average, saw its rate rise quite slowly since 2007. The 1.5 percentage point increase is lower than any English region and means that, while in 2007 it had higher rates of JSA reciprocity than any other region in England, by the end of 2009 it was lower than the West Midlands and the North East.

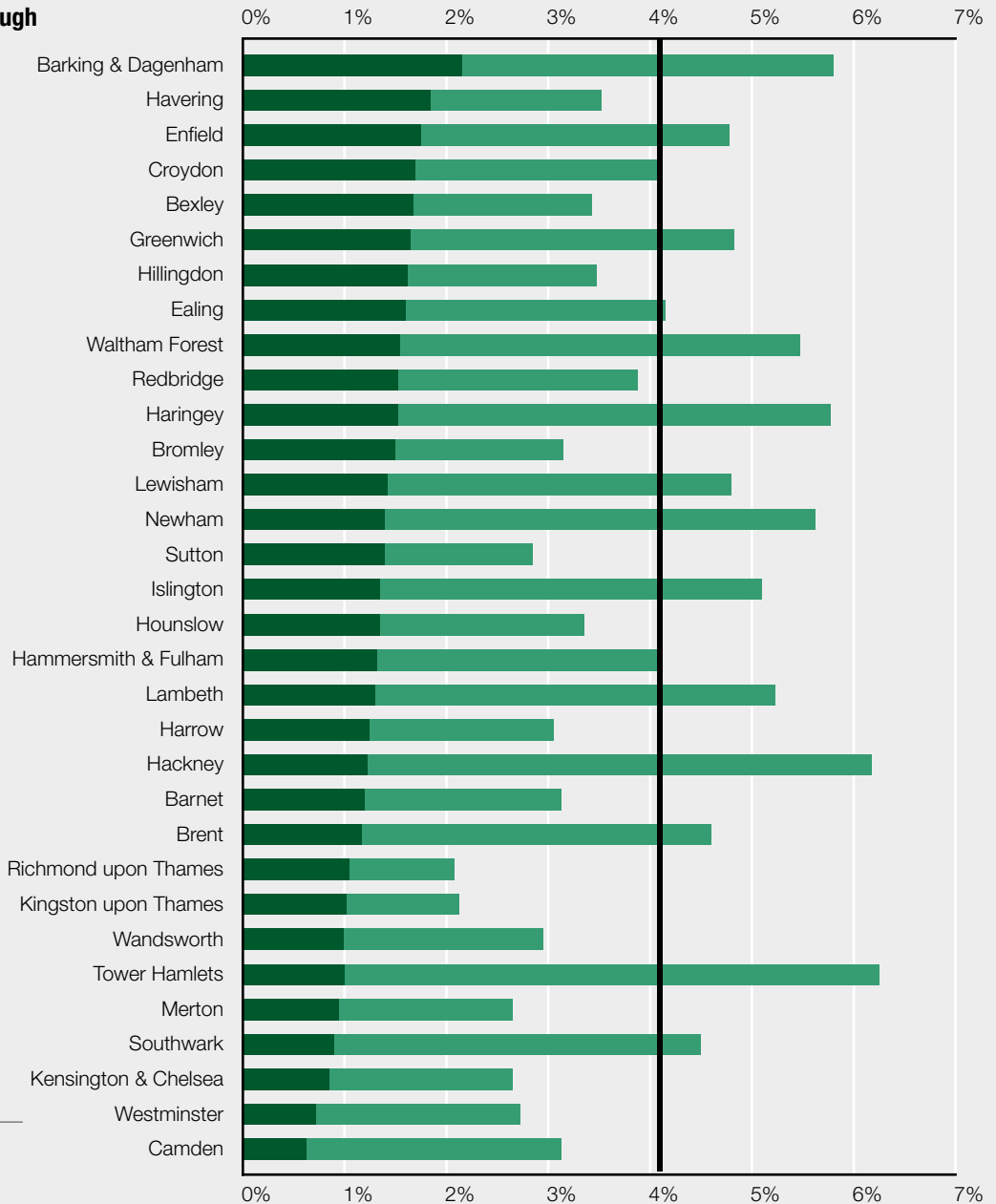
This echoes quite closely the findings from the unemployment section above, that the level of change in London generally (and Inner London specifically) has been lower than elsewhere.

Other points

Over the period covered in the graph, the number of people in London receiving JSA increased for all ethnic groups, by between 65% and 100%. Like the unemployment figures earlier, it is not clear that any one ethnic group fared better or worse than any other.

The number of women claiming JSA has risen at a faster rate than men during the recession (80% for women, 60% for men between 2007 and 2009). The changing rules around lone parent eligibility for Income Support are likely to explain at least some of this differential.

Figure 2.3 – JSA by borough



Source: DWP Longitudinal Study, 2007 and 2009

What does this graph show?

This graph shows the proportion of working-age adults receiving JSA in each London borough, averaged across the four quarters of 2009. It is ranked according to the increase since 2007. The black line, from top to bottom, shows the average level for London. The average is just over 4%, up from around 2.5% in 2007.

Barking & Dagenham has seen the biggest rise in JSA recipiency, increasing by more than 50% in two years. It also has the third highest level overall. Havering and Enfield had the next highest increases. Hackney and Tower Hamlets have the highest levels overall.

What is most striking about his graph is that all of the 10 boroughs with the largest increases are in Outer London. These include all of the boroughs in the Outer East & North East.

