

Update 13-2014

Poverty in London: 2013/14

October 2014

Key points

- The number of Londoners living in poverty has seen little change over the last few years and remains at around 2.2 million people, or 28 per cent of all those living in the region, averaged over three years 2010/11-2012/13.
- More than a third of all London's children are in households with income below the poverty line. The poverty rate for children in London, after housing costs, has not changed since last year and, at 37 per cent, remains substantially higher than for any other region.
- Around 300,000 children in Inner London are living in poverty, with a further 400,000 in Outer London. The Inner London child poverty rate remains significantly higher than for any other region, at 45 per cent.
- More than one in six pensioners in London lives in a household with income below the poverty level even before housing costs are taken into account. At 24 per cent, Inner London remains the only part of the UK where the pensioner poverty rate after taking housing costs into account is higher than using the before housing costs measure.
- Inner London also stands out as having exceptionally high rates of material deprivation among pensioners – more than double the rate for any other region with almost one in four unable to have or take part in the social norms for that population group for reasons of poverty, health or isolation.
- More than one in four adults of working age in London lives in poverty. Renters, unemployed, disabled or those with no qualifications had the highest risk of poverty.

The Government's Child Poverty Target

The aim set out at the end of the last century to halve child poverty in the UK by 2010 and to put an end to it by 2020 has been maintained by the current 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 equalisation (taking account of differences in household size and composition). This *Update* provides the latest figures from the DWP's Family Resources Survey as they relate to London.

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 standard of the housing. For example, two households could have very different costs for comparable standards of housing – it is possible to buy a

three bedroom house in the North East of England for less than £50,000, whereas within Greater London a similar property would cost at least four times that amount, and in many parts of London would be in excess of £600,000. Although rental costs may not reflect such differences exactly, there is a high level of correlation. 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 – a property with larger rooms, more outside space, closer to facilities such as parks, stations or particular schools or with better views might command a higher price. 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, particularly as support for these higher housing costs, such as Housing Benefit is included in the income calculations. Both sets of figures are therefore included in this Update, though because the relative costs of housing in London are so high compared to most other parts of the country and make a larger difference in a national context than any differences in the standard of the accommodation, the AHC figures are presented as the main set.

The income distribution

The figures published recently by DWP are for the financial year 2012/13. The average measures of the national income distribution – mean and median – rose again, both before and after housing costs, but as over the previous year, only by a small amount, and below the level of inflation, so representing falls in real terms for the third year in a row. The UK average equivalised household income figures for all individuals are presented in Table 1.

Table 1: National average equivalised weekly household income 2012/13

	UK	
	Before Housing Costs	After Housing Costs
Mean	£535	£462
Median	£440	£374
60 per cent of median (the “poverty line”)	£264	£224
10 th percentile	Approx. £230	Approx. £160
90 th percentile	Approx. £875	Approx. £800

Source: *Households Below Average Income 2012/13*, DWP

The median of the latest equivalised household income figure before housing costs calculated across all individuals in London is £488 (based on a 3-year average 2010/11–2012/13) and is the lowest in real terms since the turn of the century, falling from a high of £513 in 2005/6–2007/8. The pattern for the London median income after housing costs is similar, standing at £383 for 2010/11–2012/13. While the South East is the only region with a higher median BHC, the East of England and Scotland also have higher median incomes AHC than London and the median for the South West is also marginally higher. That is because the differential in the medians calculated before and after housing costs for London is so much greater – over £100 in London, which is more than double the difference for Scotland. The South East has the next highest difference at £78.

London has the highest mean equivalised household income (£670 BHC) as it has more households with very high incomes. After housing costs are taken into account the London mean household income of all individuals (£550) is just slightly lower than that for the South East (£556). These figures have been very close for the last three years’ rolling averages. For eight years prior to that, the London mean income after housing costs was clearly higher than that for any other region.

The difference between median and mean is one indicator of inequality in the income distribution. Large differences indicate more households with very high incomes. Across the UK as a whole, both the before and after housing costs mean equivalised incomes are around 20 per cent higher than the median. In London, however, the BHC mean is closer to 40 per cent higher than the median, whereas the AHC measure is around 30 per cent higher.

