



Trust for London
Tackling poverty and inequality

London's Poverty Profile 2013



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Tom MacInnes and Adam Tinson



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Adam Tinson

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Contents

5 Foreword

6 Introduction and commentary

Key findings 7
Changes over time 8
Differences across London's boroughs 9
Commentary 11

15 Chapter one: An overview of London

London's population 17
Ethnicity and migration 19

23 Chapter two: Low income

Key points 23
Introduction 24
Poverty in London 24
Material wellbeing 28
Commentary 30

31 Chapter three: Income and wealth inequality

Key points 31
Income and wealth inequality 32
Pay and inequalities 33
Polarisation 36
Commentary 37

39 Chapter four: Housing and homelessness

Key points 39
Introduction 40
Tenure and poverty 40
Housing costs and housing debt 42
Overcrowding and availability 43
Homelessness 46
Commentary 50

51 Chapter five: Worklessness

Key points 51
Introduction 52
Worklessness 53
Worklessness among different groups 57
Commentary 61

63 Chapter six: Low pay

Key points 63
Introduction 64
Low-paid jobs 64
Low pay within London 66
Low-paid individuals 68
Commentary 70

71 Chapter seven: Education

Key points 71
Introduction 72
London pupil demography 72
School age education 74
Qualifications at age 19 77
Adult qualifications and skills 78
Commentary 80

81 Chapter eight: Health

Key points 81
Introduction 82
Health in childhood 82
Health in adulthood 85
Provision of services 89
Commentary 90

91 Chapter nine: Benefits and welfare reform

Key points 91
Introduction 92
Out-of-work benefits 92
Change to benefit claims 93
Housing benefit claims 94
Reforms to housing benefit 96
Council tax benefit reform 100
Commentary 102

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Foreword

It has been four years since we published the first edition of *London's Poverty Profile* and during that time we have been able to analyse what progress has been made on a range of indicators related to poverty and inequality. It shows that London has some firm foundations: there have been a number of improvements not just over this period but over the last decade, most markedly in education; in health, in relation to premature mortality and teenage pregnancy; and looking at low incomes, there have been significant gains for pensioners.

However, there are a number of structural weaknesses which urgently need addressing. An area of real concern is the continuing growth of poverty amongst families where someone is working; this group now represents more than half of those living in poverty in the capital. What this trend highlights is that increasingly work is not paying enough to lift people out of poverty. Wages have remained stagnant, particularly for those in the lowest paid occupations.

We are well aware of the need to balance the needs of employers with the needs of workers. However, we cannot tackle in-work poverty without more employers paying decent wages, to pay a living wage. We also know that pay is just one (though very important) issue – there is much more that needs to be done for those who are poorly paid, including improving job security, tackling discrimination and exploitation in the workplace, and improving pensions.

Another major concern is housing, especially the lack of supply of new homes, which is having knock-on effects in relation to overcrowding, higher rents and house prices. This matters more than ever, because London is growing, and at a rapid pace. A million extra Londoners over the last decade and projections show this trend continuing. It is possible to address this issue – we can build more homes, but crucially they need to be genuinely affordable to rent or to buy.

What this report shows is that we have made progress on a number of fronts, even in a period of economic difficulty. We believe more can be achieved and that not only does this address issues of poverty and inequality, but that it is good for the economy too. Increased wages in the pockets of those at the bottom is immediately spent and helps economic growth as well as increasing taxes for the Treasury; building more homes creates employment. Whilst this may sound simplistic, the danger of doing too little creates significant problems, particularly socially. After all, if we don't build more affordable homes where are Londoners on middle incomes, let alone low incomes going to live in this city of ours? This increase in low pay on the one hand and higher housing costs on another is simply unsustainable. What we need is a fairer and more equal London.

Jeff Hayes

Chair, Trust for London

Introduction and commentary

Introduction

London's Poverty Profile looks at the extent and depth of poverty and inequality 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, education and health. Each of these are independently important but also are closely linked to poverty.

The analysis looks at a range of indicators for London, how they have changed over time, how this compares to the rest of England and how it varies within London itself.

This is the fourth report in the series. Each report has had a different focus: variations within London, London in the recession; and housing. In this report the focus is on welfare reform.

Key findings

- 1 In the three years to 2011–12, 2.1 million people in London were in poverty. This 28% poverty rate is seven percentage points higher than the rest of England. Incomes in London are more unequally spread than in any other region. It contains 16% of the poorest decile of people nationally and 17% in the richest decile.
- 2 Over the ten years to 2011–12, the number of people in in-work poverty increased by 440,000. In the same period the number of pensioners in poverty fell by 110,000 and the number of children in workless families in poverty fell by 170,000. Now 57% of adults and children in poverty are in working families.
- 3 The number of people in poverty in the social rented sector fell by 340,000 in the last ten years. But this has been more than offset by rising poverty in the private rented sector (up 460,000). At 39%, the private rented sector now has a larger share of people in poverty than either those in social rent or owner-occupation.
- 4 375,000 people were unemployed in London in 2012, up more than 40% since 2007. 190,000 people worked part-time but wanted a full-time job in 2012, nearly double the level in 2007. In 2012, 25% of economically active young adults in London were unemployed. This compares with 20% for young adults in the rest of England and is around three times the rate for all economically active working-age adults in London.
- 5 In 2012 just under 600,000 jobs in London were paid below the London Living Wage (£8.55 per hour). Over 40% of part-time jobs and 10% of full-time jobs are low paid.
- 6 Education in London continues to improve. Over five years to 2012, the proportion of Inner London 16 year-olds entitled to free school meals who failed to get five 'good' GCSEs came down 20 percentage points (to 47%). The 16 percentage point fall in Outer London (to 55%) was also much better than in the rest of England (a 13 percentage point fall to 67%).
- 7 Premature mortality rates in London for both men and women are down by around a third in 10 years (to 187 and 115 per 100,000), and are now below the England average (of 194 and 125).
- 8 26% of London households received housing benefit in 2012, a higher proportion and one that has grown faster than the average for England. Average housing benefit values are also much higher in London at £134 per week compared to £92 per week for England. As a result, changes to housing benefit will have had a wider and deeper impact in London. High housing costs in London and national caps to benefit will make large parts of London unaffordable to low-income households.
- 9 Around 80,000 London families were estimated to be affected by the under-occupation penalty, losing on average £21 per week in housing benefit from April 2013. An estimated 475,000 families in 22 boroughs faced cuts in council tax benefit cut, with average cuts ranging from £1 to £5 a week.
- 10 In 2009 the Inner East & South stood out as the worst performing sub-region but no longer does so. Levels of deprivation in outer boroughs both east and west, have been increasing.

Changes over time

The table below uses a series of indicators to summarise the changes in London explored in this report. Each indicator is grouped into a theme and the table shows how it has changed compared to 5 and 10 years ago. Broadly the indicators measure bad things such as poverty, so if an indicator is 'lower' this suggests a positive change and 'higher' a negative one.

The table shows that the changes in London have been mixed. In terms of health and education the story is a positive one. There have been overall falls in infant mortality, premature mortality alongside a high and growing rate of school pupils achieving the expected standard across London's boroughs and demographic groups.

The changes to poverty and housing have varied. The poverty rate among pensioners and children has generally fallen, but for working-age adults it worsened. As a result the overall poverty level has remained unchanged. For housing, mortgage repossession orders have fallen in the last five years back to the level they were at 10 year earlier. But overcrowding has consistently increased. The number of rough sleepers has increased whilst statutory homelessness, although slowly increasing, remains much lower than it was 5 years ago.

Theme	Indicator	Over 5 years	Over 10 years
Low income	Poverty rate	Flat	Flat
	Child poverty rate	Lower	Lower
	Working-age poverty rate	Higher	Higher
	Pensioner poverty rate	Lower	Lower
	In-work poverty	Higher	Higher
	Workless poverty	Flat	Lower
Housing	Landlord repossession rate	Flat	Lower
	Mortgage repossession rate	Lower	Flat
	Overcrowding rate	Higher	Higher
	Rough sleepers	Higher	Higher
	Homelessness acceptances	Lower	Lower
	Temporary accommodation	Lower	Lower
Inequality	Income inequality	Flat	Flat
	Pay inequality	Flat	Higher
Work and pay	Unemployment rate	Higher	Flat
	Underemployment	Higher	Flat (since 2004)
	Young adult unemployment	Higher	Higher
	Number of low paid jobs	Higher	Higher (since 2005)
	Proportion of low paid	Higher	Higher (since 2005)
Education	Low attainment at 16 overall	Lower	Lower
	Low attainment at 16 free school meals	Lower	Lower
	Lacking qualifications at 19	Lower	Lower (since 2005)
Health	Infant mortality	Flat	Lower
	Teenage pregnancy	Lower	Lower
	Obesity	Higher	Higher (since 2006)
	Premature mortality	Lower	Lower
Benefits	Out-of-work benefit claim rate	Higher	Lower
	Housing benefit claim rate	Higher	Higher
	Council Tax benefit claim rate	Higher	Higher

In terms of work, the outlook is a negative one. The improvements achieved in unemployment in London over 10 years have been largely reversed, which is also reflected in the out-of-work benefit claim rates. Over the same period, low-paid jobs and underemployment have seen consistent increases. Again this is reflected in the other indicators: a higher proportion of people require state benefit to cover their housing and council tax costs, and in-work poverty has increased.

Differences across London's boroughs

The table below looks at how London's boroughs compare to one another across a series of indicators. A borough is shaded in dark red for a particular indicator if it is in the bottom four boroughs, light red for the next four and pink for the next 8. So the darker the shade, the further from the average. The 16 boroughs that are not shaded in are in the top half for that indicator^[1]. Boroughs are grouped into the London sub-regions to highlight how the level of, for example, poverty in an area is either typical or anomalous.

The two columns on the right show each borough's overall rank and how it is changing. To allow for a time comparison it focuses on 5 indicators (child poverty, unemployment, low pay by residence, premature mortality and GCSE attainment). The colour code for the final column is green where a borough's rank within London has improved, and red where it was worsened: the darker the shade the bigger the change.

The table shows much more red in two sub-regions of the Outer East & North East and the Inner East & South. Looking specifically at the Inner East & South, the sub-region performs poorly for health, child poverty, worklessness and qualifications at 19. But this is also the sub-region that has seen the biggest improvements, with 5 of the 8 boroughs shaded in green for relative improvements.

In terms of the red in the Outer East & North East, much of this is concentrated in Barking & Dagenham, Waltham Forest and Enfield. All three of these boroughs have fallen behind but Greenwich and Havering have also slipped in the rankings as well.

This points to a continuation of the trends identified in previous editions of this report: that poverty is concentrated in the East of London rather than Inner London; and that poverty has been moving from Inner to Outer London. In fact the two boroughs in the Inner East & South with the most red are Newham and Haringey: boroughs that do not reach the centre of London.

Although the Outer West & North West appears to be about average, Brent stands out within the sub-region for having a high number of indicators below average. But Ealing, Hillingdon and Hounslow have worsened in relation to other boroughs. This sub-region also has above average cuts to council tax benefits and Local Housing Allowance claim rates, so may be disproportionately affected by welfare reform.

For the two other sub-regions, the Outer South and the Inner West, there is much less red shown on the table. The Inner West performs badly in terms of inequality, particularly Westminster. But for most other themes, the indicators for these boroughs are at or better than average and they have changed in line with the average.

[1] The pattern may differ in instances where boroughs have the same value for a particular indicator e.g. indicator 21.

		Low income, work & pay				Inequality			Housing			Health				Education			Benefit reforms					
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	Av.	Change*
Outer East and North East	Barking & Dagenham	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
	Bexley	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
	Enfield	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
	Greenwich	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
	Havering	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
	Redbridge	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
	Waltham Forest	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
Inner East & South	Hackney	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
	Haringey	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
	Islington	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
	Lambeth	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
	Lewisham	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
	Newham	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
	Southwark	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
	Tower Hamlets	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
Inner West	Camden	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
	Hammersmith & Fulham	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
	Kensington & Chelsea	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
	Wandsworth	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
	Westminster	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
Outer West and North West	Barnet	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
	Brent	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
	Ealing	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
	Harrow	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
	Hillingdon	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
	Hounslow	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
	Richmond	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
Outer South	Bromley	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
	Croydon	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
	Kingston	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
	Merton	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse
	Sutton	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse	Worse

Key

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

Change - relative to rest of London

- Worse
- Slightly worse
- No change
- Slightly better
- Better

- Child poverty
- Unemployment
- Low paid jobs by place of work
- Low pay by residence
- Pay inequality
- Benefit polarisation

- Inequality in life expectancy
- Overcrowding
- Temporary accommodation
- Landlord repossessions
- Mortgage repossessions
- Childhood obesity
- Underage pregnancies

- Limiting long-term illness
- Premature mortality
- Schools at/above capacity
- GCSE achievement
- Lacking qualifications at 19
- Out of work benefits
- LHA claims

- Council Tax Support cut

*Change: reflects only indicators 1, 2, 4, 15 and 17

Commentary

Over the last year, a narrative around London has started to develop. London's economy is growing healthily again, booming, according to some commentators. Businesses are growing at a rate not seen for a decade^[2]. The number of jobs in London has grown by a quarter of a million in the last five years, much faster than the rest of the country^[3]. London has had, and continues to have, huge investments in its infrastructure, whether it's the Olympic Park, Crossrail or the development of the Royal Albert Dock. In this report we echo findings of our previous reports; London went into recession later, came out sooner and is now growing faster than the rest of the UK.

All these facts are correct. There is, though, something about this simple narrative that does not ring true. Even if we put to one side the obvious hyperbole of a "boom", the growth in jobs and output seen so far this year are relative to both a previously low level in London and very low level in the rest of the country. Seeing higher growth in 2011 than 2010 is to be expected when growth in the latter year was only 2%. Adding jobs at a faster rate than the rest of the country is made easier when the entire north of England barely added any jobs in 2012.

Secondly, this growth has not yet trickled down into wages, or even lower unemployment. London's unemployment is still higher than the England average (8% compared to 7%) and its employment lower (70% compared to 72%). The number of jobs paid below the London Living Wage was around 600,000 in 2012, representing 17% of all jobs in the capital. Unemployment, at 375,000 people, was no lower than the previous year and some 110,000 higher than its pre-recession level. 190,000 people were in part-time work but wanted a full-time job, compared to 100,000 in 2008. The result of this is rising poverty in working families – over half of all working-age adults and children in poverty live in a household where someone is working.

Finally, this recovery has happened at the same time as increasing numbers of people in London faced very serious hardship. The number of families accepted as homeless rose for the third year in a row, the number of rough sleepers has almost doubled in five years. In just the four boroughs in which the new household benefit cap was piloted, 220 workless families saw their incomes reduce by over £50 per week. Over 30,000 people in London were using food banks in the last year. For a significant number of people the economic recovery is not benefitting them. Some of London's poorest people are having their incomes cut or being moved from their homes.

So at the aggregate level, London's economic recovery is yet to touch large numbers of people. But the argument of these reports has always been that there are many different Londons. In terms of geography and demography, there is huge diversity and constant change within the capital, something the 2011 census underlines. London grew more than any other region over the last decade, its population surpassing 8 million for the first time since the 1960s. In the last ten years, the population of the Inner East & South, the area from Haringey down to Lambeth and over to Lewisham and Newham, grew by almost a fifth, compared to a national average of 8%.

London is, of course, not static. As well as these gradual changes over time, there is the day-to-day criss-crossing of commuters throughout the capital. Looking at the commuting patterns of low-paid workers tells us something about people in London as well as the place itself. Though the share of low-paid jobs is split almost 50:50 between Inner and Outer London, low-paid work makes up a much greater proportion of all work in the outer boroughs than the inner ones. Almost one-third of low-paid jobs in Inner London are done by people travelling in from the outer boroughs. Workers living in

[2] <http://bit.ly/1h5pBgB>

[3] <http://bit.ly/1blwlOp>

London are more likely to be low paid than those who commute in from outside – 90% of London's low-paid jobs are done by Londoners, compared to 80% of the jobs that are not low paid.

In previous years, we have emphasised the changing distribution of poverty from Inner to Outer London. This report shows the trend continuing, with the six boroughs that had the biggest increase in unemployment since the recession being found in Outer London. Four of the ten boroughs with the highest unemployment rates are in London's Outer East quadrant, the area from Enfield in the North out to Havering and then down to Bexley. In contrast, all five of the boroughs in Inner West London, Westminster, Kensington & Chelsea, Wandsworth, Hammersmith & Fulham and Camden, now have levels of unemployment below the London average, and four of these saw below average increases over the last five years.

London is diverse and changing but certain factors are common across the capital, the most obvious of which is the high cost of housing. Whether it is concerns about foreign buyers leaving homes empty in Mayfair, rich investors driving up prices in central London, soaring rents in Hackney or a lack of new affordable accommodation in Barking & Dagenham and Havering, London has a housing problem. These high prices are not the natural territory of a report on poverty, but they matter, as with a constrained supply of housing they increase costs further down.

Yet what is clear is that high housing costs are the key poverty issue in London. Londoners are being hit hard by welfare reform, not because they are more likely to rely on out-of-work benefits than people elsewhere, but because they are more likely to claim housing benefits to pay the rent. The overall benefit cap looks like it has been designed with London in mind – 49% of households affected are in the capital. The results coming from the four pilots, all in London, show local areas struggling to cope with the impact of this national policy^[4].

The vision document, *2020 Vision, The Greatest City on Earth, Ambitions for London* by Boris Johnson^[5], recognises the shortage of housing as “the gravest problem the city faces”. Among many ideas for maintaining London's position as a pre-eminent global city, the report outlines a range of different policy suggestions for solving what even the Mayor calls “London's housing crisis”. These include some surprising options, such as encouraging the building of more council housing by lobbying central government to allow boroughs to borrow more. Recognition of the housing problem is important, but parts of the report are unclear as to whether the proposed solutions are things the Mayor is committing to or recommending someone else commits to.

Even if London does “boom”, or even just to grow steadily, the outlook for poverty in London, as in the rest of the country, is bleak. There will almost certainly be some poor families who move or get placed outside the capital, but many more will struggle by on lower incomes in Outer London boroughs. The problems of stagnating pay, in-work poverty and falling values of benefits are nationwide, by no means unique to London. But they will not be solved by economic policies aimed at making London competitive globally while ignoring problems closer to home.

Beyond that, what can London's authorities do to alleviate poverty? Our report shows the substantial additional burdens that people in poverty face; poor children do much less well at school than their better-off peers; large health inequalities persist between rich and poor areas. Such burdens are not inevitable, and can be tackled through a greater focus on services – health, education, transport as well as housing. Housing, at least over the last decade or so, is an example of what not to do.

[4] See <http://bit.ly/12G5g9x> for the statistics and <http://bit.ly/1awy6zR> for commentary

[5] <http://www.london.gov.uk/mayor-assembly/mayor/vision-2020>

Education is an example of what can be done. Children on free school meals in London do much better than similarly poor children elsewhere, and the gap between those on free school meals and other children is lowest in London. But London's success goes further than that: boys, girls, poor, not poor, children of all ethnic backgrounds now do better in London's schools than the national average, a reversal of the position a decade ago.

This did not happen by accident. It was the result of a strong policy push, a focus on teachers and training, and the co-ordinated efforts of public institutions such as local authorities, professional bodies and the schools themselves, as well as private bodies such as academy chains ^[6]. In this, London's schools stand as an example for the rest of its public services, from the NHS to Transport for London: an example of how making policies and services work for people on low incomes can make them work for everyone.

This last point is an important one. A report like this, written at a time like this, can too easily be a litany of bad news, and there is no shortage of depressing facts and stories in the text. But the improvement in London's schooling, which can be tracked from primary school to university, shows what good policy, combined with targeted investment, can achieve.

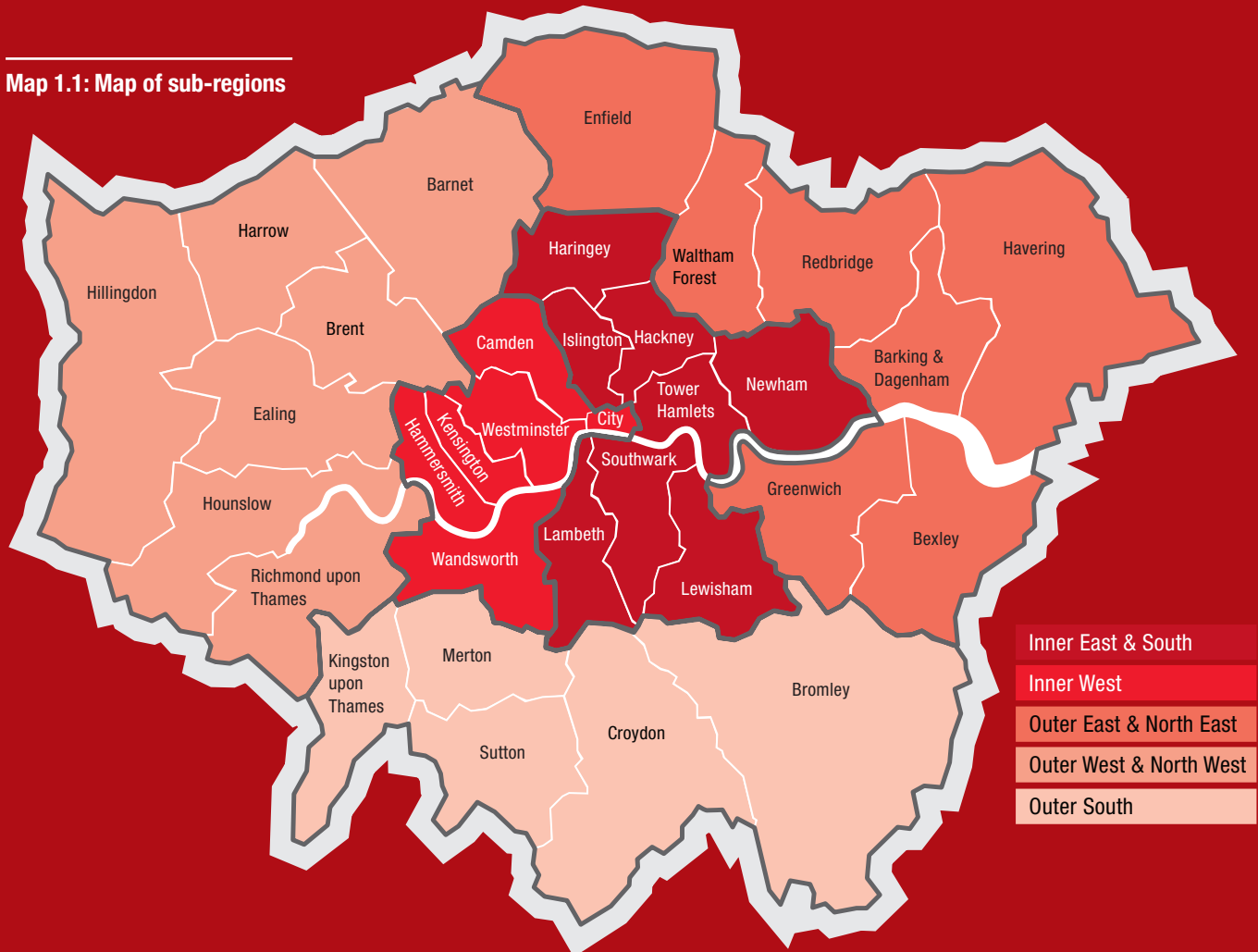
[6] See <http://www.ofsted.gov.uk/resources/london-challenge>

Chapter one:

An overview of London

This chapter sets out some of the demographic characteristics of London. It puts our analysis in the rest of the report into context and helps us to understand the findings. Throughout this report we will break down the data to a range of geographies (primarily wards, boroughs, Inner/Outer London) including 5 London sub-regions^[7] shown in the map below.

Map 1.1: Map of sub-regions



The report examines a series of issues that are either directly related to poverty (e.g. lacking work) or closely linked (e.g. low educational attainment). We reflect to what extent they exist in London and how this compares to the rest of England.

Control over these issues extends across a range of government levels as shown in the table below. Each row is a chapter in this report and the table shows the different levels of government that can influence these issues in London.

[7] This is the same geographical breakdown used by the Government in some of their statistical publications, e.g. tax credit data by HMRC.

Table 1.2: Who is responsible for London?

	Mayor of London and the London Assembly	London boroughs	The UK Government and Parliament
Low income		Setting of localised benefits, such as Council Tax Support and local welfare provision to replace Community Care Grants and Crisis Loans	Responsibility for Child Poverty through 2010 Act; overall through tax and benefits system; Money Advice Service
Inequality		Some local authorities have established Fairness Commissions	Overall through the tax and benefits system
Housing and homelessness	Control over budget and responsibilities formerly held by Homes and Communities Agency; London Plan	Provision of social housing; responsibility for homelessness	Setting of housing benefits, caps and other aspects of welfare reform; social rent policy; housing policy e.g. help-to-buy
Worklessness		Local employment schemes, such as the North London Pledge	The Work Programme; welfare reform such as Employment Support Allowance designed to get people into work
Low pay	Setting the level of and promoting the London Living Wage	Individual councils may promote the Living Wage	Setting and enforcing the National Minimum Wage
Health	Responsibility for public health and health inequalities	Public health	Overall organisation and funding for health services
Education		Responsibility for education and skills up to age 19	Free Schools programme and funding for higher education.

This is the first *London's Poverty Profile* (LPP) since the Census 2011 data has been available, which means we are able to look at small demographic groups in local areas with much more reliability. However, there are still some groups that we are unable to reflect in the way we would like to in a report about poverty and inequality. Undocumented migrants, the hidden homeless, and workers in the informal economy are all groups that, through an approach primarily based on official government statistical data sources, are overlooked. We mention throughout the report the instances where this is particularly problematic.

The latest official poverty data in this LPP is for the year 2011–12. In the last two years of data median incomes fell and as a result the poverty threshold also fell. This means that an improvement in the poverty rate does not necessarily mean people at the bottom of the income distribution are materially better off than they were before, but they are closer to the average. This is explored in detail in the next chapter. But as the latest data is for 2011–12, the recent changes to the benefit system are not reflected. As a result we have introduced a chapter on welfare reform that looks at the impact of these changes specifically on London.

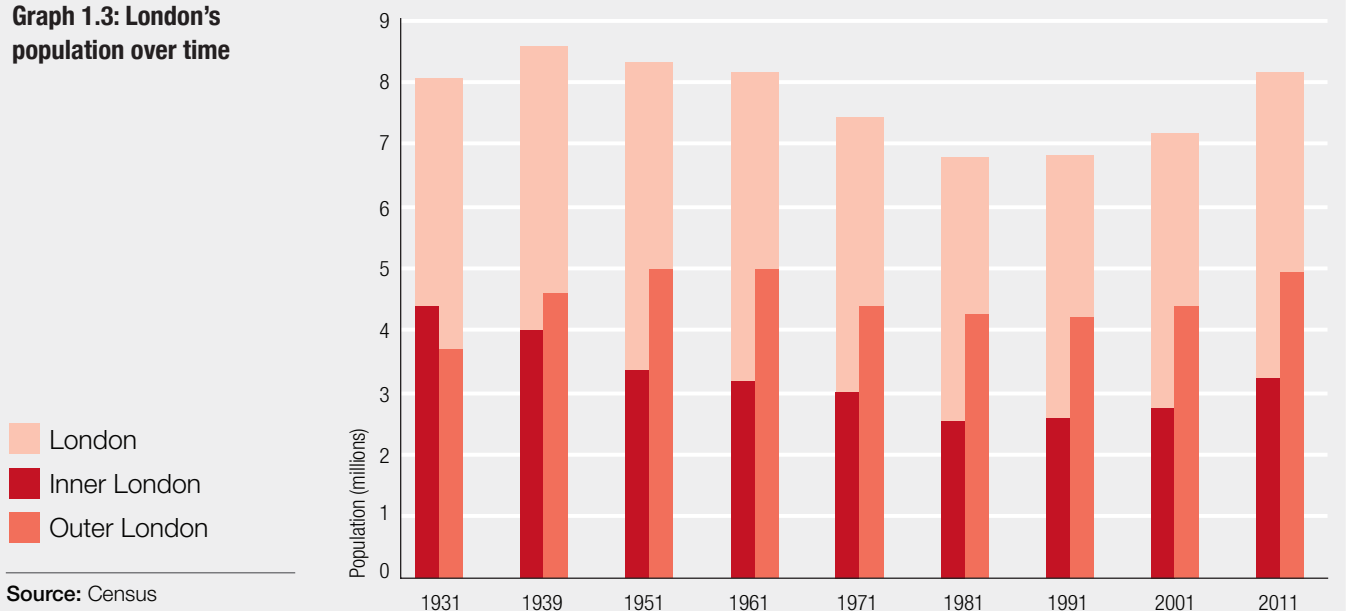
London's population

According to the 2011 Census there were 8.2 million people living in London: 3.2 million in the 13 Inner London boroughs plus the City of London and 5 million in the 19 Outer London boroughs. London's population increased by 1 million since 2001; over this period London grew by 14% compared to 8% in the rest of England.

Looking further back, this is the fastest growth in London since before the 1930s. Although the capital's population has been increasing since 1981, it is still around 400,000 lower than in the late 1930s.

Growth in absolute terms over the last decade has been higher in Outer London, which has grown by 540,000 people compared to Inner London's 470,000. But as a percentage of the 2001 figure, Inner London has grown faster. Outer London accounts for around 60% of the population.

Graph 1.3: London's population over time



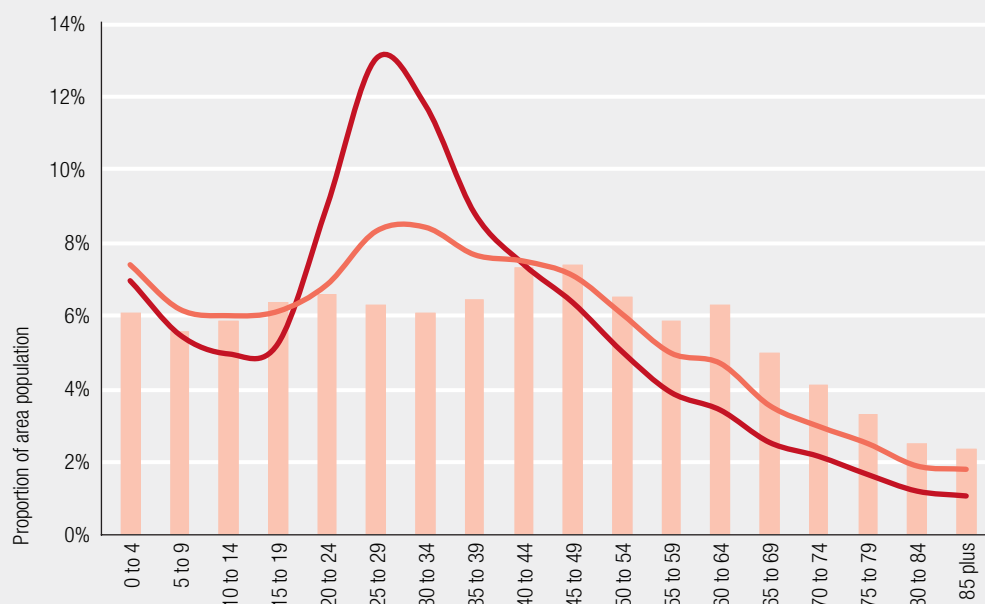
The main way that London, particularly Inner London, stands out from the rest of England in terms of age is the higher much proportion of people aged 25 to 34 (in 1981 this was not the case). This helps explain London's growing population, as a larger proportion of the city's population are younger adults who are more likely to have children. Although it is common for cities to have a high proportion of younger adults, the largest group in London are those aged 25 to 29, whereas in many English cities the 20–24 group is the largest. It is also notable that London has proportionally fewer people aged over 50, particularly in the case of Inner London.

The age structure for Outer London lies between Inner London and the rest of England. However, this is not the case for those aged under 14, where the proportion for Outer London is higher than both Inner London and the rest of England. This gap appears to be growing: between 2001 and 2011 the number of people aged 0 to 14 in Outer London increased by 13%, compared to 11% in Inner London and no change in the rest of England.

Graph 1.4: Age profile of London's population

■ Inner London
■ Outer London
■ Rest of England

Source: Census 2011



In the last 10 years the Inner East & South of London grew fastest of all the London sub-regions, with the population increasing by nearly a fifth to over 2.1 million. This is five percentage points higher than the next fastest growing sub-region. The slowest growing sub-region is the Outer South, where the population increased by 7%.

The 2011 Census revealed that “White British” was now a minority ethno-national group in London (less than half) with 55% of the population belonging to a non-White British group. However, it is important to note that London’s population born outside the UK was considerably lower than this at 37%. The high proportion of non-White British groups in London partly reflects the legacy of longer-term trends of international migration rather than recent dramatic changes. Overall 78% of people living in London described themselves as having a UK-based nationality.^[8]

The proportion of non-White British groups varies across London’s sub-regions. The Inner East & South has the highest rate at 65%, followed by the Outer West & North West at 61%. The area with the highest proportion of people born outside the UK is neither of these, but the Inner West at 44%.

Table 1.5: The population of London's sub-regions

Sub-region	Total population (1,000s)	% change in last decade	% BME	% born outside UK
Inner East & South	2,137	19%	65%	41%
Inner West	1,095	13%	56%	44%
Outer East & North East	1,759	13%	48%	29%
Outer South	1,223	7%	39%	25%
Outer West & North West	1,960	14%	61%	42%
London	8,174	14%	55%	37%
Rest of England	44,839	8%	14%	10%

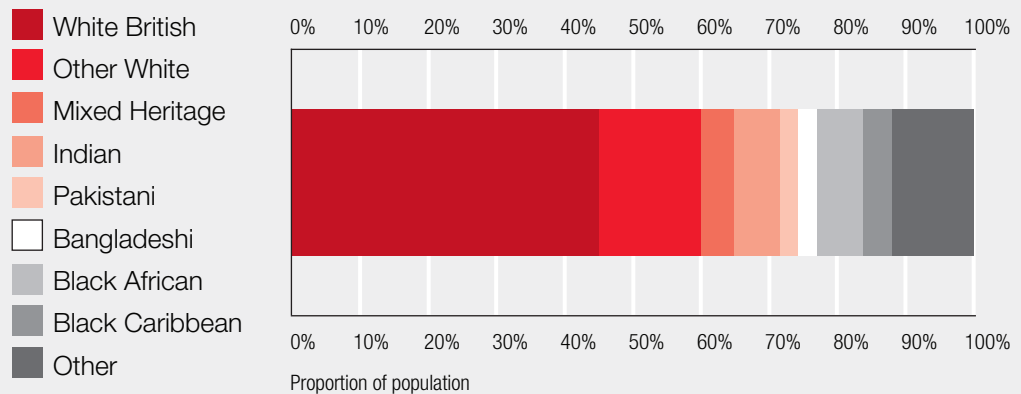
Source: Census 2001 and 2011

[8] At least one of the following, English, Welsh, Scottish, Northern Irish or British

Ethnicity and migration

As the table shows, London's population is much more ethnically diverse than the rest of England. Whilst 45% of London's population is White British, the graph shows that it is by far the most common ethno-national group. A further 15% are from other white groups. The next largest ethnic groups in London are Indian and Black African each making up around 7% of the population.

Figure 1.6: London's population by broad ethnic group

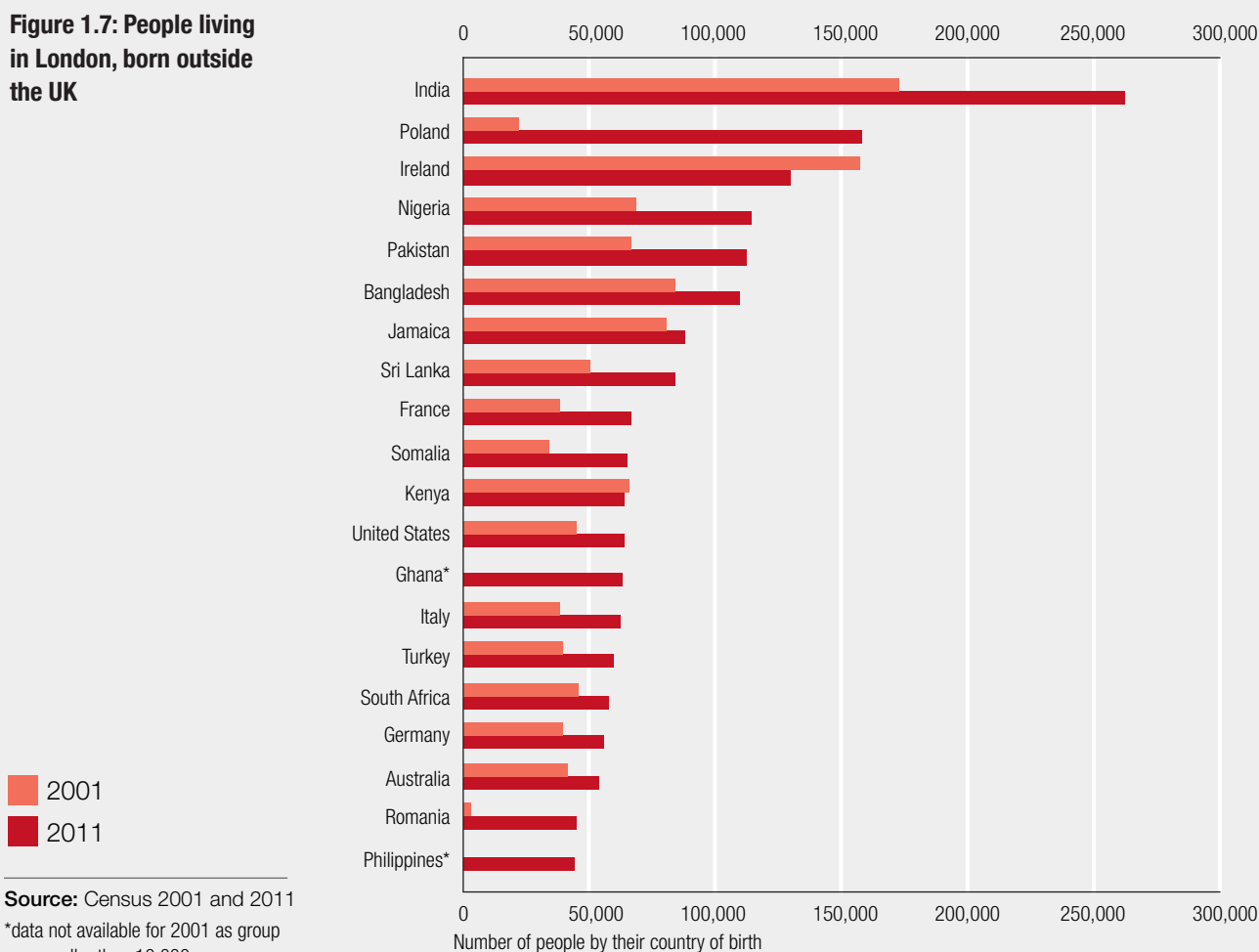


Source: Census 2011

But the ethnic composition within London is highly varied. Brent and Tower Hamlets are the only London boroughs where their largest ethno-national group is not White British. In Brent it is Indian at 19% and in Tower Hamlets it is Bangladeshi at 32%. Havering is the borough with the highest White British population at 83%.

