

Poverty figures for London: 2010/11

Intelligence Update 11-2012

Key points

- The number of Londoners living in poverty has seen little change.
- Children, particularly those in workless households, remain the group most likely to live in low income. The poverty rate for children in London, after housing costs, at 37 per cent, remains higher than for any other region, but is at its lowest level for sixteen years.
- Poverty rates for children in Inner London, remained unchanged, with 44 per cent of children living in poverty, higher than in any other part of the country. The rate for Outer London also remained unchanged, at 34 per cent.
- Poverty among pensioners in London has decreased again according to the latest figures. The risk of poverty for pensioners in London is close before and after housing costs according to the latest figures, (though higher in Inner London after housing costs) but remains above that for the rest of the UK.
- The percentage of working age people living in poverty has increased again for London.

The Government's Child Poverty Target

This Government has maintained the goal of ending child poverty in the UK by 2020 as established by the previous Government. Progress against this target has been measured by the proportion of children living in households with disposable income below 60 per cent of the median (midpoint) of the national income distribution for households, after equivalisation (taking account of differences in household size and composition). Under the original plan was a milestone target of halving child poverty by 2010. The release of data for 2010/11 provides the opportunity to measure against that target nationally. This *Update* provides the latest figures as they relate to London. However, as the London data are presented as a three-year average, they do not give the same opportunity for matching against the target this year.

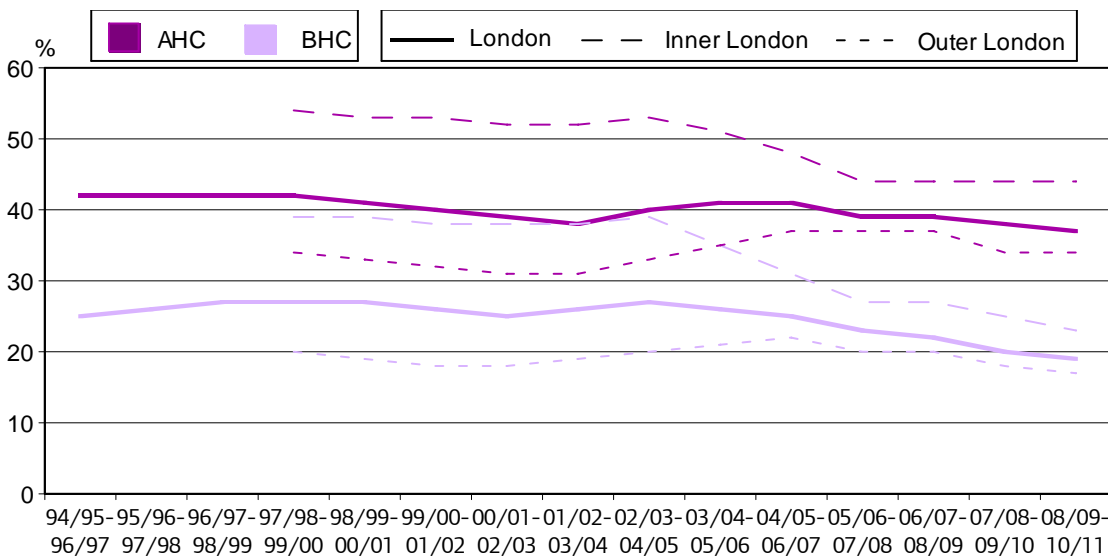
Disposable income is presented in two ways – before housing costs (BHC) and after housing costs (AHC). This is because the costs of housing do not always reflect the value of the housing. For example, two households could have very different costs for comparable standards of housing. It can be argued, therefore, that housing costs should be deducted from income to give disposable income figures. However, this would understate the relative standard of living of those people who achieved a better quality of life by paying more for better accommodation. Conversely, not deducting housing costs would overstate the living standards of people in areas of high costs relative to the standard of their accommodation, such as most of London.