Inequality of income across the distribution can be considered in different ways with information about the full income distribution, which is available only for the UK as a whole. The 10th and 90th percentiles are widely used as a measure of the range of incomes, as they give an indication of almost the full range, but take less account of a few individuals with extreme scores. In 2012/13, ten per cent of people in the UK lived in households where the equivalised income before housing costs is less than around £230 per week, while at the other end of the spectrum, ten per cent had more than around £875 to live on, or nearly four times as much. After taking housing costs into account, this ratio increases to more than five times as much. An alternative measure of inequality is the Gini coefficient. This shows a very similar pattern over time to the ratio of the 10th and 90th percentiles, revealing that the peak of inequality was in 2009/10 for both before and after housing costs measures, and while it has fallen since then, it has been relatively stable for the last three years. The report does not include figures on the income distribution for London.

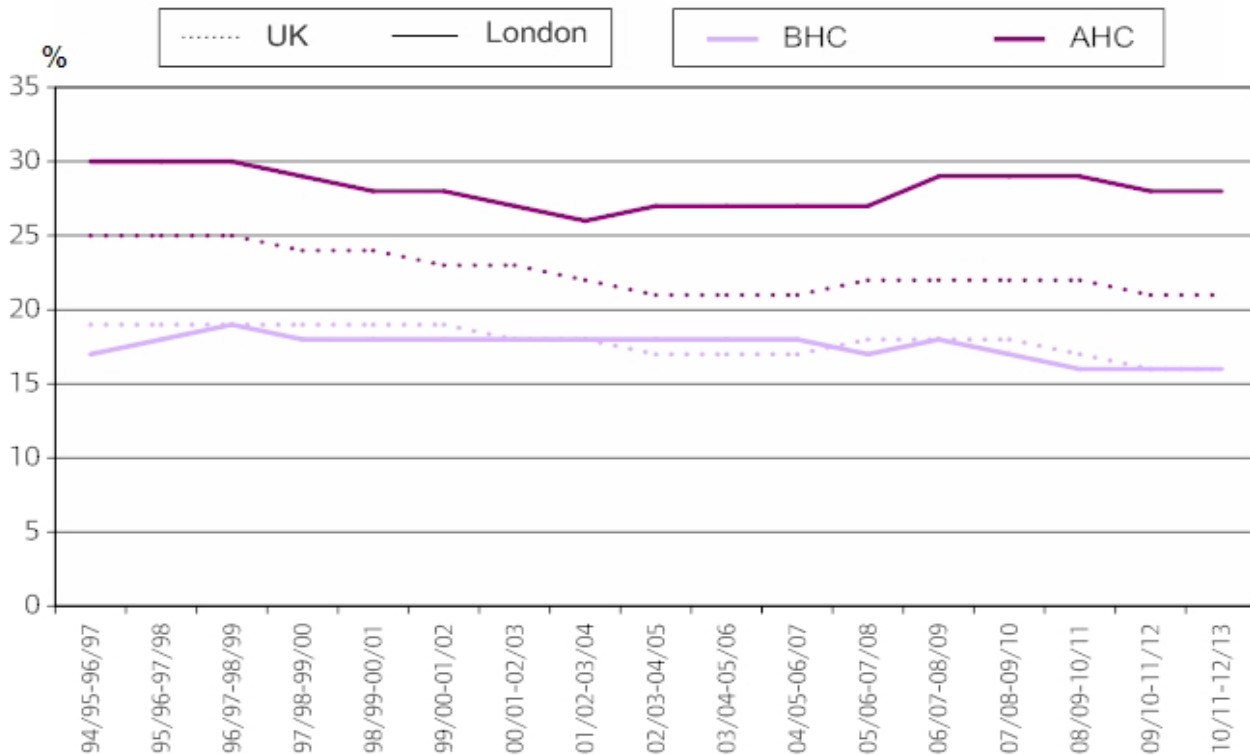
Poverty measures

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. Figures included in the latest release have been recalculated back to 2002/03 to take account of changes to the population estimates following the 2011 Census. The time series for all individuals in poverty in London and the UK¹, both before and after housing costs, are illustrated in Chart 1. The latest figures of 16 per cent BHC and 28 per cent AHC (2010/11-2012/13) in London show no change over the previous figures (2009/10-2011/12), and the levels of poverty measured BHC for London follow those of the UK very closely over the whole period since 1996/97-1998/99. However, it is clear not only that London has higher levels of poverty taking housing costs into account than the UK, but also that the gap between London and the rest of the country has widened over the last few years. While the proportion of UK residents in poverty is matching its lowest level, both before and after housing costs, this is not the case for London after taking the costs of housing into account.