Newham could be considered the most diverse borough, where the White British population is lowest at 17% and it is the only borough to have 4 other groups each making up over 10% of the population. Alternatively, Croydon is diverse in a different way. Here the White British population is 47% and no other broad ethnic group exceeds 10%, so there are many different groups with individually small population shares that make up the majority of the population.

Figure 1.7: People living in London, born outside the UK



Source: Census 2001 and 2011

*data not available for 2001 as group was smaller than 10,000

Just under 3 million people in London were born outside the UK, among which the largest group by far, at 260,000, are those born in India. Overall 62% of Indians in London were not born in the UK, but the highest level was among people belonging to the ethnic group 'other White' at 85%. The graph above shows the 20 most common countries of birth of people in London born outside the UK in 2011 and compares it to 2001.

The number of people in London born in Romania has increased over 10-fold since 2001 (but remains under 50,000) and the number born in Poland has increased 6-fold. The population of people born in Ghana and Philippines was previously small enough to not be recorded, but is now in the top 20 countries. Whilst the number of people from most of the counties shown has increased, the number born in Ireland and Kenya has decreased.

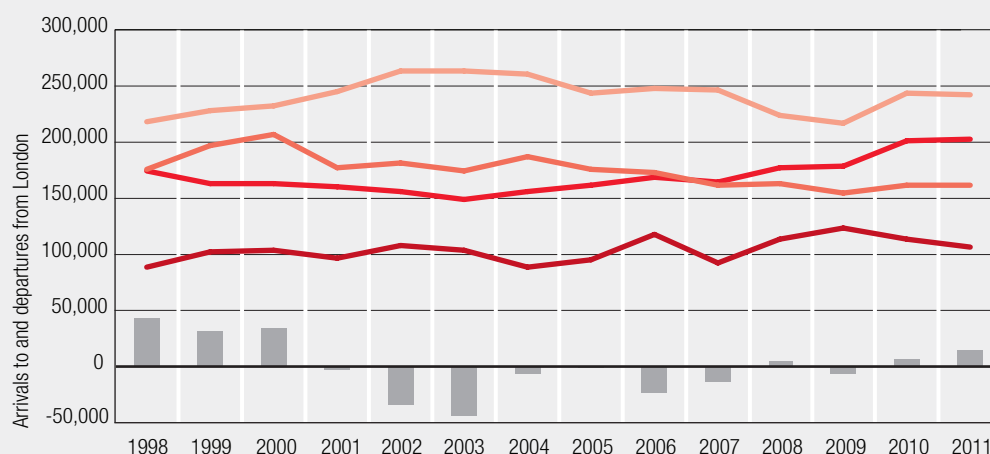
London's population is dynamic, with hundreds of thousands of people moving into and out of London each year. From 1998 onwards, the largest single movement of people has been from London to the rest of the United Kingdom, amounting to 242,000 people in 2011. But the domestic immigration to London has been generally rising since 2003, surpassing 200,000 in 2011.

International migration into London at 161,000 in 2011 is greater than international emigration at 106,000. But international immigration to London has been on a downward trend from 2000, though has picked up slightly from 2009.

Figure 1.8: Migration in and out of London



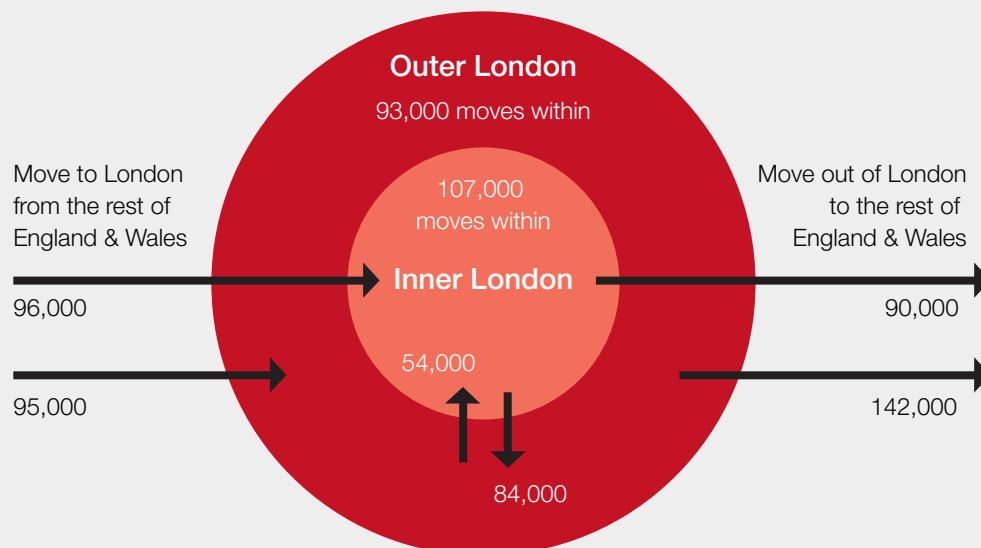
Source: ONS long term international migration statistics, ONS Internal migration times series and domestic migration estimates for 2009–2011



So in the last 10 years overall net-migration has been mostly negative but since 2010 it has been slightly positive. This suggests that the increase in London's population between 2001 and 2011 has less to do with migration and more to do with births exceeding deaths, as seen from the high levels of 0–4 year-olds in London and lower levels of those aged over 50 shown earlier in this chapter. The graph shows that the shift to positive net-migration in 2010 and 2011 is due to a fall in international emigration, as levels of immigration over this time have hardly changed.

There are also a considerable number of moves within London. The diagram below shows the annual population movements between and within Inner and Outer London and the rest of England and Wales. A large number of moves are to boroughs within the same region, with around 107,000 people moving within Inner London and around 93,000 moving within Outer London. But there is also a net internal movement from Inner London to Outer London. Around 84,000 moved from Inner London to Outer London, whilst only 54,000 moved from Outer London to Inner London, a net difference of 30,000 people.

Figure 1.9: Domestic population flows to, from and within London



Source: ONS estimates of internal migration in the year ending June 2011

Similarly there is a net movement from London to the rest of England and Wales, driven by Outer London. More people came to Inner London from the rest of England and Wales than left Inner London for England and Wales (around 6,000 more); whilst nearly 47,000 more left Outer London for the rest of England and Wales than arrived from there.

Overall there were around 257,000 moves to or within Inner London, which amounts to around 8% of its population. There were 272,000 moves to or within Outer London, around 6% of its population.

Chapter two:

Low income

Using the official measures, the number of people in London living in poverty was unchanged between this report and the last. However, this was due to a fall in the average income against which the poverty line is measured. Both those on median incomes and those on low incomes are materially worse off than two years ago. Moreover, there are now small but significant numbers of people, who, unnoticed in the official statistics, are experiencing extreme hardship.

Key points

- In the three years to 2011–12, 2.14 million people were in poverty in London (890,000 in Inner London and 1,250,000 in Outer London). Overall 28% of people in London are in poverty, 7 percentage points higher than the rest of England.
- The child poverty rate in Inner London fell by 10 percentage points over the last decade and now stands at 43%. In Outer London it has remained steady at 33%. The poverty rate for working-age adults in London is higher than it was ten years ago at 32% in Inner London (up 3 percentage points) and 24% in Outer London (up 6 percentage points).
- Over ten years, the number of people in in-work poverty increased by 450,000. In the same period the number of pensioners in poverty fell by 110,000 and the number of children in workless families in poverty fell by 170,000. Now 57% of adults and children in poverty are in working families.
- Tower Hamlets was the local authority with the highest (before housing costs) child poverty rate in the country at 42%, according to estimates for mid-2012. However, it also experienced the biggest fall in the child poverty rate. In the latest year of data every London borough saw a fall in the level of child poverty, in line with the national trend.
- Over 20% of children on a low income in London lack 6 of the 10 items in the government's measure of material deprivation, compared with 3 items for the rest of England.
- Debt advice accounted for around 138,000 cases in Citizens Advice Bureaux, down from a peak of 155,000 three years earlier. But the number of advice sessions on arrears for the payment of generic items (telephone costs, rent, council tax, water/sewerage) have seen consistent increases since 2009.

Introduction

Low income forms the basis of our understanding of poverty in London. In subsequent chapters we look at a range of issues including housing, work and health. But all of these issues matter more because of their particular impact on those with low incomes.

Poverty is measured using net household income (what remains after council tax, income tax and national insurance). The official definition of poverty, used across the EU, is having a household income that is less than 60% of the national median income that year. It is therefore 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. The poverty threshold is lower than the Minimum Income Standard (which estimates the income required to afford the items for a usual standard of living).

By measuring poverty relative to the median each year it means that the poverty threshold moves in line with the median income. Since the last LPP we have two more years of data, taking us up to 2011–12. In both of these years the value of the median income fell and as a result the poverty threshold also fell. For the latest year of data, the median weekly income after housing costs is £367 per week, compared to a high of £399 in 2007–08; in real terms the median income is now at the same level as it was in 2001–02.

This means that we have to be careful in our interpretation of this data. In a year when the median income falls, a fall 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 they were before. Following these two consecutive falls in median income and hence the poverty line, the income required to escape poverty in 2011–12 was at a similar level in real terms to what it was ten years earlier.

In measuring income, adjustments are made to account for household size i.e. a couple household requires more income but not double what a single person household requires. The table below shows the income required by different sized households per week to be above the poverty line. The table also shows two thresholds of poverty, one that looks at income before housing costs are taken into account, and one that looks at income after.

Table 2.1: Low-income thresholds

Family type	Low-income threshold before housing costs (per week)	Low-income threshold after housing costs (per week)
Single adult	£172	£128
Couple with no children	£256	£220
Single with two children under 14	£308	£264
Couple with two children under 14	£392	£357

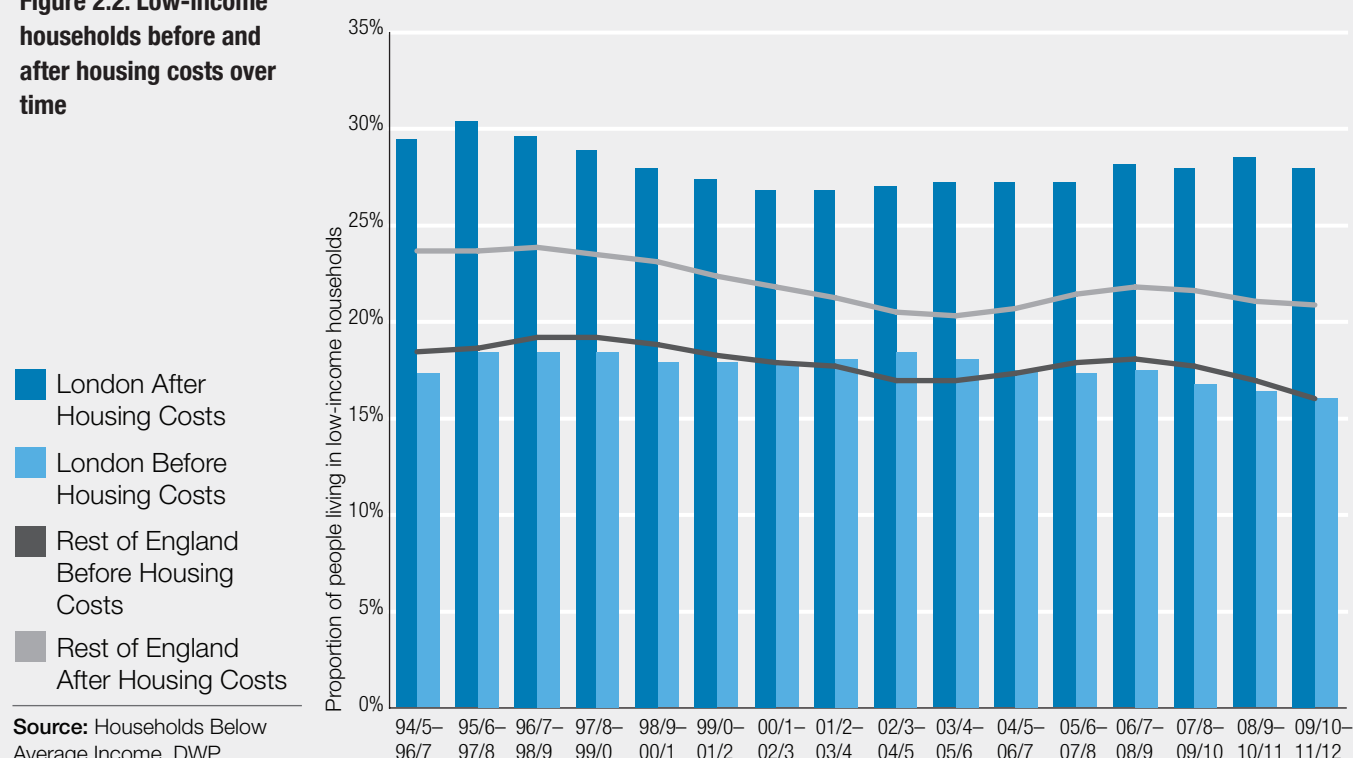
Source: Households Below Average Income, DWP, 2011–12

Poverty in London

The graph below shows how poverty under these two measures has changed over time in London compared to the rest of England. We use the average of three years of data for greater accuracy. It shows that in the three years to 2011–12, 28% of people in London were in poverty using the after housing costs (AHC) measure, and 16% were in poverty

before housing costs (BHC). Compared to the rest of England, London appears to be about average in terms of the BHC measure of poverty, but the AHC measure for London is 7 percentage points higher.

Figure 2.2: Low-income households before and after housing costs over time



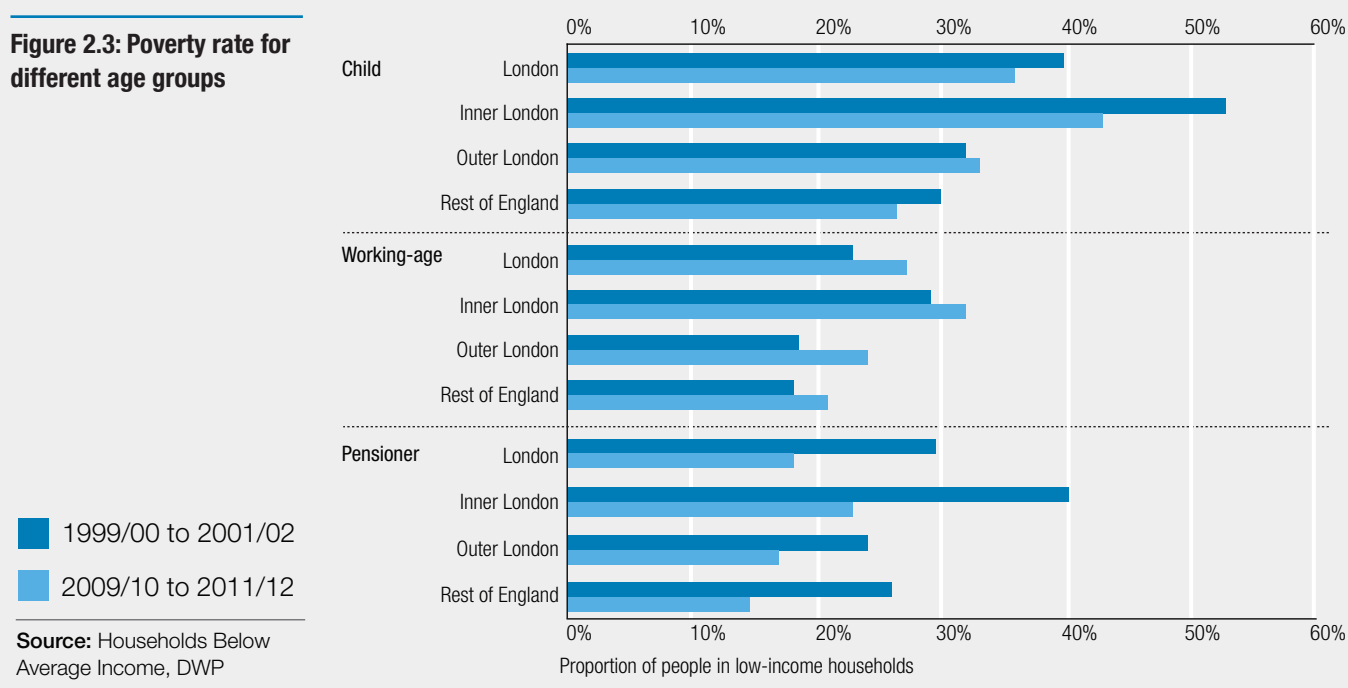
The gap between AHC poverty and BHC poverty is considerable, particularly in London. The BHC measure includes housing benefit as income but it does not deduct the rent for which that housing benefit pays. In London where housing costs are higher, housing benefit can make up a substantial share of a household's income. Even though housing benefit goes directly to the landlord, this household will appear to be better off than a similar household outside London with lower rent costs. This BHC measure also means that if a low-income household sees an increase in their rent, which results in an equal increase in housing benefit income, they appear to be better off, when their disposable income has not actually changed.

Given that housing costs are so much higher in London, it makes a big difference to disposable income, so using the BHC measure would be misleading. As a result we use the AHC measure of poverty throughout this report where possible.

Returning to the graph above, we can see that in the last 2 years of data, when the poverty threshold lowered, the proportion of people in poverty in London stayed the same. So while the number of people in poverty did not rise, the incomes of those in poverty fell at the same rate as the average.

Over the long term it appears as though the proportion of people in poverty in London has remained quite flat. BHC poverty has been on a very slight downward trend since the early 2000s. AHC poverty on the other hand saw a slight fall between the mid-90s to mid-00s. Since then, it has increased slightly but not significantly. However, when we look at how the poverty rate for different age groups has changed, as shown in the next graph, we can see something else.

Figure 2.3: Poverty rate for different age groups



The graph above shows that, for each period of data and for each age group, the proportion of people in poverty was higher in Inner London than in Outer London, which in turn was higher than the rest of England. This gap was biggest and the overall poverty rate was highest for children. In 2009–10 to 2011–12, 43% of children in Inner London were in poverty, 10 percentage points higher than in Outer London and 16 percentage points higher than in the rest of England. But this gap is actually smaller than it was; the child poverty rate has fallen considerably in Inner London over the last 10 years, whilst in Outer London it fluctuated and in the rest of England it fell at a slower rate.

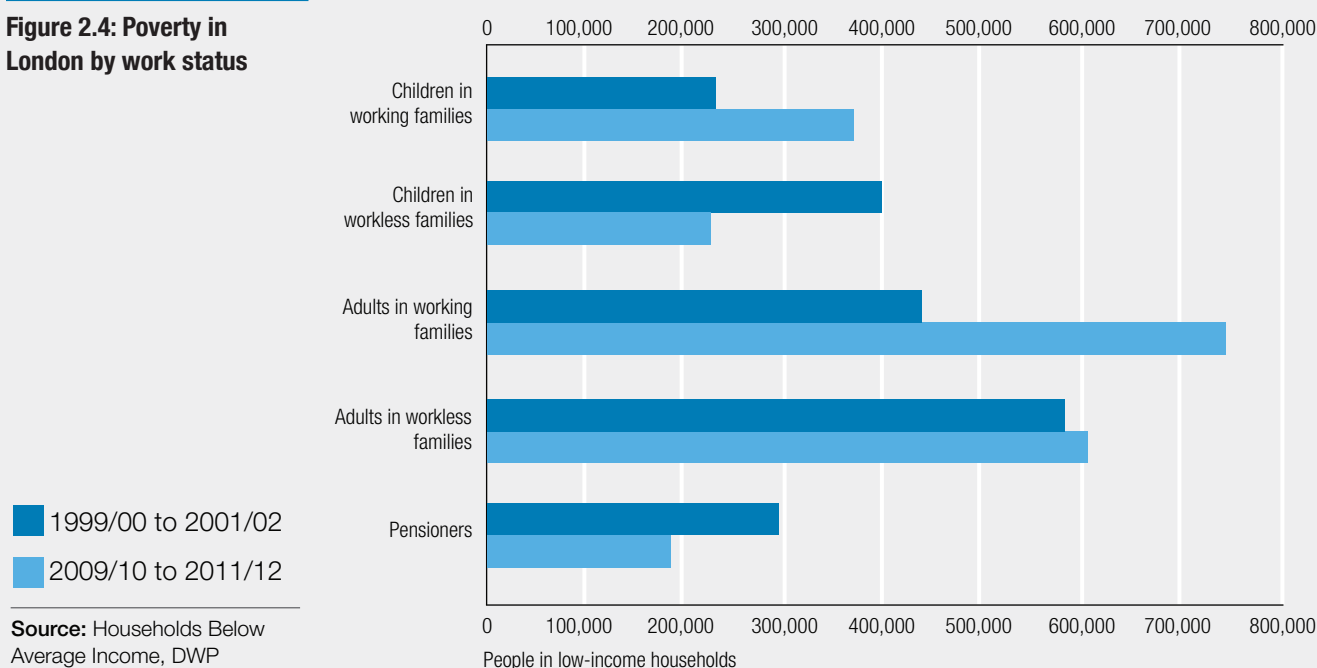
The pensioner poverty rate has seen the most significant fall over the last ten years, both in London and England as a whole, dropping by 17 percentage points in Inner London, 7 percentage points in Outer London and 11 percentage points in the rest of England.

For working-age adults though the opposite is true. Across London and England the proportion in poverty was higher in the three years to 2011–12 than it was a decade earlier. So even though the overall poverty rate for London stayed quite flat in the last ten years, there have been underlying changes in the groups in poverty.

The last LPP reported that poverty in Inner London, despite being higher, had improved and was converging with Outer London. Even the poverty rate for working-age adults fell in the early 2000s when elsewhere it increased. But in the last year of the data the overall poverty rate for Inner London increased slightly; whilst in Outer London and the rest of England it remained the same. This rise was entirely among working-age adults. Whilst it is too early to say if this trend is statistically significant, it is worrying that the poverty rate in Inner London increased at a time when the poverty threshold lowered.

In the three years to 2011–12 around 2.14 million people were in poverty in London (890,000 in Inner London and 1,250,000 in Outer London), slightly higher than 10 years earlier at 1.95 million (which is in-line with the increase in London's population overall). The next graph looks at how the number of people in poverty in London has changed over ten years for children, working-age adults and pensioners, and whether they

Figure 2.4: Poverty in London by work status



belong to a family where someone is in work. Looking firstly at pensioners, we can see a fall in the number in poverty from 300,000 to 190,000 in ten years.

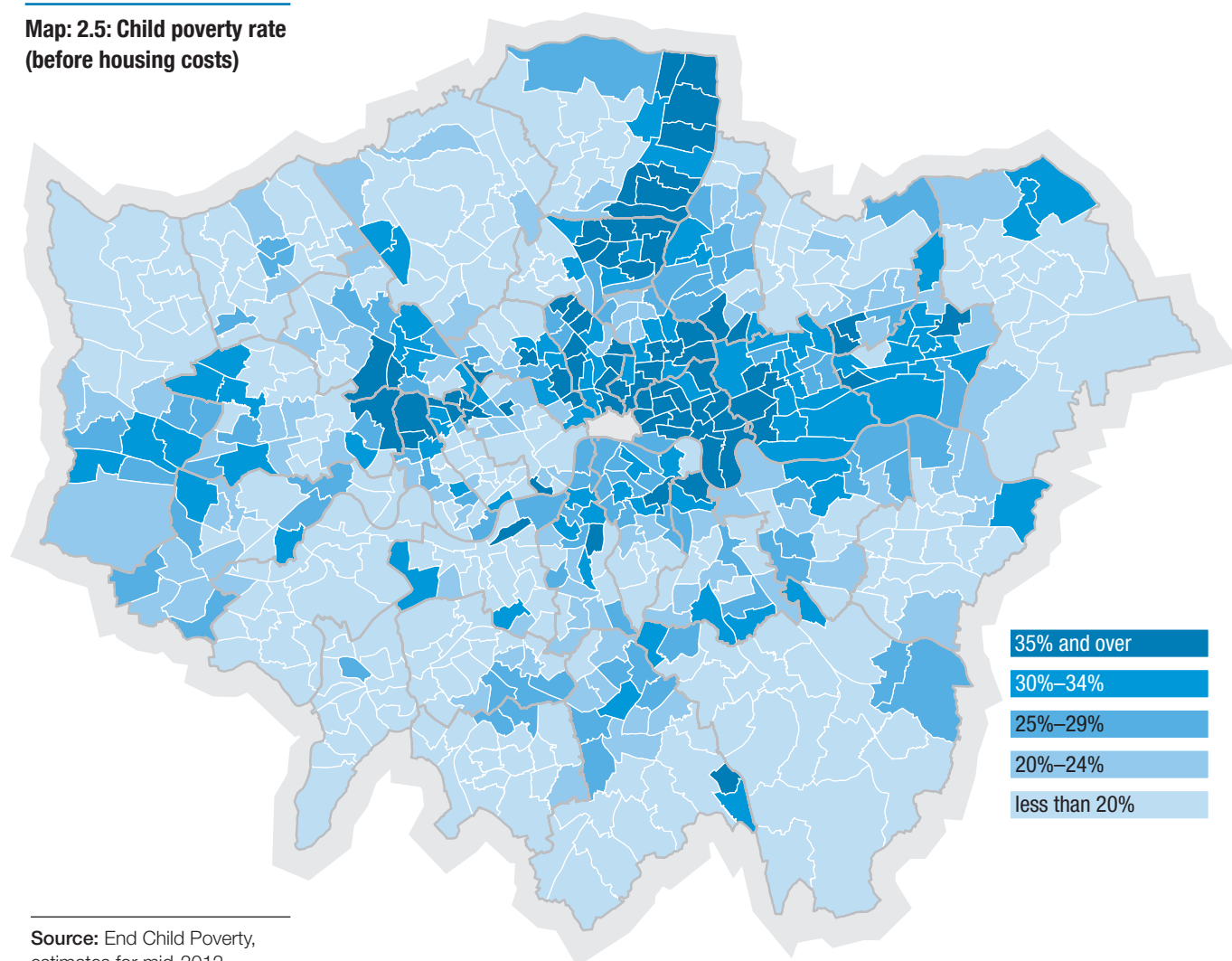
At the start of the 2000s there were around 630,000 children in poverty in London, which fell slightly to 600,000 ten years later. However, the graph shows that many more children in poverty are in working families than before (up from 230,000 to 370,000) and fewer are in workless families (down from 400,000 to 230,000). A similar trend can be seen among adults: the number in poverty and in working families has increased considerably (from 440,000 to 740,000), whilst the number of adults in workless families in poverty at 600,000 has hardly changed.

All in all the increase in the number of people in poverty in London has been almost entirely among those in working families. At the start of the 2000s the majority of children and adults in poverty lived in workless families (60%); now the majority live in a family where someone is in work (57%).

There are now over 1.1 million people living in low-income families where at least one adult is working. Of these 1.1 million, most (59%) are in part-working households, these are either families where all the work done is part-time, or couple households where one works full-time and one does not work. A quarter (24%) of those in in-work poverty are from fully-working households where every adult in the households works and at least one works full-time. Finally 17% were in households where someone was self-employed.

We saw earlier that children have the highest rate of poverty in London and the gap between Inner and Outer London, although shrinking, is large. The map below looks at how local estimates of child poverty vary across London. It is based on data for 2012 of families in receipt of out-of-work benefits or in receipt of in-work tax credits, where their reported income is less than 60 per cent of median income. It measures poverty before housing costs are deducted.

**Map: 2.5: Child poverty rate
(before housing costs)**



Source: End Child Poverty,
estimates for mid-2012

The map shows that there were high levels of child poverty across the Inner East & South sub-region of London. In addition, there were a number of areas within the Outer East & North East of London with very high levels of child poverty.

At the local authority level, Tower Hamlets had the highest child poverty rate in the country at 42%. However, in the last year of data it also experienced the biggest fall in child poverty. In fact every London borough saw a fall in the level of child poverty, in line with the national trend, but in other parts of England, such as parts of the North East, child poverty rose.

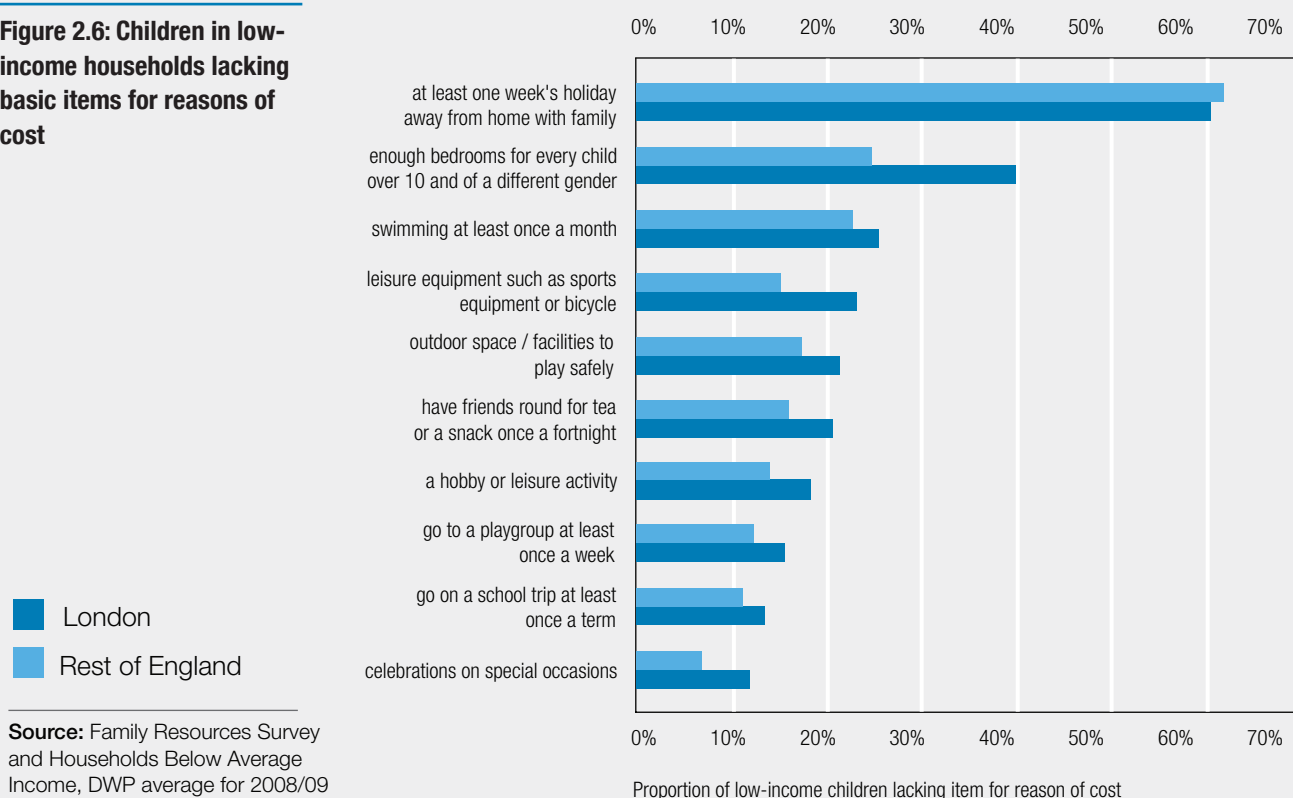
It is worth emphasising these estimates of child poverty are before housing costs, which as we saw earlier in this chapter make a considerable difference to the levels of poverty in London. It is also worth noting that child poverty levels fell the most in Inner London, representing part of the shift in the distribution of child poverty with a greater proportion of it being in the outer boroughs.

Material wellbeing

As discussed earlier, the overall poverty rate for London has not changed in the last two years, but these households are generally materially worse off in real terms than before. The remainder of this chapter focuses on the practical implications of living on a low income in London.

We can consider how low income and costs affect material wellbeing in London by looking at which items households in poverty go without. The graph below shows the proportion of children in the bottom 20% of the income distribution that go without particular items for reasons of cost. Over 20% of children on a low income in London lack 6 of the 10 items compared to 3 items for the rest of England. The biggest gap between London and the rest of England is having enough bedrooms at 15 percentage points. So although housing is an unavoidable cost, in London costs are high enough that low-income families find ways to reduce their expenditure on housing (by having fewer than the standard number of bedrooms).

Figure 2.6: Children in low-income households lacking basic items for reasons of cost



Source: Family Resources Survey and Households Below Average Income, DWP average for 2008/09 to 2010/11

The data in the graph above considers the experiences of people in the bottom 20% of the income distribution, but spending options for those at the top of this range and at the bottom will be wide-ranging. Being just below the poverty line is a very different experience to being far below it, but it is difficult to represent the situation of those at the very bottom through official data sources.

Food bank users are a good example of households whose financial situation is acute. According to data published by the GLA in its report *A Zero Hunger City*, between April 2012 and February 2013 the Trussell Trust, a charity that runs food banks across the country, had 34,000 clients (14,000 of them children) across 40 food banks in London. The number of clients in London has more than doubled compared to the year before. Whilst it is not clear to what extent this represents newly arising cases of need or services catching up with pre-existing demand, the large number of people having to turn to food banks suggests that there is a widespread problem.

The report gives the top three reasons why individuals used food banks in London: delays in benefit payments (24%); low income (21%) and unemployment (10%). It also found evidence that many food bank users were individuals without recourse to public funds.

The other result of costs exceeding income is debt. We can understand more about the nature and extent of debt problems in London by looking at data from the Citizens Advice Bureaux. On the whole, debt advice accounted for around 23% of advice sessions in London. This amounts to 138,000 cases in 2012, which is down from a peak of 155,000 three years earlier. Most of this fall has been in the number of credit, store and charge card debts which fell by 12,000, but remains the most commonly reported problem. Mortgage arrears and unsecured personal loan debts have also fallen.

What is worrying is the number of advice sessions on arrears for the payment of generic items: telephone bills, rent (both private and social), council tax, water bills, all of which have all seen consistent increases since 2009.

Commentary

The “official” poverty figures have become slightly confusing in recent years. As average incomes fall, the threshold against which poverty is measured falls too, which means that, despite the overall poor economic situation, poverty has not risen.

Looking ahead, there is little prospect of improvement in the short or even medium term. There is a lag in the official income data, but we know that wages have not risen in line with costs and that the value of out-of-work benefits has fallen in real terms whilst other benefits have been cut. This points to another year where incomes fall at the median, but with a more pronounced decrease among people on lower incomes.

Eventually, possibly even this year, average incomes will start to rise. But projections from IFS^[9] suggest that the number of people in poverty will rise too. Projections for London are not available, but in a recent report they estimated that 24% of children in the UK would be in poverty in 2020, compared to 19% today (on the before housing costs measure).

So the extent of poverty is expected to increase, as is the depth of poverty – the number of people facing extreme financial hardship. For instance, the worst of the impacts of the under-occupation penalty have so far been mitigated by the use of discretionary housing payments, to help households to adjust to lower incomes while they try and find more affordable properties. Many of these provisions are time-limited and will expire later this year.

Take another example. The new Jobseeker’s Allowance (JSA) sanctions regime is much more punitive than the one it replaced, and will result in many more claimants having their benefits stopped entirely for three months or more. The DWP has yet to release this data, but given that numbers were already at record levels, it is likely that the number of people affected will be high.

What makes all of this especially worrying is that it comes at a time when both advice services and legal aid are being cut. The poorest people will find the level and scope of the safety net much more uncertain and the opportunity to assert their rights decreasing.

[9] <http://www.ifs.org.uk/comms/r78.pdf>

Chapter three:

Income and wealth inequality

London is the most unequal region in England across a range of measures, including income, pay and wealth. These inequalities exist across the city as a whole and in the individual boroughs.

Key Points

- Incomes in London are more unequal than in any other region with 16% of the population in the poorest tenth nationally and 17% in the richest tenth. The South East comes a distant second, with almost as many in the richest tenth (15%) but only half as many in the poorest tenth (8%).
- The richest 10% by financial asset wealth have 60% of all assets. The poorest 80% of the population share 20% of all asset wealth. The richest 10% of households by property wealth have 45% of that wealth.
- The top tenth of employees in London earn around four and a half times as much as the bottom tenth. This ratio is an increase over the last decade and higher than any other English region.
- Among London's boroughs, Kensington & Chelsea has the greatest imbalance between high and low earners. The top quarter earn at least £41 per hour, three and a half times the level of the lowest quarter at £12 per hour or less, which is in turn higher than the lowest quarter for England as a whole.
- In Westminster 52% of all benefit recipients live in the most deprived quarter of areas. Less than 5% live in the least deprived quarter.

Income and wealth inequality

London is the most unequal region in the country. It has the greatest proportion of people with high incomes as well as the greatest proportion with low incomes. In the three years to 2010–11, 16% of Londoners were in the poorest tenth nationwide; 17% were in the richest. London is unique in having an above average proportion of both rich and poor people. This barely changed at all in the last few years.

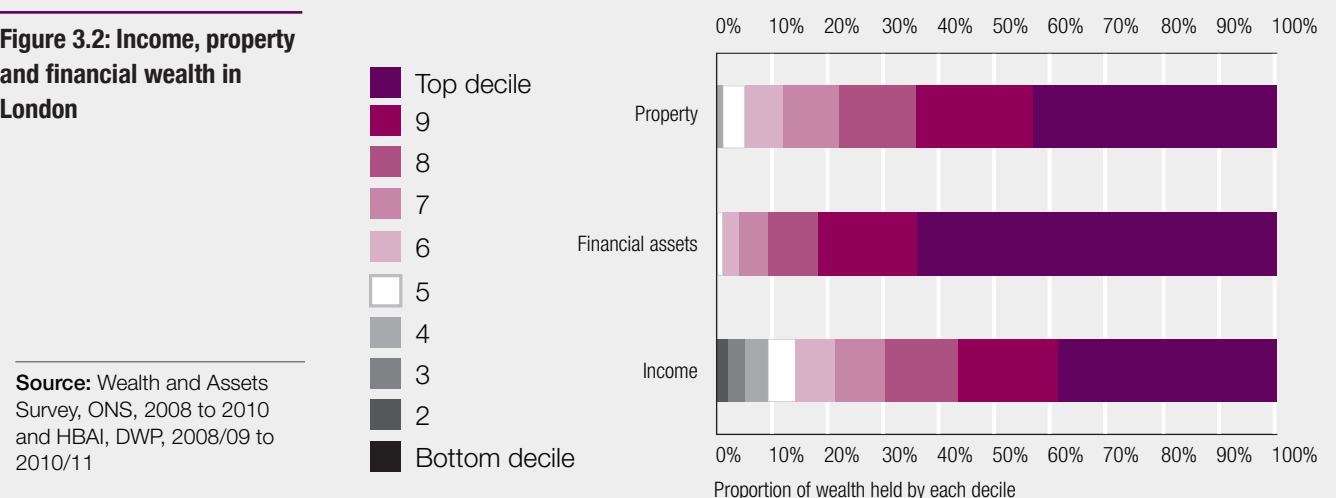
Figure 3.1: Income inequality in English regions



The East and South East have an above average proportion of people in the top 10% by income, but a below average proportion in the bottom 10%. In the West Midlands, the opposite is true.

