

London's Poverty Profile



London's Poverty Profile 2017

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The responsibility for the accuracy of this report, including any errors or misunderstandings, lies with the authors alone.

Foreword

The sixth edition of London's Poverty Profile clearly shows something can be done about poverty. There are a number of positives, with near-record employment rates resulting in a reduction in the number of workless households. This is likely to have contributed to the two-percentage point fall in the poverty rate over the last six years.

The success story of London education has also continued, with the attainment gap for disadvantaged versus advantaged 16-year-olds in Inner London, being almost half that found in the rest of England. Add to this, that disadvantaged children in Inner London are the most likely group to go to university, more so than advantaged children in the rest of the country, and it is clear that change is possible.

However, the data also reveals that there are some persistent problem areas that need greater focus. The cost of housing, particularly the lack of social housing and affordable rents, is one of the greatest drivers of poverty in the capital. It is also increasingly difficult for households to cover high London rents by working; the growth in in-work poverty and low paying jobs, means employment alone is not enough to guarantee a life free from financial struggle.

Unfortunately, low-income Londoners not only lack the cushion of security that comes from knowing you have something to fall back on, but worse than this, they have substantial debts; the bottom tenth of households have negative financial wealth of £2.96 billion.

We are seeing new policies under the new Mayor to address some of these issues, particularly around housing, and we hope that local authorities, employers and central government will work with him to solve them, just as they have worked together to champion initiatives such as the Living Wage. As a London funder, we will also continue to do all that we can.

In all of this, it is crucial that any new policies implemented are well-thought through and then monitored for their impact on the poorest. For example, local authority rents in both England and London have increased by more than private rents over the last five years. Over a similar period, the number of London children living in poverty in social rented homes has increased by 40,000. Prior to, this the trend was for decreasing levels of poverty in the social rented sector.

These examples show that thoughtful and concerted efforts to help low-income Londoners are still urgently needed and, that the efforts really can make a difference.

Jeff Hayes

Chair, Trust for London

Chapter one:

Introduction and commentary

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

This is the sixth report of the series. It offers data on how London has recovered from the recession and the following period of government austerity; the impacts of rising employment, low pay, and benefit cuts on poverty, and how housing problems in London are affecting people and the services that support them.

Key findings

- The proportion of Londoners living in poverty after housing costs are taken into account has fallen from 29% to 27% over the last six years. In the rest of England, the latest figure is 21%. The cost of housing is the main factor explaining London's higher poverty rate.
- The majority of people living in poverty (58%) are living in a working family. Partly due to rising employment, the number has risen to 1.3 million over the last decade, an increase of around 50%.
- More people in poverty live in the private rented sector than any other housing tenure, nearly 1 million. This marks a large shift from 2009/10, when it was the tenure with the fewest people in poverty. The number of children living in poverty in this sector has tripled over the last decade.
- Wealth inequality is more pronounced than income inequality in London. The top 10% of households received nearly 30% of income but owned just over 50% of total wealth. The bottom 50% of Londoners received nearly 25% of income but owned only 5% of wealth.
- While income inequality has declined over the last five years, wealth inequality has increased.
- Unemployment fell to 280,000 in 2016, far lower than its peak in 2011 at 430,000. The number of workless households is at a historically low level.
- 21% of employees are paid below the London Living Wage, compared with 22% a year earlier. This was the first year without an increase since 2009.
- 8% of working-age adults are receiving an out-of-work benefit. Five years earlier, this was 12%.
- Sanctions (ESA, UC and JSA) have fallen to 40,000 in London compared with a peak of more than 130,000 in 2012. The sanction rate for JSA had been 5% and is now 2% of claimants. However, the sanction rate for UC is 6%.
- The net increase of 6,700 affordable homes in 2015/16 represented just under 40% of the London Plan target of 17,000 a year. Only 1 in 4 new home completions were affordable.
- Local authority rents in both London and England have increased more rapidly than private rents over the last five years (around 30%). Over a similar period, the number of children in a social rented home and living in poverty has increased by 40,000 in London.
- Seven in ten households in temporary accommodation in England are in London. Over 80% of these households contained children.
- The difference between the proportion of disadvantaged pupils and the proportion of all other pupils attaining an A* to C in maths and English GCSE at 16 (the attainment gap) in Inner London is almost half (16 percentage points) of the attainment gap in the rest of England (30 percentage points).
- Disadvantaged students from Inner London are more likely to attend higher educational institutions than other students (nearly 60% do so), but are less likely than non-disadvantaged students to attend Russell Group universities.
- In just over a decade, London has gone from having a higher infant mortality rate than England to a lower infant mortality rate. This is a fall of around 40%.

Changes over time

Table 1 summarises the change in London on a number of key indicators comparing the most recent data with five and ten years ago, giving an assessment of whether there has been an improvement or not in each area.

Better means an improvement, for example, a reduction in unemployment. This is not always necessarily straightforward, however: a reduction in out-of-work benefit claims may be because fewer people need them, but might also be because fewer people who need them are receiving them.

The first column looks at the change between the most recent data and the previous period of data. It should be viewed with caution however, given natural variations in much data from year to year. Trends generally become more apparent after a slightly longer timeframe. Most indicators are flat on the most recent trends. There have been slight improvements on homelessness acceptances, evictions and mortgage reposessions on the latest data, though the first two indicators are worse than five or ten years ago. In the labour market, youth unemployment and low pay have also seen improvements in the last year.

A small number of indicators have worsened in the last period: pensioner poverty has increased slightly, with wealth inequality also increasing. The numbers in temporary accommodation also increased, although other homelessness indicators did not in the most recent year.

How has London changed over the last five or ten years? Over five years, the poverty picture is middling, with improvements in working-age and child poverty, with no change in in-work poverty risks or pensioner poverty. In-work poverty and working-age poverty remain worse than a decade ago, however.

One of the most positive sets of indicators is around employment: there have been improvements in workless households, unemployment, underemployment, and youth unemployment compared with five, and for the most part ten, years ago. However, over the same period, work quality indicators such as real earnings, low pay, and people working part-time or in a temporary contract through a lack of alternatives has not improved.

The most consistently poor set of indicators over five years relate to homelessness: rough sleeping, homelessness acceptances and the number of people housed in temporary accommodation have all increased over the last five years, though the latter two are lower than a decade earlier. The only bright spot in housing is the declining number of mortgage reposessions over both five and ten years.

Education has been a consistent source of improvement in this series of reports in London, though there has been a recent dip in performance at age 16. Health indicators have also improved in London over five and ten years.

Theme	Indicator	Latest data	5-year change	10-year change
Low Income	Working-age poverty rate	Flat	Better	Worse
	Child poverty rate	Flat	Better	Better
	Pensioner poverty rate	Worse	Flat	Better
	In-work poverty rate	Flat	Flat	Worse
Inequality	Income inequality	Flat	Better	Flat
	Pay inequality	Flat	Better	Flat
	Wealth inequality	Worse	No data	No data
Housing	Mortgage repossessions	Better	Better	Better
	Landlord repossessions	Better	Worse	Worse
	Overcrowding	Flat	Flat	Worse
Homelessness	Rough sleeping	Flat	Worse	Worse
	Homelessness acceptances	Better	Worse	Worse
	Temporary accommodation	Worse	Worse	Better
Worklessness	Workless households	Flat	Better	Better
	Unemployment ratio	Flat	Better	Better
	Underemployment	Flat	Better	Flat
	Young adult unemployment ratio	Better	Better	Better
Work quality	Involuntary part-time workers	Flat	Flat	Worse
	Involuntary temp workers	Flat	Worse	Worse
	Median real weekly earnings	Flat	Worse	Worse
	Low paid jobs	Better	Worse	Worse
Benefits	Out-of-work benefit claimants	Flat	Better	Better
	Housing benefit caseload	Better	Better	Worse
	Sanctions	Flat	Better	Flat
Education	Attainment at age 16	Flat	Worse	Better
	Free-school-meal attainment at 19	Better	Better	Better
	Lacking qualifications at age 19	Flat	Better	Better
Health	Infant mortality	Flat	Better	Better
	Life expectancy	Flat	Better	Better

Table 1

Differences across London boroughs

Table 2 looks at how each London borough fares on a number of indicators. For each indicator, the 32 London boroughs are divided into four groups: the 16 best performing boroughs in light blue, the eight next boroughs a shade darker, the four second worst performing boroughs, and then the four worst performing boroughs in navy blue. The darker the colour, the deeper the problem. Each borough is then assigned an average across all indicators in the same way. Boroughs are allocated into their London sub-regions.

The two sub-regions which perform the worst across all indicators are the Outer East & Northeast and the Inner East & South, which contain the six worst performing boroughs between them on the basis of these indicators. The indicators on which they rank worst differ slightly, however. As a block of boroughs, the Outer East & Northeast boroughs rank very poorly on the education indicators, and some on low pay and benefit receipt. Several of these boroughs also do poorly on infant and premature mortality. The Inner East & South, in contrast, largely does better on education and low pay, but not health. It also has high overall and child poverty rates, as well as some with high unemployment.

Turning to the Inner West of London, these boroughs fare well across many of the indicators. The striking exceptions are on income inequality and homelessness, with several of these boroughs having high levels of income inequality and temporary accommodation placements outside the borough.

The Outer West & North West is a mixed region. Some of its boroughs score poorly on housing, low pay and inequality, but the sub-region also has multiple boroughs in the top 16 best performing in London. All of the boroughs in London's Outer South are in the top 16 overall. This does not mean these boroughs are without problems, of course, with some scoring poorly on, for example, education and housing.

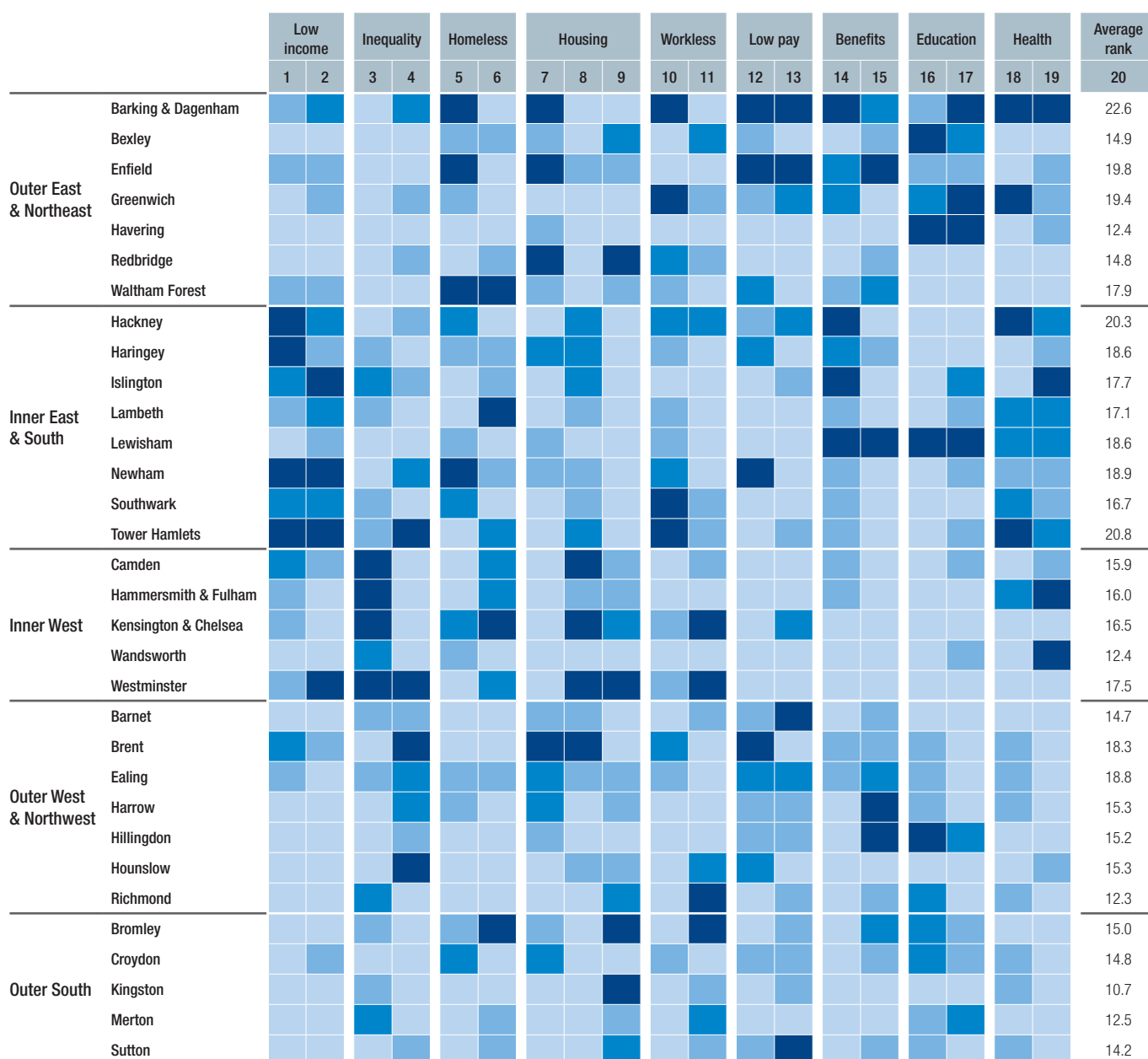


Table 2

KEY Worst 4 boroughs Next 4 boroughs Next 8 boroughs Remaining 16 boroughs

	Indicator	Description
1	Poverty rate	Borough level AHC poverty rate
2	Child poverty rate	Borough level AHC child poverty rate
3	Income inequality	Mean income as a proportion of median income
4	Pay inequality	80:20 ratio of earnings
5	Homeless acceptances	Homelessness acceptances per 1,000 households in borough
6	Temp accommodation	Proportion of temporary accommodation placements outside of borough
7	Landlord repossessions	Landlord repossessions per 1,000 rented households
8	Housing affordability	Ratio of lower quartile full-time pay to lower quartile rent for 2-bedroom property
9	Housing delivery	Number of affordable dwellings completed in borough
10	Unemployment ratio	Proportion of working-age population unemployed

	Indicator	Description
11	Unemployment change	Change in unemployment ratio (over 3 years)
12	Low pay	Proportion of employees living in area paid below London Living Wage
13	Low pay change	Change in low pay (over 3 years)
14	Out-of-work benefits	Proportion of working-age population receiving out-of-work benefits
15	CTS cut	Average size of income loss from council tax support
16	GCSE attainment	Proportion of disadvantaged children not achieving target standard at age 16
17	Qualifications at 19	Proportion of 19 year olds lacking level 3 qualifications
18	Infant mortality	Infant mortality per 1,000 live births
19	Premature mortality	Mortality rate of 55-64 year olds
20	Average across all indicators	

Commentary

This report is the sixth London's Poverty Profile, containing data up to 2017 for employment and social security indicators and 2016 for others. The report series, while examining longer term shifts in patterns of poverty and disadvantage in London, has been shaped by several large events. These include the financial crisis and subsequent recession between 2007 and 2009, and the government's response through austerity and welfare changes since 2010. At the same time, London's population has grown substantially – by 845,000 since the first report was published in 2009.

What have all of these changes – crisis, recession, austerity, population boom – meant for poverty and disadvantage in London? In some ways, London is better off than it was before the financial crisis. Employment rates are at their peak, at least as far back as 1992, at over 73% of the working-age population. This is 4.5 percentage points higher than a decade earlier. This also translates to a record low in the number of workless households in London. Fewer people are in receipt of out-of-work benefits. Some of the problems associated with welfare reform, such as excessive benefit sanctioning, appear to have abated.

Partly as a result of these trends, the proportion of people in poverty in London has drifted downward since the three years to 2010/11, from 29% to 27%, although population growth means that the number of people in poverty has remained constant. The proportion of people in deep poverty has risen by 1.5 percentage points over this period, however, and poverty remains higher in London than in the rest of the country.

As this story in poverty suggests, London's performance in recent years is complicated. The city remains deeply unequal in terms of both income and wealth, though income inequality has recently fallen while wealth inequality has risen. The proportion of employees who are paid below the London Living Wage fell slightly in 2016 to 21%, but remains much higher than a decade earlier. Some (but not most) of the work created has been poor quality, and many people are still underemployed or in insecure work.

Looming over all of this are the city's housing problems, the most prominent manifestation of London's two-sided economic success. The first report in this series noted the role of high housing costs in understanding London's high overall levels of poverty. This position has not improved, with London's poverty rate almost doubling after accounting for housing costs. The most recent year of data, 2015/16, has at least seen no increase in rough sleeping while homelessness acceptances began to decline after consistent increases since 2009/10. Even so, rough sleeping and homelessness acceptances in London are still significantly higher than a few years ago, despite record employment levels.

The government has also removed some of the support in place to help people cope with these housing costs. Reductions in Local Housing Allowance (housing benefit for the private rented sector), less generous uprating of benefits against rising inflation, and the introduction of the benefit cap and bedroom tax have all made it harder for those on low incomes in London to survive. These changes certainly partly explain why deep poverty has risen. Other cuts to come to social security, such as reduced work allowances under Universal Credit, or limiting support to only two children, will only exacerbate this problem.

Longer term trends in poverty in London

Recent reports have recorded a shift in the nature of poverty in London: away from workless families in social housing in Inner London towards in-work poverty, often in private rented accommodation and increasingly in Outer London. These shifts have implications for how policy action should seek to reduce poverty: challenging the notion that work is a simple route to sufficient living standards, which boroughs need to be most concerned with disadvantage, or whether and what regulation of the private rented sector is required.

Are these trends still moving in the same direction? For in-work poverty, this is still very much the case, with an increasing proportion of those in poverty in work. In 2010/11, 51% of all Londoners in poverty were in a working family. Five years later, this figure has risen to 59%. This is largely due to the rising number of working families as there has been no change in the proportion of working families in poverty over this period.

Turning to tenure, the private rented sector also continues to be where a growing share of Londoners in poverty live. In the last five years, the proportion of Londoners in poverty living in private rented housing has grown from 36% to 43%. However, 36% of those in poverty live in social rented housing, and this figure has not declined over these five years. As a result the number of children in poverty in the social rented sector has increased.

The pattern for Inner and Outer London is yet more complicated. In 2015/16, 35% of Londoners lived in an Inner borough, but 41% of Londoners in poverty live in an Inner borough. Ten years earlier, 43% of Londoners in poverty lived in Inner London. There are more people in poverty in Outer London, in part because there are more people in Outer London. There are other signs of growing disadvantage in parts of Outer London: for example, generally poorer levels of GCSE attainment by disadvantaged pupils, and in the Outer North and East, relatively high rates of evictions, premature mortality and out-of-work benefit receipt. Whatever the trends and high level patterns may be, none of London's 32 boroughs has a poverty rate below 15% or (give or take a few hundred) has fewer than 30,000 residents experiencing poverty. It is not just the usual suspects: Bromley has more people in poverty than Kensington & Chelsea, Barnet more than Islington, Redbridge more than Barking & Dagenham. Poverty, inequality and social exclusion are a London-wide problem requiring a serious and concerted response from every borough.

