



Trust for London
Tackling poverty and inequality

London's Poverty Profile 2015

Hannah Aldridge, Theo Barry Born, Adam Tinson
and Tom MacInnes



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About Trust for London

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Annually it provides over £7 million in grants and at any one point is supporting some 400 voluntary and community organisations.

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Foreword

London often leads the rankings, not just in the UK but also globally. It tops the league tables for the number of world class universities it has, for the breadth and quality of its cultural institutions and for its human capital and cultural diversity. We should rightly be proud of these achievements. However, the capital is also topping the league tables in areas that should alarm us all. The unacceptable level of both inequality and poverty are two of those.

The numbers in poverty illustrate the size of the problem – 2.25 million living on low incomes. That's more people than the entire populations of Manchester, Liverpool, Sheffield and Leeds combined. London is a global powerhouse but many of those benefits are not trickling down. For the Northern cities, which aim to emulate the capital, there are lessons to be learnt.

Neither are these problems of poverty due to the work ethic of Londoners; numbers in work are at record levels. The problem is that too many of those jobs are low-paid and insecure. The number of people living in poverty who are in a working family has increased by 70% over the last decade. Greater numbers are being paid below what they need to live on, despite widespread consensus that a living wage is what workers deserve. Increasing people's incomes is a key part of the solution, particularly in sectors such as retail and hospitality where low pay is endemic.

The new 'national living wage' is welcome but will have limited impact here in the capital. Already the proposed 2020 rate is below the current London Living Wage. The case for a higher London rate is clear and research funded by the Trust provides evidence that the vast majority of employers can afford to pay more, whilst also extending higher pay rates to those aged under 25.

Incomes, including benefits and tax credits, are a part of the solution, but in themselves insufficient; bringing down costs is also key. In every previous *Poverty Profile* we have highlighted the central role housing costs play in explaining London's high rates of poverty. Moreover, it is the private rented sector that has seen the largest growth of low-income households and it now accounts for a higher share of those living in poverty than those renting from social landlords or who own their own home.

But it is not just working-age adults, living alone or sharing with their peers, who make up this growing pool of poverty in the private rented sector. The generation affected is much younger than is often assumed and now nearly a third of these households include children. This number has more than doubled over the last decade. Radical solutions are needed. Living rents, more affordable housing being built, and a fairer distribution of the huge gains in wealth, which have resulted from higher house prices.

None of these problems are inevitable. London can be fairer. With the forthcoming mayoral elections in May 2016, it will be critical for the candidates to address these issues and the record of the new Mayor will be judged on what progress they make, not on the targets they set.

Jeff Hayes

Chair, Trust for London

Chapter one:

Introduction and commentary

Introduction

London's Poverty Profile looks at the extent and depth of poverty in London. It is an independent report that presents evidence from official government data sources. The scope of this report is not limited to low income; it looks at the role of inequality, housing, work and education. Each of these are independently important but are also closely linked to poverty. The analysis looks at a range of indicators for London, how they have changed over time, how this compares with the rest of England and how it varies within the capital itself.

This is the fifth report in the series. It looks at how London has recovered from the recession in terms of unemployment, out-of-work benefit claims and the quality of work available; how poverty and inequality have changed at a time when average incomes have been flat; how London's housing boom is affecting affordability, tenure patterns and housing benefit claims; and how local authorities have been managing their homelessness duty with reduced funds and restrictions due to welfare reform.

Key findings

- 1 27% of Londoners live in poverty after housing costs are taken into account, compared with 20% in the rest of England. The cost of housing is the main factor explaining London's higher poverty rate.
- 2 The majority of people living in poverty are in a working family. As employment has increased so has the number of people in a working family in poverty – from 700,000 to 1.2 million in the last decade, an increase of 70%.
- 3 The total wealth of a household at the bottom (the 10th percentile) is £6,300, nearly 60% less than for the rest of Britain. Towards the top (the 90th percentile) it was £1.1 million, 22% higher than the rest of Britain. London's 90:10 wealth ratio is 173, almost three times the ratio for the rest of Britain (at 60).
- 4 The number of unemployed adults is at its lowest level since 2008, at just over 300,000. The unemployment ratio in Inner London has halved over the past 20 years reaching 5.6%, only slightly higher than Outer London (5.2%) and the rest of England (4.8%).
- 5 Almost 700,000 jobs in London (18%) pay below the London Living Wage. This number has increased for five consecutive years. The largest increase was among men working full-time.
- 6 At 860,000 there are more private renters in poverty than social renters or owners. A decade ago it was the least common tenure among those in poverty. Most children in poverty are in rented housing (more than 530,000), half with a registered social landlord and half with a private landlord. The number of children in poverty in private rented housing has more than doubled in ten years.
- 7 There was a net increase of 7,700 affordable homes a year compared with a target of 13,200 (40% below the target). 60% were available for social rent.
- 8 There were 27,000 landlord possession orders (permitting landlords to immediately evict tenants). This rate is more than double the rest of England. The highest rates were in Outer London.
- 9 48,000 households live in temporary accommodation in London (three times higher than the rest of England put together), 15,600 of which live outside their home borough. Over the last two years an estimated 2,700 families have been placed in accommodation outside London.
- 10 In 2015, 10,500 families were affected by the overall benefit cap including 2,400 losing more than £100 per week. If the cap is lowered as planned, they will lose another £58 a week and a further 20,000 families will be affected.
- 11 Half of 0 to 19-year-olds in London (1.1 million) live in a family that receives tax credits. Planned cuts to in-work tax credits in April 2016 are likely to affect 640,000 children.
- 12 In every London borough pupils receiving free school meals did better on average at GCSE than their peers in the rest of England.

Changes over time

Figure 1.1 summarises how the key indicators in this report compare with five and ten years ago.

Figure 1.1: Trends in London over time

Theme	Indicator	5 year change	10 year change
Low income	Child poverty rate	Better	Flat
	Pensioner poverty rate	Better	Better
	In-work poverty rate	Flat	Worse
Inequality	Income inequality	Better	Flat
	Pay inequality	Flat	Flat
	Wealth inequality	Better	No data
Housing	Mortgage repossessions	Better	Better
	Landlord repossessions	Worse	Worse
	Overcrowding	Worse	Worse
Homelessness	Rough sleeping	Worse	Worse
	Homelessness acceptances	Worse	Better
	Temporary accommodation	Worse	Better
Worklessness	Workless households	Better	Better
	Unemployment ratio	Better	Flat
	Young adult unemployment ratio	Better	Flat
Work Quality	Involuntary part-time workers	Worse	Worse
	Involuntary temporary workers	Worse	Worse
	Low paid jobs	Worse	Worse
Benefits	Out-of-work benefit claimants	Better	Better
	Housing benefit caseload	Flat	Worse
	JSA sanction rate	Worse	Worse
Education	Attainment at age 16	Better	Better
	Free-school-meal attainment at age 16	Better	Better
	Lacking qualifications at age 19	Better	Better

In terms of low income, it is important to note that due to a fall in incomes over recent years the poverty threshold now is lower than it was five years ago but is about the same as ten years ago. These short-term changes should be viewed with caution, but compared with a decade ago pensioner poverty has improved, child poverty is unchanged and poverty among those in a working family has increased.

London remains the most unequal region in the country so the trends over time may seem surprising. Income inequality and wealth inequality are both lower than five years ago. But this compares the most recent data with that just before the recession when income inequality reached a peak. Immediately after the recession the poorest in London took a proportionally smaller hit; but compared with ten years ago, inequality remains unchanged. It is not yet clear how and if inequality will change as the recovery takes hold.

Mortgage possession rates are lower now than at their peak and also lower than ten years ago. But for landlord repossessions and overcrowding the trend has consistently worsened. Statutory homelessness has been rising over the last five years but remains lower than the peak of the mid-2000s, while the number of rough sleepers is at its highest since data has been collected.

Levels of worklessness are better with falls in the unemployment ratio, young adult unemployment and workless households. All of these are back to or better than where they were five years ago. Unemployment in London is at least as good as its pre-recession level, but the quality of that employment has not improved. The proportion of jobs that are low paid and the proportion of employees in involuntarily part-time or temporary work is higher now than before and during the recession.

This is somewhat reflected in trends in benefit receipt. Out-of-work benefit claims are lower than five and ten years ago. But housing benefit claims by workless and working households needing help with rent payments have not fallen. While there are fewer jobseekers than there were five years ago, the proportion that lost some of their benefit income due to a sanction has increased.

In education the picture is a positive one. The 2013 edition of this report noted that both London pupils receiving and not receiving free school meals were out-performing their peers in the rest of England. This report shows that the improvements in London have continued.

Differences across London's boroughs

Figure 1.2 looks at how London's boroughs compare with one another across a series of indicators. A borough is shaded in dark red for a particular indicator if it is among the worst performing four boroughs, orange if it's in the next four boroughs, light orange if it's in the next eight boroughs and pale yellow for the sixteen best performing boroughs; the darker the colour the deeper the problem.

Looking first at the Inner West, on the summary measure [15], none of the boroughs are in the bottom half for London. But it performs badly on four indicators in particular including housing affordability [6] and out-of-borough homelessness placements [4]. The two are clearly linked – the high housing costs in the Inner West make it harder for local authorities to find somewhere they can place homeless households within housing benefit limits. It also performs poorly on the two inequality indicators [1 and 2] which we have seen in previous editions of this report.

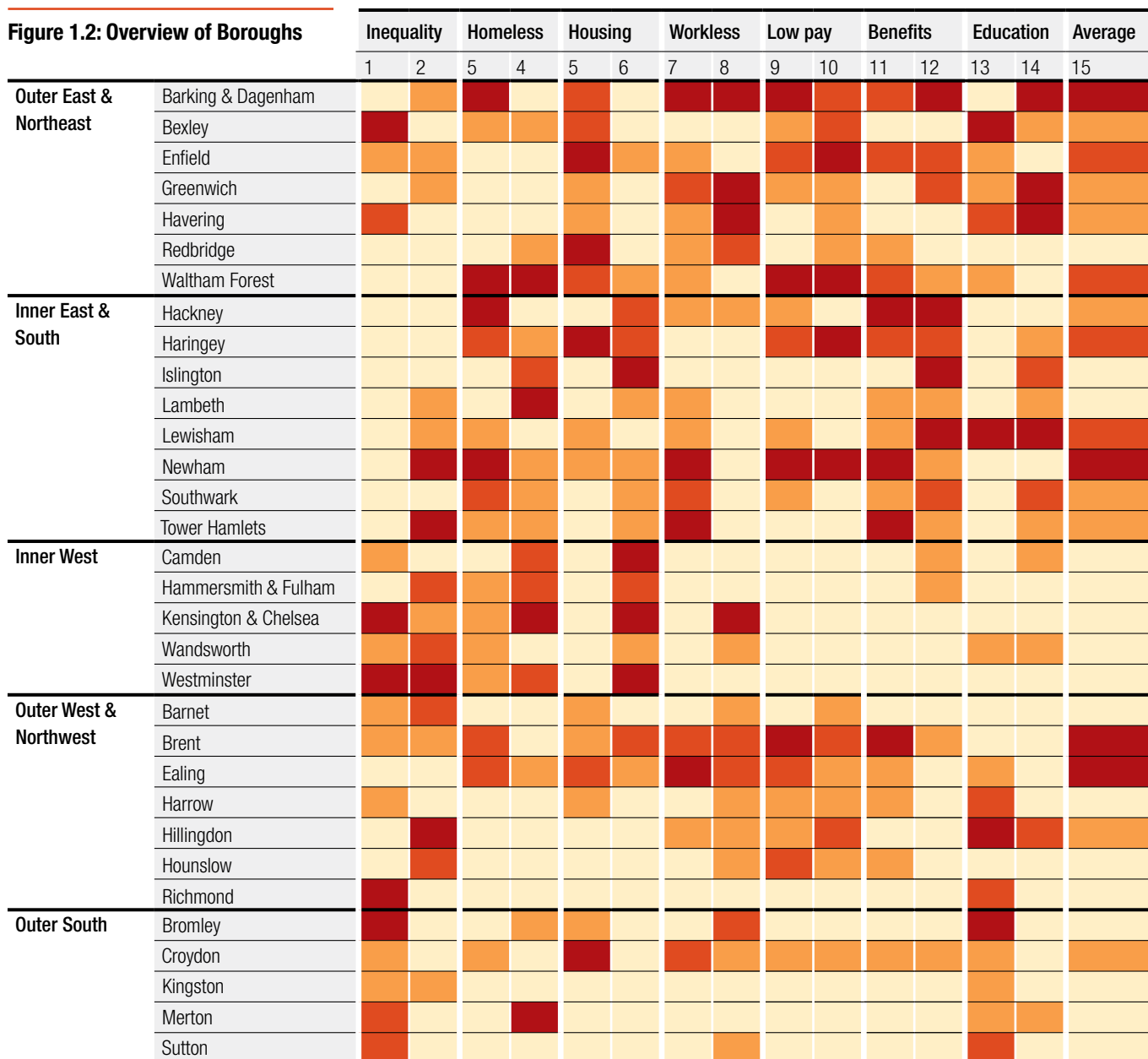
The Outer South also performs poorly in terms of inequality with a high proportion of benefit claimants concentrated in only a few areas [1]. Compared with the rest of London, GCSE attainment of free-school meal pupils [13] is also poor in the Outer South. On most other indicators the Outer South is above the London average; Croydon is the only borough in the sub-region that is below the London average overall [15].

Figure 1.2 shows that the Inner East & South performs poorly across a range of indicators with six out of the eight boroughs in the bottom half for London overall [15]. In previous reports this sub-region clearly stood out as being the worst performing, but it no longer does, which is an improvement. Levels of benefit receipt [11 and 12] remain relatively high across the sub-region as does the unemployment ratio [7] but it has also seen some of the biggest improvements on this indicator [8].

The three worst performing boroughs within the Inner East & South (Newham, Haringey and Lewisham) are the furthest from the centre of London and share much of their borders with the Outer East & Northeast sub-region which also performs relatively badly. Here only Redbridge is not in the bottom half for London overall [15]. The sub-region contains some of the highest rates of low pay [9], benefit receipt [11 and 12] and landlord repossessions [5]. As for unemployment, the overall levels are quite high [7] but, unlike the Inner East & South, they have experienced some of the slowest improvements in unemployment [8] and biggest increases in low pay [10].

Lastly we turn to the Outer West & Northwest. This sub-region has always been in the middle of the rankings with a mixed performance across the indicators. But now the sub-region contains two of the worst performing four boroughs in London: Ealing and Brent. These two boroughs in particular stand out for the high levels of low pay [9 and 10] and unemployment [7]. Except for Richmond all boroughs in this region are also in the bottom half in terms of changes in unemployment [8] and low pay [10] suggesting that it is falling behind the rest of London.

Figure 1.2: Overview of Boroughs



Key

- Worst 4 boroughs
- Next 4 boroughs
- Next 8 boroughs
- Remaining 16 boroughs

Indicator	Description
1 Benefit polarisation	Proportion of claimants in the highest 25% claiming areas
2 Pay inequality	20:80 hourly pay ratio
3 Homeless acceptances	Homelessness acceptances per 1,000 households in borough
4 Temp accommodation	Proportion of temporary accommodation placements outside of borough
5 Landlord repossessions	Landlord repossessions per 1,000 rented households
6 Housing affordability	Ratio of lower quartile full-time pay to lower quartile rent for 2-bedroom property
7 Unemployment ratio	Proportion of working-age population unemployed
8 Unemployment change	Change in unemployment ratio (over 3 years)
9 Low pay	Proportion of employees living in area paid below London Living Wage
10 Low pay change	Change in low pay (over 3 years)
11 Tax credits	Proportion of children in families receiving tax credits
12 Out-of-work benefits	Proportion of working-age population receiving out-of-work benefits
13 GCSE attainment	Proportion of children on free-school-meals not achieving target standard at age 16
14 Qualifications at 19	Proportion of 19 year olds lacking level 3 qualifications
15 Average across all indicators	

Commentary

This series of reports began in 2009; the first *Poverty Profile* was released during a deep recession. Since then, they have reported on periods of poor economic growth, stagnant or falling employment and falling incomes. This is the first report in the series to break that pattern. Since the last report in 2013 all of these have been moving in the right direction: the economy is growing, employment is at an all-time high and wages and income are rising once again.

These positive developments impact on the indicators collected in this report. The proportion of working-age households where no one is working is below 10% for the first time in at least 20 years. The number of unemployed men is back to pre-crash levels, although the number of unemployed women is still slightly above its 2008 level. And whereas Inner London's unemployment rate was one and a half times that of the rest of England pre-crash, it is now almost the same.

Looking at the poverty measure, there has been a slight fall – the most recent statistics show 27% of people in London lived in low-income households compared with 28% three years earlier. The rate of pensioner poverty is lower now than a decade ago, as is the child poverty rate in Inner London, although the fall in the former is greater than in the latter.

The proportion of people claiming out-of-work benefits has fallen sharply, from 12% in 2009 to 9% at the start of 2015. There has been a fall in every single borough, and some remarkable shifts – Tower Hamlets and Newham were among the boroughs with the highest levels of claimants in the first report, and now sit at 9th and 12th respectively.

So this tells us one story about London in 2015 – the booming capital city, growing rapidly (its population grew by half a million in four years) and creating jobs. This is helping shift some of the indicators in the right direction. But other indicators give a different slant on this story. For example, the fall in the number of housing benefit claims is much smaller than the fall in out-of-work benefits; the number of out-of-work benefit claimants has fallen by 120,000 in two years ago, while the number of housing benefit claimants has fallen by 28,000.

The difference is that housing benefit is paid to people in work on low incomes as well as those out of work, and, indeed, the number of in-work claimants is rising while the number out of work falls. This suggests that what is happening is that more people are in work, but not work that pays well enough for them to afford their high London housing costs.

As employment in London has increased so has the number of people in poverty in a working family, from 700,000 to 1.2 million in the last decade. The risk for a working family of being in poverty has also risen from 15% to 21%; this is higher and has increased by more than the rest of England average.

Low pay is part of this picture. As costs rise, so does the number of jobs paid below the Living Wage, up to 690,000 in 2014 – an increase of around 13% in one year. These now account for 18% of all jobs, rising to 43% of part-time jobs.

It is high housing costs that act as the real block to reducing poverty in London, and it is rent, particularly private rent, which is the issue – more people in poverty in London live in the private rented sector than the social rented sector. At 860,000 people, this number has doubled in a decade.

Rises in poverty in working families and the private rented sector have been happening across the country, but are more marked in London. But this report highlights problems, again mainly linked to housing, which, if not unique to London, are on a different scale to the rest of the country.

In early 2015 there were 48,000 homeless families in London living in temporary accommodation, which is three times more than the rest of England. 15,600 lived outside their original borough and over the last two years around 2,700 homeless families have been housed outside London.

There are 10,500 families affected by the benefit cap, almost always due to the high amounts of housing benefit they need. This is almost as many as the rest of England. 2,400 families in London are losing more than £100 a week.

London's housing crisis plays out very differently in different parts of the capital. While affordability is much worse in Inner London, especially in the inner west boroughs, evictions are higher in Outer London boroughs such as Enfield, Redbridge and Croydon. The variation in temporary accommodation placements between the boroughs is huge – the number in Newham is five times higher than Havering.

In our first report in 2009 we noted that the pattern of poverty in London had shifted in the previous decade, moving away from the inner core towards the outer suburbs. This has continued in the years since, and changes as a result of welfare reform feed into it. Boroughs such as Brent and Ealing feature more prominently in this report than they did in 2008, due to high levels of worklessness and problems of low-paid work. But places such as Hackney, Newham and Tower Hamlets are still frequently found at the wrong end of the rankings for indicators on benefit receipt and worklessness.

In the lead up to the mayoral elections in 2016 it is important to understand these changes. There is a shift from Inner to Outer London, and boroughs such as Enfield, Brent and Ealing are facing much greater pressures than they did a decade ago. But poverty remains in the inner boroughs as well. Any view of London that sees the issue of poverty in the inner boroughs as either solved through rising employment or exported through welfare reforms is likely to misdiagnose the problem.

Chapter two:

Population and geography

Key points

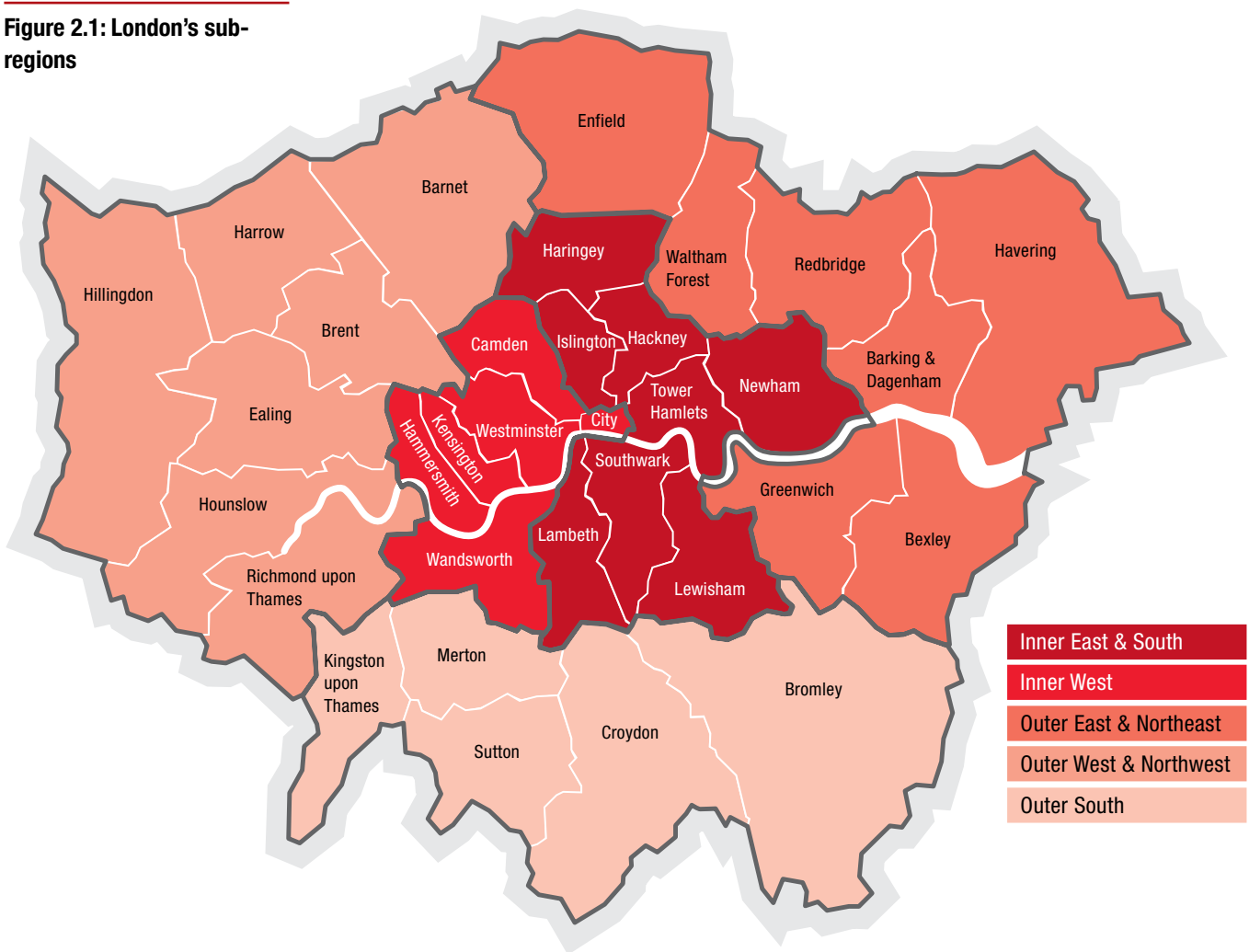
- In 2015, the population of London is 8.7 million, higher than its peak in the 1930s – 3.4 million live in Inner London and 5.2 million in Outer London. By 2021 the figures are expected to increase to 3.7 million for Inner London and 5.6 million for Outer London.
- London has a higher proportion of people aged 25 to 34 than the rest of England, particularly Inner London. It also has a higher proportion of children aged 0 to 4 and a lower proportion of people aged 50 or over.
- Inner London has a higher proportion of single person (28%) and multi-family households (18%) than the rest of England. The proportion in Outer London lies between Inner London and the rest of England.
- The population of the Inner East & South grew by 21% over the last decade, faster than any other London sub-region. Population growth was slowest in the Inner West at 7%, similar to the rest of England.
- Population density in Inner London is more than 10,000 people per square km, compared with 4,000 in Outer London and 400 on average in the rest of England.
- The Inner East & South and Outer West & Northwest have the highest proportion of black and minority ethnic (BME, which does not include white minority groups) population at 48% and 46% respectively. The Inner West has the highest proportion of the population not born in the UK at 44%.
- The proportion of the population from a BME group has increased most in Outer London. In the 10 years to 2011 it rose by 16 percentage points in the Outer East & Northeast, by 11 percentage points in the other Outer London sub-regions and by 8 percentage points in the Inner London sub-regions.
- The number of people born in India, Pakistan and Poland rose substantially between 2004 and 2014, while the number from Bangladesh and Ireland fell.
- In recent years net migration in London has been relatively stable. More people move to London from abroad than the other way round, but more leave London for the rest of the UK than the other way around.

Introduction

This chapter maps out demographic trends across London, including shifts due to migration. It puts our analysis in the rest of the report into context and helps to understand the findings. Throughout this report we break down the data to a range of geographies (primarily wards, boroughs, Inner/Outer London) including five London sub-regions shown in Figure 2.1.

London's population is neither fixed nor always visible in its entirety. In writing this report we are aware that we are not always able to capture all groups, due to their absence from much of the administrative and survey data used. This includes undocumented migrants, the hidden homeless, and workers in the informal economy. We refer to this throughout the report wherever relevant and problematic.

Figure 2.1: London's sub-regions



London's population

In 2015 (using GLA projections) the population of London is around 8.7 million. The 13 Inner London boroughs have a population of 3.4 million and the 20 Outer London boroughs a population of 5.2 million. By 2021 London's population is expected to grow to 9.3 million (3.7 million in Inner London and 5.6 million in Outer London).

Figure 2.2: London's population over time

London
Inner London
Outer London

Source: Historical Census data & 2014 round population projections (short-term trends), GLA

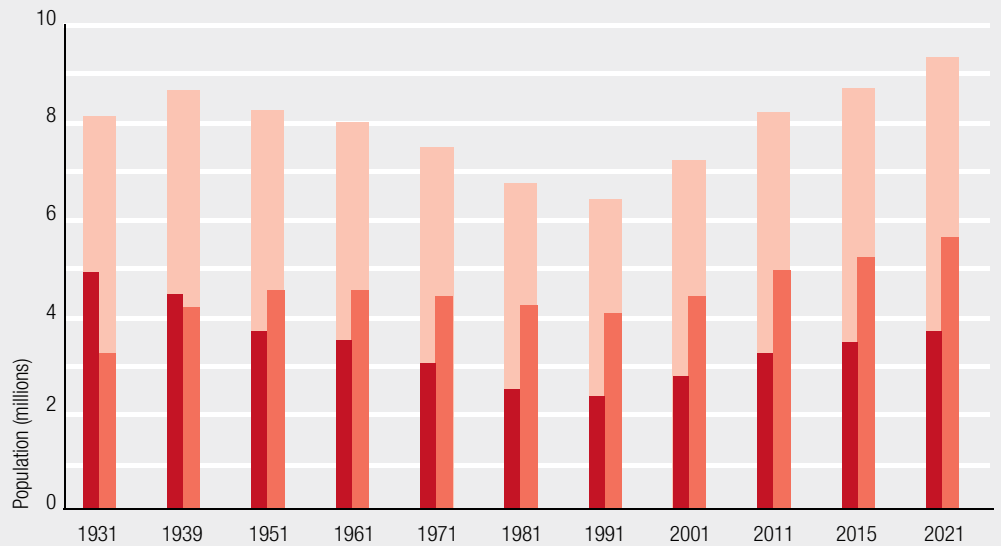


Figure 2.2 shows that the 1960s and 1970s were periods of rapid decline, with London's population falling by 1.4 million to below 7 million. In the 1990s and 2000s it rapidly increased by 1.3 million to reach 8.2 million in 2011. It is now estimated that London's population is higher than its peak in the 1930s and will continue to rise, although this is due to Outer London's population being larger than it has ever been as Inner London's is still lower than its pre-war peak.

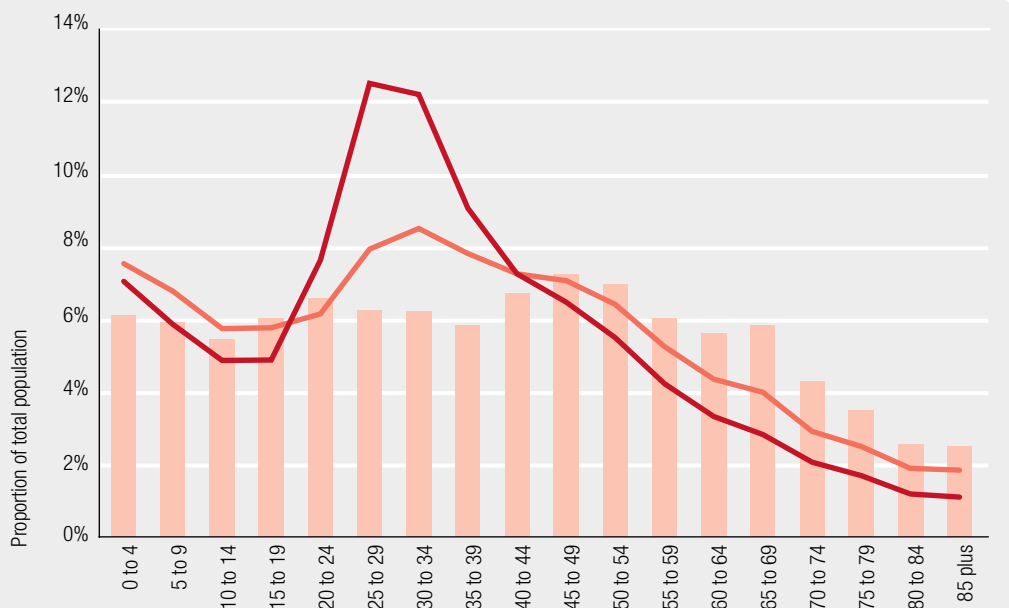
London is divided into 32 boroughs which vary significantly in size. According to the 2014 mid-year population statistics Kensington & Chelsea was the smallest borough with a population of 156,000 and Croydon was the largest with over 375,000. While London is one city-region in its entirety, it's worth noting that 10 boroughs have populations over 300,000 – about the same as the cities of Newcastle or Nottingham.

One of the distinct aspects of London's population, particularly Inner London, is its age profile. In 2014 25% of people living in Inner London and 16% in Outer London were aged 25 to 34 compared with 13% in the rest of England. Although it is common for cities to have a high proportion of younger adults, the largest group in many other English cities is 20 to 24-year-olds. But Figure 2.3 shows the biggest age group in Inner London is 25 to 29-year-olds and in Outer London it is 30 to 34-year-olds.

Figure 2.3: Age profile of London's population

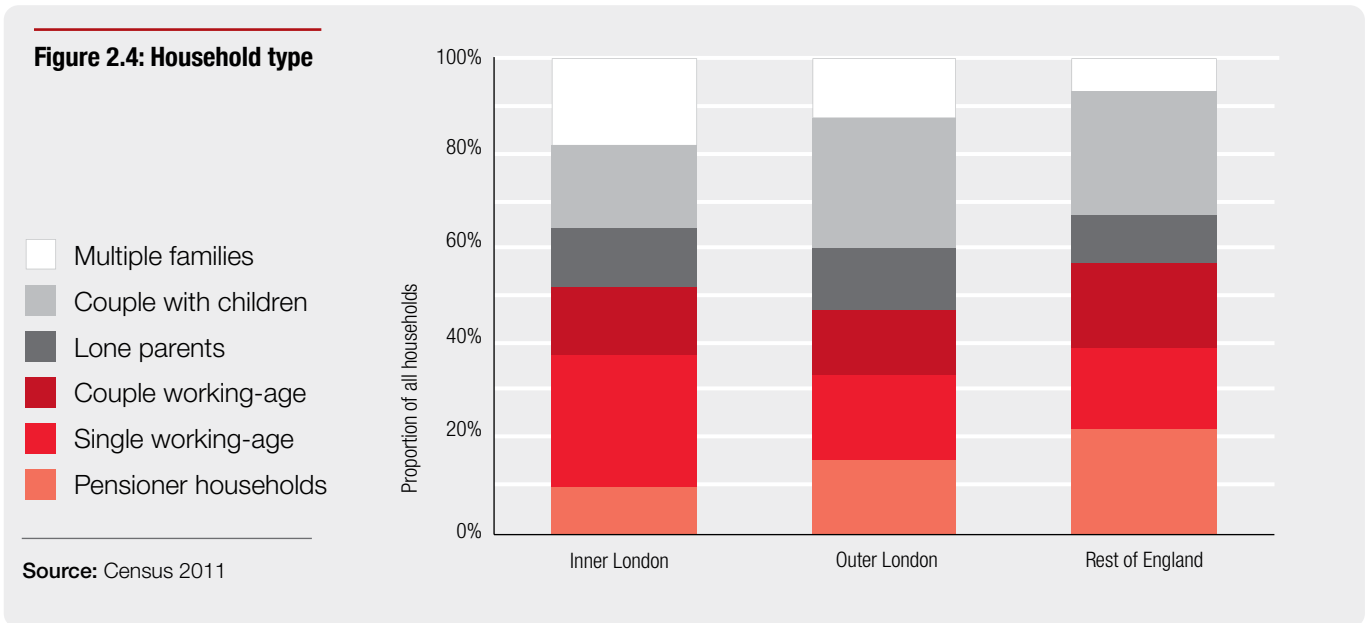
Outer London
Inner London
Rest of England

Source: Mid-year population estimates, 2014; ONS 2014



Correspondingly, there is also a prevalence of young adults starting families and a high proportion of children aged 0 to 4 in London. Outer London, whose figures for people aged 15 and over is between those of Inner London and the rest of England, has a higher proportion of children aged under 14. London also has proportionally fewer people aged over 50, particularly in Inner London.

The GLA estimates that there are 3.4 million households living in London in 2015 (with 1.4 million in Inner London and 2 million in Outer London). Figure 2.4 uses Census data from 2011 to show how the types of households living in London differ to those in the rest of England. It shows that the proportion of households only containing people aged 65 and over is much lower in Inner London (at 10%) and Outer London (16%) than the rest of England (22%). This is not surprising given the population age profile in Figure 2.3.



The most striking thing about Inner London is the high proportion of single working-age adult households at 28% and the high proportion of multi-family households (where not all household members belong to the same family) at 18%. This is made up of those containing children (4%), those only containing full-time students (1%) and the largest group which is 'Other' households (13%) which include working-age adult sharers. The proportion of multi-family households in Outer London was 13%; while smaller than Inner London it is almost double the proportion of 7% for the rest of England.

Outer London has a higher proportion of households containing children than Inner London and the rest of England. 27% were couples with children (1 percentage point higher than the rest of England and 10 percentage points higher than Inner London). 13% were lone parents (the same proportion as in Inner London). As a result Outer London also contains a high proportion of large households – a quarter of households in Outer London contain more than four people, compared with 20% in Inner London and 19% in the rest of England.

The population of Inner East & South London increased by 21% in the decade to 2014, more than any other sub-region (see Figure 2.5). The Inner West saw the slowest growth at 7% similar to the rest of England. Population density of Inner London at over 10,000 people per square kilometre is more than double that of Outer London at around 4,000. At either end of the spectrum, Bromley and Havering have just over 2,000 people per square km compared to almost 15,000 in Islington.

Figure 2.5: The population of London's sub-regions

	Total population (millions)	Population increase in last decade	People per square km	%BME*	% not UK-born
Inner East & South	2.3	21%	10,800	48%	41%
Inner West	1.1	7%	10,400	32%	44%
Outer East & Northeast	1.8	15%	4,300	37%	29%
Outer South	1.3	10%	3,600	30%	25%
Outer West & Northwest	2.0	15%	4,400	46%	42%
London	8.5	15%	5,400	40%	37%
Rest of England	45.8	7%	400	10%	10%

*BME (Black and minority ethnic) refers to all non-white ethnic groups.

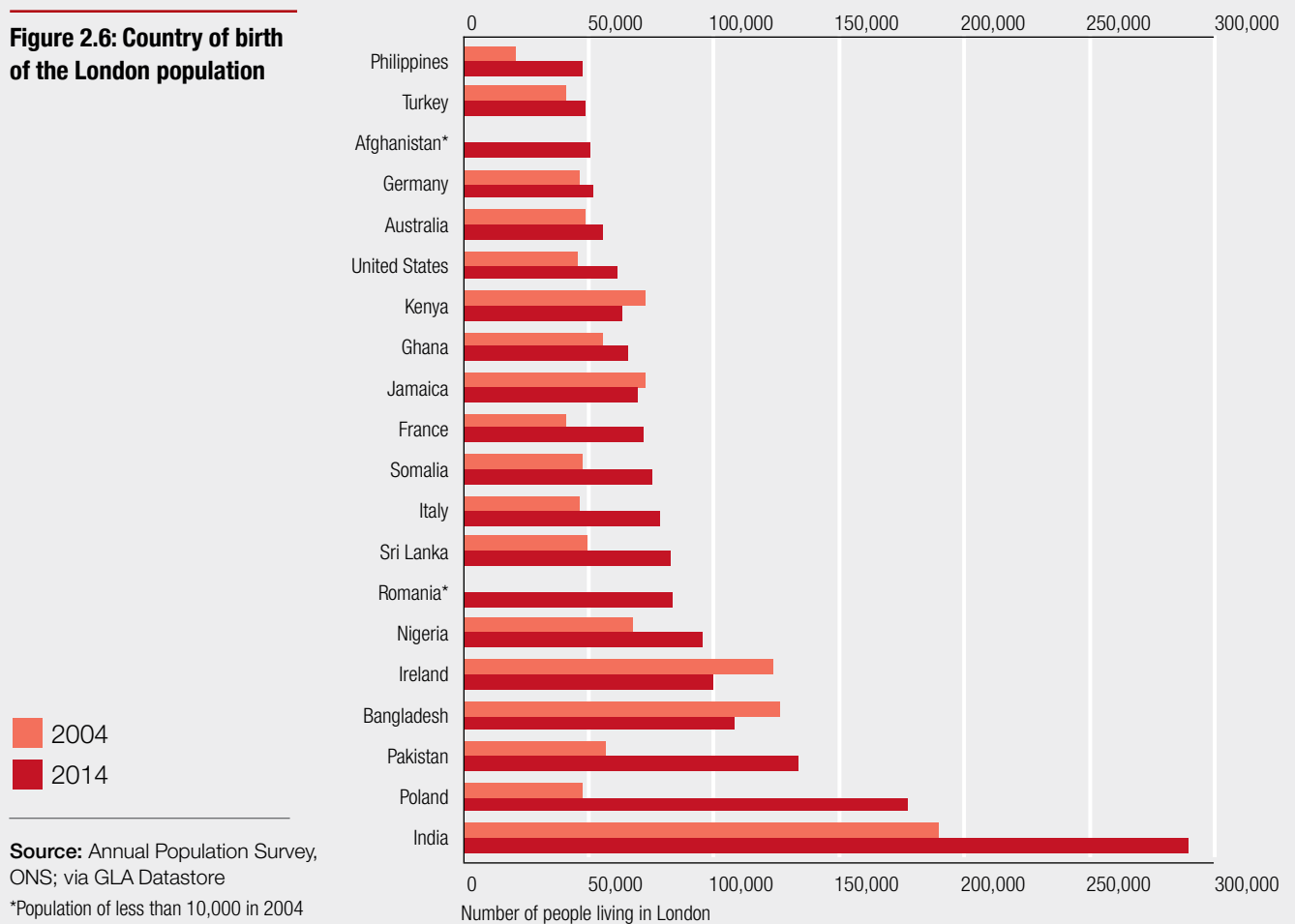
Source: ONS mid-year population estimates for 2004 and 2014, ONS; ethnic minority and non-UK-born from Census 2011.