This pattern has held true for as long as we have produced this report. Previously data was made available allowing us to look at Inner and Outer London separately. It showed that Inner London was more unequal than Outer London, but both were more unequal than the rest of the country on this measure.

Figure 3.2: Income, property and financial wealth in London



The richest 10% of households by property wealth have 45% of that wealth. The poorest 30% have no property wealth at all, as they either rent their homes or are in negative equity with their mortgages.

Looking at the distribution of financial wealth, which includes bank savings as well as other assets but not pensions, the richest 10% have over 60% of all wealth. 20% of wealth is shared between 80% of London's population. The poorest 10% on this measure have liabilities (such as outstanding loans) that outstrip their assets.

Income, which is measured at a point in time, is bound to be more evenly shared than assets that can accrue over time. Nevertheless, the richest 10% account for 40% of income, and the next 10% almost 20% of income, a slightly higher proportion than two years ago. The share of income that goes to the bottom 30% is around 5% of all London's income.

Pay and inequalities

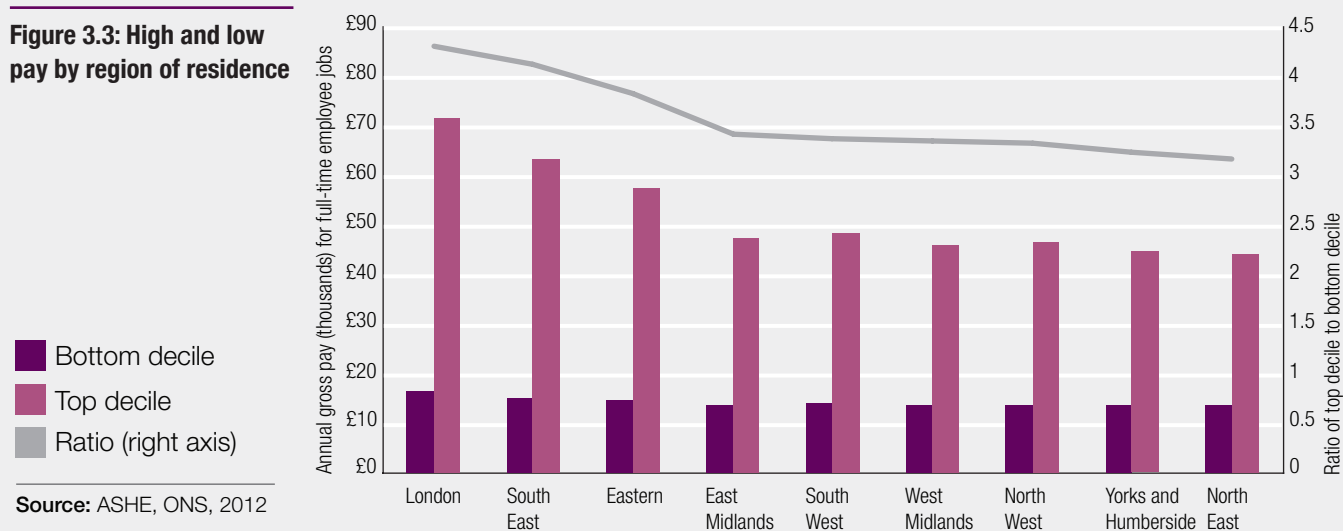
One of the major drivers of inequality in London is the disparity in wages. This section looks at wage inequality, comparing the disparities in London to the rest of the country, then looking at how they have changed. Finally, we look at pay in London's boroughs, and the differences between hourly rates at the top and bottom.

The graph below shows the level of pay for full-time jobs at the 10th percentile (the level below which only 10% of employees are paid) and the 90th percentile (the level above which only 10% are paid) in England's regions. They are ranked left to right according to the ratio of these two numbers. The figures are for residents, rather than jobs, so it shows the levels of pay for people living in London rather than those working in London.

London has the highest ratio of high to low pay in England. The top 10% are paid over £72,000 per year, around 4.5 times more than the bottom 10%, who are paid under £17,000 per year. This £17,000 figure is higher than any other region, so inequality in London is higher because the high paid are paid so much. In fact the level of pay at the 10th percentile in London is higher than any other English region. Moreover, this gap between top and bottom has grown over the last decade. In 2002, the top 10% were paid 4 times as much as the bottom 10%; now it is 4.5 times as much.

It is worth noting that the two other regions with high levels of high pay and hence high wage inequality are the East and South East, London's neighbours. Many people living in those regions, particularly those in high paying jobs, will commute to London for work.

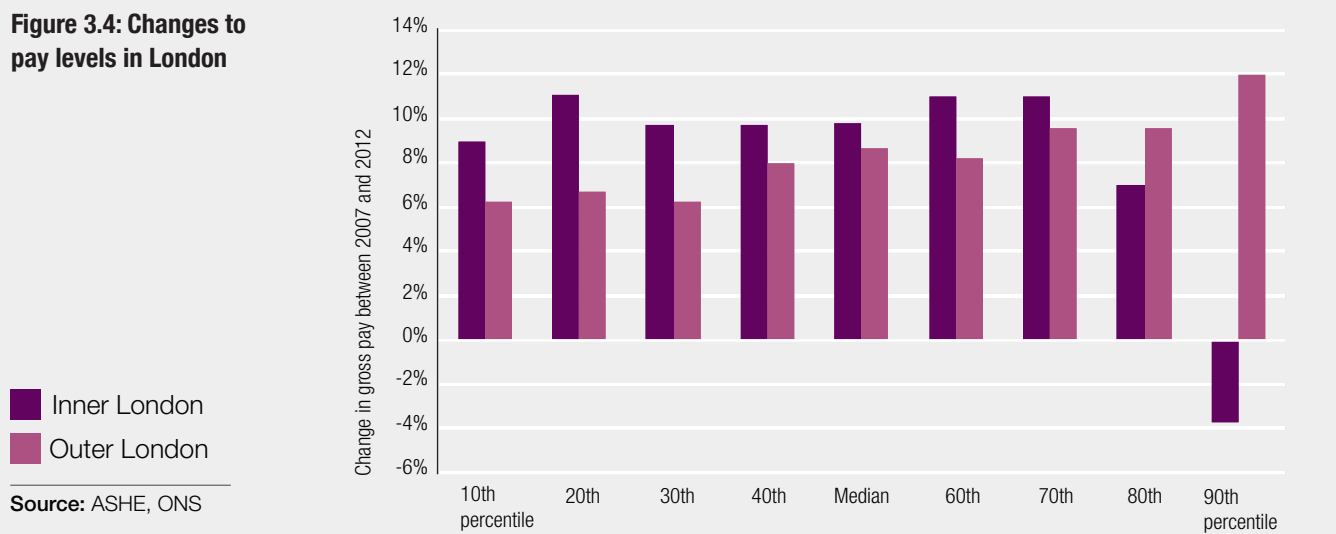
Figure 3.3: High and low pay by region of residence



Source: ASHE, ONS, 2012

The next graph shows us how pay in London has changed over the last five years across the pay distribution. We show the percentage increase at the various decile points between 2007 and 2012 for Inner and Outer London. These increases are before inflation is taken into account – they are in simple cash terms. In real terms, pay across the distribution has fallen over this period.

Figure 3.4: Changes to pay levels in London

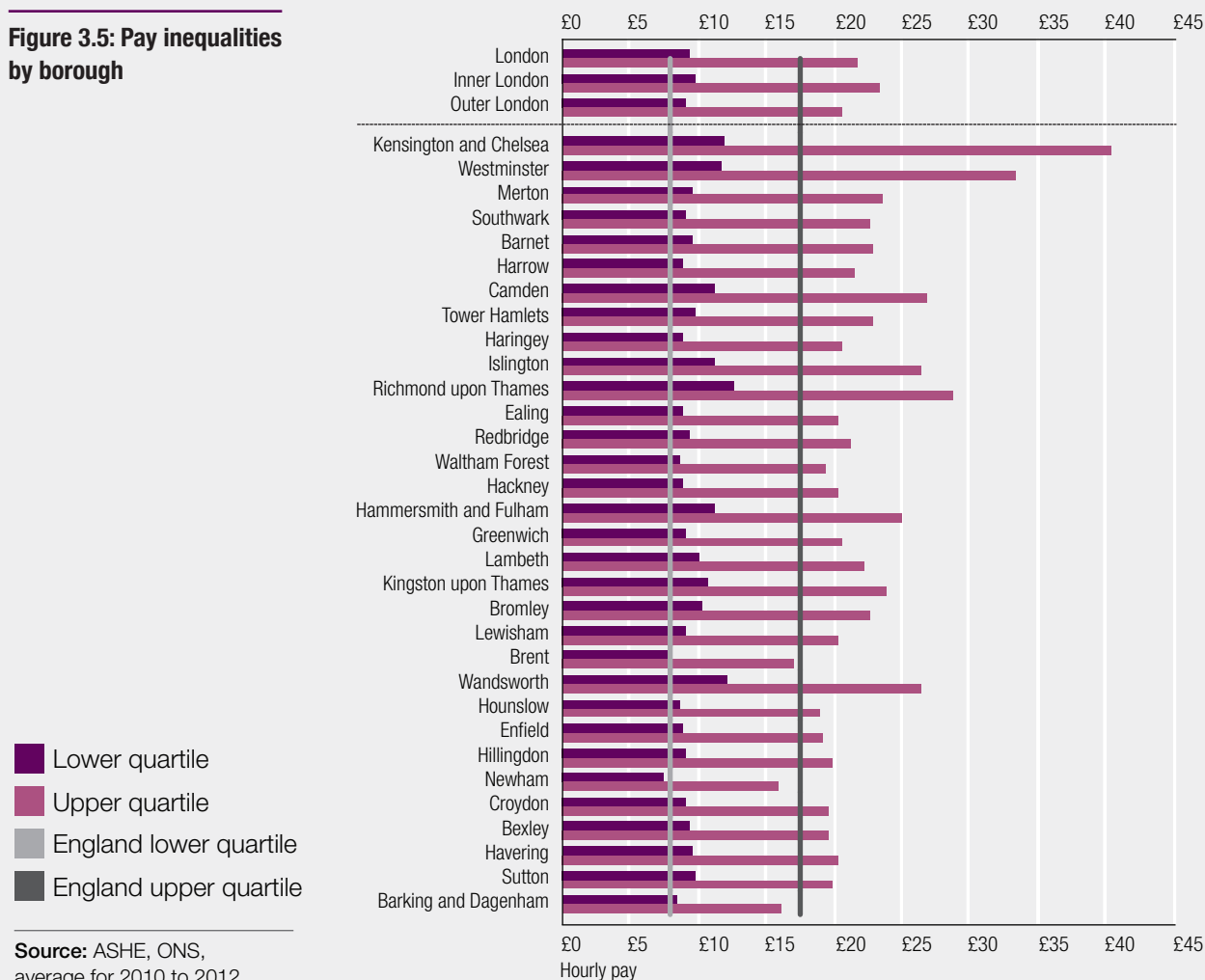


Source: ASHE, ONS

The graph shows that in Outer London pay increased by more the higher up the pay scale you go. The highest paid 10% saw their gross pay rise by 12% over those five years, whereas the lowest paid 10% only saw a rise of 6%. The median salary rose by 9%.

In Inner London the pattern is less clear. The bottom 10% saw a rise of 9%, compared to a 10% rise at the median. However, at the 80th percentile, the rise was only 7%, and those in the top 10% (the 90th percentile) actually saw a fall. This is likely to be due to the removal of the top rate of income tax, which saw many high earners (those earning over £150,000) defer their bonuses for one year, to avoid paying 50% tax on it. Still, this is not an effect we see in Outer London, where the pattern of high earners getting greater rises in pay is quite clear.

Figure 3.5: Pay inequalities by borough



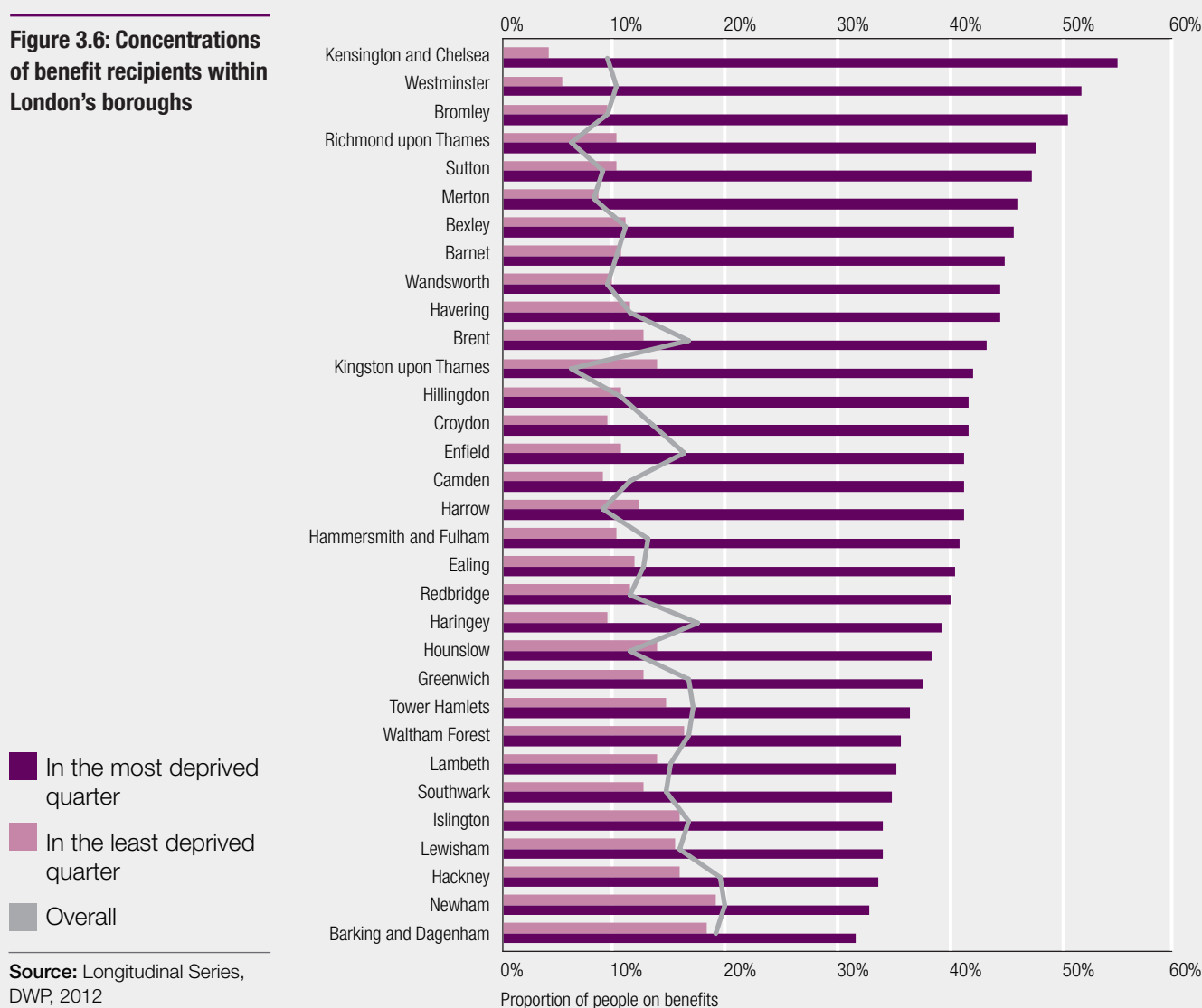
The graph shows the levels of hourly pay for jobs in each of the boroughs. The lower quartile is the amount below which the bottom quarter of employees is paid. The upper quartile is the amount above which the highest paid quarter is paid.

The biggest difference between the highest and lowest paid quarters is in Kensington & Chelsea. For those in the top quarter pay is at least £41 per hour. For those in the bottom quarter pay is at most £12 per hour, less than a third of the level for the highest paid.

It is somewhat inevitable that the highest levels of inequality are found where high pay is highest; the minimum wage means there is a lower bound to low pay but there is no upper bound to high pay. But not all boroughs stick to this pattern. In Wandsworth, for instance, the ratio of high to low pay is below the average despite the level of high pay being the sixth highest in London. The reason for this is the relatively high pay of those at the bottom of the distribution. To a lesser extent, this also applies in Richmond, which has the third highest upper quartile pay and the highest lower quartile pay.

Polarisation

Figure 3.6: Concentrations of benefit recipients within London's boroughs



This graph shows people claiming out-of-work benefits in each borough. It shows the proportion who live in the most deprived quarter of areas and the proportion living in the least deprived areas. The areas in question are known as Lower Level Super Output Areas, which on average contain around 1,500 people.

If there were no polarisation in a borough, one would expect to find a quarter of claimants in each quarter of areas. If there were 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.

In Kensington & Chelsea, Westminster and Bromley, over half of people receiving benefits are in the poorest quarter of areas. Less than 10% are in the least poor quarter. In Hackney, Newham and Barking & Dagenham, less than a third of all claimants are in the poorest quarter of areas. In each of these three boroughs, the least deprived quarter of areas still contain over 15% of all people receiving benefits.

To an extent, this pattern is predictable – the more people claiming benefits, the less polarisation one would expect to find. For instance, if 100% of the population claimed a benefit, there would be no polarisation at all. If only one person claimed, there would be total polarisation. These are extreme examples, but the graph above bears out the theory – the areas with lower levels of benefit receipt are generally more polarised.

There are, though, exceptions, which we can see by looking at spikes in the line showing the proportion of people claiming. Brent, Enfield and Haringey are all more polarised than would be expected given their levels of benefit receipt.

Commentary

The high levels of inequality in London are one of the motivations for writing a report such as this. London does have higher proportions of people on low incomes than other parts of the country, but its inequality is driven by the high proportion of people on relatively high incomes.

In recent years, some of London's boroughs have sought to shine a spotlight on inequality in their local areas by setting up Fairness Commissions.^[10] Islington's commission included a recommendation that major employers should publish audits of their pay levels, to increase transparency around the differentials between high and low pay.

There are, though, two questions about inequality in London – firstly, what kind of inequality do we want to tackle? Because inequality is not just about the enormous salaries paid in the financial sector. The graph on low and high pay shows that London has the biggest gap between the top 10% and the bottom 10% of any region in England. But the 90th percentile of gross annual pay in London is around £75,000 a year. This is a lot of money, but the kind of salary that can be found in significant numbers in almost any sector of London's economy: media, local government, even the third sector. London's inequality is not just about bankers.

The second question is about whether anything can really be done to tackle what looks to be at least as much a global as a local issue. In the Mayor's vision paper for London,^[11] subtitled *The Greatest City on Earth*, the central premise is that London is a global city, in competition with other global cities for investment, innovation and business. Global cities can be very unequal – think of New York, Moscow or Rio de Janeiro. This is a fundamental question about how London wants to grow in the coming decades.

[10] www.islington.gov.uk/about/fairness-commission

[11] www.london.gov.uk/mayor-assembly/mayor/vision-2020

Chapter four:

Housing and homelessness

The last report identified high housing costs as one of the key drivers of poverty in London, and if anything the situation has deteriorated since then. Rents have risen more quickly in London than in the rest of the country, and both statutory homelessness and rough sleeping have risen.

Key points

- Over ten years, the fall in the number of people in poverty in the social rented sector (down 340,000) has been more than offset by rising poverty in the owner occupied (up 60,000) and private rented (up 460,000) sectors.
- At 39%, the private rented sector now has a larger share of people in poverty than the social rented sector (33%). Ten years ago, more than half of those in poverty lived in social rented accommodation.
- The cost of renting even the cheapest quarter of accommodation in London is double that of the cheapest quarter in the rest of England. The same is true for the costs of buying a home.
- The proportion of households in overcrowded accommodation rose from 6% to 8% over the last decade. All of this rise was in rented accommodation – overcrowding is now four times more common in private rented and six times more common in social rented housing than owner occupied accommodation.
- The number of people sleeping rough in London has almost doubled in the last four years. Around 6,400 people were sleeping rough in 2012.
- At the same time, the number of people officially accepted as homeless has risen, but more slowly. 15,000 households were accepted as homeless in 2012, up from 10,000 in 2009 but much lower than in 2003 when the figure was 30,500. The biggest single cause of the increase since 2009 was the end of a private tenancy, the number of which more than trebled over these three years.
- In 2012, over 11,000 households were placed in temporary accommodation outside the borough they were living in. Around 700 were placed outside London altogether.
- Repossessions by landlords have been rising. In 2012, there were 19 orders for repossession per 1,000 renting households, up from 15.5 in 2009. They are 50% more common in London than elsewhere. Mortgage repossessions in London hit an eight-year low in 2012 at 5.5 per 1,000 mortgage holding households, a similar level to the rest of England.

Introduction

Housing – its cost, availability, location and interaction with the benefit system – cuts right across the content of this report. In past reports we have identified housing as a key driver of poverty in London. As we showed in the previous chapter on low income, housing costs turn London from a place of average levels of poverty to a place of high poverty. The high cost of housing is associated with high levels of debt, as we show later.

In this chapter we look at different aspects of housing. We look at costs, the links to low income and debt. Then we look at the types of places and conditions people live in. Finally, we look at homelessness, both those making applications for emergency or temporary accommodation and those who have fallen through the safety net entirely, and now sleep rough.

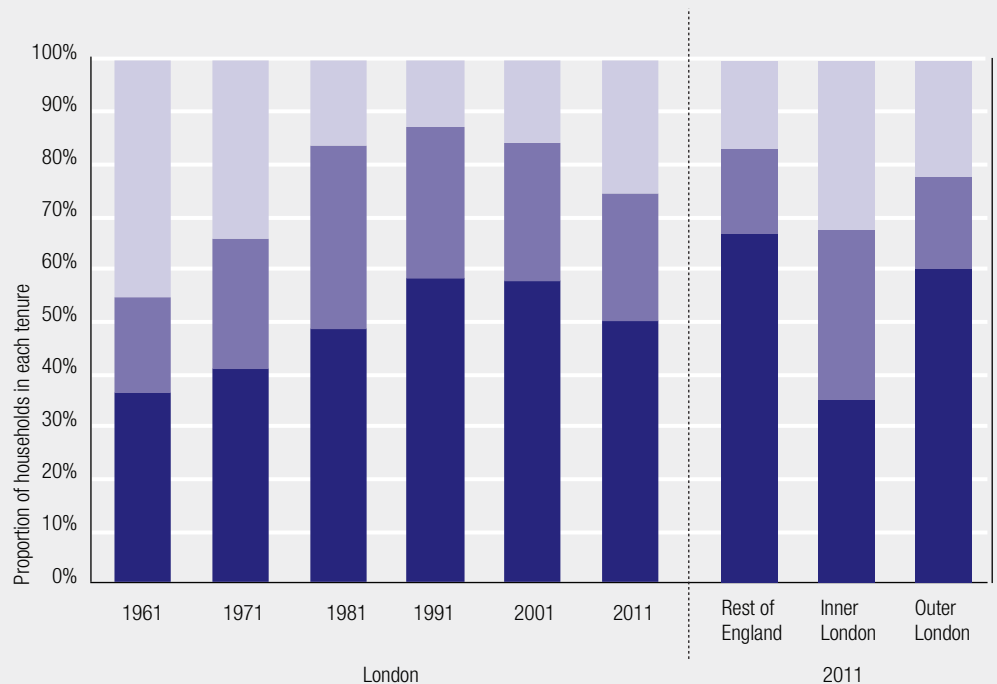
Tenure and poverty

We start off by looking at the distribution of housing tenures and how this has changed over time. We look at three broad housing tenures; social renters, who include council and housing association tenants, owner-occupiers and private renters. The changes over the last few decades are significant.

Figure 4.1: A long-term view of tenure and London and a focus on 2011

Private rent
Social rent
Owner-occupied

Source: The census 1981 – 2011, GLA 1961 and 1971

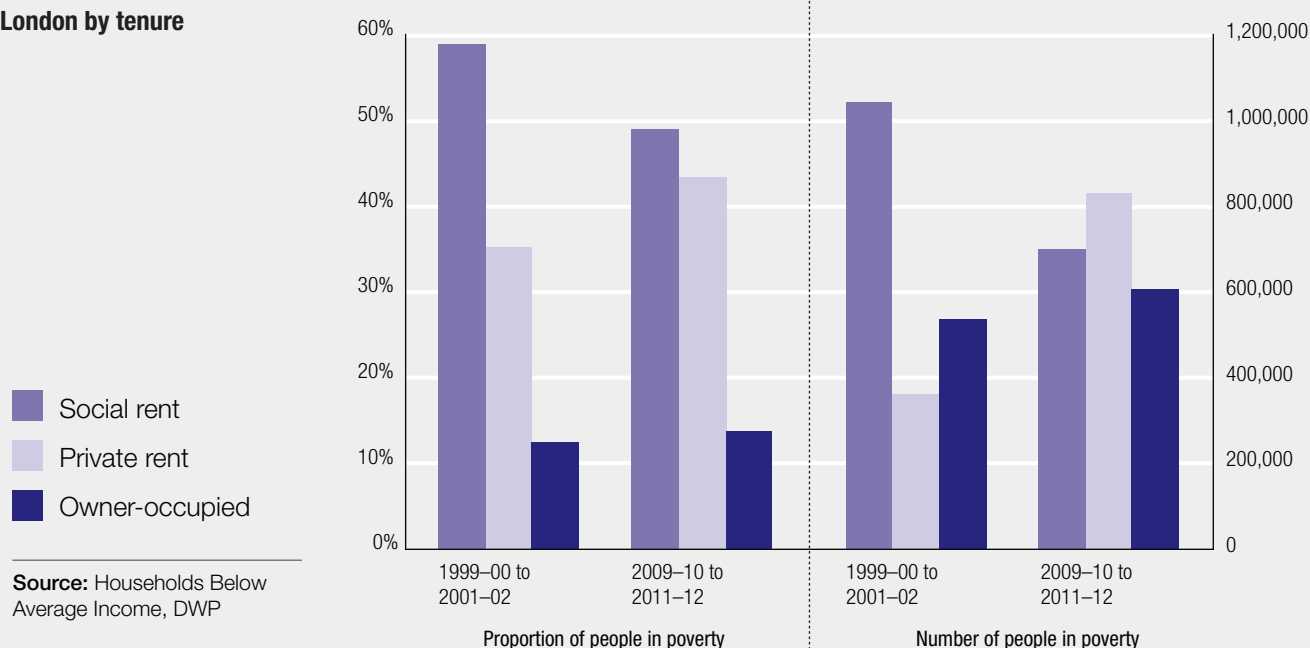


The proportion of households living in the private rented sector has been increasing steadily in London since the 1990s reaching 25% in 2011. But this level is not unprecedented in London: in 1961 it was the most common tenure and was nearly double the level of 2011. The social rented sector on the other hand has been declining consistently since the 1980s and is at its lowest level for 40 years. The decline in renting in the 1980s occurred as a result of the expansion of owner-occupation, but this halted in the 1990s. Now the private rented sector is the only growing tenure.

But the tenure distribution varies considerably between Inner and Outer London. In Inner London the three tenures (owner-occupation, private rent and social rent) are all around a third each. Whilst in Outer London owner-occupation is clearly the dominant tenure accounting for 60% of dwellings, and the private rented sector slightly larger than the social rented sector.

This means that Inner London, in particular, has a completely different distribution of tenures than the English average. It has half the level of owner occupation and double the level of rental, both private and social. This matters when we come to look at how poverty varies by tenure, as the next graph shows.

Figure 4.2: Poverty in London by tenure



Source: Households Below Average Income, DWP

At the start of the 2000s, people living in each of the three tenures had very distinct poverty levels, with social rent the highest at 59%, owner-occupation the lowest at 13% and private rent in the middle at 35%. Ten years on the picture is very different: the poverty rate in social rent has come down considerably to 49% and in private rent it has risen to 43%. There is now one high poverty rate for renters and a much lower one for owners.

At the same time the number of people in social rented households in London has fallen and the number in private rented has increased. As a result the number of people in poverty by tenure has changed. At the start of the 2000s over half of those in poverty in London (around a million people) lived in the social rented sector. Now social renters are not even the largest group of people in poverty. That group is now those in the private rented sector, the number of whom live in poverty has doubled in the last ten years to 830,000, compared to 700,000 in the social rented sector and 610,000 in owner occupation.

What this means is that it is no longer correct to see poverty as being confined, or even mainly found, in the social rented sector. The implications for tackling poverty, and the importance of private landlords in doing this, are substantial.

Housing costs and housing debt

Prices in London are generally higher than the rest of England. Housing is, of course, one of the largest unavoidable expenses for most people, particularly for those who rent. As such the size of housing costs can have a considerable impact on disposable income.

Table 4.3: Private sector housing costs

	Lower quartile monthly rents for 2 bedrooms		Lower quartile property prices (all types and size)		Estimated monthly cost*
	Average for 2012	% change over 18 months	Average for 2012	% change over 18 months	
Inner London	£1,278	9%	£256,500	3%	£1,055
Outer London	£938	10%	£202,500	1%	£844
England	£475	0%	£126,250	1%	£570

* Based on 25 year mortgage, 20% deposit and interest rate of 4%

The table above looks at housing costs in Inner and Outer London compared to the rest of England and how they have changed in the last 18 months. We look at the cheapest quarter of prices (the lower quartile) to focus on the properties available for those on low incomes.

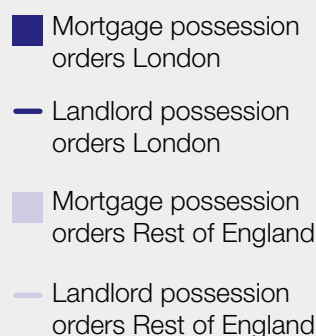
Rents in Outer London are around double that for England (£938 compared to £475) and even higher in Inner London (£1,278). This gap appears to be growing. Lower quartile rents in London increased by about 10% over the previous 18 months whilst in England overall there was no change.

The story is similar when looking at house prices. Housing at the lower quartile in Inner London was roughly twice the price of the lower quartile of housing outside of London. While housing in Outer London is less expensive, the lower quartile is still around two thirds higher than the lower quartile in the rest of England. Whilst prices have risen only modestly in the last 18 months, prices in Inner London rose fastest at 3%.

In London, it is cheaper to buy a house in the bottom quartile of prices than to rent one in the bottom quartile of rents. This is not the case in England on average.

Having looked at housing costs, we now look at housing debt. The graph below shows the rate of possession orders for mortgage holders and renters. Towards the mid-2000s the level of mortgage possession orders increased, particularly in London, peaking at 15 per 1000 mortgage holders in 2008. It has fallen each year since. In 2012, the level of mortgage possession orders in London reached an 8 year low, of 5.7 per 1,000 mortgage-holding households (some 5,200 orders in total). There is now little difference in the rate of mortgage repossession between London and elsewhere, whereas in the middle of the last decade London had a notably higher rate.

Figure 4.4: Mortgage and landlord possession orders



Source: Ministry of Justice, English Housing Survey

Landlord possession orders in London show a different trend: they fell between 2002 and 2009 but have been rising since. In 2012 there were 19 orders for possession per 1,000 renting households in London (around 29,000 in total) up from a low of 15.5 in 2009. In the rest of England the rate in 2009 was lower at 12 per 1,000 and has not changed in the last three years. Orders for landlord repossessions are now 50% more common in London than in the rest of England and four times as common as mortgage repossessions.

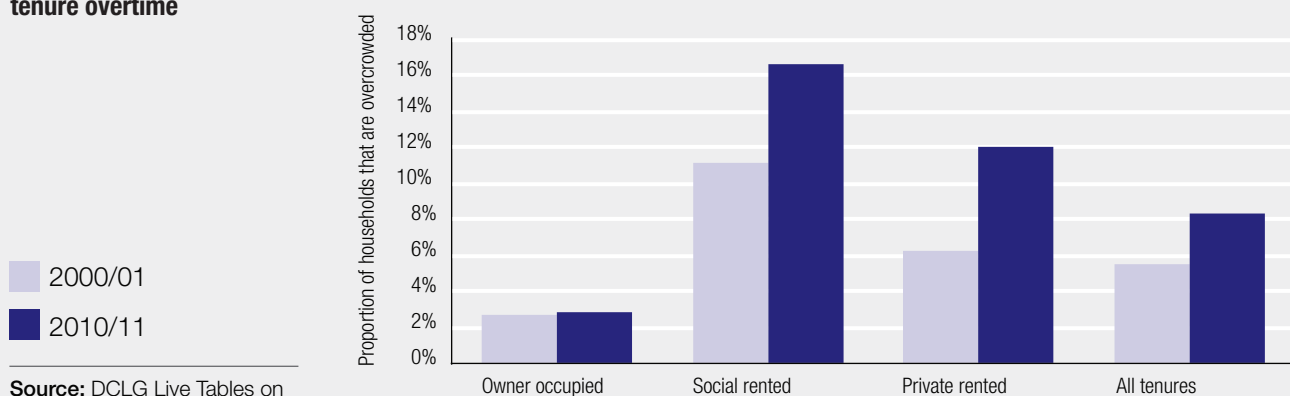
Within London, Barking & Dagenham had the highest rate of mortgage repossession orders at 13.8 with the next highest in Newham at 10.5. This compares to a low of 2.2 in Richmond. Barking & Dagenham is also the London borough with the highest rate of landlord possession orders at 28.5 per 1,000 renting households, followed by Bexley, Newham, Enfield and Redbridge all with rates above 25 per 1,000. At the other end of the scale three boroughs (Richmond, Camden and Kingston) have rates of less than 10 per 1,000 renting households.

Overcrowding and availability

We now look at housing conditions in London, specifically overcrowding. The definition of overcrowding we use is based on the bedroom standard which assumes that two children under the age of 10 can share bedrooms, but older children can only share with siblings of the same sex. If there are not enough rooms to meet this standard, the household is overcrowded.

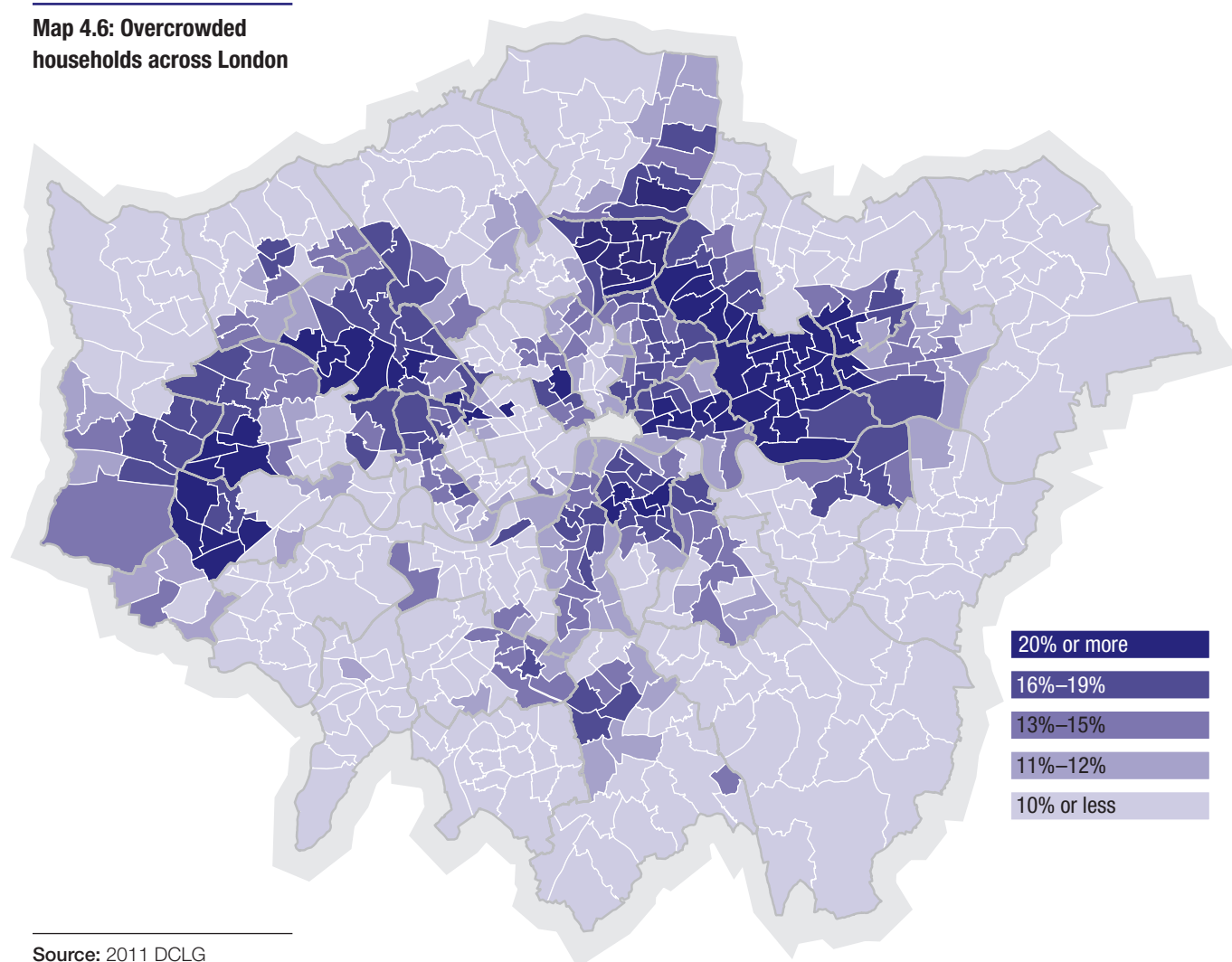
The graph below shows the proportion of households in each tenure group that were overcrowded in 2000–01 and in 2010–11. The overall rise across all households was around three percentage points. But the changes within tenures are more notable. Owner-occupied households have, at 3%, the lowest level of overcrowding. This level has hardly changed over ten years. Meanwhile the level of overcrowding in social rented in 2010–11 was 17% and in private rent was 12%, both up by 6 percentage points from ten years earlier.