Demography

Key points

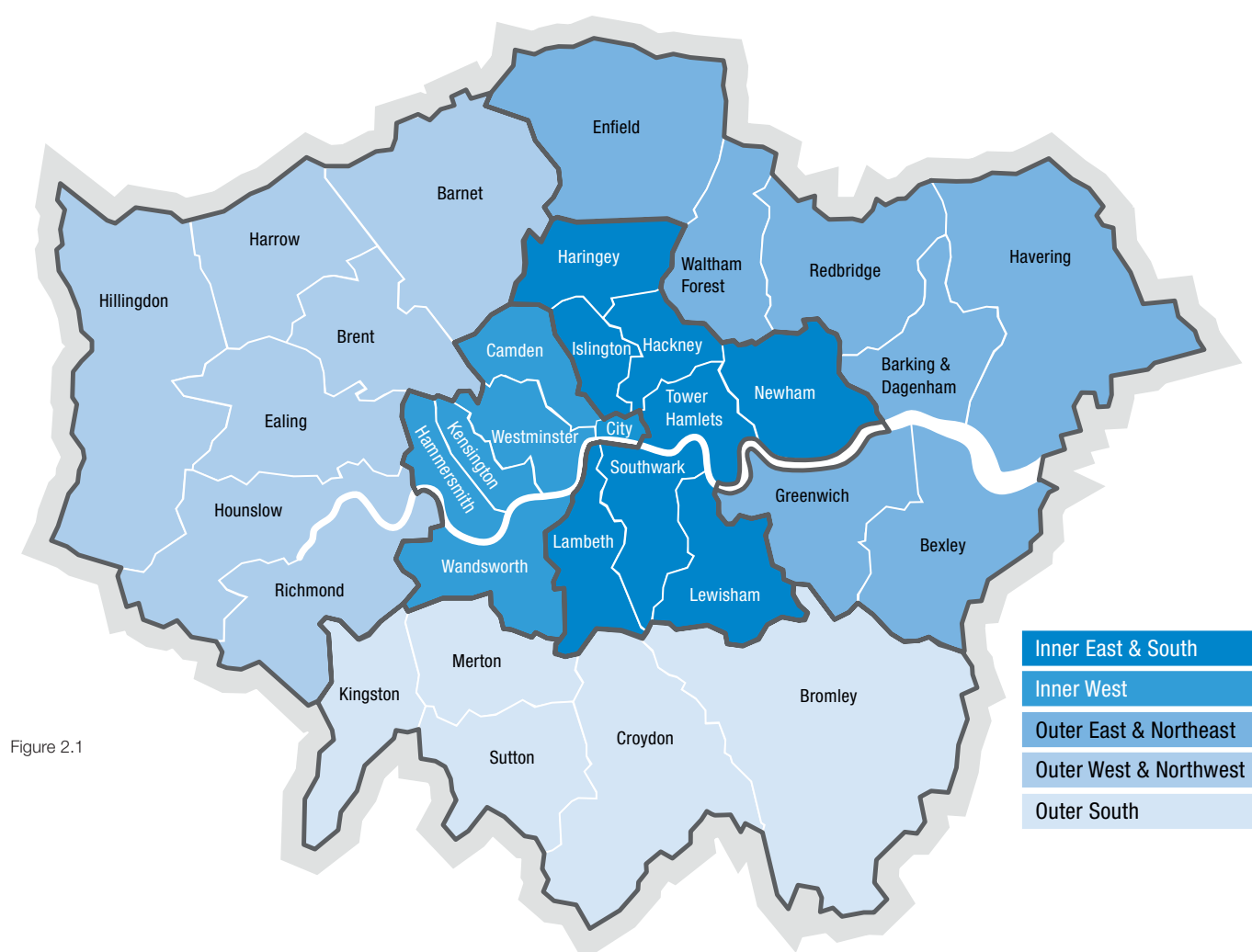
- In 2016, London's population was 8.8 million, 13% of the total UK population. London is growing at twice the rate of the UK as a whole.
- London has a younger age profile than the rest of England. This is because it has a higher proportion of 25–34-year-olds (the average age for having children) resulting in a larger proportion of under 5s.
- London's overall average population density of 5,500 people per square km is higher than the population density of Birmingham and Manchester.
- The Inner East & South was the London sub-region with the fastest population growth, highest population density and second highest proportion of population that is black and minority ethnic (BME).
- London has a BME population (at 41%) four times higher than the rest of England (10%), and a higher population not born in the UK (38% compared with 11%).
- Inner and Outer London has a net migration inflow for ages 15 to 29, with an outflow for all older age groups.

Introduction

This chapter explores the demography of London – who lives in the city, and how this is changing. It puts the rest of our report in context. Throughout this report we break down data into a range of different geographies, ranging from small areas of 7,500 people up to Inner and Outer London and the city as a whole. We also use five sub-regions, which are shown in the map (Figure 2.1) and examined in Figure 2.2.

London's population is not fixed, nor captured entirely by our statistics. In writing this report, we are aware that there are 'hidden' groups, who are not captured by administrative or survey data. This includes undocumented migrants, the hidden homeless, and workers in the informal economy. We discuss these in the report whenever they are relevant.

London's sub-regions



	Total population (millions)	Population increase in last decade	People per square km	% BME	% not UK-born
Inner East & South	2.4	24%	11,200	46%	39%
Inner West	1.2	8%	10,700	34%	45%
Outer East and Northeast	1.9	16%	4,400	38%	32%
Outer South	1.3	10%	3,600	31%	28%
Outer West and Northwest	2.1	15%	4,500	47%	44%
London	8.8	16%	5,590	41%	38%
Rest of England	46.5	7%	360	10%	11%

Figure 2.2:
The population of London's sub-regions

Source: ONS mid-year population estimates for 2006 and 2016; ethnic minority and non-UK-born from Annual Population Survey 2016, ONS via NOMIS.

Key points

- London has a population of 8.8 million, which has grown 16% over the last decade. The proportion of black and minority ethnic (BME) people in London is four times higher than the rest of England, and the proportion of people not born in the UK is three times higher.
- Inner East & South was the sub-region with the fastest population growth (24%), the highest population density (11,200 people per square mile) and the second highest proportion of population that is BME (46%).
- The Outer South has the lowest population density (3,600 people per square km) it also has the lowest proportion of BME residents (31%).

Inner East & South London's population grew the fastest of any of London's sub-regions over the last decade, by 24%. Inner West's population grew the slowest, at 8%, the same rate as the rest of England. However, the Inner West still has a similar population density to the Inner East & South.

Inner East & South London has the highest population density of all of London's sub-regions, 11,200 people per square km. The London average is 5,590 people per square km and the lowest density sub-region is Outer South with 3,600 people per square km. London's overall population density average is higher than the UK's next two largest cities. Birmingham has an average of 4,110 people per square km, and Manchester has 4,485 people per square km.

The London sub-regions with the highest proportion of BME population is the Outer West & North West (47%), followed by the Inner East & South (46%). The sub-region with the lowest proportion of BME is Outer South (31%), although this is still triple the rest of England (10%).

The Inner West is the only sub-region to have a higher proportion of the population not born in the UK (45%) than BME (34%). This is because a quarter (25%) of the population of the Inner West is White foreign-born.

London's population over time

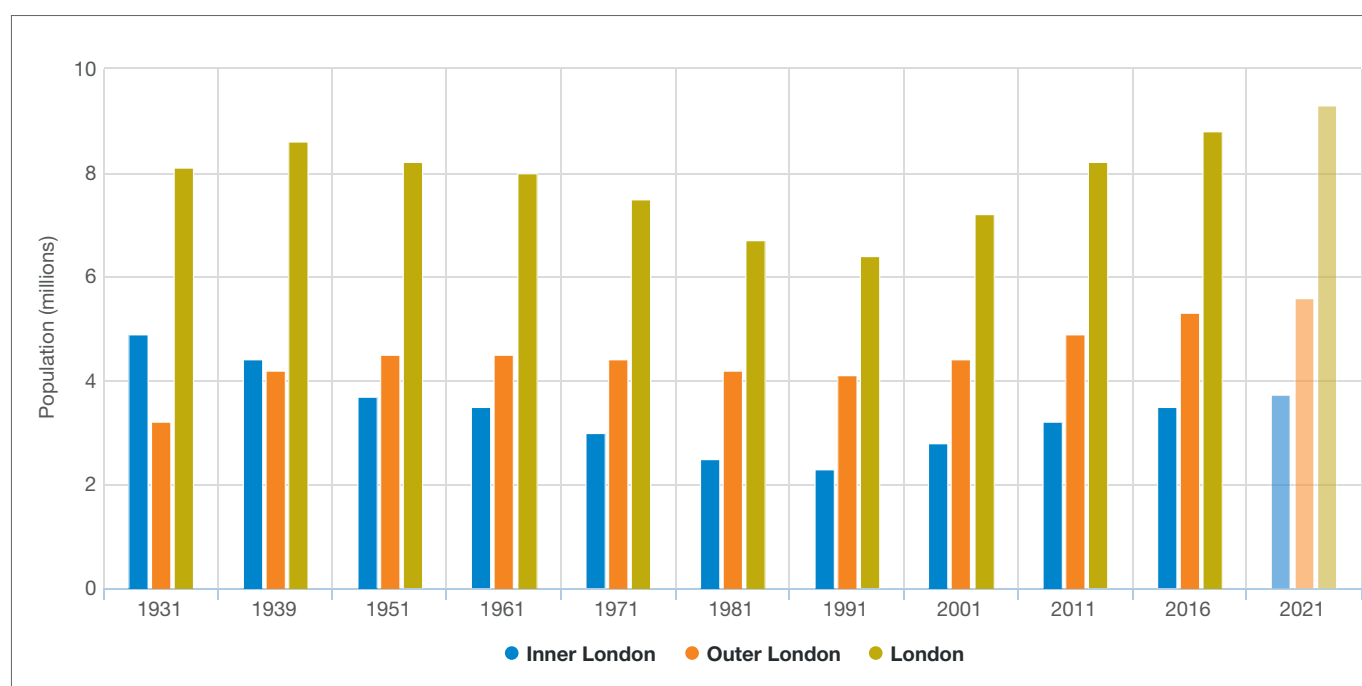


Figure 2.3

Source: Census data to 2011, Mid-year population estimates for 2016, GLA projections for 2021.

Key points

- In 2016, London's population was 8.8 million, 13% of the total UK population. 3.5 million people lived in Inner London, and 5.3 million live in Outer London.
- London's population has increased by around 650,000 since 2011, an annual increase of around 120,000 a year. This is twice the rate of growth of the UK as a whole.
- London boroughs vary hugely by population size – Barnet and Croydon were the two biggest boroughs, both with populations of 380,000. The smallest borough, Kensington & Chelsea, is less than half the size with a population of 160,000.

London's population has grown 7.5% in just five years. The UK as a whole has grown by 3.7% over this period, or 3.2% excluding London. The capital contained approximately 13% of the total UK population in 2016.

Inner London's population has increased by 300,000 since 2011 to 3.5 million while Outer London's has increased by 350,000 to 5.3 million. Outer London's population is 60% of the total. These numbers are projected to grow to 3.7 and 5.6 million respectively by 2021. Inner London's population remains well below its historic peak of 5 million before the Second World War. The 1930s was the last time that the population of Inner London was larger than that of Outer London.

While the overall population of London fell between 1939 and 1991, it has grown rapidly since, by over 1 million in the two decades up to 2011. The population is projected to continue grow rapidly over the coming decade, increasing by 600,000 in the six years to 2021, reaching 9.3 million.

London has 32 boroughs of varying sizes, plus the City of London. In 2015, Barnet and Croydon were the two biggest boroughs, both with populations of 380,000, making them the equivalent of medium sized cities in their own right. Kensington & Chelsea is the smallest borough with a population of 160,000.

The population of Tower Hamlets is set to have the most rapid growth of all London boroughs between 2015 and 2021. It is projected to grow by 8%, taking the population from 305,000 to 330,000. Kensington & Chelsea is set to have the slowest growth, increasing by just 1% in the same time period.

Age profile of London's population

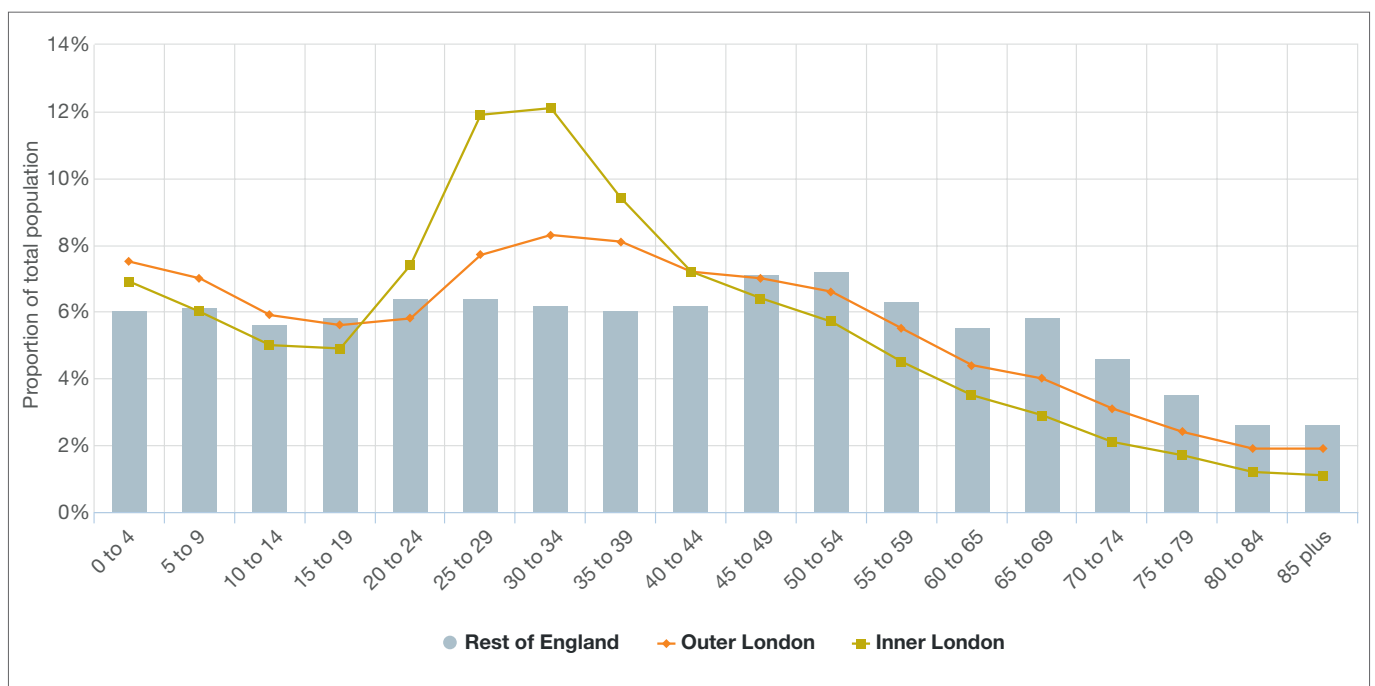


Figure 2.4

Source: Mid-year population estimates, ONS. The data is for 2016.

Key points

- London has a much higher proportion of its population in the age range 25–34 than the rest of England.
- London has a higher proportion of children under the age of 5 than the rest of England. This can be explained by the larger proportion of people in the age group 25–34 who live in London and are likely to be starting families.
- London has a lower proportion of people in all age groups from 45 and above compared with the rest of England.

London's population by age is structured differently to the rest of England's. London has a much higher proportion of its population in the age range 25–34 than the rest of England. This is particularly the case for Inner London for which it makes up 24% of the population. It makes up 16% of the Outer London population and 13% of the rest of England population. London also has a higher proportion of children under the age of 5 than the rest of England.

London has a lower proportion of people in all age groups from 45 and above in comparison to the rest of England. The difference starts small at just half a percentage point in the 45 – 49 age group but then increases in each age group to a peak of 2.3 percentage points for 65 – 69 year olds. It then slowly decreases again to just 1 percentage point for those aged 85 and older. Up to this point, each age band is decreasingly present in London relative to the rest of England.

Consistent with London's age structure, data from the last Census (2011) showed that London's households differ in important ways from the rest of England. It had fewer pensioner households, who made up 10% of households in Inner London and 16% in Outer London, compared with 22% in the rest of England. Inner London had relatively more single working-age households (28%, compared with 17% in the rest of England and 18% in Outer London). Both Inner and Outer London had more households containing multiple families (18% and 13% respectively) compared with the rest of England (7%).

People moving to and from London

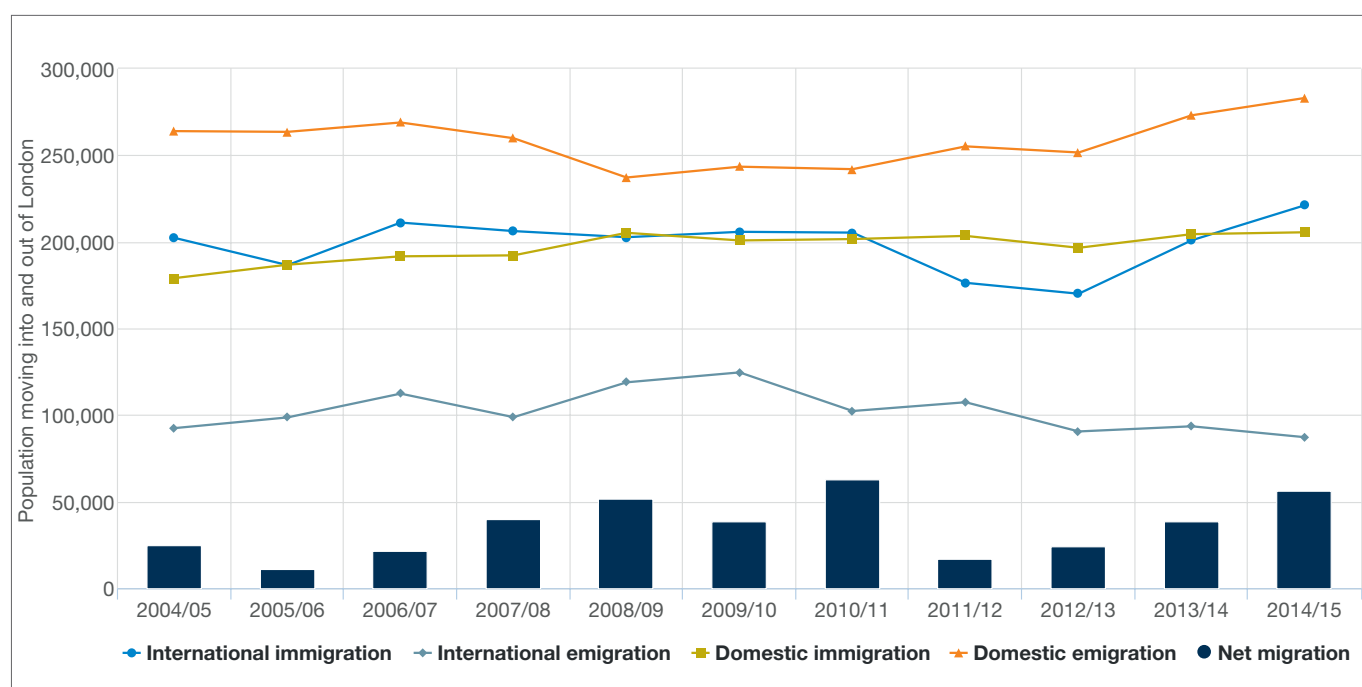


Figure 2.5
Source: Migration tool, ONS.