Chart 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. Comparison with Chart 1 shows that on each measure, children are more likely than the general population to be in poverty. The London and UK figures have fallen to their lowest level since the series began on both before and after housing costs bases. While the percentage of London’s children in poverty before housing costs is now very close to the UK-wide figure, after housing costs are taken into account, the London child poverty level remains very high – still above those seen at any point in the last 16 years nationally.

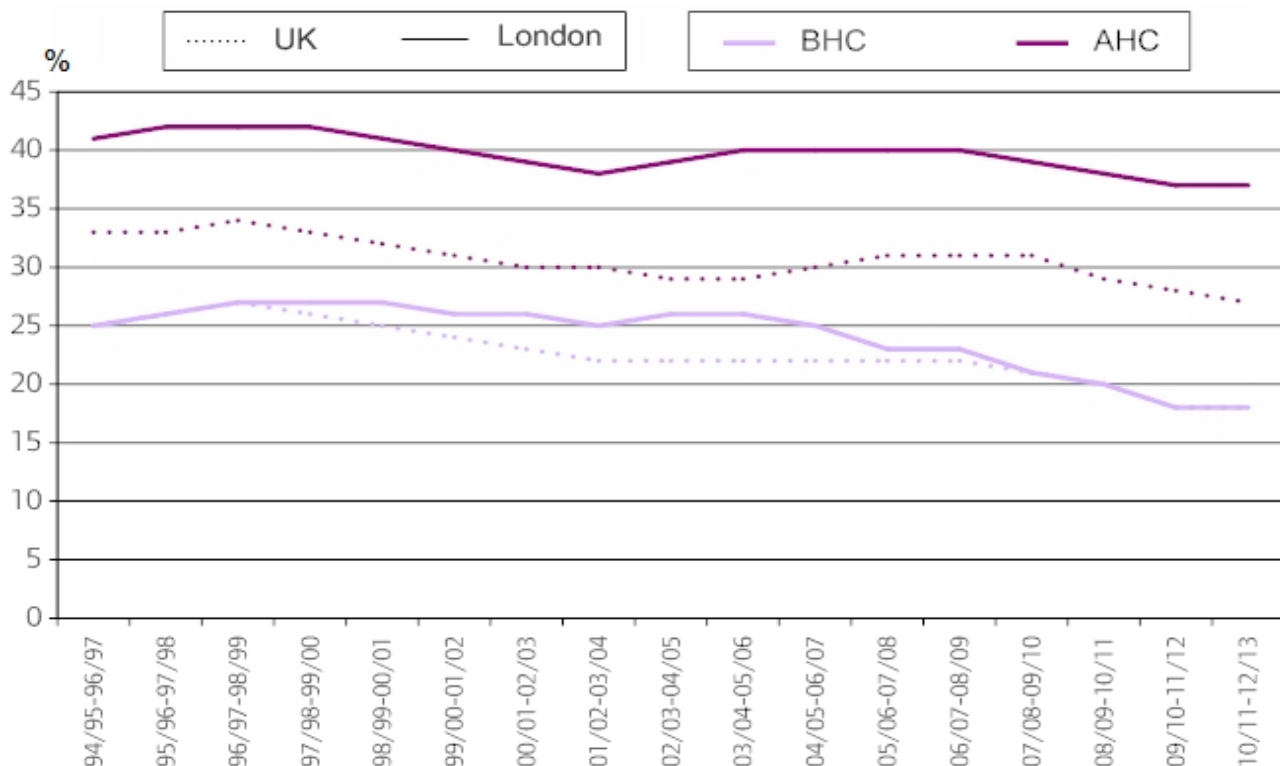
¹ The UK figures are also presented as three-year averages to give comparability with those for London.