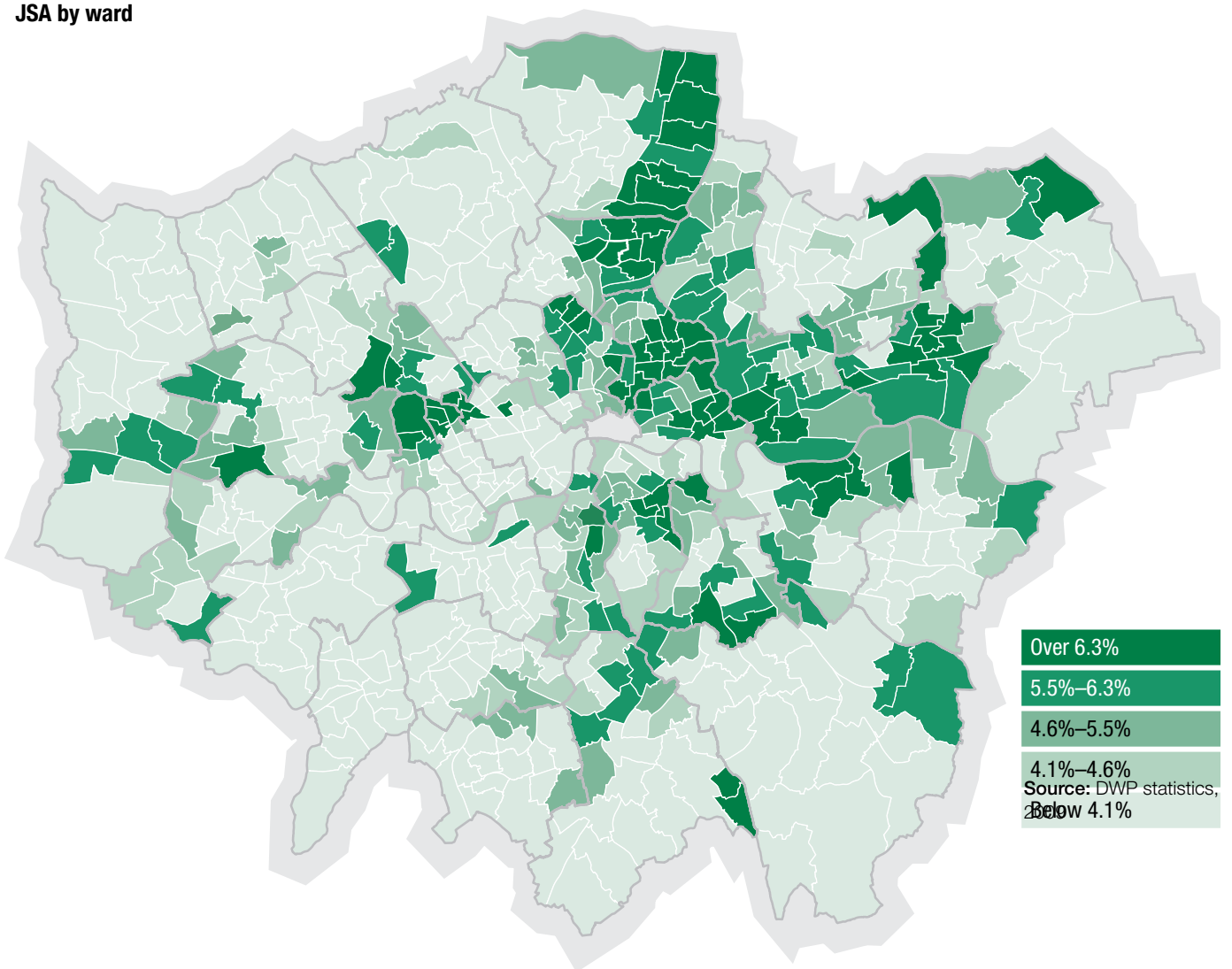
Conversely, the three boroughs with the lowest rates of increase are all in the Inner West of London – Camden, Westminster and Kensington & Chelsea. Not one borough in the Inner West is in the top ten boroughs either for increase or for the overall level of JSA receipt. This emphasises a point made strongly in the previous report, that the image of an entirely deprived Inner London is incorrect. The differences between east and west are stark.

Boroughs at the top of the graph, which also cross the red line, have a high rate of JSA reciprocity that is increasing quickly. Barking & Dagenham, Greenwich, Ealing, and Haringey all fall into this group.

Other points

In 2007, more JSA claimants lived in Inner than Outer London. This is no longer the case. Since then, whereas the number of JSA recipients in Inner London has increased from 65,000 to 100,000, it has almost doubled in Outer London, to around 120,000.

Map 2.4 – The proportion of working-age adults receiving JSA by ward



What does this map show?

The map opposite takes this analysis one layer deeper, looking at the proportion of working-age adults receiving JSA in wards across London. Most boroughs in London have around 20 wards, and those with the darkest colour are those with the highest rates of JSA recipiency. Those which are not coloured at all have a rate of JSA recipiency below the London average.

The overall pattern will be broadly familiar to anyone who has seen maps of deprivation in London before. The darkest areas are clustered in the east of the capital, in both Inner and Outer London. The west is in comparison much lighter. All of Hackney, all of Newham, and all but two wards in Tower Hamlets and one in Barking & Dagenham are coloured in. In contrast, not one single ward in Richmond or Kingston upon Thames, and only three in Sutton, are coloured in.

Other points

Over one-quarter of claimants had never claimed before. But most people making a new claim for JSA ended their last claim less than six months ago. This means that there is considerable “churn” in the system – people leaving benefits to find work, then coming back months later. This pattern is repeated across the country.

We can analyse those claiming JSA by the sector in which they are looking for work. The number of claimants looking for work as managers and professionals doubled between 2007 and 2009 from 25,000 to around 50,000. But this group is a minority.

At the end of 2009, around 90,000 claimants, roughly 40% of the total, were seeking work in sales, services and administrative professions. This number has increased by around two-thirds from 55,000 since the end of 2007. The remainder, those looking for work in manual and skilled trades, rose from around 55,000 to around 85,000 over the same period making up nearly 40% of the total.

This pattern is, though, very different from the rest of the country. In the rest of England, over half of claimants are from manual and skilled trades. In London, they are not even the largest group. Conversely, in London, people working in sales and services make up a larger proportion.

Debt

Key points

- In 2008, levels of unsecured debt in London were similar to those elsewhere in the country. Around 50% of London's households have unsecured loans, and, among these households, the total amounts borrowed are equivalent to an average of 15% of annual income.
- In 2008, a higher proportion of households in London were in arrears with their bills than in any other region in England – 8% of households (230,000 households) are behind with at least one bill, half of them owing more than £500.
- In 2009, repossessions were higher in London than the rest of England for both mortgage holders and tenants. London has the highest rate of landlord repossessions and the second highest rate of mortgage repossessions in the country.
- Within London, Newham, Barking & Dagenham, Greenwich and Lewisham have the highest rates of mortgage repossession. The rate in Newham is four times the national average.
- Brent, Haringey, Enfield and Barking & Dagenham have the highest rates of landlord repossessions (actions against tenants). The rate in Brent is twice the national average.