Key points

- In 2014/15 there was a net migration inflow of just under 60,000 people to London, the highest number since 2010/11.
- For all years since 2004/05 more people have moved from London to other parts of the UK than the other way round, reaching a peak of 280,000 in 2014/15. Over the same period, more people moved to London from abroad than the other way around, reaching a peak of 220,000 in 2014/15.

Figure 2.5 shows how the number of people migrating in and out of London both domestically and internationally has changed over time.

The grey bars show net migration to and from London. That is how many people have moved to London, minus how many people have moved away. This is for both domestic and international migration. It shows that in 2014/15 there was a net inflow of just under 60,000 people to London. The last time there was a net inflow this large was in 2010/11, when it was just over 60,000. The following year there was a significant drop to below 20,000. However the net migration inflow has increased every year since.

The yellow and orange lines show domestic migration, that is migration to and from other parts of the UK. For all years since 2004/05 more people have moved from London to other parts of the UK than the other way round. In 2014/15 domestic emigration was at a peak of 280,000. This is markedly higher than the low of 240,000 in 2008/09. Domestic immigration has remained relatively steady since 2004/05; in 2014/15 it was 210,000.

The blue lines show international migration. In 2014/15 international immigration was at a peak of 220,000. International immigration remained relatively constant from 2004/05 onwards, at around the 200,000 mark, it then fell significantly for two years in a row in 2011/12 and 2012/13, to 170,000. Since then it has increased to a 10-year high in 2014/15.

International emigration has been significantly lower than international immigration since 2004/05. In 2014/15 it was at a 10-year low of 90,000, 30,000 below the peak of 120,000 in 2009/10.

The population of London has increased much more than these numbers suggest, which shows that the main driver of London's population growth in the last decade has been the number of births being higher than the number of deaths, rather than the number of people moving in being higher than those moving out. Net migration figures account for slightly more than a quarter (27%) of London's population growth.

People moving within London



Figure 2.6

Source: ONS Internal Migration Statistics, 2015.¹

Key points

- Inner and Outer London each have a net internal migration inflow for ages 20 to 29.
- The largest outflow migration from Inner London occurs for the ages 30 to 39.
- The largest outflow migration from Outer London occurs between 15 to 19.

Figure 2.6 looks at how internal migration affects London's age structure. It shows net internal migration by age group. That is how many people in each age group moved in from other parts of the UK, minus how many people in the same age group moved out to other parts of the UK. London is a net importer of certain young adult age groups, and a net exporter of others.

The figures for Inner London show net migration to and from all other parts of the UK, including Outer London. Negative numbers mean more people in that age group moved out of Inner London than moved in. Positive numbers mean more people moved in. The same principles apply to the figures for Outer London.

The only age groups in which Inner London had a net internal migration inflow are the age groups between 15 and 29. There is a peak in the age group 20 to 24 where 20,000 more people moved in to Inner London from other parts of the UK than moved out. There is then a large net outflow of 25,000 in the age group 30 to 39. This is the age for the biggest exodus, with the outflow decreasing as retirement age approaches.

For Outer London the pattern is similar, but less pronounced. One significant difference is in the age group 15 to 19, where Inner London has a net inflow of 2,000 while Outer London has a net outflow of 12,000.

¹ This dataset is based on administrative data sources: GP registration data and Higher Education Statistics Agency.

Low income

Key points

- London has a lower proportion of people in poverty than the rest of England before housing costs (14% compared with 16% in the rest of England), but a higher proportion after housing costs (27% compared with 21%).
- On the after housing costs measure the proportion of people in poverty has fallen from 29% to 27% over the last six years, though the number of people in poverty remains unchanged at 2.3 million.
- Over the same period, the number of people experiencing deeper poverty, with incomes below half the average, has increased.
- 37% of children, 24% of working-age adults, and 19% of pensioners in London are in poverty. The proportion of children and pensioners in poverty in London has fallen over the last decade, whereas the proportion of working-age adults in poverty has risen slightly.
- Poverty rates are higher in Inner London than in Outer London, but this represents just 39% of Londoners in poverty. 61% are in Outer London.
- More people in poverty in London are in a working family than five, ten or twenty years ago, primarily because more people are working. However, people in working families are still less likely to be in poverty: 18% of adults and 30% of children in working families are in poverty, compared with 55% of adults and 70% of children in workless families.
- In families with all adults working full-time the proportion in poverty is much lower at 8%. Even so 17% of the in-work poor are from this group.
- Overall 58% of people in poverty in London are in a working family. This figure was 44% a decade earlier and 24% two decades earlier.
- There is a strong link between disability and poverty in London. 34% of people in a family with at least one disabled adult are in poverty, whereas 25% of people in families with no disabled adults are in poverty.
- In the last five years, the number of children in poverty and living in private rented and social rented accommodation has increased. The number of children living in poverty in the private rented sector has tripled in a decade.
- More people in poverty are living in the private rented sector than any other tenure (43%).
- 530,000 children in London are materially deprived – lacking several basic items on the grounds of cost. This is 28% of children; five years earlier 32% of children were materially deprived.

Introduction

This chapter looks primarily at incomes in London and how they compare with the rest of England. It does this mainly through the lens of poverty: those with incomes so low that they cannot fully meet their needs.

The way we define poverty in this report is having insufficient resources to meet one's needs, both materially and also for participating in society. In a market economy such as the UK, the resources required to meet needs are largely financial, which is why we are particularly concerned about income. Resources are about costs as well as income. We address several important costs in this chapter as well.

Poverty is measured at the household level, with income adjusted for the size of the household and calculated after deducting taxes such as income tax and Council Tax. Analysis in this report usually uses figures after housing costs (AHC), reflecting both the high share of income taken up by housing costs in London, and the relatively low level of choice in the housing market. The conventional threshold used to measure poverty is 60% of the median income¹, a common measure across Europe.

This poverty measure is in some ways a measure of inequality, although what is happening at the top does not matter for the calculation of the poverty threshold. Instead it is how the bottom relates to average incomes. This can still produce counter-intuitive results: for example, a falling median means a household could theoretically no longer be in poverty even with a constant income. Median income has been rising since 2013–14, following several flat years and some falls from 2009–10.

This chapter first looks at what we mean by poverty and how the threshold for this compares with other similar measures of income inadequacy. It then examines trends in poverty in London over time, including the central role housing costs play.

Poverty varies according to a range of personal and household characteristics, such as age, work status, disability and housing tenure. How these influence poverty in London are also analysed in this chapter.

Defining and measuring poverty

Key points

- In 2015/16, the UK poverty line was £144 a week or £7,488 a year after housing costs for a single working-age adult, and £347 a week or £18,044 a year for a couple with two children.
- The public's assessment of the income required to live a socially acceptable standard of living is generally considerably higher than this poverty line, especially for couples.
- There is a much lower measure – destitution – which measures the extent to which people can afford the very basics.

¹ The 'median' income refers to the income at which half of households have a higher income, and half have a lower income – the mid-point of the distribution. This measure is more accurate for assessing average incomes, as it is not skewed by very high incomes at the top.

	Before housing costs (BHC)			After housing costs (AHC)			Destitution
	UK poverty line	MIS Inner London	MIS Outer London	UK poverty line	MIS Inner London	MIS Outer London	UK
Single, working-age	£193	£432	£384	£144	£203	£216	£70
Couple, working-age	£288	£652	£593	£248	£351	£379	£100
Single, pensioner	£193	£318	£297	£144	£196	£175	
Couple, pensioner	£288	£437	£391	£248	£299	£253	
Lone parent, one child (aged one)	£251	£400	£411	£193	£263	£274	£90
Couple with two children (aged three and seven)	£403	£607	£627	£347	£456	£476	£140

Figure 3.1

The poverty line figures are for 2015–16. The MIS figures are for 2016–17. The UK destitution line was calculated in 2016.

As mentioned in the introduction, the poverty measure typically used in this report is being in a household with an income below 60% of the median. This is adjusted for household size and is after taxes such as income tax and Council Tax. Figure 3.1 puts these poverty thresholds in the context of similar concepts. For example, a working-age couple with an income below £288 a week before removing housing costs (or £248 after) is considered to be in poverty. On an annual basis, this is equivalent to around £14,980 for this family type before housing costs (BHC), or £12,890 after housing costs (AHC). However, when members of the public are asked what income is needed to have a socially acceptable minimum standard of living (MIS – Minimum Income Standard – a different concept to poverty), the values are quite a bit higher: £351 a week in Inner London after housing costs, and £379 in Outer London. The gap between the poverty line (which is the highest income someone can have but still be in poverty) and the amount the public think is the minimum to have a socially acceptable standard of living is large, around £103 a week in Inner London.

This difference is emphasised in Figure 3.2, which gives us some idea of the extent to which having an income on or below the poverty line is insufficient for a socially acceptable standard of living. The difference is quite highly pronounced for couples with and without children, by more than £100 a week in both Inner and Outer London.



Figure 3.2

The poverty line figures are for 2015–16. The MIS figures are for 2016–17.

² Fitzpatrick, S., Bramley, G., Sosenko, F. et al (2016) *Destitution in the UK*. York: JRF.

Figure 3.1 also shows the income level that would leave someone 'destitute'. This is a concept that has been developed relatively recently.² Someone is destitute if their income is so low they cannot afford basic food, shelter, heat or other items. The figure is £100 for a couple. There is no London specific figure, though the research does suggest a higher prevalence of destitution in London.

Poverty over time

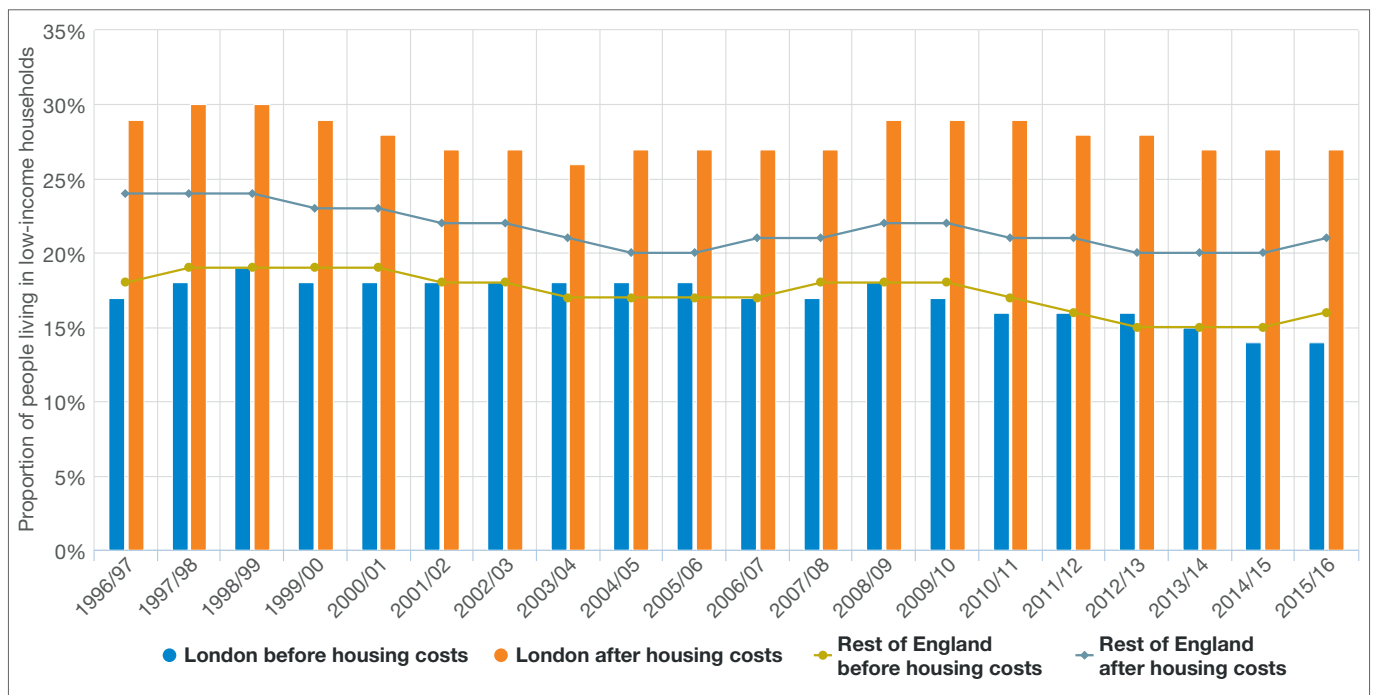


Figure 3.3

Source: Households Below Average Income dataset, Department for Work and Pensions. The data uses three-year averages to the year shown.

Key points

- After housing costs, 27% of people in London are in a household in poverty, compared with 21% of people in the rest of England.
- The proportion of people in poverty in London has been slowly but steadily declining over the last number of years. In 2008–11 it was two percentage points higher at 29%. However, because London's population has grown, the number in poverty remains at 2.3 million.
- The proportion of Londoners in 'deep poverty' has increased over this time period.

Figure 3.3 looks at the changing picture of poverty in London. On average in the three years to 2015/16, 27% of people in London were in a household in poverty after housing costs (AHC). This is equivalent to around 2.3 million people. 21% of people were in households in AHC poverty in the rest of England.

On this after housing costs measure, the poverty rate in London has fallen slightly: down two percentage points from 29% in 2007/08. The number of people in poverty in London have been largely unchanged over the last six years, although this is in the context of a growing population. Between 2008–11 and 2013–16, the increase was less than 20,000 and not statistically significant.

The BHC measure includes housing benefits as income and does not deduct rent. In London, where housing costs are higher, housing benefits can make up a significant part of a household's income despite it going directly to the landlord. A household in London receiving a large amount of housing benefits for their rent will appear to be better off than a similar household outside London with lower rent costs. The BHC measure also means that a household will appear to be better off if their rent increases, thus increasing the amount of housing benefits they receive, although their disposable income remains unchanged. Moreover, an increase in rent for those not receiving housing benefits means a fall in their disposable income, which is also not captured by the BHC measure. We therefore use the AHC measure throughout this report as it offers a more accurate picture of how poverty varies across the capital and compares with the rest of England.

Housing costs play a large role in explaining higher rates of poverty in London than the rest of England. Before we account for housing costs (the BHC measure), London had a lower poverty rate than the rest of England at 14% compared with 16%. However, once housing costs were accounted for, London's poverty rate was six percentage points higher than the rest of England. Previously, London and the rest of England had similar rates of poverty before housing costs. For the last few years, London's BHC rate has been lower.

Despite the poverty rate falling over the last few years, there is some evidence that depth of poverty is increasing, i.e. those in poverty might be facing deeper disadvantage. One measure of this – whether household income is below 50% of the median income rather than 60% – is increasing in London. This poverty rate has increased by 1.5 percentage points in the last five years.

There has also been an increase in people in London who have an income below the MIS level, from 39% in 2010/11 to 41% in 2014/15.³

³ Padley, M., Davis, A., Hirsch, D., Horsley, N., Valadez, L. 2017. *A Minimum Income Standard for London, 2016-17*. London: Trust for London.

Disability and poverty

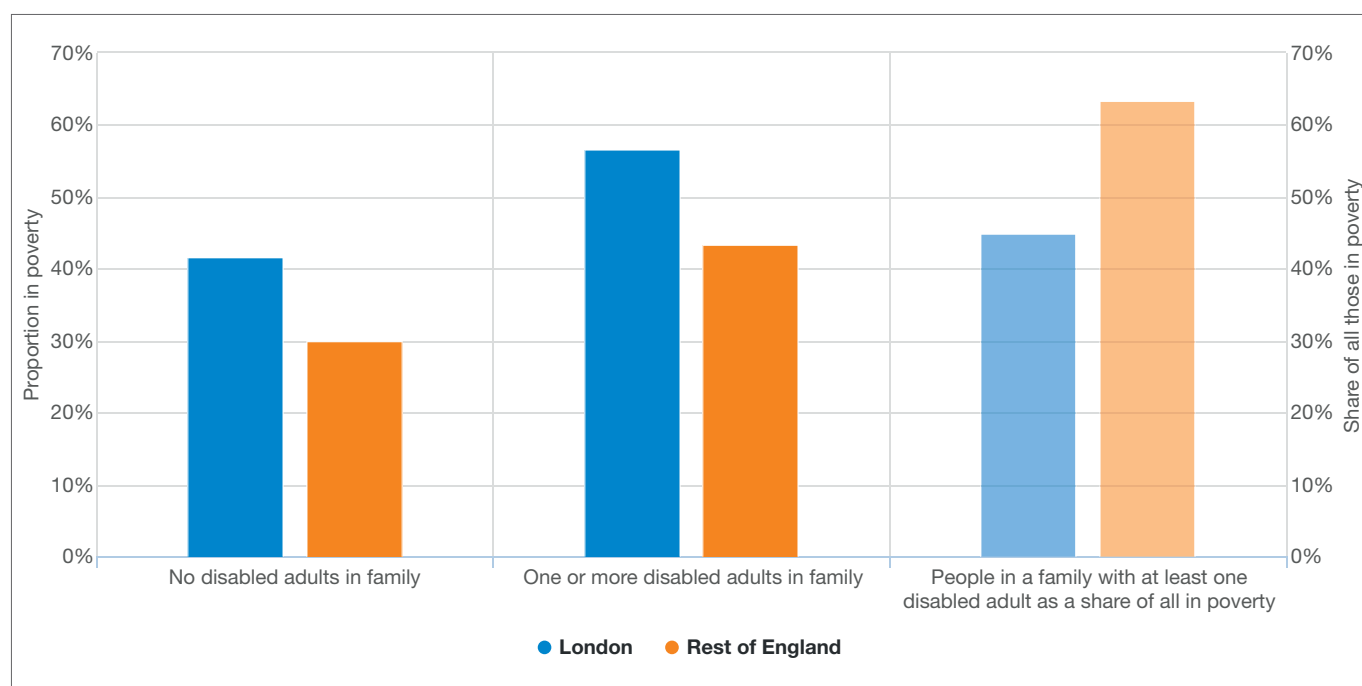


Figure 3.4

Source: Households Below Average Income dataset, Department for Work and Pensions. The data is a three-year average for 2013/14 to 2015/16.