Results

These latest figures are for the financial year 2010/11 and reveal a mixed picture for the national income distribution. The median, or mid point of the income distribution continued to rise, both before and after housing costs, although by only a very small amount, and below the level of inflation, so representing a fall in real terms. In contrast the mean, or arithmetic average of the income distribution fell, suggesting that people towards the top of the income distribution have seen a greater reduction in incomes, leading to slightly less income inequality in the UK. The Gini coefficient, which is also a measure of inequality has also fallen, confirming this finding. The report does not include figures on the income distribution for London.

The main measure of poverty, the percentage of people in households with incomes below 60 per cent of the national contemporary median, is known as “relative poverty”. Due to sample size restrictions, at regional level, these are presented as a three-year rolling average to improve the robustness of the figures. The time series for London, and for both Inner and Outer London separately are illustrated in Chart 1. London has seen a decrease in the percentage of children in poverty, both before and after housing costs, of one percentage point, matching that seen in the national figures. Due to rounding, these do not match the figures for Inner and Outer London separately. While Inner London saw a two percentage point drop in the published poverty levels among children before taking housing costs into account, both Inner and Outer London figures after housing costs for 2008/09-2010/11 have remained the same as those for 2007/8-2009/10.

Chart 1 Change in child poverty for London: (three year rolling averages) 1994/95 to 2010/11



Source: FRS 1994/95 - 2010/11

Table 2 gives both national and London time series for the percentage of children living in households with income below 60 per cent of the contemporary national median. It shows that the London figures are clearly at their lowest for the whole sixteen year period on both measures. The UK figures in this table are given as a three year average to give comparability with the London levels, but the published single year figures also show the UK with the lowest poverty levels since 1994/5. While the percentage of London’s children in poverty before housing costs is now below that nationally, after housing costs are taken into account, the London child poverty level remains very high – well above those seen at any point in the last sixteen years nationally.

Table 2 Percentage of children living in households with less than 60 per cent of contemporary median household income, for London and UK 1994/95 –2010/11

		94/95-96/97	95/96-97/98	96/97-98/99	97/98-99/00	98/99-00/01	99/00-01/02	00/01-02/03	01/02-03/04	02/03-04/05	03/04-05/06	04/05-06/07	05/06-07/08	06/07-08/09	07/08-09/10	08/09-10/11
London	BHC	25	26	27	27	27	26	25	26	27	26	25	23	22	20	19
	AHC	42	42	42	42	41	40	39	38	40	41	41	39	39	38	37
UK	BHC	25	26	27	26	25	24	23	23	22	22	22	22	22	21	20
	AHC	33	33	34	33	33	31	30	30	29	29	30	30	31	30	29

Source: FRS 1994/95 - 2010/11

Note: Figures are for the United Kingdom from 1998/99-2000/01 onwards. Earlier years are for Great Britain only. Data for Northern Ireland has been imputed for 1998/99 to 2001/02.

Table 3 Percentage of children living in households with less than 60 per cent of 1998/99 real terms median household income, by region, 1994/95 –2010/11