Figure 4.5: Overcrowded households in London by tenure overtime



Source: DCLG Live Tables on Household Characteristics

Map 4.6: Overcrowded households across London



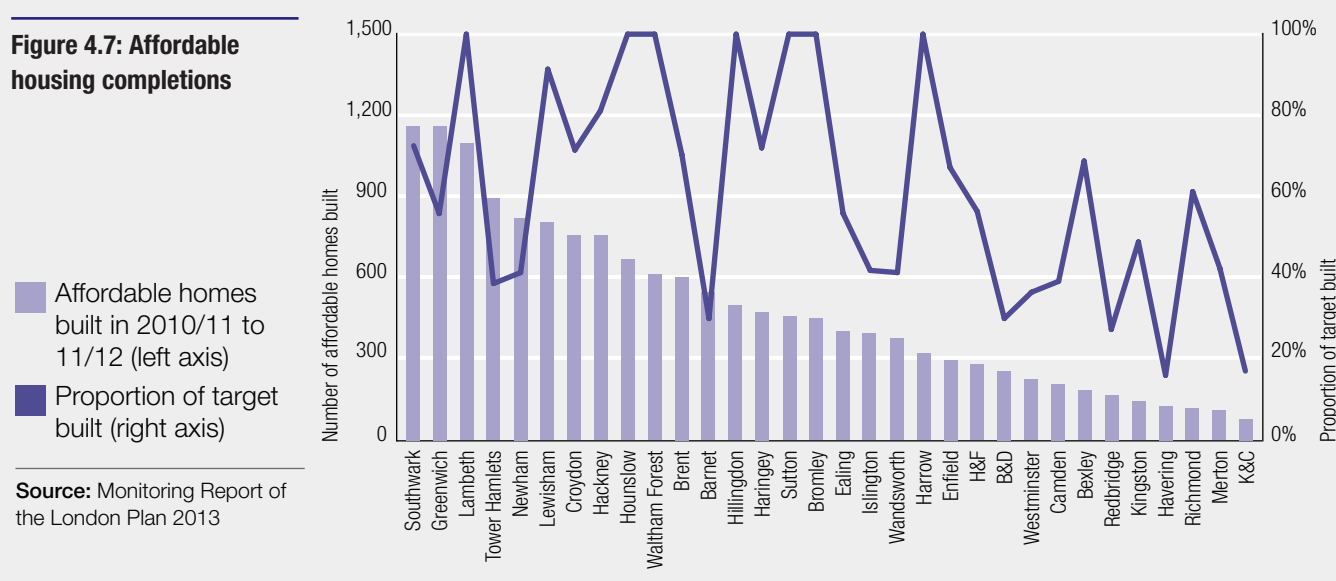
Source: 2011 DCLG Live Tables Household Characteristics

The map shows the level of overcrowding across London at the time of the Census. In the Inner East & South levels of overcrowding were particularly high but overcrowding was also high in Brent. Unsurprisingly, the levels of overcrowding are low in most of the outer areas of London.

The extent of overcrowding in London is highly varied, with Newham standing out in particular. Overall Newham has an overcrowding rate of 25% (including 4 wards where over 30% of households are overcrowded) compared to 18% in Brent the next highest borough. All of this suggests a chronic shortage of affordable larger homes in some of London's poorest areas.

London boroughs have targets of the number of homes they should build in a year, set out in the London Plan of 2011. The targets are 10 year targets, monitored annually; the annual targets are simply one tenth of the total. Overall, the target is for 32,000 new homes to be built in London each year. Of these, around 13,200 should be affordable homes^[12] ; 40% of the total. Each borough has its own overall target – in the next graph, we have set the affordable targets at 40% of these totals.

Figure 4.7: Affordable housing completions



Source: Monitoring Report of the London Plan 2013

Southwark, Greenwich and Lambeth have seen the largest number of new affordable homes built in the last two years. In each of these three boroughs, over 1,000 affordable homes were built in the years 2010–11 and 2011–12. In Lambeth, this represents 100% of the target for building affordable homes in that period – in the other two boroughs, it is closer to two thirds of the target.

In some boroughs, such as Havering, Richmond, Merton and Kensington & Chelsea, there has been very little building. This is both in absolute terms – fewer than 150 new affordable homes were built in each of those boroughs between 2010 and 2012 – and relative terms. Havering and Kensington in particular have built less than 20% of their target for that two-year period.

Overall in London there were fewer affordable homes built than the target required – around 15,000 over the two years compared to a target of 26,000. Of those affordable homes built in 2011–12, around two fifths had two bedrooms. A third were larger, with three or more bedrooms.

However, the number of completions in the capital should rise in coming years. There were around 75,000 approvals for house building in 2011–12, compared to around 50,000 the year before.

[12] This includes social rent, shared ownership but mostly affordable rent housing where rents are set at up to 80% of their market value.

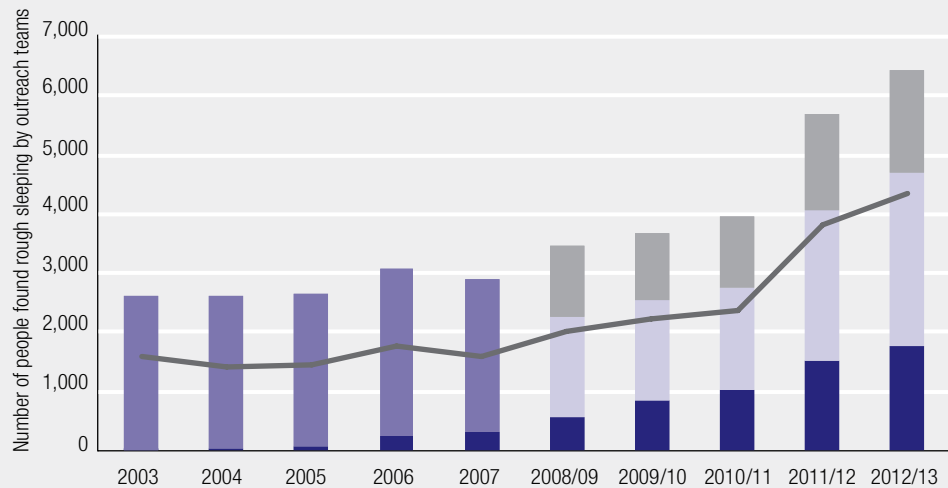
Homelessness

So far we have looked at the link between housing and income poverty, and analysed some of the data on housing conditions. We now look at homelessness, beginning by looking at rough sleeping, the most severe and visible form of housing stress.

Figure 4.8: The number of rough sleepers each year in London in touch with services



Source: CHAIN database via Broadway



The figures in the graph above show the number of people each year in London that were in contact with services for rough sleepers. In 2012–13, around 6,400 people were seen sleeping rough at least once over the course of the year by street outreach teams. This is a rise of 750 people compared to the year before and almost double the level of four years earlier.

Of all the rough sleepers in 2012–13, just under half (2,900) were UK nationals and just over one quarter (1,800) were from Central or Eastern Europe. There has been a rise in the number of rough sleepers of all nationalities in the last year.

The statistics also show that almost 90% of those sleeping rough are men. The spread of ages of those sleeping rough is quite wide. Around one in eight are aged under 25, with around one quarter aged 26–35. Half of all rough sleepers are aged 36–55.

4,400 of all those seen rough sleeping in 2011–12 were in contact with outreach teams for the first time, around two-thirds of the total. But almost 2,100 had slept rough before, around 230 more than the year before.

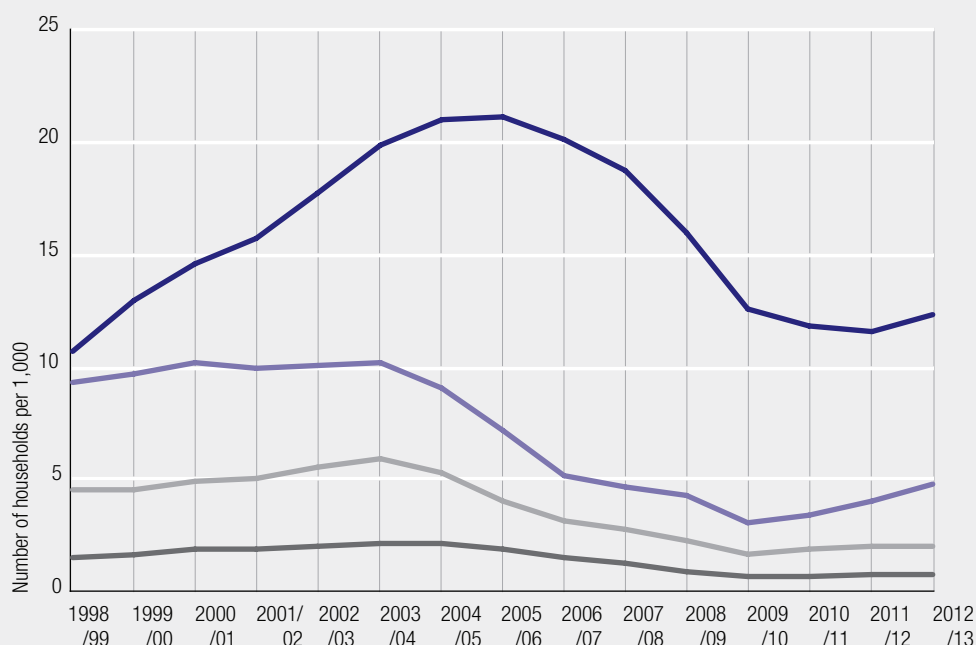
We now look at statutory homelessness, when people are accepted as legally homeless and the local authority has a duty to house them. The graph below looks at this form of homelessness in two ways: the number of people becoming homeless (the flow) and the number of people living in temporary accommodation (the stock).

The level of households living in temporary accommodation in London at 12 per 1,000 households in 2012–13 was about ten times the level for the rest of England. The level of people living in temporary accommodation in London has fallen considerably since its peak of 21 per 1,000 in 2005–06. However, temporary accommodation levels did rise in the last year.

Figure 4.9: Homelessness acceptances and households living in temporary accommodation in London and the rest of England



Source: DCLG, Census 2011, Shelter



After years of substantial falls, the number of households accepted as homeless in London has been increasing since 2010. In 2012–13 4.7 households per 1,000 were accepted as homeless, well below the peak of 10.1 per 1,000 in 2003–04, but around 50% higher than 2010–11. In terms of numbers, this translates to 15,500 people in 2012–13 compared to 9,500 in 2009–10.

This change is slightly lower than the rise in rough sleeping, and the composition of the two groups is quite different. In general, local authorities have a duty to house families with children, so such families make up the majority of homeless acceptances. The vast majority of rough sleepers are single men, to many of whom local authorities have no such duty.

The high level of households in temporary accommodation is not the only way that London stands out; the type of accommodation that homeless households live in varies considerably. Of the 36,700 households living in temporary accommodation in 2012, 21,000 (58% of the capital's homeless households) lived in private sector accommodation. In the rest of England only 30% did.

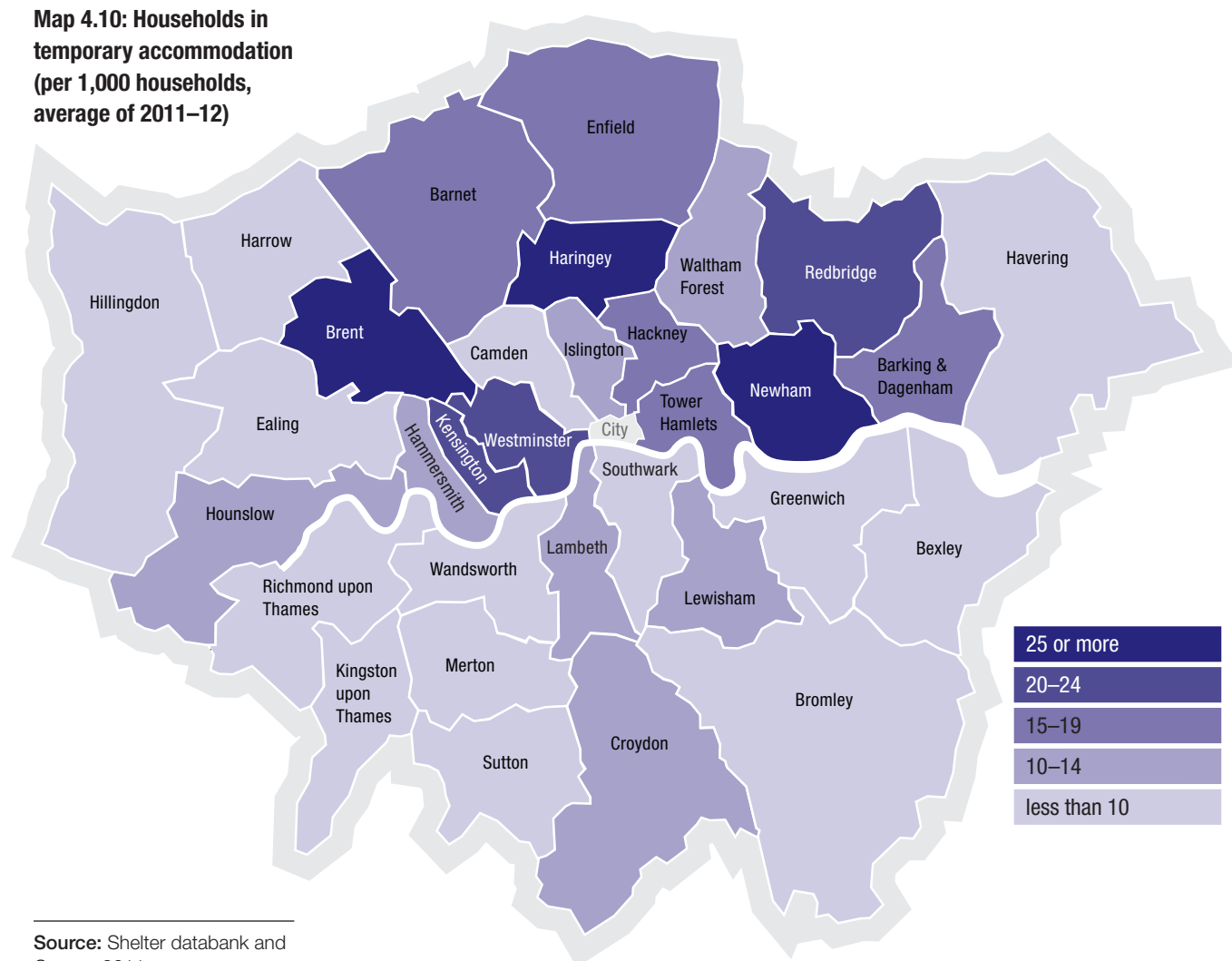
The private rented sector is absorbing much of the homelessness problem in London. This is likely to become problematic for councils now that the maximum amount of housing benefit payable per family has been capped. Councils are legally obliged to house the statutory homeless, but they may find that the options will be increasingly limited.

The increase in homelessness acceptances has not been uniform. The most common reason for becoming homeless is that friends or relatives are no longer willing to provide accommodation. This accounted for 36% of homelessness acceptances in 2012. However, the number of households becoming homeless at the end of a short-hold tenancy (the private rented sector) has more than trebled going from 1,000 in 2009 to 3,500 in 2012. This trend is exclusive to London, in the rest of England the number of people becoming homeless due to the end of a short-hold tenancy only grew by 3%.

Finally, we look at the distribution of homelessness across London. The map below shows the proportion of households in each borough who were housed in temporary accommodation. The map shows the borough from which the household comes, rather

than the one in which they have been placed. Many homeless households are placed outside the boroughs in which they applied for homeless assistance.

Map 4.10: Households in temporary accommodation (per 1,000 households, average of 2011–12)



Source: Shelter databank and Census 2011

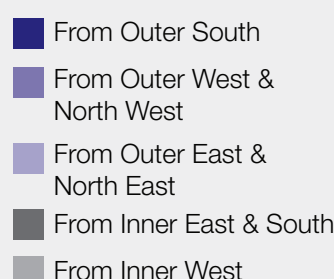
The map shows the average rate of households in temporary accommodation across London's boroughs in 2011 and 2012. It shows that the levels of households in temporary accommodation were particularly high in North and Eastern parts of London. There was also a considerable range in these rates – half of London's boroughs had fewer than 10 households per 1,000 living in temporary accommodation whilst six boroughs had twice that rate.

Despite the high levels of temporary accommodation in Newham, Haringey and Brent, the level in all three boroughs has fallen considerably in the last 4 years. In Newham the number of households in temporary accommodation fell from 4,700 to 2,400, in Haringey from 4,600 to 2,900 and in Brent from 4,000 to 3,200.

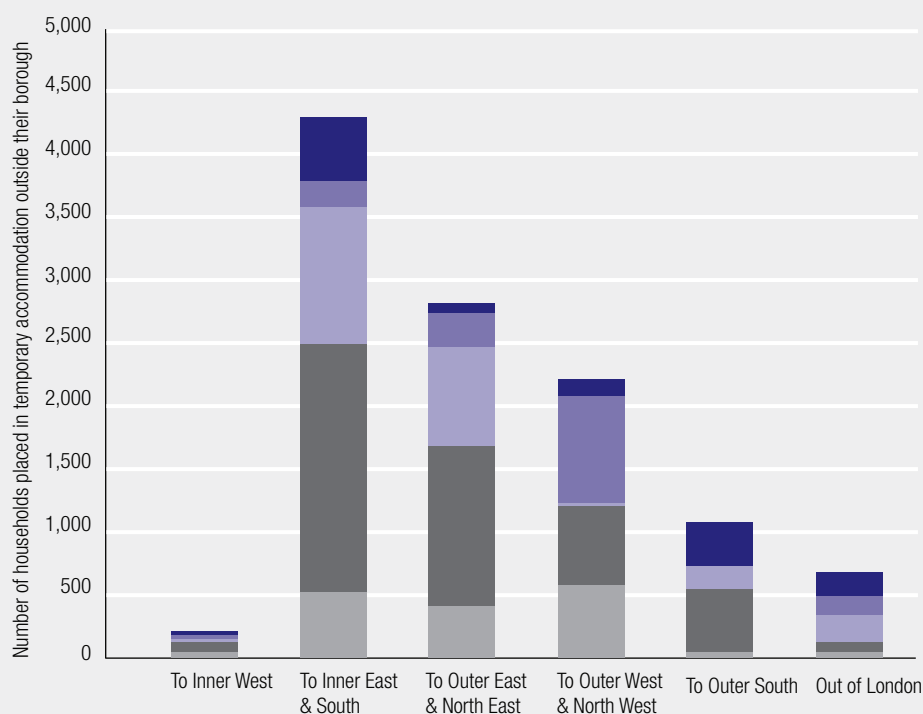
The variation above reflects different approaches to homelessness in different boroughs. Some have changed their housing allocation rules, which they are now able to do as a result of the Localism Act. For example, one borough has increased the threshold at which a household can be considered as in priority need. Even boroughs operating ostensibly the same system can do so with varying results – there is a huge variation in the proportion of applications that are accepted in different boroughs.

The next graph looks at where households in temporary accommodation are placed. We use data from Shelter, who made a series of Freedom of Information requests to look at out of borough placements. In 2012, they found that over 11,000 households in London were placed in temporary accommodation outside the borough they originally lived in. The graph below shows where they were placed, including those who were placed outside London.

Figure 4.11: Households placed in temporary accommodation outside their borough



Source: Shelter analysis of Freedom of Information requests for 2012



The clearest point this graph makes is how few households are placed in the Inner West of London, where housing is most expensive. In total, 188 households moved from their boroughs to boroughs in the Inner West (this includes those moving from one borough to another but staying in the Inner West; for instance from Hammersmith to Wandsworth). More households moved from the Inner West to the Inner East (around 500), Outer East (around 400) or Outer West (around 600) than moved into the Inner West in total.

Compared to that, there are a high number of households moving to the Inner East. This includes around 2,000 moving from one Inner East borough to another, and 500 from the Inner West. A further 1,800 move from Outer London to the Inner East. Although lower than the 2,400 from the Inner East placed in Outer London, this is not a simple story of outward migration – there is a lot of churn.

Around 700 households were placed outside of London altogether – less than one in ten of all households placed outside their original boroughs. Almost all were from Outer London. So there is a pattern of movement; from Inner West to other boroughs, from Inner East to outer boroughs and some movement from outer boroughs out of London, but the flow is not entirely in one direction.

Commentary

The last report, in 2011, highlighted housing as the key poverty issue in London. Since then, if anything, the situation has become more acute. Almost all the indicators in this chapter are heading in the wrong direction, to a greater or lesser extent. Most striking of all is the doubling in the number of rough sleepers since 2008–09.

Housing is a mainstream issue – rising rents and unaffordable house prices affect large numbers of people. At the same time there is a small but rising number of people experiencing acute housing problems such as overcrowding, repossession and homelessness.

The housing options for families on low incomes appear to be extremely limited. Private rents are high and rising quickly, home ownership is out of reach, and the social rent stock is at a 40 year low. As social housing stocks decline, it is not clear what housing those on a low income can live in without being heavily dependent on housing benefit. If rents continue to increase as they have, it is likely that those on low incomes will become more dependent on housing benefit and even those on low to middle incomes could become entitled.

London's high housing benefit bill has been a target of welfare reform, and we will look at the effects of this in the final chapter. But what is clear is that none of the reforms to housing benefit will ease the housing crisis in London. Even if they succeed on their own terms, they will only shift more of the rising cost of housing from central government to people on low incomes and the areas they live in.

A striking example of this can be found in Westminster. This year, the borough expects to spend £42m on housing homeless people, a 65% increase on the previous year. This cost outweighs the savings in housing benefit of the recent reforms, and it is money that has to be found within the borough's existing budget.^[13]

What happens to people who cannot afford to stay in central London is unclear. The data on homelessness placements out of borough show clearly that households are being moved out of the Inner West. But beyond that it is a mixed picture. Households are moving between the Inner East and outer boroughs. The one in ten households placed outside their home boroughs who were moved to outer London represent a notable minority, but a minority all the same.

Homeless acceptances are only part of the story, however. Some people's housing costs will become unaffordable and they will move of their own accord. Others will not be accepted as homeless, but will still lack suitable accommodation. The rising numbers of rough sleepers give a worrying indication of where this trend might lead.

[13] <http://bit.ly/1852UXS>

Worklessness

London's level of unemployment is high but did not rise as much as other parts of the country during and after the recession. There are still very high levels of young adult unemployment and significant disparities in work rates between ethnic groups.

Key points

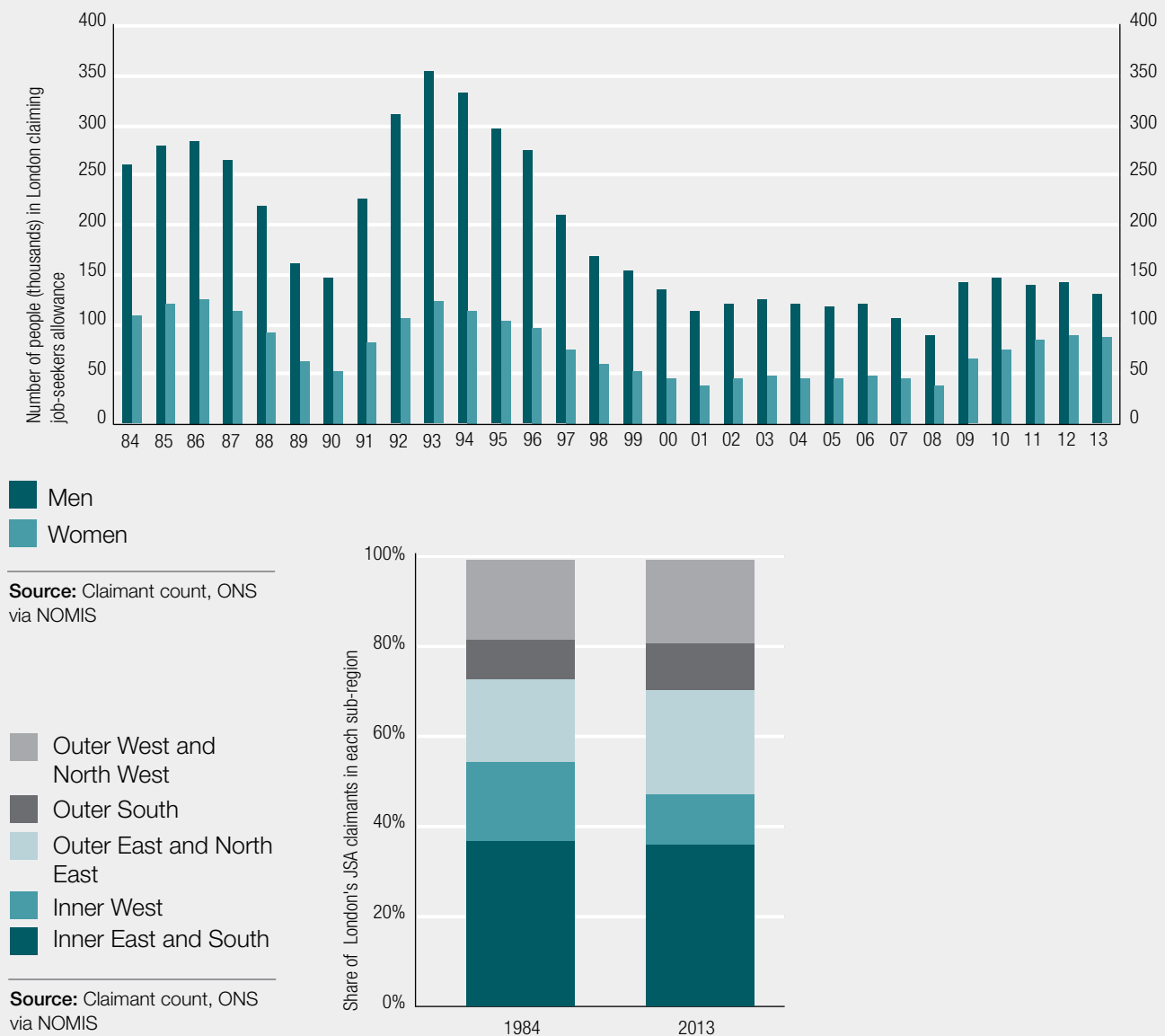
- Job-seekers-allowance claims in London peaked at 230,000 in 2012, much lower than the peak of 480,000 in 1993. But in the last few years the composition of claimants has changed. In 2013 the proportion of claimants that were women (at 40%) and the proportion from Outer East & North East (at 23%) reached all-time highs.
- The growth in the rate of unemployment since 2007 in London has been below the average for England. In 2012 London's unemployment rate (7%), was just below the average for other English cities.
- Tower Hamlets is no longer the borough with the highest rate of unemployment. Following a considerable increase in 5 years, Newham and Barking & Dagenham now have the highest levels of unemployment with almost 1 in every 10 working-age people unemployed.
- 375,000 people were unemployed in London in 2012, a further 365,000 wanted a job but were classified as economically inactive and 190,000 worked part-time but wanted full-time work. The total number of people 'under-employed' in London in 2012 stood at 930,000.
- Between 2007 and 2012, unemployment in London rose by 42% while the number working part-time but wanting full-time work grew by 87%. The number of economically inactive people wanting work hardly changed.
- The unemployment rate for young adults (aged 16 to 24) started to rise before the recession and has grown at a faster rate. In 2012 25% of economically active young adults in London were unemployed, compared with 20% for young adults in the rest of England.
- Worklessness rates, which combine those who are unemployed with those not available for or seeking work vary considerably by age and ethnicity. Over 20% of Black Caribbean, Black African and Bangladeshi men were workless in 2011, compared with 10% amongst White and Indian men. For each ethnic group, the worklessness levels tended to double for young men.
- Variations in work rates among women by country of birth are much larger. Over 60% of women born in Somalia, Turkey, Pakistan and Bangladesh were not in paid work in 2011 compared with less than 30% of women born in France, Poland and South Africa.
- Among disabled people whose day-to-day activities are limited a lot, over three-quarters were workless in London in 2011, the same level as in the rest of England.

Introduction

In this chapter we look at the extent of worklessness in London. Lacking work is closely linked to poverty, although work alone cannot be the route out of poverty. Much of the language of welfare reforms has been focused on getting more people active in the labour market and increasing the incentive to work.

We look at worklessness in a range of ways, from the narrow view of Jobseeker's Allowance (JSA) claimants to the broader measure of under-employment. We also look at how these measures have varied over time, across London and for different groups.

Figure 5.1: Long-term view of unemployment in London, the claimant count



Worklessness

The graph opposite shows the claimant count (the number of people claiming Job-Seekers Allowance) from 1984 to 2013. The graph shows four decades in London's recent history that help to put today's data into context. In the 1980s claimants rose to a peak of 410,000 in 1986 and then more than halved to 200,000 in 1990. From then the claimant count again rose to a peak of 480,000 in 1993. Following this there was a sustained fall in claimants to 2001. In the 2000s the claimant count remained remarkably steady compared to the variation in the previous two decades and in 2008 it reached its lowest point of 130,000.

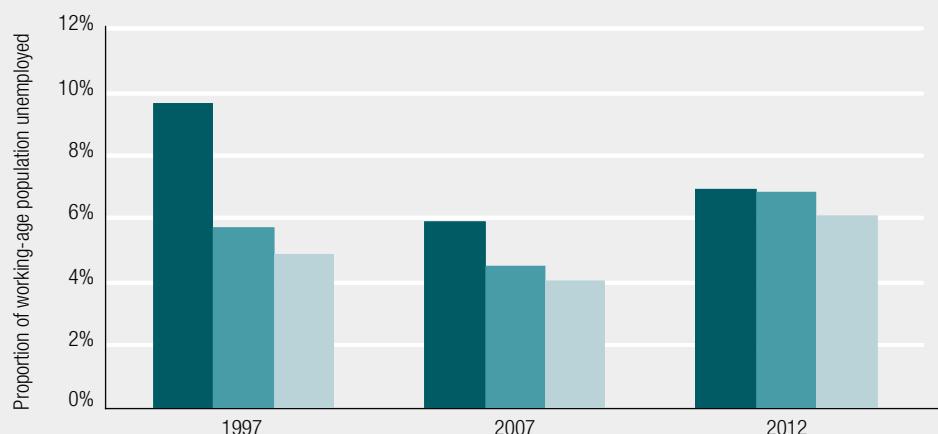
This long-term view tells us two things about the situation in 2013. Firstly, when the claimant count reached 230,000 in 2012, it may have been a 15 year high but it was still half the amount in 1993. Secondly, what stands out about the 2010s is the gender mix of claimants. Between 1984 and 2008 women accounted for between 25% and 30% of all claimants. In 2013, they accounted for 40%. In the last 4 years the number of women claimants has steadily risen whilst the number of men has fluctuated (although in 2013 there were still fewer women claimants than in the 1993 peak). 2010 was the only year in the whole series when the number of women and men claimants moved in opposite directions. This in part can be attributed to the gradual change in the benefit that workless lone parents with a child aged over 5 and under 16 can claim from Income Support to Job-Seekers Allowance.

But another important change occurred in the last few years: claimants in Outer London have consistently out-numbered those in Inner London for the first time. The breakdown of claimants in 1984 and 2013 by London sub-region reveals slightly more. It shows that the share of claimants in the Inner West has fallen by 6 percentage points and the share in the Outer East & North East has increased by 5 percentage points. The shares in the other three regions are much the same. This suggests that the shift of claimants from Inner to Outer London has actually been a shift from West to East.

Figure 5.2: Unemployed working-age adults in London

Inner London
Outer London
Rest of England

Source: Labour Force Survey, ONS



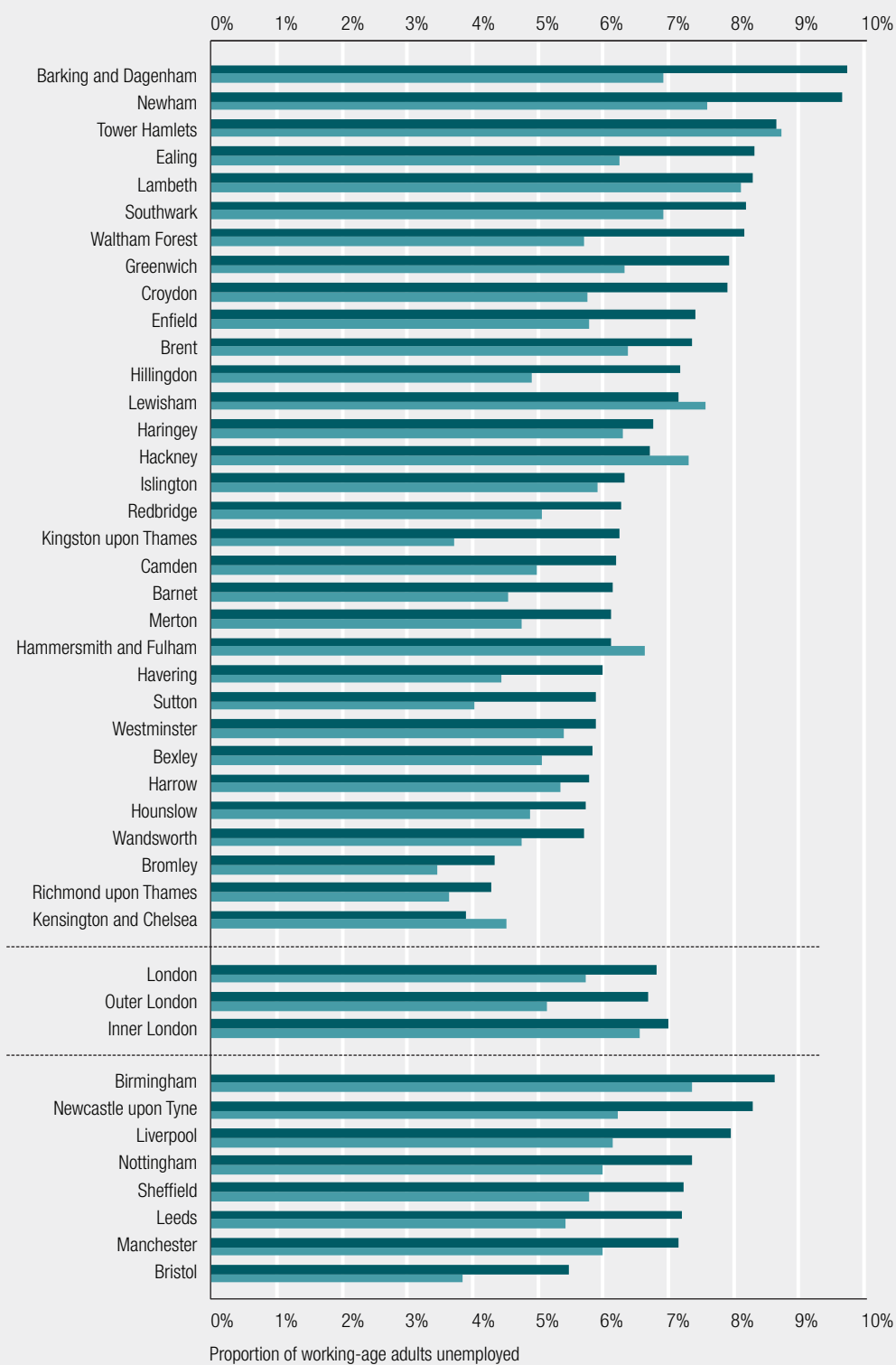
Following on from this, the next graph looks at the overall unemployment rate: unemployed people as a proportion of the working-age population. This looks at all those available for and actively seeking work as opposed to only those claiming Jobseeker's Allowance as in the previous graph. In 1997 the unemployment rate in Inner London at 9.7% was higher than both Outer London (at 5.7%) and the rest of England (at 4.9%). Ten years on, the situation was very different. Unemployment rates had fallen, but the fall for Inner London was much greater – reaching 5.9% in 2007.

In the recession, unemployment rates generally rose but the growth in Inner London was reasonably modest. In fact in 2012 the Inner London unemployment rate at 7% was lower than in 1997 and the same as the rate for Outer London. Unemployment elsewhere rose faster so the gap between London and the rest of England was only one percentage point. It appears that so far, Inner London in particular had fared reasonably well in the economic downturn.

The next graph moves on to look at how unemployment varies within London. It shows the unemployment rate for each London borough and the English core cities (the seven largest cities outside of London). In the last LPP, Tower Hamlets had the highest level of unemployment, but despite unemployment hardly changing, it is no longer highest. In 2010–12 the London boroughs with the highest unemployment at almost 10% were Barking & Dagenham and Newham. Both have seen large increases in unemployment between 2007–09 and 2010–12, despite considerable investment relating to the Olympics. Over the same period some Inner London boroughs, such as Kensington & Chelsea, Lewisham, and Hackney saw declines in unemployment rates. This indicates the changing profile of growth and development in London.

Compared to the core cities, London had the second lowest unemployment rate, though the unemployment rates in most of the core cities were quite similar to London. Only Bristol had a lower unemployment rate than London at under 6%. Birmingham, Newcastle, and Liverpool had the highest unemployment rates, at or above 8%.

Figure 5.3: Working-age population unemployed in London boroughs and core cities

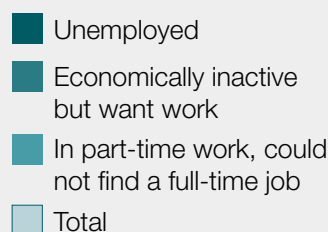


Average for 2010–12
 Average for 2007–09

Source: Annual Population Survey, ONS via NOMIS

Underemployment is a broader measure of people lacking work and it shows us another way the labour market has changed in the last few years. Underemployment includes the unemployed and also the 'inactive' who would like paid work, but also those working part-time because they could not find full-time work. In 2012, there were 930,000 underemployed people in London. The graph below shows that between 2006 and 2008 underemployment held steady at around 720,000 but in 2009 increased to 820,000 and continued to increase each year to 2012. Overall underemployment as a whole increased 29% in the last five years.