Key points

- **34% of people with a disabled adult in the family are in poverty in London, compared with 25% of people without a disabled adult in the family.**
- **The poverty rate for people in a family with a disabled adult is higher in London than in the rest of England: 34% in London compared with 26% in the rest of England.**
- **However, partly because of London's younger age profile, people in a family with at least one disabled adult make up a smaller share of all those in poverty (27%) than in the rest of England (38%).**

Disability is strongly associated with poverty, both because disability brings with it extra costs which reduce the resources available relative to non-disabled people, and because it often reduces the capacity to work. Figure 3.4 shows the poverty rate for people in families with and without a disabled adult in London and the rest of England. It also shows the share of all people in poverty who belong to such a family (see bars on right hand side).

The poverty rate for people in a family with at least one disabled adult is higher in London than for those without by nine percentage points at 34%. This is also higher than the poverty rate for those in families with a disabled adult in the rest of England, which is 26%.

However, despite the higher poverty rates for families with a disabled adult in London, they make up a smaller share of poverty overall. 27% of people in poverty in London are in a family with a disabled person, compared with 38% in the rest of England. This reflects lower prevalence of disability in London, in part due to its younger age profile.

Poverty by age

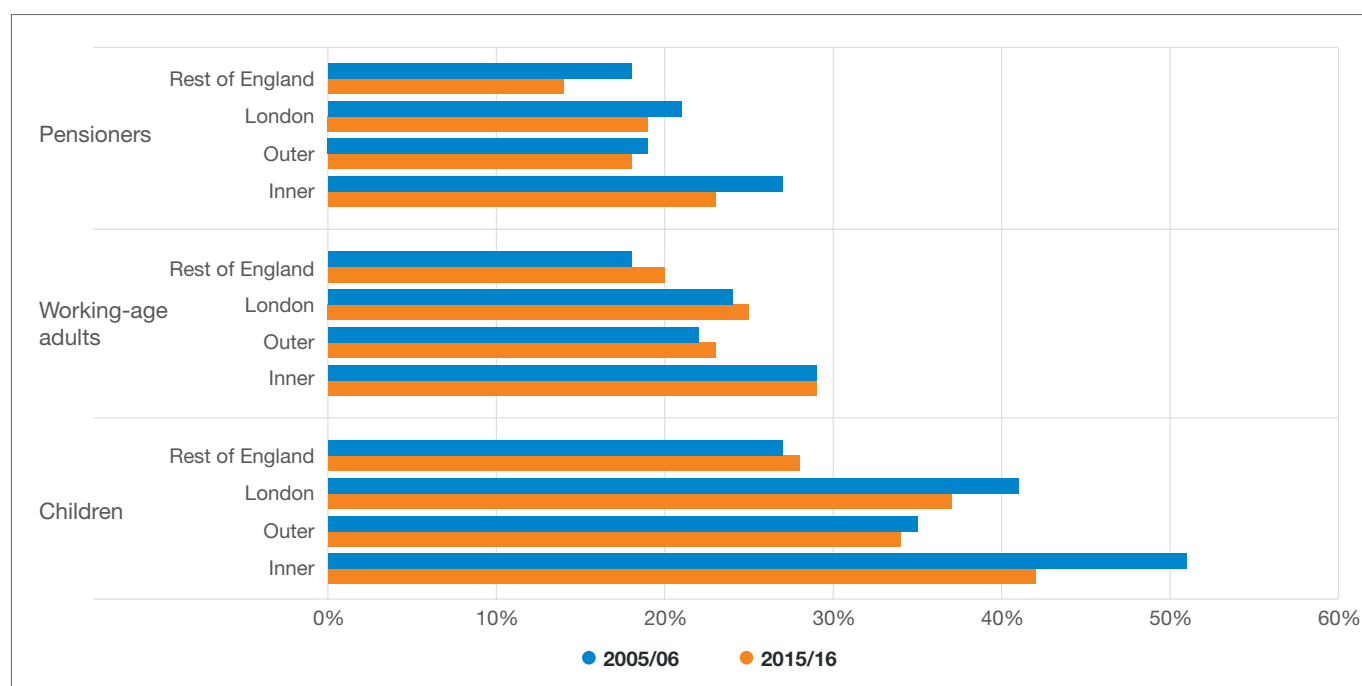


Figure 3.5

Source: Households Below Average Income dataset, Department for Work and Pensions. The data uses three-year averages to the year shown.

Key points

- Inner London has higher AHC poverty rates for children, pensioners and working-age adults than Outer London and the rest of England. The gap between London and the rest of England is greatest for children.
- However, Inner London has seen larger falls in poverty rates for children and pensioners than Outer London and the rest of England. It has also not experienced an increase in poverty for working-age adults, in contrast with the other two areas.
- The proportion of each age group in poverty is higher in both Inner and Outer London than in the rest of England. While Inner London has the highest rates, Outer London has a greater share. It now accounts for 61% of those living in poverty in the capital.

Figure 3.5 looks at after housing costs poverty rates for children, working-age adults, and pensioners in 2003–04 to 2005–06 and in 2013–14 to 2015–16. It splits this by Inner and Outer London, London overall, and the rest of England.

In the three years to 2015–16, 37% of children, 24% of working-age adults, and 19% of pensioners were in poverty in London. In numbers this is 700,000 children, 1.4 million working-age adults, and 200,000 pensioners in poverty.

Compared with a decade earlier, the proportions of both children and pensioners in poverty are lower. The child poverty rate has fallen from 41% to 37%, and the pensioner poverty rate has fallen from 21% to 19%. Despite this, because of population growth, there are now around 90,000 more children in poverty and an unchanged number of pensioners. The proportion of working-age adults in poverty has risen slightly to 24%.

Poverty varies within London – it is consistently higher in Inner London than in Outer London, though the gaps are declining as poverty rates have fallen more in Inner London. The gap is greatest for child poverty rates, which are eight percentage points higher at 42% in Inner London. Working-age and pensioner poverty rates are seven and five percentage points higher in Inner London than Outer, at 29% and 23% respectively. Child poverty rates in Inner London were previously 16 percentage points higher than Outer London at 51%. Poverty rates for pensioners also fell more in Inner London, at four percentage points compared with one.

This pattern also holds if we look just at the last five years. In that period child and pensioner poverty have not fallen in Outer London, but have done so by two and three percentage points respectively in Inner London. Working-age poverty fell more in Inner London (three percentage points) than Outer (two percentage points).

In the three years to 2015/16, 39% of all people in poverty in London lived in Inner London. This was 43% a decade before. There are 900,000 people in poverty in Inner London, and 1.4 million in Outer London. This is 40,000 more and 250,000 more than a decade earlier respectively.

Poverty rates in both Inner and Outer London are higher than the rest of England. However, child and working-age poverty rates in the rest of England have increased over the last 10 years, in contrast to falling child poverty rates in London and a smaller increase for working-age adults. The improvement in pensioner poverty rates was more pronounced in the rest of England however, falling by four percentage points rather than two.

Work and poverty

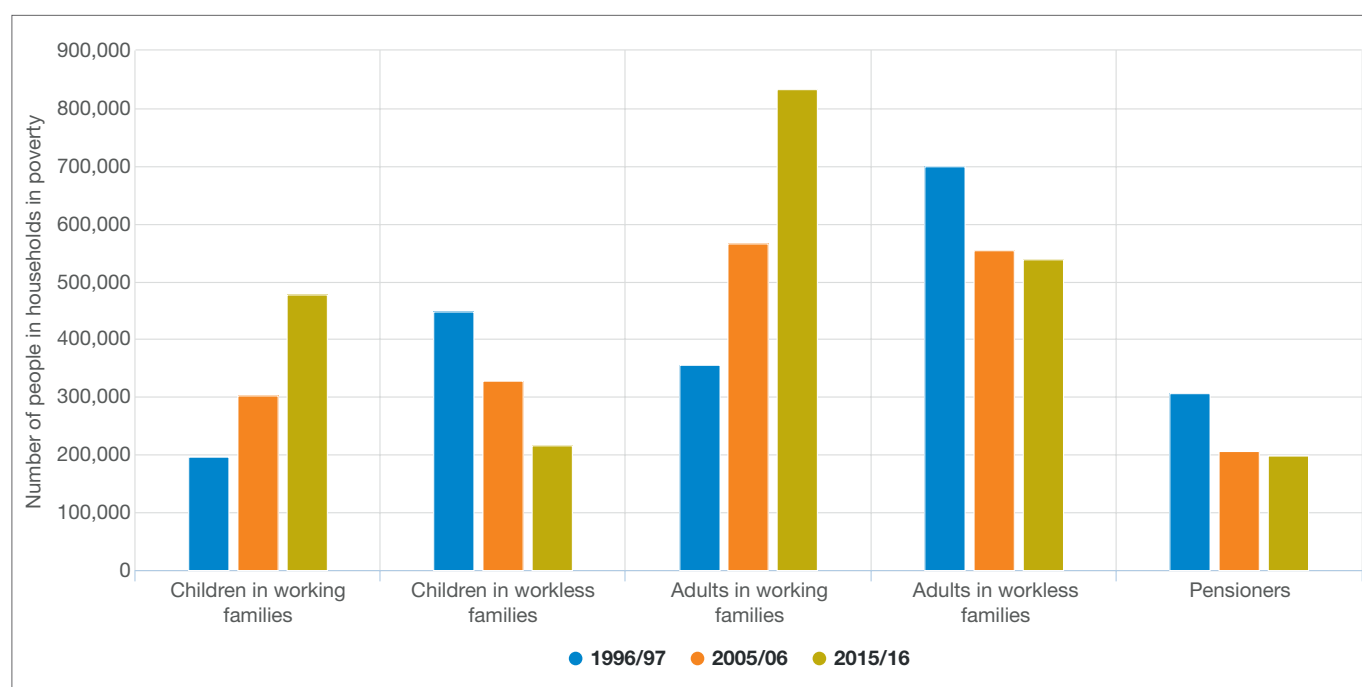


Figure 3.6

Source: Households Below Average Income dataset, Department for Work and Pensions. The data uses three-year averages to the year shown.

Key points

- **The number of people in working families in poverty in London has risen dramatically over the last 10 years.**
- **However, those in working families are less likely to be in poverty. 18% of adults and 30% of children in working families are in poverty, compared with 55% of adults and 70% of children in workless families.**

Figure 3.6 looks at poverty by age and family work status. In the three years to 2015/16, the largest single group in poverty were adults in working families, at 830,000, followed by 540,000 adults in workless families in poverty. There were also 480,000 children in working families in poverty, compared with 220,000 in workless families.

These numbers have changed dramatically over time. Compared with a decade earlier, there are 270,000 more adults in working families in poverty, and 180,000 more children in working families in poverty. Their workless counterparts have fallen by 20,000 and 110,000 respectively. Some changes were more drastic in the preceding decade: the number of pensioners and adults in workless families in poverty fell considerably to 2005–06, but has fallen less since. If we look over just the last five years, there are 180,000 more adults and children in working families in poverty, and 160,000 fewer in workless families in poverty.

A lot more families are in work, however. The number of people in working families has increased by roughly one million every decade, from 4.3 million in 1994–97, to 5.2 million in 2003–06, to 6.3 million in 2013–16. The proportion of Londoners in a working family has increased from 64% to 71% to 75% over these years.

The fall in children in workless families in poverty is almost exactly counterbalanced by an increase in the number of children in working families in poverty.

In 1994–97, 24% of people in poverty in London were either adults or children in working families. This rose to 44% in 2003–06, and is now at 58% of all those in poverty. This figure is even higher for children in poverty, 69% of whom in London are in a working family. Despite this, those in working families are still less likely to be in poverty. 18% of adults and 30% of children in working families are in poverty, compared with 55% of adults and 70% of children in workless families.

In-work poverty and work intensity

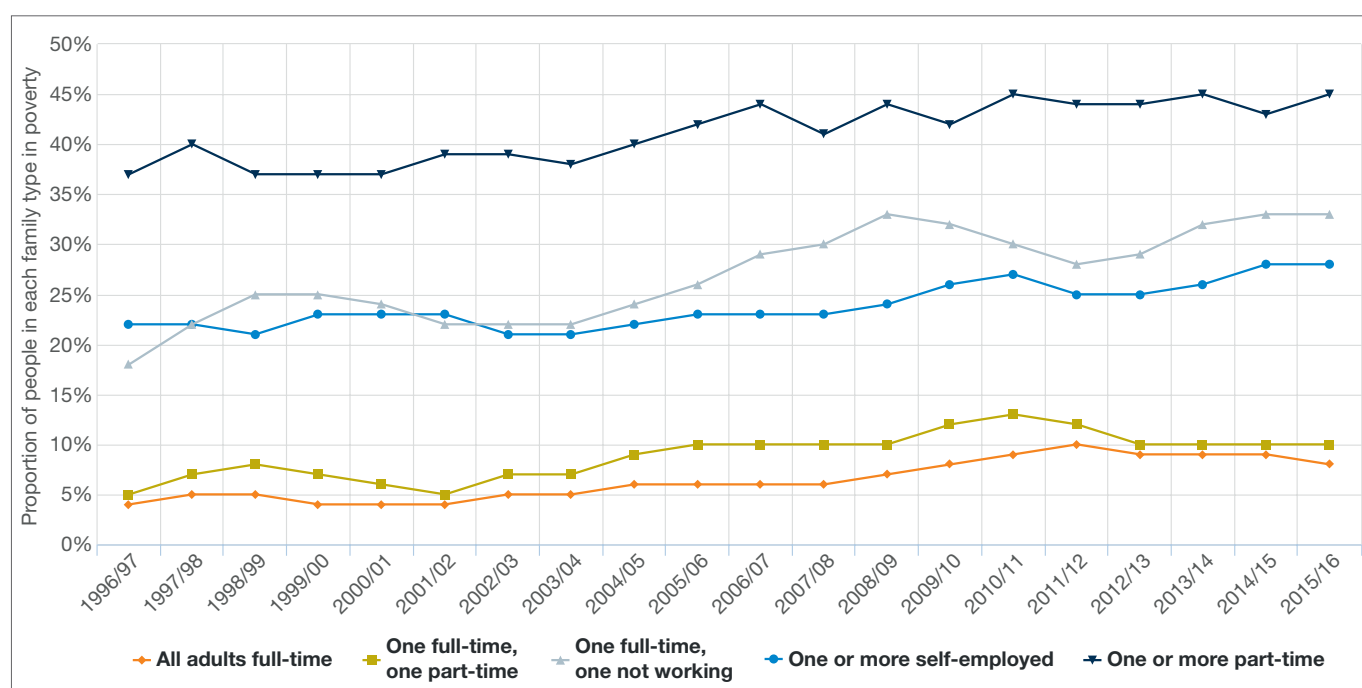


Figure 3.7

Source: Households Below Average Income dataset, Department for Work and Pensions. The data uses three-year averages to the year shown.

Key points

- Families with all adults working, and at least one working full-time, are the least likely to be in poverty. Even so 23% of the in-work poor are from this group.
- Families where the only work carried out is part-time are the most likely to be in poverty, although families with one full-time employee and one non-working adult also have high poverty rates.
- The proportion of working families in poverty increased sharply up to around 2008/09. Increases since then have been more muted.

This indicator looks at the proportion of people in poverty by the family's work status. The number of hours worked by members of a family is important for determining whether they are likely to be in poverty or not. Families in which all adults were working full time had the lowest proportion in poverty at 8%. In contrast, those with only part-time employees in the family had the highest rate, with 45% in those families in poverty. Families with a self-employed member also had a relatively high poverty risk at 28%.

Over the last 10 years, the proportion of people in every working family type in poverty has increased. It has increased most for those with one full-time employee and one adult not working (six percentage points) and families with a self-employed adult (five percentage points). There has been less change in the last five years, with most rates flat or increasing only slightly compared with earlier years.

As well as the poverty rates for these different working family types changing over time, their relative share in London has also changed. The share of all London families that have all adults working and at least one working full-time has not yet recovered to 40%, its highest rate around a decade ago. Other working family types have grown consistently, mostly displacing workless families.

In terms of which of these groups is biggest within the in-work poor, it tends to be families with adults working relatively few hours. 31% of people in in-work poverty are in a family with only part-time earners, and a further 25% are in families with one adult working full-time, and one not working. 23% of the in-work poor are in families with all adults working and at least one full-time (17% with all adults full-time, 6% with one full-time and one part-time). The remainder are self-employed families, at 21% of those in in-work poverty.