Context

Debt covers a wide variety of indicators. We consider households struggling to pay bills, household repossessions and people needing debt advice. We also look at overall levels of debt, both secured and unsecured.

One form of debt is unsecured debts. This includes credit or store card balances which are not paid off within the required period, authorised and unauthorised overdrafts and all forms of fixed-term loans (including personal loans, student loans, hire purchase agreements and mail order accounts). It excludes mortgage repayments, as they are secured against the value of the home. It also excludes credit secured from unregulated sources like doorstep lenders or loan sharks.

It is not possible to analyse the trends over time in personal and household debts as the underlying data comes from a newly published survey that did not exist before 2006. What we set out here, then, is a baseline that we can continue to monitor.

Unsecured debt

Around half of households in London have some form of unsecured debt^[6]. Just over half of households in the bottom half of the income distribution have such a debt. These figures are very similar to the rest of England.

Levels of unsecured debt are also very similar in London to the national average, at around £2,800 per household in debt. The figure for households in the bottom half is slightly lower, at £2,200, which is lower than the comparable figure in the rest of England (£2,500).

The most common type of debt is credit card debt, which is held by around 30% of households. 20% of households have an overdraft facility which they currently use, rising to 25% of households on below average incomes. A household can, of course, have more than one type of unsecured debt.

London differs very little from the English average either in the proportion of households which have unsecured debt or the types of debts they have.

^[6] Source: NPI analysis of Wealth and Assets Survey, Office for National Statistics, 2006–2008

Households in arrears

The first graph in this section looks at households in arrears with bills. These bills cover all utilities, council tax and rent, but not mortgage repayments.

Figure 3.1 – Households in arrears with bills by region



Source: ONS Wealth and Assets Survey 2006-2008

What does this graph show?

The proportion of households that are in arrears with their bills is higher in London than in any other English region. In 2008, 8% of households (around 230,000) were in arrears, compared to 7% in the North West, the region with the next highest rate, and 5% in the South East, with the lowest rate.

The proportion of households with arrears below £500 is no different in London than in the North West, Yorkshire or the East Midlands. But the proportion of households in London who are substantially in arrears is, at 4%, higher than any other region.

We saw before that the average unsecured debt in London was no higher than anywhere else in England. But here we see that on a far more pressing measure of debt, one which can result in eviction, or being cut off from an essential utility, Londoners are at higher risk. It is important to consider the fact that London has higher housing costs than elsewhere, possibly contributing to the higher value of arrears.

Other points

In London and elsewhere, workless households are far more likely to have trouble paying bills than working households. Around one in five workless households in London are behind with at least one bill, four times as high as for households where all the adults are in paid work. One in ten workless households are behind with two or more bills.

Given, then, the recent increases in unemployment, it follows that more households are now falling behind with their bills.

Debt advice

Agencies working to alleviate debt-related problems in London have seen an increase in demands for their services over the last two years. Data from Citizens Advice showed that in 2009 CAB advised on approximately 150,000^[7] debt related-problems across London, up by 20% from 2007. This was one of the largest increases for any single advice category over the period. This increase was made possible by an increase in resources available for offering advice to clients, but it seems that debt took up a disproportionate amount of this increase.

It is also interesting to note that anecdotal evidence suggests that the profile of people seeking debt advice also seems to be changing. According to the *Up to our Neck in it* report published by Toynbee Hall, more owner-occupiers and working people are now approaching debt advice agencies as compared to a more conventional client base of social renters and unemployed or inactive people. The changing nature of the clients may be indicative of how the recession has hit the working poor the hardest, more so than those dependent on benefits.

Repossession orders

The next three indicators look at repossession orders. We consider two different types: mortgage repossession claims, against people who own their properties; and landlord repossession claims, against people who lived in rented accommodation.

Mortgage data include all types of lenders whether local authority or private (e.g. banks and building societies). The landlord data include all types of landlord whether social or private sector.

The repossession indicators can measure two actions – the *claims issued* in the courts and the numbers of possession *claims leading to an order made*. Our analysis measures the latter.

Claims issued are claims made in a county court by the claimant to begin action for repossession.

Claims leading to an order are orders issued by the court following a hearing on the claim.

The court order may not always result in repossession as the order can be suspended if a suitable repayment arrangement is agreed. The figures do, however, indicate the serious extent of mortgage debt or rent arrears that a household faces.

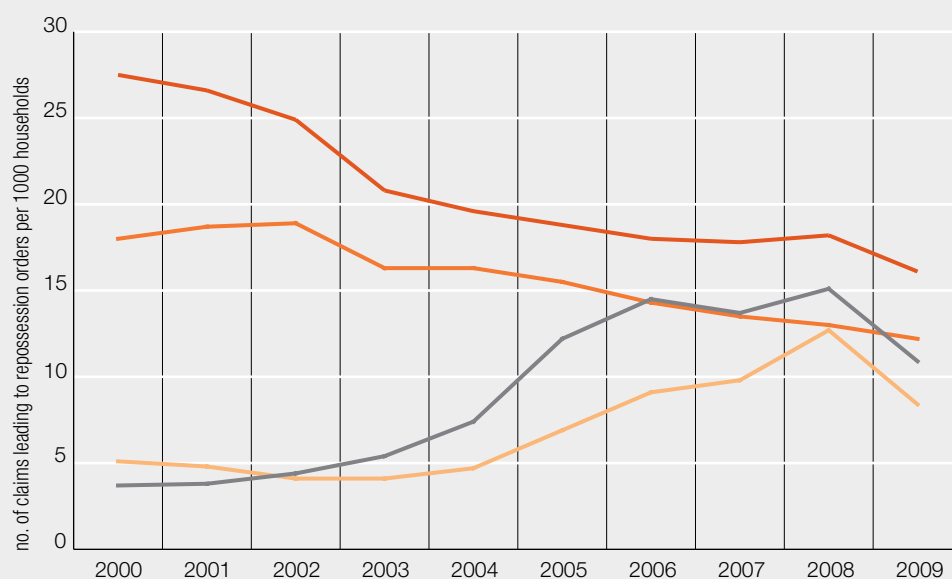
The statistics are presented as a proportion of the relevant types of tenure – mortgage repossessions as a proportion of mortgage holders, landlord repossessions as a proportion of renting households (both private and social). It is important to do this as London has a different mix of tenures to the rest of the country – more renters and fewer mortgage holders. Moreover, this mix varies from borough to borough.