Figure 5.4: Under-employed people in London



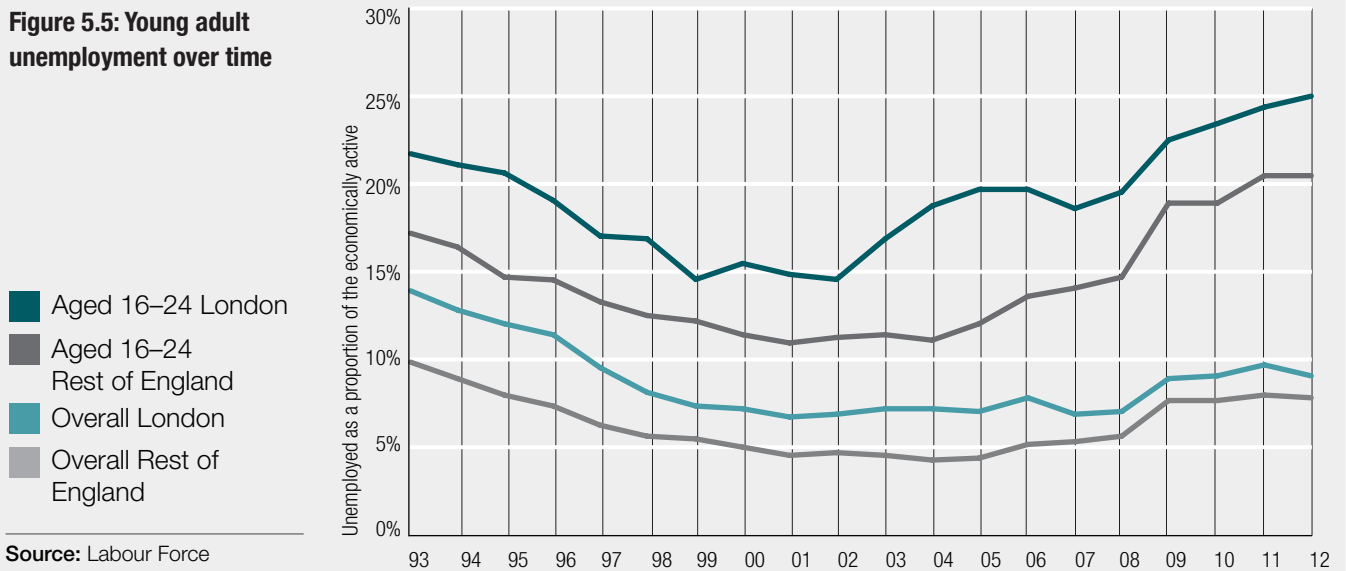
Source: Regional Labour Market Statistics and the Labour Force Survey, ONS

There were 376,000 people officially unemployed in London in 2012, up by 42% since 2007, but most of this increase occurred between 2008 and 2009. Meanwhile the number of people working part-time wanting full-time work at 188,000 in 2012 increased over a longer period amounting to an overall increase of 87% since 2007. Meanwhile the number of economically inactive people wanting work (they do not count as unemployed as they are not currently available to start work or are not looking for it) has hardly changed, increasing by 2% since 2007 to reach 365,000 in 2012.

Worklessness among different groups

It is also important to understand how employment levels differ among different groups within London. The graph below looks at unemployment among 16 to 24 year-olds and for the working-age population overall (expressed as a percentage of the economically active in that age-group to account for the high levels of young people in education and economically inactive). It shows that young adults have a higher unemployment rate than the average.

Figure 5.5: Young adult unemployment over time



Source: Labour Force Survey, ONS

London's young adult unemployment rate has been increasing since 2002, whilst the overall unemployment rate remained quite flat until 2009. This divergence has been further exacerbated by the recession. In 2002 the young adult unemployment rate in London was 8 percentage points higher than the average for London, in 2012 that gap had doubled to 16 percentage points.

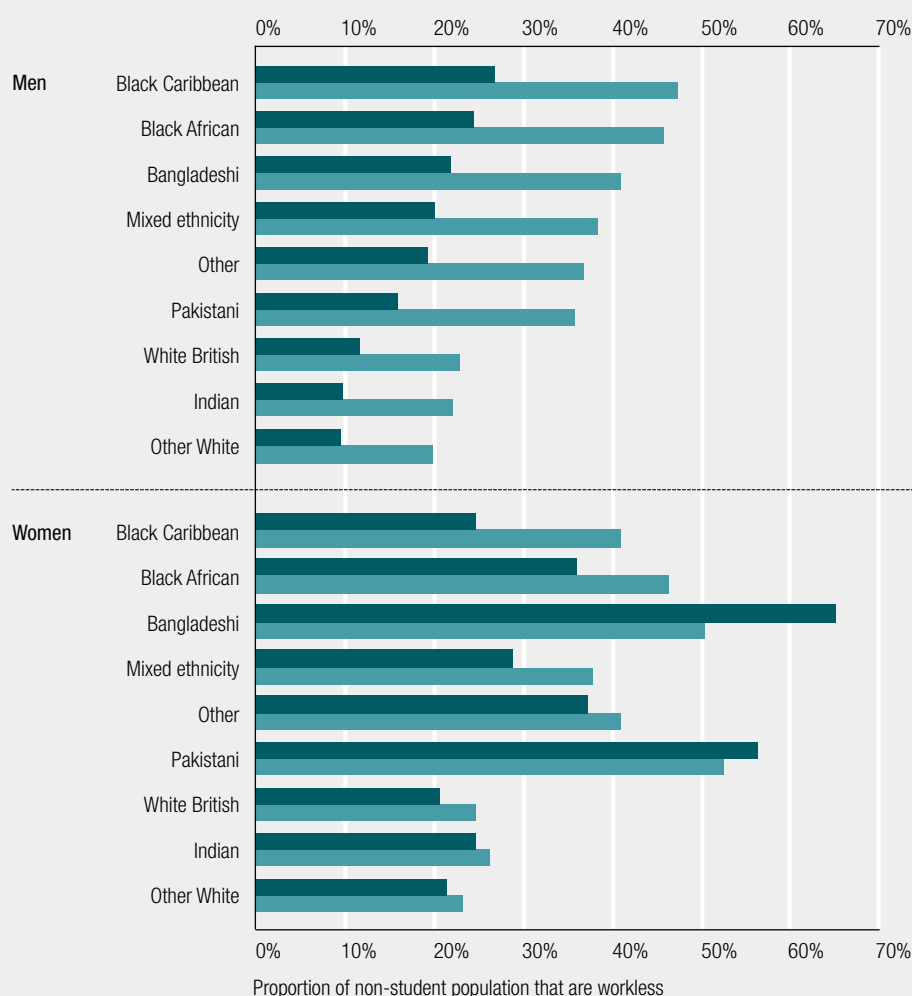
In 2012, 25% of economically active young adults in London were unemployed, compared to 20% in the rest of England – a gap of five percentage points, compared to a gap of one percentage point in the overall unemployment rate. Moreover, last year the young adult unemployment rate in the rest of England did not change, whilst in London it increased.

The graph below looks again at worklessness among young adults, but along with age the data is split by gender and ethnicity. It shows for each group the proportion of the non-student population that are not in work (general worklessness is shown instead of unemployment here to reflect the higher levels of women not in or seeking work). As worklessness refers to those not in paid work, it includes those doing unpaid care or unpaid help with the family business.

The graph shows that among men the trend is reasonably straight forward. Over 20% of men aged 25 to 49 of Black Caribbean, Black African or Bangladeshi ethnicity were workless, twice the rate amongst those of White British, Indian and other White ethnicities (at around 10%). For men aged 16-24 the ethnicity trend was the same but the workless proportion generally doubles. This means the gap by ethnicity was much greater among younger age groups.

The trend amongst women was much less consistent. 65% of Bangladeshi women aged 25-49 were workless followed by 56% among Pakistani women, for both of these ethnic groups the workless rates for those aged 16-24 was lower at 50% and 52% respectively. For all other ethnic groups the level of worklessness among young adults was higher, but the gap was much smaller than the gap for men.

Figure 5.6: Lacking work by age, sex and ethnicity



Source: Census 2011

We can also look at workless levels by country of birth. The graph below shows that around 56% of men born in Somalia lacked paid work, 19 percentage points higher than men born in any of the countries shown. This in part reflects that many Somalis living in London arrived in the UK as refugees. Excluding Somalia, the worklessness rate of men born in Africa was either about average or below. The level for men born in the UK is in the middle of the distribution at 26%.

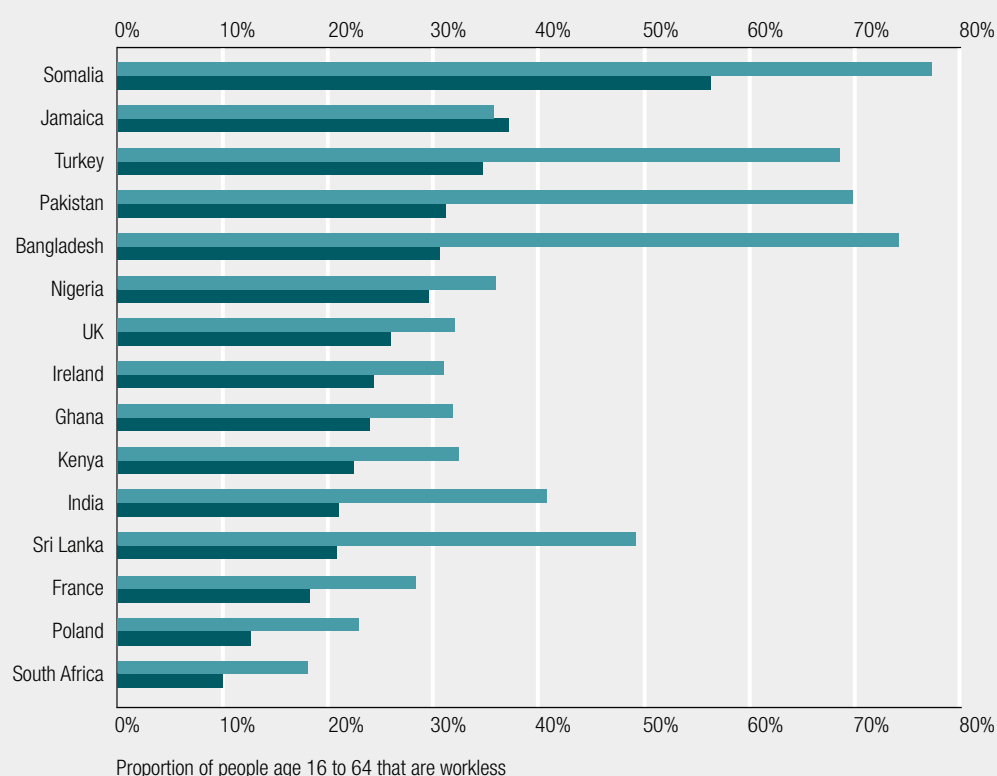
Women born in all the countries shown, except Jamaica, were more likely to lack paid work than their male counterparts. This is also mirrored in the previous graph where Black Caribbean was the only ethnic group where women had lower worklessness rates than men.

The gender gap shown in this graph is interesting, as the variation between women born in different countries is much greater than that seen amongst men. Over 60% of women born in Somalia, Turkey, Pakistan and Bangladesh were workless compared to less than 30% of women born in France, Poland and South Africa. This suggests that, for women, other factors have as strong an influence on work rates as the labour market.

Figure 5.7: Working-age adults in London not in paid work by gender and country of birth

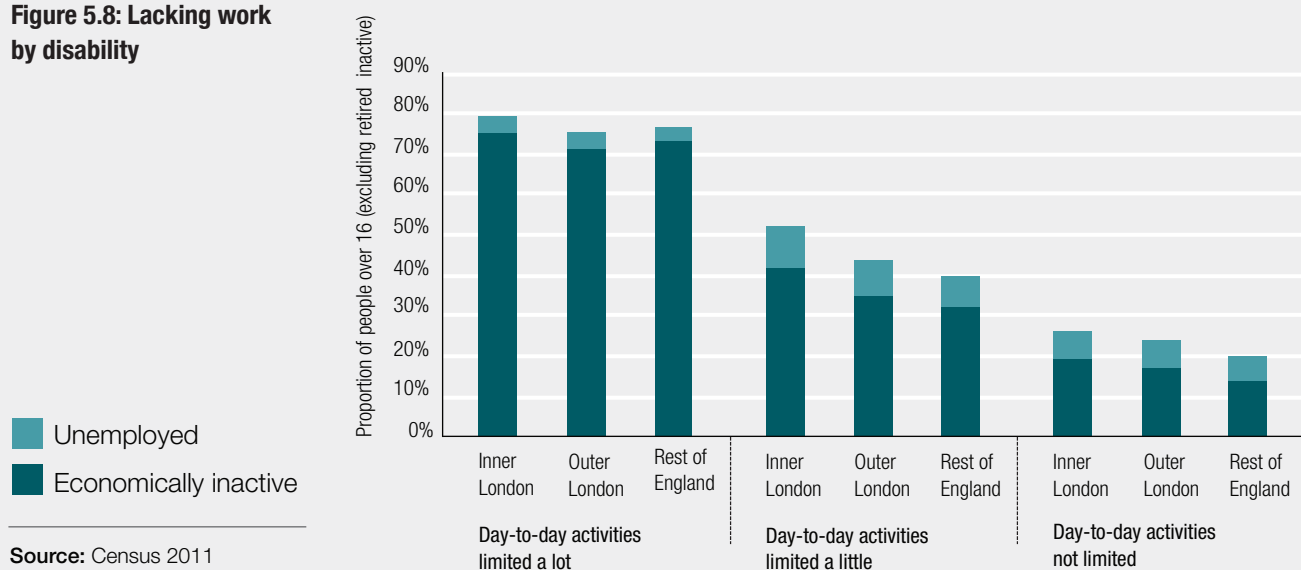
■ Women
■ Men

Source: Census 2011



Finally in this chapter we look at work rates by disability. The graph below shows the proportion of adults lacking paid work by disability. Here disability reflects how much day-to-day activities were limited (a lot, a little or not limited) as measured in the Census.^[14]

Figure 5.8: Lacking work by disability



Source: Census 2011

The graph shows that, of the 280,000 working-age adults whose day-to-day activities were limited a lot in London, most were not in paid work and almost all of whom were economically inactive. There was little variation between Inner and Outer London and the rest of England.

At the other end of the scale, most adults whose day-to-day activities were not limited were in work. For this group the variations between Inner and Outer mirror those seen earlier in this chapter.

For the 340,000 working-age adults whose day-to-day activities are limited a little in London, the picture is more complicated. In Inner London 42% were inactive and 10% unemployed: both of these levels were higher than for Outer London at 35% and 8% respectively, which is in turn higher than the rate for the rest of England.

But overall the graph shows that having a disability and its severity have a considerable impact on the likelihood of an individual of being in paid work, regardless of region.^[15]

[14] The rates shown are as a proportion of all people aged 16 and over, excluding retired people who are economically inactive. We use this as a proxy for the working-age population as an age breakdown was not available. As a result working-age retired people are excluded and working people above state pension age are included.

[15] The impact of welfare reforms on work and disabled people are discussed in the final chapter.

Commentary

One of the most striking things about unemployment in London is how little it increased during the economic downturn compared to the rest of England – the considerable improvement in unemployment in Inner London in the early 2000s has only slightly reversed. But this chapter has shown worklessness is much more complex than the headline unemployment rate.

Improvements within London have not been uniform; in fact changes to unemployment have been very local. Rates of worklessness among young adults have been moving in the wrong direction since before the recession and inequalities in worklessness by ethnicity, gender and disability persist.

Whilst there has been a levelling off of the numbers that were unemployed, it is still 42% higher than before the recession, and the number in part-time work because they cannot find full-time work was up by 87%. So demand in the job market remains high.

But many of the reforms to welfare under this government and the last have focused on increasing this demand further: by requiring more people to actively seek work, or creating programmes to get people in to work or incentivising people to work more hours.

The official data indicates that so far such approaches have had limited success. Of the 180,000 referrals to the Work Programme in London by March 2013, 20,000 resulted in a job outcome (where a participant has been placed in employment). Around 30% of referrals identified themselves as disabled whilst only 17% of job outcomes did.

A freedom of information request^[16] revealed that in the 18 months from April 2011 to October 2012, 19,290 sanctions were applied in London and the home counties for failing to participate in the Work Programme. Although the data is not directly comparable, it indicates that in London there have been as many sanctions under the Work Programme as there have been job outcomes.

In London the labour market may be faring relatively well, but it is under considerable pressure and the diversity of those lacking work is huge. The stark differences in work rates for different groups show that the barriers to work are varied, and for some groups extremely high. It is important that the increased requirements on the workless come hand in hand with increased support and opportunity.

[16] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206569/foi-1245-2013.pdf

Introduction

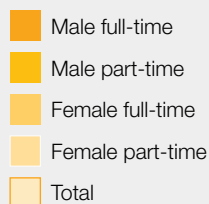
As discussed in chapter two, in-work poverty levels have been increasing, so for some, work is not providing sufficient income to avoid poverty. In this chapter we look at which individuals and which jobs are low paid and whether they are part-time or full-time.

We measure low pay in this report using the London Living Wage as set by the Greater London Authority. This is an hourly rate of pay that takes into account the costs of living in London and 60% of the median wage. It is designed to provide someone and their family with enough income for essentials and a cushion against unforeseen events. At the time of writing it was £8.55 per hour, up from £6.70 when it was introduced in 2005 (its rise has largely been in line with national measures of inflation). This compares to the level at £7.45 for the national Living Wage and the national minimum wage at £6.19. Unlike the minimum wage employers are not obliged to pay the Living Wage.

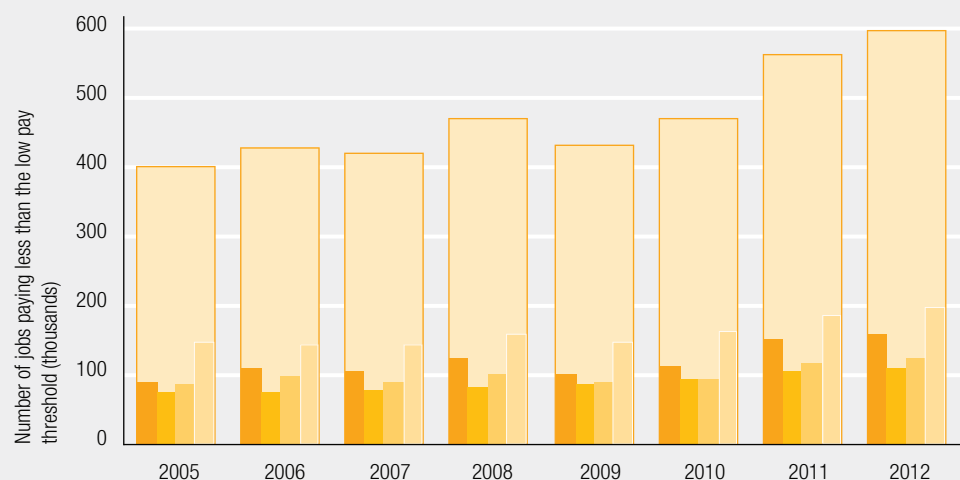
Low-paid jobs

The graph below shows the number of low-paid jobs in London each year since 2005. These are jobs that were based in London and not necessarily done by people who live in the capital. The low-pay threshold used each year varies to reflect the changing level of the London Living wage.

Figure 6.1: Low-paid jobs in London by part-time/full-time and gender



Source: Annual Survey of Hours and Earnings, ONS



In 2012 there were just under 600,000 low-paid jobs in London. A third of these jobs (200,000) were done by women working part-time. The next biggest group was men working full-time accounting for 160,000 jobs.

Since 2009 the number of low-paid jobs in London has increased each year, this is true for every combination of full-time/part-time male/female work. But most of this increase was among men in full-time work (up by 63,000) and women in part-time work (up by 51,000).

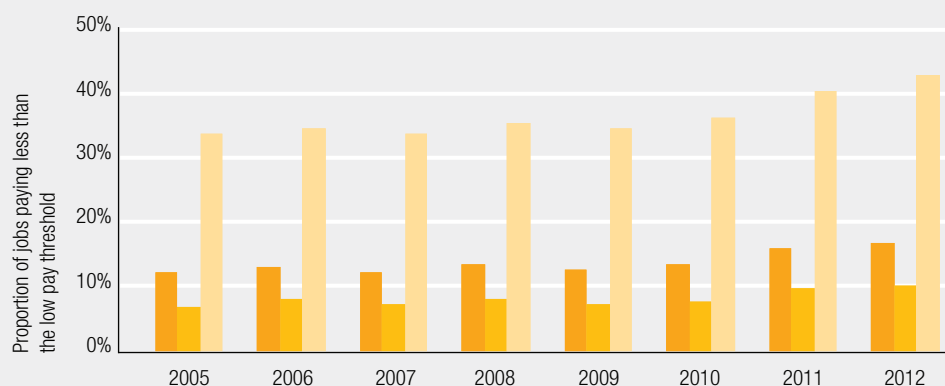
The graph below shows that the percentage of jobs that were low paid remained quite flat between 2005 and 2010 at around 13%, but by 2012 17% of jobs in London were low paid. This reflects a trend seen across England: the cost of living is growing faster than earnings, so as prices increase more jobs fall below the low pay threshold.

The risk of low pay varies considerably by hours. In 2012 over 40% of part-time jobs were low paid compared to 10% of full-time jobs. Most part-time jobs are done by women, so the number of women in part-time low-paid jobs is much higher than the number of men.

Figure 6.2: Proportion of jobs in London that are low paid

■ All jobs
■ Full-time
■ Part-time

Source: Annual Survey of Hours and Earnings, ONS

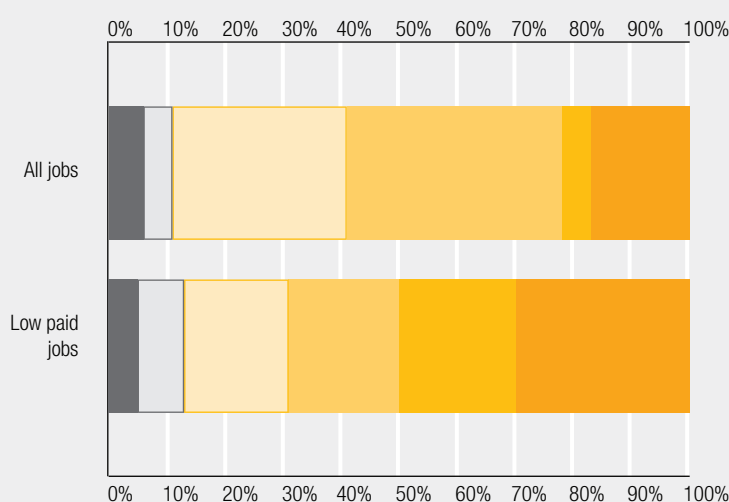


Turning to low-paid jobs by sector, around 168,000 low-paid jobs in London in 2012 were in retail and a further 115,000 were in hotels and restaurant services. The graph below shows that together they accounted for 50% of low-paid jobs in London (up from 45% in the last report) compared to 22% of jobs in London generally. Overall 67% of jobs in London were in private^[17], public or community sector services but only accounted for 37% of low-paid jobs (205,000 jobs).

Figure 6.3: Share of all jobs and low-paid jobs in London by sector

■ Retail & wholesale
■ Hotels & restaurants
■ Private sector services
■ Public sector & community services
■ Arts, entertainment & other personal services
■ Manufacturing & construction

Source: Annual Survey of Hours and Earnings, ONS, 2012



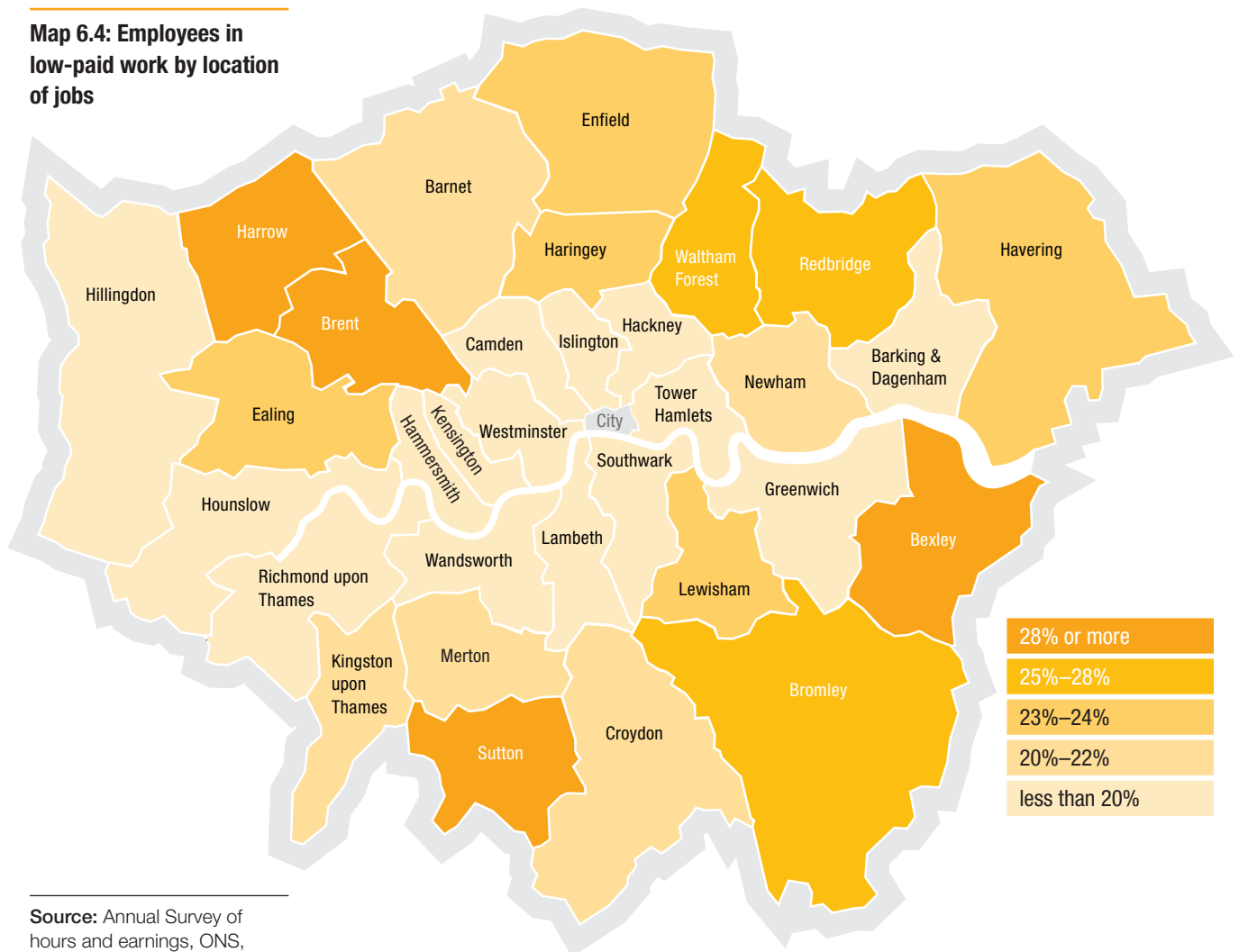
[17] Private sector services include: information & communication, financial & insurance activities, real estate activities, professional, scientific & technical activities and administrative & support service activities.

Low pay within London

We now look at how low pay varies within London. Across London, 7 boroughs are Living Wage employers: Camden, Ealing, Hounslow, Islington, Lambeth, Lewisham, Southwark, so those directly employed by the council are at least paid the Living Wage.

The map below shows the proportion of all jobs in each borough that were low paid. It shows a clear difference between Inner and Outer London. Overall 22% of jobs located in Outer London were low paid, compared to 12% in Inner London. In 7 London boroughs more than a quarter of the jobs were low paid, all of them in Outer London.

Map 6.4: Employees in low-paid work by location of jobs



Source: Annual Survey of hours and earnings, ONS, average for 2010 to 2011

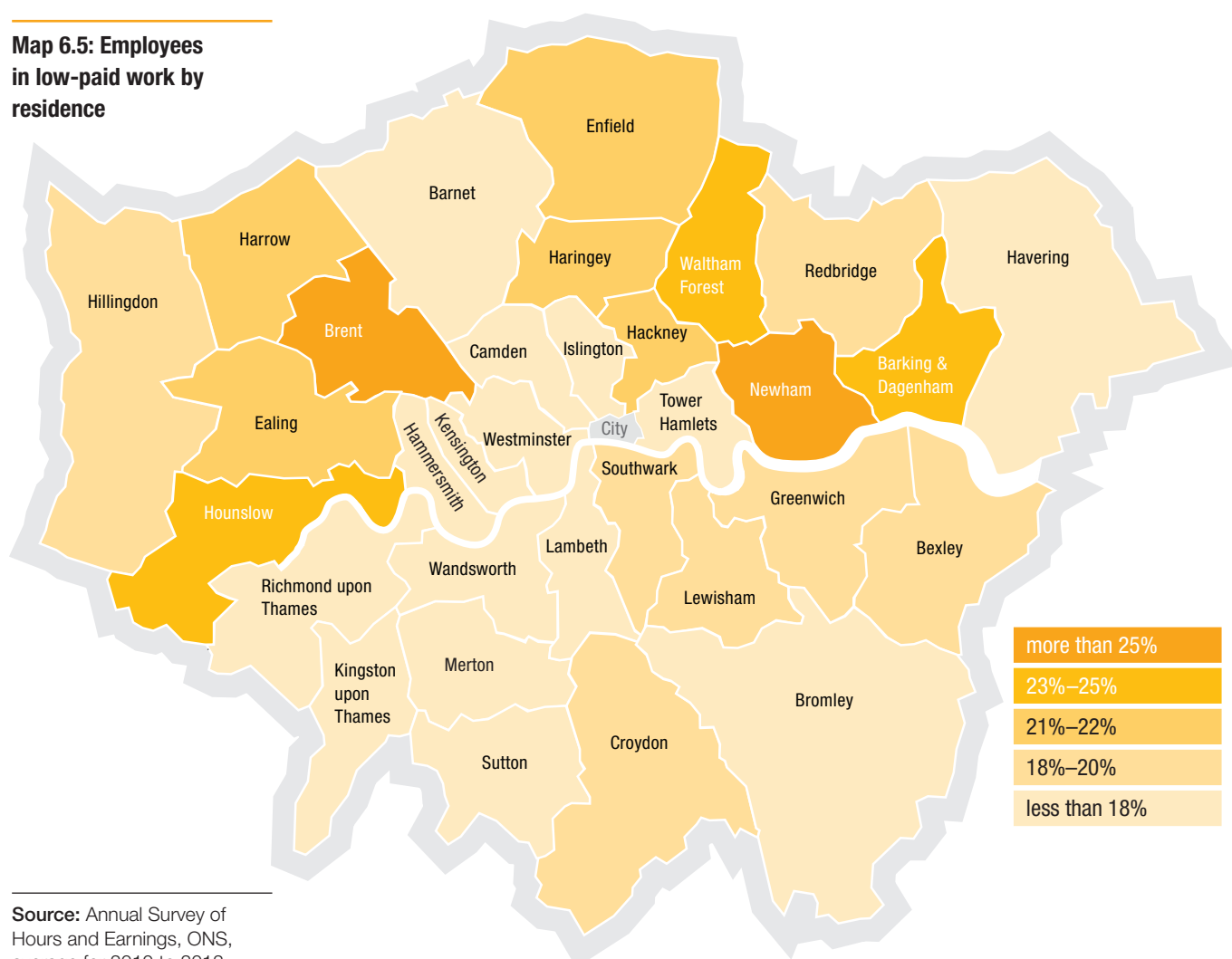
This is not to say that there were fewer low-paid jobs in Inner London, however. On average between 2010 and 2012, Inner London accounted for 45% of all low-paid jobs in London. It is simply that Inner London has more jobs, with around 2.2 million out of a total of 3.5 million in 2012.

Compared to the last report, all boroughs have seen an increase in the number of low-paid jobs within them. Ealing, Brent and Harrow (all in the Outer West & Northwest) and Redbridge have experienced the largest increase of 6 percentage points.

So far we have only looked at jobs based in London rather than low-paid people living in London. The map below shows the proportion of people in low-paid work by the

borough of residence. The pattern is very different to that by the location of jobs – the Inner and Outer difference is much less stark. On average, around 18% of employees living in London were low paid between 2010 and 2012. A slightly higher proportion of those living in Outer London were low paid than in Inner London (19% and 17% across the three years respectively).

Map 6.5: Employees in low-paid work by residence



Source: Annual Survey of Hours and Earnings, ONS, average for 2010 to 2012

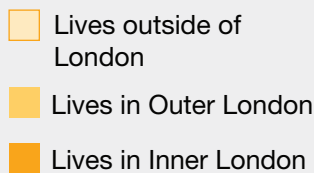
A third of employees living in Newham were paid less than the London Living Wage between 2010 and 2012. The next highest was Brent; 30% of employees living there were low paid over this time period. By contrast, only one in ten of those living in Kensington & Chelsea were low paid over these years. High rents in this borough may prevent many low-paid people from affording to live there.

Compared with 2006-2008, most boroughs have seen small increases in the number of low-paid employees living within them. The most dramatic change is Newham, which has seen a seven percentage point increase over this time period. Haringey and Brent have seen four percentage point increases.

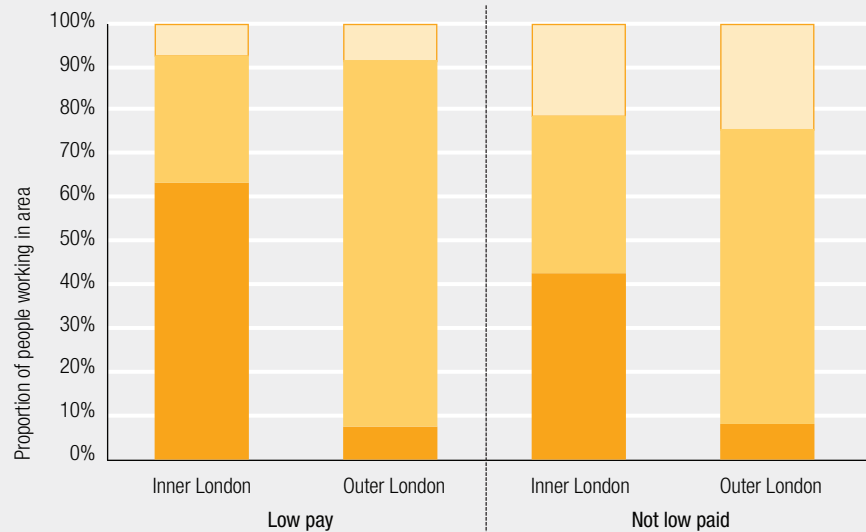
Yet to what extent are low-paid jobs in London done by people who live in the capital? The graph below shows the proportion of jobs in Inner and Outer London that were low paid and not low paid, by where those doing the job lived.

It shows that 63% of low-paid jobs in Inner London were done by people who lived in Inner London and 83% of low-paid jobs in Outer London were done by people who lived in Outer London. Overall people in low-paid jobs were more likely to live in the area that they worked in, and people that worked in Outer London were more likely to live in the same area than people who worked in Inner London. Over 90% of the low-paid jobs in London were done by people who lived in the capital compared to less than 80% of non-low paid jobs.

Figure 6.6: Jobs in London by place of residence



Source: Labour Force Survey, ONS, average 2010/11 to 2012/13



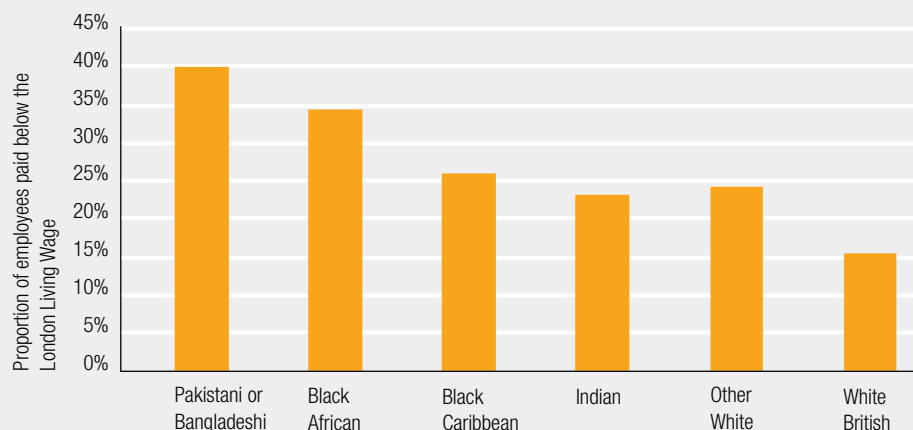
Low-paid individuals

Finally we look at the ethnicity and age of people in low-paid jobs in London. The graph below shows the proportion of low-paid people working in London by ethnicity between 2010 and 2012.

Low-paid work was most prevalent amongst employees of Pakistani and Bangladeshi origin, with 2 out of 5 employees paid below the London Living Wage. This was more than twice the rate for White British employees. The previous chapter showed that unemployment rates for Pakistanis and Bangladeshis were lower than some of the other ethnic groups here: this graph shows that for many the work taken was low paid too. For those of Black African origin, nearly 35% were low paid and unemployment rates were also higher than average.

Figure 6.7: Low pay in London by ethnicity

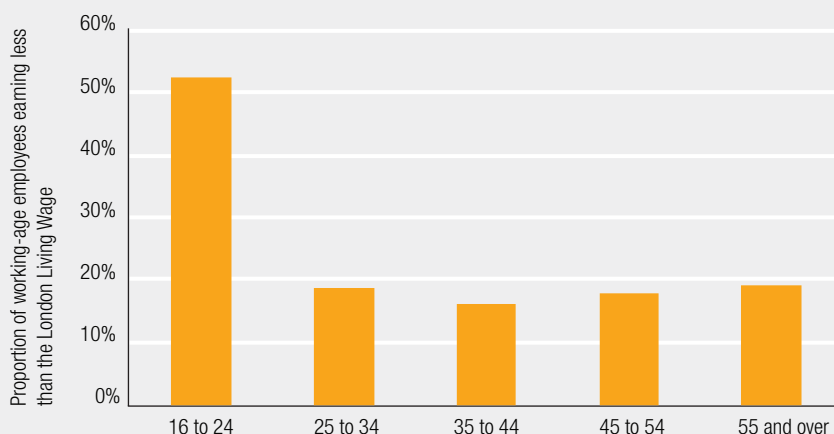
Source: Labour Force Survey, ONS, average for 2010 to 2012



Young working adults are also highly likely to be low paid. Between 2010 and 2012 half of working 16 to 24 year olds were paid below the London Living Wage. But this includes a group with three different minimum wage levels: £6.19 per hour for those age 21 and over, £4.98 for those aged 18 to 20 and £3.68 for those aged under 18. For all other age groups, the proportion paid less than the London Living Wage was between 16% and 18%. Young adults have also seen the biggest increase in rates of low pay up by 5 percentage points since 2008 to 2010.

Figure 6.8: Low pay in London by age

Source: Labour Force Survey, ONS, data is average for 2010 to 2012



Commentary

Earlier this year, government statisticians produced a graphic showing how London's economy had outperformed that of the rest of the UK over the previous five years, since before the recession began.^[18] One of the ways London had done better was in the growth of the workforce, up by more than a quarter of a million in the capital, while down by a slightly larger number elsewhere.

But the most striking statistic from this chapter is the huge rise over two years in the number of jobs in London paid below the London Living Wage. From 'just' 470,000 jobs in 2010 to 600,000 in 2012, a rise of more than quarter.