The Census showed the Inner East & South and Outer West & Northwest have the highest proportion of people from BME backgrounds – 48% and 46% respectively. But the proportion of people not born in the UK is highest in the Inner West at 44%, higher than the proportion of people from BME groups at 32%. Outer London has seen the biggest change in the relative size of these groups. In the 10 years to 2011, the proportion of the population from BME groups in the Outer East & Northeast rose by 16 percentage points; it rose by 11 percentage points in the other Outer sub-regions and by 8 percentage points in the Inner London sub-regions.

Domestic and international migration

An estimated 3.1 million people in London were born outside the UK. Figure 2.6 shows the most common countries of birth of people living in London.

Figure 2.6: Country of birth of the London population



Source: Annual Population Survey, ONS; via GLA Datastore

*Population of less than 10,000 in 2004

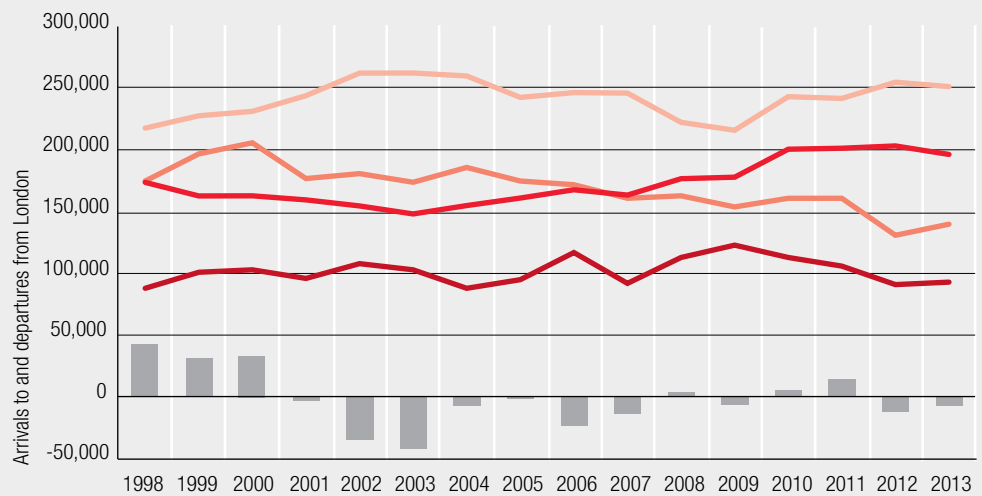
After the UK, India was the most common country of birth among people living in London. In 2014 an estimated 290,000 people in London were born in India, up from 190,000 in 2004. People born in Poland and Pakistan were the next largest groups, both having at least doubled in size over the last decade. The next largest groups are those born in Bangladesh and Ireland, both of which have fallen slightly in size since 2004. The number born in Kenya and Jamaica have also decreased.

The number of people born in Romania and Afghanistan is not recorded for 2004 as in each case it was less than 10,000. In contrast, the number from Romania has increased to 84,000 in 2014 and the number from Afghanistan to 51,000.

Figure 2.7 shows how the number of people migrating in and out of London both domestically and internationally changed over time. Since 1998, more people have moved from London to other parts of the UK than the other way round, and more people are moving to London from abroad than the other way round.

Figure 2.7: People moving to and from London

- Domestic emigration
- International immigration
- Domestic immigration
- International emigration
- Difference (Net migration)



Source: International Migration and Internal Migration estimates, ONS

The number of people leaving London for other parts of the UK was 250,000 a year for 2012 and 2013. This represents a slight rise over the past few years. The number coming from other parts of the UK was around 200,000 for those years, also a rise since the lowest number of 150,000 in 2003. Since 2007, there have been more people coming to London from other parts of the UK than from the rest of the world.

The number of people coming from abroad has fallen since 2000 from its peak at above 200,000 to 140,000 now. The number leaving the UK for abroad has fallen slightly, from its peak of 120,000 in 2009 to 90,000 now. In general then, migration within the UK is increasing while international migration has been decreasing.

Net migration was at a peak in the late 1990s, saw a trough in the early 2000s, and is now relatively stable, with a slight change from positive to negative net migration (more in than out) between 2011 and 2012. This demonstrates that the main driver of London's population growth in the last decade has been the number of births being higher than the number of deaths, rather than the number of people moving in being higher than those moving out.

Chapter three:

Low income

Key points

- In the three years to 2013/14, 15% of people in London were in poverty before housing costs (BHC) were taken into account, similar to the rest of England. Using the after housing costs (AHC) measure, 27% of people in London were in poverty, 7 percentage points higher than the rest of England. Given London's high housing costs the AHC measure better reflects disposable income.
- Inner London has a higher poverty rate than Outer London which in turn was higher than the rest of England. The child poverty rate in Inner London is 46% (slightly lower than a decade ago); in Outer London it is 33% (slightly higher than a decade ago).
- The poverty rate for working-age adults in London has risen slightly over the last ten years to 26%. But the pensioner poverty rate has seen a significant fall; at 18% pensioners have a lower poverty rate than working-age adults and children.
- In the three years to 2013/14, 2.25 million people were in poverty in London, only slightly higher than a decade earlier. Within this, the number of pensioners fell from 250,000 to 180,000, the number in workless families fell from 900,000 to around 800,000 while the number in working families rose from around 700,000 to over 1.2 million (an increase of 70%).
- A fifth (21%) of people in working families in London are in poverty, higher than the rest of England and London a decade ago (both 15%). As both the number of people in working families and the in-work poverty rate have increased, most (60%) non-pensioners in poverty in London live in a working family.
- At 860,000 there are more private renters in poverty than social renters or owners; a decade ago it was the least common tenure among those in poverty. Most children in poverty are in rented housing (over 530,000), half with a registered social landlord and half with a private landlord. The number in the private rented sector has more than doubled in ten years.
- 55% of children in poverty in London are materially deprived (that is, they lack multiple basic items due to cost) compared with 44% in the rest of England. But 20% of people in poverty in London are behind with a bill which compares favourably to the rest of England.

Introduction

Poverty is about lacking the resources to participate fully in society. In a market society such as the UK, that ability depends heavily on one's income. So in this report we use low income to measure poverty. The following chapters look at a range of issues such as housing, work, benefits and education but specifically how they relate to low income.

Income is measured at the household level after tax (council tax, income tax and national insurance) and adjusted to reflect the household size. The official definition of poverty, used across the EU, is having a household income that is less than 60% of the national median. Figure 3.1 shows the poverty thresholds for different family types in 2013/14 (the most recent year of data). It shows the thresholds for income measured before and after housing costs and how they compare with the Minimum Income Standard for London (which is the income that people need in order to reach a minimum socially acceptable standard of living in the London, based on what members of the public think).

Figure 3.1: The poverty thresholds and Minimum Income Standard (MIS), £ per week

Notes: to directly compare MIS with the poverty line the childcare costs and council tax have been deducted from the before housing costs total, for the after housing costs total rent and water charges have also been deducted.

Source: Households Below Average Income, DWP; and A Minimum Income Standard for London, CRSP, Loughborough University. The data is for 2013/14.

	Before housing costs			After housing costs		
	Poverty line (UK)	MIS Inner London	MIS Outer London	Poverty line (UK)	MIS Inner London	MIS Outer London
Single, working-age	£182	£396	£362	£134	£200	£213
Couple, working-age	£272	£609	£561	£232	£345	£372
Single, pensioner	£182	£316	£295	£134	£194	£173
Couple, pensioner	£272	£433	£389	£232	£295	£251
Lone parent, one child (aged 1)	£236	£404	£413	£180	£267	£276
Couple with two children (aged 3 and 7)	£381	£628	£644	£325	£477	£493

As the poverty threshold is 60% of the median income it is also a measure of inequality, but one that looks at the gap between the poorest and the middle, not the poorest and the richest. It identifies those with an income considerably below what a typical household has.

But measuring poverty relative to the median each year is not a perfect measure. It means that the poverty threshold moves in line with the median income, which has fallen in recent years. In a year when the median income falls, a reduction in the number of people in poverty may not mean that the poorest are better off than they were before. It merely means they are closer to the average than previously.

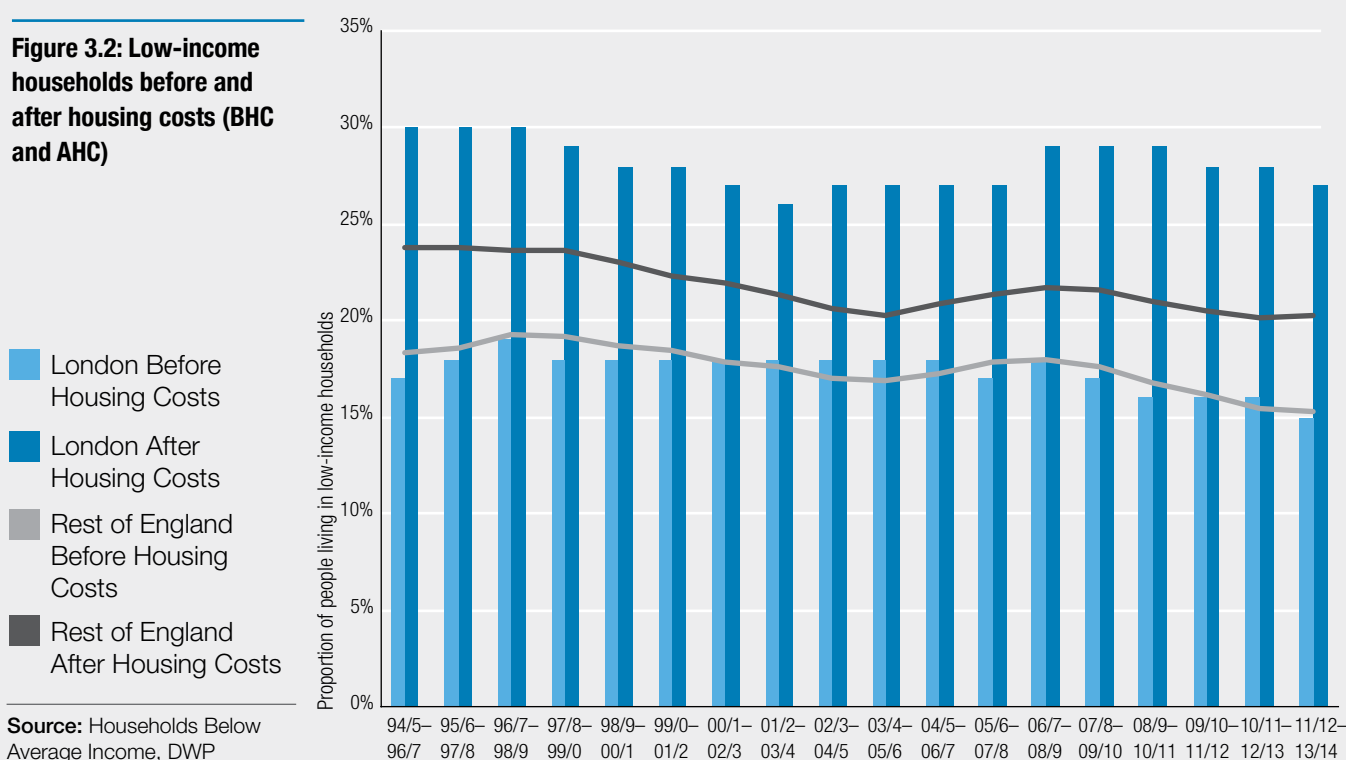
Therefore, when we look at how poverty has changed, it is important to consider both whether low-income people are becoming materially better off and whether they are getting closer to the average. In this chapter we tend to look at a ten-year period: from 2002/03 to 2013/14. Over this period household incomes rose to 2009/10, then fell to 2011/12 and have been flat since. This has meant that the median income (and therefore the poverty threshold) in 2013/14 is much the same as it was in 2003/04 (adjusting for price inflation). So if the poverty rate in 2013/14 were lower than in 2003/04 it would mean that low income people were both better off and also closer to the average.

Poverty in London

Figure 3.2 shows how poverty has changed in London compared with the rest of England over time. It also shows how this differs when low income is measured before and after housing costs. In the three years to 2013/14, poverty before housing costs (BHC) was 15%, while poverty after housing costs (AHC) was 27%. Both of these figures are one percentage point lower than the previous year. In comparison with the rest of England, London is about average in terms of the BHC measure but remains 7 percentage points higher on the AHC measure. As London has considerably higher housing costs, the BHC measure is a misleading reflection of actual disposable income. We therefore use the AHC measure throughout this report as it offers a more accurate picture of how poverty varies across the capital and compared with the rest of England.

The gap between BHC and AHC poverty is considerable across England, but even more so in London. The BHC measure includes housing benefit as income and does not deduct rent. In London, where housing costs are higher, housing benefit can make up a significant part of a household's income despite it going directly to the landlord, so a household in London receiving a large amount of housing benefit for their rent will appear to be better off than a similar household outside London with lower rent costs. The BHC measure also means that a household will appear to be better off if their rent increases, thus increasing the amount of housing benefit they receive, when their disposable income remains unchanged. Moreover, an increase in rent for those not receiving housing benefit means a decrease in their disposable income, which is also not captured by the BHC measure.

Figure 3.2: Low-income households before and after housing costs (BHC and AHC)



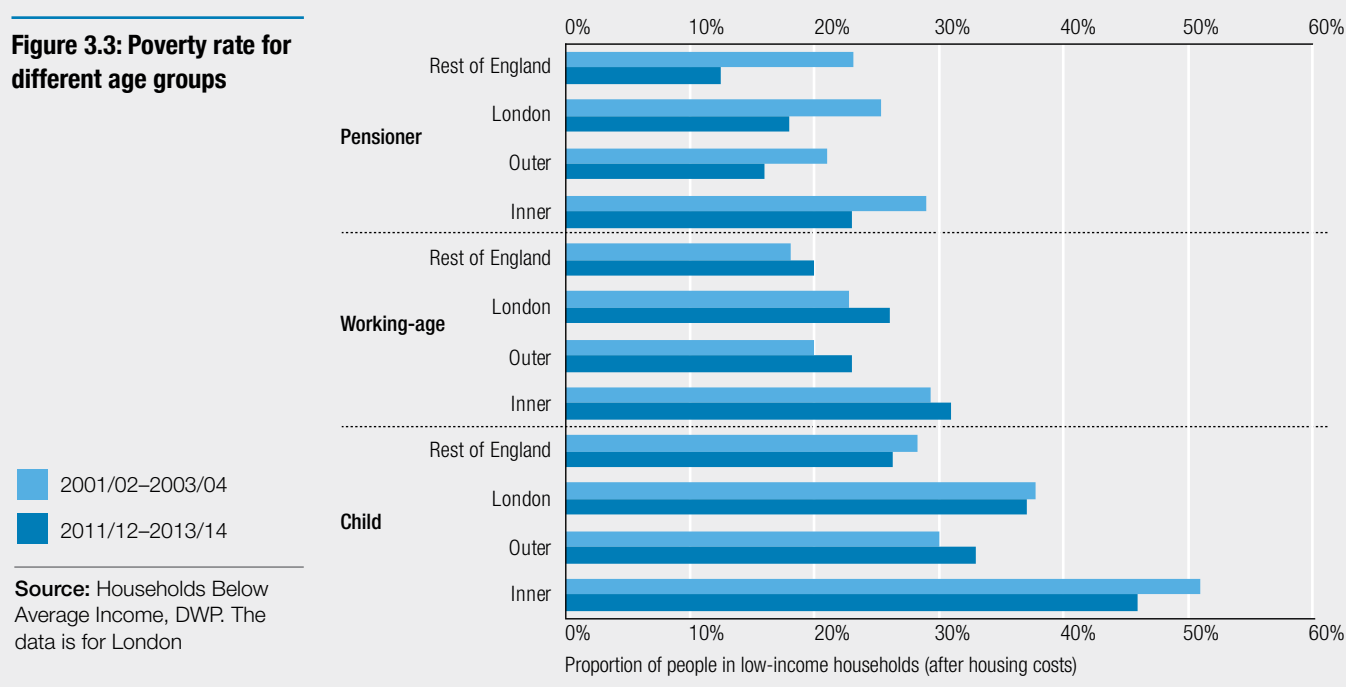
Source: Households Below Average Income, DWP

Given that median income has remained relatively flat in both the BHC and AHC measures over the past three years, the slight fall in relative poverty on both measures suggests incomes at the bottom have risen slightly. Overall though, BHC and AHC poverty do not seem to have changed significantly in London or the rest of England since the mid-1990s. There was a slight dip in the early 2000s, then a rise in the late 2000s, followed by a levelling off again now. But Figure 3.3 shows that the story is more complex when we look at different groups.

Figure 3.3 this shows the proportion of people in three groups – children, working-age adults and pensioners – in poverty in the three years to 2013/14 and ten years earlier. It compares the poverty rates for Inner and Outer London with the rest of England.

In the latest year of data for each group Inner London had a higher poverty rate than Outer London which in turn was higher than the rest of England. Children in Inner London had the highest poverty rate at 46%, 13 percentage points higher than in Outer London and 20 percentage points higher than in the rest of England. But these gaps are smaller than they were a decade ago, as the child poverty rate has fallen in Inner London over the last 10 years, while in Outer London it slightly increased and in the rest of England it slightly decreased.

Figure 3.3: Poverty rate for different age groups



Source: Households Below Average Income, DWP. The data is for London

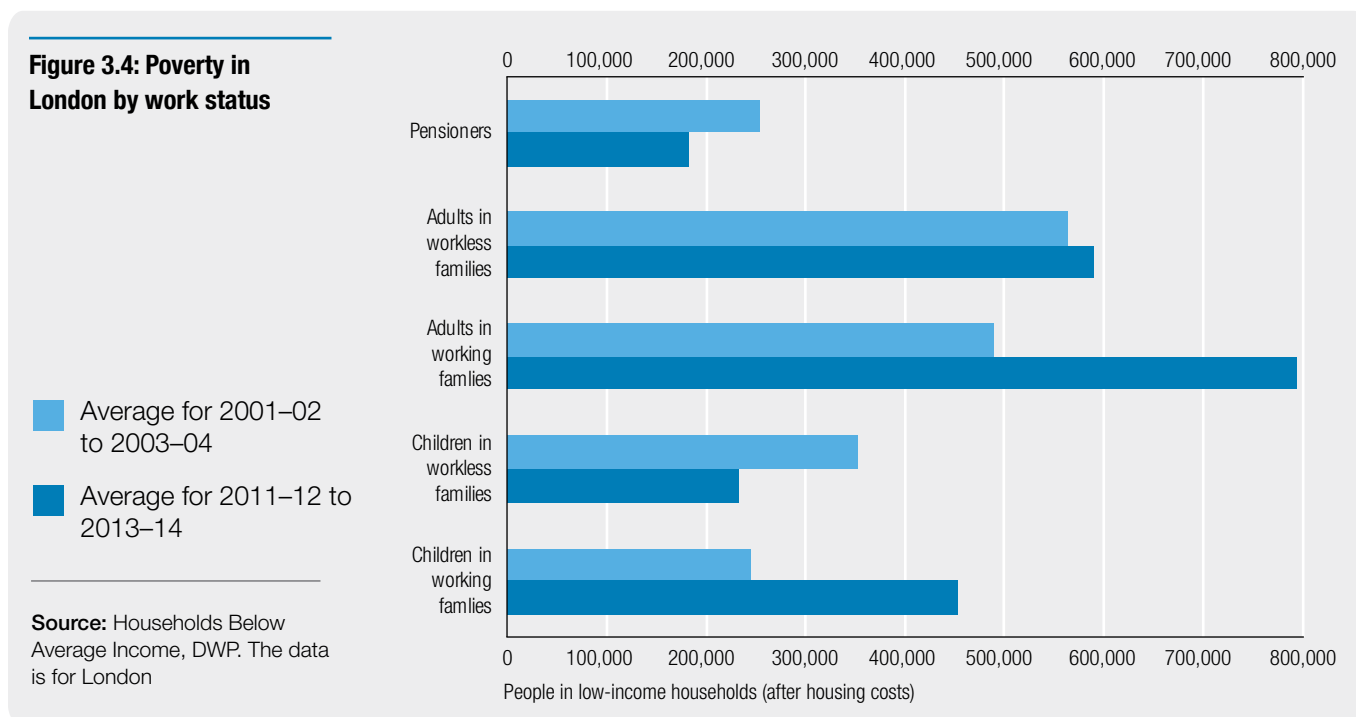
The pensioner poverty rate has seen the most significant fall over the last ten years, both in London and the rest of England, dropping by 6 percentage points in Inner London, 5 percentage points in Outer London and 11 percentage points in the rest of England. At 18% pensioners in London have a lower poverty rate than working-age adults and children.

But for working-age adults the poverty rate has risen. In the last decade the proportion in poverty grew 3 percentage points in London to 26% and 2 percentage points in the rest of England to 20%. In any case, even though the overall poverty rate for London has stayed quite flat over the last ten years, this masks underlying changes in the groups in poverty.

In the three years to 2013/14, 2.25 million people were in poverty in London, slightly higher than the 1.9 million in poverty a decade previously. This is largely in line with the increase in London's population. More than half of people in poverty in London live in Outer London (at 1.3 million compared to 940,000 in Inner London). At the start of the 2000s Inner London contained more people in poverty than Outer London, but the share of poverty in Outer London has gradually been increasing.

In-work poverty

Figure 3.4 looks at how the number of people in poverty in London has changed over the last decade for children, working-age adults and pensioners, and whether they belong to a family where someone is in work. In the case of pensioners, the number in poverty has fallen from 250,000 to 180,000 in the past decade.



In the three years to 2003/04 there were around 600,000 children in poverty in London, which has grown to 680,000 a decade later. Figure 3.4 shows that an underlying shift has occurred among children in poverty, with many more in working families than before (up from 250,000 to 450,000) and fewer in workless families (down from 350,000 to 230,000).

The number of working-age adults in poverty in London has increased from 1.1 million to 1.4 million in the past decade. Almost all of this has been in working families (up from 490,000 to 790,000), although unlike the number of children, the number of adults in workless families has remained fairly steady (from 560,000 to 590,000).

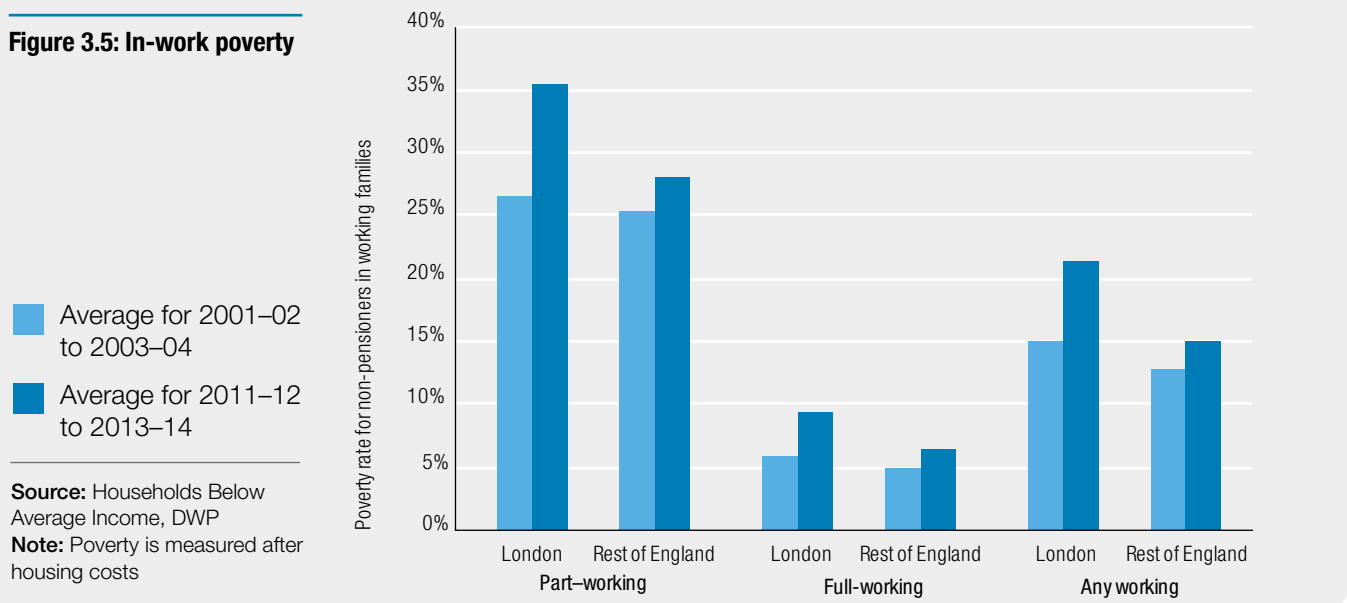
So the increase in the number of people in poverty in London has been almost entirely among those in working families and some of this has been countered by a fall in the number in poverty in a workless household. A decade ago, the majority of children and adults in poverty in London were in workless families (55%); now the majority live in a family where someone is in work (60%).

Figure 3.5 explores how and why the number of people in in-work poverty has risen by looking at the poverty rates for those in part-working and full-working families. Full-working families are those where all adults work full-time or one works full-time and one part-time; part-working families are those where an adult is self-employed, not all adults work or they only work part-time.

Over a third (35%) of people in part-working families and almost a tenth (9%) of people in full-working families in London are in poverty. Both of these figures are higher than they were a decade earlier. They are also higher than for the rest of England where the rate has increased more slowly so the gap with London has also grown.

Overall 21% of people in working families in London are in poverty, up from 15% a decade ago. But the number of people in a working family in London overall is also much higher (see Chapter 7). Both of these factors have contributed to the rise in the number of people in in-work poverty in the capital.

Figure 3.5: In-work poverty



Source: Households Below Average Income, DWP
Note: Poverty is measured after housing costs

Poverty and tenure

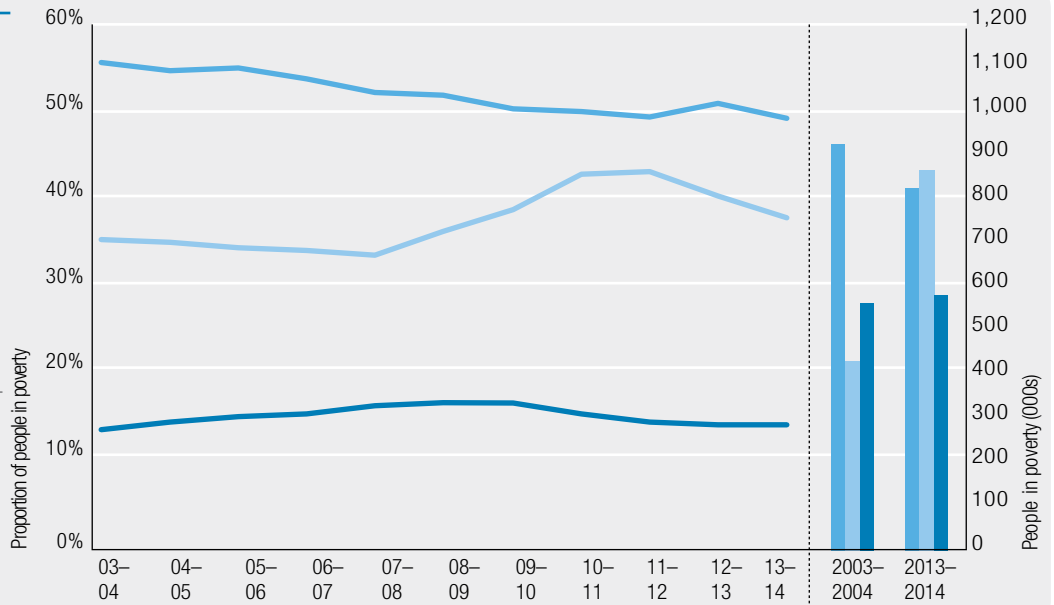
Next we look at poverty and tenure, given that housing costs make a substantial difference to the poverty rate in London and whether someone rents or owns their home is clearly important. Figure 3.6 shows that the poverty rate for owner-occupiers in London has remained consistently around 14%, much lower than the rate for renters. The high poverty rate among social renters fell over the 2000s but since the recession has fluctuated around 50%. The poverty rate for private renters which was half way between owners and social renters in the mid-2000s has been rising but fell slightly in recent years to 38%.

As the size of the private rented sector has grown considerably in the last decade (explored in Chapter 5 Housing), the number of private renters in poverty has risen. While the number of social renters in poverty fell by 100,000 to 810,000 in the decade to 2011/12 to 2013/14, the number of private renters in poverty doubled to 860,000. So there are now more private renters in poverty than social renters or owners; a decade ago it was the least common of the three.

Figure 3.6: Poverty by tenure

- Social rent
- Private rent
- Owner-occupied

Source: Households Below Average Income, DWP; the data is for London and is a three-year average to date given
Note: Poverty is measured after housing costs

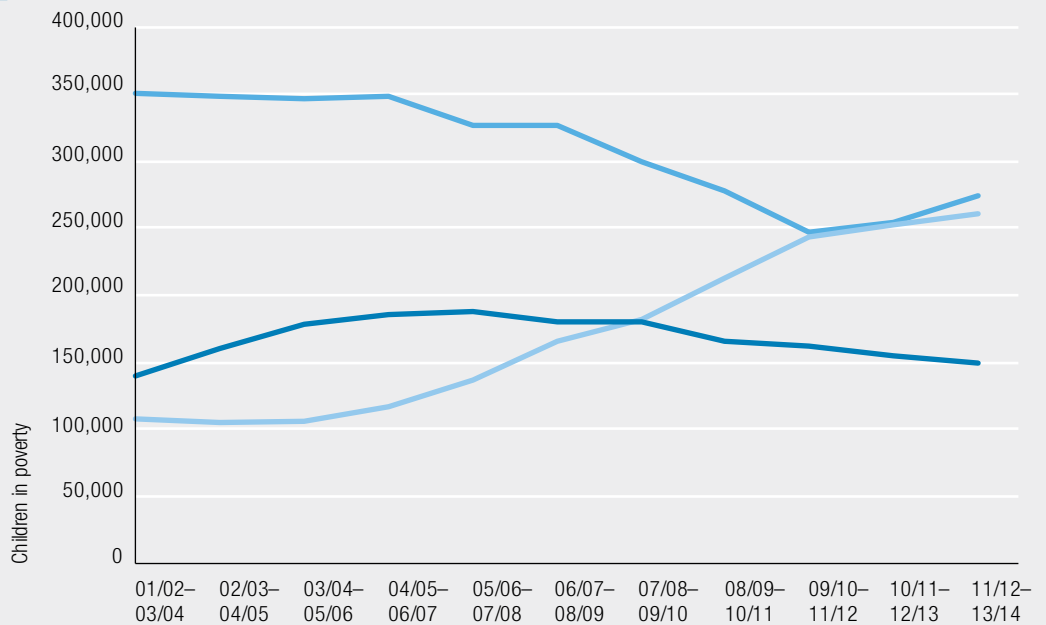


It is often assumed that most of those in the private rented sector are working-age adult households, living alone or sharing, but this is no longer the case. Following a decade of increases the number of children in poverty in the private rented sector has more than doubled, reaching a quarter of a million in the three years to 2011/12 (see Figure 3.7). Despite a slight increase in the last year for which data is available, the number of children living in the social rented sector in poverty is much lower than the early 2000s when it stood at 350,000. So in the last ten years the number of children in poverty in social rented housing and the number in private rented housing has converged at 250,000. The number of children in poverty in owner-occupied housing in London is much lower at 150,000.

Figure 3.7: Children in poverty by tenure

- Social rent
- Private rent
- Owner-occupied

Source: Households Below Average Income, DWP; the data is for London.
Note: Poverty is measured after housing costs



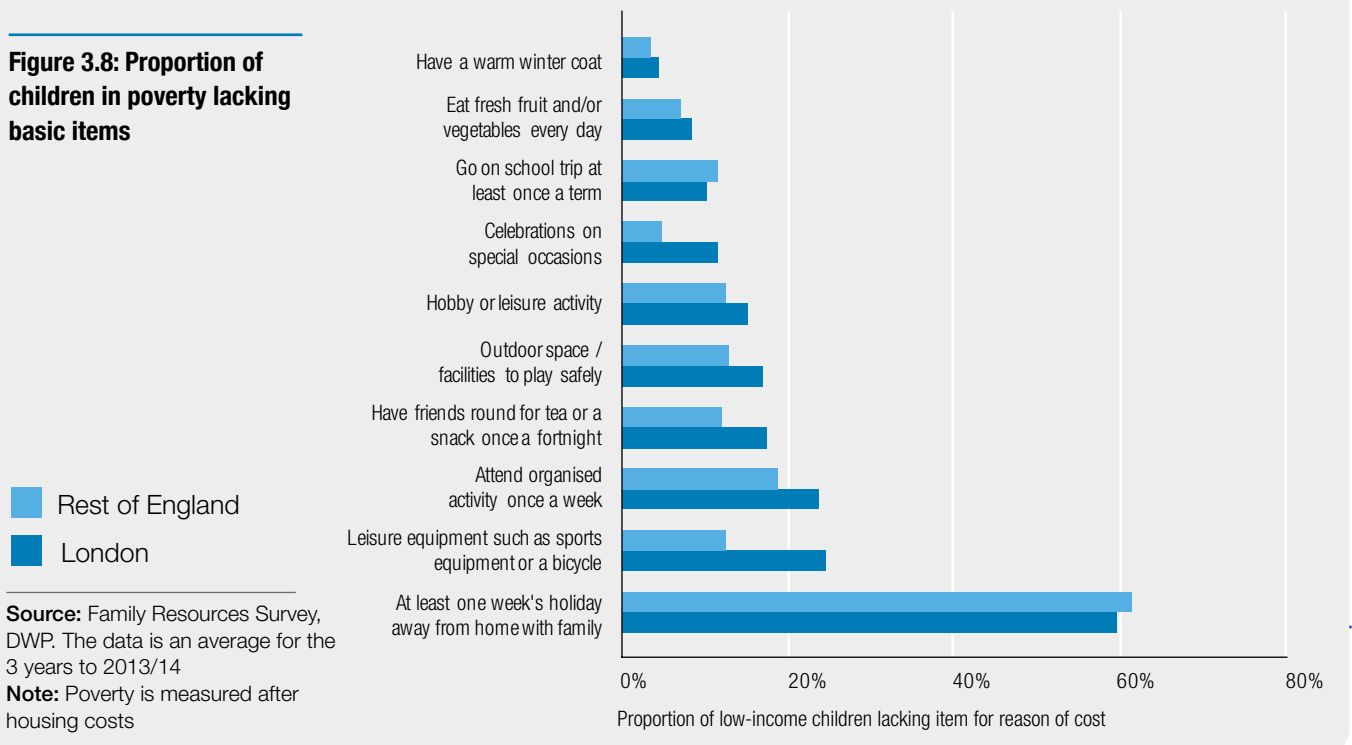
Material wellbeing

While the AHC poverty measure can account for the additional costs Londoners face through housing, it does not account for the higher costs of transport and childcare. Due to these additional costs, the minimum income required to achieve a decent standard of living^[1] in London can be between 20% and 50% more than the rest of England. This could mean that low-income families in London dependent on childcare or public transport are materially worse off than those in the rest of England.

The official measure of material deprivation attempts to reflect this by identifying families that lack multiple basic items for reasons of cost. On this measure children in London are more likely to be materially deprived. Overall 32% of children in London are materially deprived compared with 22% in the rest of England. But this is not solely because child poverty in London is higher. Even among children in poverty, those in London are more likely to be materially deprived at 55% compared with 44% in the rest of England.

Figure 3.8 lists some of the items that make up the material deprivation measure^[2] and shows the proportion of children in the poorest fifth of households that lack these items due to cost (to be defined as materially deprived a child must lack multiple items). Of the 12 items, 4 were lacked by more than 20% of children in low-income families in London compared with 2 for children in the rest of England. The most common items lacked by low-income children in London were a week's holiday away from home (60%). But the biggest gap between London and the rest of England is in the lack of leisure equipment such as sports equipment or a bicycle, with 25% of children lacking in London compared with 12% in the rest of England.

Figure 3.8: Proportion of children in poverty lacking basic items



Source: Family Resources Survey, DWP. The data is an average for the 3 years to 2013/14
Note: Poverty is measured after housing costs

[1] As measured by the Minimum Income Standard.
<http://bit.ly/1VD6oY7>

The other result of costs exceeding income is debt. Figure 3.9 shows the proportion of people in a family that is behind with a bill for generic items – electricity, gas, water, rent and council tax.^[3] Due to data availability it only shows a two-year average rather than the preferred three and should therefore be treated with caution. Across London, 20% of people in poverty were behind with at least one bill, while 25% were either currently behind with a bill or had been in the last 12 months, and 13% were behind on multiple bills. Unlike the child material deprivation measures above, these figures compare favourably with the rest of England.