Chart 1: Change in overall poverty for London and UK: (three year rolling averages) 1994/95 to 2012/13



Source: FRS 1994/95 - 2012/13

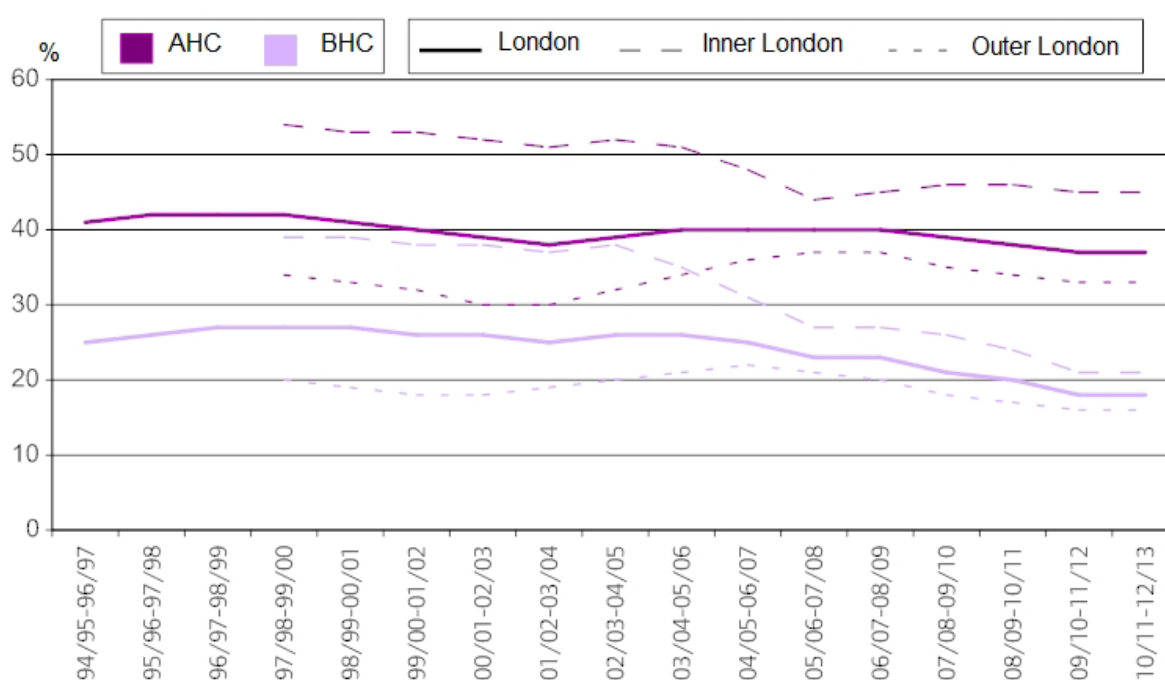
Chart 2: Percentage of children living in households with less than 60 per cent of contemporary median household income, for London and UK 1994/95 -2012/13



Source: FRS 1994/95 - 2012/13

Chart 3 shows how the levels of child poverty within Inner and Outer London have shown quite different patterns over the period. BHC poverty rates have almost halved in Inner London, but have only dropped very slightly in Outer London, while AHC rates fell in Inner London until around 2006, changing little since then whereas the proportion of children in poverty AHC in Outer London had been rising from its lowest level in 2002 to 2006 and has decreased since the start of the recession back to its original level. The decreasing rates have been mostly offset by rising numbers of children living in the capital, so the number of children in AHC poverty in Inner London has remained at around 300,000 children, throughout the 13 years for which data has been available. The number in Outer London has risen from 300,000 to 400,000 over the same period. The only number that has fallen is the number of children in poverty in Inner London without taking into account the rising costs of housing. On this basis, the number of children in poverty in Inner London has fallen in the last few years from 200,000 to closer to 100,000.

Chart 3: Change in child poverty for London: (three year rolling averages) 1994/95 to 2012/13



Source: FRS 1994/95 - 2012/13

As well as the relative poverty measure, an "absolute" poverty measure is given, which adjusts only for inflation, rather than keeping pace with changing living standards. This is now calculated to 2010 living standards (to coincide with the first child poverty target set by the Government), and the figures show that in London, using the before housing costs measure, around half the proportion of children are in poverty in the latest figures compared with the number that would have been in poverty if the same living standard had been applied in 1998/9. The fall was particularly dramatic for Inner London, whereas the decrease in Outer London was less than for most regions. However, the difference after rising costs of housing have been taken into account is far less and has barely changed for London and its neighbouring regions over the last decade, with the increasing costs of housing (excluding any capital repayment costs for mortgage holders) meaning that most regions have seen an increase in the latest figures, as shown in Table 2. There is a clear divergence in the change between Inner and Outer London, with a decrease in child poverty levels in these terms in Inner London offset by an increase in Outer London, so the gap has narrowed from more than 20 percentage points to 12. The revisions to previous figures in the light of the 2011 Census mean that the decrease in child poverty levels over the last decade was less than previously thought in many areas, but particularly in London, where the after housing costs decrease in real terms is two percentage points less than had been given.