One possible explanation is that London's job growth in the last two years has been concentrated at the bottom of the pay scale. Another is that the value of the London Living Wage has jumped up; it was £8.55 in 2012 compared with £7.85 in 2010, up almost 10%. But it is neither of these.

The rise in the Living Wage is in line with the retail price index. Between 2010 and 2012 median earnings in London have risen by only 1.6%, when inflation is up 9%. As a result, 17% of jobs in London are now paid below the Living Wage when two years ago it was just 13.5%. Earnings in London are simply not keeping pace with costs. So even though the number of jobs in London is growing, earnings are not.

Low paid jobs in London are done overwhelmingly – more than nine in ten – by people who live in London. With retail, hotels and restaurants accounting for half of all of such jobs across the capital, London is bound to continue to rely on a sizeable low-paid workforce.

But where can low-paid workers live? For those in Inner London, low hourly pay makes the cost of housing formidable. For those in Outer London housing costs may be lower but the travel cost – time as well as money – is higher. How far are the housing and transport needs of this low-paid workforce, a third of which are women working part-time, given explicit attention by the London planners and policy makers?

[18] <http://bit.ly/1blwl0p>

Chapter seven:

Education

School age education in London is the success story of every edition of London's Poverty Profile. London performs better than the rest of England, particularly for children on free school meals and children from ethnic minority backgrounds. There has been substantial progress over the last decade that is still continuing.

Key points

- Overall GCSE attainment in London is now better than the rest of England. 39% of pupils in Inner London and 37% in Outer London did not get five GCSEs at A* to C (including maths and English), compared with 42% in the rest of England.
- This is despite Inner London's high proportion of pupils on free school meals (at 35% at age 16) and with English as a second language (at 52%). This is higher than in Outer London (17% and 32% respectively) which in turn is higher than for the rest of England.
- Over five years to 2012, the proportion of Inner London 16 year-olds entitled to free school meals who failed to achieve these grades came down 20 percentage points (to 47%). Both Inner and Outer London (which saw a 16 percentage point fall to 55%) improved further and faster than the rest of England (down 13 percentage points to 67%).
- In 2006-07 53% of pupils not on free school meals in Inner London did not achieve five GCSEs at A* to C (including maths and English), higher than the rest of England. By 2011-12 it was 35%, lower than the rest of England.
- There were also improvements in attainment at age 11. The proportion of pupils in London not obtaining Level 4 at Key Stage 2 (age 11) declined from 24% for Inner London and 23% for Outer London in 2010 to 18% for both in 2012.
- In 9 boroughs over 40% of schools were at or above capacity and all of them were in Outer London.
- 16% of Inner London 19 year olds lacked a level 2 qualification in 2012, equal to the average for the rest of England and down from around 40% in 2005. In Outer London the drop was from 31% to 13%. This improvement has been mirrored in higher qualifications: having a level 3 qualification is now the norm for 19 year olds.
- In 2011 38% of adults in London had completed some form of higher education, 12 percentage points higher than the rest of England. Although the proportion of people in London with no qualifications has fallen, the overall number at 1.1 million has hardly changed.
- Around 290,000 people aged 10 or over in London, around 4%, were not able to speak English well. This rate was lower among younger people (less than 1% of people aged under 19) and higher among older women (around 6% for women aged 35 and over).

Introduction

Historically Inner London performed poorly for school attainment at ages 11 and 16. As recently as 2009, Inner London was performing below the England average for attainment at age 11. But by 2012, the proportion of pupils not achieving the expected level at KS2 and GCSE was several percentage points lower in Inner London than in England as a whole. Inner London has gone from being the worst region for attainment at GCSE in the 1990s to the second best in 2012, after Outer London.

In this chapter we explore these trends in school attainment and also look at pupil demography and school capacity in London generally. We then look into how recent school success is reflected in the qualifications at age 19, and the general level of qualifications and skills of adults in London.

London pupil demography

Firstly in this chapter we look at how the composition of schools differs across London and with the rest of England. We do this by looking at the characteristics of pupils aged 16 in state funded schools (including academies) in 2011–12.

The graph opposite shows the proportion of pupils entitled to free school meals and who speak English as a second language. There are very large gaps within London, particularly Inner London, in the proportion of pupils who do not speak English as a first language. Slightly over half of pupils (52%) in Inner London did not speak English as a first language, compared to around 32% in Outer London and fewer than 8% in England as a whole.

GCSE attainment of pupils whose first language is not English is generally lower than average. However, in Inner London these pupils tend to perform slightly better than their peers.

The graph also shows that London has a higher proportion of pupils on free school meals. 35% of pupils in Inner London and 17% of pupils in Outer London were eligible for free school meals, compared to 13% in the rest of England.

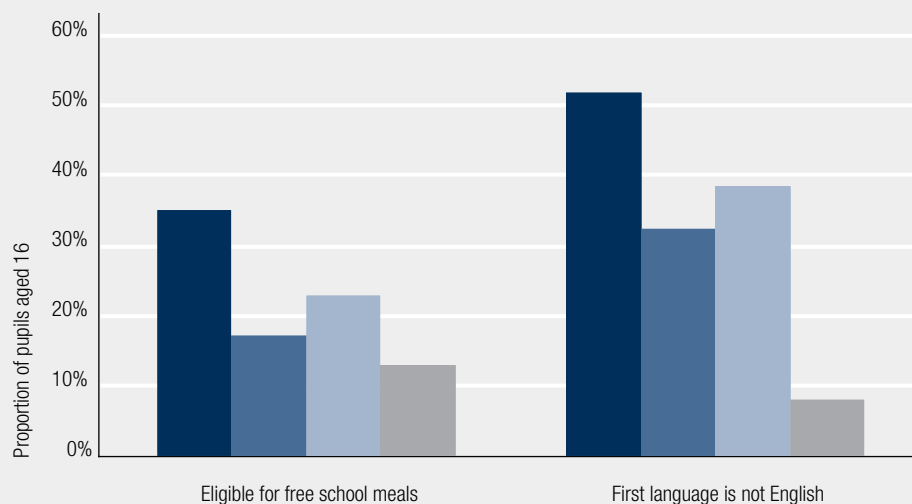
In this report we are particularly interested in the attainment of children on free-school meals, as it is a proxy for children from economically deprived households. To receive free school meals, parents have to receive either means-tested out-of-work benefits or receive Child Tax Credit but not Working Tax Credit. While this is the best available measure of deprivation, it does not capture all children from economically deprived families such as: children in low-income working families, those who are eligible for but don't claim free school meals and those on low incomes but excluded due to their immigration status.

Given the high proportion of children on free school meals and those with English as a second language, who tend to have lower attainment levels, London's overall school attainment and its improvement is remarkable. We explore this later in the chapter.

Figure 7.1: London's pupil demography

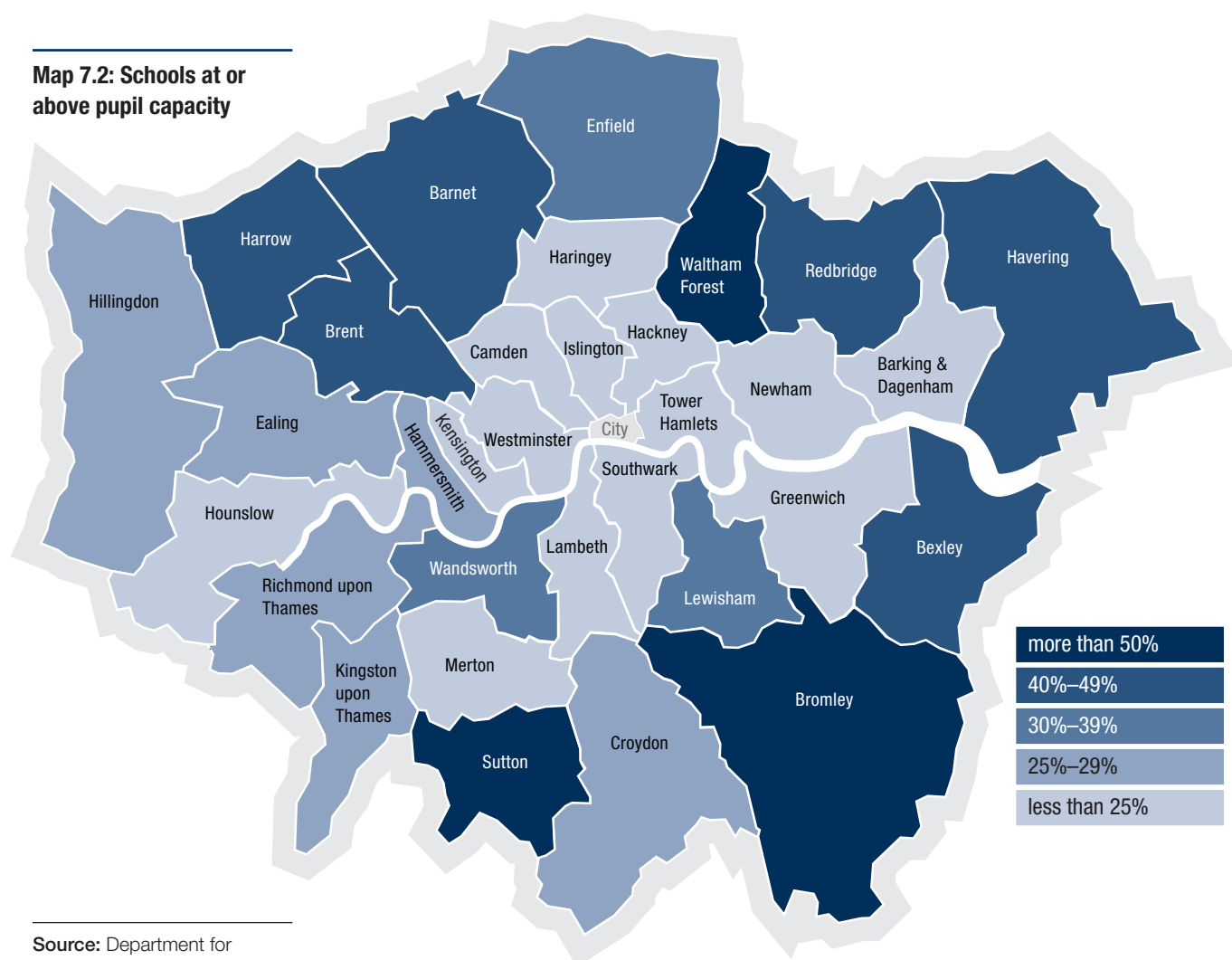
■ Inner London
 ■ Outer London
 ■ London
 ■ Rest of England

Source: Department for Education, 2011/12



The map below shows the proportion of schools in each borough that had no spare places or already had more children than places in 2011–12. In England overall, this was the case for 20% of schools, compared to 17% in Inner London, but in Outer London the level was much greater than average at 35%.

Map 7.2: Schools at or above pupil capacity



Source: Department for Education statistics, 2011/12

In 9 boroughs, over 40% of schools were at or above capacity and all of them were in Outer London. The levels were particularly high in Sutton at 66%, Waltham Forest at 57% and Bromley at 53%. As discussed in chapter 1, the census showed that Outer London in particular had a high proportion of children aged 0 to 4. Also, as we will explore more in the final chapter, the changes to housing benefit may lead to an increase in families with children moving from Inner London to Outer London. This combined with the high proportion of children soon to start school in Outer London will exacerbate demand for school places.

School-age education

This section considers the pattern of educational attainment across London and according to various characteristics. The focus is mostly on attainment at 16, as this is the current age at which pupils can leave school education, though earlier attainment is also considered.

The graph opposite shows the proportion of pupils not achieving five GCSEs A*–C including English and maths in 2008–09 and in 2011–12. We use this as our benchmark because in 2011–12 a majority of pupils in England achieved this level (59%), but in 2007–08 this standard was achieved by a minority. This improvement in attainment is indicative of educational standards at all levels in England over at least the past 15 years.

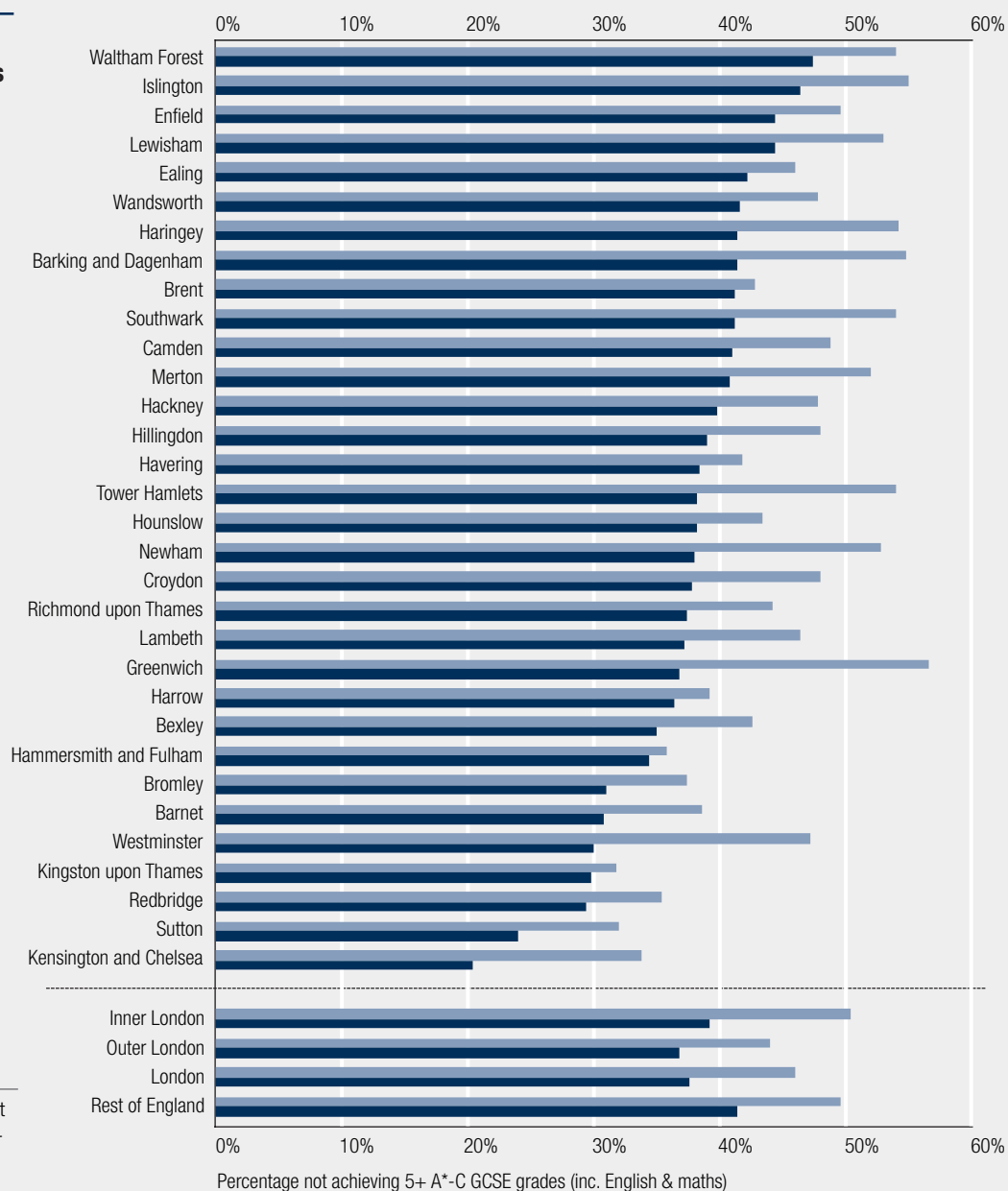
In 2011–12, 39% of pupils in Inner London, 37% in Outer London, and 42% in the rest of England did not attain 5 A*–C including English and Maths at GCSE. From 2008–09 to 2010–11, there were large improvements in Inner and Outer London and in England. The improvement is particularly notable for Inner London, where the rate fell by 11 percentage points over only 4 years.

There remain small and decreasing numbers of students who do not achieve the lower levels of achievement used in previous reports: in 2011–12, around 16% of pupils in London did not achieve five GCSEs A*–C, and around 4% did not obtain five GCSEs.

Returning to the proportion of children not achieving 5 A*–Cs, including England at Maths at GCSE, there are large differences between boroughs in London. The improvement has been dramatic for some boroughs, such as in Greenwich (57% not attaining in 2008–09 to 37% in 2010–11). Boroughs such as Barking & Dagenham, Tower Hamlets and Westminster have also seen large improvements.

Waltham Forest has the highest proportion of pupils not attaining these grades at around 47%, though this is still a 7 percentage point improvement on three years earlier. On the other end of the rankings, only around 20% of pupils in Kensington & Chelsea did not achieve these grades in 2011–12.

Figure 7.3: GCSE attainment of 16 year olds by borough



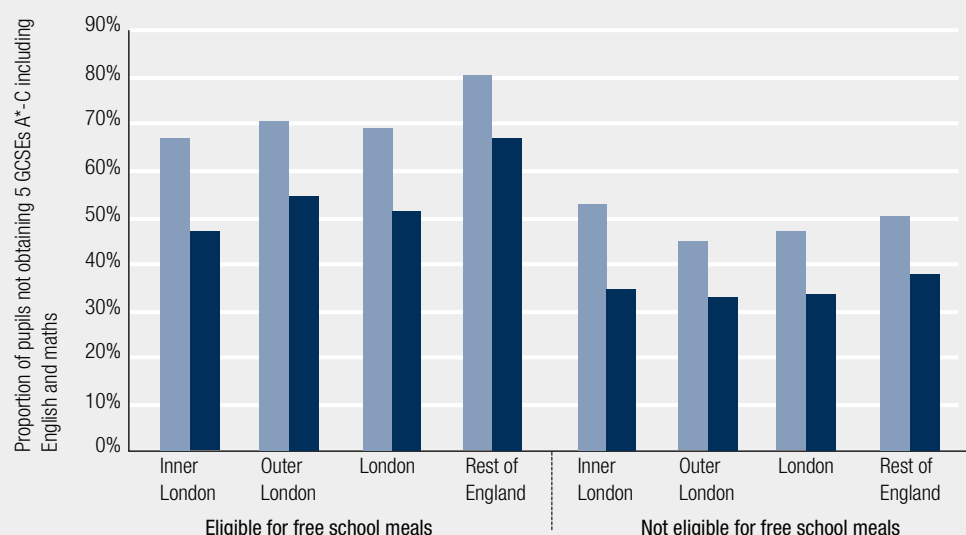
Source: GCSE and equivalent attainment by pupil characteristics in England, DfE

There are also improvements in attainment at age 11. The proportion of pupils in London not obtaining Level 4 at Key Stage 2 (age 11) has declined from 24% for Inner London and 23% for Outer London in 2010 to 18% for both in 2012. For England as a whole, the proportion not obtaining has fallen from 26% to 21% over the same period.

Figure 7.4: GCSE attainment by free-school-meal status

2006/07
2011/12

Source: GCSE and equivalent attainment by pupil characteristics in England, DfE



The graph above shows the proportion of pupils that did not did not attain 5 GCSEs A*–C including English and maths in 2006–07 and 2011–12, broken down by geography and free school meal status. Initially three things in this graph stand out. Firstly, a higher proportion of children on free school meals do not attain the target standard than those not on free school meals. Secondly, a greater proportion of pupils in the rest of England do not achieve these grades than in London. Thirdly, that for every group there has been an improvement in the last 5 years.

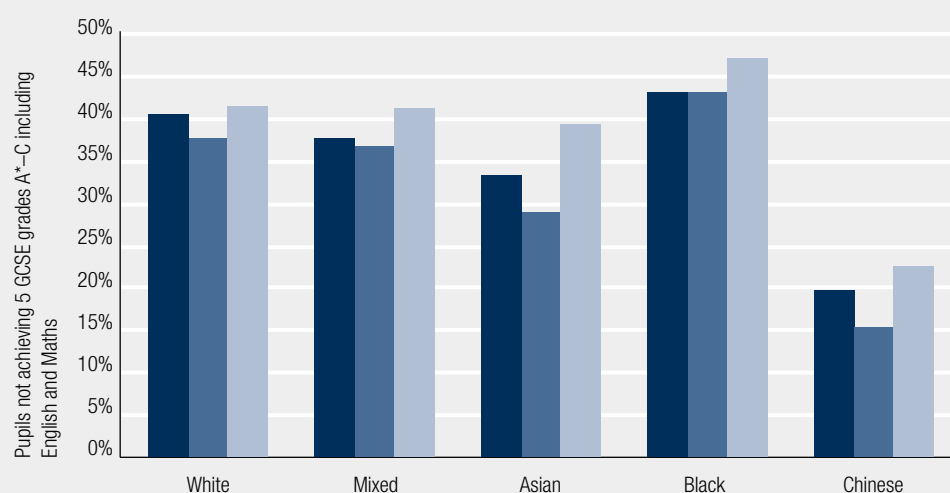
However, looking at the graph in more detail it shows that the improvement in attainment over the last 5 years has been greater in London. Here the proportion of children on free school meals not achieving 5 GCSEs A*–C including English and maths fell by 18 percentage points in 5 years to reach 51%. Inner London has also seen greater than average improvement in attainment of children not on free school meals. In 2006–07, 53% of pupils in Inner London did not achieve these grades, higher than the rest of England. By 2011–12 it was 35%, lower than the rest of England.

The gaps in attainment between pupils on free-school meals and those not are also much smaller in Inner London at 13 percentage points, compared to 22 percentage points in Outer London and 29 percentage points in the rest of England.

Figure 7.5: GCSE attainment by ethnicity

Inner London
Outer London
Rest of England

Source: GCSE and equivalent attainment by pupil characteristics in England, DfE, 2011/12

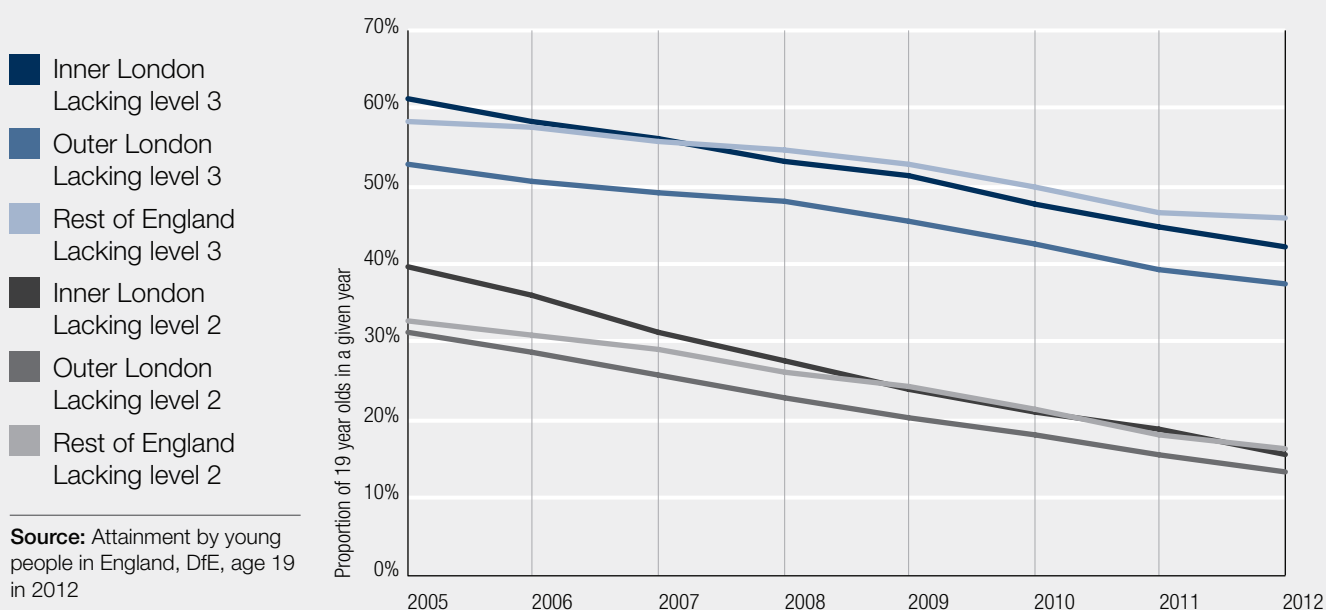


Educational attainment also varies by ethnicity. The proportion of pupils in every ethnic group not achieving the typical grades is lower in London than the rest of England. There is little difference in attainment between white pupils in Inner London and the rest of England. Chinese and other Asian pupils do much better in London than the rest of England, and particularly in Outer London. For instance, only 16% of Chinese pupils in Outer London do not attain 5 GCSEs A*–C including English and maths. Black pupils tend to have lower attainment, though less so in London. In Inner London, there is not a substantial difference between the attainment rates of black and white pupils.

Qualifications at age 19

We now move on to look at the proportion of 19 year olds lacking either a NVQ2 or NVQ3. The latter is roughly equivalent to 2 or more A-levels, and NVQ2 is equivalent to around five good^[19] GCSEs. The graph below shows that the proportion of 19 year olds lacking these levels of attainment has been falling steadily since 2005.

Figure 7.6: Lacking qualifications at age 19



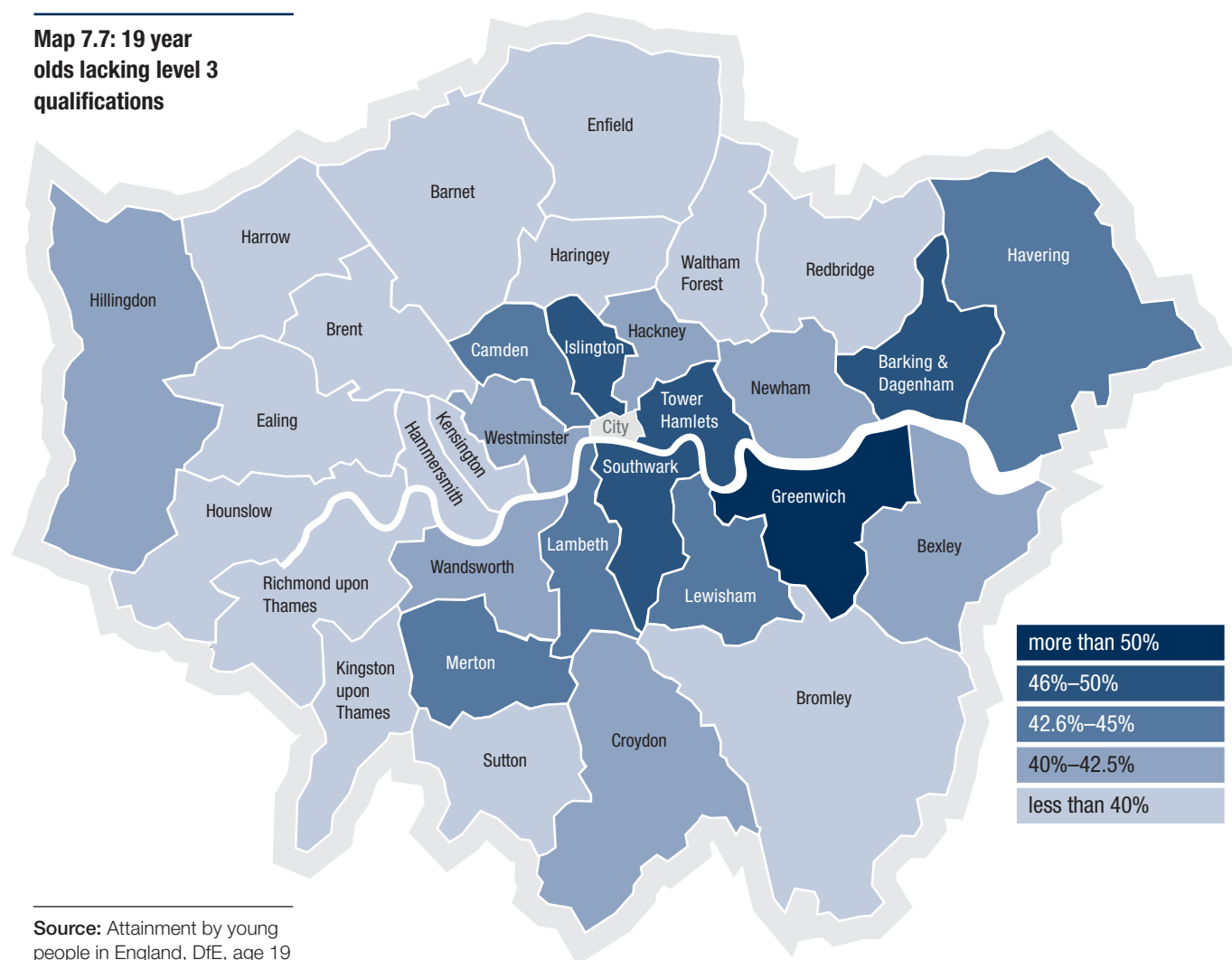
In 2005, around 40% of 19 year olds in Inner London did not have a level 2 qualification, compared to 31% in Outer London and 33% in the rest of England. But by 2012, this was around 16% for both Inner London and the rest of England, so Inner London has been improving faster.

For the more advanced level 3 qualifications, over the last 7 years Inner London has gone from being worse than the average to better. By 2008, a smaller proportion of 19 year olds in Inner London were without this level of qualification than in the rest of England. The percentage point gap between Inner and Outer London has also narrowed between 2005 and 2012, from 8 to 5.

By 2011, having a level 3 qualification was the norm for 19 year olds in both Inner and Outer London and in the rest of England.

[19] Grade A* to C

Map 7.7: 19 year olds lacking level 3 qualifications



Source: Attainment by young people in England, DfE, age 19 in 2012

In 2012, it was the norm for 19 year olds to have a level 3 qualification in every borough in London, with the exception of Greenwich, where a slight majority (52%) did not have one. This is in stark contrast to the large improvements in education for 5, 11 and 16 year olds in Greenwich. In contrast, in 2010, 14 out of 32 boroughs had a majority of 19 year olds not holding a Level 3 qualification. This indicates the improvement across London over only a short period of time.

The highest levels of 19 year olds lacking Level 3 qualifications tend to be in the south and east of London, with Barking & Dagenham, Tower Hamlets and Southwark having the next highest rates of non-attainment.

Adult qualifications and skills

Finally we look at the qualifications and skills of adults generally in London. The graph opposite shows that in 2011 38% of adults in London had completed some form of higher education, 12 percentage points higher than the rest of England. At the other end of the scale 18% of adults in London had no qualifications compared to 23% in the rest of England. In the last ten years the adult population in London and the rest of England has become better qualified – the proportion with no qualifications has fallen and the proportion with a higher education qualification has increased.

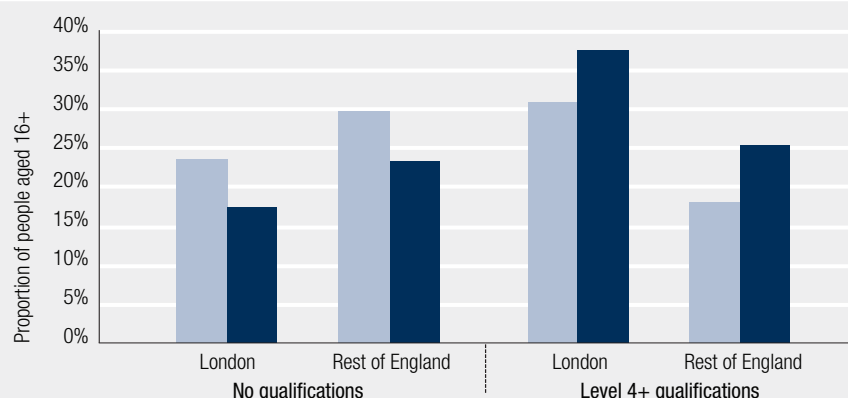
Part of the reason for the gap between London and the rest of England is the high proportion of London's population aged 20 to 35, an age group that tends to be highly qualified. But nonetheless London's workforce is a highly and increasingly qualified one.

The number of adults in London with no qualifications, at 1.1 million, has hardly changed in the last ten years. However, the number of adults in London overall has increased by 1.2 million and the majority of this growth has been among people with a degree. A significant minority of the growth has also been in the number of people with 'other qualifications' which more than doubled to 650,000 adults in 2011: this is, at least in part, the result of migration.

Figure 7.8: Highest qualification of adults over time

2001
2011

Source: Census



According to the Census (2011) around 290,000 people aged 10 or over in London were not able to speak English well or at all (around 4%). The next graph shows how this compares to the rest of England and the stark differences by gender and age. It shows that for every age/gender breakdown the proportion of people unable to speak English well or at all was considerably higher in London than in the rest of England.

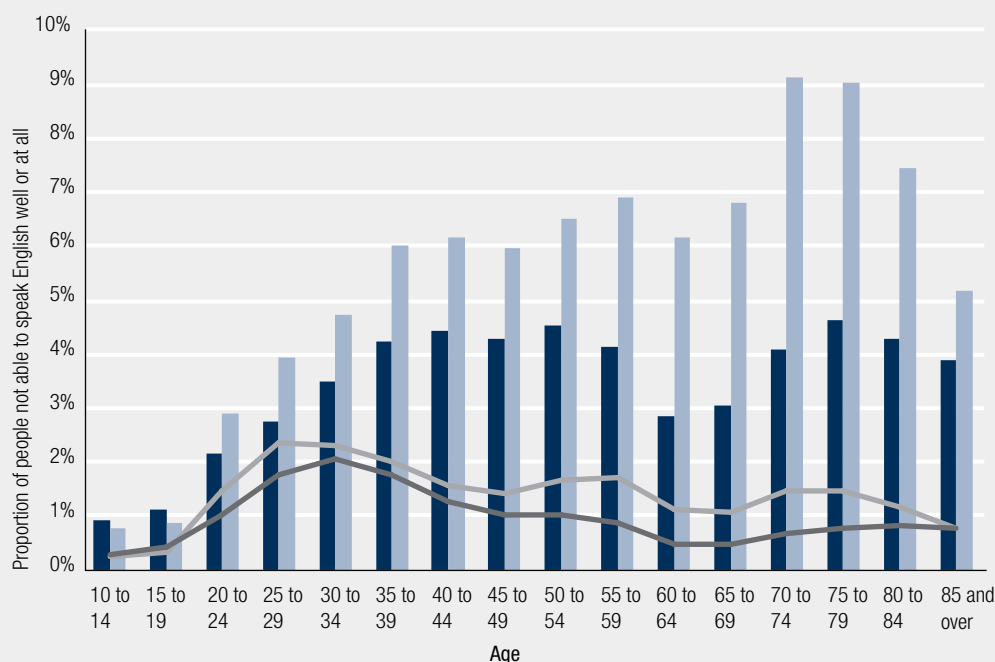
In London, for every age group over 20, a higher proportion of women were unable to speak English than men and this gap is generally wider among older age groups.

Around 1% of people in London aged 10 to 19 were unable to speak English well, reflecting that almost all of this group will have spent most of their lives in the UK and will have spoken English at school. The proportion unable to speak English well increases in each age group until age 35 where it reaches 4% for men and 6% for women. But for women there is another jump, the proportion in their 70s unable to speak English reaches 9%.

Figure 7.9: English speaking by age and gender in London

■ Men London
 ■ Women – London
 ■ Men Rest of England
 ■ Women – Rest of England

Source: Census 2011



Commentary

Whilst the education system has been criticised for grade inflation in recent years, the fact that London grew in the rankings shows that real progress has been made. London is increasingly seen as an education success story, with the Chief Inspector of Schools in England saying that schools and local authorities across England should learn from London's example.^[20] London's progress is particularly impressive given the high proportion of children from economically deprived backgrounds who historically have lower attainment levels.

Children in London have higher attainment levels than those in the rest of England for each data breakdown (ethnicity, free-school meals, first language, gender). In LPP 2011 this was true except that non-free-school-meal children in Inner London did not perform as well as those in the rest of England at GCSE, but this is no longer the case.

Most of the positive news in this report so far has focused on things getting worse at a slower rate, but education in London has and continues to move in the right direction. It is encouraging that when a problem is identified, (i.e. the formerly low educational attainment in London) and investment is made positive results can be achieved.

However, this chapter has given us a few reasons to be cautious. Firstly, a high proportion of schools in Outer London are already at capacity when the demand for school places is likely to increase further.

Secondly, as shown in the worklessness chapter, young adult unemployment is still high in London and ethnic and gender disparities remain. So, despite closing the gender and ethnicity gaps in attainment at school, gaps in the prospect for employment after leaving school remain. Likewise the risk of unemployment is high for all groups aged under 25, regardless of qualification.

Finally, the skills picture among the adult population is very different. Whilst there are more people with degrees in London than previously, there has been little change in the number with no qualifications and 4% are unable to speak English well. It is important that London's services and labour market provide for both extremes.

[20] <http://www.bbc.co.uk/news/education-21534863>

Health

Many health indicators are on an improving trajectory, from the general (life expectancy, infant mortality) to the specific (teenage pregnancy). In many areas, London's improvement, particularly in Inner London, has been faster than the rest of the country.

Key points

- The rate of infant mortality in both Inner and Outer London was below five per 1,000 live births in 2010. At the beginning of the last decade, the figures were around 6 per 1,000 in Inner London and 5.5 in Outer London
- The sharp improvement across Inner London means that even the borough with the highest rate of infant mortality, Lambeth, now has a lower rate than the national average of 15 years ago.
- Levels of underage pregnancy have also fallen in London, from 10 per 1,000 girls aged 13–15 in 2001–03 to 8 in 2008–10. The gap with the rest of the country has also closed – the London figure is now very close to the national average.
- The one health indicator that stands out for its deterioration is childhood obesity. The proportion of children in London who were obese at age 10 to 11 is now 23%, higher than the English average and higher than five years ago.
- The incidence of long-term health problems or disability among working-age adults that limits day-to-day activities show a clear east/west pattern with all ten boroughs with the highest rates being in the Inner or Outer East.
- Rates of premature mortality in London are now lower for men (187 per 100,000) and women (115) than the England average (194 and 125 respectively). Ten years ago, levels in London were slightly higher than the England average.
- While in absolute terms health outcomes have improved, substantial inequalities remain, both within and between areas of London. In Westminster, the life expectancy for men in the poorest tenth of areas is 17 years less than in the richest tenth. For women the gap is ten years.

Introduction

This chapter looks at a range of different health indicators across the life course. There is a link between poverty and poor health outcomes that can be seen when we analyse these indicators geographically – poorer areas have poorer health outcomes. There is little data at the London level to look at the link between individual, rather than area, poverty and ill health.

We start this chapter by looking at infant mortality. The data for this is available going back four decades, which allows us a long-term view of what is a very positive trend.