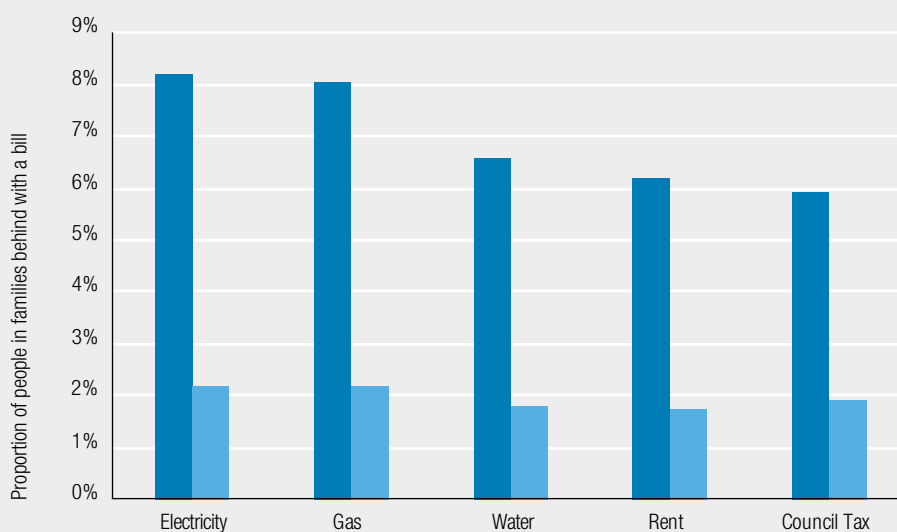
For people not in poverty the proportion behind on each bill was around 2%; among those in poverty the proportion was at least triple that. The most common bills for people in poverty to be behind with were gas and electricity at 8%.

Figure 3.9: Proportion of people in families behind with bill payments

■ In poverty
■ Not in poverty

Source: Family Resources Survey; DWP. The data is for London and an average for 2012/13 & 2013/14.

Note: Poverty is measured after housing costs



Commentary

Since the last *London's Poverty Profile* in 2013, the government has announced its intention to replace the official measure of child poverty used throughout this report (which looks at those with a household income considerably below what is normal in society) with other measures that focus on the causes of poverty. The two measures mentioned by government so far have been the proportion of children living in workless households and low educational attainment among disadvantaged pupils. Both of these measures are presented in this and previous editions of this report.

But these two measures take a narrow view of the causes of poverty. The poverty rate almost doubles in London once housing costs are taken into account and the majority of Londoners in poverty live in a working family. So the causes of poverty are not only lacking work and qualifications, but also include lacking work that offers sufficient pay and hours, and lacking affordable housing. These aspects need to be reflected in how the government measures the causes of poverty.

However, while it is important to target and monitor the causes of poverty, it is still necessary to measure poverty itself. Income is an important part of this.

[2] Some items are not presented due to a small sample size.

Inequality

Key points

- London contains the highest proportion (15%) of people in the poorest tenth nationally and the second highest proportion (15%) of people in the richest tenth.
- In the three years to 2013/14 the income of someone at the 80th percentile in London was 3.75 times higher than the income of someone at the 20th percentile. The 80:20 income ratio peaked at 4.13 (i.e. income at the 80th percentile was 4.13 times higher than at the 20th percentile) in the three years to 2010/11.
- London has the most unequal pay distribution of any part of the UK wholly due to pay at the top end. The top 10% of employees in London receive at least £1,420 a week, £350 higher than the next highest region. The bottom 10% in London earn no more than £340, only £40 higher than the next highest region.
- London's 90:10 pay ratio, at 4.1, is much higher than all other English regions. Pay at both the top and the bottom fell in London between 2009 and 2014 meaning the 90:10 ratio is unchanged.
- The richest tenth of households account for £260 billion of financial wealth in London. The poorest tenth hold more debt than financial assets so have negative financial wealth amounting to -£1.3 billion.
- Property wealth is the largest component of the wealth held in London. The property wealth held by the poorest 30% of households is negligible. At £280 billion the property wealth held by the top decile is more than double the £120 billion held by the 9th decile.
- The total wealth of a household at the 10th percentile in London was £6,300 in 2010/12, 57% less than for the rest of Britain. But at the 90th percentile in London it was £1.1 million, 22% higher than the rest of Britain. So the 90:10 wealth ratio in London is 173, almost three times the ratio for the rest of Britain at 60.
- In terms of wealth London became less unequal between 2006/08 and 2010/12 with wealth at the 10th percentile rising by 66% compared with 22% at the 90th percentile. In cash terms though, this amounts to a rise of £2,500 at the bottom and £200,000 at the top.
- The ratio of upper quartile to lower quartile house prices rose in every London borough in the last 10 years. There are 13 boroughs where top quartile prices are double that of bottom quartile prices; 10 years earlier, there were only four.

Income inequality

London is the most unequal region in the country, with the highest proportion (15%) of people in families with incomes in the bottom tenth and the second highest proportion (15%) of people in the top tenth, after the South East (see Figure 4.1). Both of these are a percentage point lower than in the 2013 report. London is unique in having an above average proportion of people in both the top and bottom tenth of the income distribution.

Figure 4.1: Income inequality in the English regions

■ Poorest tenth
■ Richest tenth

Source: Households Below Average Income dataset, DWP.
Note: Data is an average for the three years to 2013/14. Income is measured after housing costs.

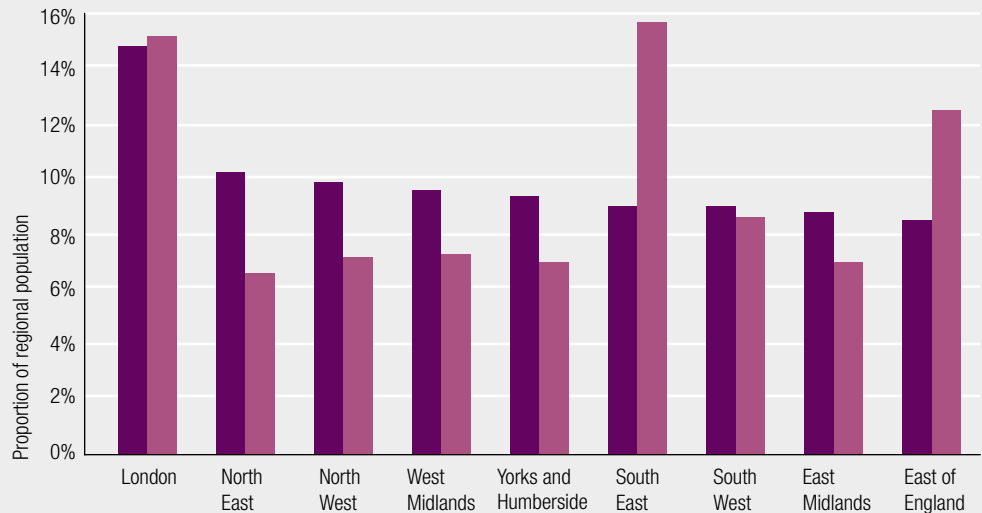
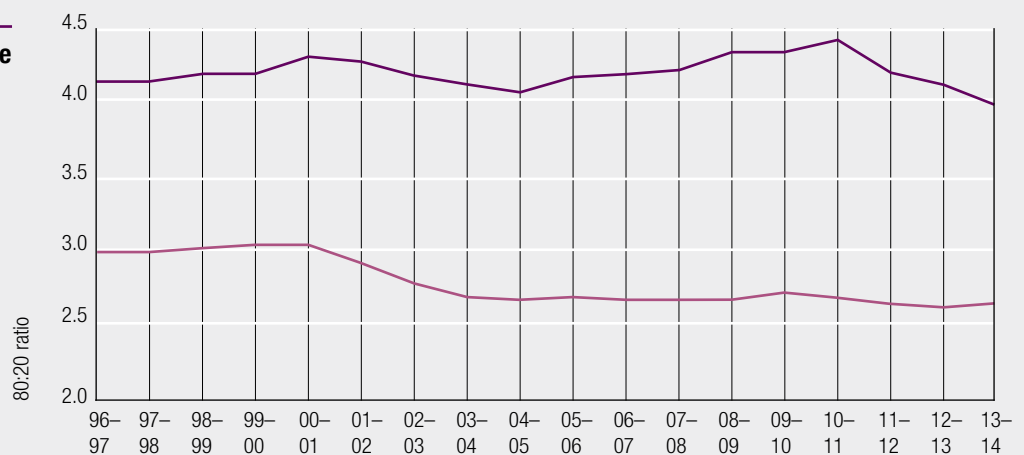


Figure 4.2 shows that inequality in London has been consistently higher than in the rest of England. It shows the 80:20 income ratio which is the income of someone just in the top 20% expressed as a proportion of the income of someone just in the bottom 20%. For example, in the three years to 2013/14 the income of someone at the 80th percentile in London was 3.75 times higher than the income of someone at the 20th percentile.

Figure 4.2: The 80:20 income ratio

■ London
■ Rest of England

Source: Households Below Average Income dataset, DWP.
Note: Data is a three year average ending in the year shown. Income is measured after housing costs.



The level of inequality in London has remained consistently high since the mid-1990s. It rose in the late 1990s, fell in the early 2000s, and rose in the late 2000s, but all these changes have been relatively small.

The 80:20 income ratio peaked at 4.13 in the three years to 2010/11 and has since fallen. This decrease has not been due to a fall in incomes at the top of the distribution, but because of a slight rise in incomes at the bottom of the distribution. This is likely to be linked to the increase in the value of many means-tested benefits which rose faster than earnings over much of this period. From April 2013 increases in these benefits were capped at 1% per year.

Pay inequality

One of the major drivers of inequality in London is the disparity in wages between high paid and low paid workers. Figure 4.3 shows the level of pay for full-time jobs at the 10th percentile and the 90th percentile in each region of the UK. The figures are for residents rather than jobs, so the graph shows the levels of pay of people living in London rather than those working there.

Figure 4.3: High and low pay in the English regions



Source: Annual Survey of Hours and Earnings, ONS, 2014

London has the most unequal pay distribution of any part of the UK, wholly due to very high pay at the top end. The top 10% of employees in London receive at least £1,420 per week, compared with £1,080 in the South East, the next highest region. The lowest level is in Yorkshire and the Humber where the top 10% receive at least £880 per week.

At the bottom end of the pay scale, 10% of employees in London earn no more than £340, compared with no more than £300 in any other region. It's worth noting that unlike the previous figures on income inequality, here pay is before tax and housing costs. As pay at the top in London is much higher than the rest of England, but pay at the bottom is only slightly higher, London's 90:10 ratio, at 4.1, is much higher than all other English regions.

In real terms (i.e. after inflation), pay at both the top and the bottom have fallen in London by the same proportion since 2009, meaning the 90:10 ratio is the same as it was five years ago. Figure 4.4 shows that in all regions except London and the North East, high pay fell further than low pay. In London, they both fell by roughly 10%, with low pay falling more than in any other region. So pay inequalities have not changed in five years in London, but in most of the rest of the country they have fallen.

Figure 4.4: Change in low and high pay



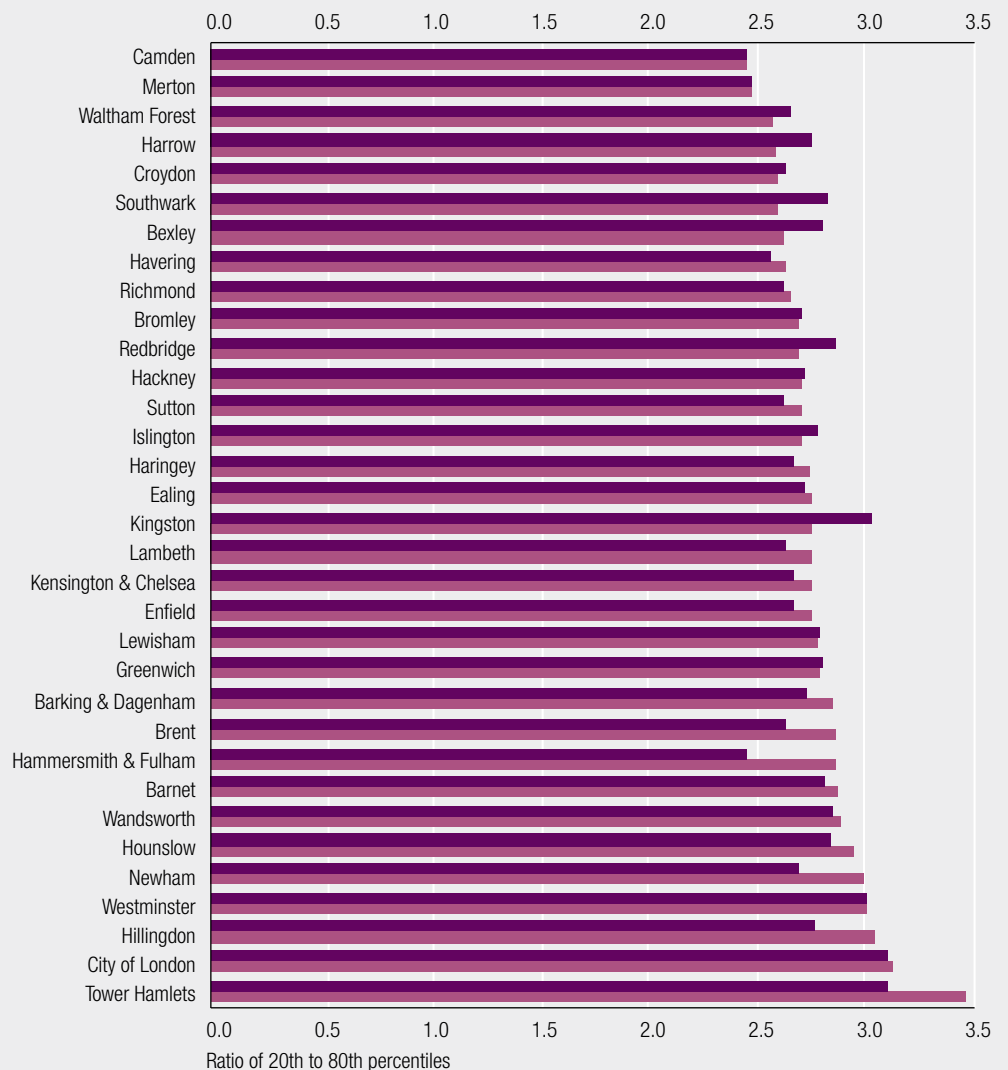
Source: Annual Survey of Hours and Earnings, ONS

Pay inequality varies by London borough, although this is not marked by straightforward trends between Inner and Outer London. Camden has the lowest pay ratio between the 80th and 20th income percentiles (so is the least unequal), while Tower Hamlets has the highest.

In 20 of 32 boroughs, pay inequality increased between 2009 and 2014 (see Figure 4.5). This looks inconsistent with the above finding that inequalities have not grown. This might be because we are looking at the 80:20 ratio rather than the 90:10 ratio because the former is more reliable when looking at the local level. But it could be to do with where jobs in London are based – for example Westminster contains a large proportion of London’s jobs and didn’t see a rise in the ratio.

Still, some of these ratios are very high and rising – in Tower Hamlets, the ratio of high to low pay is now over 3.2, compared with 2.9 in 2009. The recovery in financial services, which is where many of the high paid Tower Hamlets jobs are, has raised the pay of high earners much more than the average.

Figure 4.5: Ratio of low and high pay by borough



Source: Annual Survey of Hours and Earnings, ONS

Wealth inequality

Next we look at the distribution of wealth in London. In this analysis, wealth is split into four categories: financial (e.g. money in the bank and debts), physical (the value of physical assets such as household furniture, cars and collectables), property (but not the proportion still under mortgage) and private pension.

Figure 4.6 shows the aggregate wealth held by parts of London's population. It shows that the richest 10 per cent of households account for £290 billion of financial and physical wealth in London. Meanwhile the poorest 10% hold more debt than financial assets so have negative financial wealth amounting to -£1.3 billion. In fact aggregate financial wealth in London remains below half a billion until the 4th decile. It also shows that in the poorest half of the distribution physical wealth is much greater than financial wealth. This reverses at the 8th decile when the aggregate financial wealth becomes much greater and continues to increase sharply to the top of the income distribution.

Property wealth is the largest component of the wealth held in London. As with financial wealth, the property wealth held by the poorest 30% of households is negligible. But unlike financial wealth it increases by a relatively steady amount after that point, by about £20 billion per decile. Again though, the property wealth held by the richest 10% is much higher than the decile below; at £280 billion it is more than double that held by the 9th decile of £120 billion. Of the total wealth held by the top 10 per cent (£780 billion), 36% is from property and 34% is financial.

Figure 4.6: Distribution of aggregate wealth in London

- Net financial wealth (left axis)
- Physical wealth (left axis)
- Net property wealth (right axis)
- Private pension wealth (right axis)

Source: Wealth and Assets Survey, ONS, The data is for 2010/12

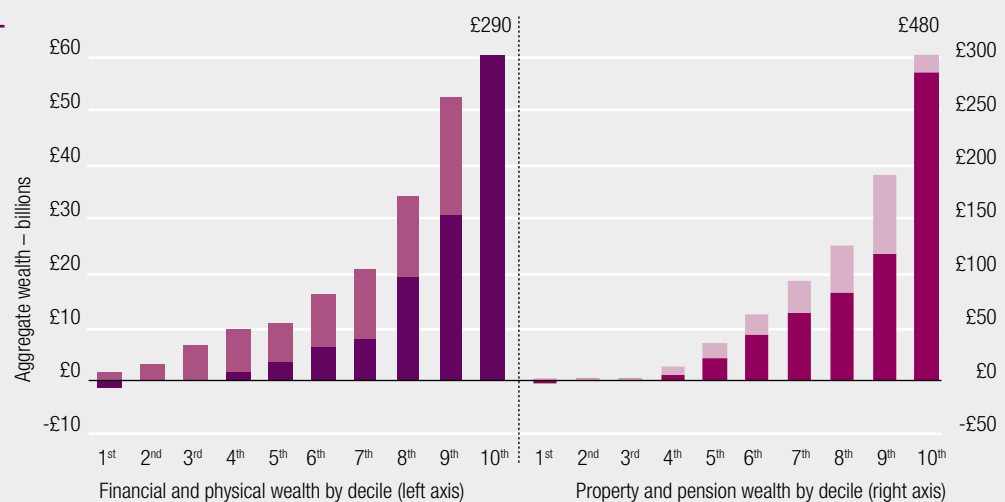


Figure 4.7 looks at how total wealth in London compares with the rest of Great Britain and then how it has changed over time. Rather than look at the total wealth held by a share of the population, it is concerned with the average wealth of a household at a particular point in the distribution.

The bars on the left show how total wealth in London compares with the rest of Britain. It shows that the poorest households in London have less wealth than the poorest in the rest of Britain (57% less at the 10th percentile), but the richest households have more wealth (22% more at the 90th percentile). This means that London is much more unequal than the rest of Britain. The total wealth of a household at the 10th percentile in London was £6,300 in 2010/12 compared with £1.1 million at the 90th percentile making the 90:10 ratio 173 in London (this is almost three times the ratio for the rest of Britain, at 60).

The bars on the right of Figure 4.7 show how household wealth across the distribution in London in 2010/12 compares with 2006/08. These increases are not adjusted for inflation. It shows that London has actually become less unequal with wealth at the 10th percentile rising most (66%) and wealth at the 90th rising least (22%). In 2006/08 the 90:10 ratio was

234. But it's worth noting that growth in absolute money terms was still much higher at the top of the distribution: a 66% increase for a household at the 10th percentile amounts to another £2,500; while a 22% rise at the 90th amounts to £200,000.

Figure 4.7: Comparing London's wealth distribution

- Compared to rest of GB in 2010/12
- Compared to London in 2006/08

Source: Wealth and Assets Survey, ONS via CASE, LSE

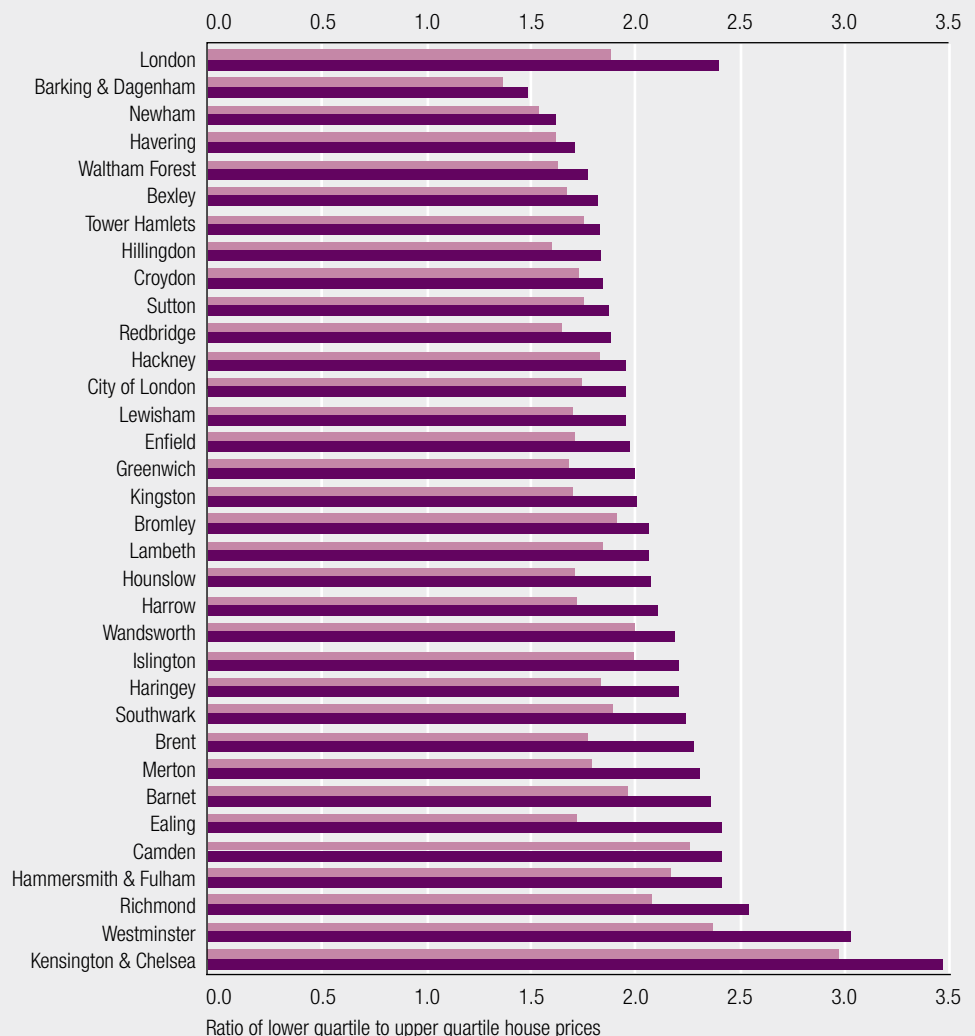


As mentioned above, property is the largest component of wealth in London particularly as many households who rent have no property wealth. Figure 4.8 looks at the range of house prices within each borough and how this has changed in the last decade. It shows a ratio between the top and bottom quartile house price in each borough in 2004 and 2014. An increase in this disparity would suggest an increased inequality in the property wealth among owner-occupiers but in practice the actual wealth of the individual household depends on how much they still owe on their mortgage.

Figure 4.8: Ratio of low and high house prices by borough

- 2004
- 2014

Source: House Prices Indices, DCLG & Land Registry, via GLA



The ratio of upper quartile to lower quartile house prices rose in every London borough in the last ten years. This growing gap partly reflects the difference in price between smaller and larger properties but also different price areas within a borough. In 2014 the top quartile point of house prices is at least 1.5 times the bottom quartile point in all except two boroughs – Newham and Barking & Dagenham. There are 13 boroughs where top quartile prices are double that of bottom quartile prices; ten years earlier, there were only four.

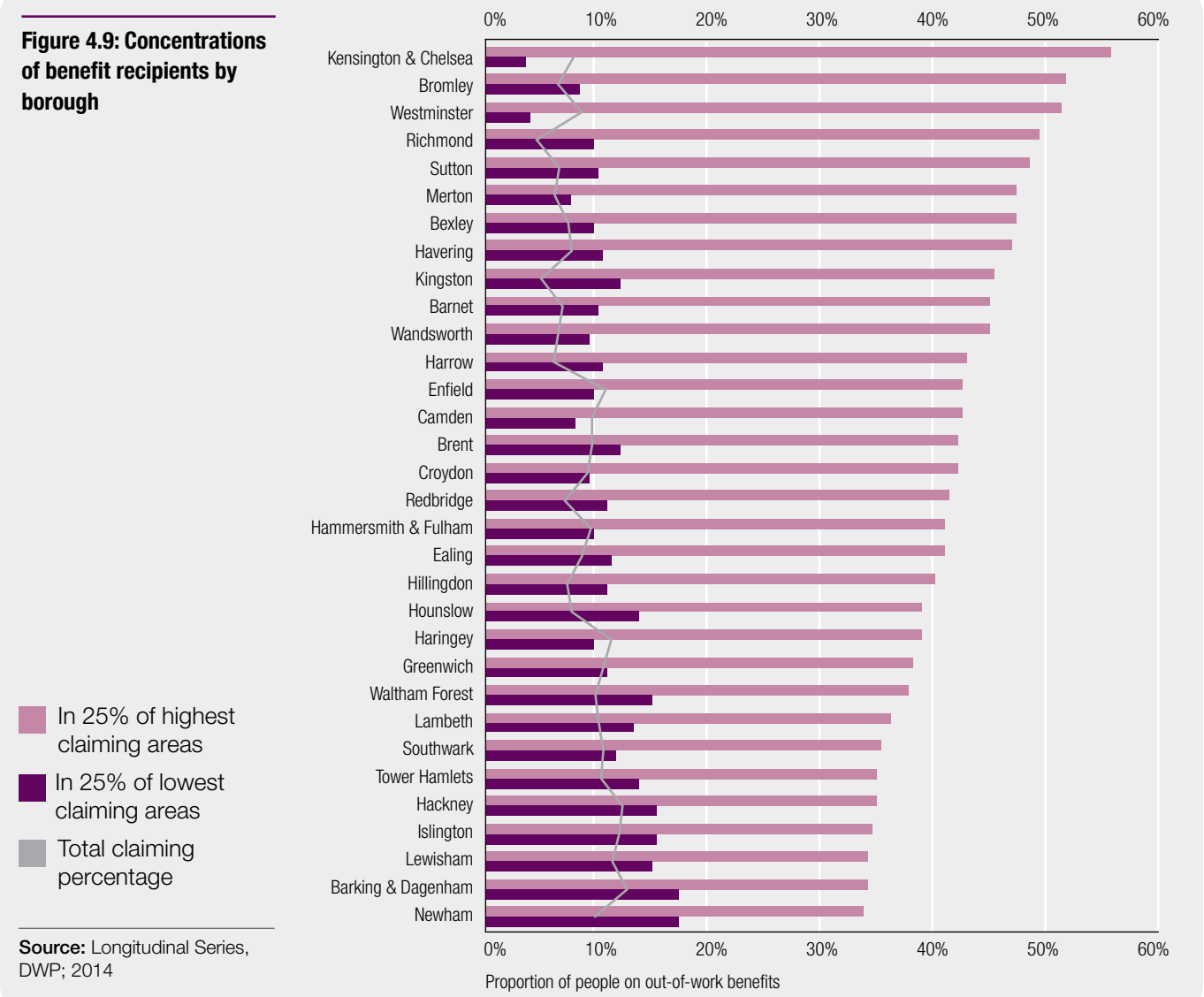
Polarisation

Figure 4.9 shows people claiming out-of-work benefits in each borough. It shows the highest claiming quarter of areas and the lowest claiming quarter of areas.^[4]

If there was no polarisation in a borough, one would expect to find a quarter of claimants in each quarter of areas. If there was total polarisation, all claimants would be in one quarter. So the greater the proportion of claimants who live in the most deprived quarter, and the lower the proportion in the least deprived quarter, the greater the polarisation. In the graph, the most polarised boroughs are at the top, the least polarised at the bottom.

[4] The areas in question are known as lower level super output areas, which on average contain around 1,500 people.

Figure 4.9: Concentrations of benefit recipients by borough



Source: Longitudinal Series, DWP; 2014

Over half of people claiming benefits in Kensington & Chelsea, Bromley and Westminster live in one quarter of the areas. In those boroughs, the least deprived quarter of areas have less than 10% of all benefit recipients. In contrast, in Newham, Barking & Dagenham and Lewisham, around one third of benefit recipients live in the poorest quarter of areas. On the whole this trend is no different to the previous 2013 report.

The line shows the proportion of people claiming benefits. One would expect a greater degree of polarisation in areas with low levels of benefit receipt – if only one person claimed, polarisation would be 100% on this measure. If everyone claimed, there would be no polarisation at all. So the peaks and troughs along the line indicate if an area is unusual. Enfield, Haringey and to some extent Hammersmith & Fulham and Westminster stand out as being above the overall trend. These boroughs are more polarised than would be expected given their levels of benefit receipt. But compared with 2012 these spikes are less visible, as the overall number of claimants has fallen across London.

Commentary

Whatever aspect of inequality we look at – income, pay or wealth – London is the most unequal part of the country. This inequality is not due to those at the bottom being exceptionally worse off in London. In terms of income and wealth, the poorest are worse off than those in the rest of the country while pay is higher. Inequality in London is being driven by the wealth of those at the top which is much higher in London in every aspect. This is not new or surprising.

What might be surprising is the lack of evidence that London is becoming more unequal; in some cases it appears to be less unequal than it was. But before dismissing claims of rising inequality in London, it is worth unpicking these recent trends.

Falling income inequality in the period to 2013/14 was driven by a slight growth in incomes at the bottom compared with the top – when the value of earnings was rising less than many benefits. From 2013/14 annual increases in the value of benefits was capped at 1% and will be frozen in the coming years. Further falls in income inequality seem unlikely.

In terms of pay inequality, which remained flat in London between 2009 and 2014 as wages across the distribution fell, there is reason to be optimistic. The introduction of a 'national living wage' over the coming years should increase earnings at the bottom of the income scale. But as pay inequality in London is driven by high wages at the top the impact of a rise at the bottom may be negligible.

Turning to wealth inequality, which fell between 2006/08 and 2010/12, this data is now three to five years old. Property is the largest component of wealth and we know that the value of the most expensive properties is rising faster than the least, while a growing proportion of Londoners rent and have zero property wealth. It's probable that this particular aspect of inequality is currently increasing in London.

This chapter has focused on the difference between people near the top of the distribution and those near the bottom. It has not looked at the very top – the top 1% or the top 0.1%. This is a small group and the level of detail we can explore in this broad report is limited. But in a recent report^[5] the IFS showed that the 90:10 income ratio nationally fell in the last decade while the proportion of income held by the top 1% has risen to reach 8.3%. Without adequate data to reflect this group, measures such as the 90:10 ratio can be misleading. This is particularly important for London which contains 15% of people in the richest tenth so it is bound to contain a high proportion of those in the top 1% as well.

[5] Chapter 5 of Belfield et al (2015) Living standards, poverty and inequality in the UK <http://www.ifs.org.uk/publications/7878>

Chapter five:

Housing

Key points

- The cost of private renting in London is double the average for England. This gap has widened in the last five years.
- The lower quartile rent in the three most expensive boroughs (Westminster, Kensington & Chelsea and Camden) is double the lower quartile rent in the three cheapest boroughs (Barking & Dagenham, Havering and Bexley).
- In the three years to 2013/14 there was a net increase of 7,700 affordable homes a year in London compared with a target of 13,200 in the 2011 London Plan (40% below the target). Of this number 60% were available for social rent.
- 1,500 more affordable homes were provided in both Southwark and Hackney in the three years to 2013/14. Redbridge delivered only 110 additional affordable homes despite providing 1,400 more at market prices.
- In 2014/15 1,470 mortgage possession orders were issued in London, a fraction of the 8,500 peak in 2006/07. Before this peak mortgage possession levels were higher in London than the rest of England, but in the last five years they have been equal.
- There were 27,000 landlord possession orders in London in 2014/15, which permits the landlord to immediately evict the tenants. As a rate (14.3 per 1,000 renting households) it is more than double the rest of England. Levels tended to be higher in outer boroughs, with Enfield, Redbridge and Croydon all over 25 per 1,000 renting households.
- Around 21% of homes in London do not meet the Decent Homes standard, similar to the national average. The figure has been falling across England in recent years but particularly in London.
- In 2012/13 London contained around 250,000 overcrowded households, with the social and private rented sector accounting for 100,000 households each. The level of overcrowding among renting households at 13% is four times the level among owner-occupiers at 3%.

Introduction

We start this chapter by looking at how the tenure of London's households has changed over time. The proportion of households that rent privately has increased substantially in recent years from a low of 14% in 1991 to 26% in 2014. This is the highest it's been in London since the 1970s but remains much lower than the levels of the 1960s when private renting was the most common tenure.

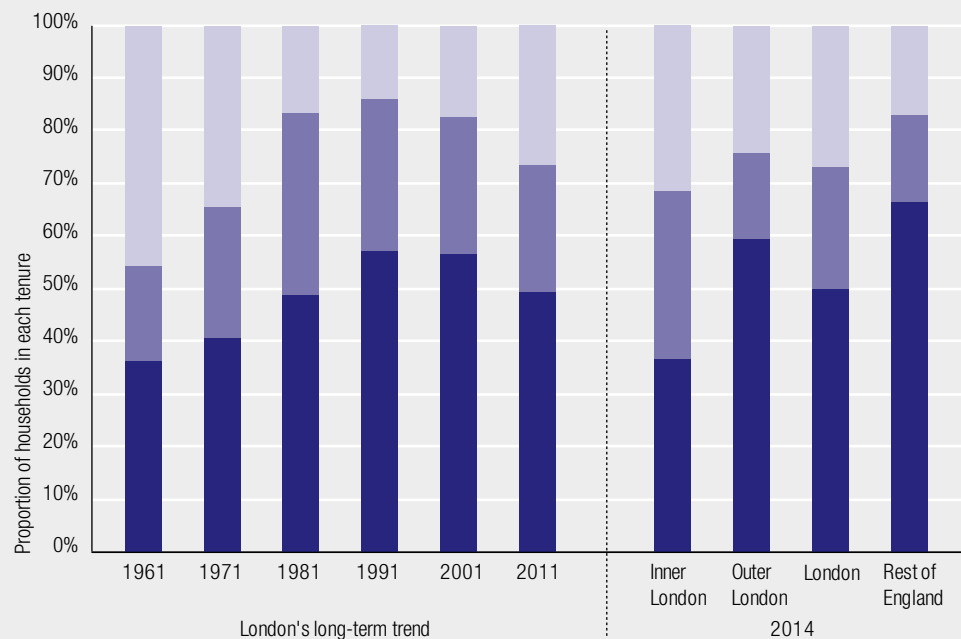
The rise in the share of households living in the private rented sector in the 1990s initially coincided with a fall in social renting but in the 2000s private renting rose while owner-occupation fell. These trends in London have been mirrored across the rest of England (see Figure 5.1).

Figure 5.1: Tenure trends in London

Private rent
Social rent
Owner-occupied

Source: Housing in London, GLA, 2014 & Housing Tenure of Households, ONS via GLA Datastore 2014.

Notes: Owner occupation includes shared ownership; Social rent includes renting from the local authority or housing association / registered social landlords; Private rent includes renting from a private landlord, employer or friend/relative.



Nonetheless, the tenure profile of Inner and Outer London is distinct from the rest of England. In Inner London the proportion of households that rent privately is much higher at 31%, but so is the proportion of social renters at 32% and with owner-occupation at 37% private renting is, only just, the least common tenure. In Outer London, owner-occupation continues to be the dominant tenure (59%) but the social rented sector is relatively small (17%) so the private rented sector is the second largest tenure accounting for a quarter (24%) of households.

Housing costs

For most people housing is the largest living cost and is unavoidable. The higher cost of housing in London is not new, but in the private sector the gap continues to widen. This has consequences for poverty: the low income chapter shows the cost of housing and tenure makes a considerable difference to poverty in London.

Figure 5.2 shows how housing costs in London have changed in the last five years compared with the average for England. In 2015 the average house price in London was £500,000, close to double the England average of £280,000. This gap has grown in the last five years with house prices in London increasing by around 50% compared with 30% for England as a whole.

But the London cost premium is greater in the private rented sector with the average monthly rent at £1,600 more than double the England average of £770. While private rents have grown at a slower rate than house prices in the last five years, rents in London have grown faster than the rest of England so the gap has widened.

Figure 5.2: Average housing costs in London and England

* Data for RSL (Registered Social Landlord) and LA (Local Authority) rents are for 2013/14 and 2008/09; market rents/prices are for 2015 and 2010.

Source: House Price Indices and Private Rental Inflation Index, ONS; Private Rental Market Statistics, VOA; Social Housing Lettings, DCLG.

	London		England	
	Cost in 2015*	5-year change	Cost in 2015*	5-year change
House price (000s)	£500	51%	£280	31%
Market rent (pm)	£1,600	19%	£770	11%
RSL rent (pm)	£520	28%	£380	20%
LA rent (pm)	£440	28%	£340	28%

Social sector rents in London are about a third of the cost of private sector rents at £520 per month in registered landlord accommodation and £440 for local authority housing. But these rents have also been rising in London at 28%. For registered landlords this is higher than the England average. But while London's social rents are higher than the England average, the gap between affordable and market in London is higher and is likely to be sustained with the government's intention to cap social rented sector rent increases at 1%.

Next we look at how these costs compare with what the average person in London earns. Figure 5.3 shows how rents in London vary and how this compares with earnings. The bars show monthly rent levels for a two-bedroom property and the line shows this as a percentage of full-time earnings in the borough. As this report is concerned with those at the bottom of the income distribution rather than the average we look at the lower quartile for both earnings and rents.

It shows that there is a huge range of rent levels across London. Kensington & Chelsea and Westminster stand out with lower quartile monthly rents exceeding £2,000, but excluding these two areas rents range from over £1,700 a month in Camden to £825 in Havering.