Table 2: Percentage of children living in households with less than 60 per cent of 2010/11 real terms median household income, by region, 1994/95 –2012/13

	94/5-96/7	97/8-99/00	00/1-02/3	03/4-05/6	04/5-06/7	05/6-07/8	06/7-08/9	07/8-09/10	08/9-10/11	09/10-11/2	10/11-12/3
Before Housing Costs											
England	38	34	25	21	21	21	21	20	18	18	19
North East	47	44	36	29	28	27	26	24	23	21	23
North West	42	41	29	24	23	25	24	23	21	21	22
Yorkshire and the Humber	44	41	30	25	24	25	25	24	24	24	25
East Midlands	40	34	27	22	23	24	23	21	18	17	17
West Midlands	40	37	30	27	26	27	28	27	26	23	22
East of England	31	27	16	15	15	15	15	15	15	14	14
London	39	36	28	26	24	22	22	20	19	18	18
Inner	..	49	42	35	30	26	26	25	23	22	22
Outer	..	28	21	21	21	20	19	17	16	16	17
South East	28	23	15	13	15	15	14	13	12	12	14
South West	36	32	21	17	16	16	16	15	15	15	16
Wales	44	39	31	23	24	26	25	23	21	24	24
Scotland	40	36	29	22	21	20	20	19	18	17	18
Northern Ireland	28	25	23	22	22	23	22	24	23
United Kingdom	38	35	26	22	21	21	21	20	19	18	19
After Housing Costs											
England	45	41	32	28	28	29	29	29	28	28	30
North East	52	48	39	31	31	31	31	29	28	28	31
North West	48	46	35	30	29	31	31	31	30	31	32
Yorkshire and the Humber	47	45	34	28	28	29	30	30	30	31	32
East Midlands	45	38	31	26	27	28	27	26	23	25	25
West Midlands	45	42	36	31	31	32	33	33	32	32	32
East of England	39	34	25	23	23	24	25	24	24	24	25
London	51	48	40	39	39	38	38	37	37	37	39
Inner	..	61	54	50	46	42	42	43	43	44	47
Outer	..	40	32	33	35	35	36	33	33	33	35
South East	37	32	25	21	23	24	24	22	22	22	24
South West	45	41	30	25	23	24	23	24	24	25	26
Wales	50	43	36	27	28	30	29	31	30	33	33
Scotland	45	40	32	24	23	22	23	23	22	22	23
Northern Ireland	29	25	23	23	23	24	25	26	26
United Kingdom	45	41	32	28	28	28	28	28	28	28	29