^[7] This statistic refers to the 'advice issues' that represent problems on which a client has received advice, not the number of individual clients advised, as one client may be advised on multiple issues.

Figure 3.2 – Landlord and mortgage repossessions in London and elsewhere over time



Source: Mortgage and Landlord Repossession Statistics, Ministry of Justice, 2000 to 2009



What does this graph show?

The graph shows the number of claims, both by mortgage lenders and landlords, leading to repossession orders per 1,000 households over time.

In 2009, London had a higher rate of court claims leading to mortgage repossession orders, of about 11 orders per 1,000 mortgage-holding households (approximately 10,000 households), as compared to 8 per 1,000 in rest of the country. The time series in the graph shows that mortgage repossessions in London had risen gradually since the start of the decade, not suddenly since the beginning of the recession, and peaked in 2008. This follows the national pattern, although, the rate of increase in London has been steeper than in the rest of England.

Due to the introduction of the Mortgage Pre-Action Protocol (MPAP), 2009 saw a fall in repossession orders, though the extent to which the MPAP has resulted in the issue of claims being delayed rather than abandoned is unclear.

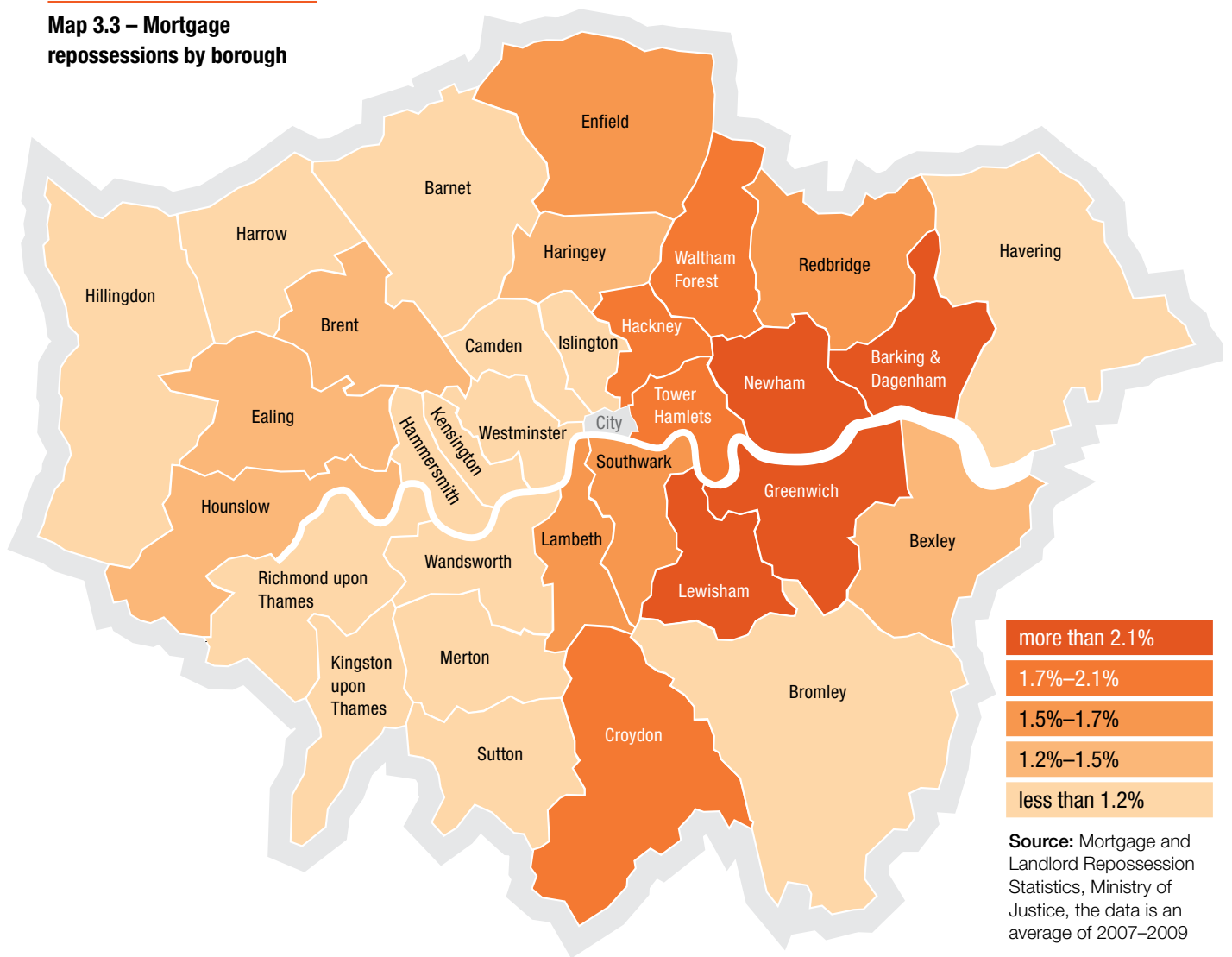
At 16 per 1,000 renting households (around 22,500 households), London also had a higher rate of landlord repossession orders in 2009 than the rest of England, where the comparable rate was about 12 orders per 1,000 renting households. In fact, London had the highest rate in the country and was twice as high as the South West, the region with the lowest rate.

Though London has had a consistently higher rate, landlord repossession orders have been declining since the start of the decade across London as well as other regions in England. The figures have not changed in any obvious way since the start of the recession.

What these two facts show is that housing is the one area where London is obviously, significantly worse off than other parts of the country. The previous Poverty Profile showed that London had high housing costs, even for those on low incomes, the highest rate of homelessness in the country and a hugely disproportionate amount of all households in temporary accommodation.

This indicator links those observations. High housing costs put households at greater risk of repossession and eviction. These high rates then result in homelessness and a reliance on temporary accommodation.