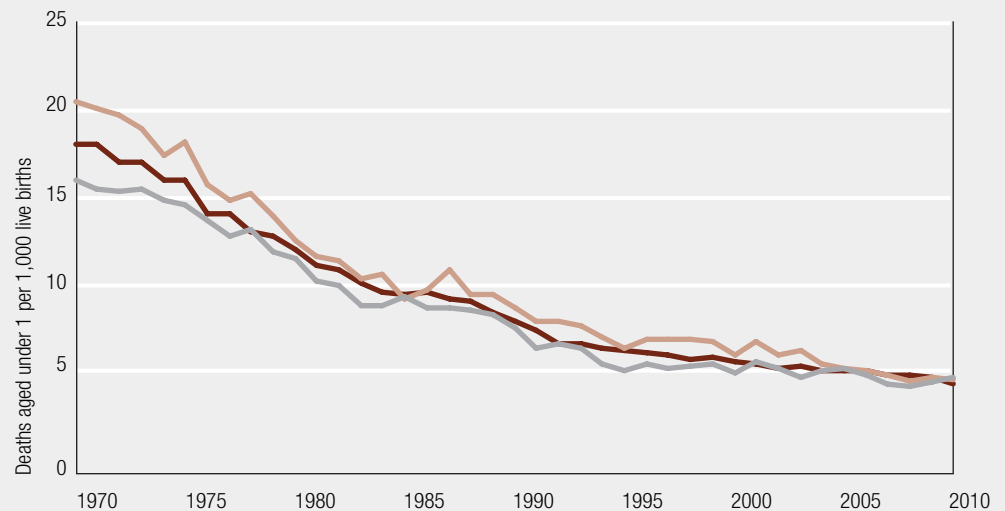
Health in childhood

In 2010, the rate of infant mortality in Inner and Outer London was around 5 per 1,000 live births. This was very similar to the average across England and Wales. These three rates have been almost identical to each other for the last five or so years.

Figure 8.1: Infant mortality over time

■ England and Wales
■ Inner London
■ Outer London

Source: ONS



But historically, this was not always the case. In 1970, the infant mortality rate in Inner London was 20 per 1,000, compared to 16 per 1,000 in Outer London and 18 per 1,000 in England and Wales on average. The rates have fallen dramatically everywhere, but most quickly in Inner London. In contrast, the fall in Outer London was less steep than in England and Wales as a whole.

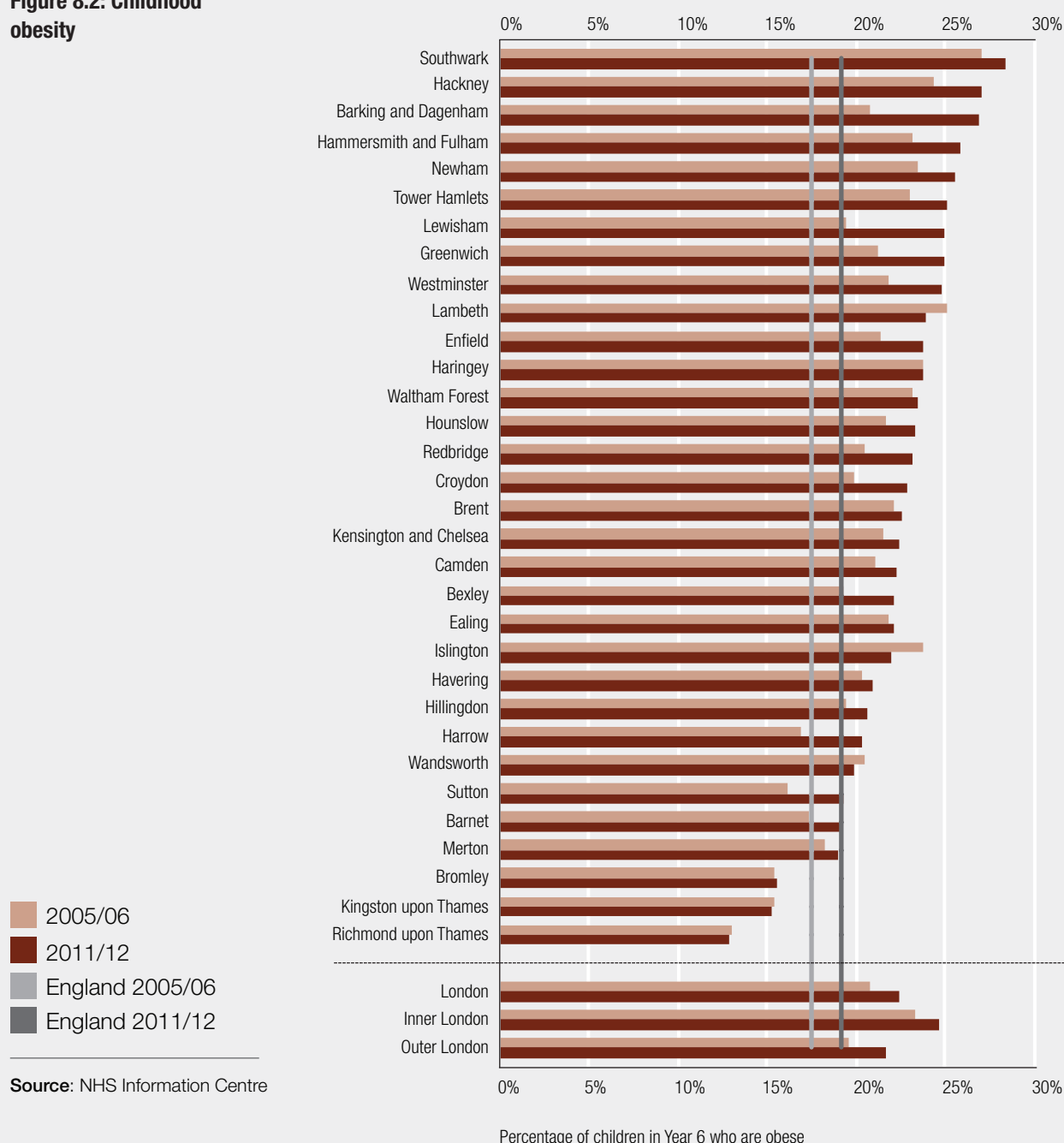
The falls were steepest between 1970 and 1985, before inevitably slowing somewhat in more recent years. In 2010, rates of infant mortality were 6 in Inner London and 5.5 in Outer London, so the changes since then have been smaller, but still real. Looking ahead, then, further large falls in infant mortality are impossible, but any significant increase would be a cause for genuine concern.

These rates are thankfully low. In 2010 there were 250 infant mortalities in Inner London and 370 in Outer London. The borough with the highest rate of infant mortality, Lambeth, now has a lower rate than the national average of 15 years ago.

There is some variation in the rate of infant mortality across London. The level in Lambeth is twice as high as Richmond. The link to poverty at the borough level is less

clear however, as after Lambeth, Harrow is the borough with the next highest level of infant mortality, and neither borough has the highest poverty rates in London.

Figure 8.2: Childhood obesity

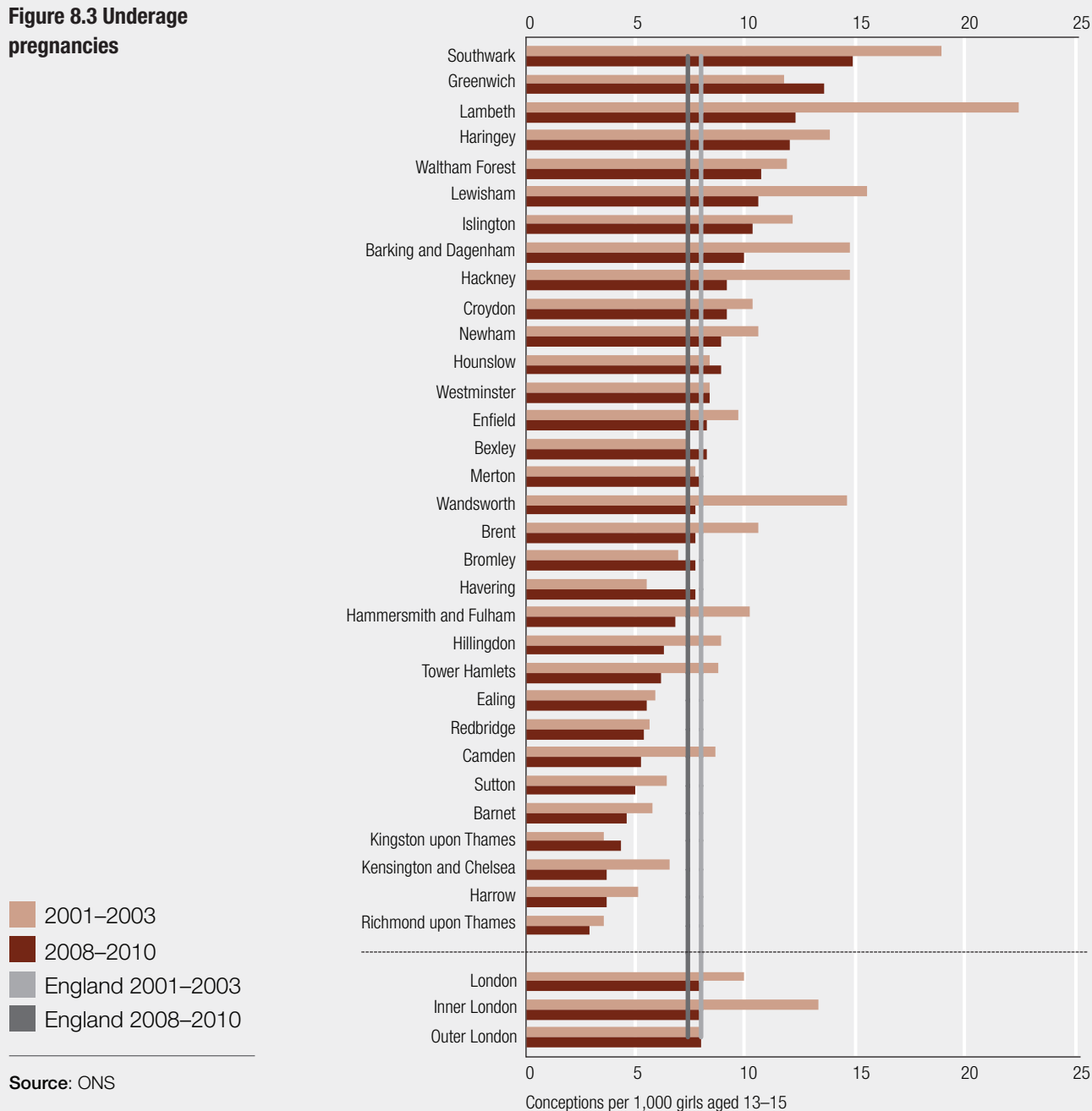


Source: NHS Information Centre

The level of childhood obesity is slightly higher in London than the England average. In 2011–12, 23% of Year 6 (10 to 11 year old) children were obese compared to 19% in England on average. This gap has remained unchanged since 2005–06, when levels of obesity were lower in both London (21%) and England (17%).

Almost all boroughs have seen a rise in obesity since 2005–06. In nine boroughs, at least one in four children are obese. All but one of these (Barking & Dagenham) are in Inner London. The six boroughs with the lowest levels are all in Outer London. The pattern of obesity across boroughs seems to correlate quite closely with other measures of poverty and deprivation.

Figure 8.3 Underage pregnancies



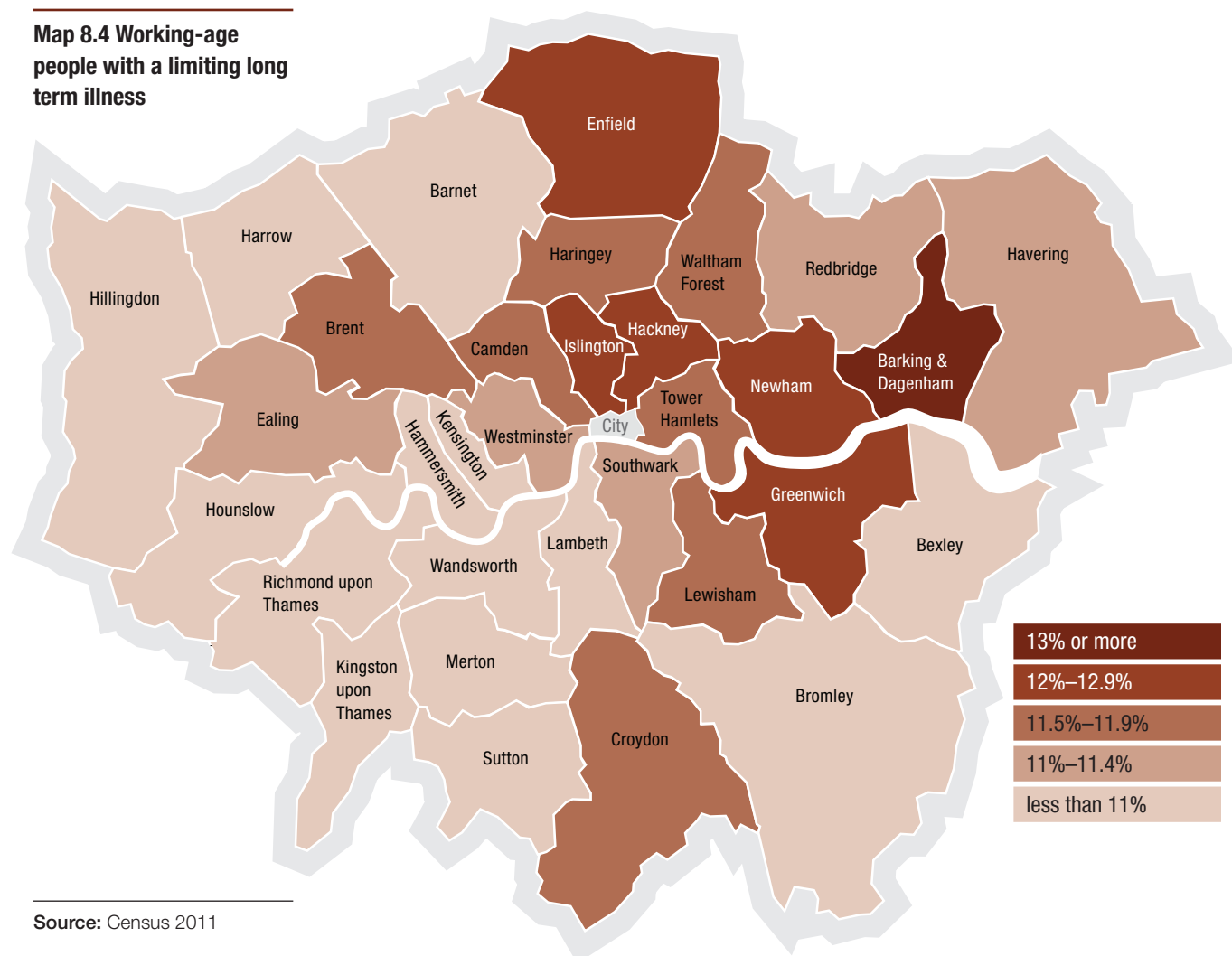
The level of underage pregnancies has fallen right across London in the last decade. Almost all boroughs saw a fall, and the fall in London has been greater than the fall nationwide. The rate of underage pregnancies in London was 8 per 1,000 in 2010, compared to 7.5 in England on average. At the start of the last decade, the figures were 10 and 8 per 1,000 respectively.

Across London, the largest falls in the teenage pregnancy rate were in the boroughs where levels were highest at the start of the 2000s. In Southwark, Wandsworth, Lewisham, Barking & Dagenham and most notably Lambeth, the rate fell by four or more per 1,000 girls aged 13–15. Still, though, the level in Southwark, Greenwich or Lambeth is four or five times higher than in Richmond, Harrow or Kensington & Chelsea.

It is worth bearing in mind that the rates above are expressed per 1,000, rather than per 100 and averaged across three years, because the actual numbers are quite small. In 2010, there were 850 underage conceptions in all of London. In Southwark – the borough with the highest rate – there were 46.

Health in adulthood

Map 8.4 Working-age people with a limiting long term illness



Source: Census 2011

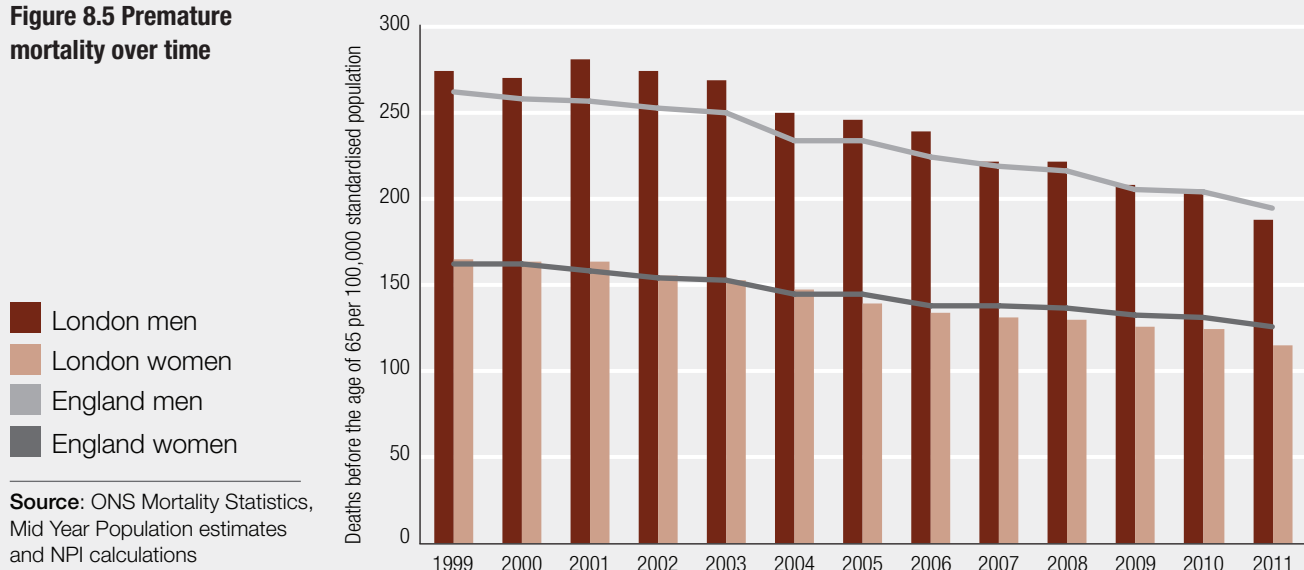
There is a strong east/west pattern to the distribution of limiting illness across London. All of the ten boroughs with the highest rates of limiting illness are in the East, either Inner or Outer. None of the ten boroughs with the lowest rates are in the East.

In the 2011 census, Barking & Dagenham had the highest proportion (14%) of working-age adults with an illness or disability that limited their daily activities. In Newham, Greenwich, Enfield, Islington and Hackney the figure was above 12%.

The proportion of working-age adults with a limiting disability was almost twice as high in Barking & Dagenham as in Richmond, the borough with the lowest rate.

Compared to the last census, the data which we used in the first London's Poverty Profile report, the pattern is little changed, even if the positions of individual boroughs have altered slightly. Three of the boroughs with the highest rates of limiting illness were among the four highest in 2011. The other borough, Newham, is now sixth, but statistically indistinguishable from the fourth-placed borough, Enfield.

Figure 8.5 Premature mortality over time



The proportion of men and women who die before the age of 65 has fallen in London as it has across England. The fall in London has been steeper, however; whereas ten years ago the rate in London was higher for men than the national average, it is now lower. For women, the two rates used to be identical, but the rate in London is now lower than the national average.

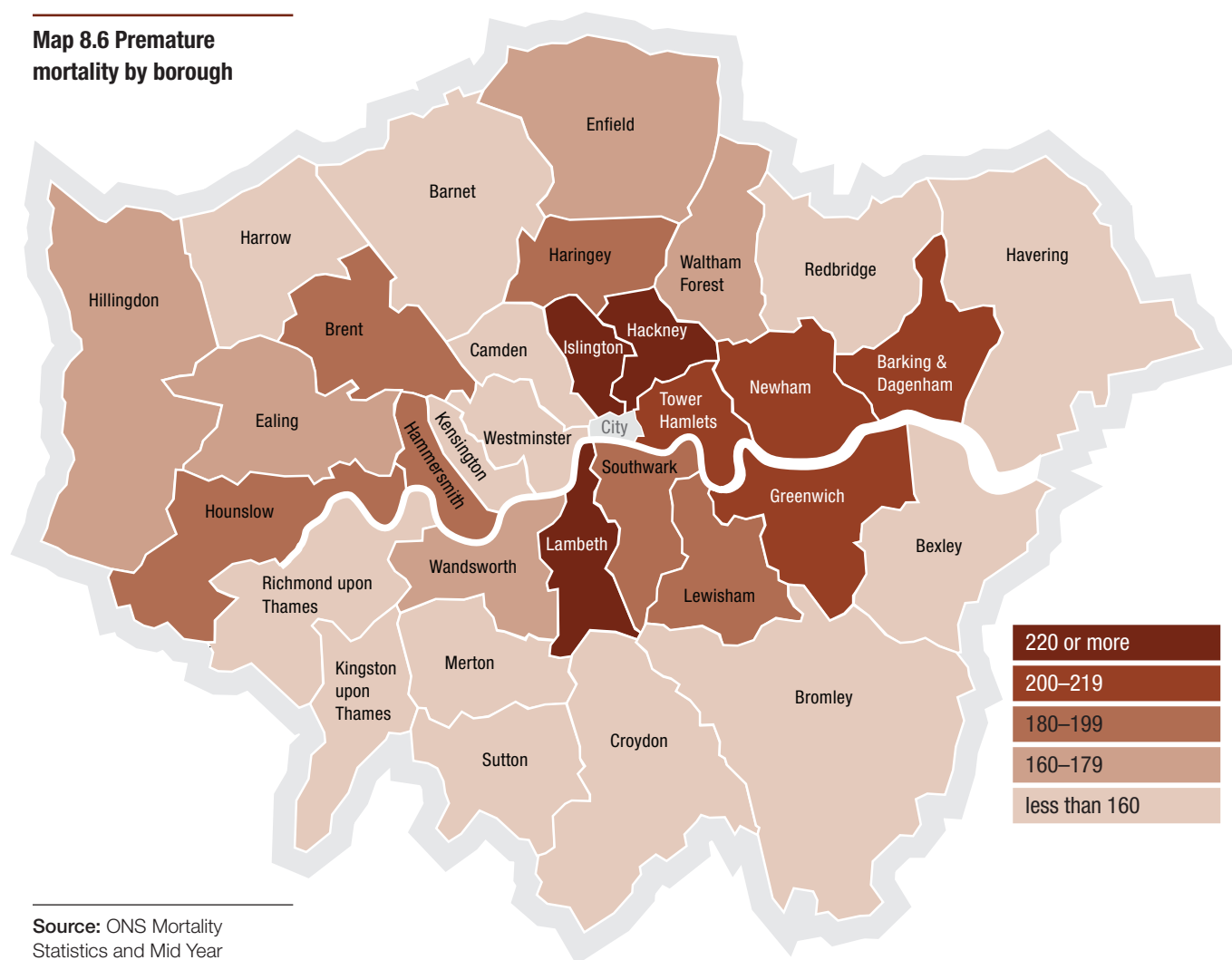
In 2011, the male rate of premature death was 187 per 100,000 in London and 194 in England on average. Rates for women were lower everywhere, 115 in London and 125 in England on average. The falls over the last decade have been substantial – 94 fewer deaths per 100,000 for men and 49 for women.

The boroughs with the highest rates of premature death are all in the Inner East & South – Lambeth, Islington, Hackney and Tower Hamlets all have rates above 210 per 100,000. The next four highest are still in the East but two, Barking & Dagenham and Greenwich, are in Outer London.

While almost every borough has seen a fall in premature mortality over the last five years, the overall pattern has remained similar. Four of the five boroughs with the highest rates of premature death in 2004–06 are in the highest five now. The remaining borough, Newham, is now sixth highest.

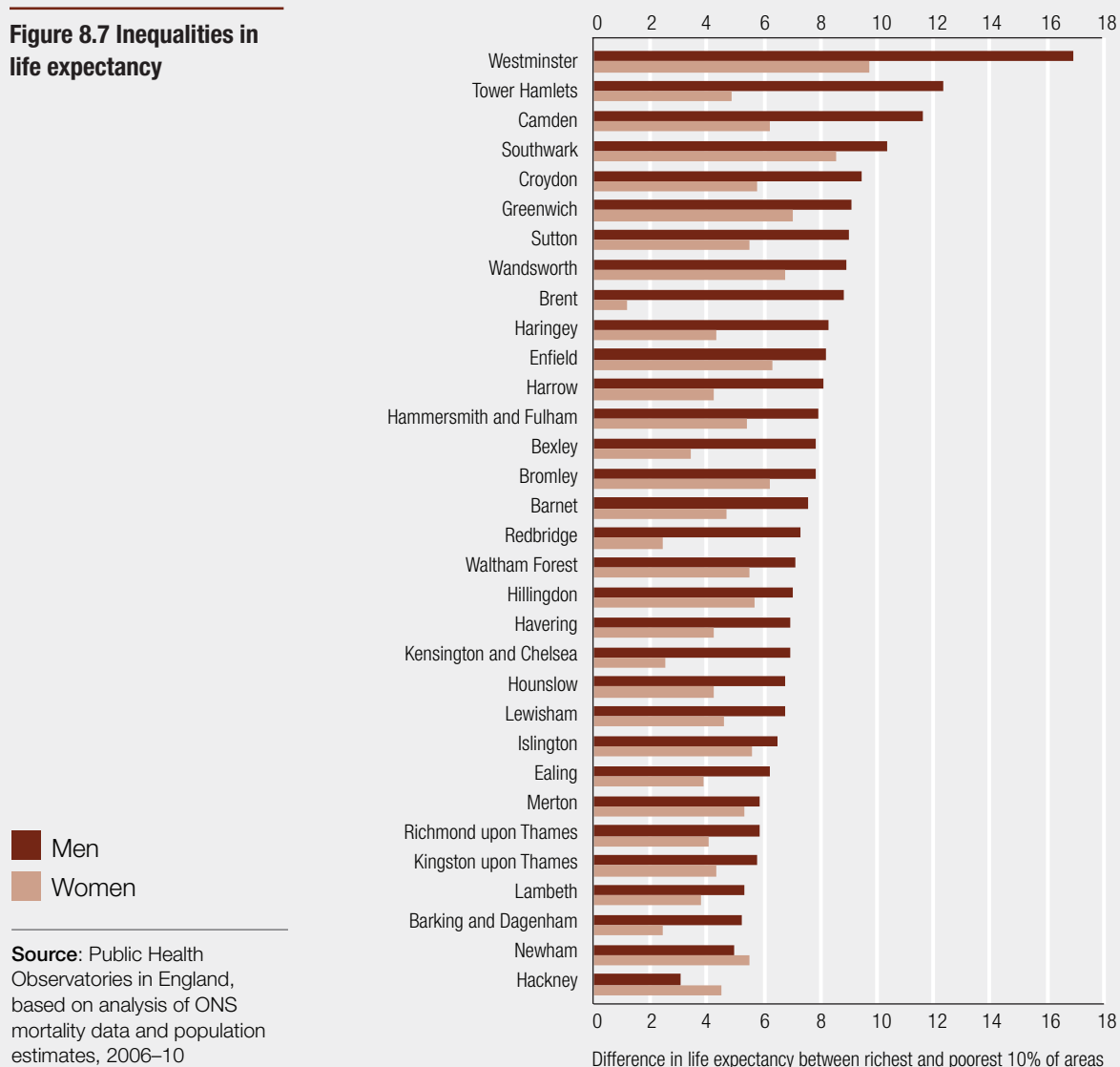
The match between this map and one of out-of-work benefits/poverty is quite striking in a way that infant mortality is not. The links between poverty and ill health are cumulative, building up over a lifetime.

Map 8.6 Premature mortality by borough



Source: ONS Mortality Statistics and Mid Year Population Estimates and NPI calculations

Figure 8.7 Inequalities in life expectancy



In some London boroughs, gaps in life expectancy are stark. In Westminster, men in the most deprived areas can expect to live almost 17 years less than men in the least deprived areas. In Tower Hamlets, the gap is 12 years, as it is in Camden.

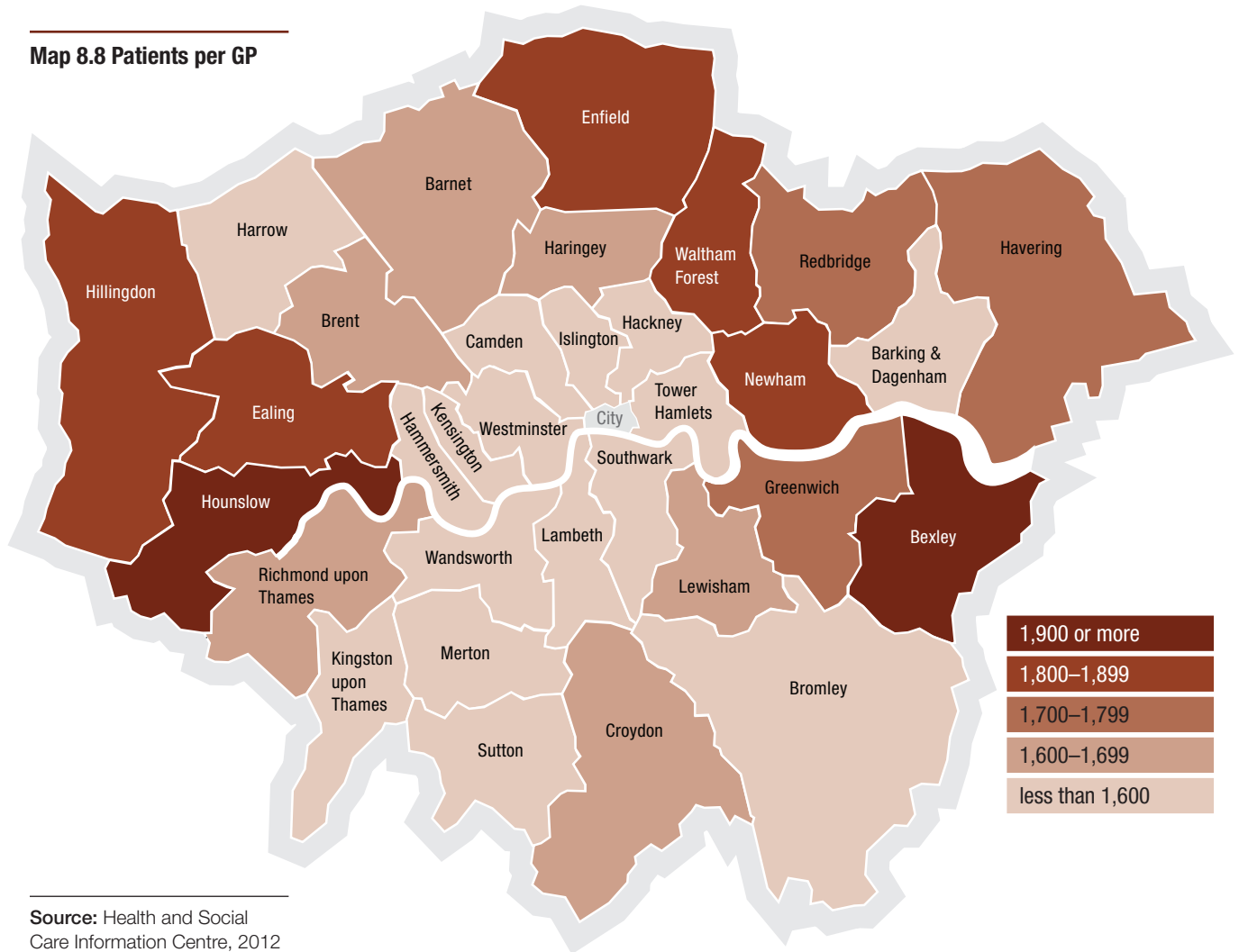
Life expectancy gaps for women are lower with the exception of Newham and Hackney, and not always correlated with the gaps for men.

We know from other indicators that Westminster (benefits polarisation) and Tower Hamlets (pay) are unequal areas. What is notable is that those areas with low life expectancy gaps are a mix of the poorest – Hackney, Newham, Barking – and the richest – Merton, Richmond and Kingston.

Provision of services

So far in this chapter we have looked at health outcomes, but the provision of services is also an important indicator. Elsewhere in the report we talk about the fluidity of London's population, with a particular emphasis on the potential for people on low incomes to move out of more expensive areas to more affordable parts of London. Making sure that the services are there to match the changing population is key, and the map below shows why.

Map 8.8 Patients per GP



Source: Health and Social Care Information Centre, 2012

Nine of the 10 boroughs with the highest number of patients per GP are in Outer London. In Bexley, there are almost 2,000 people per GP. In Tower Hamlets, the figure is closer to 1,300 – around one-third lower. Inner London has on average a lower number of people per GP than Outer London – 1,500 compared to 1,700.

One could argue that the current ratios of patients to GPs reflect need quite well at the borough level – there are more GPs in the poorer boroughs, where demand for services is likely to be higher. But as people move, and in particular, if people on low incomes move in numbers from Inner to Outer boroughs, these ratios will no longer meet demand even on a simple per capita basis. If the people moving do have greater need of services, this will only exacerbate the problem further.

Commentary

Overall the indicators in this chapter paint quite a positive picture, particularly if we take a long-term view. Infant mortality is around half the rate it was 30 years ago, with the fall in Inner London being faster than the fall nationwide. Premature mortality has fallen too, with London's rate falling faster, to the point where the levels are lower in London than the England average.

Even teenage pregnancy, so long seen as emblematic of London's inner city problems, has fallen sharply in recent years. London no longer stands out.

What remains, though, are stark inequalities, both within and between areas. The four boroughs with the highest levels of long-term illness are among the poorest – Islington, Enfield, Hackney and Barking & Dagenham. The life expectancy gap for men between the most and least deprived areas in Westminster is 17 years. For women it is ten years.

Recent national level data has shown that the gaps in life expectancy between rich and poor areas are growing. Notably, the improvement in life expectancy among women in deprived areas is lower than the improvement for men in deprived areas, and much lower than men in less deprived areas. This means that the gender gap in health outcomes is closing as the deprivation gap grows.

These inequalities are the result of a wide range of different factors, not all of which can be easily addressed by policy makers and few of which would yield significant improvements quickly. But the Marmot Review^[21] does suggest a way forward. That is why the provision of services is so important: good local services can ameliorate the effects of poverty. It is vital then, that the provision of services in health, but also in, for instance, education, can respond quickly to changing demand.

[21] www.ucl.ac.uk/gheg/marmotreview

Chapter nine:

Benefits and welfare reform

Londoners will be hit hard by welfare reform, not because they are more likely to claim out-of-work benefits, but because they are more likely to need to claim means-tested housing benefit. The high costs of housing mean workless families will lose money as a result of the overall benefit cap. The combined effects of the various changes make it very hard for large workless families to find anywhere affordable to live in the capital.

Key points

- On average 11% of working-age people claimed an out-of-work benefit in London, the same as the average for England. But in parts of Hackney, Haringey, Enfield, Newham, Barking & Dagenham and Brent the rate was above 20%.
- Around 7% of adults claimed a non-means-tested disability benefit in London in 2012 compared with 10% for England. This gap can be largely explained by London's younger population.
- A quarter of households in London received council tax benefit in 2012, two percentage points higher than the average for England. The claim rate for both England as a whole and London has increased by 5 percentage points in ten years.
- 26% of households in London received housing benefit in 2012, which was higher and has grown faster than the average for England. Average housing benefit values are also much higher in London at £134 per week compared with £92 per week for England.
- The number of housing benefit claims in London grew from 608,000 in 2003 to 854,000 in 2013; a 40% increase. The growth has mainly been among working families, those in the private rented sector and in Outer London.
- As a result of the overall benefit cap, a workless family with three children whose rent was at the lower quartile for the private rented sector would not get housing benefit that covered the rent anywhere in London. Two parents with two children would also be in that situation almost everywhere except the eastern and south-eastern boroughs.
- Since April 2011 the amount of Local Housing Allowance that can be claimed was capped at the 30th percentile of local rents (30% of local properties charge rents below the cap and 70% above). But in 16 London boroughs, over 30% of private rented households claim LHA.
- Between 2012 and 2013 the number of single adults under 35 claiming Local Housing Allowance fell in Inner London (by 3,700) and in Outer London (by 3,100). This is likely to be the result of the change to housing benefit entitlement for this age group.
- Around 80,000 London families were estimated to be affected by the under-occupation penalty, losing on average £21 per week in housing benefit from April 2013. An estimated 475,000 families in 22 boroughs faced cuts in council tax benefit, with borough averages ranging from £1 to £5 a week.

Introduction

At the end of 2012 large numbers of people and families in London received money from the state to top-up their basic income in London (either as a benefit or tax credit):

- 645,000 working-age people got an out-of-work benefit
- 2 million families got working-tax-credits
- 240,000 pensioners got guarantee pension credit.