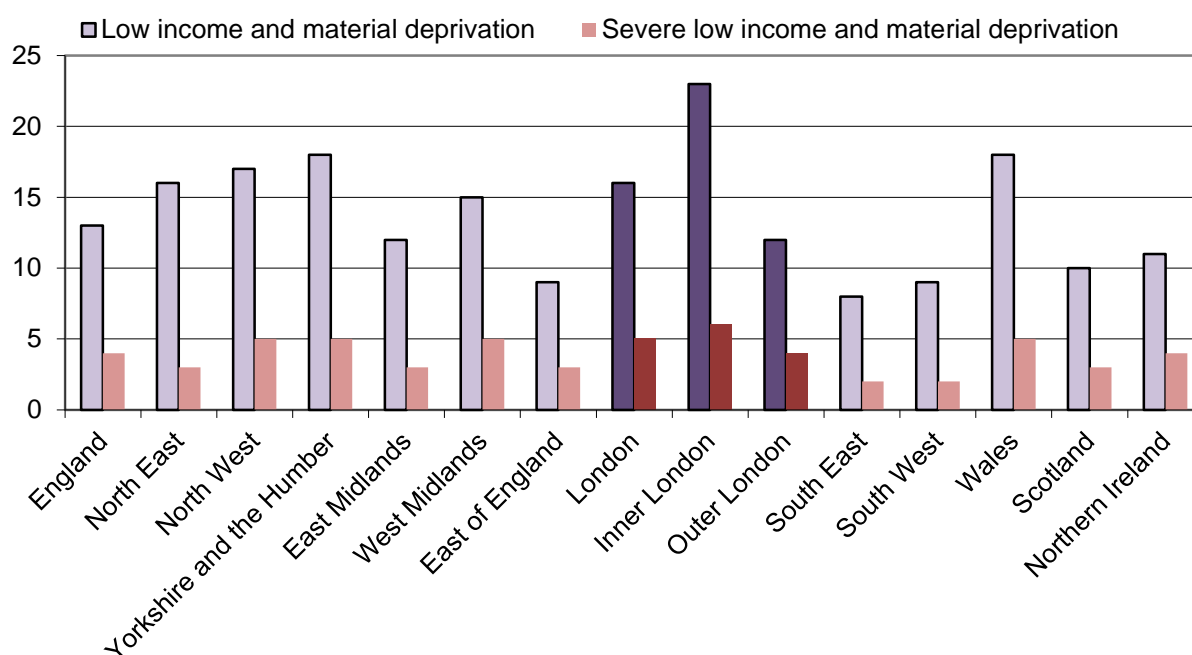
Source: FRS 1994/95 – 2012/13

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.

Figures for interim years are available but have not been included for clarity of the table.

A further measure of poor living standards for families with children is the percentage living in low income and material deprivation. Two measures are produced: low income (below 70 per cent of median BHC) and material deprivation and severe low income (below 50 per cent of median BHC) and material deprivation. Nationally, 13 per cent of children are in material deprivation and low income, with four per cent in severe low income. For London overall the comparable figures are 16 per cent and five per cent. There is, however, a clear difference between Inner and Outer London, with Outer London figures close to the national levels, whereas nearly a quarter of all children living in Inner London (23 per cent, or in the region of 120,000-160,000 children) lived in low income households that could not afford the norms of society. The other parts of the UK with the next highest levels, as shown in Chart 4, were Yorkshire and the Humber and Wales, where 18 per cent of children fell into this category. Six per cent of Inner London children lived in severe low income households and material deprivation, again higher than for anywhere else in the UK. A change in the questions used to derive this means that this has not been published below national level for the last two years, so it is not possible to look at trends.

Chart 4: Low income and material deprivation levels among children by region: (three year average) 2010/11 to 2012/13



Source: FRS 2010/11 - 2012/13

There are particular characteristics that are associated with higher levels of child poverty. Children living in workless households are, not surprisingly, at high risk of poverty; nationally, close to 40 per cent of such children are in poverty BHC, but this is lower for London at around 30 per cent. After housing costs are taken into account, nearly two thirds of the 1.4 million children living in workless households in the UK are in poverty, while the rate is even higher, at over 70 per cent in London (around 250,000 children). The data show there are relatively few children living in couple families with no-one in work in London – just around 100,000, of which more than three quarters were in poverty. A similar number of children were in couple families with one or both only employed part-time and 70 per cent of these were also in poverty. Poverty rates for children in not working lone parent families were close to this, but lower where the lone parent was in part-time work. Living with a disabled adult, particularly where they are not receiving disability benefits also increases the risk of poverty for children – up to 38 per cent AHC nationally. No figures are available for London, as changes to the questions used to derive disability status mean that it is not possible to produce statistics for more than one year.

Poverty rates were also much higher among children from particular ethnic groups. Nationally, children from all ethnic groups other than Indian or White had a risk of poverty at least one and a half times the average. The pattern in London broadly followed the national picture, with more than half of all London's children living in a household where the head was from Pakistani, Bangladeshi, other Asian, Mixed or Other minority ethnic groups in poverty. For the combined Black category, the figure was just below half. (Numbers are not currently available for more detailed breakdown of this group.) The Bangladeshi group stands out as having the highest rate, both within London and nationally, at 60 per cent (slightly higher for London).

Children living in families receiving certain types of state support (welfare benefits and/or tax credits) were also particularly likely to be in households with total income below the poverty line. Over three quarters of children in families in receipt of Jobseeker's Allowance were in poverty AHC (lower BHC – nationally 60 per cent, and 50 per cent in London) and in London, around two thirds of those in families receiving Income Support or Housing Benefit also had below 60 per cent of average income AHC, though this was a little lower nationally. The difference between London and the rest of the country in the poverty rate among children in families receiving tax credits is particularly noticeable – more than half in London, compared with less than a third in the rest of the country.