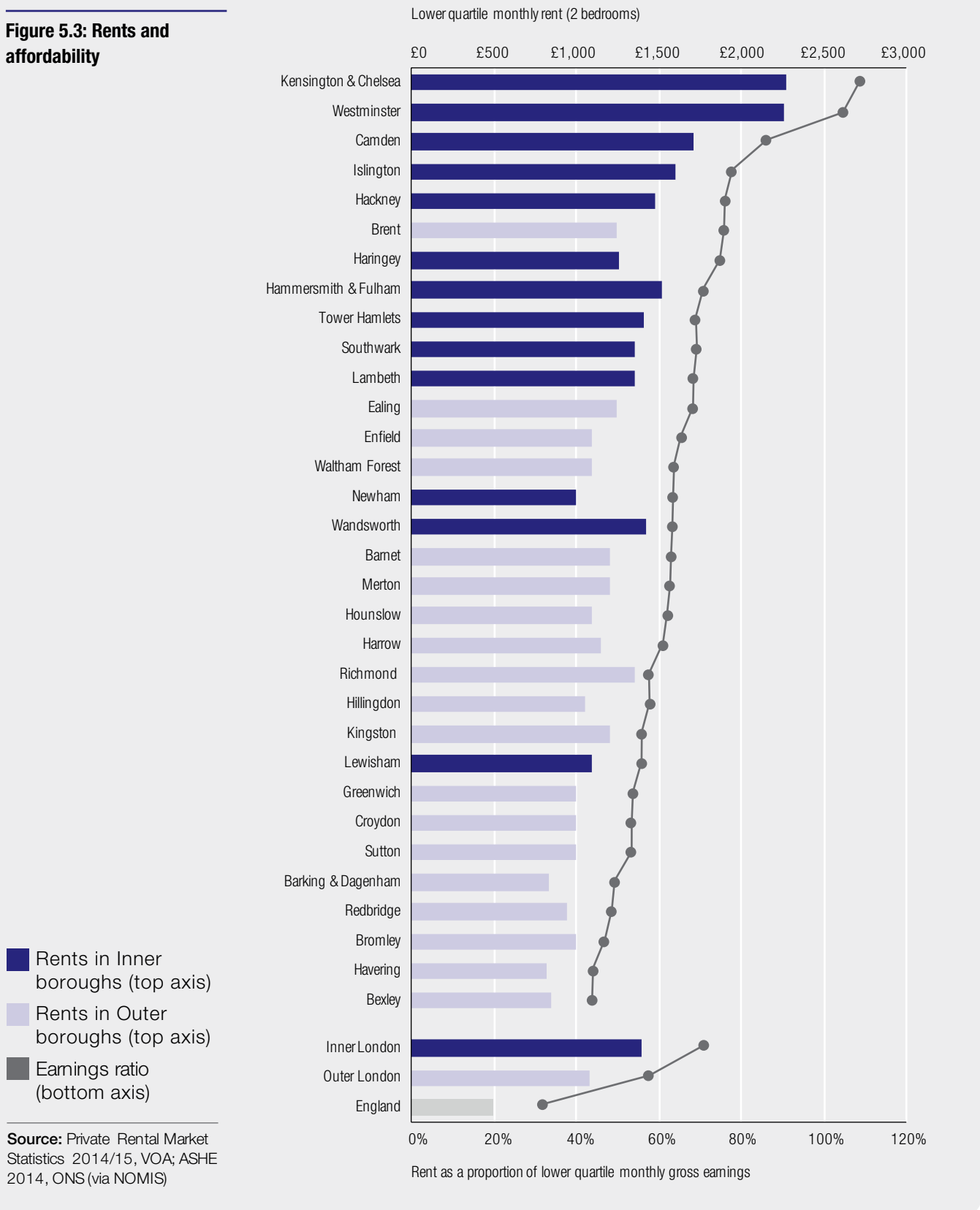
The line shows how this compares with the gross monthly earnings of a full-time worker living in each borough (on the right axis). In Westminster and Kensington & Chelsea the lower quartile rent is higher than lower quartile earnings. There are only five boroughs where the rent is less than half the level of earnings.

However, this graph only offers an indication of 'affordability' as the number of earners and the space requirements of each household will vary. For example, working single parents could be the sole earner in a family requiring two or more bedrooms, while a couple without children could have two earners and need only one bedroom. The GLA assesses a household as being able to afford private rented housing if the lower quartile rent for the required number of bedrooms is less than 25% of gross household income.^[6]

In the graph boroughs are ordered by the earnings:rent ratio with those with the highest ratio at the top and those with the lowest at the bottom. It shows that this ratio tends to be higher where rents are higher. But it also shows that Brent and Haringey have quite high ratios given the rent level suggesting that earnings in these boroughs are low relative to the housing costs there. This is also the case in Enfield, Waltham Forest and Newham.

[6] Or 30% of gross household income if the household has more than £40,000 – The 2013 London strategic Housing Market Assessment, GLA, available at: <http://bit.ly/1Q4HQFE>

Figure 5.3: Rents and affordability



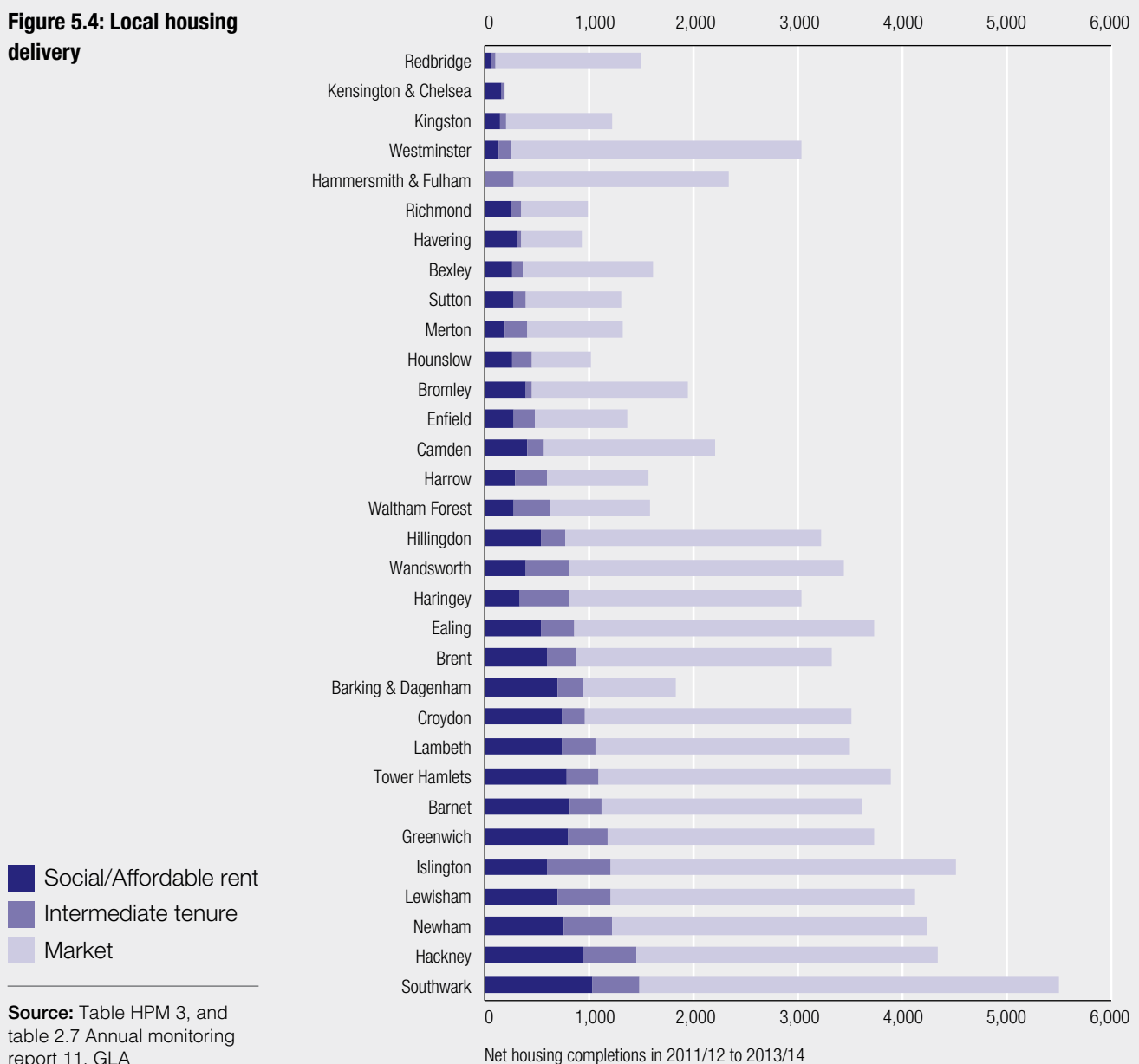
Next we consider the supply of affordable housing in London – that is housing available at sub-market costs to households whose needs are not met by the market.^[7] In the three years to 2013/14 there was a net increase of 7,700 affordable homes a year in London, which is 40% short of the 13,200 target set out in the Mayor’s 2011 *London Plan*. Over this period affordable housing constituted 34% of the net increase in homes. 60% of the affordable homes delivered in 2013/14 were available for social rent, 7% for affordable rent and 33% as an intermediate tenure (shared ownership).

[7] In practice this is housing managed by the local authority or a registered social landlord available as shared ownership, affordable rent or social rent.

Individual councils have a target number of additional homes to deliver each year, though the proportion that should be affordable varies from borough to borough based on local needs assessments. Figure 5.4 shows the number of additional homes delivered in each borough in the three years to 2013/14 by tenure.

The graph shows that Southwark and Hackney delivered more affordable homes than any other borough at 1,500 each. At the other end of the scale Redbridge only delivered 110 additional affordable homes. But in the same period it also delivered almost 1,400 market properties so affordable housing only accounted for 10% of net completions in the borough. Barking & Dagenham delivered the highest proportion of affordable homes with almost half of net completions being affordable (49% and 48% respectively). Hammersmith & Fulham delivered 280 intermediate homes but the number of properties available for social/affordable rent in the borough actually fell by six as more were demolished or converted to a different tenure than were built.

Figure 5.4: Local housing delivery



Source: Table HPM 3, and table 2.7 Annual monitoring report 11, GLA

The *London Plan* monitoring report highlights that affordable housing delivery was adversely affected by the recession with affordable home commitments being renegotiated to make schemes viable and bring them to completion. The report also

concedes that it is not yet clear if affordable housing delivery will increase as the economy improves. Nonetheless in the renewed London 2015 Plan the affordable housing target has increased to deliver 17,000 affordable homes a year. As in the 2011 Plan, 60% of this affordable housing should be available as social or affordable rent.

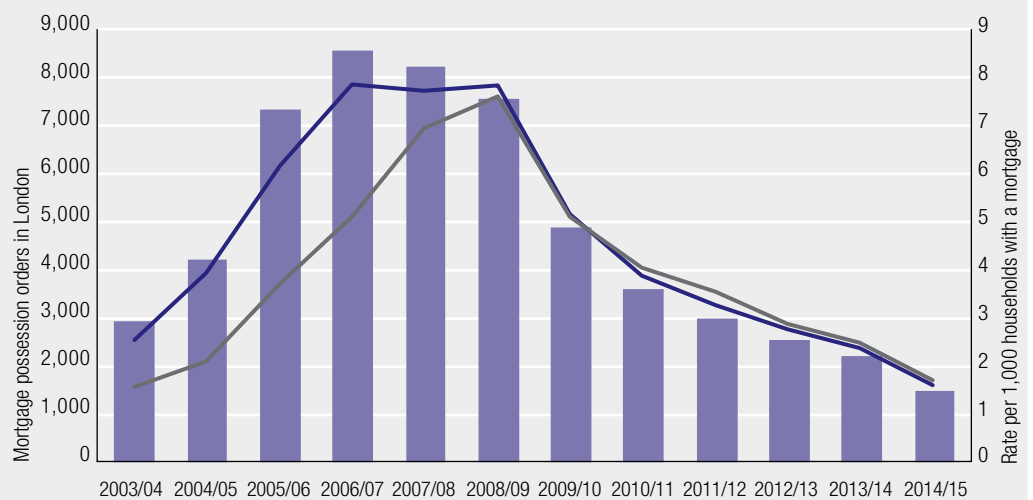
Repossessions and evictions

Figure 5.5 shows the trend in outright possession orders for mortgaged properties. These are granted by the court following a judicial hearing and permit the immediate possession of a property. In 2014/15 a total of 1,465 mortgage possession orders were issued in London, a fraction of the 8,500 peak in 2006/07. At the time this amounted to 7.9 mortgage possessions orders for every 1,000 households with a mortgage, a level which has consistently fallen and now stands at 1.6. Before this peak levels of mortgage possession orders in London were generally higher than for the rest of England, but for the last six years they have been largely equal.

Figure 5.5: Mortgage possession orders

■ Mortgage orders
 — Orders rate in London (right axis)
 — Orders rate in Rest of England (right axis)

Source: Mortgage and Landlord Possession Statistics, MOJ and English Housing Survey, DCLG



Outright landlord possession orders, which allow landlords to immediately possess their property and evict the tenants, are much more common in London than mortgage possession orders.

Figure 5.6 shows there were 27,000 in London in 2014/15, the highest number for at least a decade. This amounts to 14.3 for every 1,000 renting households, which is a slightly lower level than the previous two years, as the number of rented households has grown faster than the number of possession orders. But this rate is more than double the rate in the rest of England at 5.9.

The type of landlord possession orders has also changed over time in London. Over the last decade the number of possession orders by a social landlord has remained relatively flat at around 6,500. Meanwhile the number by a private landlord has more than doubled from 2,300 in 2004/05 to 5,200 in 2014/15. But the biggest type are accelerated possession orders which accounted for 15,700 possession orders in London in 2014/15 up from 6,700 a decade ago (see Figure 5.6).

These *accelerated possession orders* can be used by social and private landlords^[8] with shorthold tenancies once the initial fixed tenancy period has ended (typically a 6 or 12 month period). It allows possession orders to be made by the court solely on the basis of written evidence and without calling the parties to a hearing. This rise in accelerated

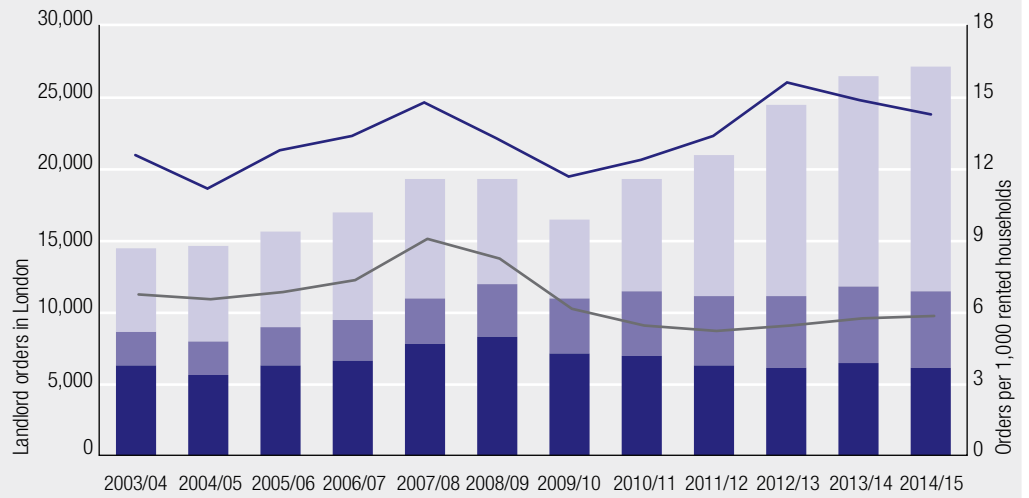
[8] It is not possible to distinguish if an accelerated possession order was used by private or social landlord

possession orders has been much greater in London where they now account for 58% of all landlord possession orders compared with 33% in the rest of England.

Figure 5.6: Landlord possession orders

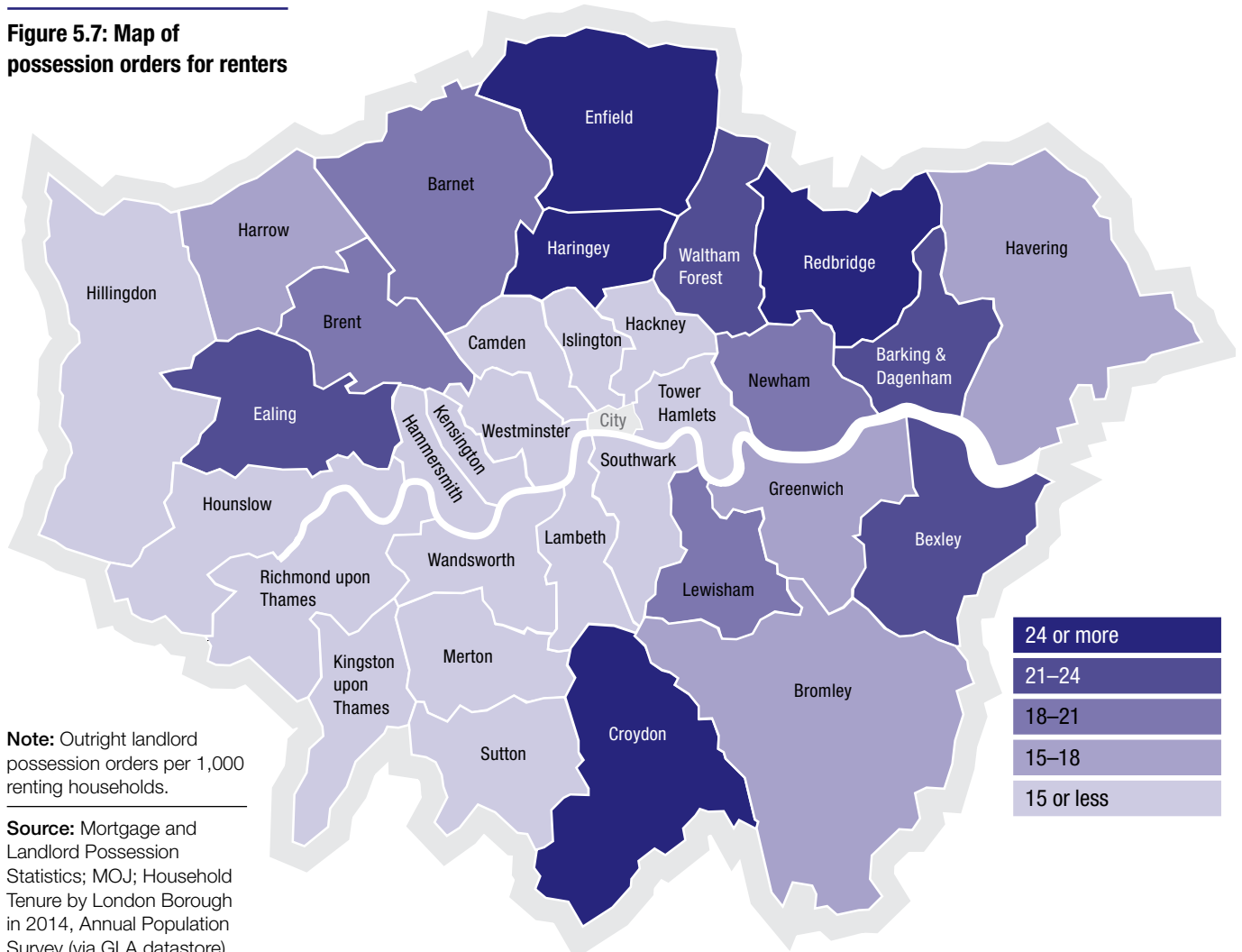
■ Social Landlord
■ Private Landlord
■ Accelerated Order
— Orders rate in London (right axis)
— Orders rate in Rest of England (right axis)

Source: Mortgage and Landlord Possession Statistics, MOJ and English Housing Survey, DCLG



Landlord possessions tend to be more common in outer boroughs, with Enfield, Redbridge and Croydon all with levels over 25 per 1,000 rented households. The level of possession orders in Enfield in 2014 was 29.7, more than double the London average. 8 of the 10 boroughs with the lowest levels were in Inner London, Richmond and Kingston being the two exceptions (see Figure 5.7).

Figure 5.7: Map of possession orders for renters



Note: Outright landlord possession orders per 1,000 renting households.

Source: Mortgage and Landlord Possession Statistics; MOJ; Household Tenure by London Borough in 2014, Annual Population Survey (via GLA datastore)

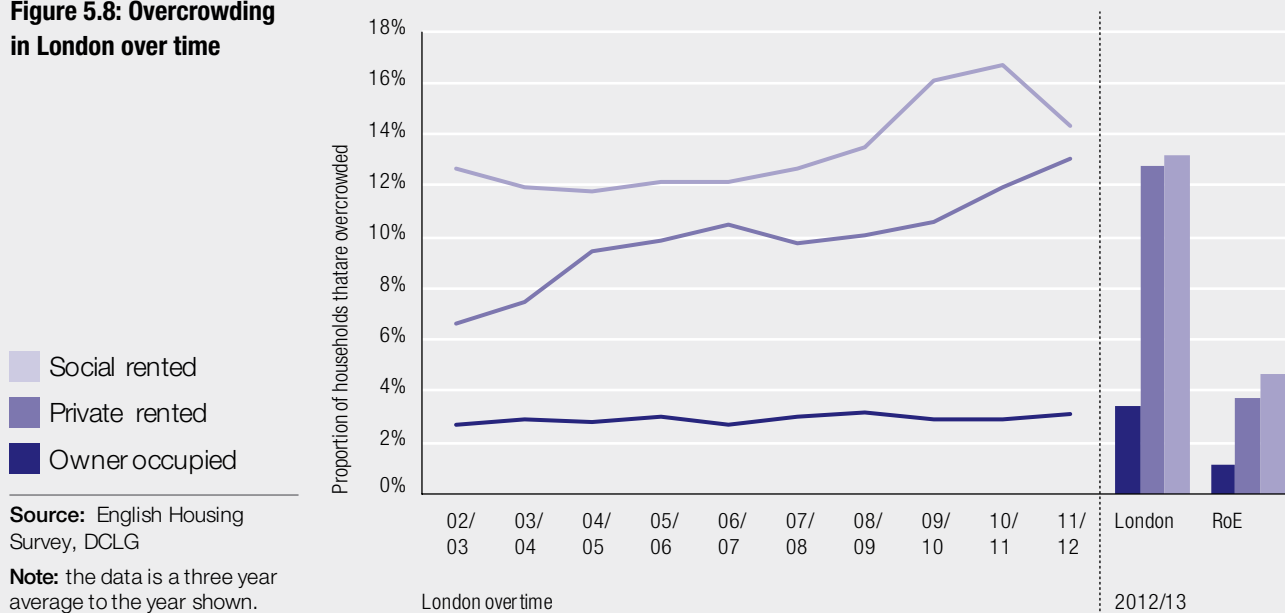
Housing conditions

In 2012/13 London contained around 250,000 overcrowded households with the social and private rented sector accounting for 100,000 households each and the remaining 50,000 being in owner-occupation. Overcrowding is measured according to the bedroom standard^[9], which assesses the number of bedrooms needed according to the size and composition of households.

Levels of overcrowding in London have slowly increased in the last decade and they are much higher than all other regions. Around 8.2% of households in London are overcrowded compared with the second highest of 3% in the West Midlands.

The level of overcrowding among renting households at 13% is four times the level among owner-occupiers at 3%. Figure 5.8 shows that for private renters overcrowding has gradually increased in the last 10 years from a level of 7% in the early 2000s. While overcrowding in the social rented sector is relatively high it has fallen slightly in the last two years so the gap between the private and social rented has closed. But it is important not to attribute the recent fall in overcrowding in the social rented sector or the increase in the private rented sector to welfare reform, as 2012/13 data predates recent changes in housing benefit.

Figure 5.8: Overcrowding in London over time



Source: English Housing Survey, DCLG

Note: the data is a three year average to the year shown.

[9] As defined in the Housing (Overcrowding) Bill 2003, outlined by the Office for National Statistics here: <http://www.ons.gov.uk/ons/rel/census/2011-census-analysis/overcrowding-and-under-occupation-in-england-and-wales/rpt-overcrowding-and-under-occupation-in-england-and-wales.html#tab-background-notes>

[10] English housing survey 2013: profile of English housing report, DCLG

London has a higher proportion of homes with serious damp problems than the rest of England, at 7% compared with 3.8%. But in terms of the proportion of homes that fail to meet the Decent Homes standard, London (at 21%) is similar to the national average (20%)^[10]. The Decent Homes standard reflects the general condition of a property (based on basic minimum standards, thermal comfort, kitchen and bathroom facilities and the general state of repair)^[11]. The proportion of properties not meeting this standard has been falling across England in recent years but particularly in London.

While the variations in non-decency rates across England are small, there are substantial differences by tenure. It is not possible to accurately estimate levels of non-decency by tenure within London, but across England around 30% of private rented homes are non-decent compared with 19% of owner-occupied homes and 15% of social rented homes.

Commentary

Throughout the course of these reports, now going back six years, housing has been a central theme. Once housing costs are taken into account London has the highest rates of poverty in the country. What is most worrying is that the extent of this problem seems to be getting worse rather than better and there appears to be no progress.

The gap in housing costs between London and the rest of England continues to widen. The targets set out in the London Plan for affordable house building are regularly missed. Overcrowding, particularly in the private rented sector, has risen further and is now several times higher than the rest of the country.

That there is a housing crisis in London has long been accepted – even the Mayor agrees. But with radical solutions – huge expansions in housebuilding, rezoning of the green belt, comprehensive landlord registration, increased property taxes – seemingly off the agenda, it is London's low income families who bear the worst of it. Their choices are stark – live in evermore overcrowded conditions in ever smaller properties, cut back on other essential expenses or move to cheaper parts of Outer London or out of the capital altogether.

Housing is likely to be one of the key issues in next year's mayoral election – all the Labour and leading Conservative candidates have highlighted the problems of affordability. But unlike the national housing agenda of Help to Buy and Right to Buy, this debate cannot just be about home ownership. London is about to become a majority renting region and the new Mayor has to ensure that housing is affordable and decent for renters as well as owners.

[11] This standard is set by the Department for Communities and Local Government and described here: <http://bit.ly/1jbf63Y>

Homelessness

Key points

- 7,580 people were recorded as rough sleeping in London in 2014/15. This number has increased every year since 2007 and is now more than double the numbers in the mid-2000s.
- Most rough sleepers in 2014/15 were aged between 26 and 55 (79%). The vast majority were men (86%). 43% were born in the UK and 36% were from Central and Eastern European countries.
- 17,500 households were accepted as *statutory homeless* by a council in London in 2014/15. This has risen each year since 2009/10 but remains below the 2003/04 peak of 30,000. The increase has been driven by a rise in those becoming homeless at the end of a short-term tenancy which, at nearly 7,000 is seven times higher than in 2009/10.
- 5.1 households were accepted as homeless in London for every 1,000 households in 2014/15; in the rest of England the figure was 1.9. The rate was highest in Barking & Dagenham at 9.9, and the next highest boroughs are also in east London.
- 48,000 London households were living in temporary accommodation at the end of 2014/15, three times higher than the rest of England put together. 38,000 of them contained children (amounting to 74,000 children).
- At the end of 2014/15 15,600 households were living in temporary accommodation outside their home borough. Four boroughs had more than half of their temporary accommodation placements outside of their area – Kensington & Chelsea, Waltham Forest, Lambeth and Merton.
- In 2014 12,000 households in London stopped being classified as homeless and under the council's statutory duty: 60% had moved on to a long-term tenancy agreement with a registered social landlord and 9% moved into a shorthold private rented tenancy. The remaining 32% became ineligible for help.
- In 2014/15, 4,000 cases of homelessness in London were relieved by councils outside of their statutory duty. In another 9,000 cases households were prevented from becoming homeless by moving home and in 18,000 cases homelessness was avoided by enabling people to remain in the same home.

Introduction

Chapter 5 set out how the housing situation in London is distinct and looked at how that links with poverty through costs, debt and standards. This chapter moves on to focus on one of the most extreme types of poverty: homelessness. The most visible form of homelessness is rough sleeping which we discuss first. We then turn to the statutory homeless – those who the local council has a duty to rehouse.

Rough sleeping

7,580 people were recorded as rough sleeping in London in 2014/15 (and were in touch with homeless outreach teams). The number of rough sleepers in London has increased every year since 2007 and is now more than double the number in the mid-2000s. Some of this can be attributed to an increase in rough sleepers from Central and Eastern European countries; there were fewer than 500 rough sleepers in London from this region before 2005 but almost 2,700 in 2014/15. In the last year alone the number rose by 700; this is likely to be linked to Housing Benefit restrictions for European Economic Area (EEA) migrants introduced last year.

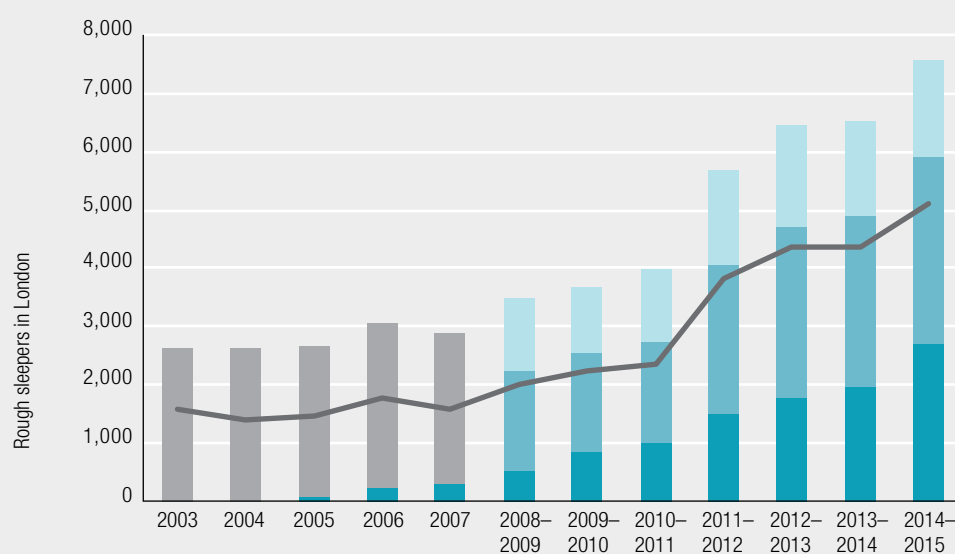
But there has also been a considerable increase in UK nationals sleeping rough in London from 1,700 in 2009/10 to 3,210 in 2014/15 (including a rise of 270 in the last year). Overall the number of UK nationals rough sleeping in London was 500 higher than the number from Central and Eastern Europe.

Figure 6.1: Rough sleeping in London



Source: Combined Homelessness and Information Network Annual Reports; GLA & St Mungo's Broadway.

Notes: Data on nationality was improved in 2008/09 reflecting the changing composition of rough sleepers.



Throughout this period of rises, the number of new rough sleepers has risen each year as well. This suggests that the rise in the total is not due to people becoming homeless and remaining so; many of those who become homeless are moved into accommodation but are replaced with even more new rough sleepers the following year. In 2014/15 there were 5,110 new rough sleepers in London, up from 4,360 in 2013/14. The number of repeat or chronically homeless people in London does not appear to be rising as quickly which is likely to be a reflection of the work of the No Second Night Out campaign^[12]. However, the number of rough sleepers in 2014/15 that had been seen rough sleeping the previous year was, at 1,600, 190 higher than in 2013/14 and 400 higher than in 2011/12, the year that No Second Night Out launched.

[12] www.nosecondnightout.org.uk

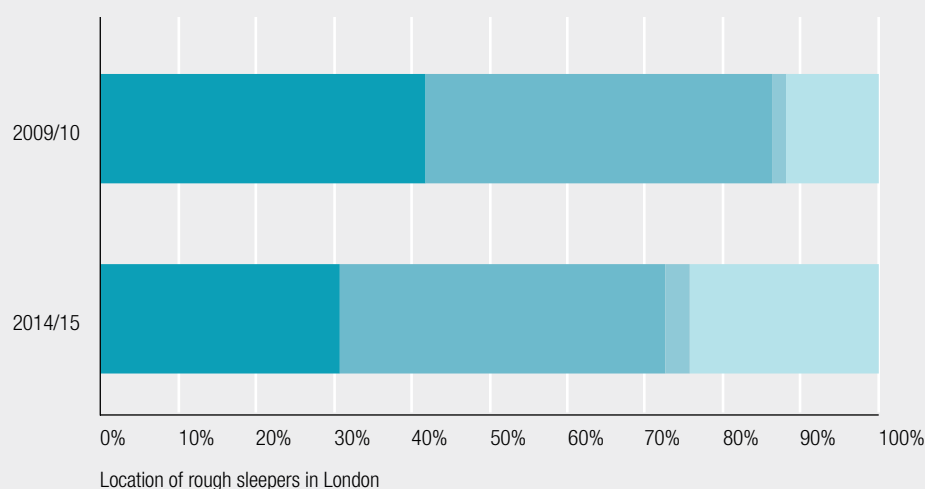
Most rough sleepers in 2014/15 were aged between 26 and 55 (12% were aged under 26 and 9% were aged over 55). The vast majority were men (86%). Nearly half were assessed to have a mental health need (45%), 41% had problems with alcohol and 31% with drugs but 28% had none of these support needs.

The majority of rough sleepers in London are based in Inner London, with 31% being found in Westminster and another 42% in other inner London boroughs. But the 'dominance' of Westminster for rough sleeping is less than it was and a greater share of rough sleepers are based in outer boroughs – in 2009/10 around a tenth of rough sleepers were in outer boroughs, rising to a quarter in 2014/15.

Figure 6.2: Rough sleeping across London

- Westminster
- Other Inner
- Heathrow
- Other Outer

Source: Combined Homelessness and Information Network Annual Reports; GLA & St Mungo's Broadway



Statutory homelessness

A household is homeless if it is accepted as such by the council under the 1996 Housing Act. These households are classified as Statutory Homeless and the local authority has a duty to help them find settled accommodation. A total 17,500 households were accepted as homeless by a council in London in 2014/15.

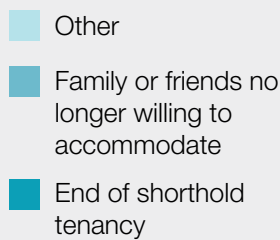
To qualify they have to be able to prove they have a local connection to the area, are unintentionally homeless and are in priority need (i.e. belong to a vulnerable group; most working-age people without dependents will not qualify as in priority need). In 2014/15 4,800 households in London were found to be unintentionally homeless but not in priority need.

The number of households accepted as homeless in London peaked at 30,000 in 2003/04 but as an England-wide shift to a more proactive homelessness prevention approach took affect the number fell sharply to 9,400 in 2009/10. But since reaching this low, the number of homelessness acceptances in London rose in the five years to 2014/15.

Figure 6.3 shows how the reasons for homelessness have changed since it began to rise. In 2009/10 the most common reason a household became homeless was that family or friends were no longer willing/able to accommodation them, accounting for 4,200 acceptances, 44% of the total. Meanwhile 930 households became homeless when a shorthold tenancy ended, 10% of the total. Since then the number becoming homeless for this reason is seven times higher at 6,790 and is now the most common reason accounting for 39% of all homelessness acceptances. Although the number of

acceptances remained relatively flat in 2014/15, the number coming from a shorthold tenancy increased by 830, countered by a fall in the number becoming homeless for other reasons.

Figure 6.3: Homelessness acceptances over time



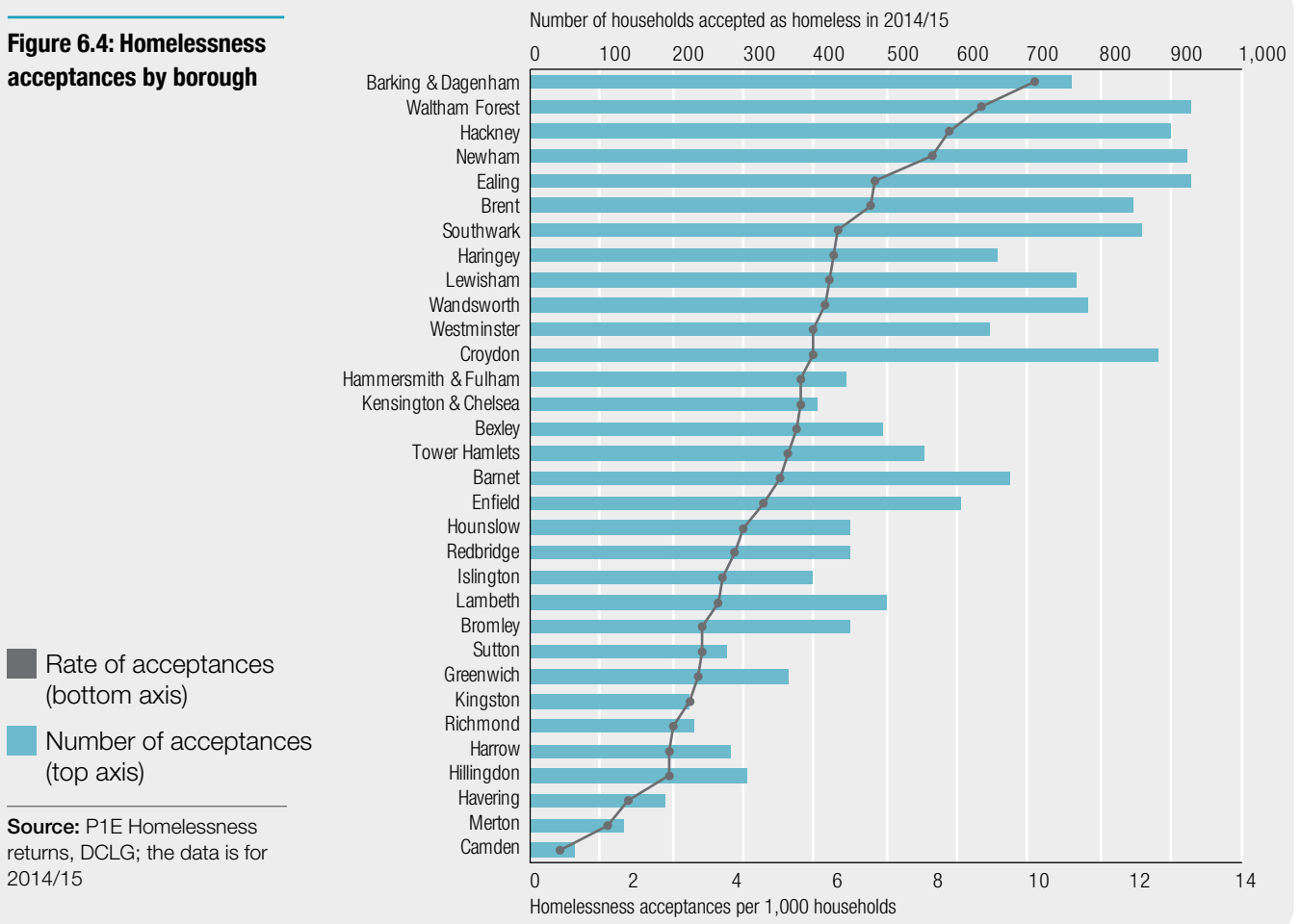
Source: P1E Homelessness returns, DCLG; the data is for London

Levels of homelessness in London are more than double that in the rest of England. 5.1 households were accepted as homeless in London for every 1,000 households in 2014/15; in the rest of England the figure was 1.9. But Figure 6.4 shows how this level varies within London. Barking & Dagenham had the highest levels of homelessness in London with 9.9 homelessness acceptances for every 1,000 households (this is equivalent to 1% of households being accepted as homeless). The next highest boroughs are also in East London – Waltham Forest (8.8), Hackney (8.2) and Newham (7.9).