		94/5-96/7	95/6-97/8	96/7-98/9	97/8-99/00	98/9-00/1	99/0-01/2	00/1-02/3	01/2-03/4	02/3-04/5	03/4-05/6	04/5-06/7	05/6-07/8	06/7-08/9	07/8-09/10	08/9-10/11
Before Housing																
England		29	28	27	25	22	19	16	14	13	13	13	13	13	12	11
North East		37	36	35	33	30	24	22	19	17	15	14	14	14	14	13
North West		34	33	34	31	27	21	18	17	15	15	14	15	15	14	13
Yorkshire and the Humber		34	33	32	31	28	24	19	16	15	14	15	15	15	14	14
East Midlands		30	28	26	24	24	21	19	15	14	13	13	15	14	12	10
West Midlands		31	32	30	28	25	23	20	17	16	16	16	17	17	16	16
East of England		23	21	21	19	16	13	10	10	9	10	9	9	10	10	9
London		30	30	28	27	24	21	18	16	16	17	16	15	14	12	12
South East		20	19	18	16	14	12	9	8	8	9	10	10	9	8	7
South West		26	25	25	23	19	16	13	12	11	10	10	10	11	10	9
Scotland		33	33	31	28	25	21	18	16	15	13	12	12	12	11	11
Wales		35	34	31	30	27	22	18	14	14	13	14	15	15	14	11
Northern Ireland		..	..	..	..	27	22	19	17	16	15	14	13	14	15	14
United Kingdom		29	29	28	26	23	19	16	14	14	13	13	13	13	12	11
After Housing																
England		37	36	35	33	31	27	24	21	20	19	19	20	20	19	19
North East		42	41	41	40	37	31	28	24	22	18	18	19	21	20	20
North West		40	39	40	37	34	28	25	22	20	20	20	21	20	20	19
Yorkshire and the Humber		38	37	37	36	33	28	24	21	19	17	17	18	19	19	19
East Midlands		36	33	31	29	28	25	23	20	19	18	18	19	18	17	14
West Midlands		36	37	35	33	32	29	26	23	20	20	20	22	22	22	22
East of England		32	29	29	27	24	21	18	16	15	15	15	15	16	16	16
London		44	44	43	42	39	37	33	31	30	30	29	27	27	25	26
South East		30	28	27	25	23	21	17	16	15	15	16	16	16	15	14
South West		35	34	33	31	28	24	21	19	16	15	16	17	17	16	16
Scotland		36	35	33	31	29	25	21	19	17	16	15	14	14	14	18
Wales		41	40	37	35	34	30	26	22	20	19	19	21	21	21	14
Northern Ireland		..	..	..	..	26	23	21	19	17	15	13	14	14	16	15
United Kingdom		37	36	35	33	31	27	24	21	19	19	19	19	19	19	18

Source: FRS 1994/95 - 2010/11

Note: Figures are for the United Kingdom from 1998/99-2000/01 onwards. Earlier years are for Great Britain only. Data for Northern Ireland has been imputed for 1998/99 to 2001/02.

Taking the national median income for 1998/99 held constant in real terms, ie adjusting for costs of living only, rather than for generally improving standards of living, which the contemporary median does, reveals a similar picture in that London is close to the national average for “absolute” child poverty levels using the BHC measure. However, it is much higher in London than in other regions using the AHC measure, and indeed the London levels of poverty in real terms on this absolute measure are higher than the previous year’s figures, although the national rate has again fallen. The national figure halved, from 37 per cent to 18 per cent, while London and the West Midlands remain the only regions where this rate of reduction is not apparent. The regional figures are given above in Table 3.

A further measure of poor living standards for families with children is the percentage living in low income and material deprivation. A family is in low income and material deprivation if they have a material deprivation score of 25 or more (see explanation of terms at end of this Update) and a household income below 70 per cent contemporary median income, before housing costs. This potentially gives a good measure of whether people are able to achieve reasonable or expected standards of living.

At 15 per cent, the proportion of London’s children in this form of deprivation has seen a significant improvement and whereas London was higher than any other region five years previously, the latest figures show that it is now better than the England average. The Inner London figure is 21 per cent, still improving on previous figures, and matching the proportions for the highest regions – the North East, Yorkshire and the Humber and the West Midlands.

Table 4 Percentage of children living in households with low income and material deprivation, by region, 2004/05 –2010/11

	2004/05- 2006/07	2005/06- 2007/08	2006/07- 2008/09	2007/08- 2009/10	2008/09- 2010/11
England	16	17	17	17	16
North East	20	20	20	21	21
North West	19	20	21	22	20
Yorkshire and the Humber	17	17	19	20	21
East Midlands	17	19	19	18	16
West Midlands	20	21	21	22	21
East of England	11	10	11	11	11
London	22	21	19	16	15
Inner	29	26	23	22	21
Outer	19	18	17	14	12
South East	11	11	11	10	9
South West	13	13	14	13	13
Scotland	15	15	16	15	15
Wales	18	17	17	20	20
Northern Ireland	15	14	14	16	16
United Kingdom ¹	16	17	17	16	14