Map 3.3 – Mortgage repossessions by borough



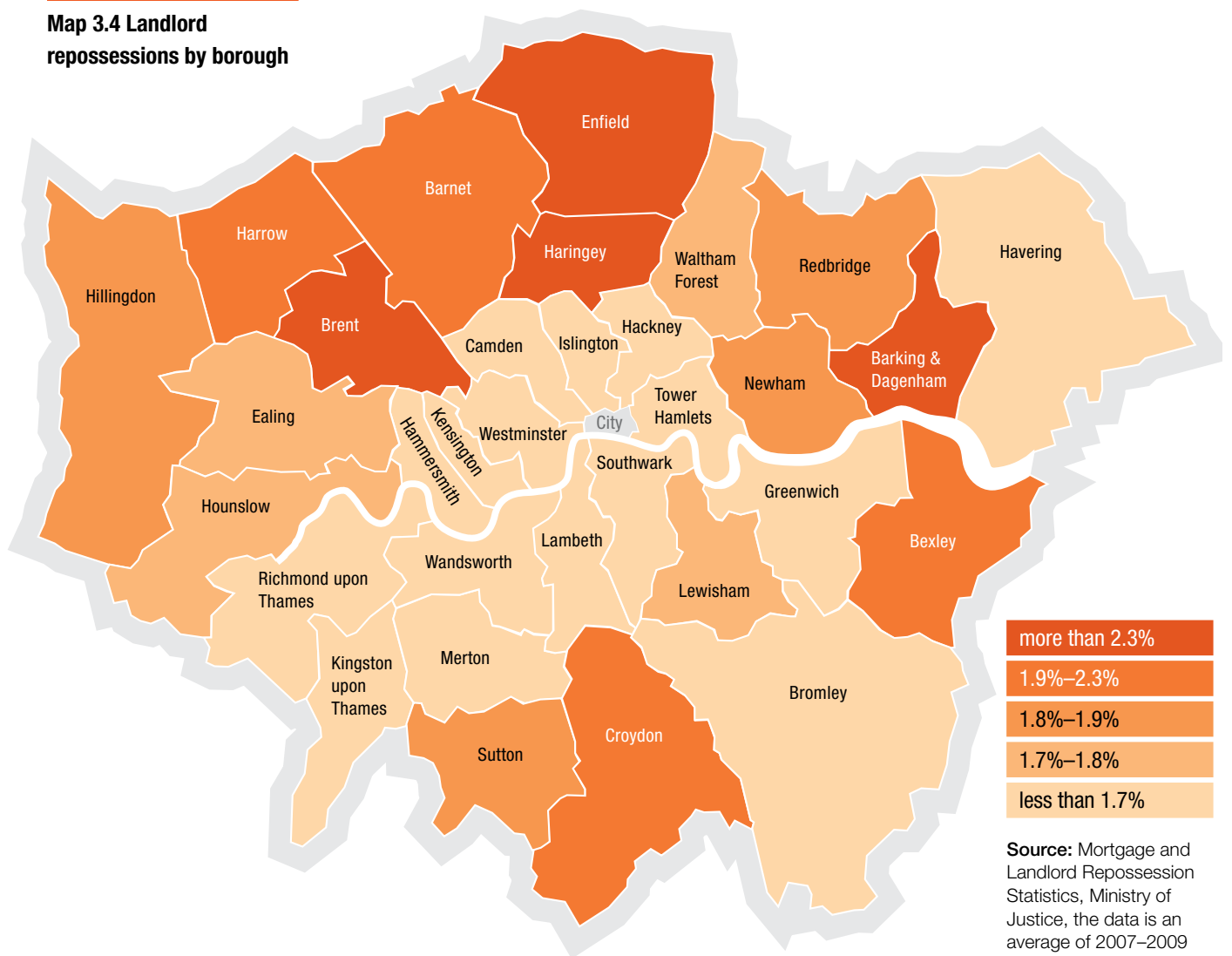
What does this map show?

This map shows the boroughs with the highest rates of mortgage repossessions. This rate is calculated as a proportion of all mortgage holding households in the borough.

Within London, Newham has the highest rate of repossession orders with around 3.5% (around 800) of all households with a mortgage receiving court orders in each of the last three years. This is more than a third higher than the second highest borough, Barking & Dagenham.

Out of the 12 boroughs with the highest rates of repossession orders, all except Croydon are in the Inner East & South or Outer East & NE of London. The seven boroughs with the lowest rates of repossession are clustered together in the Inner West, and Outer West & NW and Outer South.

Map 3.4 Landlord repossessions by borough



What does this map show?

This map shows the boroughs with the highest rates of landlord repossessions. This rate is calculated as a proportion of all households in rented accommodation in the borough.

Compared to the map of mortgage repossessions, this presents a much less familiar pattern. Within London, Brent has the highest proportion of landlord orders, with 3% (around 1,600) of all renting households receiving landlord repossession orders in each of the last three years. Its neighbouring boroughs of Barnet and Harrow also have relatively high rates of landlord repossession orders.

The Inner East & South, with its high rates of worklessness and benefit reciprocity, does not really feature in this map. In fact, nine of the ten boroughs with the highest rates of landlord repossession are in Outer London.

Other points

Though the data does not explicitly state the treatment of buy-to-let properties, there is evidence from Citizens Advice^[8] to show that London has a higher than average proportion of repossession orders to landlords of properties rented out without the

^[8] Advice trends Q3 2009/10 (October to December), available from www.citizensadvice.org.uk/index/publications/advice_trends.htm

lender's permission. This means that tenants are put at a sudden and serious risk of being evicted or becoming homeless.

The recent 'capping' of Housing Benefit at £250 per week for a one bedroom house and £400 for a four bedroom house will have a disproportionate effect on tenants in London, leaving a bigger shortfall for them to make up between the value of their benefit and the cost of their rent.

According to the GLA's figures from January 2010, six boroughs (Tower Hamlets, Hackney, Kensington & Chelsea, Hammersmith and Fulham, Camden and Westminster) have average rents that are higher than the new cap. A further 10 boroughs have some areas where average rents are above the cap. Notably, all but five of the boroughs where rents are below the cap are in East London, and most are in Outer London.

It is likely that these changes will have the short term effect of increasing the number of evictions, but the medium term effect of moving low-income households out of areas where rents are high and into those areas where rents are lower. It is possible that as it becomes unaffordable to live in Camden and Hammersmith, so low-income families would move to, for instance, Barking & Dagenham and Newham, further increasing poverty in East and Outer London, while reducing poverty in the Inner West.