Though the Outer South tends to have quite low levels of homelessness acceptances, beyond this there is not a consistent geographical pattern. This could be because the operation of homeless duty varies from place to place – for example in Camden only 64 households were accepted as homeless in 2014/15 a rate of 0.6 per 1,000 households, much lower than its neighbouring boroughs of Islington (3.8), Barnet (4.9) and Westminster (5.6).

However, this low rate in Camden does not mean that a high number of households applied and were ineligible (it also had the lowest number of applications at 105). Local advice charities have emphasised that Camden has adopted a *pathways* approach and attempts to help potentially homeless families to find settled accommodation outside of the statutory approach. So while Figure 6.4 shows levels of homelessness, it reflects borough procedures. High levels of homelessness mean that a large numbers of families are severely in need but also access help from their council through the homelessness duty. A low number could mean a lack of need, an alternative approach to meeting that need or that the need is going unmet.

Figure 6.4: Homelessness acceptances by borough



Source: P1E Homelessness returns, DCLG; the data is for 2014/15

Temporary accommodation

Councils can place homeless households in temporary accommodation while suitable settled accommodation is identified. At the start of 2015 the number of London households living in temporary accommodation was three times higher than the rest of England, at 48,000 and 16,000 respectively.

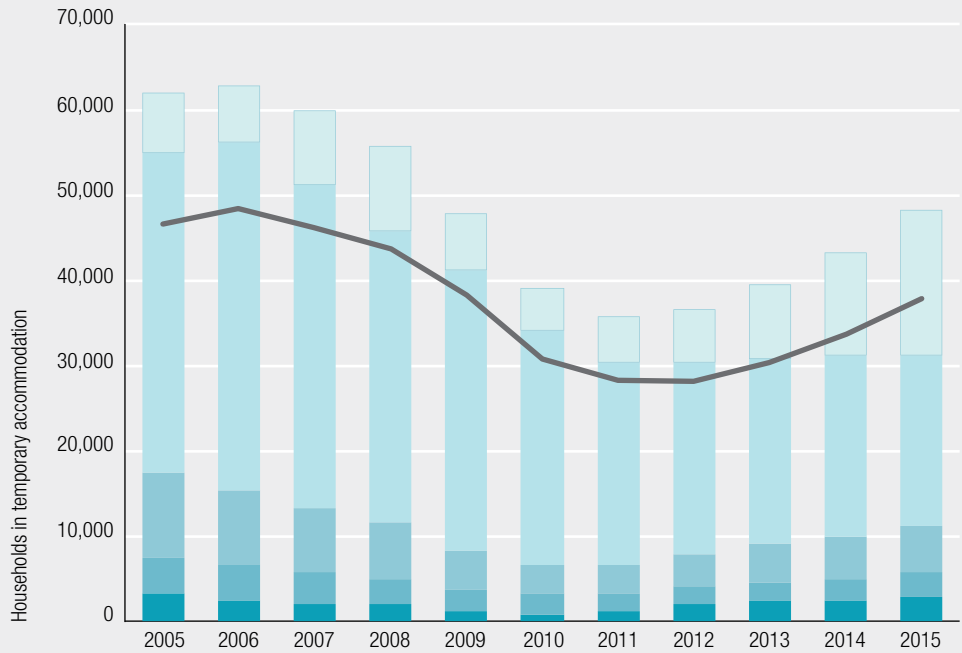
Figure 6.5 shows the number of households in temporary accommodation in London at the end of each year. The number of households in temporary accommodation peaked in the mid-2000s at 63,000 and fell sharply in line with the fall in homelessness acceptances to 36,000 in 2011. But as the number of acceptances has risen so too has the number of households in temporary accommodation, reaching 48,000 at the start of 2015, 38,000 of which (78%) contained children (accounting for 74,000 children).

Of these a minority (12%) were not living in conventional homes: 3,000 were living in B&B accommodation and 2,600 were in a hostel. 5,400 were living in social rented homes but the vast majority (77% or 37,000) were living in the private rented sector. Five years ago, most of these placements in the private rented sector were managed by social landlords or by the council themselves, but since 2010 the number of such placements has remained at 20,000 while the number arranged directly with the landlord has risen from 5,200 to 17,000 in 2015 (including an increase of 5,000 in the last year alone).

Figure 6.5: Temporary accommodation in London over time

- Containing children
- Other PRS
- PRS via LA/HA
- LA/HA stock
- Hostels (including refuges)
- B&B

Source: P1E Homelessness returns, DCLG; the data is for London

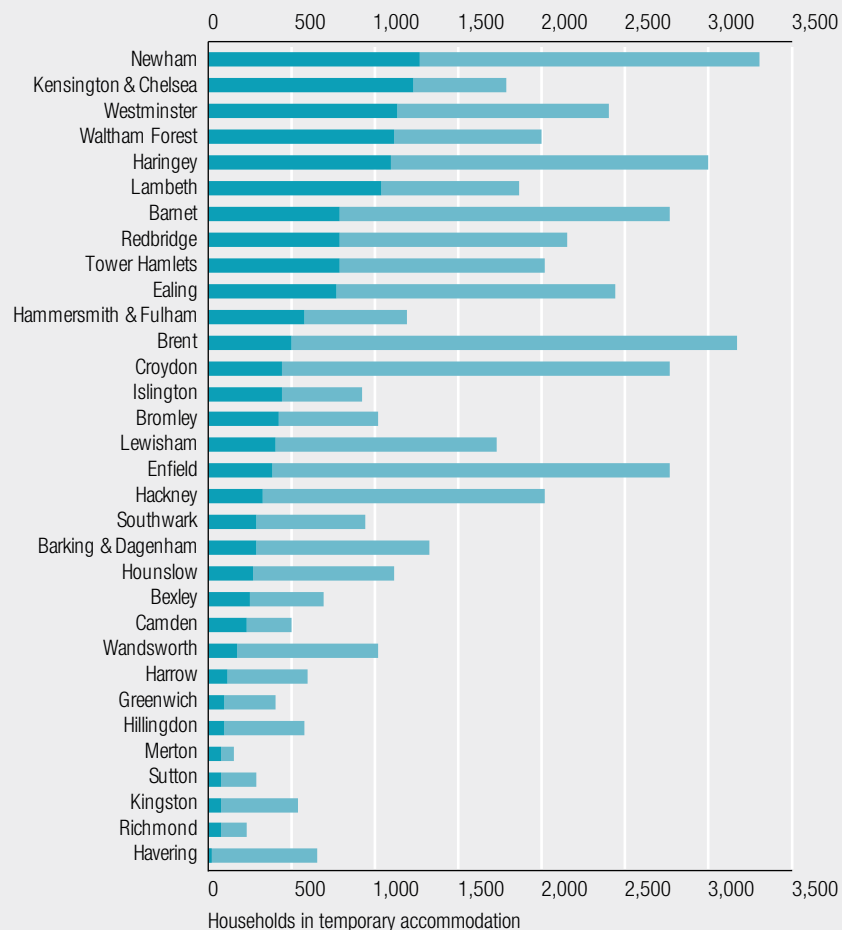


At the start of 2015 15,600 households were placed in temporary accommodation by a London borough outside of that borough (a third of all placements). Figure 6.6 shows the number of households living in temporary accommodation by each London borough and the number placed outside of that council's area.

Figure 6.6: Temporary accommodation placements by borough

- Outside of borough
- Within borough

Source: P1E Homelessness returns, DCLG; the data is for the end of March 2015



In total, 3,300 households were housed by Newham council in temporary accommodation at the start of 2015, the highest of all London boroughs. 1,300 of them were living outside Newham. Brent had the next highest number of households in temporary accommodation at 3,200 but most of them were housed within Brent itself with 500 living outside of the borough. Kensington & Chelsea has the highest proportion of households in temporary accommodation placed outside of its area, with 1,200 of its 1,800 households placed outside of the borough (two-thirds).

Again there is no clear geographical pattern to the number of households in temporary accommodation and the proportion of which are placed outside their borough. In theory the most expensive Inner London boroughs have the biggest financial restrictions in their temporary accommodation options and may be more likely to look outside the borough boundary. But Merton, Waltham Forest and Lambeth, far from the most expensive boroughs, are the only other boroughs with more than half of their temporary accommodation households placed outside of the borough. This lack of geographical pattern highlights the huge variation in how councils respond to their duty to support their residents most in need.

But moving out of the borough is not the same as moving out of London. Freedom of Information requests to London boroughs by *The Independent* found that 2,700 London families had been moved out of London altogether in the previous two years. ^[12] Figure 6.6 shows that in one year, London boroughs placed 15,600 families outside their boroughs, of 64,000 total placements. This suggests that around one in twelve out-of-borough placements, and one in fifty of all placements, are made out of London. This suggests that there is huge movement within London, with boroughs both placing families outside their boundaries and housing families from other boroughs.

Households remain in temporary accommodation under the local authority's homelessness duty until they have moved to settled accommodation or lose their entitlement to assistance, at which point the council has 'discharged' its duty. Figure 6.7 compares the destinations of households no longer classified as statutory homeless in London in 2014 with 2011; in both years 12,000 households were discharged.

In 2014 most of those 12,000 households (7,100) were discharged into an assured tenancy agreement (a long-term tenancy agreement with a registered social landlord). Another 250 rejected such an offer and were no longer eligible for assistance. Both of these figures are slightly lower than in 2011.

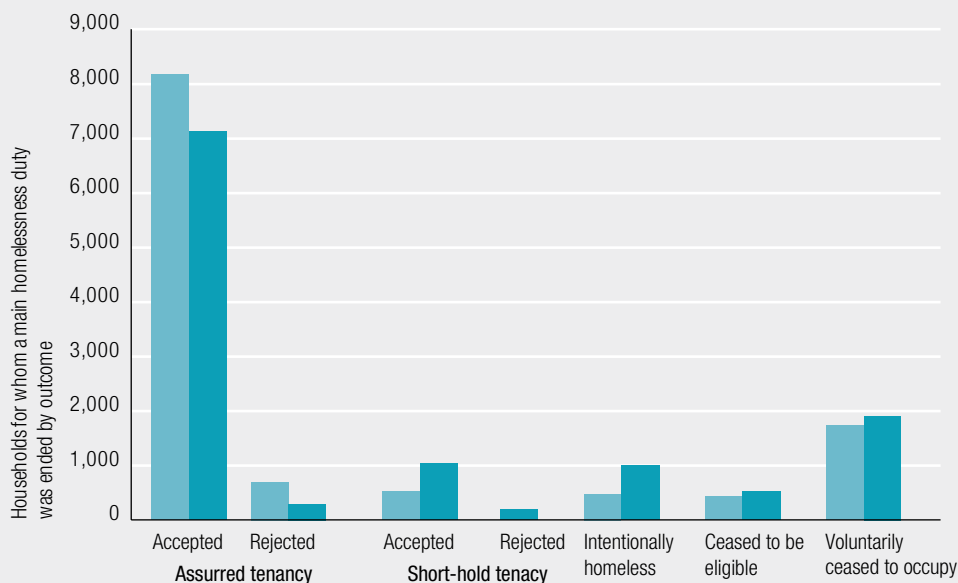
1,000 households moved into a shorthold tenancy (in the private rented sector) in 2014. While this is still a minority of households (9%), it is double the number of 2011. Since November 2012 the Localism Act has allowed local authorities to discharge their homeless duty to the private rented sector regardless of the household's preferences. The initial tenancy must be for at least a year and deemed suitable for the household. Previously a household could reject such an offer and remain within the homelessness duty. In 2014 150 households that were discharged had rejected such an offer (in 2011 they would have remained under the duty). The number of households losing their entitlement to assistance because they were deemed to be intentionally homeless has also sharply increased, doubling from 460 in 2011 to 980 in 2014.

[12] <http://ind.pn/1KXV7P6>

Figure 6.7: Homeless duty outcomes

2011
2014

Source: Homelessness returns, DCLG; the data is for London



Homelessness prevention and relief

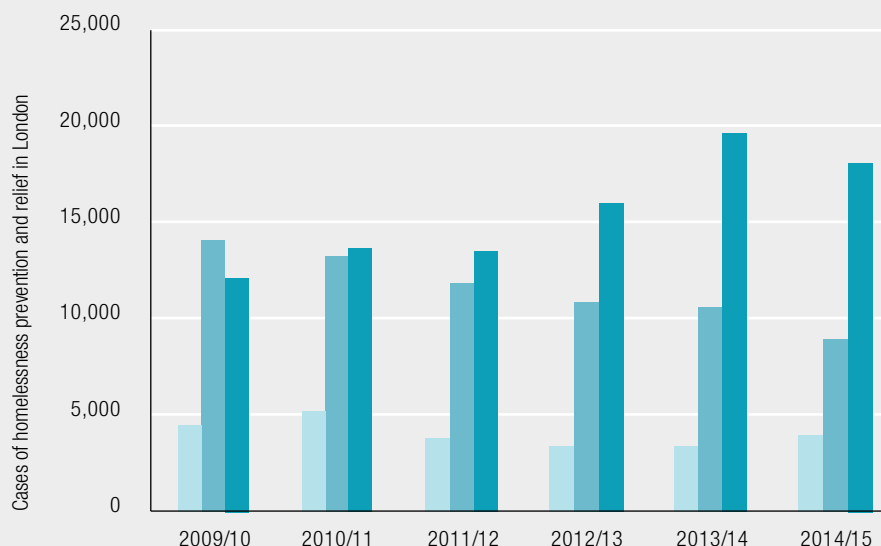
In 2014/15, a total of 31,000 cases of homelessness prevention or relief are estimated to have taken place in London, independent of the council's statutory homelessness duty. In 4,000 of these cases homelessness was relieved (where the council helped someone homeless to secure accommodation, even though the authority is under no statutory duty to do so). But most activities were preventative, helping people avoid homelessness. There were 9,000 cases of homelessness prevention where someone was helped to find alternative accommodation and 18,000 cases where someone was helped to remain in the same home.

The total number of cases of prevention and relief has remained between 30,000 and 34,000 in the last five years, despite the increase in statutory homelessness in London (see Figure 6.8). But the number of cases where people are helped to avoid homelessness by moving has fallen by 5,100 since 2009/10 while the number of cases where they remain in the same home has increased by 6,000. The most common way people were helped to avoid homelessness and remain in their own home in London was through resolving housing benefit problems.

Figure 6.8: Homelessness prevention/relief over time

Relief
Prevention—moves
Prevention—remains

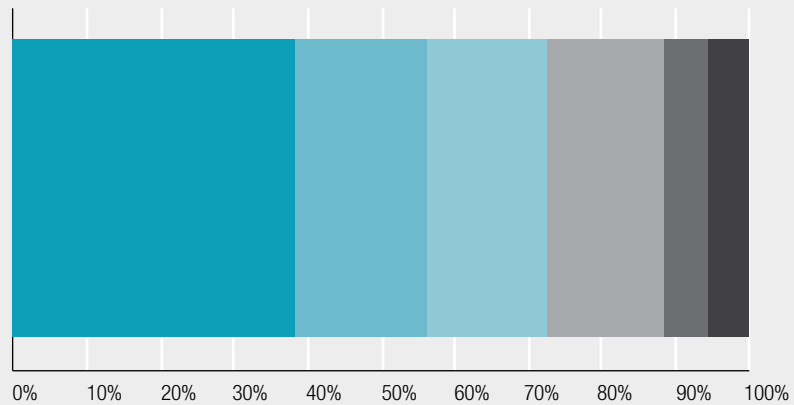
Source: Homelessness returns, DCLG; the data is for London



Of the 11,000 cases in London where homelessness was prevented or relieved and the household moved home, 4,900 cases moved to private rented homes; the next most common destination was supported accommodation (2,300) (see Figure 6.9).

Figure 6.9: Destinations of cases relieved/prevented from homelessness and moving home in London

- PRS
- Supported accommodation
- Social rent
- Other
- Friends/family
- Hostel or HMO



Source: P1E Homelessness returns, DCLG; the data is for London in 2014/15

The number of cases of homelessness prevention or relief recorded in London in 2014/15 was the equivalent of 7.9 per 1,000 households. This is a slightly lower rate than the rest of England at 9.2, despite London's higher level of homelessness acceptances. So London has a higher level of activity within the statutory duty compared with the rest of England, but there is little difference between them in terms of activity outside it.

Commentary

This report contains more good news for reducing poverty in London than the preceding reports: highs in employment, falling out-of-work benefit claims and continued improvements in educational attainment. But this chapter, which focuses on one of the most extreme forms of poverty, contains the reports most alarming trends. 1,000 more people were seen rough sleeping in London in 2014/15 than the year before. The number accepted as statutory homeless by the council has risen for a fifth year to a rate of 5.1 per 1,000 households compared with 1.9 in the rest of England. 48,000 London households were living in temporary accommodation at the end of 2014/15, three times higher than the rest of England put together.

These rises in homelessness are partly the result of the wider problems of affordability in London. With a shortage of affordable housing, the private rented sector now contains growing numbers of low-income households. For the very poorest this tenure can be a gateway to homelessness: almost all the rise in homelessness acceptances in the last five years has been due to the end of a private tenancy.

At the same time it is becoming almost impossible for local authorities to help those who do become homeless. When a household is accepted as homeless it is the local authority's duty to help them find suitable settled accommodation and provide temporary accommodation in the meantime. Both types of accommodation should have rents that fall within the housing benefits limits which have been dramatically cut in London in recent years. In some cases local authorities have no choice but to place

households outside their area or in expensive B&B accommodation in the short term while something more appropriate can be found.

While London has seen considerable improvement in terms of the number of people in employment, a much smaller number of vulnerable households are facing extreme hardship. High rents and cuts in housing benefit are making it harder for the poorest to find somewhere to live and the authorities intended to protect them when they cannot are finding it increasingly difficult to do so.

Worklessness

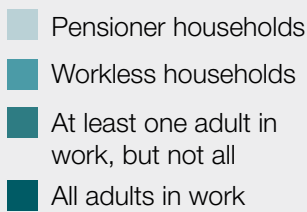
Key points

- The number of unemployed adults in London fell by 75,000 between 2013 and 2014, and is now at its lowest level since 2008. Women make up an increasing share of the unemployed, with almost as many unemployed women as men.
- The unemployment ratio (the number of unemployed adults as a proportion of all working-age adults) was 5.6% in Inner London, 5.2% in Outer London, and 4.8% in the rest of England in 2014. Over the past 20 years, Inner London has experienced a massive improvement in the unemployment ratio; it has halved since the mid-1990s.
- The unemployment picture is more mixed at the borough level, with seven boroughs experiencing an increase in the unemployment ratio between 2009–11 and 2012–14, mostly in Outer London. The highest unemployment ratios are in the east London boroughs of Barking & Dagenham, Tower Hamlets and Newham.
- The unemployment ratio for 16 to 24-year-olds in London, at 10.7%, is 2.5 times higher than for adults aged 25 to 64; but the gap with young adults in the rest of England has closed. Young adult unemployment ratios started rising in the early to mid-2000s, well before the recession.
- Underemployment fell by 1.7 percentage points between 2013 and 2014, mostly due to declining unemployment. Despite this, it still remains above pre-recession levels.
- The number of people in workless households has fallen considerably over the last 20 years from nearly 20% to less than 10%. Since the recession, there is a smaller proportion of people in households where all adults work but more in households where some work.
- Worklessness differs by gender and country of birth, with women and those from certain countries such as Somalia and Turkey tending to have higher rates.
- Half of working-age disabled adults in London are workless, a proportion twice as high as non-disabled adults.
- The number of temporary and involuntary temporary contracts is at a ten year high in London in 2014. These contract types have increased more quickly in London than the rest of England.

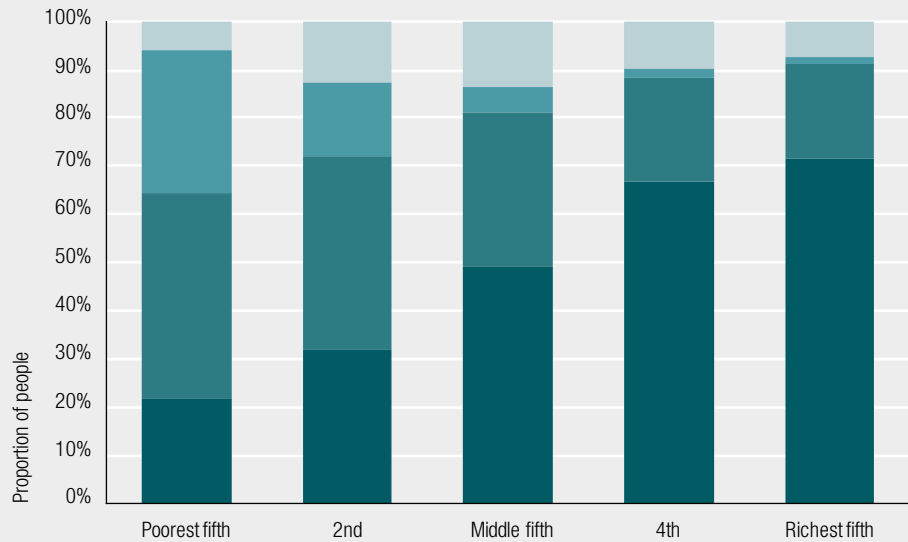
Introduction

This chapter looks at problems around a lack of work or a lack of decent work in London. Being in employment or not is a key factor for determining whether a household is in poverty or not, though the pay rates (as covered in the following chapter), number of hours and quality of the work are also important. Figure 7.1 demonstrates this strong link between employment and income.

Figure 7.1: Household work status and the income distribution

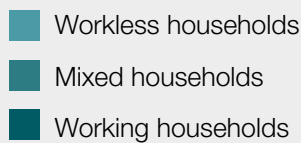


Source: Households Below Average Income, DWP. The data is a three year average for 2011/12 to 2013/14 for London



It shows the position of people in the income distribution by whether they are in households where all adults work, only some work, none work, or all adults are of pension age. Full-working families are predominantly found in higher income quintiles. But nonetheless over a fifth of those in the bottom quintile are in households where all adults are in work. Households where some adults work and some do not are common across the entire distribution, but tend to be more heavily concentrated towards the bottom. At 43% they make up the largest group in the bottom fifth. Workless households, are overwhelmingly at the bottom of the income distribution, and make up 30% of people in households in the bottom fifth.

Figure 7.2: Change in household work status over time



Source: Working and Workless Households, ONS.

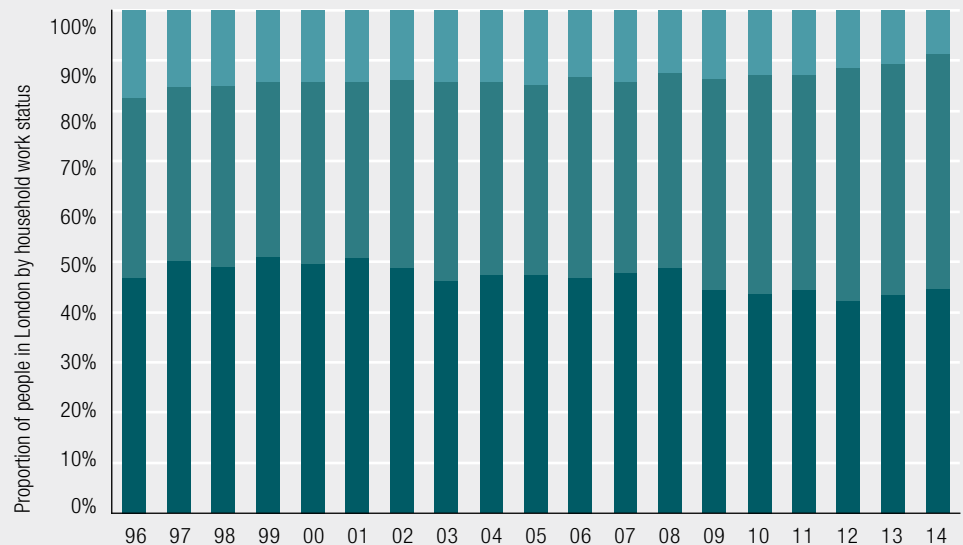


Figure 7.2 shows how household work status has changed over time in London (excluding pensioner-only households). From a poverty perspective, it is good that the proportion of people in workless households has decreased: falling from around 15%–18% in the late 1990s to now under 10%. In terms of numbers, there were on average 710,000 people in workless households in the late 1990s, compared with 635,000 on average between 2010 and 2014. There has also been a growth in households where some but not all adults work. Between the 1990s and 2007, people in these households made up around 35% to 38% of the total. However, since the recession, these have grown considerably and in recent years people in these households account for almost half of the total. This is significant as these households are more likely to be susceptible to in-work poverty, with one person’s earnings spread across two adults and any children. There were 2.7 million people in these households in 2014, up by around one million compared with 15 years previously.

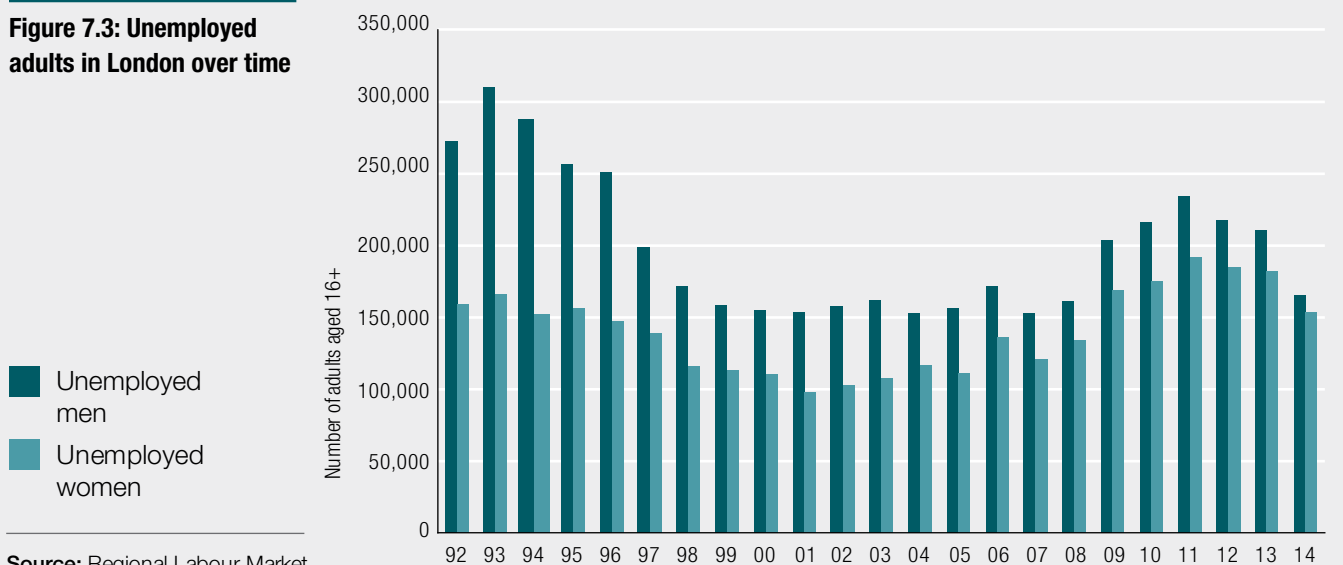
Before the recession around half of people in London were in households where all adults worked but this has fallen to 45% in 2014. This proportion is also lower than the England average of 51%. But the proportion of people in mixed working households in London (at 47%) is higher than the England average (at 38%).

The remainder of this chapter looks at the work status of individuals. While we generally look at worklessness as a ‘bad’ thing in terms of poverty it is important to remember that only a small proportion of people live in workless households and many workless people will live in a household where someone is in work. Nonetheless those households containing at least one workless person have a higher risk of poverty.

Unemployment

Unemployment is definitely undesirable as this reflects those without a job who are seeking work and available to start within a short timespan. In 2014 there were 320,000 unemployed people living in London. 53% of unemployed people were men. Figure 7.3 shows how this has changed over time.

Figure 7.3: Unemployed adults in London over time



Source: Regional Labour Market Statistics, ONS.

Previous reports in this series have illustrated unemployment numbers over time through the use of the claimant count, or the number of people receiving Jobseeker's Allowance (JSA). This is an increasingly inadequate measure of unemployment: in 2014, only 38% of those unemployed were receiving JSA. This falling proportion of unemployed people receiving JSA is a UK-wide trend, although the proportion is lower in London than the UK as a whole.

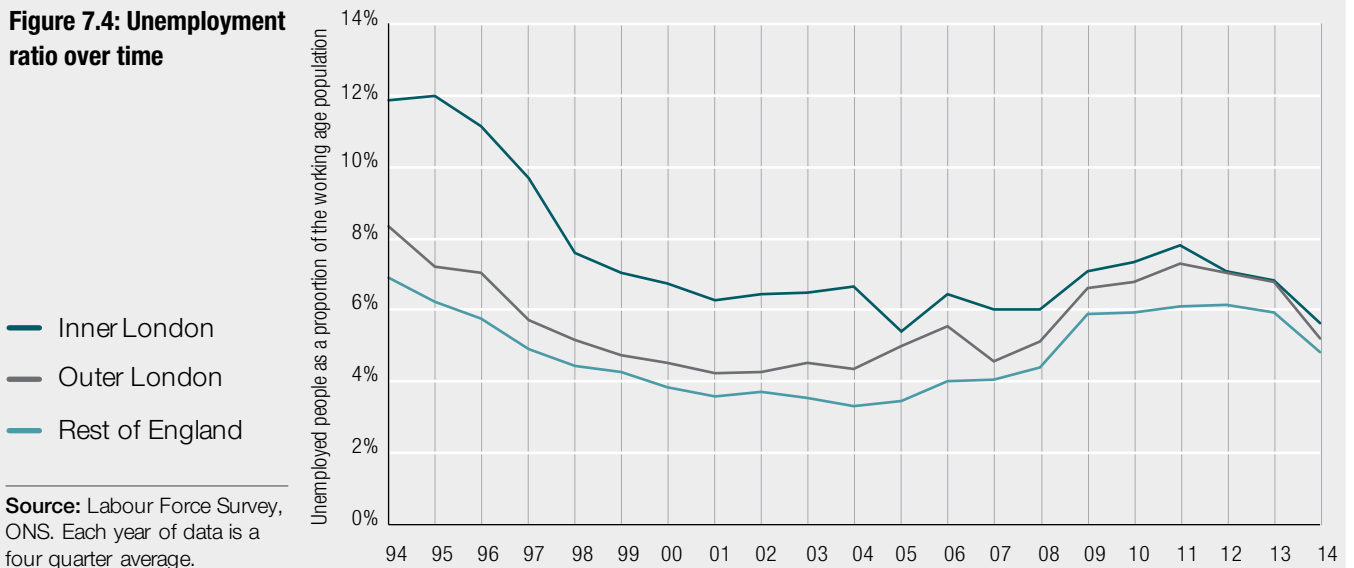
The number of unemployed people in 2014 was 75,000 fewer than 2013, with male unemployment falling more than female unemployment. After the 2008/09 recession and subsequent stagnation, unemployment in London peaked at 425,000 in 2011, with men making up 55% of the unemployed. The number of unemployed people is now at its lowest since 2008.

One of the key trends shown in Figure 7.3 is the convergence between male and female unemployment. In the 1990s an average of 62% of the unemployed were men. In the last five years, the average has been 54%. This may be due to an increased proportion of women who are economically active, i.e. working or actively looking for and available for work.

While the numbers in Figure 7.3 are important, it covers a time period when the population of London was growing quickly so it is also important to look at unemployment as a share of the working-age population (the unemployment ratio) which Figure 7.4 shows.

In 2014, the unemployment ratio was slightly higher in London than the rest of England. The ratio in Inner London in 2014 was 5.6%; Outer London was 5.2%; and the rest of England was slightly lower at 4.8%. This represents a very substantial convergence over time, mainly due to a much improved labour market performance in Inner London. In 1994, over 16% of the working-age population of Inner London were unemployed. By 2001, this had declined to 7.3%.

Figure 7.4: Unemployment ratio over time

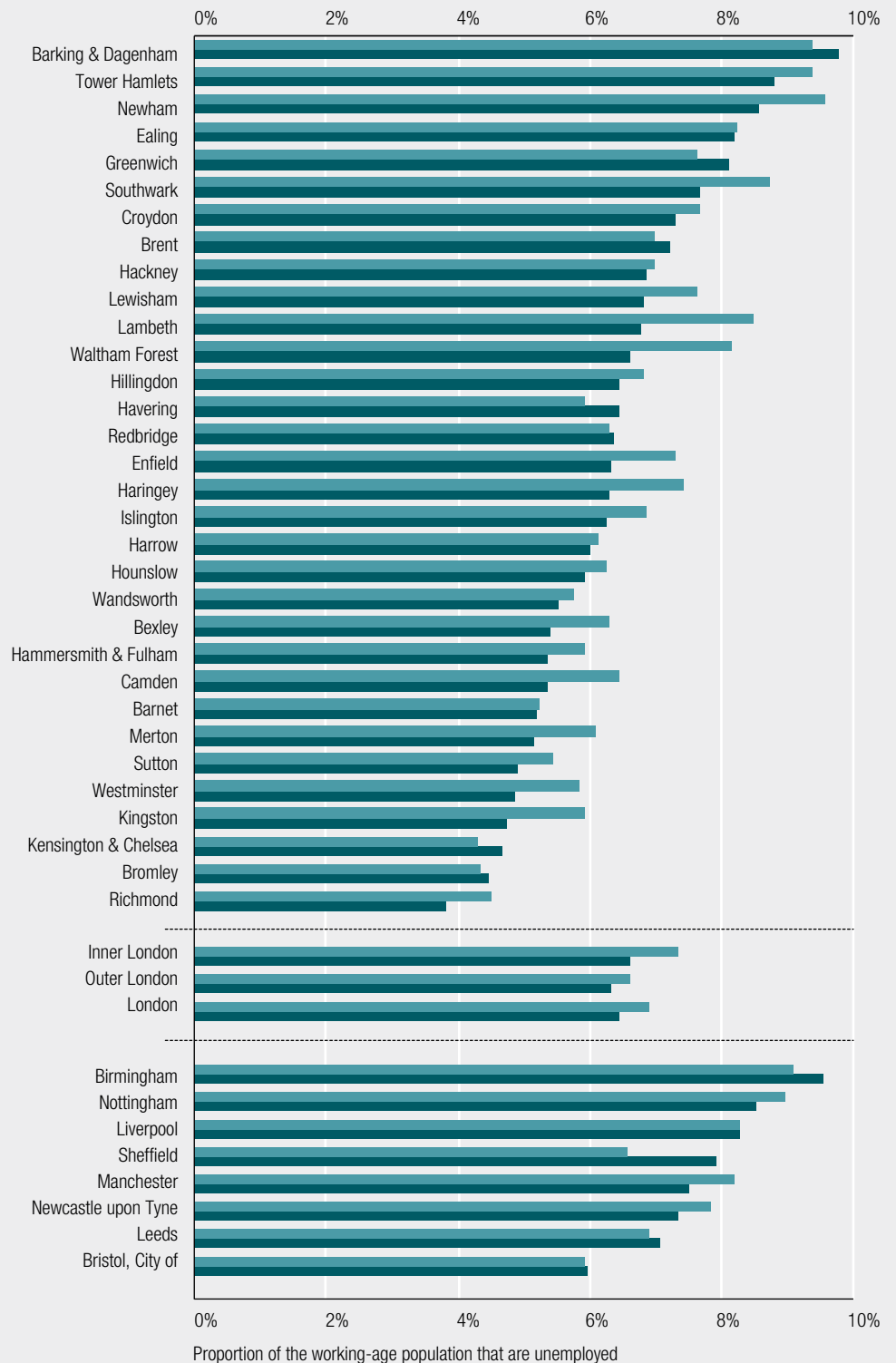


Source: Labour Force Survey, ONS. Each year of data is a four quarter average.

In the 1990s, the unemployment ratio in Inner London was five percentage points higher than the rest of England, whereas Outer London was on average 1 percentage point higher. The gap between Inner London and the rest of England has declined nearly every year in the time series shown, to 0.8 percentage points higher in 2014. The gap between Outer London and the rest of England has also generally declined.

But these overall levels mask significant variation in the unemployment ratio within London (see Figure 7.5). Looking specifically at the time period between 2009–11 and 2012–14, the unemployment ratio came down by 0.5 percentage points in London: down by 0.7 percentage points in Inner London and 0.3 in Outer London. However, seven boroughs experienced an increase in the unemployment ratio between these time periods, with the largest being Havering with a 0.5 percentage point increase to 6.5 percentage points. Of these seven boroughs with an increased unemployment ratio, six are in Outer London, with Kensington & Chelsea the exception. At the other extreme, there were nine boroughs that had a fall in the unemployment ratio that was double the London average. Six of these were Inner London boroughs, and the largest fall was Lambeth at 1.7 percentage points.

Figure 7.5: Unemployment ratio by borough



Source: Annual Population Survey via NOMIS, ONS

The three boroughs with the highest unemployment ratios are all in east London: Barking & Dagenham (9.8%), Tower Hamlets (8.8%) and Newham (8.6%).

London has a better unemployment picture than some of the other English core cities however, most of which have seen either no change or a worsening unemployment ratio. For example, Sheffield's unemployment ratio has increased by 1.3 percentage points. Newcastle-upon-Tyne and Manchester (narrowly defined) have done as well or better over the last few years, but still have higher ratios overall than London.

The level of unemployment also varies with age (see Figure 7.6). The unemployment ratio for 16 to 24-year-olds is effectively the same in both London and the rest of England in the most recent year at 10.7% and 10.6% respectively. The rate for those aged 25 to 64 is 0.8 percentage points higher in London at 4.3. This means unemployment in London is two and a half times higher for 16 to 24-year-olds than it is for those aged 25 to 64.