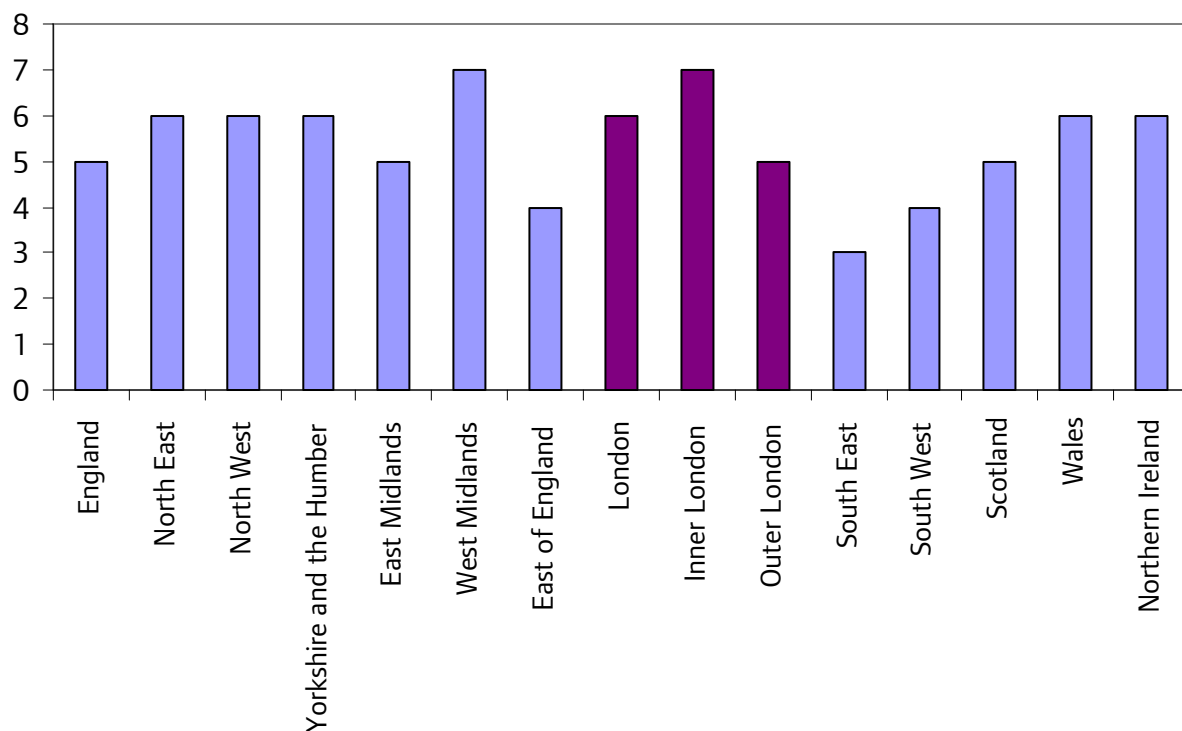
Source: FRS 2004/05 - 2010/11

Notes: 1 Figures are three-year averages, except UK figure, which is based on a single year 2009/10

2 Figures are for children in households with income before housing costs below 70 per cent median and a material deprivation score of 25 or more (see endnote).

A new measure of “severe child poverty” was introduced to the annual publication of poverty statistics at a national level only last year. This gives the proportion of children with income below 50 per cent of median equivalised income and material deprivation. This is given as four per cent of children nationally for the latest year (2010/11), five per cent for last year and six per cent for the previous five years. For the first time, it is given at regional level, again as a three-year average, so not directly comparable with the national figures given above. This shows Inner London, along with the West Midlands as having the highest levels of severe child poverty, while Outer London matches the England average. Chart 2 illustrates these figures.

Chart 2 Percentage of children living in households in severe child poverty, by region, 2008/09 –2010/11



Source: FRS 2004/05 - 2010/11

Poverty amongst other groups

The proportions of people of working age in households with incomes below 60 per cent of the national median, after adjusting for household composition, are lower than for children, which is not surprising, given that some live with children and some without. The latest figures for the London proportion of working age adults living in poverty using the Before Housing Costs measure has stayed the same as for the previous release, whereas the latest national (single year) figure has fallen. In contrast, the London figures, including both Inner and Outer London, for the proportion of working age adults in poverty after housing costs are taken into account have again risen, while the national figure on the after housing costs basis has also fallen, showing an increasing divide (see Table 5).