Chapter four:

Low income

Key points

- London still has the highest rates of child, working-age and pensioner poverty of any English region. Using the most recent data, 44% of children in Inner London and 37% of children in Outer London live in low-income households, compared to 30% in the rest of England.
- For all ages, poverty rates are highest in Inner London, though they have declined since the late 1990s. In this period, Inner London has seen larger falls in poverty across all age groups than England as a whole.
- In Outer London, both child and working-age poverty have risen, and pensioner poverty has fallen more slowly than elsewhere.
- In London as a whole, while the number of pensioners and children in poverty has fallen in the last decade, the number of working-age adults in poverty has risen.
- 56% of London's low-income population now live in Outer London and the balance continues to shift towards Outer London. The number of people living in low income in Inner London fell from 990,000 to 910,000 in the last decade.
- Over a similar period, the number of children and working-age adults in low-income, working households has risen by 310,000. During the same period, the number of children and working-age adults in low-income, workless households fell by around 130,000. The result is that over half of children and working-age adults in low-income households live in a working household.
- Most children in low-income, working households live with two parents. Most children in low-income workless households live with a lone parent.

Context

The most recent figures for the number of people in low income in London cover the period 2008/09. The definition of poverty we use in this report is that of a household whose income is below 60% of the contemporary national median once taxes have been paid and housing costs deducted.

Total household income is adjusted for household size and composition. In 2008/09 a couple with no children were considered to be in poverty if their income was less than £206 per week. For a couple with two children under 14, the figure was £288, and for a single adult with two young children it was £201.

This measure is sometimes referred to as 'relative' poverty, but it is our view that poverty is inherently relative. It relates to people who are so lacking in resources that they are unable to attain a minimum standard of living which is normal in their society. Recent research for the Joseph Rowntree Foundation found that, for many household types, the low-income threshold used in this report was lower than what most people would consider to be a minimum standard of living^[9].

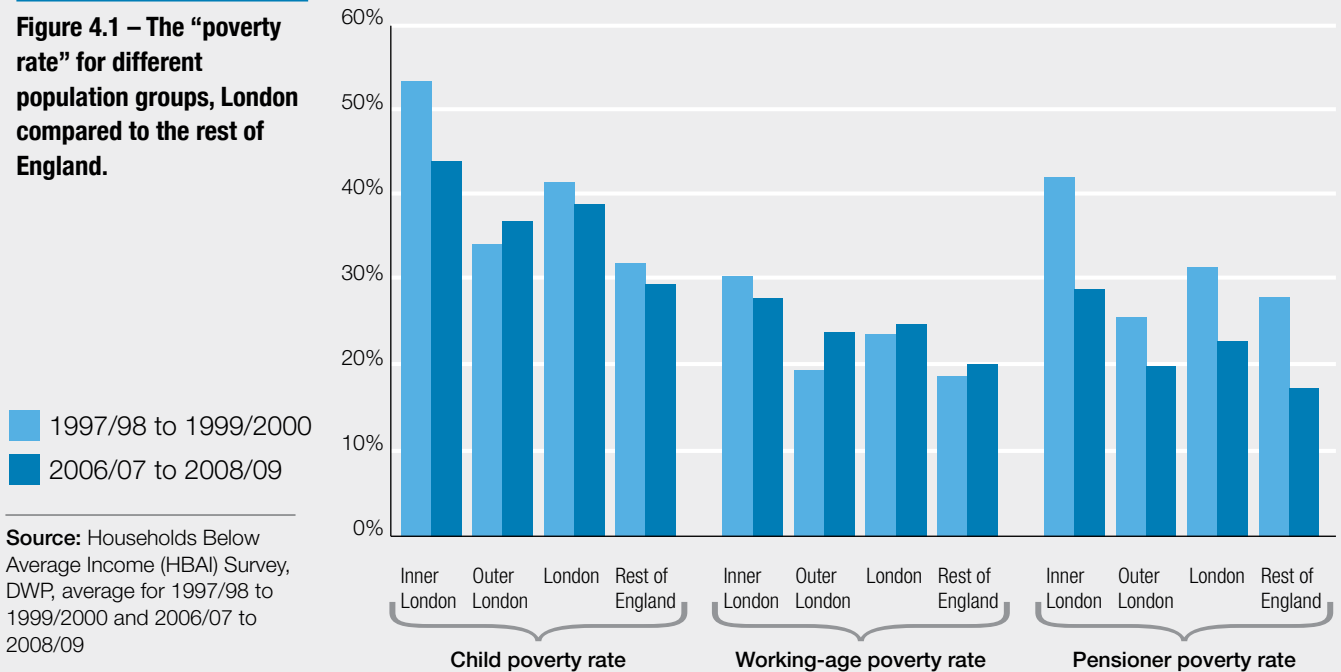
This chapter takes a longer view of the statistics than the chapters on unemployment and benefits. This is because the data is less current – the most recent figures only cover 2008/09. Moreover, because of the relatively small sample size, we have grouped together three years worth of data to get more robust results. So the comparisons we make over time are between the period 1997/98 to 1999/2000 and the period 2006/07 to 2008/09.

^[9] http://www.minimumincomestandard.org/downloads/2010_launch/MIS_report_2010.pdf

Poverty in London

The graph below compares child, working-age and pensioner poverty in Inner and Outer London with the rest of England, and shows how these rates have changed in the last decade.

Figure 4.1 – The “poverty rate” for different population groups, London compared to the rest of England.



Source: Households Below Average Income (HBAI) Survey, DWP, average for 1997/98 to 1999/2000 and 2006/07 to 2008/09

What does this graph show?

For all age groups, the proportion of people in poverty is higher in London, Inner or Outer, than the rest of England. It is highest in Inner London.

The gap is most evident for children. 44% of children in Inner London live in low-income households, compared to around 30% in the rest of England. The proportion of children in poverty in Outer London is lower than Inner London, but at 37% it is still significantly higher than other parts of the country.

For working-age adults, the gap between London and elsewhere is smaller. Again, the rate is highest in Inner London at 28%, but the difference between Inner and Outer London is only four percentage points, and only eight percentage points between Inner London and the rest of England.

29% of pensioners in Inner London are in low-income households, far higher than the rest of England (17%) and higher also than Outer London (20%).

However, the reductions in poverty in Inner London in the last decade have been much larger than those seen elsewhere. From an admittedly high starting point, child poverty is down by around ten percentage points, compared to two percentage points in the rest of England. The rate of working-age poverty fell in Inner London whilst it actually rose elsewhere. Pensioner poverty, whilst again still very high, is down by over ten percentage points in a decade.