Figure 7.6: Unemployment by age

- London aged 16–24
- Rest of England aged 16–24
- London aged 25–64
- Rest of England aged 25–64

Source: Labour Force Survey, ONS. Each year of data is a four quarter average.

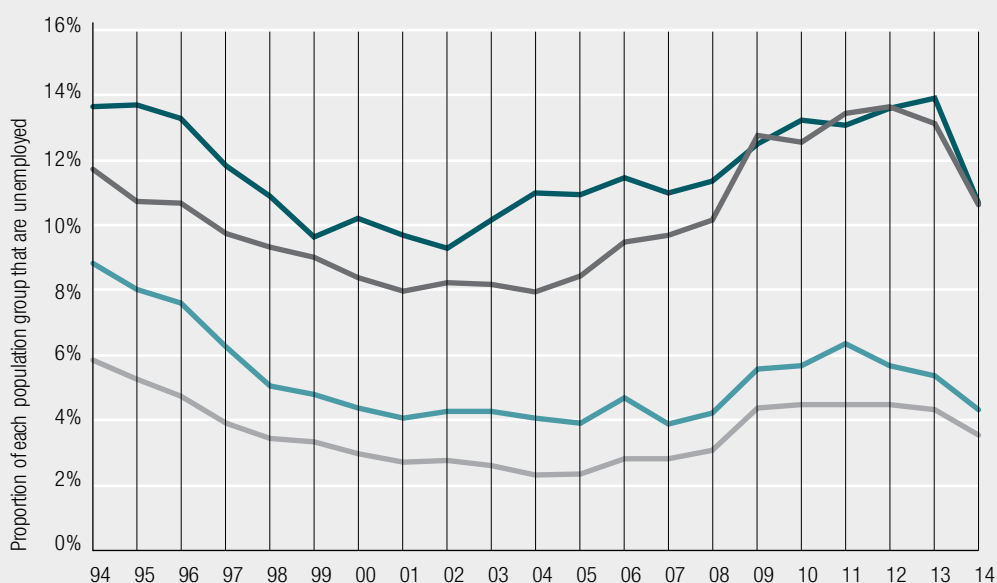


Figure 7.6 shows that compared with the earlier years, there has been a convergence between London and the rest of England unemployment ratios, with London historically tending to be higher.^[13] In the 1990s, the 16 to 24-year-old unemployment ratio was almost two percentage points higher on average in London (in 1995 it was 13.7% compared with 10.7%). This was also the case for the 25 to 64-year-old ratio; in 1995 the level in London was 8% compared with 5.3% in the rest of England. This gap fell steadily throughout the 2000s.

Strikingly, the unemployment ratios for 16 to 24-year-olds started increasing well before the recession in 2008, whereas the impact for those aged 25 to 64 was much smaller in both London and the rest of England. In London in 2007, before the recession, the unemployment ratio for 16 to 24-year-olds was already at 11%, 1.7 percentage points higher than the 2002 low point. The ratio then rose a further 2.9 percentage points to its 2013 peak.

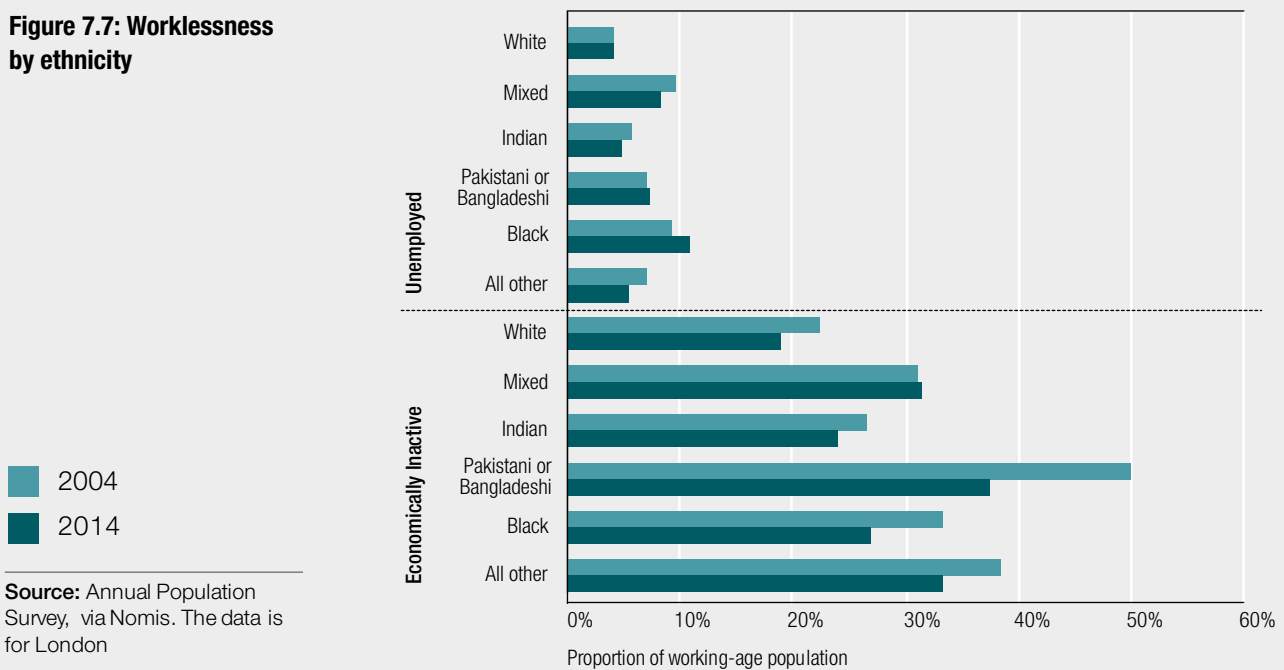
[13] In previous editions of this report we have shown unemployment as a proportion of the economically active population rather than as a proportion of the whole population. We have changed this in line with international practices (e.g. Eurostat). The previous measure can exaggerate changes in unemployment as young adults have a small economically active population which can be misleading when comparing them with other groups.

Worklessness

Next we look at all people lacking work which is a broader measure than unemployment. People who lack work, but who are not classified as unemployed, are those who are not able, available or wanting to work, for example due to caring responsibilities or ill-health.

Figure 7.7 shows worklessness by ethnicity. On the top it shows the proportion of working-age people who are unemployed and on the bottom the proportion who are workless but not unemployed (those who are not actively seeking and available to start work – ‘economically inactive’). It shows that unemployment is highest among people of Black ethnicity at 11%, the next highest rate was among those of mixed ethnicity at 8%; the lowest was among those of White ethnicity at 4%. Compared with 10 years earlier, the level of unemployment is slightly higher in 2014 than 2004 among Black ethnic groups and slightly lower among Mixed, Indian and Other ethnic groups. While these changes are small and not statistically significant it appears that the higher unemployment levels among Black ethnic groups in London have not improved while for other ethnic minorities it has.

Figure 7.7: Worklessness by ethnicity



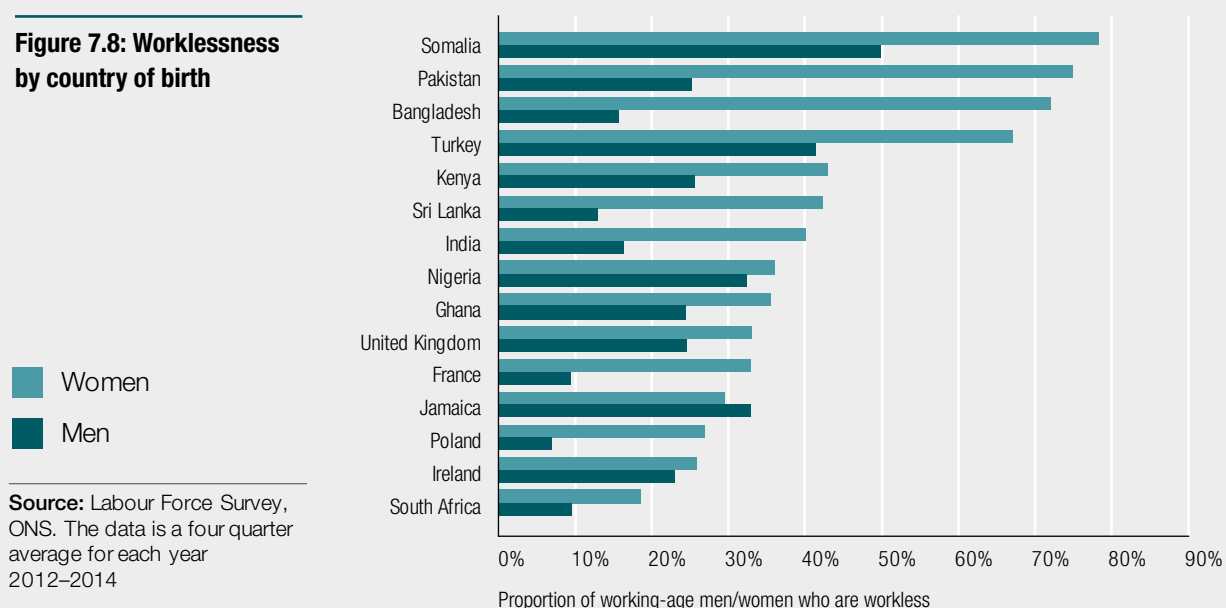
Source: Annual Population Survey, via Nomis. The data is for London

In terms of the proportion of people who are economically inactive, it is highest among Pakistani and Bangladeshi ethnic groups at 38%. Previous editions of this report have shown that this is largely due to particularly high levels of economic inactivity among Pakistani and Bangladeshi women and that this gender gap is less pronounced among other ethnic groups. The proportion of working-age people who are economically inactive fell across all ethnic groups excluding those of mixed ethnicity for whom it was unchanged.

Taking unemployment and economic inactivity together, levels of worklessness were highest among Pakistani and Bangladeshi ethnic groups. Also, overall levels of worklessness were lower for all ethnic groups in 2014 than in 2004. The rise in unemployment among Black ethnic groups was smaller than the fall in economic activity so overall levels of worklessness have still fallen.

Figure 7.8 shows the proportion of working-age men and women who are workless (unemployed or economically inactive) by their country of birth. These are the countries with the largest populations in London (as shown in more detail in Chapter 2). The first key point is that in all but one case (Jamaica), female worklessness rates are higher than males by an average of 11 percentage points. Differences between genders are explained by levels of economic inactivity, which suggests a large caring component. However, this differs dramatically between different countries of birth: for example, female worklessness among those born in Nigeria is four percentage points higher than for men, whereas it is 56 percentage points higher for those born in Bangladesh.

Figure 7.8: Worklessness by country of birth



Source: Labour Force Survey, ONS. The data is a four quarter average for each year 2012–2014

There are also differences between countries: overall, 14% of those born in South Africa were workless compared with 66% of those from Somalia. One important distinguishing factor here is the entry route to the UK that people born in these countries take. If it is through an established labour market route such as a non-EU citizen coming in with a working visa, then lower levels of worklessness would be expected compared with, for example, many Somalis coming through the asylum-seeking process. Another contributing factor to these inter-country differences is that London universities have some of the highest international student recruitment numbers, and some countries may be overrepresented.^[14] Students are more likely to be economically inactive than working.

One other key point is that despite high headline worklessness rates for some of these groups, they may still be quite insignificant in the context of worklessness in London overall. For example, Somalis make up 2% of all workless working-age adults in London. People born in the UK make up 53% of worklessness in London.

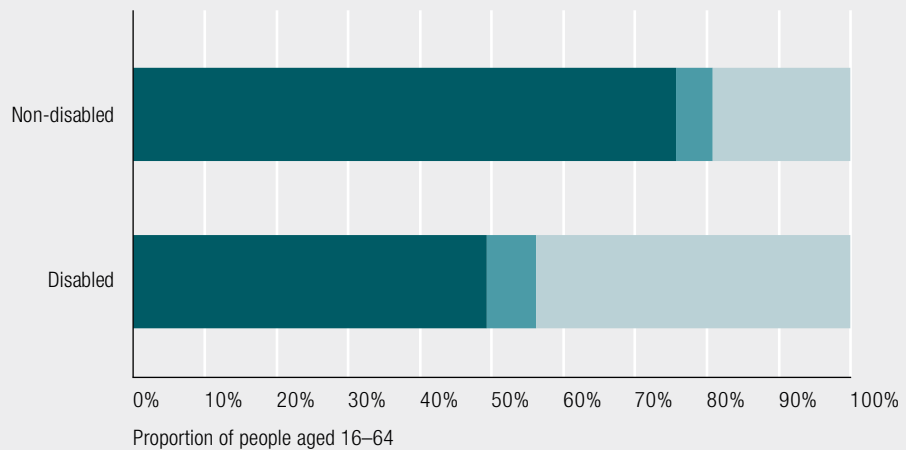
Disability is a large component of worklessness in London. 16% of the working-age population of London are disabled people, but 29% of the workless population are. In London as a whole, 51% of working-age disabled people are workless; 7% are unemployed and 44% are economically inactive (see Figure 7.9). In contrast, 24% of non-disabled people are workless. Disabled people are more likely to be both unemployed and economically inactive than non-disabled people.

[14] See <http://bit.ly/1FRP93q>

Figure 7.9: Worklessness and disability

Employed
 Unemployed
 Inactive

Source: Annual Population Survey via NOMIS, ONS. The data is for 2014 for London.



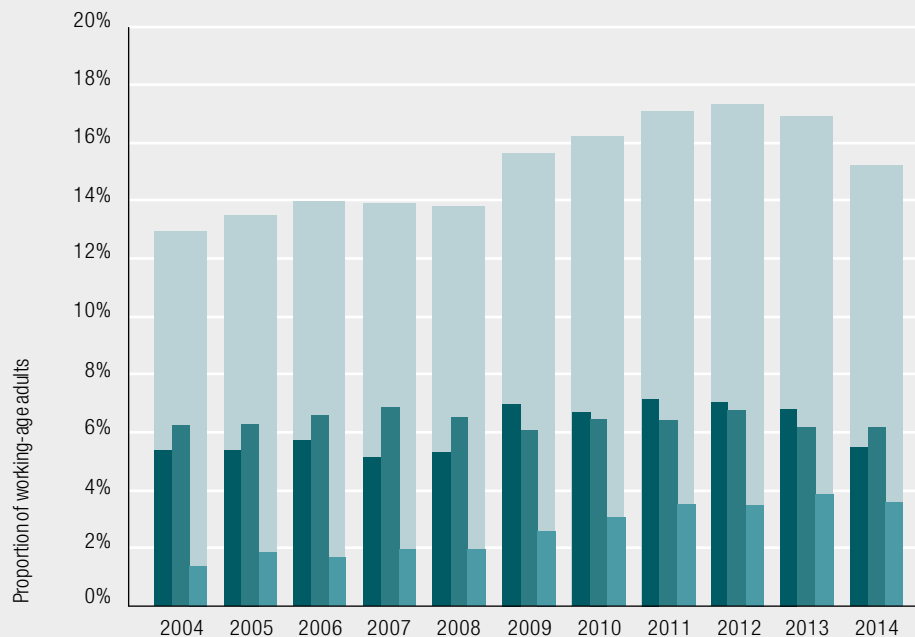
Underemployment

Lastly this chapter turns to underemployment. This is a measure that attempts to reflect the total number of people lacking work i.e. workless and wanting work or working but wanting more hours. Figure 7.10 shows that in 2014, 15% of the working-age population of London were underemployed, equivalent to 880,000 adults.

Figure 7.10: Underemployment over time

Unemployed
 Inactive but wanting work
 Part-time wanting full-time
 Underemployed total

Source: Regional Labour Market Statistics, ONS. The data is for London



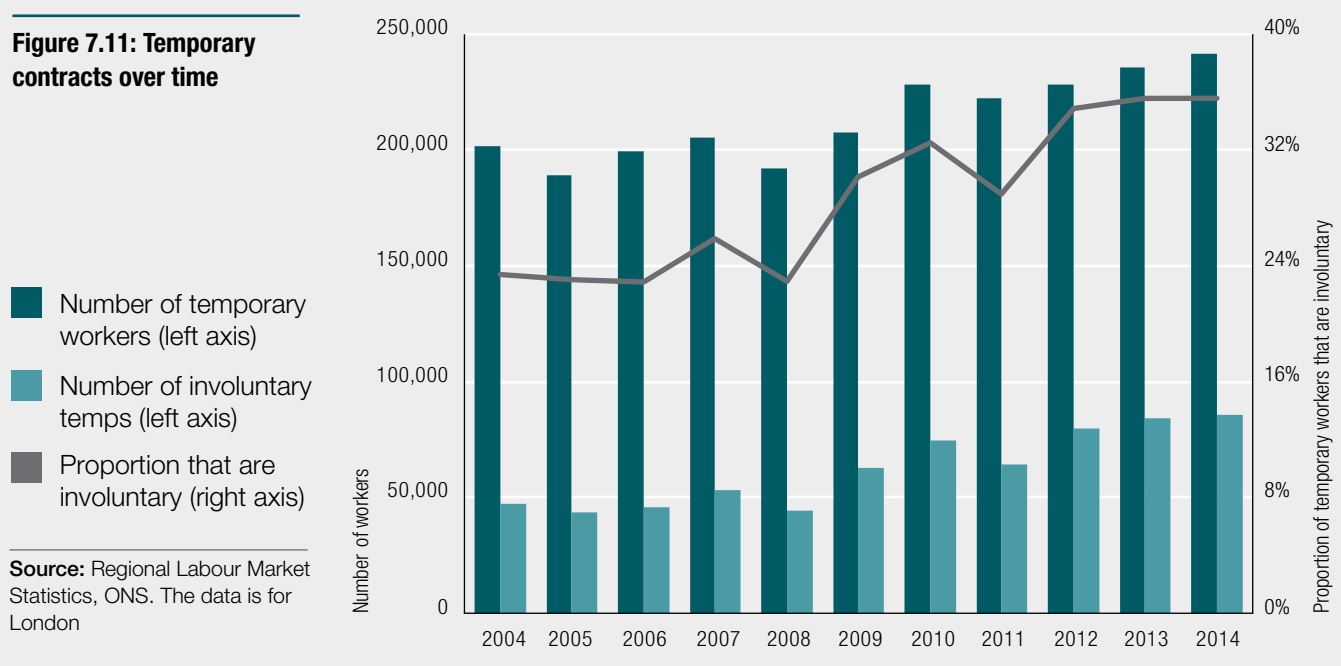
The biggest single component was the economically inactive who wanted work: around 6% of the working-age population or 360,000 people. Unemployed people were the next largest component, 5.5% of the working-age population or 320,000 people, then those working part-time wanting full-time work (3.6% or 210,000 people).

The underemployment ratio fell by 1.7 percentage points between 2013 and 2014, a significant decrease. This was nearly all driven by falling unemployment, which declined from 6.8% of the working-age population to 5.5%. The proportion of the population who are part-time workers wanting full-time fell by a smaller 0.3 percentage points, whereas there was no decline in those who are inactive but want work.

Despite this big fall, the total underemployment ratio in 2014 remains a percentage point higher than in the pre-crash years. The biggest contribution to this growth is the rise of part-time wanting full-time work, which is 1.6 percentage points higher than in 2008.

Figure 7.11 looks at temporary contracts, which can be a manifestation of insecurity at work. Temporary employment contracts can suit some people, for example students over a summer break, but can also be the result of failing to find a permanent job. Both the number of temporary contracts and involuntary temporary contracts were at their highest on the available data in 2014, standing at 240,000 of which 86,000 were involuntary. Involuntary refers to those where the worker has only taken a temporary contract because they could not find a permanent job. This element of the labour market has not improved in the last few years, unlike most others, though an unwanted temporary contract is likely to be preferable to unemployment. In 2014, temporary contracts made up around 6% of all employment in London.

Figure 7.11: Temporary contracts over time



Source: Regional Labour Market Statistics, ONS. The data is for London

35% of temporary contracts were involuntary in 2014, a broadly similar figure to 2012 and 2013. This proportion increased sharply during the recession, and had been fairly stable at around a quarter of all temporary contracts in the pre-recession years. Another way to think about this increase is that between 2004 and 2014, the number of temporary contracts increased by 40,000 or 20%. The number of involuntary temporary contracts increased by around 39,000 or 81% over this same period. In other words, almost the entire increase in temporary employment contracts over this period was among people who would have preferred a permanent position.

London experienced a sharper increase in this type of work than the rest of England. The percentage increase in the number of temporary contracts was 20% in London compared with 15% in the rest of England, while the increase in involuntary temporary contracts was 80% and 61% respectively.

Commentary

In many ways, London's labour market is now recovering from the recession. The employment rate is near an all-time high, both unemployment numbers and the ratio are falling sharply, and underemployment is approaching pre-recession levels. This is good news. However, there is another side to the employment picture.

Some areas in London are doing much worse than others. Unemployment remains twice as high for young adults than it does for those aged 25 and over. The employment rate for disabled people is 25 percentage points lower than for non-disabled people, with a higher proportion of inactive and unemployed people. Despite falls in economic inactivity, improvements in unemployment have been minimal or non-existent for many ethnic minorities. The numbers of people on a temporary contract because they could not find permanent work is also at a high. The decline in fully working households during the recession has not yet been reversed. In sum, while many of these factors are improving, the proceeds of a stronger labour market have not been shared as widely as hoped.

However, things are likely to improve for these more marginalised groups if the labour market continues to strengthen. As workless people who are closest to the labour market are employed, growing companies will need to turn to those further away to continue to meet demand. However, this assumes that the labour market continues to strengthen. In either case, a public policy response is necessary to ensure that those further from the labour market are in a position to take advantage of a growing economy or are protected from a slowing one.

Introduction

Over the last decade, there has been a substantial increase in the number of people in poverty who are in a working family. Some of this is to do with the increasing number of households who have one working and one non-working member and higher underemployment, as discussed in Chapter 7. The other component to in-work poverty is low pay.

In this chapter, the term low pay is used interchangeably with being paid below the London Living Wage. This chapter excludes the self-employed, as they do not meaningfully have hourly pay rates and so are not in the data. The London Living Wage is calculated by the Greater London Authority, and includes assessing the cost of a basic basket of goods and the amount needed to reach 60% of median income, plus a discretionary amount for emergencies. The London Living Wage at the time of writing is £9.15 an hour, and the new rate will be announced in November. The Living Wage for the rest of the UK is £7.85, while the National Minimum Wage is currently £6.70 an hour^[15]. The new 'national living wage' for those aged 25 and over will be set at £7.20 from April 2016, rising to £9 an hour by 2020. Unlike the minimum wage and the upcoming 'national living wage', the Living Wage is a voluntary measure for employers.

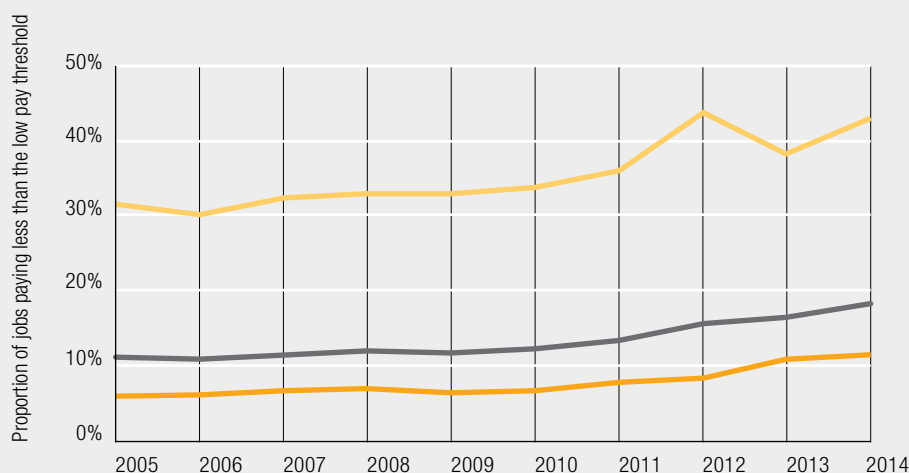
Low-paid jobs

Figure 8.1 shows the proportion of full-time, part-time and all jobs that are paid below the London Living Wage over time. The overall low pay rate in London increased to 18% in 2014. This is an increase of nearly 2 percentage points on 2013, and the increase was driven almost entirely by the number of low-paid part-time jobs. Overall, nearly one in five jobs in London was low paid in 2014. This is almost double the proportion that was low paid in 2005.

Figure 8.1: Low-paid jobs in London over time

■ Part-time
■ All jobs
■ Full-time

Source: Annual Survey of Hours and Earnings, ONS. The data is for London



In 2014, 43% of part-time jobs were paid below the London Living Wage, an increase of nearly 5 percentage points from the previous year. The proportion of full-time jobs that are low paid increased by 0.6 percentage points to just over 11%. In 2014, 78% of jobs in London were full-time positions. This proportion is unchanged compared with 2005.

In the longer term, the proportion of part-time jobs that were low-paid increased from around 30% in 2005 to over 40% in 2014. For full-time jobs the increasing rate of low pay has been a more recent trend. The low pay rate for these jobs was flat at around 6% or 7% until 2010, when the proportion increased sharply. This coincides with the

[15] As of 1st October 2015

time period in which real earnings started to fall in London. To give some idea of this, the London Living Wage rate increased by 16% over this period while the median full-time London hourly wage rate fell 8%. This reflects, among other things, the increasing cost of living in London which is included in the London Living Wage calculation, and falling real wages over this period.

The number of low-paid jobs in London has increased for the fifth consecutive year and stood at just under 700,000 in 2014. This is almost double the number of low-paid jobs in 2005 and 2006. It also represents an 80,000 increase in the number of jobs classified as low-paid since 2013, or a 13% rise; meanwhile the total number of jobs in London increased by 3% over the same period.

Figure 8.2: Change in low-paid jobs in London by gender

■ Men, full-time
■ Men, part-time
■ Women, full-time
■ Women, part-time

Source: Annual Survey of Hours and Earnings, ONS. The data is for London

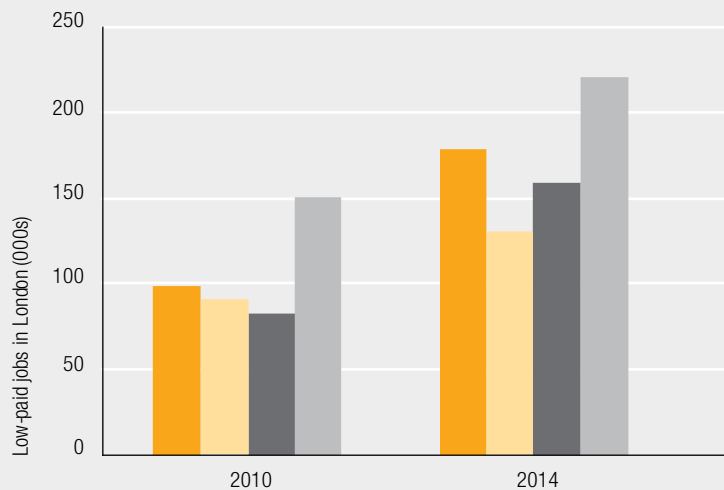


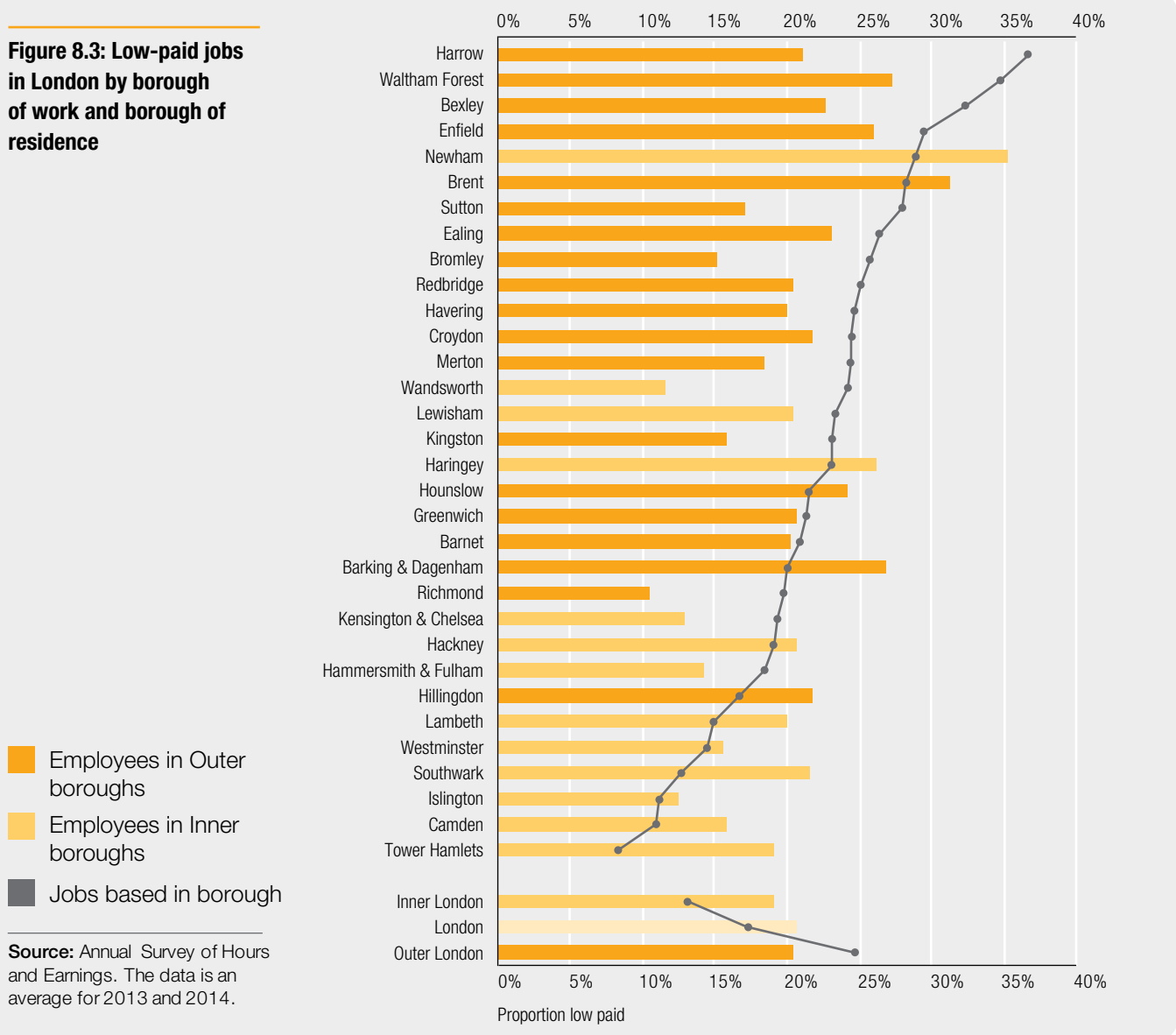
Figure 8.2 looks at the number of low-paid jobs by whether they are part-time or full-time and by whether they are held by men or women. In 2014, the biggest group among the low paid were female part-time employees, with 220,000 or 32% of the total. Male full-time jobs are the next biggest group (180,000 or 26%), followed by female full-time jobs (160,000 or 23%). The smallest group, with around a fifth of the total, are male part-timers.

Since 2010 the number of low-paid jobs in London has increased by at least 50,000 each year. Between 2010 and 2014, the largest component of the increase in the number of low-paid jobs was those held by full-time men, up by 81,000. Female low-paid employment increased by 77,000 for full-time jobs and 70,000 for part-time jobs. The number of low-paid part-time jobs done by men has increased by 41,000. The proportion of low-paid jobs that are full-time in London has increased from 43% in 2010 to 49% in 2014.

Low pay across London

Figure 8.3 looks at low pay by boroughs. It is included because there are two ways of looking at the geography of low pay: by where the jobs are located, and by where the people who work in those jobs live. In a city of commuting like London, these two measures can vary substantially.

Figure 8.3: Low-paid jobs in London by borough of work and borough of residence



Source: Annual Survey of Hours and Earnings. The data is an average for 2013 and 2014.

The line in this graph shows the proportion of jobs that are low paid by where the workplace is. Boroughs further away from the centre of London tend to have a higher proportion of low-paid jobs. Nine of the ten boroughs with the highest proportion of low-paid jobs are in Outer London, and are also spread fairly evenly, with for example Bexley in the Outer East & Northeast sub-region and Harrow in the Outer West & Northwest. The borough with the worst low pay rate is Harrow, with 37% of jobs paid below the London Living Wage, followed by Waltham Forest (35%) and Bexley (33%).

The lowest rate for low pay is in Tower Hamlets (which includes Canary Wharf) with 8% of all jobs low paid, largely because employment tends to be more highly paid in financial and business service jobs. The inner-outer split in the proportion of low-paid jobs is clear here as well: the five boroughs with the lowest low pay rates all border the City of London.

However, central London (Westminster in particular) contains a high number of London's jobs. So while only 14% of jobs in Westminster are low paid, this amounts to about 76,000 low-paid jobs, more than double the number in any other borough. Overall 47% of low-paid jobs are found in Inner London and 53% in Outer London.

The bars in Figure 8.3 show the proportion of low-paid jobs by where the employee lives. So a low-paid worker whose job, say, is in Southwark but lives in Greenwich will

be counted as part of Greenwich's low pay rate when looking at the bars in this graph. The geographic composition differs compared with the low pay by workplace: there is much less difference on this measure between Inner and Outer London, which have low pay rates of 19% and 21% respectively. Newham in Inner London has the worst low pay rate, with 35% of working residents in jobs below the Living Wage. Brent is the second worst, with 31%.

The innermost London boroughs are in the middle of this distribution of low pay, rather than at the bottom. Those who live in these boroughs are more likely to be low paid than those who work in them.

The overall low pay rate for employees resident in London is higher than the workplace rate, at 21%. The difference might arise from those who commute into London for highly paid jobs.

Compared with four years previously, some boroughs have had very large increases in low pay rates. When looking by residence, low pay overall increased by 7% in London. The boroughs with the largest increase in low-paid residents were Haringey, Newham and Waltham Forest, a rather clear geographic concentration. Haringey had an increase from 15% to 26%, Newham from 25% to 35%, and Waltham Forest from 19% to 27%.

Looking at jobs based in boroughs, the biggest three increases were Harrow, Waltham Forest, and Newham. The latter two are also in the former category, whereas Harrow had an average increase by residents. The proportion of jobs in Harrow counted as low paid increased from 21% to 37%, while Waltham Forest increased from 21% to 35%. Newham experienced an increase from 17% to 29%.

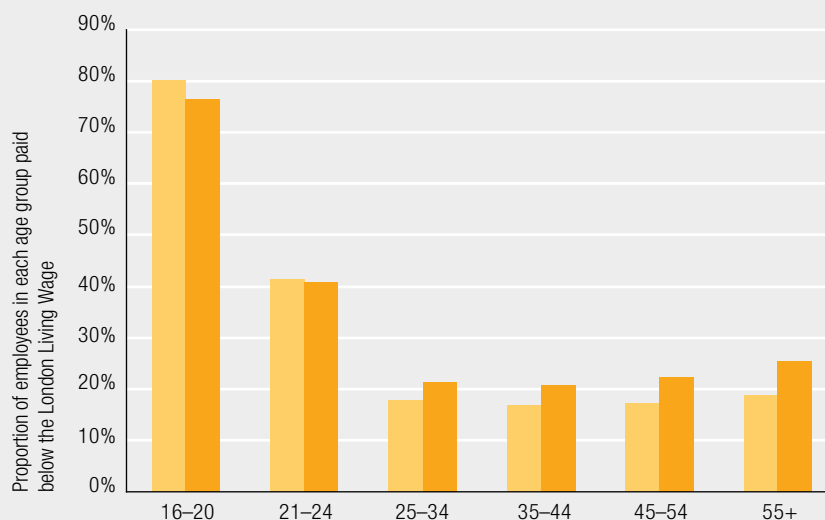
Low-paid people

Next we look at the characteristics of people in low-paid jobs and what types of employees are most likely to be low-paid. Figure 8.4 shows the proportion of employees of each age group that are paid below the London Living Wage.

Figure 8.4: Low-paid employees by age

2010
2014

Source: Labour Force Survey, ONS. The data uses four quarter averages.



The first thing to note from Figure 8.4 is that the low pay rate for 16 to 20-year-olds, at 77%, is almost double that of 21 to 24-year-olds, at 41%, which in turn is almost double that of 25 to 34-year-olds, at 21%. The low pay rate increases again for those aged 55 and over, at 25%.

The low pay rate for 16 to 20-year-olds is down on 2010, though remains very high. For 21 to 24-year-olds it is unchanged, whereas older age groups have seen increases of around four to five percentage points.

The high levels of low pay among young adults are in part a reflection of the lower statutory minimum wage among those aged under 21 (as of October 2015 it was £3.87/hour for under 18s and £5.30/hour for 18-20s)^[16]. Further to this, the 'national living wage' announced in the 2015 summer budget will only apply to those aged 25 and over.

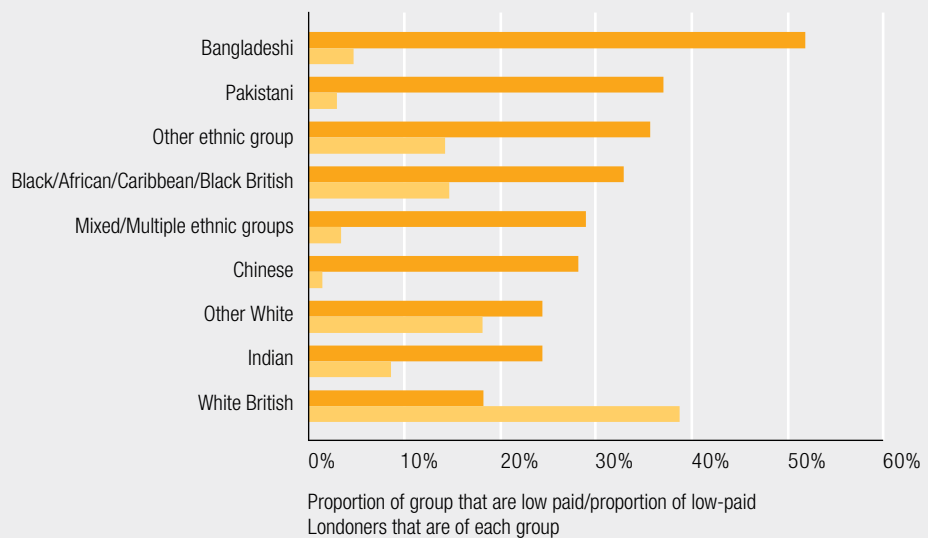
Low pay rates also vary substantially between different ethnic groups. Figure 8.5 shows that the low pay rate for Bangladeshi employees at 52% is three times higher than for those of White British origin (18%). Pakistani and those of other ethnic groups not covered by this categorisation have the next highest rates of low pay, at 37% and 36% respectively. Those of Indian and Other White ethnicity have the lowest proportion of employees paid below the Living Wage after White British, both around 24%.