Children living in both social and private rented housing had much higher risk of poverty too, at well over 50 per cent in London. Each sector accounts for around quarter of a million of London's children living in poverty. For social sector tenants, the risk was higher both before and after housing costs are taken into account, whereas for tenants renting privately, the poverty rates were lower than average in London counting all income, but without taking the cost of renting into account, but well above average, both for London and UK-wide, after rent and other essential housing costs are deducted. Nevertheless, one in six of London's children living in owner-occupied housing had income below the poverty line after adjusting for housing costs, (counting only interest payable on any mortgage, not repayment of the amount borrowed). Children living in this tenure accounted for approximately half of all children in London, and nearly a quarter of all those in poverty. Nationally, nearly a third of children in poverty and 60 per cent of all children lived in owner occupied housing.

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 (decreasing living standards for the same level of income) and some without. The latest figures for the London proportion of working age adults living in poverty using both the Before and After Housing Costs measures, given in Table 3, are very similar to those for the previous year and have barely changed since the data series began for 1994/5-1996/7. The total numbers, however, have increased with the growing population of London, so that the latest estimates for the number of working age adults living in poverty are 0.8 million BHC and 1.4 million AHC, split equally between Inner and Outer London.

Within London, there are differing patterns in the changing rates for the percentage of working age adults living in low income households. Using the BHC measure, a small decrease since 1997/8-1999/2000 in the rates for Inner London has been offset by a small increase for Outer London, meaning no overall change for London. A small increase of four percentage points for Outer London on the AHC measure, while the Inner London rate showed a slight decrease but has reverted to around the original level shows as a slight increase overall at London level. Overall, this means the gap between the child and working age poverty rate has narrowed, both before and after housing costs are taken into account.

Table 3: Working age poverty figures: 2010/11-2012/13

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	13
After Housing Costs	21	27	32	23

Source: FRS 2010/11 - 2012/13

The characteristics of those most likely to be in poverty – renters, unemployed etc – are similar to those noted above for families with children. Additionally, working age adults with no qualifications are more likely to be in low income households.

In real terms, the percentage of the working age population in poverty has decreased since 1994/5-1996/7, but by far less than the percentage of children, just five percentage points for London using the AHC measure, whereas the proportion of children in poverty fell by 12 percentage points.

Around 200,000, or more than one in six Londoners of pensionable age² are living in poverty in London, with the poverty rate higher than among people of working age but lower than for children on a before housing costs basis. There is little difference between the rates for Inner and Outer London, and they are also quite close to the UK level. There has been very little change in poverty levels for this group since the previous year's figures either using contemporary measures or in real terms, although they have fallen over the longer term. However, the proportion of pensioners with low income after housing costs are taken into account remains higher in London than elsewhere, particularly in Inner London. For the UK as a whole, and for all other regions, including Outer London, this is the only group for whom poverty levels are lower using the after housing costs than using the before housing costs measure, although the Outer London levels of poverty among pensioners also remain higher than for any other region outside London.