Families on a low enough income can also qualify for:

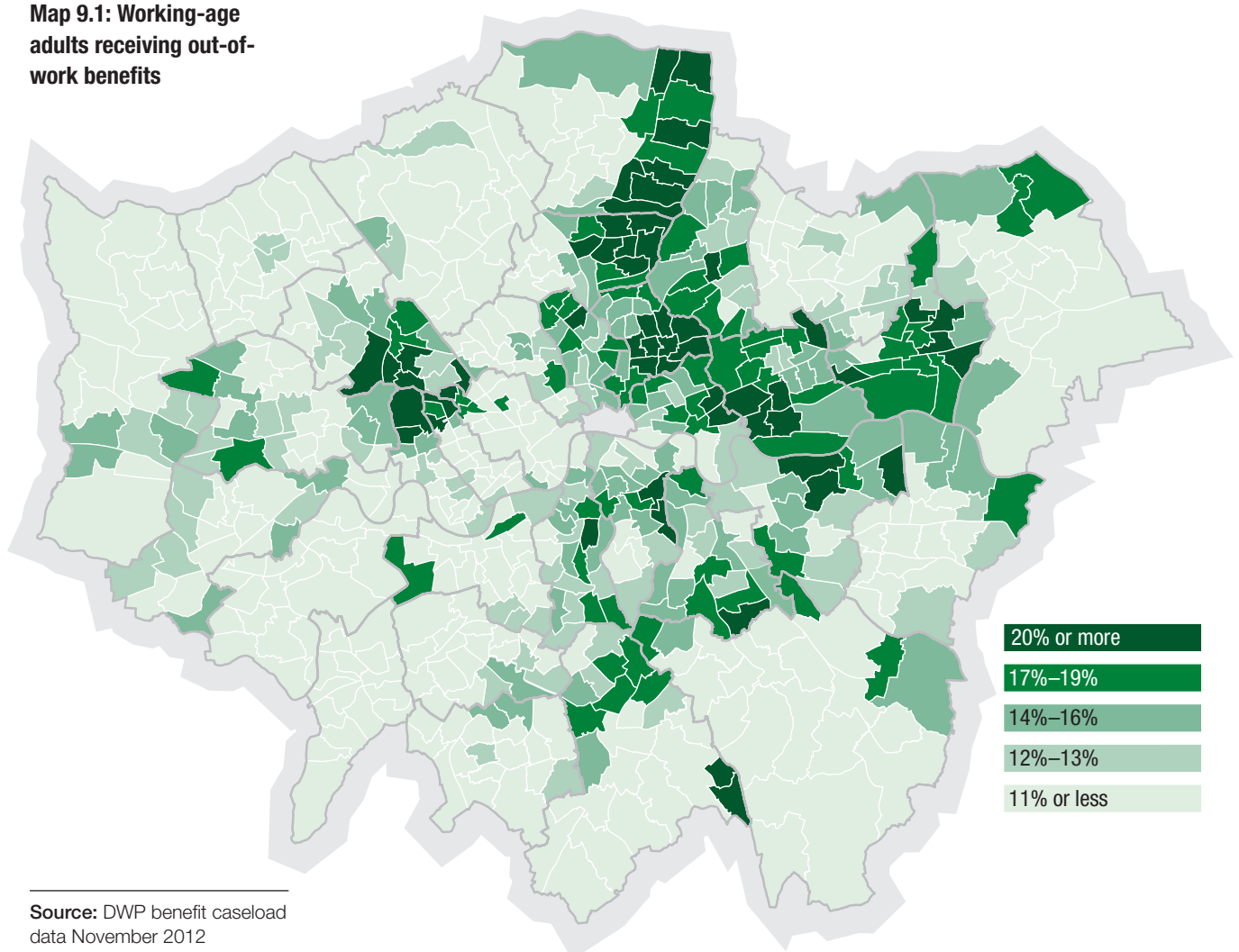
- Housing benefit to cover some or all of their housing costs (854,000 families)
- Council tax benefit which gives households a discount on their council tax bill (822,000 families)

Finally, 336,000 people received Disability Living Allowance and 138,000 received Attendance Allowance; non-means-tested benefits that recognise the higher living cost of having a disability.

In this chapter we look at how claims of these benefits in London compares to the rest of England, how it has changed and what that tells us about poverty in London. We also consider how some of these benefits have been reformed and their effect on Londoners.

Out-of-work benefits

Map 9.1: Working-age adults receiving out-of-work benefits



Source: DWP benefit caseload data November 2012

The map shows the proportion of working-age people that claimed an out-of-work benefit in November 2012 by ward. This includes those claiming: Jobseeker's Allowance, Employment Support Allowance/Incapacity Benefit and Income Support.

It shows that the areas with the highest level of benefit reciprocity were concentrated in and around the Inner East of London. In almost half of the wards in Hackney, over a fifth of working-age adults claimed an out-of work benefit. But there were also particularly high levels within some Outer London boroughs: Enfield, Barking & Dagenham and Brent.

Every ward in Hackney, Haringey and Newham had an above average level of benefit reciprocity. In Richmond and Kingston, every ward had a below average level of benefit reciprocity.

As this map is at the ward rather than the borough level, it gives a stronger sense of how benefit reciprocity is concentrated in particular areas. In particular Enfield and Haringey are boroughs with two distinct halves. Enfield has seven wards above 20% and eight below 11%: in Haringey it is seven and five respectively. In both cases, this is the A10 divide, with poor wards to the east and some very prosperous ones to the west.

Change to benefit claims

The next graph shows us how the proportion of people or households claiming different benefits has changed between 2002 and 2012. This allows us to see if London differs from the average for England and how this has changed over time. It is important to not compare the claim rates of different benefits directly, as the data is published at different levels: housing benefit is for the household whilst disability living allowance is for the individual. But the graph does demonstrate how the claim rates for different benefits have moved in different directions.

On the left it shows the proportion of working-age adults that claimed an out-of-work benefit (as shown within London in the map above). On average 11% of working-age people claimed an out-of-work benefit in London, the same as the average for England. Both rates have fallen slightly in the last ten years.

This measurement closely corresponds to the worklessness trends we saw in the work chapter. If the graph showed the intervening years, we would see the rate fall somewhat from 2002 until the recession and then increase to the level in 2012.

The next part of the graph shows the proportion of adults (all people aged 18 and over) that claimed either of the non-means tested disability benefits (Disability Living Allowance or Attendance Allowance). It shows that 7% of adults in London claimed one of these benefits compared to 10% in England. This three percentage point gap between London and England can largely be explained by London's younger population, who are less likely to have a disability.

A quarter of London households received council tax benefit, slightly higher than England as a whole (at 23%). Both the rate for London and England has increased by 5 percentage points in ten years.

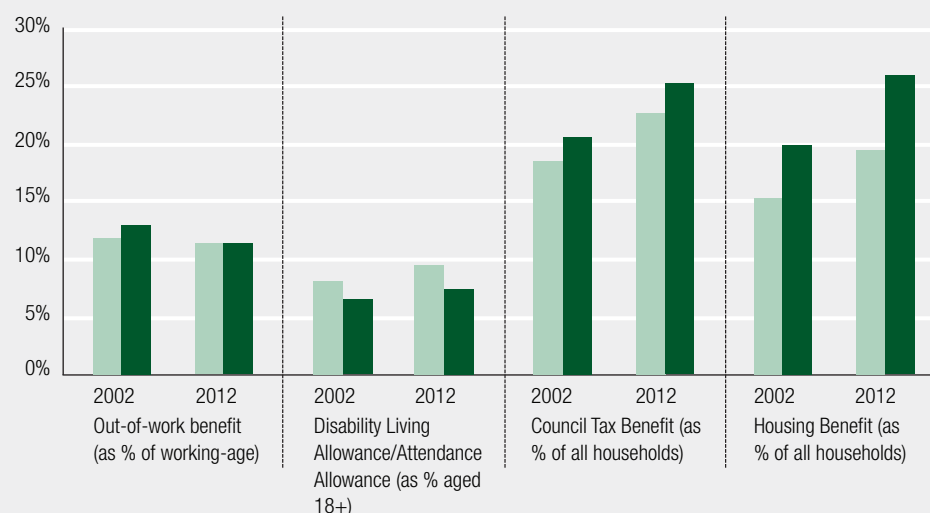
Finally, on the far right the graph shows that 26% of households in London received housing benefit in 2012, much higher than the average for England at 20%. The rate in London has also grown faster, increasing by 6 percentage points in ten years compared to 4 percentage points in England as a whole.

People claiming an out-of-work benefit are automatically entitled to housing benefit and council tax benefit if they are liable to pay rent/council tax. So it is unusual that the proportion claiming housing benefit has increased when the proportion claiming an out-of-work benefit has hardly changed.

Figure 9.2: Benefit claim rates

England
London

Source: DWP benefit claim data and Census population/household data



NB: DLA is Disability Living Allowance, AA is Attendance Allowance, CTB is Council Tax Benefit and HB is housing benefit.

The proportion of households claiming housing benefit is particularly high in London and the gap with the rest of England is growing. This corresponds with what we have seen earlier in the report. The housing chapter showed that housing problems in London are more severe than the rest of England and the low-income chapter showed that London's high poverty rates are closely linked to housing costs. The remainder of this chapter will therefore focus on this increase in housing benefit claims and the impact of reforms to housing benefit which will have a disproportionate effect on London.

We will also look at how council tax benefit has been reformed. Even though claim rates in London are largely in line with the average, in April 2013 council tax benefit was localised so each London borough is able to decide how to administer this benefit. We explore how the impact varies across London later in the chapter.

Housing benefit claims

The graph below explores how the housing benefit caseload has grown and changed in London over the last ten years. The total number of claims in London was 854,000 in February 2013, up from 608,000 in February 2003 – a 40% increase. But as the graph shows this growth has not been uniform.

The first two bars look at the “passported status” of claimants. Passported claimants are those that also claim another means-tested income benefit (either Job-Seekers Allowance, Income Support or Employment Support Allowance) and automatically become entitled to housing benefit. We use this as a proxy for work status as those who are not passported are likely to be in work. To the left of the graph we can see

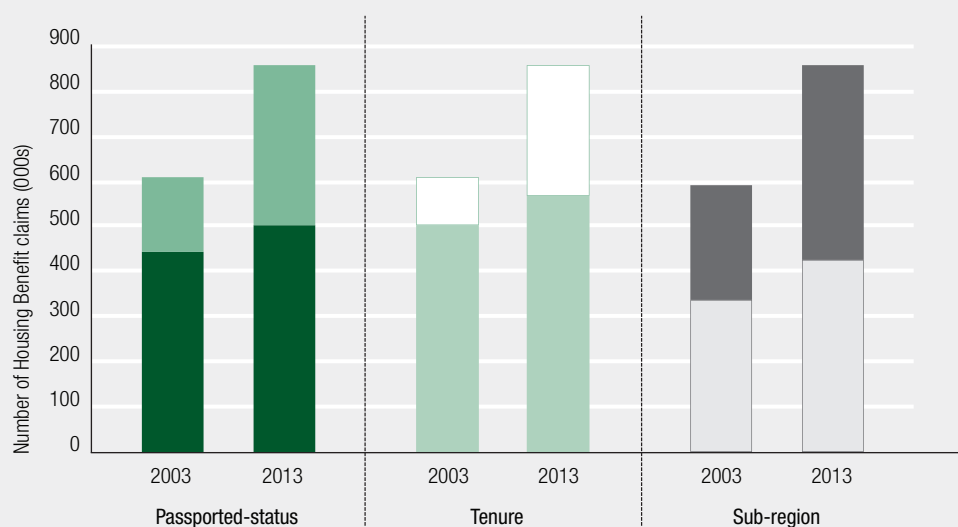
that between 2003 and 2013 the number of non-passported housing benefit claims increased from 163,000 to 348,000. In 2013 around 40% of housing benefit claimants in London were working.

The graph also shows that the number of housing benefit claims in the private rented sector increased from 104,000 to 284,000 (up by 173%). Likewise, the number of claimants in Outer London increased from 251,000 to 427,000 (up by 70%). Outer London now accounts for half of all housing benefit claims in London. So in the last ten years, not only has the number of housing benefit claims increased in London, but the composition of those claimants is very different as well: much of the growth has been among working families, those in the private rented sector and in Outer London.

Figure 9.3: Change to housing benefit caseload in London



Source: Benefit caseload data, DWP



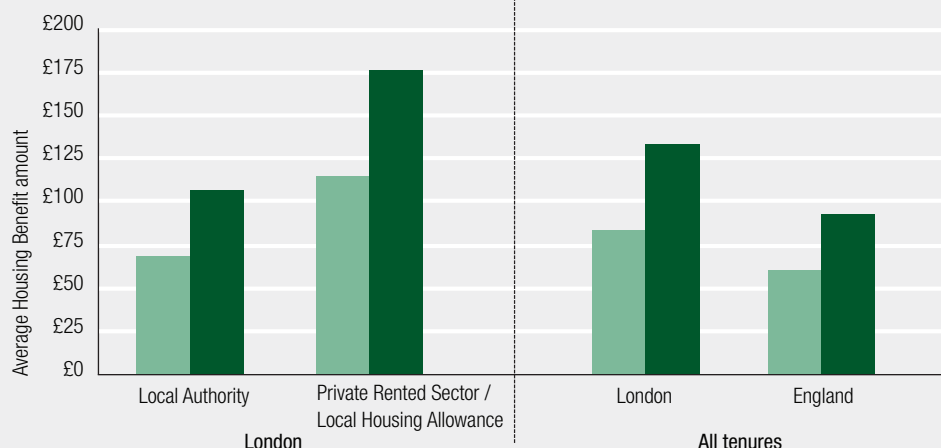
The next graph shows how the amount of housing benefit claimed has also increased. In 2013, the average housing benefit claim for someone living in local authority social housing was £107 per week, up from £68 in 2003. In the private rented sector the amount claimed was much higher at £176 in 2013, up from £114. The increase in housing benefit claimed in both tenures is around 55%. But as a greater proportion of housing benefit claims in 2013 came from the more expensive private rented sector, the overall average amount claimed has increased at a faster rate of 60% (from £84 to £134).

The graph also shows that the average housing benefit value for England was £92 per week in 2013, much lower than the level for London of £134. This mirrors what we saw in the housing chapter on the cost of housing in London compared to the rest of England.

Figure 9.4: Change to housing benefit values in London

2003
2013

Source: Benefit caseload data, DWP



NB: LA is local authority, PRS is private rented sector and LHA is local housing allowance the housing benefit that private renters claim

Reforms to housing benefit

Housing benefit has been subject to a number of reforms under the current government. In London, where both the proportion of households claiming and the amount claimed are higher, the effect of such changes will be considerable.

National benefit caps

The first reforms we will look at are the two national benefit caps and what that means for the housing options of a workless family in London. These caps are:

- A cap on the amount of Local Housing Allowance (housing benefit for families in the private rented sector) that any family can claim, at £250 per week for a one bedroom dwelling, rising to £400 for four or more bedrooms; introduced in April 2011.
- A cap on the total amount of benefit income a workless working-age family can receive at £500 per week (or £350 for a single adult); introduced in April 2013.

Families that are both workless and live in the private rented sector will be subject to both of these caps whilst working families in the private rented sector will only be affected by the former and workless families in a different tenure will only be affected by the latter. To consider how these two caps interact we will focus on families affected by both caps.

Firstly, a household with no children or only one child could not claim more than £250 or £290 respectively in LHA. As a result they would meet the LHA cap before reaching the overall benefit cap. But workless families with more children are entitled to a higher amount in child benefit and child tax credit than a family with only one child. So even though a family with two children could claim £290 before being affected by the LHA cap, their combined benefit income would exceed the overall benefit cap of £500 per week. As a result a workless couple with two children could only claim up to £239 in LHA.

We now look at how this benefit restriction compares to typical private sector rents in different boroughs. To do this, we look at the lower quartile rent level (i.e. 25% of private rented properties in the borough charge less rent and 75% charge more) for different bedroom numbers to assess whether these are affordable for different sizes of family.

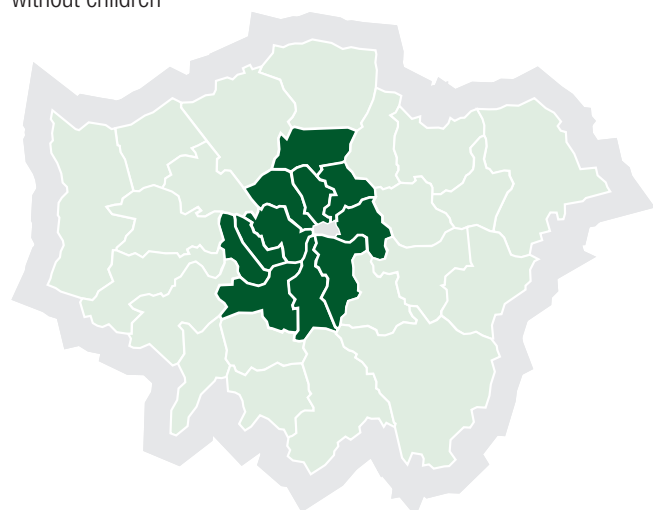
The four maps below show which of London's boroughs have a lower quartile rent that exceeds either the national LHA cap or the overall benefit cap for different family types. It shows that a workless single adult would not be able to get housing benefit to cover all of their housing costs in 11 of London's boroughs, even if their rent was at the lower quartile value for that area. They would have to meet the shortfall with other income sources or find even cheaper accommodation (which could mean leaving the borough).

Workless families with children are affected by the overall benefit cap and as a result unaffordability stretches much more widely and especially westward. Those with 3 or more children would not be able to afford to live in any of London's boroughs. In response, such families could meet their housing costs with other benefits, find work, move to a cheaper area (i.e. outside of London) or move into a smaller home (and be overcrowded).

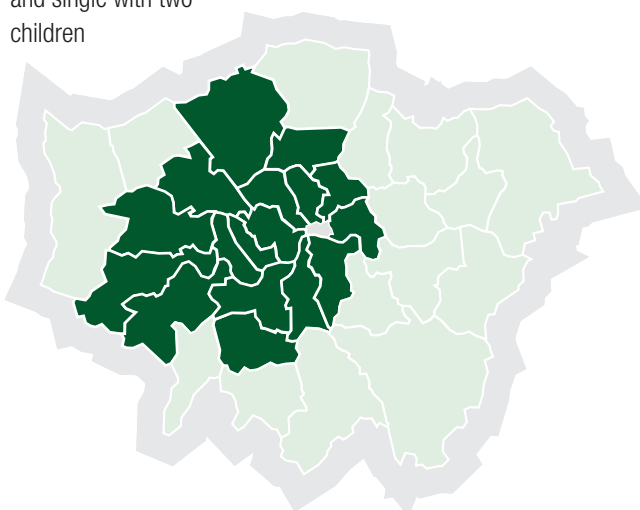
However, the overall benefit cap is expected to affect a much smaller number of families in the UK compared to other reforms (around 40,000), as so few families are workless and entitled to £500 per week in benefits. Those affected are predominantly in London (49%), mainly because of the high housing costs in the capital. Housing benefit, which goes directly to the landlord, can move a family above the cap who would otherwise be considerably below it.

Map 9.5: Where a workless family with a lower quartile private sector rent would be affected by the overall benefit cap

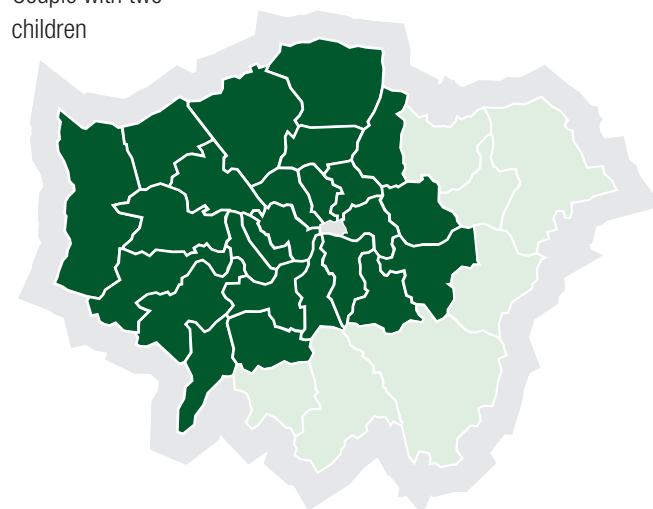
Singles and couples without children



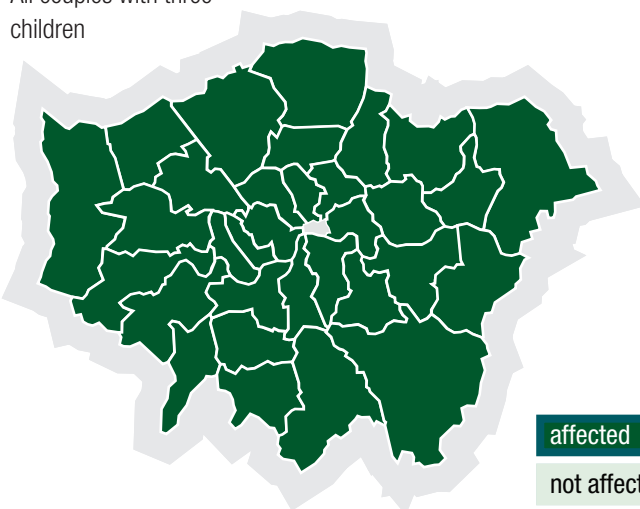
Couple with one child and single with two children



Couple with two children



All couples with three children



affected
not affected

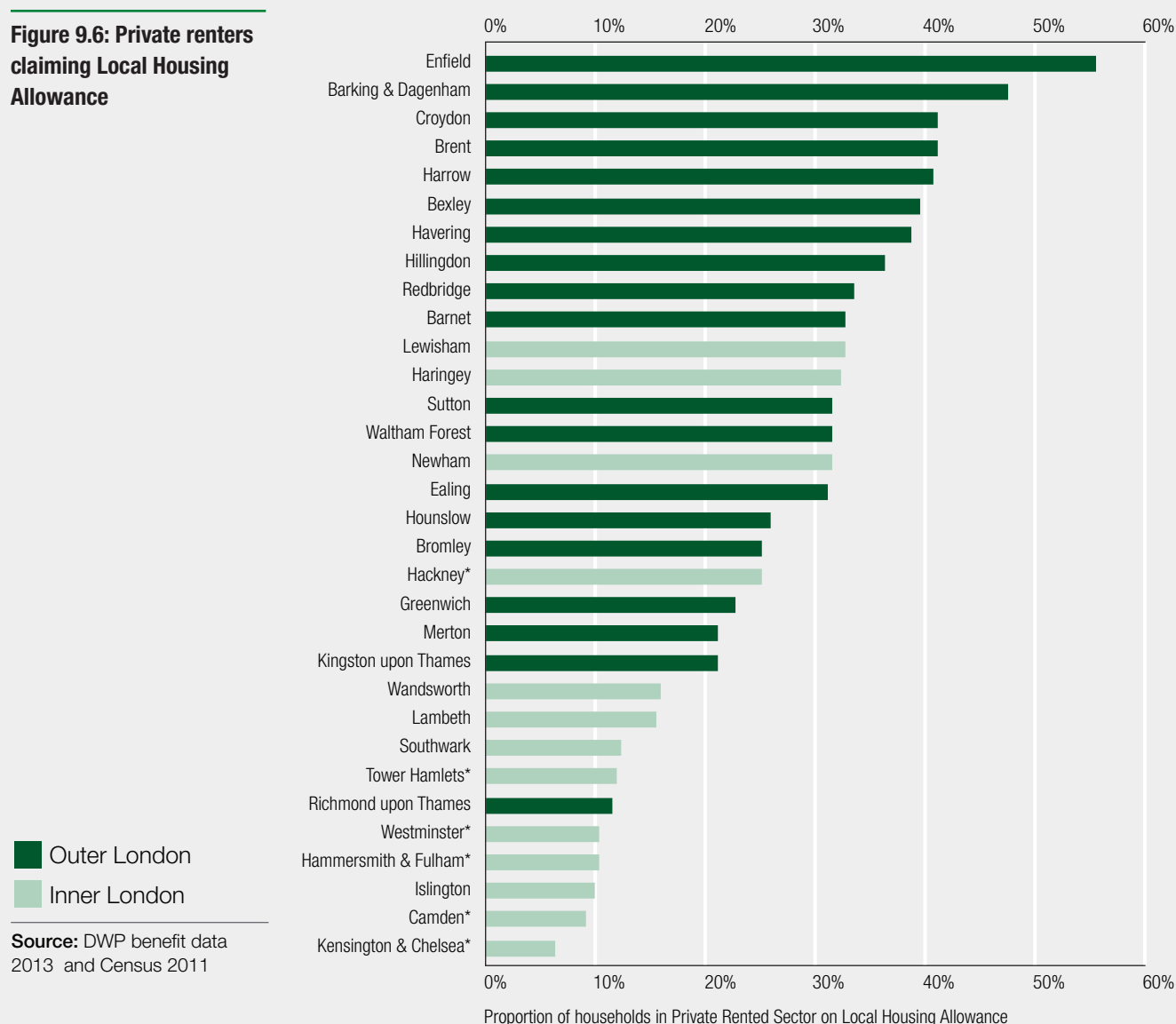
Source: NPI analysis of VOA local rent data and DWP benefit values

Local LHA cap

In the previous LPP we also explored the other cap to LHA whereby the amount of LHA that can be claimed is capped at the 30th percentile of local rents. Local areas are defined as Broad Rental Market Areas, of which there are 14 in London. This means that 30% of local properties charge rents below the cap and 70% above: previously the level was capped at the median rent (the 50th percentile).

The graph below shows the proportion of private rented households in each borough that claimed LHA in 2011. The boroughs marked with an * are those where the 30th percentile of local rents is higher than the national cap, so not even the cheapest 30% of properties will be eligible for LHA. It shows that in 16 boroughs, more than 30% of private rented households claim LHA, so it is unfeasible that every affected household could find a dwelling in the cheapest 30 per cent of properties, particularly in Enfield. Most of these boroughs (13) are in Outer London. Finding accommodation that falls below either of the caps would be difficult across London.

Figure 9.6: Private renters claiming Local Housing Allowance



The single room rate

These LHA caps have the broadest effect of all the changes to housing benefit – overall 160,000 LHA claimants in London are estimated to have been affected. But another important change to LHA was introduced in January 2012: the age at which single adults qualify for LHA to cover a one-bedroom home (rather than a single-room in a shared dwelling) increased from 25 to 35. The official DWP impact assessment estimated that in London 11,800 people would be affected and would lose on average £87 per week. This policy has a disproportionate effect in London where housing costs are higher and there is a high proportion of young single adults.

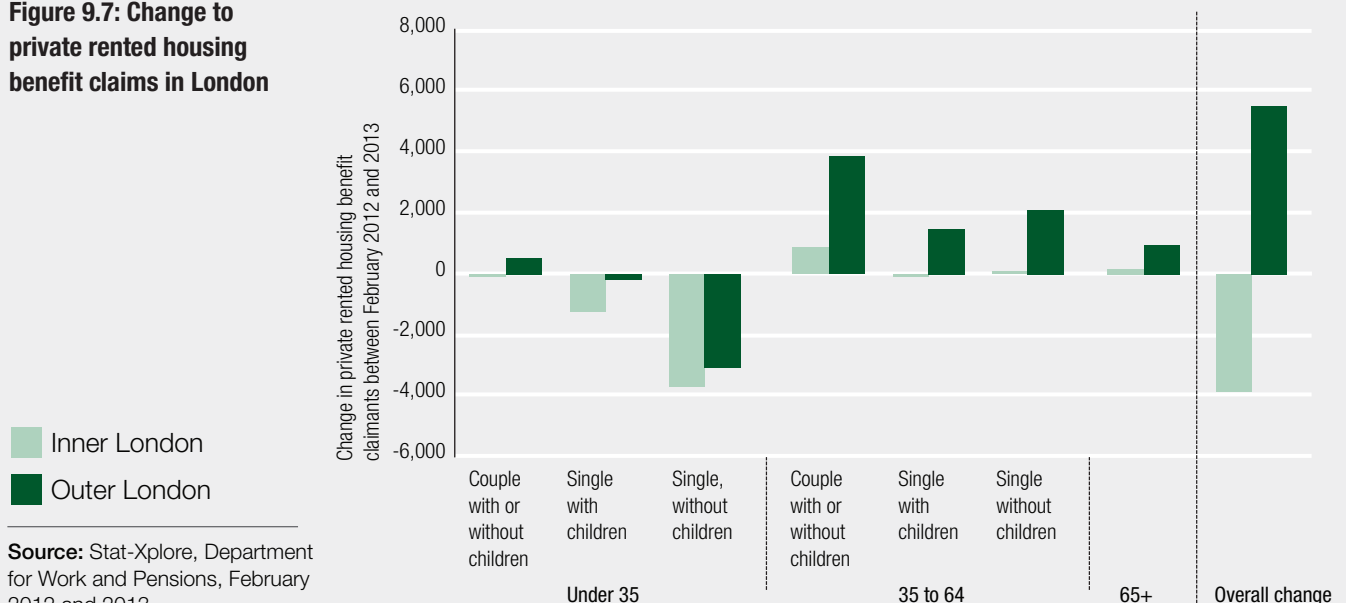
To understand how the changes to LHA discussed so far have affected London, the graph below looks at the change in LHA claims in Inner and Outer London between 2012 and 2013. It shows that the number of LHA claims in Inner London fell by 3,900 and in Outer London it grew by 5,500.

However, when we look at the change by family type and age, we can see that the differences between each group are as stark as the differences between Inner and Outer London. The graph shows that among households headed by someone aged 35 to 64 and pensioners, the number of housing benefit claimants in Inner London hardly changed, while it increased in Outer London. Meanwhile the number of single adult claimants under 35 fell, particularly for those without children; this was true in both Inner London (falling by 3,700) and Outer London (falling by 3,000).

This suggests that two policies have impacted on the number of LHA claims.

Comparing Inner and Outer London suggest that the national LHA cap has curbed the growth in claims in Inner London among all family types. But the change to the single room rate has resulted in a fall in the number of under 35s claiming in both Inner and Outer London. In Outer London, this fall was offset by rises among other groups; in Inner London it was not.

Figure 9.7: Change to private rented housing benefit claims in London



Source: Stat-Xplore, Department for Work and Pensions, February 2012 and 2013

The under-occupation penalty

The under-occupation penalty (commonly referred to as the 'bedroom tax') was introduced in April 2013. Unlike the changes to LHA, this affects housing benefit claimants living in the social rented sector. It means that working-age households with a spare bedroom will have their housing benefit reduced by 14%, or 25% if they have two spare bedrooms.

In London 80,000 families are estimated to have been affected by this cut. This amounts to 22% of all working-age social rented housing benefit recipients in London, the second lowest rate of the English regions. However, the average loss to those affected in London is £21 per week in housing benefit, £6 higher than any other region. This reflects the higher rent levels in the capital.

Families affected by the under-occupation penalty could make up the loss of income from other sources (savings, employment, reducing expenditure) or could move to a smaller home. The housing chapter showed that levels of overcrowding in London are high, so better utilisation of the social rented sector is desirable. Yet it is not clear how many households affected by the under-occupation penalty could downsize within the social rented sector and, as shown above, moving to smaller private rented accommodation is likely to be difficult.

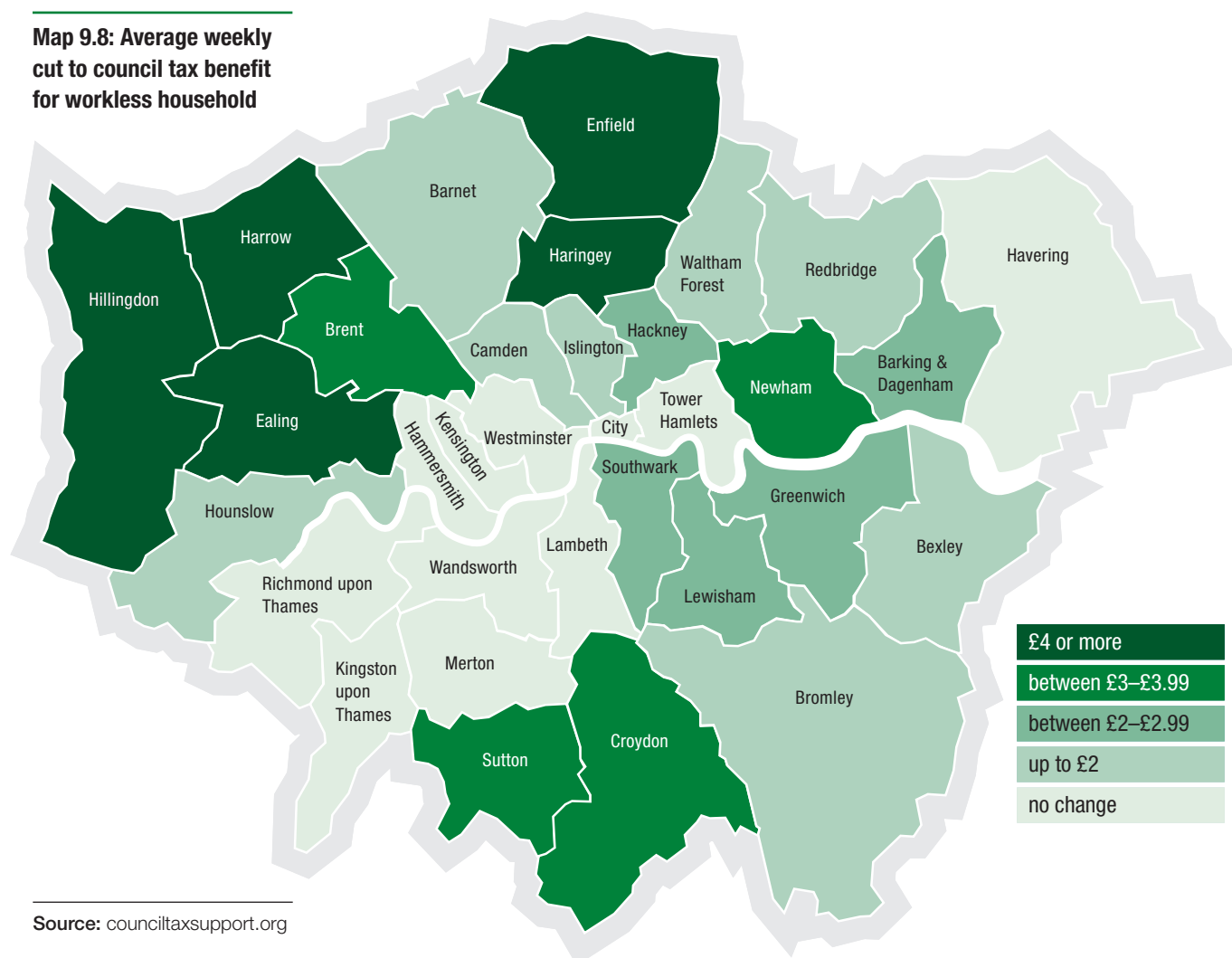
Council tax benefit reform

Finally we will look at the impact of the replacement of Council Tax Benefit (the benefit which gives low-income families a discount on the amount of council tax they have to pay) with Council Tax Support (CTS) in April 2013. Under CTS, local councils have the power to decide who should be entitled to the benefit and how much they should get, but their budget to do so was cut by 10%. The only condition was that the entitlement of pensioners could not be changed.

At the end of 2012, 822,000 families claimed CTB in London. In April 2013 an estimated 475,000 families saw their entitlement cut. In effect these families have to pay more council tax than they did previously.

Before April 2013 all job-seekers across London were exempt from paying any council tax. The map below shows the average amount of council tax a job-seeker now pays per week in each London borough. It shows that 22 London boroughs require workless families to pay at least some council tax and the amount paid varies between neighbouring boroughs. For example in Brent a jobseeker will have an income of £67.10 per week after paying council tax, while across the road in Westminster a jobseeker with an income of £71.70 is deemed too poor to pay any council tax. Job-seekers in Harrow have to pay on average £5.30 per week (£275 per year) in council tax, the highest level in London and more than double the level in neighbouring Barnet.

Map 9.8: Average weekly cut to council tax benefit for workless household



Source: counciltaxsupport.org

It is worth noting that in the next financial year (2014–15) councils in London are expected to see their spending power fall by a further 5%.^[22] The boroughs facing the highest cuts, led by Westminster and Newham both at 7%, tend to be in Inner London. One option for councils to increase their income would be to cut council tax benefit levels further.

[22] According to the Local Government Finance Settlement 2013/14 www.local.communities.gov.uk/finance/1314/settle.htm

Commentary

Table 9.9: Summary of reforms and their impact in London

Reform	Number of families affected	Weekly loss per family affected
LHA caps	160,000	£17
Single-room rate extension	11,800	£87
Under-occupation penalty	80,000	£21
Benefit cap	20,000	£93
Council Tax Support	475,000	£2.75

The table above summarises the breadth and depth of the benefit changes explored in this report. It shows that the change to Council Tax Support will affect more families in London than the other changes but by a relatively small amount of £2.75 per week. Meanwhile the overall benefit cap will affect only 20,000 families but with a large cut of around £93 per week.

The proportion of people claiming an out-of-work benefit and/or a disability benefit in London is similar to the average for England. But the impacts of welfare reforms will be particularly severe in London as a result of the high cost of housing, as claim rates and amounts are so much higher in London. Even within London the impact will be highly localised, depending on housing costs in that area and the council tax support scheme in place.

As a result of these reforms, the low-income households affected will simply have less money than they did before. The low-income chapter showed that incomes at the bottom of the distribution had already fallen in 2011-12. In 2013 affected families will have to further reduce their expenditure, costs or find alternative sources of income. The analysis in this report by no means covers the worst of these impacts, which are not visible in large datasets.

Looking ahead, Universal Credit is on the horizon but delays in its roll-out continue. The next major welfare change to affect London will be the changes to disability living allowance (DLA) which for working-age claimants is being changed to the Personal Independence Payment (PIP). In the migration to the new system, about 20% of those entitled to DLA are expected to lose their entitlement to PIP.

There is reason to be concerned about the roll-out of PIP, given its echoes of another change to sickness and disability benefit from only five years ago: the replacement of Incapacity Benefit with Employment Support Allowance (ESA), the aim of which was to cut the caseload by a million. From the outset this policy was widely criticised for incorrectly assessing claimants as fit for work and removing their benefit entitlement.

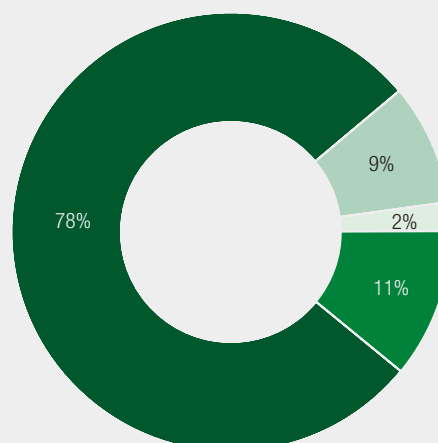
DWP data^[23] shows that as more assessments were completed (including appeals) the proportion found fit for work fell. In London the outcome of the first 14,400 completed assessments (between October 2010 and July 2011) found 34% were fit for work. Of the 77,700 completed assessments by August 2012, 26% were found fit for work.

Whilst London does not have a particularly high proportion of people claiming DLA, there are over 200,000 working-age claimants in the capital. Around 22% of DLA claimants in London are entitled to the lowest care and mobility elements: these are the most likely to lose their entitlement under PIP.

[23] <http://bit.ly/1h5pfXg>

Figure 9.10: Breakdown of working-age DLA claimants in London by care award type

- Medium to high rate for at least one (163,000)
- Low mobility rate and low care rate (22,970)
- Low care rate, no mobility (18,660)
- Low mobility rate, no care (4,450)



Source: Benefit caseload statistics, DWP, 2012

Disabled people are particularly vulnerable to welfare reforms, given the high proportion lacking paid work, as shown in the worklessness chapter. Many will be less able to supplement the lost income by moving into work. In addition DLA is not conditional on lacking work, so those claimants that are able and can find a suitable job are presumably already in work.

Finally individuals in receipt of DLA are exempt from a number of other welfare changes: the single room rate change, the overall benefit cap and in some boroughs council tax support. If entitlement to DLA is lost, not only will individuals lose their DLA income, but they could also lose income from other benefits as they are no longer exempt.

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 2011 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 health. It incorporates information on longer term trends, including analysis of data from the Census 2011, as well as new indicators on 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.

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



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