Outer London, meanwhile, heads in the wrong direction. Child poverty has risen from 34% to 37%. Working-age poverty is up from 20% to 24%. And while pensioner poverty has fallen, the reduction, from 26% to 20%, is smaller than elsewhere.

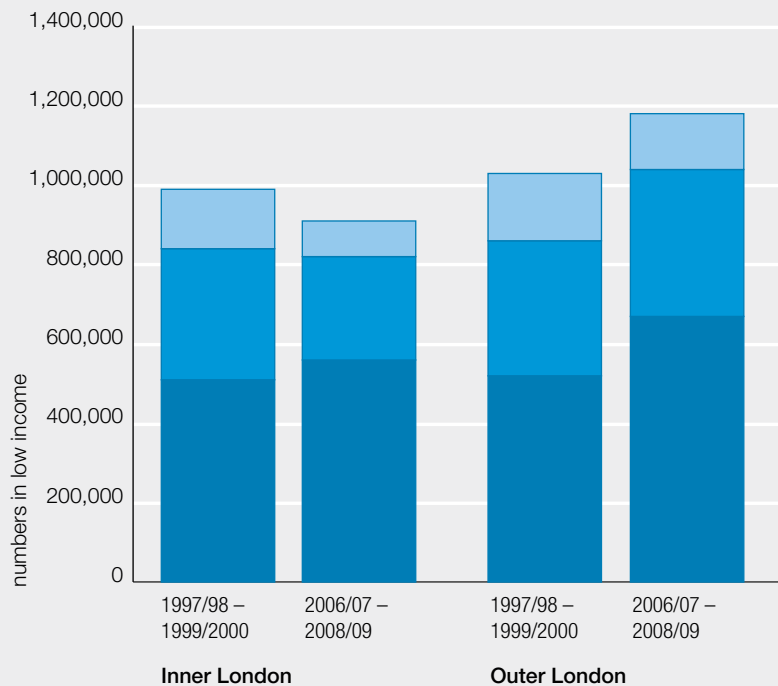
It is worth noting, then, that following the deepest recession in 60 years, child poverty is lower in London than it was a decade earlier. This is in large part due to the significant rises in child tax credits in 2008. Tax credits provide a substantial cushion for many families, topping up low wages and providing additional support to workless families. There are many problems with tax credits but the support they provide is indispensable at times like this – and these numbers show it. Conversely, the deterioration in the position of working-age adults can be linked to the declining relative value of benefits for this age group, which, uprated only with inflation, have fallen ever further behind average earnings.

The next graph looks at how the composition of the low-income population has changed in London over the last ten years.

Figure 4.2 – London's low-income population by age

■ Pensioners
■ Children
■ Working age adults

Source: Households Below Average Income (HBAI) Survey, DWP, average for 1997/98 to 1999/2000 and 2006/07 to 2008/09



What does this graph show?

In the last ten years, London has seen a slight rise in the total number of people in low-income households, from around 2 million to around 2.1 million. The rise is quite small, and must be considered against a rising population, but the composition of the low-income population has changed quite substantially. Most notably, the number of people in Inner London living in low-income households has fallen, whilst the number in Outer London has risen. Outer London now has over half (56%) of London's low-income population, up from 54% since the last Poverty Profile was published. At the end of the 1990s the numbers were more evenly split between Inner and Outer London.

The 260,000 children in poverty in Inner London represent a fall of around 70,000. In Outer London, the number has actually grown by 30,000 to 370,000. So while there are now fewer children in poverty than there were at the turn of the decade, this is entirely due to the fall in Inner London.

There are also fewer pensioners in poverty than there were ten years ago. The number of pensioners in low-income households fell in Inner London from 150,000 to 90,000 and in Outer London from 170,000 to 140,000. So the fall in Inner London was much steeper.

For working-age adults, though, the numbers in poverty have grown in both Inner and Outer London. In Inner London, there are now 560,000 working-age adults in low-income households, up from 510,000 a decade ago. This may seem odd in the light of the falling rate of working-age poverty in Inner London observed above, but Inner London's working-age population has risen substantially over the same period, from approximately 1.7 million to approximately 2 million. This growth in the population has more than counteracted the reduction in poverty rate, meaning the number of working-age adults in poverty actually rose.

In Outer London, the number of working-age adults in low-income households now stands at 670,000, up from 520,000 at the end of the 1990s. This increase is a combination of both a growing population and an increasing poverty risk.

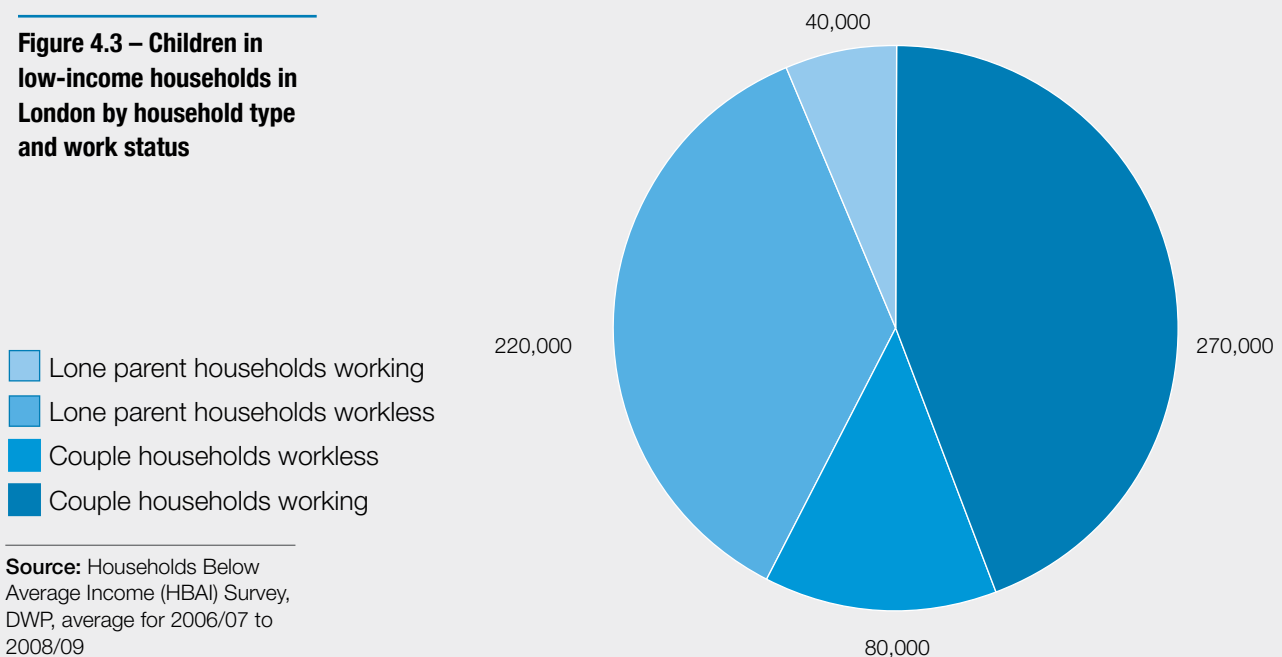
This rise in working-age poverty reflects national trends – whilst child and pensioner poverty have fallen across the UK in the last decade or so, working-age poverty has risen everywhere. Because of this rise, there were more people in poverty in London at the end of the 2000s than there were at the beginning.