Housing tenure and poverty

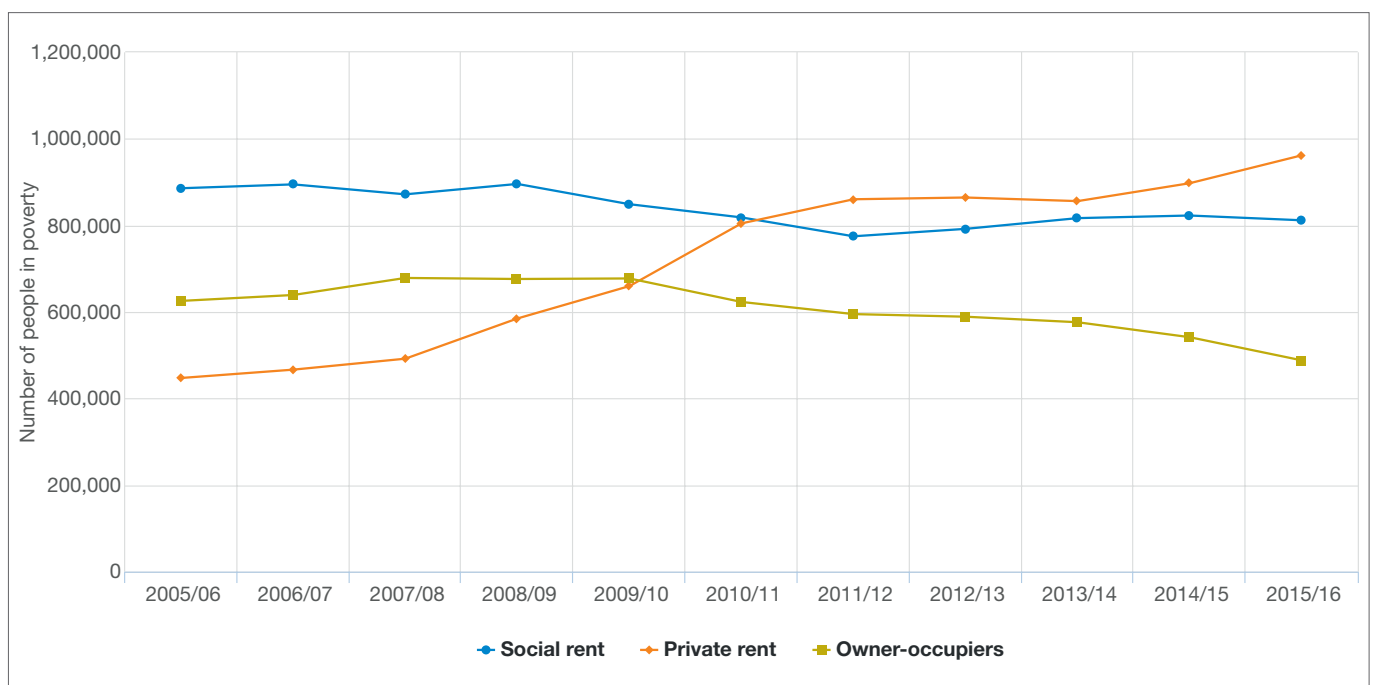


Figure 3.8
Source: Households Below Average Income dataset, Department for Work and Pensions. The data uses three-year averages to the year shown.

Key points

- The largest group of people in poverty are private renters at 960,000, followed by social renters at 810,000. There are 490,000 owner-occupiers in poverty in London.
- Less than 10 years ago, there were fewer private renters in poverty than the other two tenures. It has sharply increased since then, while there have been slight declines in social renters in poverty and sharper declines in owner-occupiers.
- 43% of people in poverty live in the private rented sector, 36% in social rent, and 22% own their homes either outright or with a mortgage. Five years ago, the two rented sectors were 36%, and owner-occupation was 28%.

Figure 3.8 looks at the number of people in poverty in each housing tenure over time. In the three years to 2015–16, 960,000 private renters, 810,000 social renters, and 490,000 owner-occupiers were in poverty. As a proportion of the total for each group, this means 39% of private renters, 46% of social renters, and 12% of owner-occupiers were in poverty.⁴ This was a remarkable shift in poverty tenure in London, given that the private rented sector's poverty numbers were still the lowest of the three in 2007–10.

These three tenures have followed different trends in the last few years. In the last five years, there has been a negligible change in the number of social renters in poverty, an increase of 160,000 private renters in poverty, and a fall of 130,000 owner-occupiers in poverty.

There was a large increase in private renters in poverty between 2005–08 and 2009–12, when the number in poverty rose by 370,000. This coincided not only with the tenure overall increasing, but also the proportion of people in the tenure in poverty, from around a third to 43%.

The number in poverty in social rent has declined over a longer period, but has been increasing since 2009–12.

If we look only at those in in-work poverty, 10 years ago, 42% were owner-occupiers. Now only around a fifth are in this tenure (22%), with half the in-work poor living in the private rented sector, 51% up from 28%.

⁴ Those in shared ownership are counted as owner-occupiers for the purposes of this analysis.

Children in poverty by housing tenure

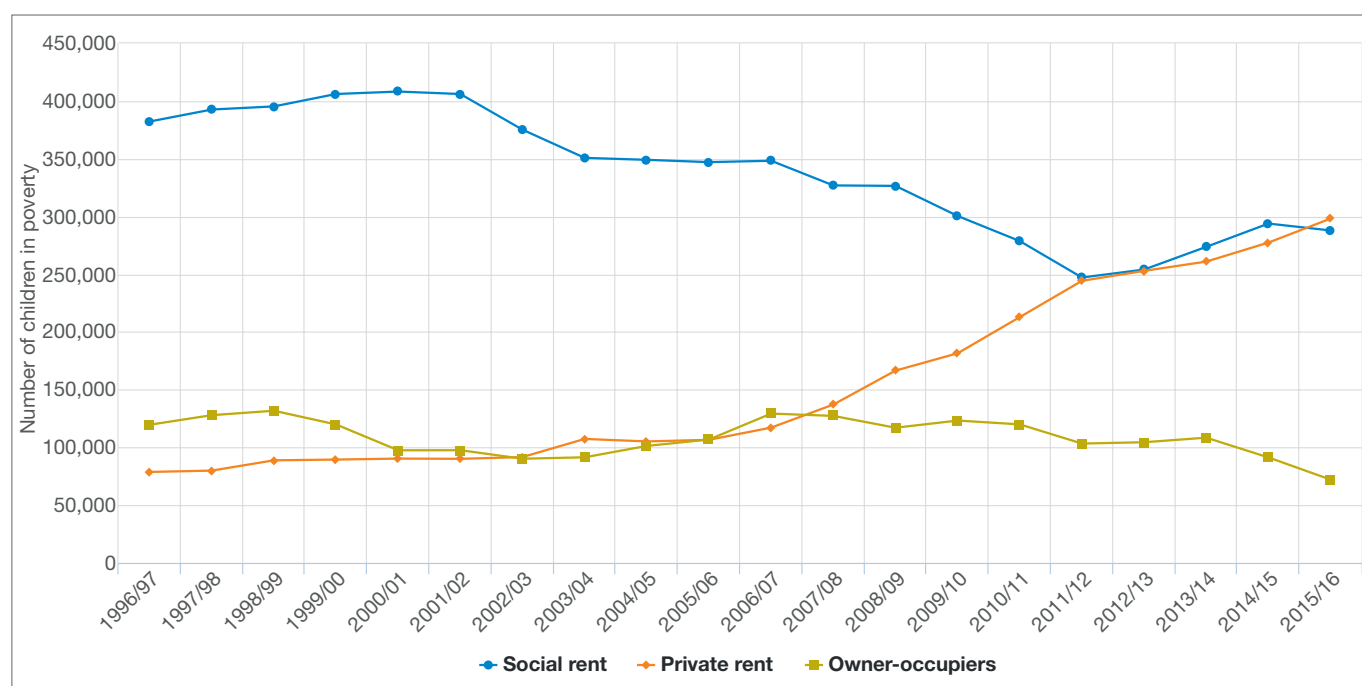


Figure 3.9

Source: Households Below Average Income dataset, Department for Work and Pensions. The data uses three-year averages to the year shown.

Key points

- In the last decade, there has been a large increase in the number of children in poverty living in the private rented sector, and smaller decreases in the number living in social rented homes or owner-occupier accommodation.
- There are 300,000 children in poverty living in the private rented sector and 290,000 in the social rented sector. Both numbers have increased in the last four years, by 50,000 and 40,000 respectively. There are far fewer children in poverty in owner-occupier homes: less than 100,000.

Figure 3.9 looks at which housing tenure children in poverty live in. Over the three years to 2015/16, there were around 300,000 children living in poverty in the private rented sector, and 290,000 living in poverty in the social rented sector. There were far fewer living in owner-occupation, at 70,000.

However, the numbers of children in poverty in each of these tenures have followed very different trajectories. The number of children in poverty in the social rented sector fell to 240,000 in 2009–12, but has since increased again. In contrast, there were fewer than 100,000 children in poverty in private rented accommodation in the late 1990s. Since 2004–07, this number has roughly tripled.

The number of children in poverty in owner-occupation has been falling in recent years, by around 40,000 since 2011–14.

Expressed as a proportion, over half of children in both the social rented sector and private rented sector are in households in poverty, each at 55%. 13% of children in owner-occupation are in poverty. This illustrates a potential gulf in life chances for children, based on which tenure they live in. Another way of expressing this is that among all the children living in poverty, 11% are in owner-occupied housing, 44% are in the social rented sector, and 45% are in the private rented sector.

Child material deprivation

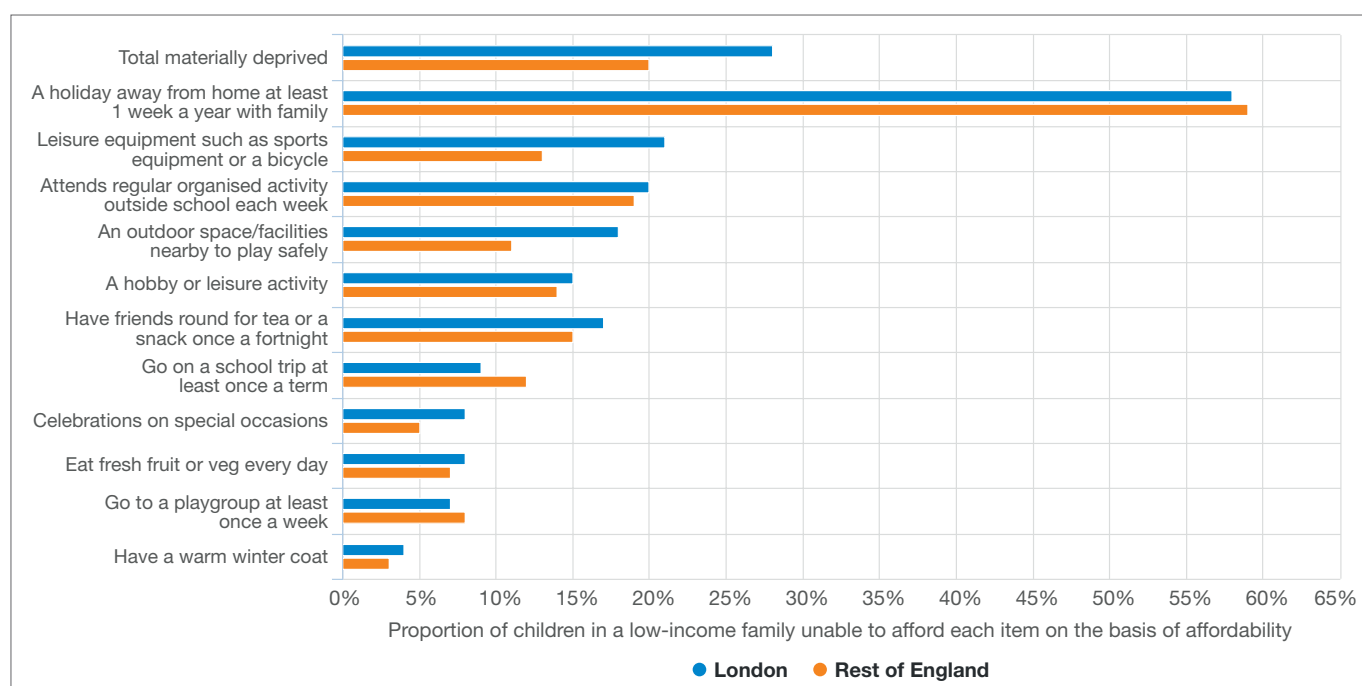


Figure 3.10

Source: Households Below Average Income dataset, Department for Work and Pensions. The data is a three-year average for 2013/14 to 2015/16.

Key points

- In almost every category, children in London are less likely to be in a family able to afford basic items.
- Overall, 530,000 children in London (28%), lack several basic items on the basis of cost and so are considered materially deprived. This is higher than in England, where 20% of children are materially deprived.
- Five years earlier, 32% of children in London were materially deprived, indicating improvement on this measure.

Figure 3.10 looks at the proportion of children in households in poverty unable to afford each item on the basis of cost. We are interested in this because, although the basic income poverty measure can account for housing costs, other costs that are higher in London do not feature.

One way of rectifying this problem is by looking at 'material deprivation', which is the state of being unable to afford several basic items as a result of cost. A household is considered materially deprived if it has a 'score' above a certain value. Lacking an item contributes to the score, and the more common a lacked item, the higher the score attached to it. Overall, 530,000 or 28% of all children in London were materially deprived. This rate has fallen from 32%, the figure both five years earlier and a year earlier. In contrast, 20% of children in the rest of England are materially deprived.

The higher levels of child material deprivation in London are not simply the result of higher levels of child poverty. Children in London have a higher material deprivation rate whether they are in poverty (49% compared with 43% in England) or not in poverty (16% compared with 12%).

Turning to individual items, the most common thing lacked by low-income children in London is a one-week holiday away from home, which 58% do not have. This is also the most common in the rest of England. The biggest gap between London and the rest of England is for leisure equipment such as a bicycle: 21% of children in London in a low-income household lack this, compared with 13% in the rest of England.

300,000 children in London are missing three or more of these items, and 200,000 of these children are missing four or more of these items.

Poverty rates across London

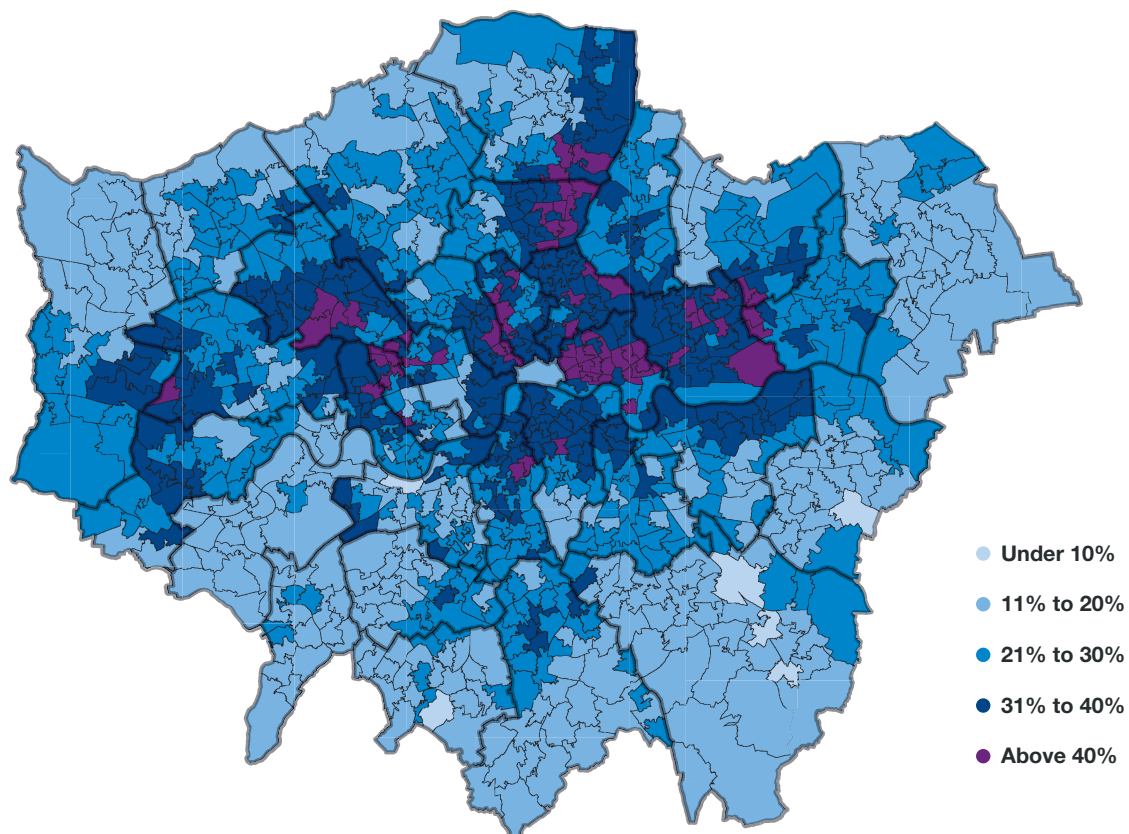


Figure 3.11

Source: Small area model-based households in poverty estimates for England and Wales, ONS. The data is for 2013.

Key points

- The proportion of people in poverty in London is generally highest in Inner East London, as well as parts of Outer North London, tracing the outline of the Lee Valley.
- There are also pockets of higher poverty rates just south of the river in central and east London, and in the Outer West. Parts of the Inner West such as the north part of Kensington & Chelsea and Westminster also have pockets of high poverty.

This map shows AHC poverty rate estimates for areas known as middle-layer super output areas (MSOAs). These are relatively small areas with a population of around 7,500. These statistics are experimental and so should be considered as indicative rather than definitive, but reveal interesting trends.

The first is how much of London has poverty rates above the rest of England average of 21%. Only areas at the edge of London south, east and north west are below this figure.

The second is the concentration of poverty in traditional areas such as in Tower Hamlets, Hackney and Newham. Although this series of reports has documented poverty shifting out of Inner London, the most concentrated areas of high poverty are still there and in the north east.

There are also noticeable pockets of high poverty rates in areas of west London, such as in Brent and the north ends of Kensington & Chelsea and Westminster.

Only six MSOAs have a poverty rate below 10% in London, all in Outer London boroughs. At the other end, nine MSOAs have a poverty rate above 45%. Most boroughs have areas that span either side of the average London poverty rate: only three boroughs have no area with a poverty rate above 28%, and only Hackney and Newham have no area below 28%.

Commentary

Since the last report in 2015, overall rates of poverty in London have continued to drift down, although, as discussed above, there are still as many people in poverty in London and the depth of poverty may not be falling. This relatively benevolent poverty performance, despite rising housing costs and reduced social security support, is largely due to the buoyant labour market⁵. Despite this, London still has poverty rates well above the average of the rest of England and the UK as a whole, and has the highest poverty rate of any region in the UK. There are also reasons to be concerned for the future. The nature of some benefit cuts – such as limits on the increases to local housing allowances – become more pronounced over time. Higher rates of inflation have returned to the UK, while most working-age benefits are completely frozen until 2019–20. The large social security cuts in the summer 2015 budget were largely deferred until the roll-out of Universal Credit. It seems unlikely that the large increase in employment that London has enjoyed in recent years can happen again to soften these effects.

⁵ See for example Belfield et al (2015) *Living standard, poverty and inequality in the UK 2015*.