Table 4: Pensionable Age poverty figures: 2010/11-2012/13

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

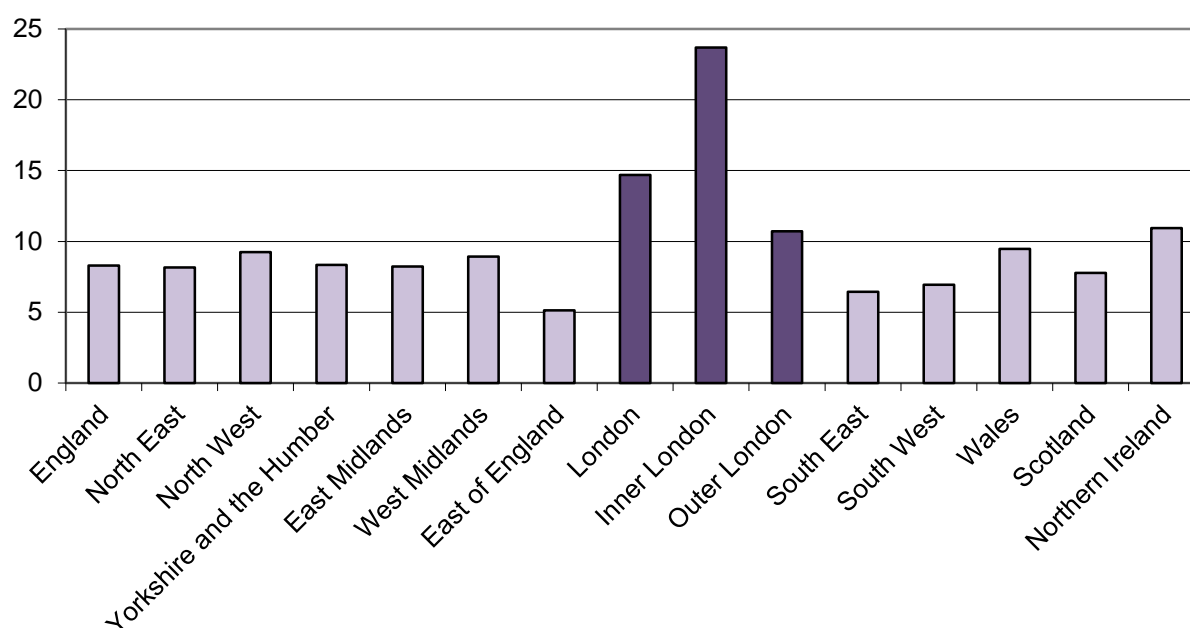
	UK	London	Inner London	Outer London
Before Housing Costs	16	17	17	18
After Housing Costs	14	19	24	16

Source: FRS 2010/11 - 2012/13

A measure of material deprivation is also produced for pensioners, similar to that for children, but using different criteria (see explanation of terms section for more detail) and without the criterion that they must also be in a low income household. These figures, illustrated in Chart 5, clearly show that pensioners in Inner London are at a much higher risk of material deprivation (almost one in four) than those elsewhere in the UK, double that for Outer London and Northern Ireland, which were the next highest regions, and nearly five times that of the East of England. The overall rate for London is so much higher that even though it has a relatively small proportion of pensioners among its overall population, the number in material deprivation is higher than for any other region, at over 100,000, split evenly between Inner and Outer London. Pensioners with no occupational or personal pension, in social housing or receiving Pension Credit or Housing Benefit were particularly likely to be in material deprivation. Those receiving Disability Living Allowance or single, but living with others also showed higher rates of material deprivation.

² Pensionable age is based on the state pensionable age at the time of data collection, so for women will be different ages for each of the three years' data. Material deprivation is calculated for all people aged 65 and over.

Chart 5: Material deprivation levels among people of pensionable age by region: (three year average) 2010/11 to 2012/13



Source: FRS 2010/11 - 2012/13

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, at 28 per cent, which is 2.2 million people living in poverty. Both Inner and Outer London had higher poverty rates overall after housing costs than any other region of the UK, with Outer London showing the least long term improvement of any region of the UK.

Table 5: All ages poverty figures: 2010/11-2012/13

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	14
After Housing Costs	21	28	34	24

Source: FRS 2010/11 - 2012/13

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 for children

Material deprivation is derived from asking about a set of 21 goods and services, including child, adult and household items that are typical in Britain. If they do not have a good or service, they are asked whether this is because they do not want them or because they cannot afford them. The items are various and include being able to afford birthday and other celebrations for children, a warm winter coat, managing to pay bills/debt repayments, having household contents insurance and having a week's holiday each year. The set of questions changes periodically in order to stay current and changed in 2010/11, so the 2012/13 publication was the first to include regional figures using these new questions. The material deprivation score is a weighted score calculated on a range of 0 to 100. A family is said to be in material deprivation if they achieve a score of 25 or more on this scale.

Material deprivation for pensioners

Pensioner material deprivation is similar in concept to that described above but covers different items, such as having a damp-free home, access to a telephone when needed, having hair done or cut regularly. As well as not being able to afford them, 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.

For more information please contact Rachel Leeser, GLA Intelligence
Greater London Authority, City Hall, The Queen's Walk, More London, London SE1 2AA
Tel: 020 7983 4696 e-mail: rachel.leeser@london.gov.uk

Copyright © Greater London Authority, 2014. Data produced in this briefing have been reproduced with the permission of the Controller of Her Majesty's Stationery Office and are © Crown Copyright.