[16] The statutory minimum is lower for apprentices aged 16 to 18 and those aged 19 or over who are in their first year is even lower at £3.30.

Figure 8.5: Low-paid employees by ethnicity

■ Proportion who are low paid
 ■ Share of all low paid

Source: Labour Force Survey, ONS. The data is a three year average 2012–14.



The relative size of these groups means that the low pay workforce as a whole looks quite different: 38% of the low paid are White British while only 4% are Bangladeshi. Other White and then Black African/Caribbean/Black British are the next largest groups among the low paid, at 17% and 13% of the total respectively.

Figure 8.6: Low-paid jobs by industry

■ Proportion of jobs in the sector that pay below the living wage
 ■ Low paid jobs in this sector as a share of all low-paid jobs

Source: Annual Survey of Hours and Earnings, ONS. The data is for 2014.

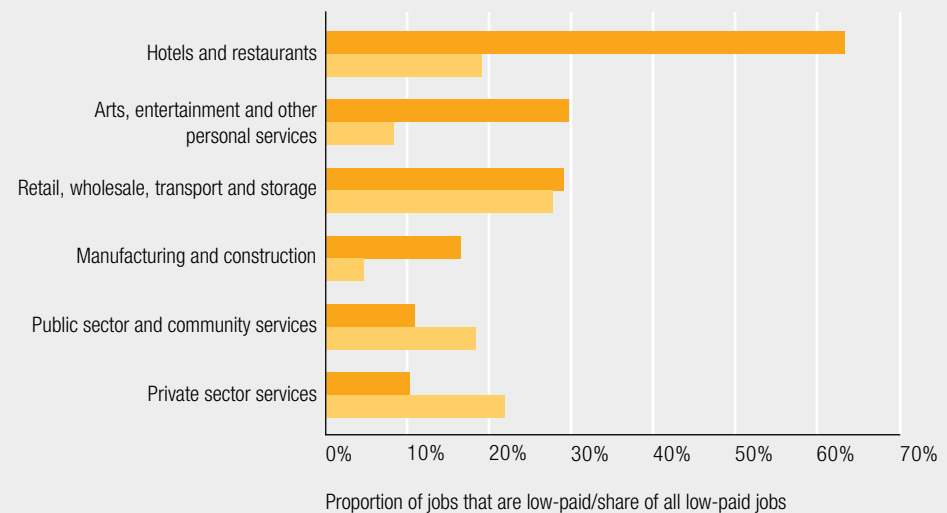


Figure 8.6 compares the industry composition of low-paid jobs in London to all jobs. Some sectors are strongly overrepresented: for example, the hospitality sector (hotels and restaurants primarily) make up 5% of all jobs in London but nearly one-in-five of all low-paid jobs. Retail is also more heavily represented in low-paid employment than all employment: 17% of jobs in London are in retail, but retail jobs make up 28% of all low-paid jobs.

Some sectors, on the other hand, are the opposite and are underrepresented in low-paid employment. For example, private sector services make up 38% of all employment, but, at 22%, a relatively lower share of low-paid employment. This is still a substantial share of the low paid. The types of employment in this sector include those that might be relatively well paid – such as financial and insurance activities, but also administrative and support work, which tends to be less well paid.

At a more specific level, some industries make up a very large share of low-paid jobs. Wholesale and retail by itself (so excluding transport and storage) has 177,000 low-paid jobs, 27% of the total. Hospitality accounts for a further fifth by itself. In total, the four industries with the highest share of low pay make up 73% of all low-paid jobs in London.

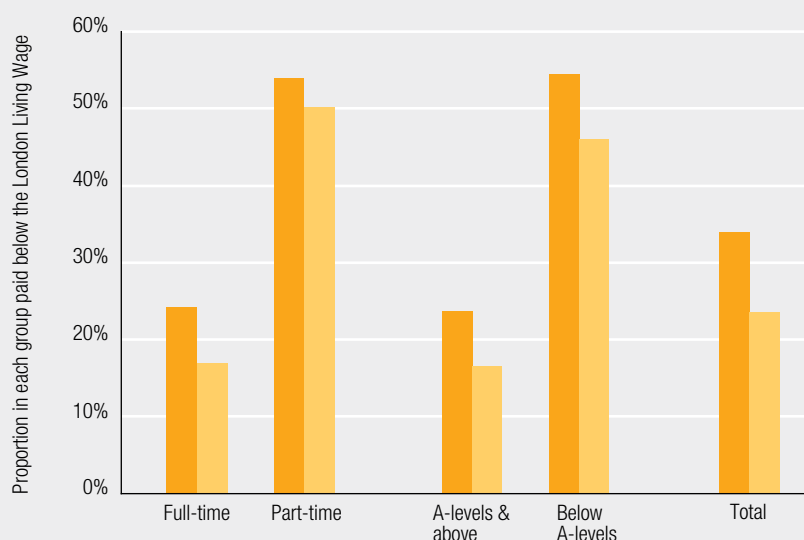
Rates of low pay within each sector also varies. 63% of jobs in hotels and restaurants are paid below the living wage, whereas only 10% in private sector services are. A GLA Economics publication examined the persistence of low pay (whether someone was low paid for three years of four) and found that employees in low-paid sectors such as retail, care, hospitality and cleaning were four times more likely to be persistently low-paid.^[17]

Finally we look at rates of low pay by disability. Figure 8.7 shows the low pay rates for disabled and non-disabled people, split by full-time or part-time and by level of education. In all cases, disabled people are more likely to be low paid: 34% of disabled people compared with 24% of non-disabled people. While only 17% of full-time non-disabled people are low paid, this rises to 24% for full-time disabled employees, with the part-time low pay rate for disabled people four percentage points higher than for non-disabled people.

Figure 8.7: Proportion of low-paid employees by disability

■ Disabled people
■ Non-disabled people

Source: Labour Force Survey, ONS. The data is a four quarter average for 2014.



The low pay rate for disabled people with at least A-level education is seven percentage points higher at 24%, and for those with an education below A-level is eight percentage points higher. In 2014, there were around 120,000 low-paid disabled people in London, equivalent to 14% or one-in-seven of all low-paid people.

[17] Hoffman, J. (2014) Low pay in London. GLA Economics Working paper 59, p 33. Available at: <http://bit.ly/1VD7F1g>

Commentary

The problem of low pay continues to gain prominence in the national policy debate, with the 2015 summer budget announcing a new ‘national living wage’ for those aged 25 and over. Although this will lead to a welcome boost for earnings in London, it will still be well below the level of the London Living Wage. The new ‘national living wage’ will be set at £7.20 from April 2016, rising to £9 an hour by 2020. Even this higher amount in 2020 is below the 2014 London Living Wage of £9.15.

Alongside this was the announcement of substantial reductions in spending on tax credits, some of which is also taking effect from April 2016. The amount a family can earn before tax credits start to get withdrawn is being reduced, and the speed at which they are being withdrawn increased. This specifically hits families in work. This poses two problems. The first is that the calculation of the London Living Wage takes into account that tax credits are able to top up an individual’s income. So even if costs did not increase, cuts in tax credits would still mean that the London Living Wage would increase, meaning the gap between the ‘national living wage’ and the London Living Wage would grow.

The second is that, regardless of family size, there is only one London Living Wage rate. The idea behind this is that tax credits cover some of the additional costs of having children; employers do not generally pay an individual more if they have more children. Cutting tax credits puts more strain on an individual’s earnings.

Many working families in London will be worse off following the tax credit cuts, even after the ‘national living wage’ is introduced. Additionally, around a quarter of those paid below the London Living Wage are under 25, and so will not immediately benefit from the ‘national living wage’ increase. So while it is welcome that pay at the bottom end of the scale in London will improve – and research suggests that London can bear a higher minimum wage without job losses better than the rest of the country^[18] – there will be winners and losers once tax credits are factored in. This and the likely growing gap between the London Living Wage and the new ‘national living wage’ means there will still be a role for organisations such as the Living Wage Foundation to push for better pay in the capital.

[18] See <http://bit.ly/1Ojthkk>

Benefits and welfare reform

Key points

- 525,000 people in London were claiming an out-of-work benefit in 2014. This has been falling since the post-recession peak of 690,000 in 2009. This fall has been driven by a drop in the number of jobseekers but also in lone parents claiming Income Support which halved from around 130,000 to 70,000.
- Throughout the 2000s the proportion of working-age adults claiming a key out-of-work benefit was higher in London than the rest of England. In 2014 it was lower in London at 8.8% compared with 9% elsewhere. The rate has fallen across London. At 12.9%, the out-of-work benefit claim rate in Barking & Dagenham was the highest in London but this is 5.4 percentage points lower than in 2009.
- Housing benefit claims in London peaked in 2013 at 850,000 and fell to 820,000 in 2015. The social rented sector accounted for 560,000 claims and the private rented sector 270,000.
- In London there are now more working housing benefit claimants in private rented accommodation than workless. This is distinct to the capital where half of private renting claimants are working compared with a third in the rest of England. Overall, a third of housing benefit claimants are working.
- Half of 0 to 19-year-olds in London (1.1 million) live in a family that receives tax credits. 640,000 live in working families and received on average £8,100 a year in tax credits; an amount that is likely to be much lower from April 2016 due to government cuts.
- In 2015, 10,500 families in London were affected by the overall benefit cap, almost as many as in the rest of England put together. This includes 2,400 families losing more than £100 a week; 6,500 affected families had at least three children. When the cap is lowered to £23,000 those already affected will lose a further £58 a week and an additional 20,000 households in London will be capped.
- In 2014 in London, there were 82,000 Jobseeker's Allowance (JSA) benefit sanctions. This is a decrease of more than 40,000 compared with 2013 but it is still double the number in 2006. Claimants aged 16 to 24 are the most likely to be sanctioned – in a typical month in 2014 8% of JSA claimants aged 16 to 24 were sanctioned.
- Since housing benefit entitlements have been cut the number of private renting claimants in London moving within their borough and to outside of London has fallen.

Introduction

Benefits are a key income component for poorer households. In 2013/14 it accounted for 56% of the income of the poorest fifth in the UK. While most benefits are means-tested few are confined to out-of-work households. Out-of-work benefits provide much-needed basic income for workless families, working tax credits top up the incomes of people whose earnings are insufficient to meet their needs, housing benefit helps households meet their rent payments and child tax credits help parents meet the needs of their children. In this chapter we look at all of these types of benefits, who claims them in London, how it has changed and what might happen in future.

Out-of-work benefits

At the end of 2014 525,000 people in London were claiming an out-of-work benefit. This has been falling since the post-recession peak of 690,000 in 2009 and this fall has been faster in London than the average for the rest of England. Figure 9.1 shows that throughout the 2000s, the proportion of people claiming one of the main three out-of-work benefits was higher in London than the average for England but the gap narrows. By the peak in 2009 the proportion of claimants was 12.1% in London compared with 11.8% in England as whole, after which the rate in London falls to 8.8% in 2014, below the rest of England at 9%.

Figure 9.1: Change in main out-of-work benefit claims in London

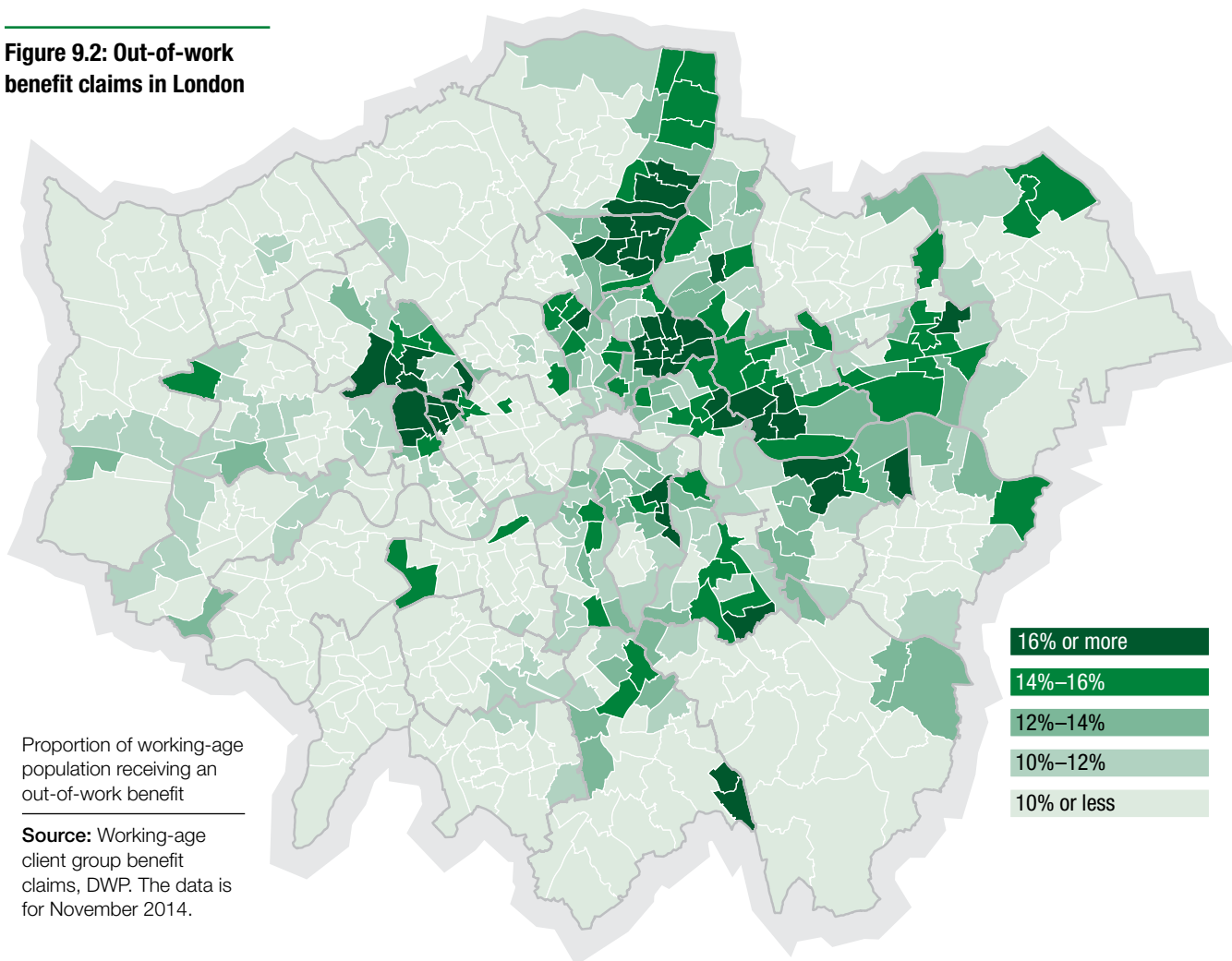


Source: Working age client group benefit claims, DWP. The bars are for London, the line is for England

Employment Support Allowance (or equivalent) is the most common type of out-of-work benefit claimed in London, received by 318,000 people unable to work through disability or ill-health. This number has remained relatively steady over recent years. The next largest group is JSA claimants at 120,000. Jobseekers drove the increase in claims during the recession and the subsequent fall. But a large fall can also be seen in the number of lone parent claimants which halved between 2009 and 2014, falling from 134,000 to 70,000. This is linked to a change in eligibility – lone parents are now required to actively seek work (and claim JSA) when their children are younger than was the case previously.

Figure 9.2 shows how the out-of-work benefit claim rate varies across London. It shows that East London contains some of the highest levels, particularly East Enfield, Haringey, Hackney and Tower Hamlets, along with Newham and Barking & Dagenham. But all boroughs except for Richmond and Kingston contained areas with more than 10% of working-age people claiming an out-of-work benefit.

Figure 9.2: Out-of-work benefit claims in London



The level of claims has fallen across London in the last five years. Although, Barking & Dagenham has the highest rate of any borough at 12.9%, this is 5.4 percentage points lower than in 2009, the joint biggest fall with Tower Hamlets and Newham. Tower Hamlets now has the 9th highest rate at 10.6% and Newham the 12th highest at 10%.

Housing benefit

Next we look at changes to claims in housing benefit, a means-tested benefit which helps people meet their rent costs. While those claiming an out-of-work benefit are automatically entitled to housing benefit, it can also be claimed by people in work and pensioners.

The number of housing benefit claimants in London rose throughout the 2000s which is not surprising given the increase in the population and the increase in rented tenures. Figure 9.3 shows how this has changed since 2010. The number of housing benefit claimants in London peaked in 2013 at 850,000 and has fallen to 820,000 in 2015. The social rented sector accounted for 560,000 claimants at the start of 2015 with the private rented sector at 270,000, with the number in both tenures slightly lower than the 2013 peak. While the 420,000 workless social renting claimants accounted for half of all housing benefit claimants in 2015, 140,000 were aged over 65.

But the more dramatic shift has been in the number of housing benefit claimants that are in work. The number of workless claimants in both social and private rented housing

peaked in 2010 and 2011 respectively, but the number of working claimants continues to grow, reaching 130,000 for social renters and 140,000 for private renters in 2015. In London there are now more working claimants in private rented accommodation than workless ones. This is distinct to the capital where half of private renting claimants are working compared with a third in the rest of England.

Figure 9.3: Housing benefit claimants in London



Source: Stat-Xplore, DWP; the data is for London.

There has also been a geographical shift in housing benefit claimants within London. Falls have been greater in Inner London where the figure has dropped by 4.4% since 2013. In the Outer East & Northeast and in the Outer South it fell by 3%; but in the Outer West & Northwest it only fell by 0.6%. So a growing share of housing benefit claimants reside in Outer London, particularly the Outer West & Northwest. While this is an important trend these shifts are relatively small compared with the total numbers; in 2010 just under half of claimants lived in Outer London (48%) in 2015 it was just over half (51%).

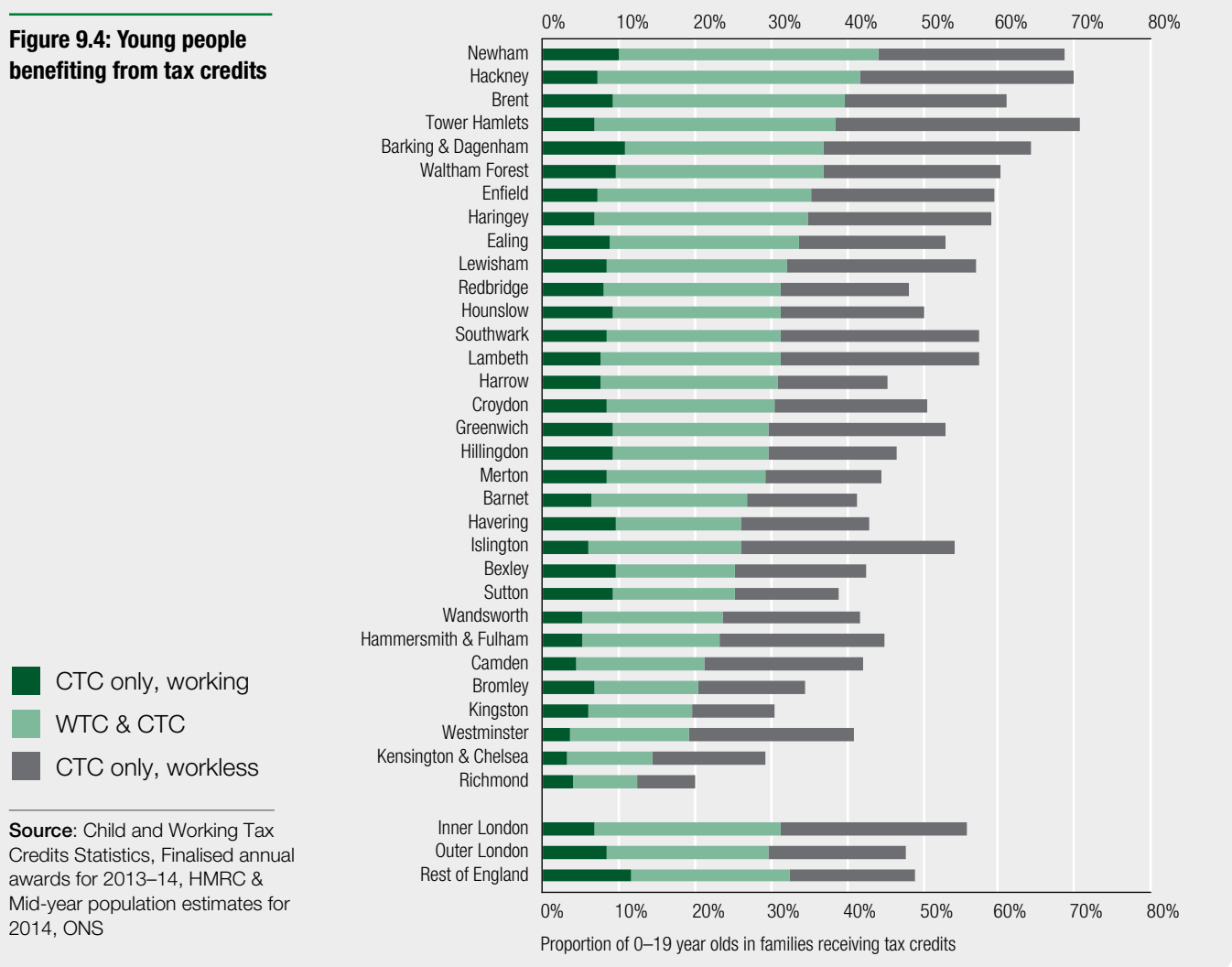
Tax credits

Figure 9.4 looks at the proportion of children benefiting from tax credits in each borough. Child tax credits can be claimed by working and workless households, while working tax credit is available to those who work a certain number of hours but whose earnings are relatively low. Overall, half of 0 to 19-year-olds in London (1.1 million) live in a family that receives tax credits. But in some boroughs the rate is much higher – around 70% in Tower Hamlets, Hackney and Newham. The lowest level is in Richmond at 20%.

Figure 9.4 shows three types of tax credit recipients: those in workless families receiving child tax credit, those receiving both working and child tax credits, and those in work getting child tax credit only. This distinction is important due to the government's planned changes to tax credits. The freeze in the value of tax credits for four years will affect all claimants as the value of their tax credits falls relative to prices. On top of this the point earnings can reach before tax credits start to be withdrawn will be reduced and the rate at which they are withdrawn after this earnings level is reached will be increased. These changes will substantially lower the tax credit income of most of those families in work, which in 2013/14 was on average £8,100 a year in London, benefiting 640,000 children.

In Figure 9.4 the bars are ordered by the proportion of children in working families receiving tax credits; these children are highly likely to see a cut in their family's tax credit income due to the cuts mentioned above. It shows that the cuts will affect around 40% of 0 to 19-year-olds in Newham, Hackney and Brent, but a substantial proportion of children across most London boroughs are also likely to be affected.

Figure 9.4: Young people benefiting from tax credits



Disability benefits

Unlike the benefits discussed above, Disability Living Allowance (DLA) is not means-tested. It is a cash benefit in recognition of the fact that having a disability increases an individual's day-to-day living costs. Those who qualify for it do so regardless of income. At the end of 2014 330,000 people in London were in receipt of DLA, 4% of the population compared with 5% across the rest of England, but this small gap is a reflection of London's younger age profile. DLA is currently being replaced with Personal Independence Payment (PIP) for new claimants and DLA claimants as they are reassessed. As of January 2015 there were 23,000 new PIP claimants in London and only 50 claimants had been reassessed from DLA.

There are two components of DLA: one is linked to care related costs and the other mobility related costs. Within each of these components people are entitled to different amounts of benefit (higher, medium and lower). It is expected that the number of people

entitled to PIP will be less than under DLA. It is those claimants entitled to the lower rate of DLA that are most likely to have reduced entitlement after reassessment (though some may find they are entitled to more). In London 55,000 DLA claimants (17%) are only entitled to the lower element of DLA; a further 136,000 were entitled to a lower rate for one element of DLA but also to a medium/high element of the other component. So far 77% of DLA claimants that have been fully reassessed nationally were entitled to PIP and about half of new claims were assessed as eligible.

Overall benefit cap

One of the most widely publicised benefit changes was the introduction of the overall benefit cap in 2013. This limits the amount of income a workless family could receive in benefit to £26,000 per year (or £500 per week). It had just been introduced when the last *Poverty Profile* was published and data on the number of people affected was not available. But it was clear that due to its high housing costs London would contain many of those affected – if a workless family is entitled to a high level of housing benefit they are much more likely to exceed the cap.

In 2015, 10,500 families in London were affected by the cap. There were almost as many affected families in London as in the rest of England put together (11,000). Figure 9.6 shows these families by the amount by which their benefit was cut. About a third of those affected in London were up to £25 a week worse off. At the other end of the scale 2,400 families lost more than £100 per week, higher than the number for the rest of England (1,500). London's higher housing costs also mean that the average cut is greater.

Figure 9.5: Families affected by the overall benefit cap

Legend:
■ London
■ Rest of England

Source: Stat-Xplore, DWP. The data is for February 2015.



Around 1,000 households affected were single adults (whose weekly cap is lower at £350), but the remainder were families with children: 6,800 single parent families and 2,400 couple families. 6,500 families affected had at least three children meaning they had £500 to cover the rent of a three-bedroom property and other costs for the whole family. About half of those affected lived in social rented accommodation and half in private rented.

The government plans to reduce the overall benefit cap to £23,000 a year (£442 a week) in London in 2016/17. This will mean that the 10,500 families already affected will lose another £58 in income a week, and a further 20,000 households will be affected by an income cut of up to £58. With the lower cap, it is estimated that the number of households affected in London could triple by 2017/18.^[19]

[19] DWP's July 2015 Impact Assessment estimated that the number of capped households in GB could reach 126,000 in 2017/18 with 23% of them living in London www.parliament.uk/documents/impact-assessments/IA15-006.pdf

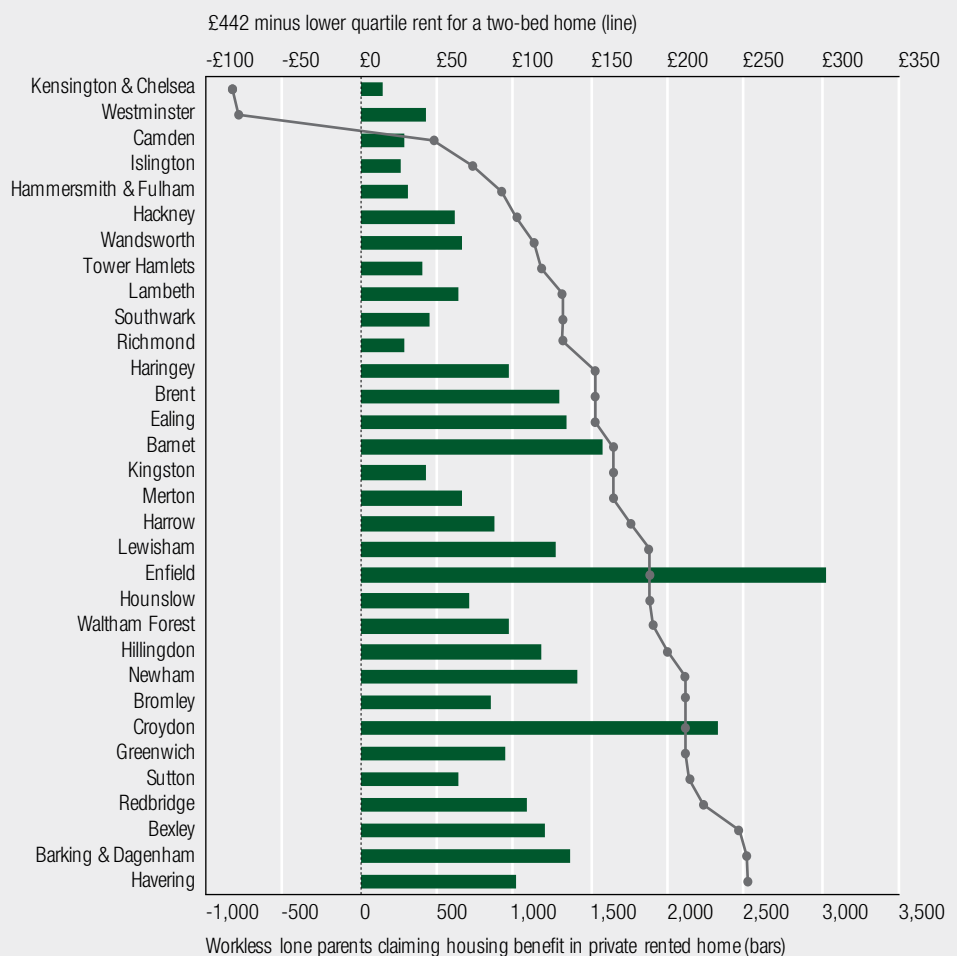
We do not know yet where in London these affected households will be and how they will respond. But figure 9.6 shows how this lower cap will affect workless families living in London. The line shows how the maximum benefit income a workless household could claim after paying the lower quartile rent in each borough for a two-bedroom property (the minimum size requirement of any household containing children). It shows that the lower quartile rent in Kensington & Chelsea and Westminster is already higher than the benefit cap. In Camden, Islington and Hammersmith & Fulham a workless family paying the lower quartile rent would have less than £100 a week remaining to cover the other costs of the household such as food and fuel.

The bars on the graph show the number of workless lone parents living in the private rented sector and claiming housing benefit in each borough. This is the family type most likely to be affected by the cut: their rent level will depend on the market and their ability to enter work will depend on the availability of childcare. In Enfield there are 3,000 such families; if they paid the lower quartile rent they would have an income of £190 remaining; in Croydon there are 2,300 such families potentially living on £210 a week. The London Minimum Income Standard^[20] shows that a lone parent with one child in London needs an income of £270 a week after housing costs to reach a minimum socially acceptable standard of living. A lone parent affected by the overall benefit cap will have less than this if they pay the lower quartile rent in any London borough.

Figure 9.6: Prospect of lower overall benefit cap across London

- Weekly income after rent for 2 bed home (top axis)
- Workless lone parents claiming housing benefit for private rented home (bottom axis)

Source: Stat-Xplore, DWP for February 2015 & Private Rental Market Statistics, VOA for 2014/15.



[20] <http://bit.ly/1cOyXIM>

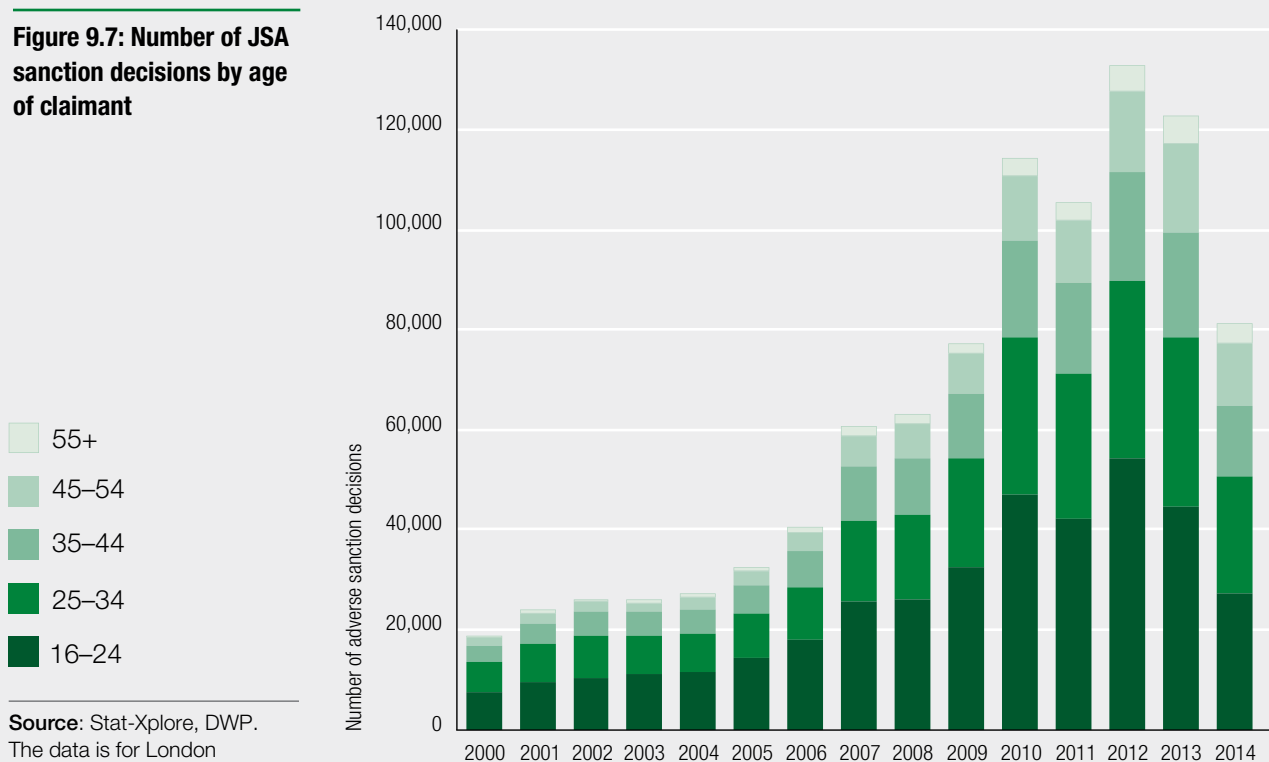
Sanctions

Lastly in this chapter we look at benefit sanctions, an increasingly prominent part of the social security system. A sanction is a temporary reduction in benefit as a punishment for not complying with the conditions of receiving that benefit (such as looking for work and attending meetings at the Jobcentre). The Coalition Government oversaw a large increase in the number of sanctions applied, as well as increasing their severity from 2012 onwards.

Sanctions for Jobseeker's Allowance are by far the most common type of benefit sanction, and entail a reduction of 100% of JSA for a period of between four weeks and three years. In 2014 in London, there were 82,000 JSA benefit sanctions, a decrease of more than 40,000 compared with 2013. This fall is mostly due to there being fewer JSA claimants in 2014 than in 2013, though the proportion of claimants sanctioned each month also fell from 5.1% to 4.6%. Although lower than the total number of sanctions between 2010 and 2013, the total in 2014 is still historically quite high: it is twice as high as in 2006 and almost four times as high as the total in the early 2000s. But this rise and high level of sanctions is not unique to London; in 2014 the capital had the third lowest sanction rate of the GB regions.

More sanctions are received by younger age groups than older ones (see Figure 9.7). The number of sanctions received by 16 to 24-year-olds is the highest of any age group in each year, with 25 to 34-year-olds the second highest, and so on up the age range. In a typical month in 2014 8% of 16 to 24-year-olds receiving JSA were sanctioned in London, compared with 5% for 25 to 34-year-olds, and lower again for older age groups.

Figure 9.7: Number of JSA sanction decisions by age of claimant



Source: Stat-Xplore, DWP. The data is for London

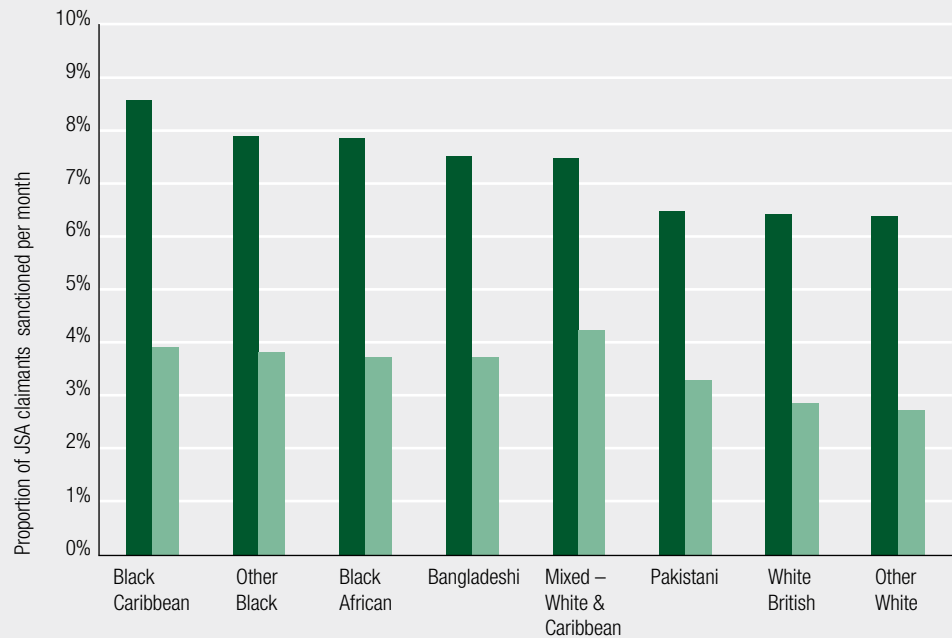
Black people had the highest sanction rate of any ethnic group (see Figure 9.8). In a typical month in 2014 8.6% of Black Caribbean 18 to 24-year-olds claiming JSA were sanctioned. The rate was 7.8% for Black African claimants and 7.9% for Other Black claimants. In total 4,400 Black 18 to 24-year-olds in London were sanctioned in 2014. But the gaps between ethnic groups are relatively small compared with differences by

age. Among 18 to 24-year-olds the gap between the sanction rate for Black Caribbean claimants and Other White claimants is only 2.2 percentage points. But for all ethnic groups the sanction rate for 18 to 24-year-olds was about double the rate for claimants of other ages.

Figure 9.8: JSA sanction rate by ethnicity and age

■ 18–24 year olds
■ Aged 25 and over

Source: Stat-Xplore and Claimant Count, DWP. The data is for London and is a monthly average for 2014. The groups shown are those with the largest sample size.



Commentary

The trends in benefit claims suggest that things have improved in London in recent years. There has been a substantial fall in numbers claiming out-of-work benefits as employment increases. Even housing benefit, which had been slower to start falling, has fallen due to fewer claims from workless families.

But this report has also shown that high housing costs and benefit cuts are making it increasingly difficult for low-income households in London. So to what extent do the falling levels of benefit reflect low-income people becoming better off, leaving London or just managing with less money? Figure 9.9 sheds some light on this. It shows the number of households claiming housing benefit in the private rented sector in London that moved to another private rented home in 2011 and in 2014.