Inequality

Key points

- London has a disproportionate amount of the UK's poorest and richest households. 15% of Londoners are in households in the bottom 10% of the UK income distribution, and 14% of Londoners are in households in the top 10% of the UK income distribution. No other region has a disproportionate share of the bottom and top 10%.
- The income of someone just in the top 10% of households in London was eight times higher than that of someone just in the bottom 10%. This figure has fallen in the last five years, though is still higher than in the late 1990s. In the rest of England, this ratio (known as the 90:10 ratio) was 4.9.
- Housing costs exacerbate income inequality in London. The 80:20 ratio for income is 2.7 before housing costs, and 3.7 after housing costs. Housing costs have a less dramatic impact on inequality in the rest of England.
- Someone just in the top 10% earned 7.2 times as much a week as someone just in the bottom 10%. This is the third highest such ratio in England: no other region has a top 10% that earns as much, but the bottom 10% in London earn slightly more than elsewhere.
- Over the last five years earnings growth has been highest among the bottom 10%. It fell for those with average incomes.
- The richest 10% of households in London received 29% of total income. This is more than the bottom half of households put together.
- Wealth inequality is higher than income inequality. The bottom 20% of households in London own 0.1% of London's wealth, the bottom 50% own just over 5%, whereas the top 10% owns over half.
- The amount of wealth held by the bottom tenth of households fell by one-third in London between 2010–12 and 2012–14, whereas in Great Britain it fell by just 2%.
- Someone just in the top 10% saw their wealth grow by 25% in London over the same period. In Great Britain it was 15%.
- Wealth for someone just in the top 10% is 295 times higher than someone just in the bottom 10%. In 2010–12 it was 160 times higher.

Introduction

This chapter examines inequality in London: the disparity between the well-off and the less well-off in the city. Inequality explains the incongruence between two pictures of London: one of the booming centre of global finance and home to many of the world's rich, and the other of a city with high levels of poverty and deprivation.

We are concerned with two main dimensions of inequality: income and wealth. We often discuss inequality in this chapter in reference to deciles and ratios of income deciles, in other words, dividing London's population into 10 equally sized units and considering the income at the lines in between these groups. As a reference, to be in the 20% of the population with the lowest income in 2015–16, your net household income had to be below £204 a week for a couple without children, or around £10,600 per year after paying your housing costs. For the same couple to be in the top 20%, they needed an income of around £40,000 a year after housing costs; to be in the top 10% of richest households they needed around £54,000 a year. This means, therefore, that we are not often discussing the 'mega rich' in this chapter.

The chapter also looks at wealth inequality. Wealth inequalities are more pronounced than income inequalities, with London having great disparities between the wealthy and not.

Regional income inequality

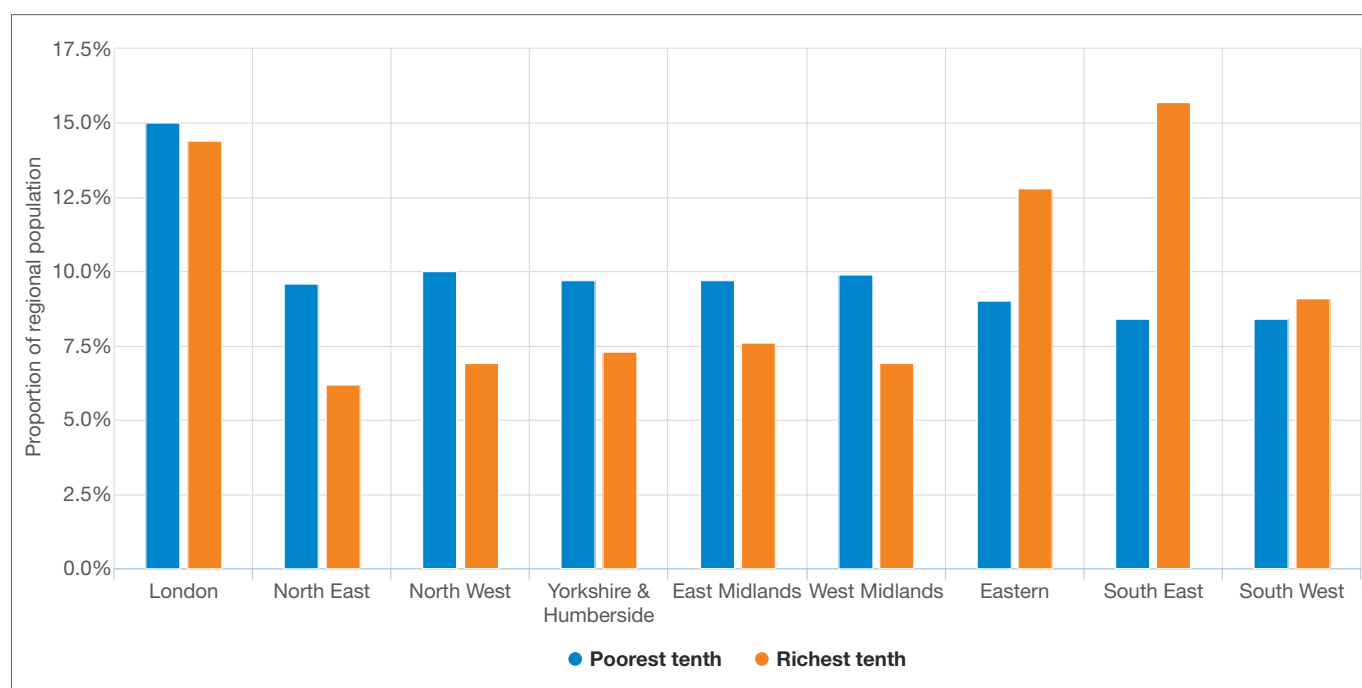


Figure 4.1

Source: Households Below Average Income dataset, Department for Work and Pensions. The data is a three-year average to 2015/16.

Key points

- **London is over-represented in the bottom 10% and top 10% of the UK income distribution. This is indicative of inequality within the city.**
- **15% of Londoners are in the bottom 10th of the UK income distribution, and 14% are in the top 10%.**

Figure 4.1 looks at what proportion of each region's population are in the UK's top or bottom 10% of the income distribution, measured after housing costs. London is the most unequal, as it has a relatively high proportion of people with high incomes (14% are in the UK's top 10%) and a relatively high proportion with low incomes (15% in the UK's bottom 10%). As a consequence, London has a relative hollowed out middle of the income distribution within the UK.

Other regions tend to have relatively more low-income households or relatively more high-income households (such as the South East). Only London is over-represented at both the top and the bottom of the income distribution. This finding has been consistent for as long as this series of reports has been produced.

Income Inequality over time

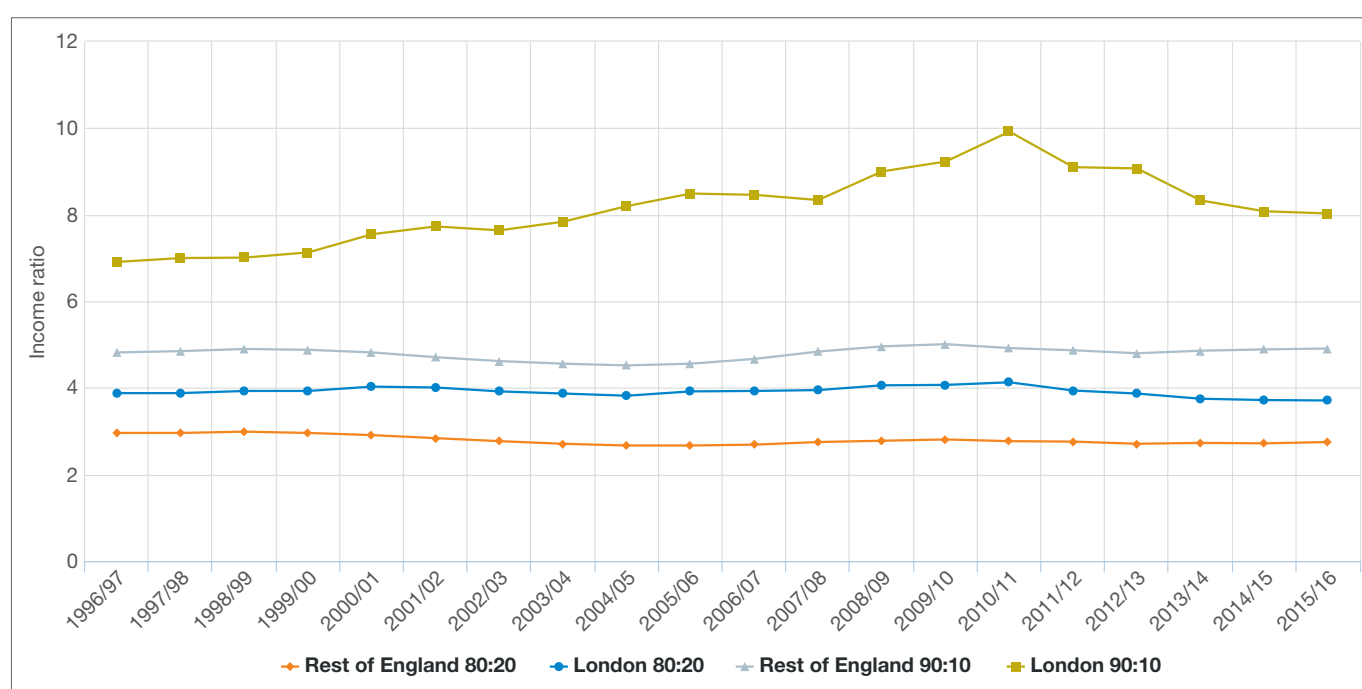


Figure 4.2

Source: Households Below Average Income dataset, Department for Work and Pensions. The data uses three-year averages.

Key points

- A household just inside the top 10% of the income distribution has an income eight times higher than one just outside the bottom 10% (this is called the 90:10 ratio). In the rest of England, this figure is 4.9. This measure of inequality has fallen over the last five years in London.
- On the 80:20 measure of inequality, London has a value of 3.7 compared with 2.8 in the rest of England. This measure of inequality has also fallen over the last five years, though less dramatically than the 90:10 measure.

Figure 4.2 looks at income inequality in London and the rest of England by comparing the ratio of top and bottom incomes after housing costs. It compares income at the top 10% and 20% with the bottom 10% and 20% respectively. These are known as 90:10 and 80:20 ratios. London has consistently been more unequal than the rest of England on these measures.

In the three years to 2015/16, the income of someone in a household just in the top 10% was eight times higher than someone just in the bottom 10%. For someone just in the top 20%, their income was 3.7 times higher than someone in the bottom 20%. For the rest of England, these figures were 4.9 and 2.8 respectively.

Increases in inequality in London were much more pronounced on the 90:10 measure, rising from a ratio of 6.9 in 1996/97 to a peak of 9.9 in 2010/11. The increase on the 80:20 measure was less dramatic over this period, rising from 3.9 to 4.1. Since the 2010–11 highpoint, however, income inequality in London has fallen on both measures though is higher than the mid-1990s on the 90:10 ratio. On the before housing costs measure, London's inequality is at its lowest since the 1980s.¹

Housing costs and income inequality

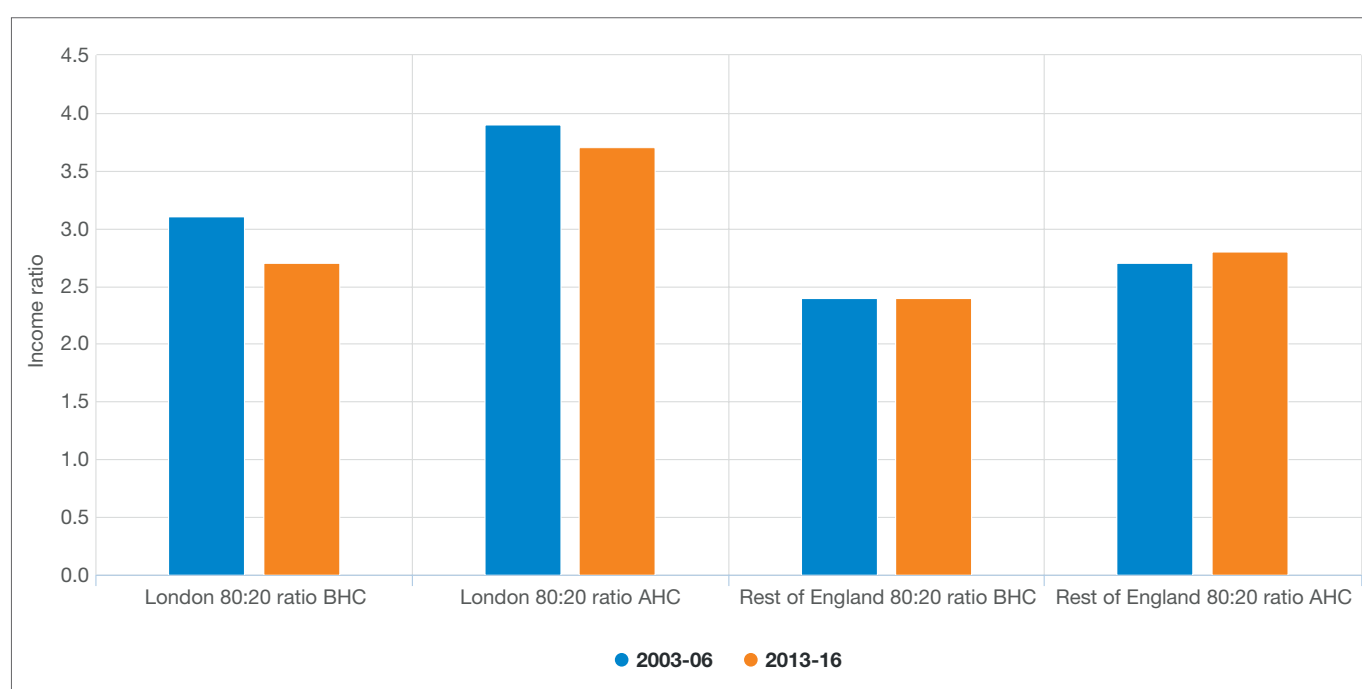


Figure 4.3

Source: Households Below Average Income dataset, Department for Work and Pensions. The data uses three-year averages.

Key points

- Inequality on the 80:20 ratio is higher in London when housing costs are accounted for than when they are not.
- This is also the case in the rest of England, although the increase from housing costs is lower.

Figure 4.3 looks at the 80:20 ratios for London and the rest of England, before and after housing costs. Inequality in London is higher after housing costs are accounted for. The 80:20 ratio is 3.7 after housing costs, but 2.7 before housing costs. It has also fallen less over the course of the decade after housing costs: down 0.2, compared with 0.4 before housing costs.

¹ Cribb, J., Hood, A., Joyce, R., Norris Keiller, A. 2017. *Living standards, poverty, and inequality in the UK 2017*. London: Institute for Fiscal Studies.

The increase in inequality in London once housing costs are accounted for is large compared with the rest of England. The ratio is 0.3 higher after housing costs in England at 2.6, compared with 1.0 higher in London. In this way, London's high housing costs contribute to its higher levels of inequality. Part of the reason for this is that those with higher incomes are more likely to own their own home, which tends to cost less than renting.

Shares of income

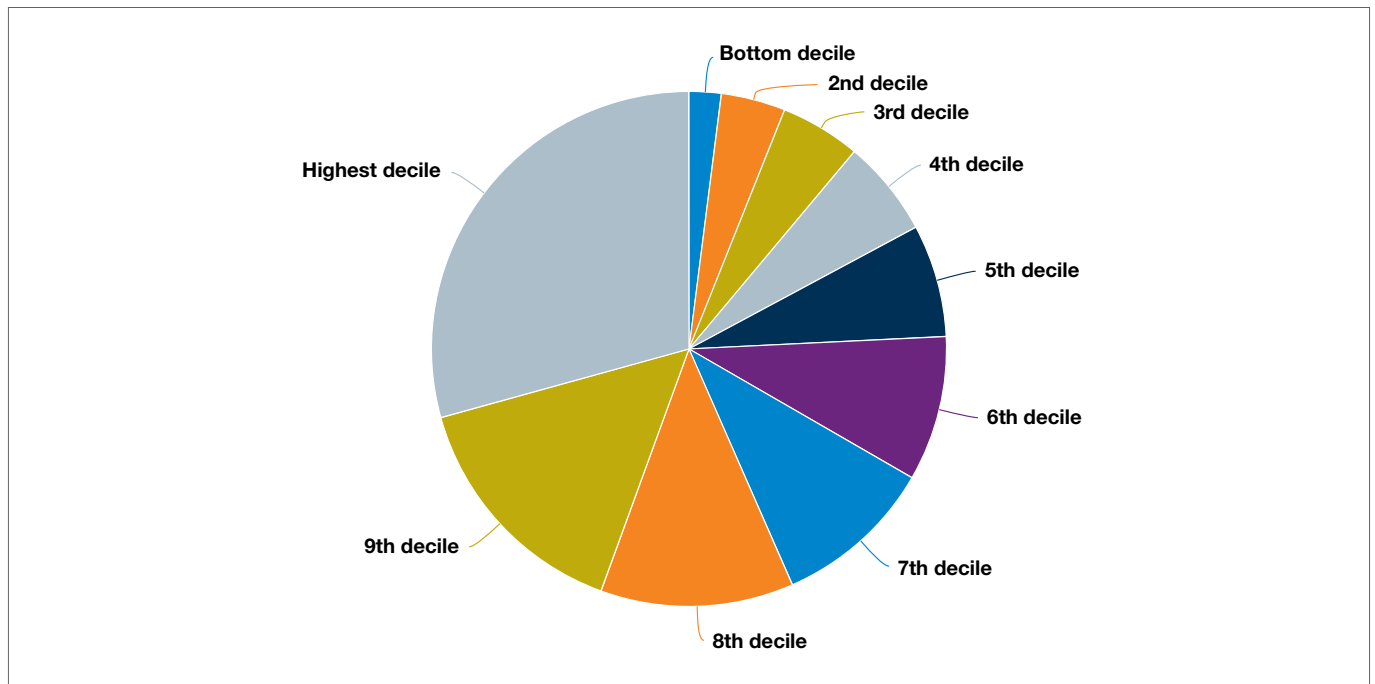


Figure 4.4

Source: Households Below Average Income dataset, Department for Work and Pensions. The data is a three-year average to 2015/16.

Key points

- The 10% of households in London with the highest income received 29% of all income in the three years to 2015–16. This is more than the bottom half of households combined.
- The 7th decile is the first to receive income in proportion to its size in the population.
- The top 10% in London received nearly twice as much income as the second highest 10%.

Figure 4.4 divides the London population into 10 equally sized groups, and shows their share of all of London's income, on a before housing costs basis². This is all the income recorded by the Family Resources Survey dataset – such as earnings, benefits, pensions and other types such as capital income. This amounted to around £2.4 billion total income per week in this period. The bottom 10% of London household's received only 2% of all income in London in the three years to 2015–16. In contrast, the top 10% received nearly a third (29%) of all income – more than the bottom 50%. All deciles in London received less than they would under a totally even division of income up to the 7th decile.

² This is on a BHC basis because AHC income often contains negative values.

That the top 10% received nearly twice as much income as the second highest 10%, 29% compared with 15%, demonstrates the concentration of income at the top. Although we do not have data for London, for the UK the top 1% of the population accounted for 12% of income received in 2012, and the top 0.1% accounted for 4.5% of all income (World Wealth and Income Database).