There are, though, fewer people living in low-income households in Inner London. This fall, combined with the large rise in working-age poverty and the smaller rise in child poverty in Outer London, means that more people live in low-income households in Outer London than Inner London.

Work and poverty

The final two indicators in this report examine the link between work and low income. We know that unemployment rose substantially in London since the start of the recession, though only part of this rise is captured in the poverty statistics. Unemployment affects individuals, whereas poverty is measured at the household level

Figure 4.3 – Children in low-income households in London by household type and work status



What does this graph show?

Just over half of the children in poverty in London live in couple households. Around half live in working households.

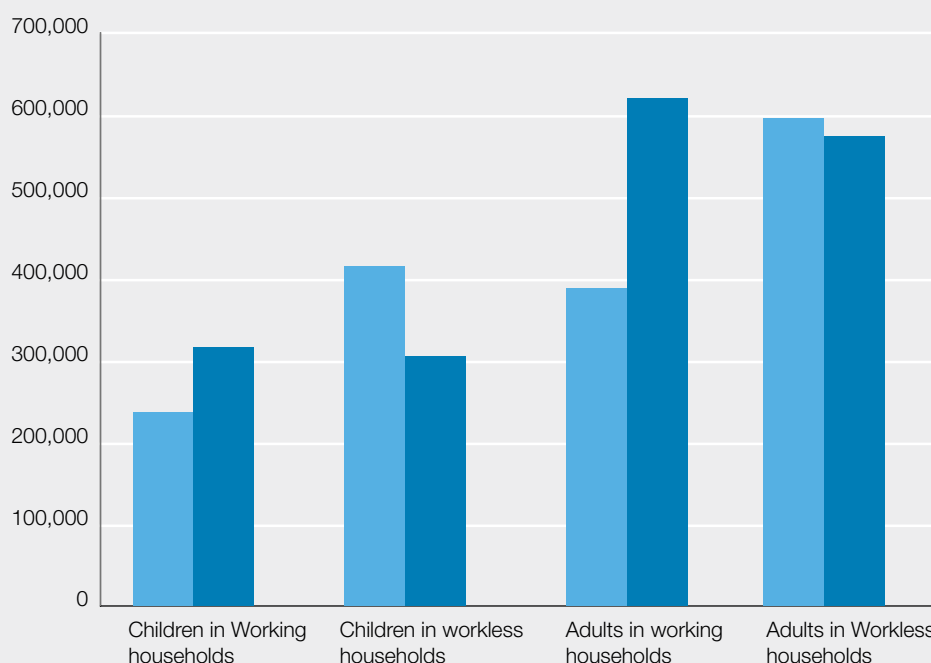
But the vast majority of children in low-income, working households are in couple households. Conversely, three-quarters of children in low-income workless households are in lone parent households. So in-work poverty is much more strongly associated with couple rather than lone parent households. This follows largely from the fact that couple households are more likely to contain a working adult than lone parent households are. The risk of in-work poverty is similar for both types of household.

In-work poverty is not just an issue for child poverty however, and it has increased significantly in the last decade, as the next graph shows.

Figure 4.4 – Children and adults in low-income households by work status, over time

1997–2000
2006–2009

Source: Households Below Average Income (HBAI) Survey, DWP, average for 1997/98 to 1999/2000 and 2006/07 to 2008/09




What does this graph show?

Since the end of the 1990s, the number of children and adults in low-income workless households in London has fallen. There are now around 305,000 children in low-income workless households, down from 415,000. The number of adults in such households has fallen less sharply, from 595,000 to around 575,000.

But the number of children and adults in low-income working households has risen dramatically. There are now around 320,000 children in London in low-income working households, up from 240,000 at the end of the 1990s. But the rise in the number of adults in in-work poverty has been even more dramatic. There are now 620,000 working-age adults in low-income working households, up from 390,000 at the end of the 1990s.

In total, there were 310,000 more children and working-age adults living in London in low-income working households by 2008/09 than there were at the end of the 1990s. For children and working-age adults, just over half of all poverty in London is in-work poverty.

This change reflects national trends – the number of children in low-income working households in the UK is now at a record level. Moreover this number actually increased during the first months of the recession, as people in work moved from full time to part-time work, and households with two earners became single earner households.



How did Londoners fare during the recession? Did poverty increase? How does the capital compare to other regions? Which communities and boroughs are faring better? These questions and others are addressed in this special *London's Poverty Profile* report.

Since its launch last year, *London's Poverty Profile* has established itself as a uniquely independent and comprehensive source of data on poverty and inequality in the capital. Now Trust for London, one of the capital's largest charitable funders, has commissioned independent think-tank New Policy Institute to develop a set of indicators to reveal the impact of the recession in London.

This report concentrates principally on worklessness and low income but also includes a new chapter on debt. As before, the indicators use the latest official government data to compare London's position to that of the rest of England. Then we look inside London, at Inner and Outer London, and where possible, its boroughs and wards.

All the data in this report is available from www.londonspovetryprofile.org.uk. The dedicated website also contains updated figures for the full range of *London's Poverty Profile* indicators (including health and education) as well as news, case studies and testimonies from Londoners living in poverty.

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