Table 5 Working Age poverty figures: 2008/09-2010/11

Percentage of people of working age in households with income below 60 per cent of national median

	UK	London	Inner London	Outer London
Before Housing Costs	15	15	17	14
After Housing Costs	21	28	32	25

Source: FRS 2008/09 - 2010/11

Note: Figures for London are based on three-year rolling averages. UK figure is based on a single year.

Poverty among pensioners is higher than among people of working age but lower than for children on a before housing costs basis. Pensioners form the only age group where, nationally, the risk of being in poverty is lower after taking account of housing costs. However, in Inner London, the after housing costs rate is still higher than on a before housing costs basis, and higher than for other regions, whereas in Outer London, the figures follow the national trend, with pensioners more likely to be in poverty using the before housing costs measure than after taking housing costs into account. The latest figures again show decreases in pensioner poverty in both Inner and Outer London, and therefore London as a whole, as well as nationally, on the before housing costs measure and in Inner London after housing costs.

The new measure of material deprivation for pensioners introduced last year has fallen slightly nationally, but since this data is only available for one year, it is not published at regional level.

Table 6 Pensionable Age poverty figures: 2008/09-2010/11

Percentage of people of pensionable age in households with income below 60 per cent of national median

	UK	London	Inner London	Outer London
Before Housing Costs	17	19	20	19
After Housing Costs	14	20	26	18

Source: FRS 2008/09 - 2010/11

The three age groups above (pensioners, working age people and children) combine to give overall figures for Londoners in poverty very close to the national average using the before housing costs measure. After housing costs, London again had the highest rate for any region, and up slightly for the previous figures, at 29 per cent. Both Inner and Outer London had higher poverty rates overall after housing costs than any other region of the UK.

Table 7 All ages poverty figures: 2007/08-2009/10

Percentage of individuals in households with income below 60 per cent of national median

	UK	London	Inner London	Outer London
Before Housing Costs	16	16	18	15
After Housing Costs	21	29	34	26

Source: FRS 2008/09 - 2010/11

Note: Figures for London are based on three-year rolling averages. UK figure is based on a single year.

Explanation of terms

Before Housing Costs

The Before Housing Costs measure of net income is taken as the total income from all sources (including earnings, all social security benefits, pensions, maintenance payments, educational grants and cash value of payments in kind such as free school meals) for all members of the household, less income tax, national insurance, pension contributions and maintenance or support payments made to people outside the household.

After Housing Costs

The After Housing Costs measure is derived by deducting certain housing costs from the Before Housing Costs measure. The housing costs include rent, mortgage interest payments, water charges and structural insurance premiums.

Equivalisation

Equivalisation is the process of adjusting income to take into account variations in the size and composition of households in which individuals live. This reflects the notion that a larger group of people, such as a family with children, needs more income than a person living alone to enjoy a comparable standard of living. The process takes a couple living with no children as a reference point and adjusts the incomes of larger households downwards relative to this benchmark (ie assumes that a higher income would be needed for a larger household to have the same standard of living). The incomes of smaller households are adjusted upwards relative to the reference household type, recognising that the same income would allow smaller households a better standard of living.

Material deprivation

This is a weighted score calculated on a range of 0 to 100, of items that are wanted but the family cannot afford such as being able to keep warm in winter, having two pairs of all weather shoes, contents insurance, being able to afford to repair or replace broken electrical goods such as refrigerators, a holiday away from home at least one week a year, a hobby or leisure activity for each person and for children this includes items such as celebrations of special events such as birthdays, school trips, friends to come round for tea or a snack once a fortnight etc. A family is said to be in material deprivation if they achieve a score of 25 or less on this scale.

Material deprivation for pensioners

Pensioner material deprivation is similar in concept to that described above but covers different items, such as access damp-free home, access to a telephone when needed, having hair done or cut regularly. Reasons for not having these things can include too much trouble/too tiring, no one to do this with or help me, my health/disability prevents me. All these are considered deprived. Only those who don't want something or say it is not relevant are not considered deprived. A pensioner achieving a score of 20 or more is said to be in material deprivation.

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