London has a Palma ratio of 1.7, meaning the top 10% have 1.7 times more income than the bottom 40% of households combined.³

Regional pay inequalities

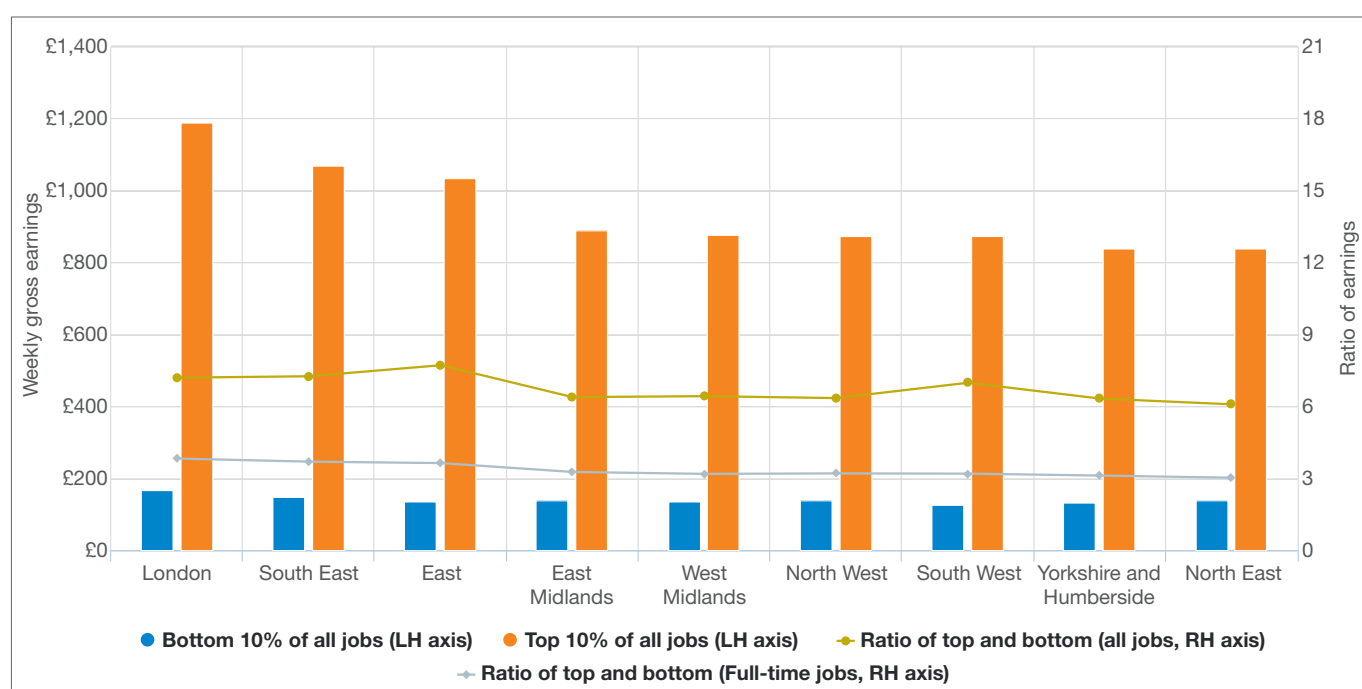


Figure 4.5

Source: Annual Survey of Hours and Earnings, Office for National Statistics via NOMIS. The data is for 2016.

Key points

- The top 10% of earners in London earn more than the top 10% in any other English region, at £1,190 a week. In the South East, the region with the second highest top 10%, the figure is £1,070.
- The bottom 10% of earners in London earn £166 a week. This means the top 10% earns 7.2 times as much. The bottom 10% in London earn slightly more than any other region.
- If we look only at full-time jobs, this measure of inequality is less pronounced.

This graph looks at gross weekly earnings across the regions of England, at the bottom 10% and the top 10%, and the ratio between these. It also features the ratio for just full-time jobs.

³ A Palma ratio is a measure of inequality, which compares the income of the top 10% of households with that of the bottom 40% of households.

In 2016, a job at the bottom 10% paid £166 per week, compared with £1,190 for a job at the top 10%. This gives a ratio of 7.2, i.e. earnings towards the top of the labour market are 7.2 times higher than those towards the bottom. This is below the ratio for the South East and East of England: in these regions, pay at the top is lower than in London, but pay at the bottom is disproportionately low relative to this.

The inequality between the bottom and top 10% is less pronounced if we examine only full-time jobs. London is also the most unequal region on this basis, with a full-time job at the top 10% paying 3.8 times more than one at the bottom 10%.

Change in pay across the distribution

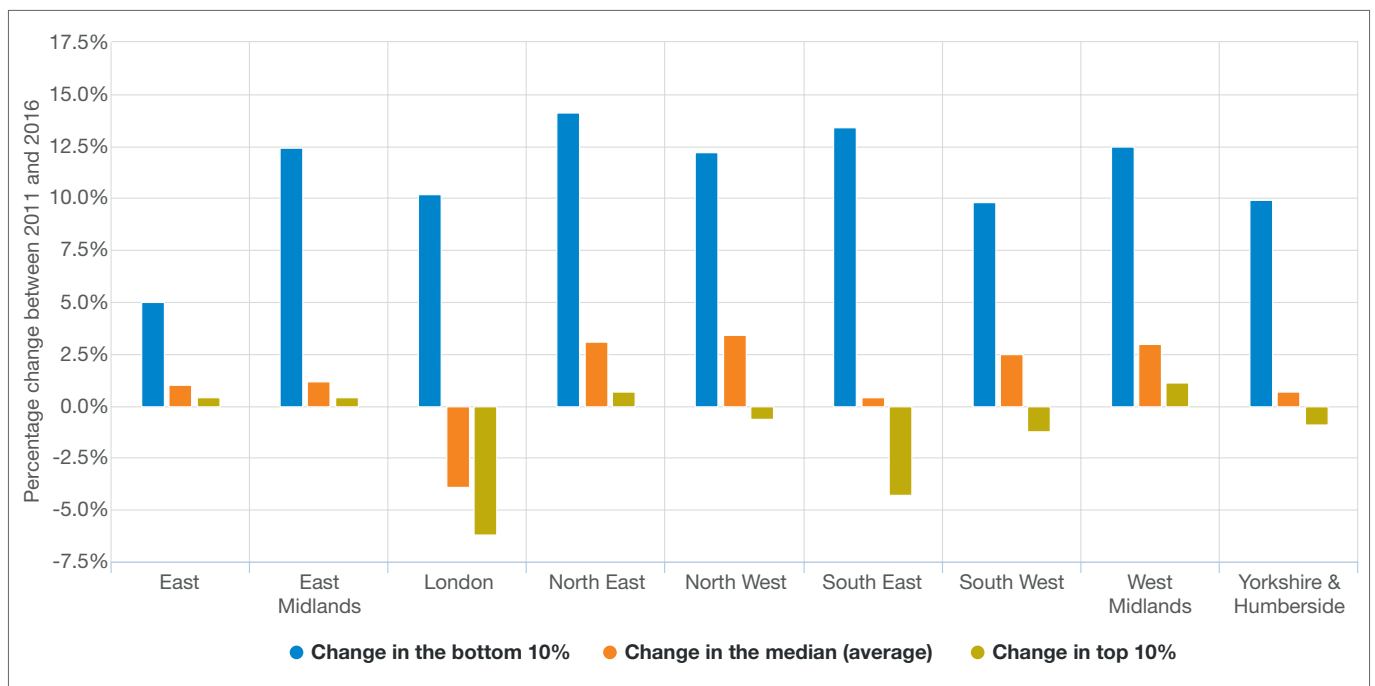


Figure 4.6

Source: Annual Survey of Hours and Earnings, Office for National Statistics via NOMIS.

Key points

- Over the last five years, earnings growth in London has been highest at the bottom (10%), as it has in every other English region.
- London has seen declines in earnings at the median, and the top 10%. This means the wage distribution is now more equal.
- London is the only region with falling median earnings over this period.

Figure 4.6 examines the change in pay at the bottom 10%, top 10% and middle of the earnings distribution for all jobs after inflation, measured using the CPIH⁴. The most notable feature across England between 2011 and 2016 is the strong growth in weekly pay at the bottom of the earnings distribution.

⁴ This is a version of the Consumer Price Index that includes a measure of housing costs.

In London, earnings at the bottom 10% increased by 10% over this five-year period after inflation. In contrast, earnings at the median fell by 4% and earnings at the top 10% fell by 6%. London was the only region in England to have falling pay at the middle of the distribution, and also had the largest fall at the top. The region with the closest experience to London over this period was the South East, which had the second largest fall at the top 10% at 4%, and largely unchanged real median earnings.

This period includes the minimum wage rising in real terms, as well as the introduction of the government's National Living Wage, which contributed towards strong pay performances at the bottom. Rising weekly earnings at the bottom, and declining real earnings at the 90th percentile, suggest some compression of the earnings distribution.

Shares of wealth

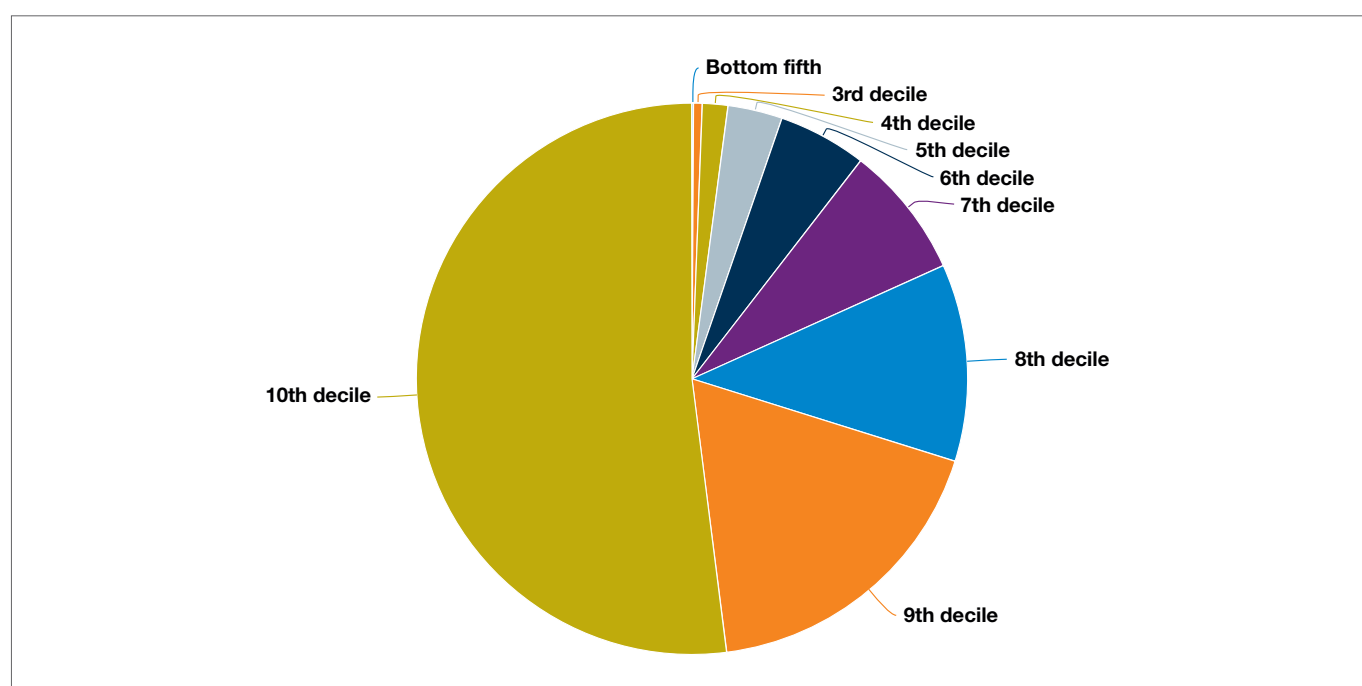


Figure 4.7

Source: Wealth and Assets Survey, ONS. The data is for 2012–14.

Key points

- The wealthiest 10% of London's population have over half of London's wealth, whereas the bottom half of the population own around 5% of London's wealth.
- Wealth is more unevenly distributed than income in London.

Figure 4.7 looks at total wealth in London (some £1.8 trillion); split into the bottom 20% of the population and then each subsequent 10% of households. Total wealth here includes financial, property, physical and pension wealth. The bottom 10% of households in London has negative wealth, meaning their liabilities outweigh their assets. Even combined with the next 10% of households in London, they own only 0.1% of London's total wealth. The bottom half combined own only 5.3% of total wealth in London. In contrast, the top 10% of households own over half of London's wealth at 52%. The top 20% own 70% of London's wealth.

Wealth ownership in London is much more unevenly distributed than income. One way of looking at this is through the Gini coefficient, a summary statistic which measures the level of inequality across the population. The statistic is between 0 (a completely equal population – everyone with the same level of wealth in this case) and 1 (complete inequality – one person with all wealth). In other words, the higher the Gini coefficient, the higher the level of inequality. The Gini coefficient for wealth in London is 0.67, compared with 0.61 in Great Britain as a whole. The Gini coefficient for income in London is 0.37, much lower.

Changes in wealth inequality

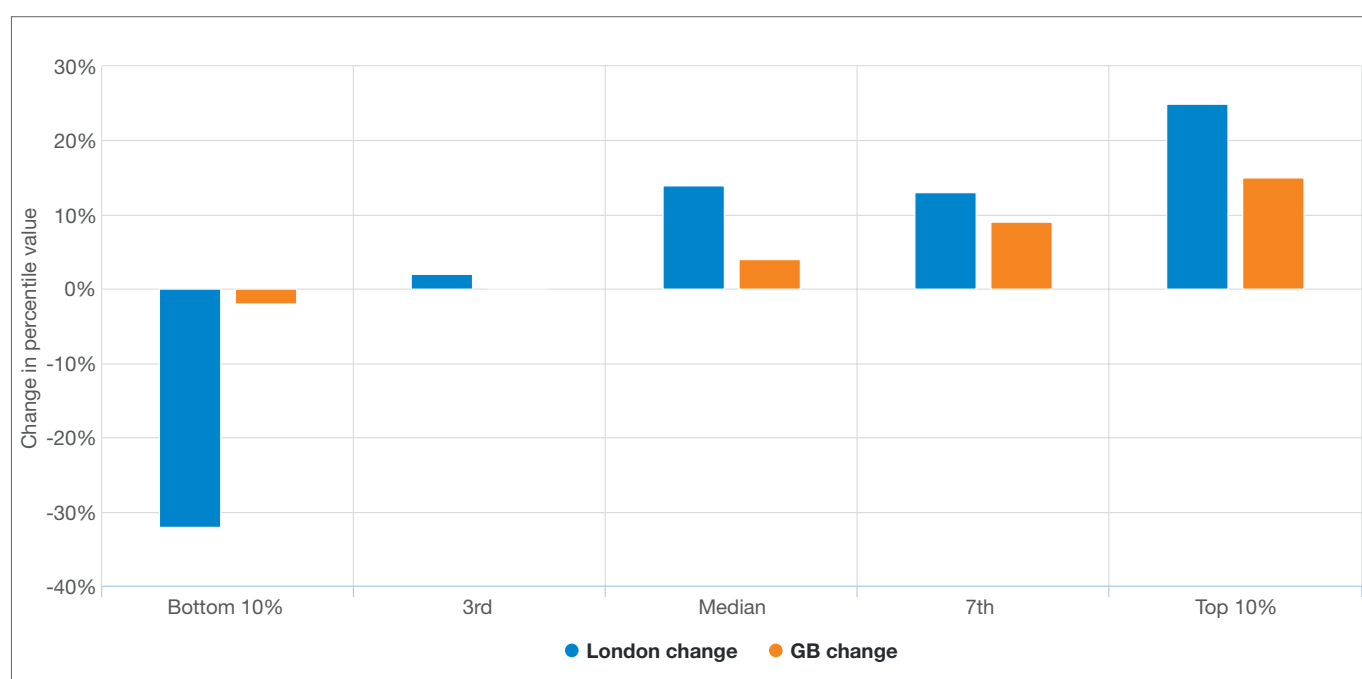


Figure 4.8
Source: Wealth and Assets Survey, ONS. The data compares 2012–14 and 2010–12.

Key points

- **Wealth at the bottom 10% has fallen in London in the two years 2010–2012 and 2012–2014, and by a much greater rate than in Great Britain. A fall of 32% in London compared with 2%.**
- **Wealth has risen more towards the top of the distribution. Wealth for someone just in the top 10% is 295 times higher than someone just in the bottom 10%. In 2010–12 it was 160 times higher.**

Figure 4.8 looks at changes at the tenth, 30th, 50th, 70th and 90th percentiles for London and Great Britain between 2010–12 and 2012–14. These are the levels of wealth which a corresponding proportion of the population have below. Total wealth here includes financial, property, physical and pension wealth. The bottom 10% in London in 2012–14 had a wealth of £4,600 or less. In 2010–12, this figure was £6,800: a fall of 32%. The tenth percentile in Great Britain as a whole also fell, by 2% from £12,900 to £12,600. In contrast, the wealth of the median household in London rose more than in Great Britain as a whole, by 14% compared with 4%. At the 90th percentile, the increase was 25% in London and 15% in Great Britain. To be in the top 10% in London, a household required wealth of more than £1.4 million.

Wealth at the bottom tenth in London is lower than in Great Britain. This is true at the 30th percentile as well, with these households in Great Britain having £82,400 compared with £46,600 in London. Between this point and the median, London overtakes Great Britain for total wealth. By the 70th percentile, London households have 17% more wealth. By the 90th, this figure is 29% higher.

Another way of measuring inequality is to use ratios of these percentile values, as other indicators in this chapter have done. Because of the very low values at the London 10th percentile and the very high values at the top, London's 90:10 ratio for wealth is 295, i.e., wealth at the top 10% is 295 times higher than at the bottom 10%. In Great Britain, this figure is 83. These figures have increased from 160 and 71 respectively over the period 2010–12 to 2012–14.

Commentary

London's inequality is one of the ways in which it stands out from the rest of the country, and is one of the main motivations for writing a report such as this. On income, wealth and earnings it has very high levels of inequality. This is partly due to those at the bottom in London being worse off than in other parts of the country, particularly due to housing costs, but mainly due to the existence of high incomes.

The statistics in this chapter probably do not capture the full extent of inequality in London. The data sources we use face problems at both the top and the bottom of the income distribution. Alvaredo et al note that there is evidence of wealth surveys failing to accurately capture the top end of the distribution.⁵ This reduces our certainty about what we know about the very top of the distribution, and many of those at the very bottom are not captured by official surveys.