It shows that most of those who move home remain within their borough. The number moving from within London to outside London is relatively small at around 3,000 a year (2,300 moving from Outer London and 800 from Inner London). This compares with annual falls in out-of-work benefit claimants of 30,000 to 60,000 a year over the last three years. So the fall in benefit claims are 10 to 20 times higher than the recorded moves out of London by private renting housing benefit claimants.

Figure 9.9: Moves of private renting housing benefit claimants from London

	Number of moves		% of moves	
	2011	2014	2011	2014
Moving from Inner London				
Within borough	6,200	5,200	55%	55%
Out of borough but within Inner London	1,800	1,500	16%	16%
Outer London	2,200	1,900	20%	20%
Outside of London	1,000	800	9%	8%
Total moves	11,200	9,500	100%	100%
Moving from Outer London				
Within borough	12,700	11,500	65%	63%
Out of borough but within Outer London	3,200	3,100	17%	17%
Inner London	1,500	1,300	7%	7%
Outside of London	2,200	2,300	11%	13%
Total moves	19,600	18,100	100%	100%

Source: Moves of Housing Benefit claimants, DWP (FOI ref no. 2253/2015)

Figure 9.9 also shows that there has been a fall in moves overall between 2011 and 2014. This has happened across the country – private rented housing benefit claimants are much less likely to move than previously. This could be because housing benefit changes have cut the supply of better alternatives so more households are staying put. Of those who do move, the proportion moving to outside London is largely unchanged.

This suggests that despite benefit cuts and high housing costs, low-income families are staying within London. Some are perhaps better off, having found work. But many households, in and out of work, are spending a greater share of their income on housing and sacrificing other spending to stay where they are.

Further welfare changes were announced in the 2015 Summer Budget. Some (such as limiting child tax credits to the first two children) will only apply to new claimants. But other cuts will make individual families materially worse off than they are now. In particular:

- freezing the value of benefits for four years (except certain disability and pensioner benefits);
- lowering the overall benefit cap to £23,000 per year in London;
- lowering tax credits for households whose gross earnings exceed £3,850 a year.

When these take effect in April 2016 low-income families will have to make even more sacrifices to remain in London.

Chapter ten:

Education

Key points

- GCSE attainment in London was better than the average for England in 2013/14. 41% of pupils in Inner London and 38% in Outer London did not achieve five A*–C grades at GCSE level, compared with 47% across England as a whole.
- GCSE attainment worsened in London and the rest of England in 2013/14, linked to a political emphasis on reducing grade inflation and reclassification of GCSE equivalent qualifications.
- Pupils receiving free school meals did better at GCSE in every London borough than their peers in the rest of England. In Kensington & Chelsea and Westminster they did better than pupils not receiving free school meals outside London.
- Since 2009/10 the gap in GCSE attainment between recipients of free school meals and other pupils has narrowed in Outer London and the rest of England while it has slightly widened in Inner London. Nonetheless the gap is smallest in Inner London, followed by Outer London then the rest of England.
- At 45%, Black pupils had the highest proportion not achieving the target GCSE standard in London, five percentage points higher than White pupils who were the next highest. London pupils did better across all ethnic groups than the rest of England.
- Over the last decade Inner London has seen a substantial fall in the proportion of 19-year-olds lacking Level 3 qualifications, reaching 38% in 2014. It is now lower than the rest of England (at 44%) and has converged with Outer London (at 35%).
- In 2014, in every London borough it was more common for a 19-year-old to have a Level 3 qualification than not to.
- A higher proportion of pupils go on to higher education after leaving school in London than the rest of England; 55% from Inner London and 57% from Outer London compared with 48% across England.

Background

In previous editions of this report we have drawn attention to the vast improvement in attainment at age 11, 16 and 19 across London, with Inner London showing the greatest improvement and outstripping the rest of England. This is despite London having a significantly higher proportion of children on free school meals (i.e. living in families with lower incomes^[21]): in 2013/14 33% of pupils in Inner London completing their GCSE examinations were eligible for free school meals, compared with 16% in Outer London and 13% in the rest of England.

This chapter continues to look at attainment and qualifications at age 16 and age 19 across Inner and Outer London and the rest of England. It also shows how attainment varies by free school meal status, ethnicity, first language and London borough. In addition, we have included indicators looking at education beyond school leaving age: one on the destination of school leavers who were eligible for free school meals and the other on working-age adults lacking qualifications.

All statistics used relate to maintained schools, that is those in the state sector. In almost all of the graphs in this chapter, we are measuring a lack of attainment or qualifications so a lower number is better.

[21] Free school meals are available to secondary school children whose parents or guardians claim out-of-work benefits or earn less than £16,190 a year and are not receiving Working Tax Credit.

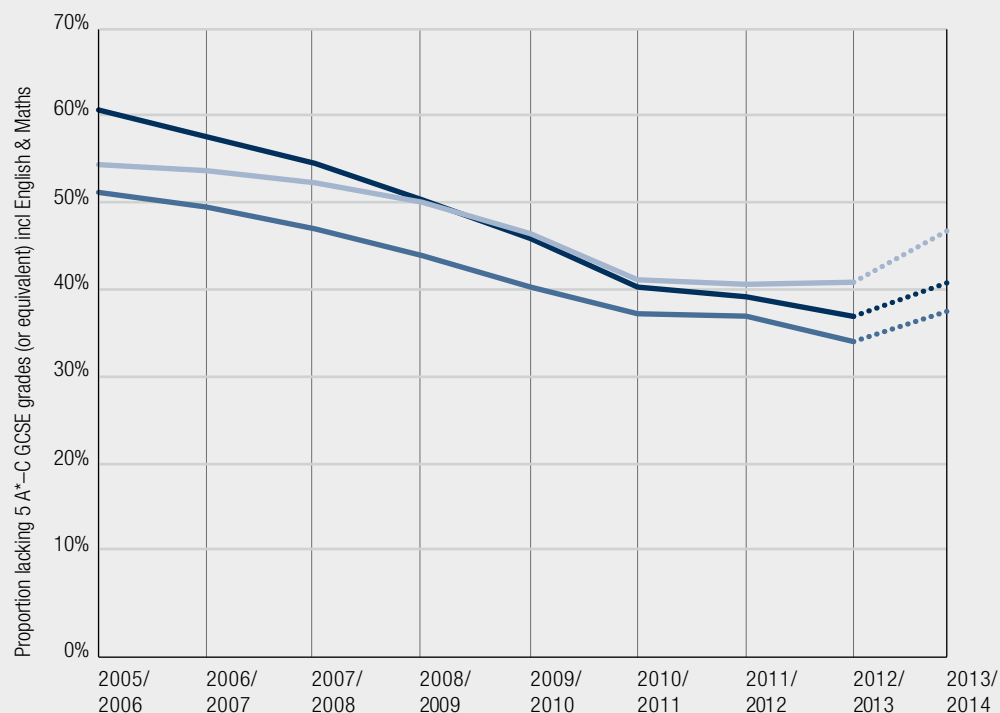
GCSE attainment

First we look at how GCSE attainment has changed in London overtime. Figure 10.1 shows that in 2013/14 38% of pupils in Outer London and 41% in Inner London did not achieve five A*-C GCSEs including English and maths, compared with 47% across England as a whole.

Figure 10.1: GCSE attainment over time

■ Inner London
■ Outer London
■ England

Source: GCSE and equivalent attainment by pupil characteristics, DfE



In the mid-2000s these rates were much higher, and the rate in Inner London was worse than England at 61% compared with 54% in 2005/06. But this gap had closed by 2008/09 and now Inner London performs better than England as whole.

There has been an upward turn, however, in 2013/14 in the number lacking five A*–C grades everywhere. This is linked to the two methodological changes in the most recent year. First, the Wolf review^[22] ruled out a number of qualifications that could be counted as GCSE equivalents on this measure. Second, in cases where exams/coursework were retaken, previously the best mark counted in this measure whereas now only the first mark counts. The dotted line for 2013/14 indicates that comparisons can only be made to the extent that they are understood within the context of these methodological changes.

Before this, in 2012/13, the proportion of pupils not achieving five A*–C GCSEs in England including English and maths very slightly increased, while attainment in London that year continued to improve. Likewise the recent upturn was steeper in England than London suggesting that pupils in London were less likely to be completing qualifications that were disregarded under the new methodology.

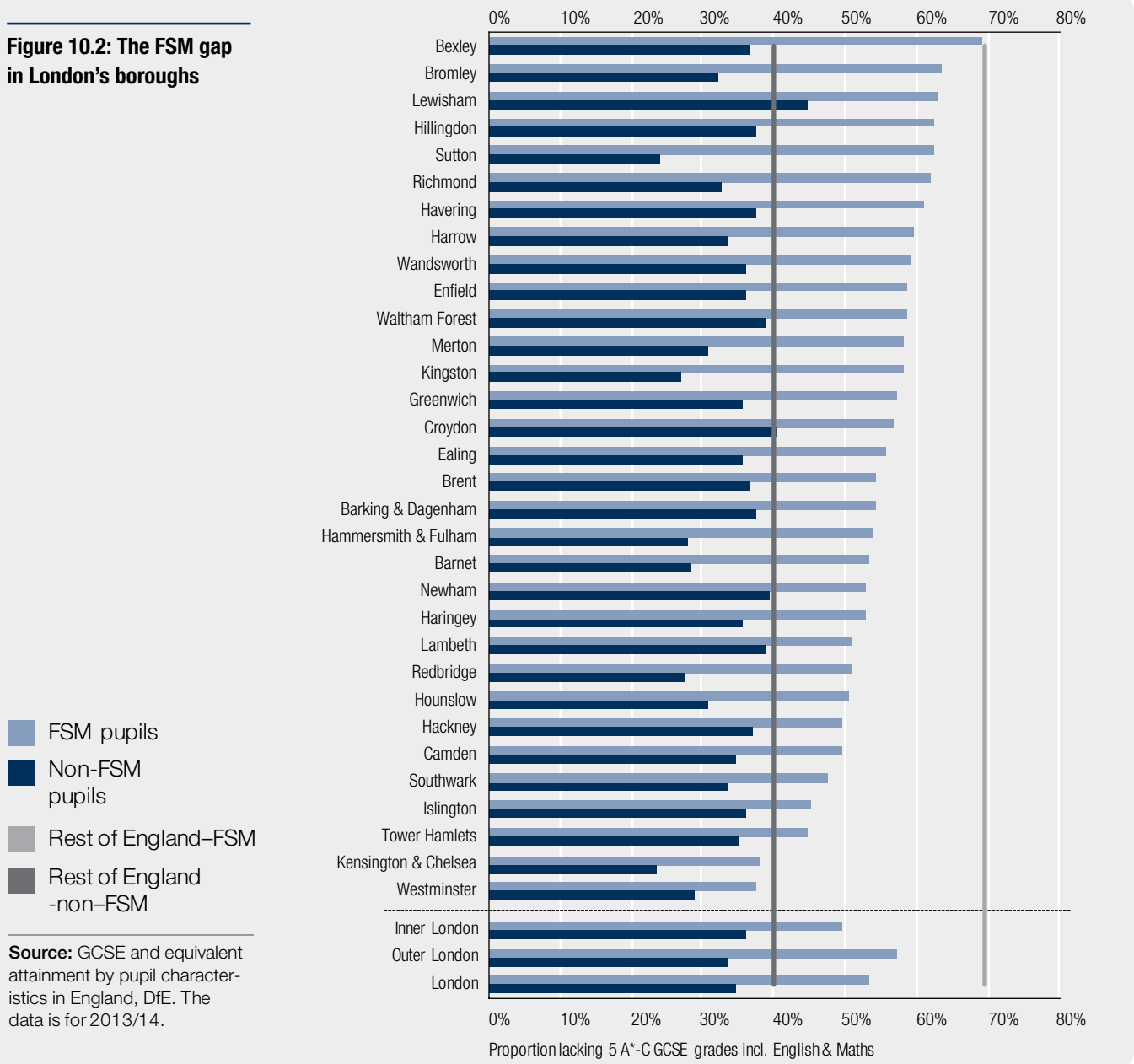
Figure 10.2 shows how GCSE attainment in 2013/14 varied within London and by free school meal status. It shows that other than Bexley, the proportion of free school meals pupils not achieving the target GCSE standard was lower in all London boroughs than the rest of England average (at 70%). For pupils not eligible for free school meals only Lewisham was higher than the rest of England average (at 40%).

54% of free school meal pupils in London did not achieve the target GCSE standard in 2013/14, 16 percentage points less than the rest of England. For non-FSM pupils it was 34%, 6 percentage points lower than the rest of England. Lewisham was the only borough where the attainment among non-FSM pupils was worse than the average for the rest of England.

8 of the 10 of the best performing boroughs in terms of attainment among free school meal pupils were in Inner London. It was best in Westminster and Kensington & Chelsea with 37% and 38% of FSM pupils not attaining the target standard respectively. In these two boroughs FSM pupils did better than the non-FSM average for the rest of England.

[22] <http://bit.ly/1McMwpD>

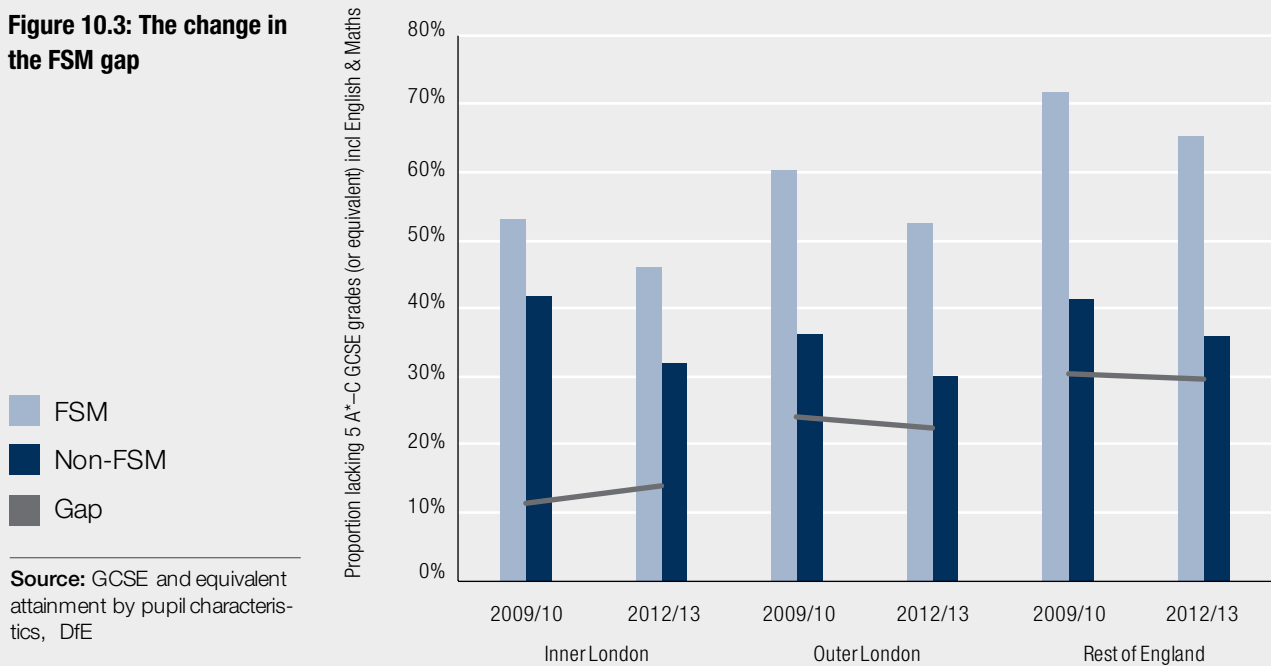
Figure 10.2: The FSM gap in London's boroughs



The gap in attainment between FSM pupils and non-FSM pupils was 19 percentage points in London, though large it is much smaller than the 29 percentage point gap for the rest of England. The gap was less than 10 percentage points in Westminster, Tower Hamlets and Islington, where FSM attainment is relatively high.

Figure 10.3 shows how this attainment gap has changed between 2009/10 and 2012/13 (as the data for 2013/14 is not directly comparable). Over this period free school meals pupils improved slightly more in percentage point terms than non-free school meals pupils in Outer London and the rest of England, so the gap between the two has decreased. But in Inner London, attainment of non-free school meal pupils has improved more in percentage point terms than free school meals pupils so the gap has slightly widened. In fact, in 2009/10 the proportion of non-free school meal pupils not meeting the target standard in Inner London was slightly higher than the rest of England (at 42% and 41% respectively); by 2012/13 it was lower in Inner London than the rest of England (at 32% and 36%).

Figure 10.3: The change in the FSM gap

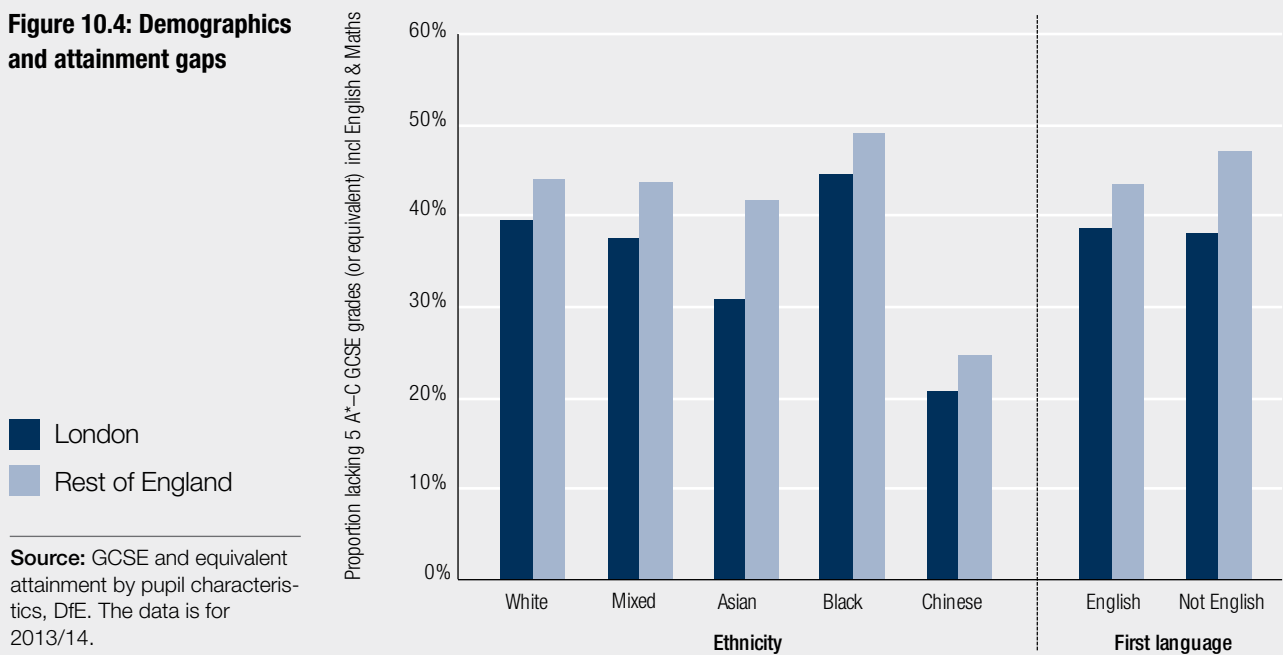


Source: GCSE and equivalent attainment by pupil characteristics, DfE

Despite the slight increase in the attainment gap in Inner London, at 14 percentage points, it is still considerably smaller than Outer London or the rest of England, at 22 and 29 percentage points respectively.

Looking at how GCSE attainment varies by broad ethnic group and first language, Figure 10.4 shows that pupils in London are doing better than their counterparts in the rest of England on each of these criteria.

Figure 10.4: Demographics and attainment gaps



Source: GCSE and equivalent attainment by pupil characteristics, DfE. The data is for 2013/14.

At 45%, Black pupils had the highest proportion not achieving the target GCSE standard in London, five percentage points higher than White^[23] pupils who are the next highest. While Black pupils do better at GCSE level in London, this percentage point gap with White pupils is no different to the rest of England. The gap between London

[23] Includes White British and Other White ethnic groups

and the rest of England is largest for Asian pupils with 31% not achieving the target standard in London compared with 42% in the rest of England.

In the rest of England, the proportion not meeting the target standard is higher among pupils whose first language is not English, but in London that gap has closed.

Attainment and prospects after school leaving age

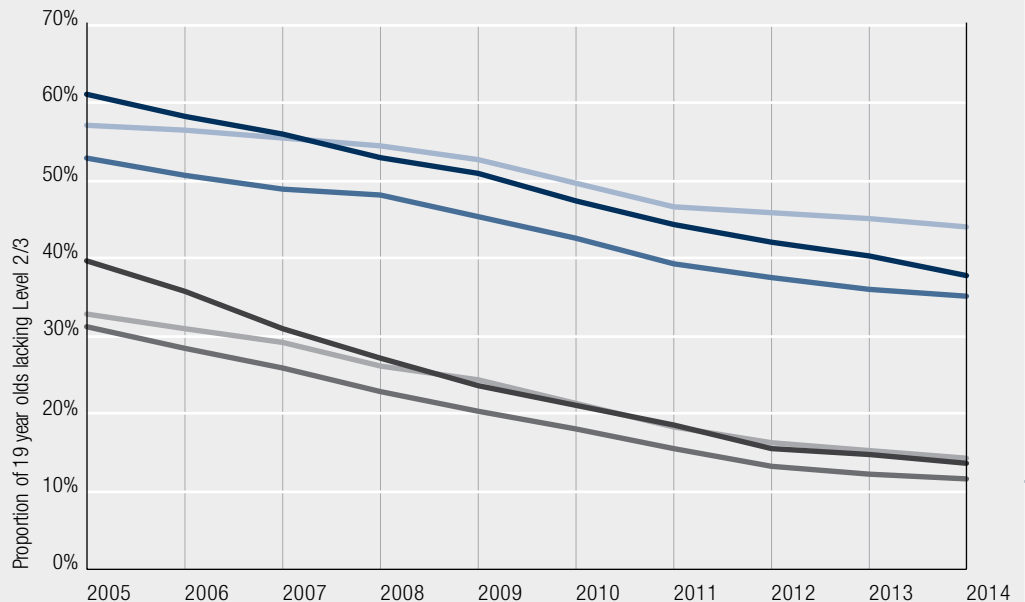
Next we look at changes in the qualifications and outcomes of people in London once they reach school leaving age. We start with the proportion of 19-year-olds lacking a Level 2 and Level 3 qualification (Figure 10.5). Level 2 refers to GCSE-level qualifications or equivalent, while Level 3 refers to AS and A-level qualifications or equivalent.

Over the last decade Inner London has seen a substantial fall in the proportion of 19-year-olds lacking qualifications, overtaking the rest of England and converging with Outer London for both the proportion lacking Level 2 and Level 3 qualifications.

Figure 10.5: 19-year-olds lacking qualifications

- Inner London Lacking level 3
- Outer London Lacking level 3
- Rest of England Lacking level 3
- Inner London Lacking level 2
- Outer London Lacking level 2
- Rest of England Lacking level 2

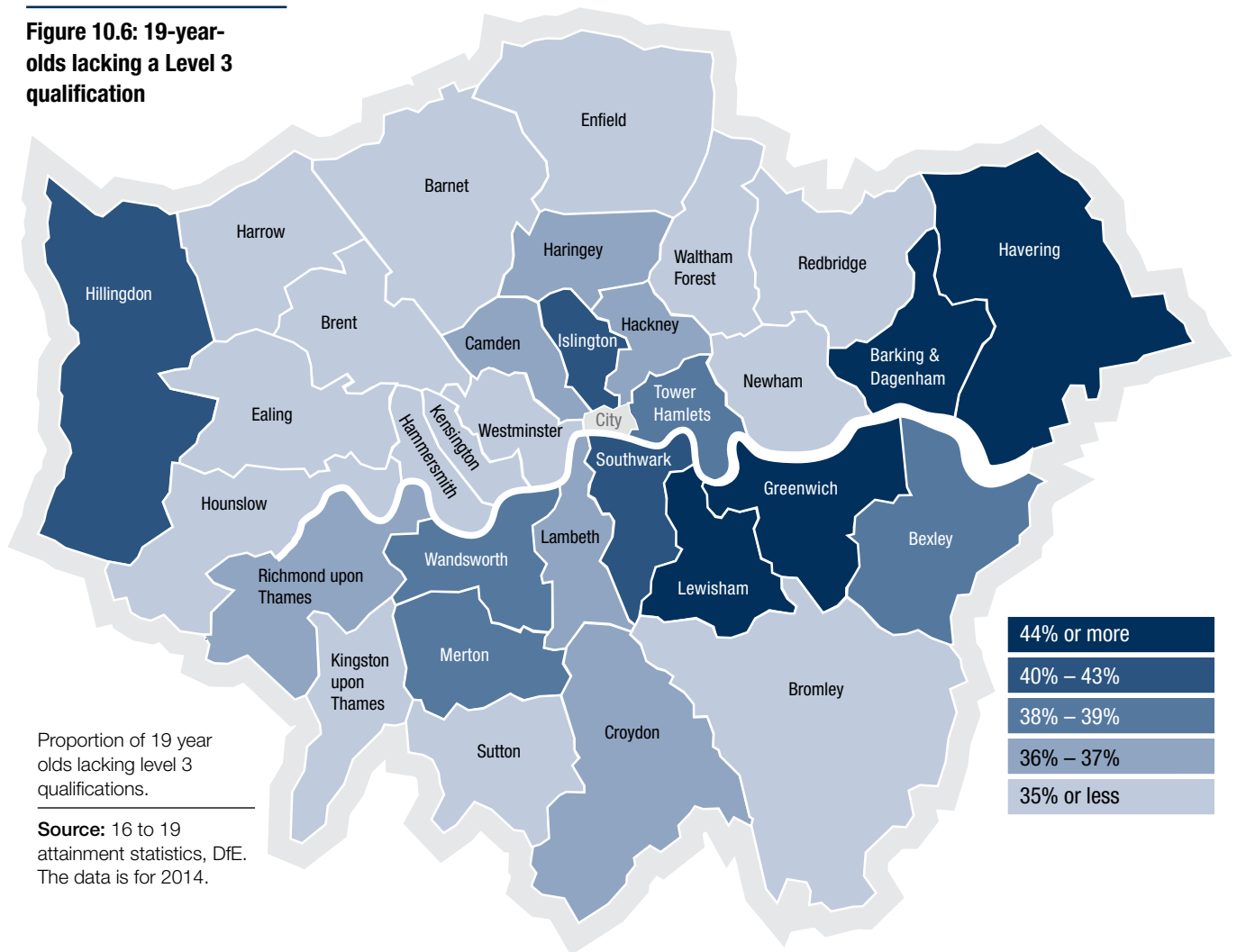
Source: 16 to 19 attainment statistics, DfE. The data is for 2014.



In recent years, falls in the proportion lacking a Level 2 qualification have slowed with the level in London and the rest of England standing at 12% to 14%. But improvements in the proportion lacking a Level 3 qualification have continued in London, particularly Inner London, while remaining unchanged in the rest of England. In 2014 35% of 19-year-olds in Outer London lacked a Level 3 qualification, just 3 percentage points less than Inner London, and 9 percentage points lower than the rest of England.

Figure 10.6 shows how the proportion lacking a Level 3 qualification varies by London borough.

Figure 10.6: 19-year-olds lacking a Level 3 qualification



In 2014 in every London borough it was more common for a 19-year-old to have a Level 3 qualification than not to. In 2010, 19-year-olds in 14 boroughs were more likely to lack a Level 3 qualification than have one, so this represents a significant improvement over the past four years.

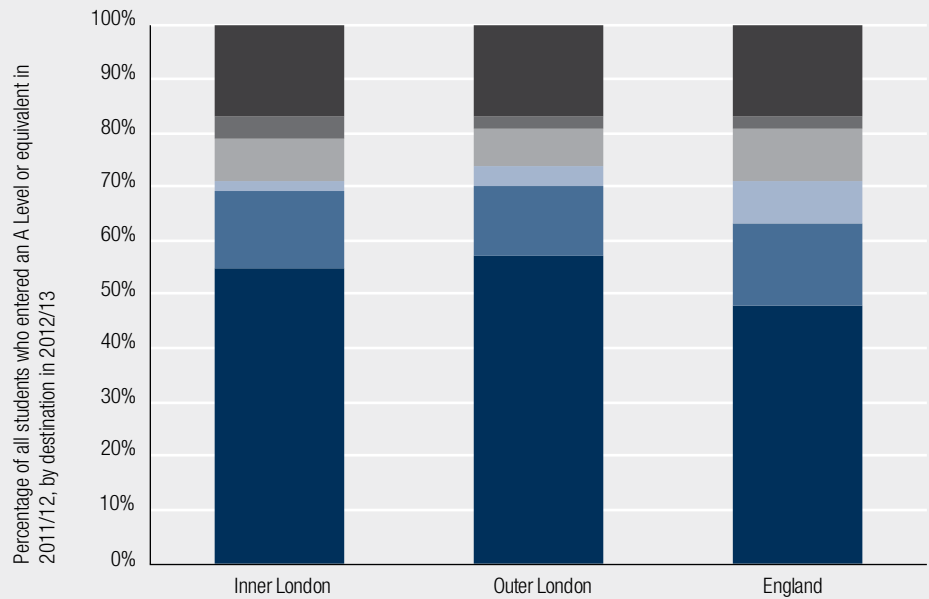
Greenwich has the highest proportion of 19-year-olds lacking a Level 3 qualification at 48%, with the next highest Barking & Dagenham at 46%. There is a wide range across London with the lowest level almost half the highest at 25% in Harrow.

Figure 10.7, looks at the destination of school leavers. It shows where those who began a Level 3 qualification in 2011/12 had moved on to the following year.

Figure 10.7: Post-school destination of pupils

- Unknown
- Not in education, employment or training
- Destination not sustained
- Training
- Other education
- Higher Education

Source: KS5 destination measures, 2011/12 cohort into 2012/13 destinations, DfE.



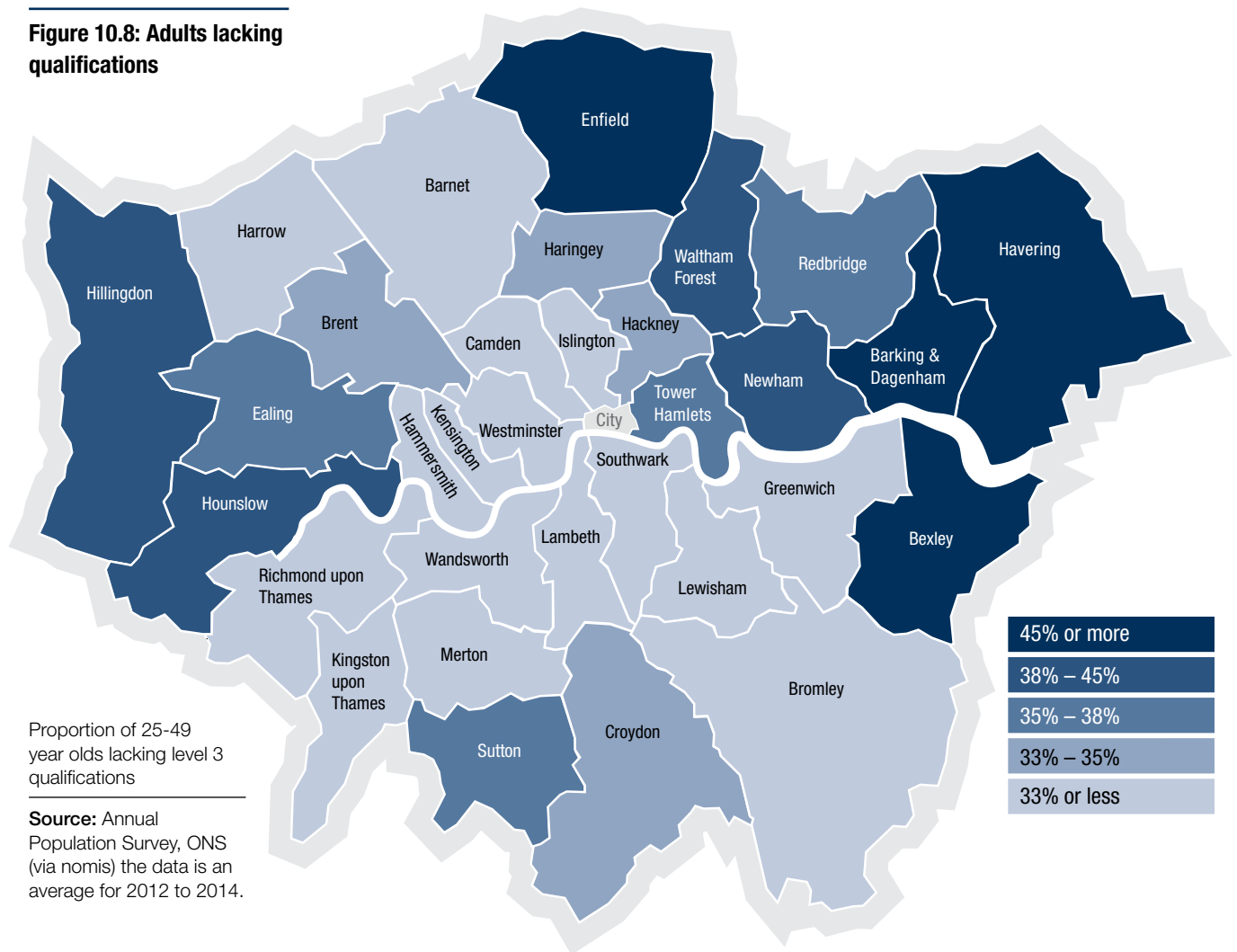
A higher than average proportion of pupils in London went on to higher education, at 55% for Inner London, 57% for Outer London and 48% across England. A lower proportion of pupils from Inner and Outer London went on to training or employment than the average for England (at 2%, 4% and 8% respectively). So the total proportion of pupils going on to education, training or employment in London is only slightly higher than the England average.

In London and England the activity of 17% of school leavers was unknown. The proportion measured as not in education, training or employment (NEET) was highest in Inner London at 4%, compared with 2% in Outer London and England as a whole. An additional 10% of school leavers in England did not sustain their destination, slightly higher than the proportion in Inner London (8%) and Outer London (7%).

Though not shown as its own category in Figure 10.7, London has a lower proportion of pupils going on to apprenticeships than the England average of 5%. 2% of Inner London pupils and 3% of Outer London pupils who began a Level 3 qualification in 2011/12 were completing an apprenticeship in 2012/13 – around 1,300 people.

Lastly we look at differences in the qualification of the working-age population within London. Figure 10.8 shows the proportion of 25 to 49-year-olds lacking Level 3 qualifications. To improve reliability the data is an average for the three years to 2014 but should still be treated with caution. It shows that four boroughs with the highest proportion of adults lacking a Level 3 qualification are in the Outer East & Northeast, while all the boroughs in the Inner West are among those with the lowest proportion.

Figure 10.8: Adults lacking qualifications



In some cases, these proportions coincide with the proportion of 19-year-olds lacking Level 3 qualifications, such as Barking & Dagenham, Havering and Bexley at the high end, and Kingston, Kensington & Chelsea and Hammersmith & Fulham at the lower end. However, in some parts of Inner London the proportion of 25 to 49-year-olds without a Level 3 qualification is much lower than the proportion among local school leavers (such as Wandsworth, Camden and Islington).

Some of this variation between boroughs can be explained by the age profiles of the area as 40 to 49-year-olds are more likely to lack qualifications than 25 to 34-year-olds. In all Inner London boroughs where less than 30% of 25 to 49-year-olds lack a Level 3 qualification, more than half of that age group is aged 25 to 34. The reverse is true of Bexley, Enfield and Barking & Dagenham.

However, Richmond and Kingston both have a relatively low proportion of 25 to 34-year-olds, as well as a low proportion of 25 to 49-year-olds lacking Level 3. These more affluent Outer London boroughs are outliers to the overall trend marked by Inner and Outer London.

Commentary

For the most part, it appears that we are seeing a continuation of trends over the last decade, with London's educational outcomes improving faster than anywhere else. While there is variation in educational attainment within London, across all boroughs pupils are performing better than their counterparts in the rest of England. This has been achieved despite the higher proportion of pupils on free school meals. In London pupils from lower income families do better than in the rest of England and so do their peers not on free school meals. The overall picture in London is good and grade deflation has not affected this trend.

But recent progress in closing the free school meal attainment gap in London has been less impressive. Further progress depends on pupils from deprived backgrounds having the same access to educational opportunities as their peers and there are two reasons to be cautious about this.

The first is the emergence of free schools. A study by the Institute of Education found that while in the three years to 2013/14 free schools were often opening in deprived areas, they are not necessarily being attended by children from poor families.^[24] With a further 22 free schools due to open in Inner London and 54 more in Outer London from September 2015,^[25] it is important that they offer opportunities to pupils from all background across London.


The second reason concerns the opportunities of pupils when they leave school. In 2016/17 maintenance grants (which are worth up to £3,500 a year and are currently available to around half of students from the lowest income households) will be scrapped and replaced with maintenance loans. The Institute for Fiscal Studies (IFS) estimates that this will increase the graduate debt of affected individuals by around £12,500.^[26] London's school leavers have the advantage of living in a city with world class higher education institutions which they should be able to access without having to leave the family home. But these educational institutions have high tuition fees and the prospect of even greater debt may deter pupils from lower income backgrounds from going on to university and accessing these opportunities.^[27]

[24] Green, F., Allen, R., Jenkins, A. (2014) The social composition of free schools after three years. <http://bit.ly/1OilsIW>

[25] 'List of all free schools: open or pre-opening stage.' <http://bit.ly/1KXWk9b>

[26] Britton, J., Crawford, C., Dearden, L. (2015) Analysis of the higher education funding reforms announced in Summer Budget 2015. <http://www.ifs.org.uk/uploads/publications/bns/BN174.pdf>

[27] The Sutton Trust expressed concerns about the impact of these changes on less advantaged pupils in July 2015: <http://bit.ly/1FRRv2e>



London's Poverty Profile has established itself as an independent and comprehensive source of data on poverty and inequality in the capital. This latest report uses the most recent government data to consider London's progress on key indicators since the last report in 2013 and over the last decade.

The analysis covers income poverty, economic inequality and a range of associated issues including worklessness, low pay, housing, education and welfare reform.

The report compares London to the rest of England and other cities, as well as comparing sub-regions and boroughs within the capital. It also analyses differences by gender, disability status, age, ethnicity and country of birth.

London's Poverty Profile is commissioned by charitable funder Trust for London and produced by independent think tank New Policy Institute.

All the data, graphs and maps in this report are available from www.londonspovertyprofile.org.uk

www.londonspovertyprofile.org.uk

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