Inequality in income and pay has drifted down in London over the last five years, as the top has lost more than the bottom. The prospects for lower inequality are more mixed, however. Earnings have been rising at the bottom in London, in part due to the government's National Living Wage. However, continued cuts to social security entitlements may overwhelm this impact at the bottom in terms of income, and the housing crisis in London continues to be an engine of inequality.

Since the last report in this series was published, the London Fairness Commission has reported. Many of its recommendations would be helpful for reducing inequality in the city, and the focus on housing is right. But the experience of the last few years indicates that London can only do so much by itself in the face of national government policy.

⁵ Alvaredo, F., Atkinson, A.B., & Morelli, S. (2015) *The challenge of measuring UK wealth inequality in the 2000s*. London: LSE International Inequalities Institute.

Housing

Key points

- After large changes in the tenure mix in the previous decades, the past five years have not seen significant changes in the proportion of Londoners living in each tenure.
- Levels of private renting in the current decade are the highest seen since the 1970s. In 2016, 27% of households live in private rented accommodation.
- Private rents in London are more than twice the average for England, while the difference for social rents is much smaller. However, local authority social rents in both London and England as a whole have increased by the largest proportion over the last five years (by almost a third) albeit from a considerably lower base than private rents.
- In 2015/16 in Inner London, rent for a two-bedroom flat cost 72% of earnings, up from 70% in 2014/15. In Outer London it cost 61% of earnings up from 57% and in England it decreased to 29% of earnings.
- The net increase of 6,700 affordable homes in 2015/16 represents only 39% of the London Plan target of 17,000 a year. Only 24% of new home completions were affordable.
- While mortgage possession orders have fallen significantly over the past decade, this has been more than countered by the rise in landlord possession orders.
- The highest eviction rates are mostly concentrated in Outer London - nine of the ten boroughs with the highest eviction rates are in Outer London. Enfield had the highest eviction rate of a London borough in 2015/16, with 34 evictions per 1,000 renting households.
- Levels of overcrowding in London are more than double the rest of England. 14% of social renters, 11% of private renters and 3% of owner-occupiers are overcrowded in London.
- Across all tenures, 13% of ethnic minority households in London were overcrowded in 2014/15, more than twice the proportion of White households (5%).

Introduction

Housing is a prominent factor in understanding poverty in London. There is both the effect poverty has on housing, and the effect housing has on poverty. Poverty reduces people's housing choices, restricting the areas in which they live (and by extension where they go to school and seek employment) and the quality of the accommodation available (which can impact adult health and child development).¹ As discussed in the low income chapter, housing costs also push many people in London into poverty, and are a significant contribution to London's higher poverty than the rest of England.

¹ Tunstall et al, 2013. *The links between housing and poverty*. York: JRF.

This chapter looks at the nature of housing in London, in terms of the tenures people live in, the cost of housing, evictions, and conditions.

Tenure trends

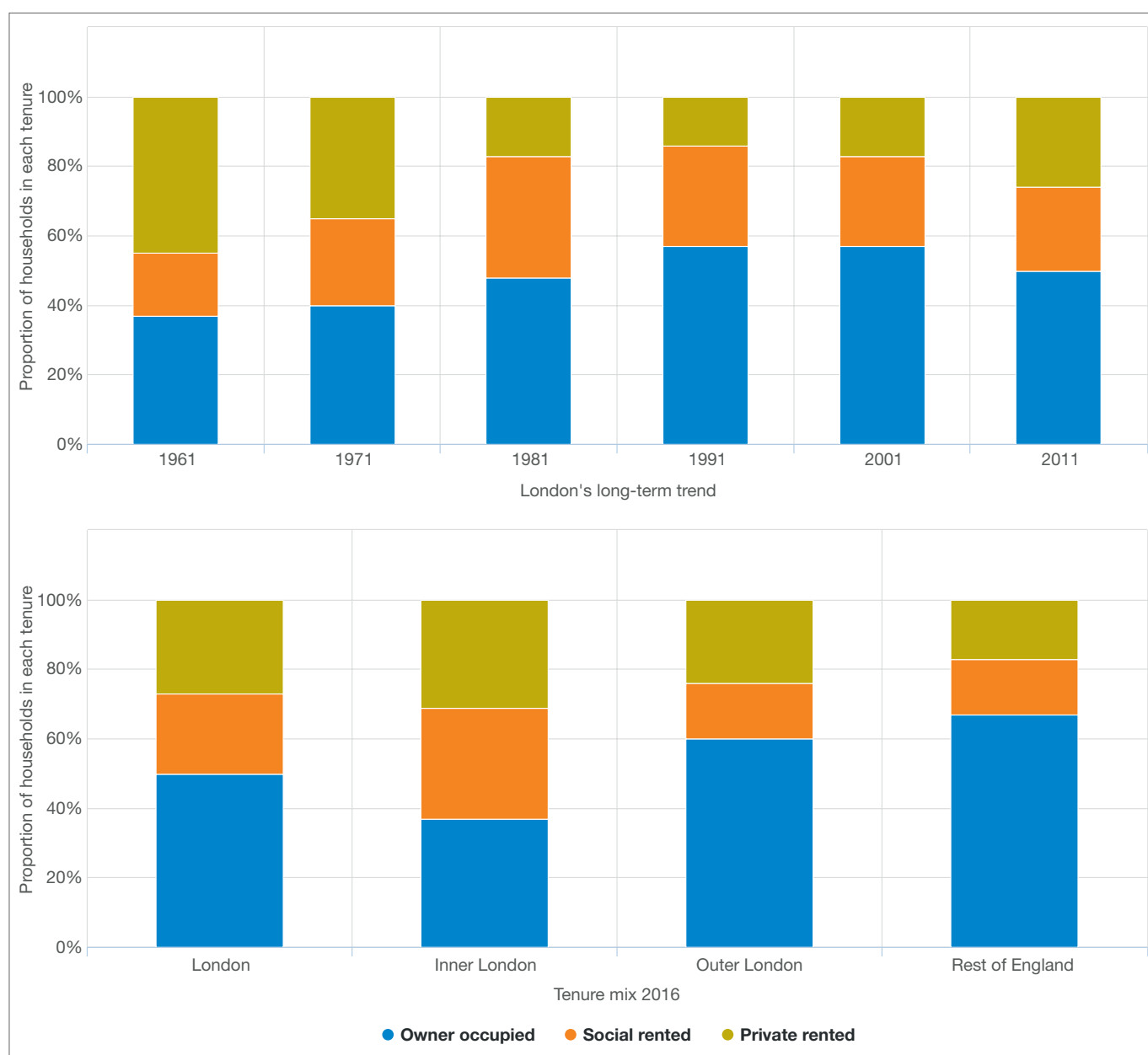


Figure 5.1 Source: Housing in London, GLA, 2017, ONS via GLA Datastore 2016; Data for 2016 is from LFS.

Key points

- After large changes in the tenure mix in the previous decades, the past five years have not seen significant changes to the proportion of Londoners living in each tenure.
- Levels of private renting in this decade are the highest seen since the 1970s. In 2016, 27% of households lived in private rentals.
- The rise in the share of households living in the private rented sector over recent decades was simultaneous to a fall in social renting over the 1980s and 1990s. In 2016, 23% of London households lived in this tenure.
- The proportion of households that own their home rose every decade between 1961 and 1991, remained stable for a decade, then fell between 2001 and 2011. In 2016, 50% of Londoners owned their own home.

After large changes in the tenure mix in the previous decades, the past five years have not seen significant changes in the proportion of Londoners living in each tenure.

Levels of private renting in this decade are the highest seen since the 1970s. In 2016, 880,000 or 27% of households lived in private rentals. This is still far below the proportion that were private renters in the 1960s (around 45%).

The rise in the share of households living in the private rented sector over recent decades was simultaneous to a fall in social renting over the 1980s and 1990s. In 2016, 740,000 households or 23% lived in this tenure. The peak for this tenure occurred in the late 1970s and early 1980s, before Right to Buy was introduced. In 1981, 35% of all London households lived in social housing.

The proportion of households that own their home rose every decade between 1961 and 1991. It remained stable for a decade, with 57% of London households in this tenure in 1991 and 2001. The proportion then declined between 2001 and 2011. In 2016, 1.6 million households, or 50% of Londoners, owned their home.

The tenure profile in Inner London is fairly evenly split between owner-occupied (38%), social rented (32%), and private rented households (31%). In Inner London in 2001, only 20% of households lived in private rented property.

Outer London, by comparison, has a significantly higher proportion of owner-occupied households at 59%, with a smaller social rented sector (16%), making the private rented sector the second largest tenure (24%), although this is still a lower share than in Inner London.

Outer London is closer to the profile for the rest of England, which has a greater proportion of owner-occupied households (67%) and slightly lower proportion of private rented households (17%).

Average rents

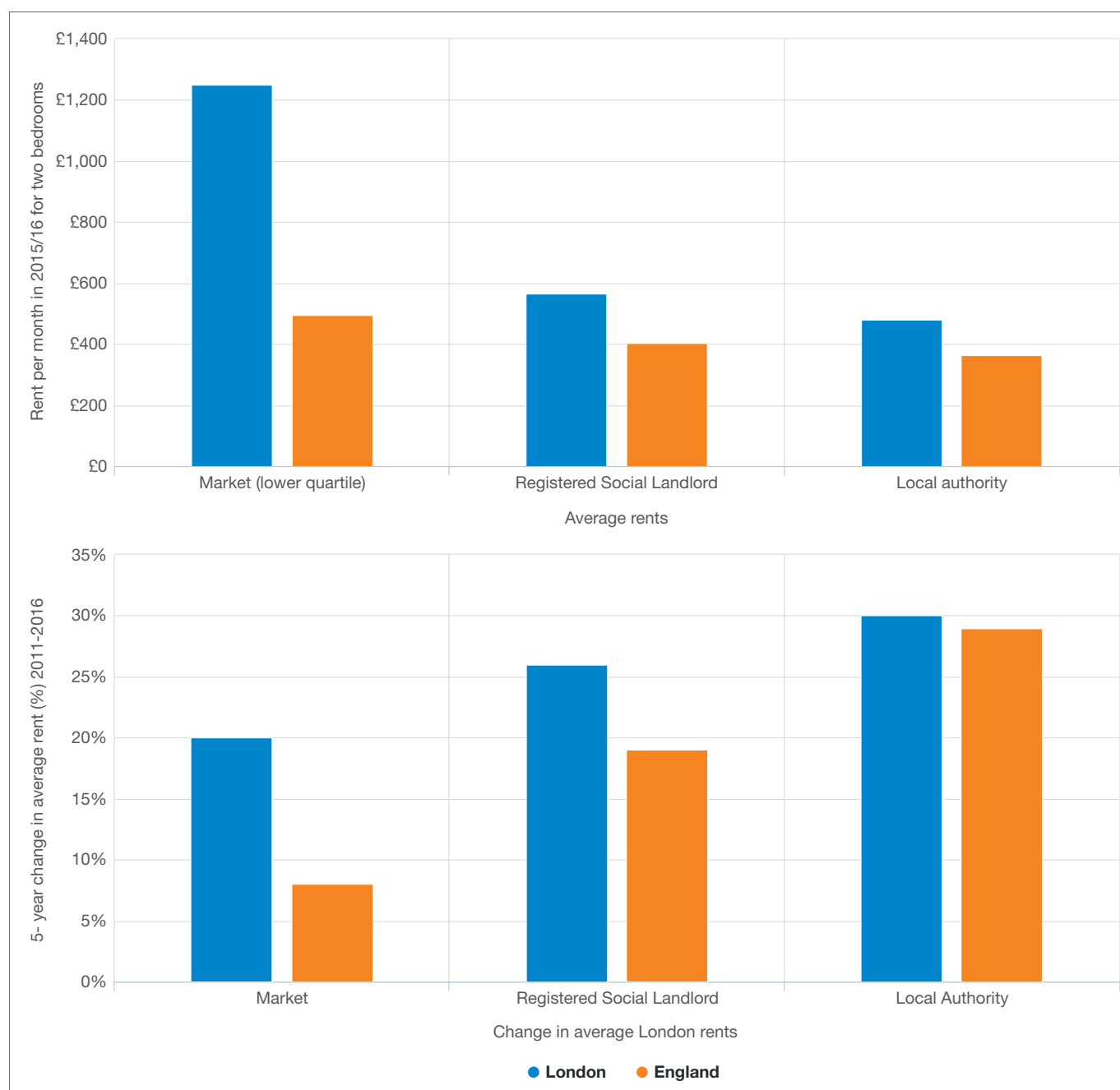


Figure 5.2

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

Key points

- Private rents in London are more than twice the average for England and have increased at more than twice the rate for England over the last five years.
- The difference for social rents is much smaller, although tenants in London still pay more.
- Local authority social rents in both London and England as a whole have increased by the largest proportion over the last five years (around 30%) albeit from a considerably lower base.

The average rent for a two-bedroom private rented house in London is £1,730 compared with £820 across England. Two-bedroom homes to rent in London at the bottom quarter of the market are £1,250 a month – more than twice the average for England at £500.

The differences between the capital and the rest of the country are less pronounced for social renters. For registered social landlord (housing association) tenants, the average rent on a two-bedroom home in London at £550 is £150 higher than in England as a whole. For tenants of local authorities, London is £110 a month more expensive at £470. Social rents for two-bedroom homes are less than a third the cost of private rents in London.

The growth in private rents over the past five years has also been considerably higher in London than the average across England, at 20% compared with 8%. The cheapest fifth of rents have increased faster than private rents overall. Social rents have also grown significantly, albeit from a considerably lower base. Rents for local authority social housing have increased 30%; housing association rents have increased 26% in London and 19% across England.

London also has much higher house prices than England as a whole. The average price for all dwellings sold in London² at the end of 2016 was £474,000, compared with the average for the whole of England of £232,000. House prices in London rose 5% compared with prices a year earlier, and 38% compared with five years earlier. London prices have risen every year apart from 2009.

Average house prices are higher in every London borough than in England as a whole, but there is huge variation across boroughs. The average house price in Kensington & Chelsea at the end of 2016 was more than £1.3 million, while in Barking & Dagenham it was £285,000.

² In the month up to Dec 1st, 2016 (not seasonally adjusted).

Rents and affordability

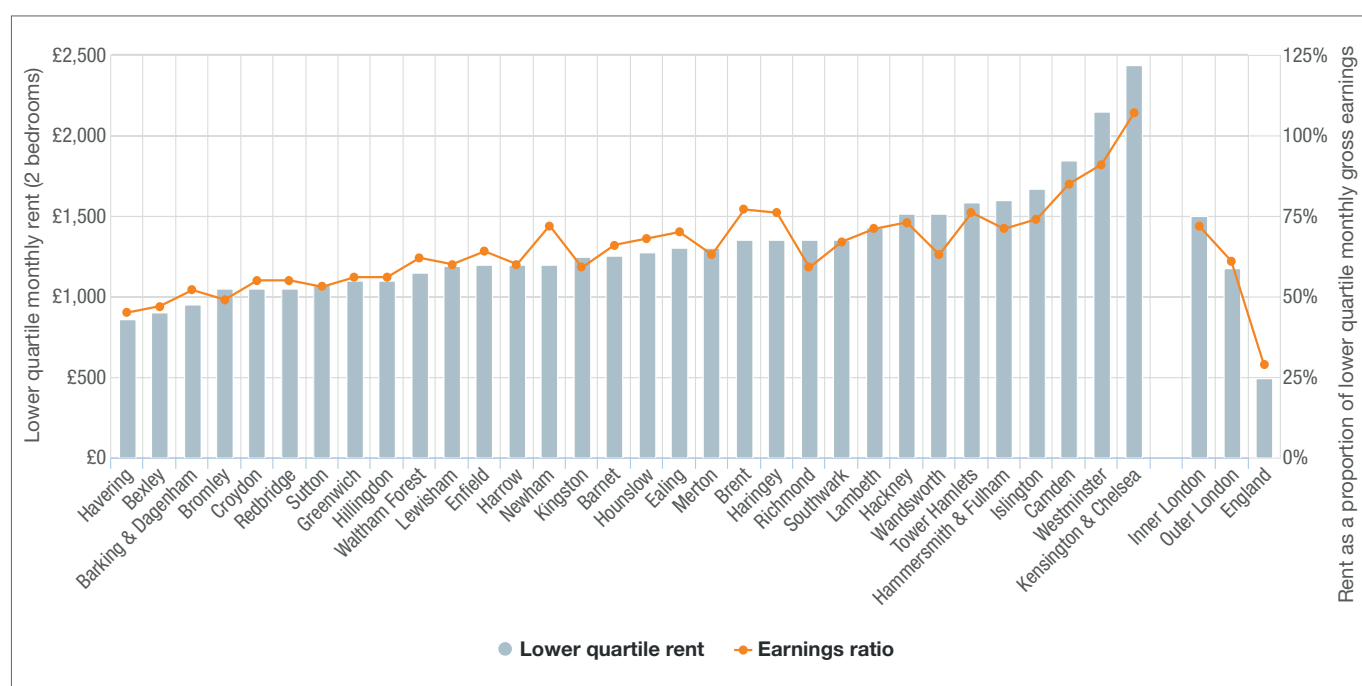


Figure 5.3 Source: Private rental market statistics 2015/16, VOA; ASHE 2015/16, ONS (via NOMIS).

Key points

- In 2015/16 in Inner London, rent at the cheaper end of the market was £1,500 a month, while in Outer London it was £1,180.
- In addition to having the highest rents, the rent in Kensington & Chelsea is 107% of the earnings for the bottom quarter of full-time workers. Only one borough, Havering, has rents below 50% of earnings. This is down from five boroughs in 2014/15.
- The share of earnings that rent takes is much higher in London than the rest of England and has increased significantly since 2014/15. In 2015/16 in Inner London, rent for a two-bedroom flat at the cheaper end of the market was 72% of earnings up from 70% in 2014/15. In Outer London it was 61%, up from 57%, and in England it decreased to 29% of earnings.

Figure 5.3 shows how private rents vary by borough and how this compares with earnings. The bars show monthly rent levels³ for a two-bedroom property and the line shows this as a percentage of gross full-time earnings in the borough. As this report is concerned with those at the bottom of the income distribution we look at the lower quartile (bottom 25%) for both earnings and rents. This is why the average rent is lower than the figure given above in Average rents (Figure 5.2).

In 2015–16 in Inner London, the rent was £1,500 a month, while in Outer London it was £1,180. In England as a whole it was less than half as much as Outer London, and a third of the Inner London level, at £500 per month.

The highest monthly rent was £2,400 in Kensington & Chelsea. Westminster is the only other borough with monthly rents above £2,000, at £2,100. The lowest rent in London is £860 in Havering. Only two other Outer London boroughs also have monthly rents below £1,000 – Bexley and Barking & Dagenham.

In addition to having the highest rents, the rent in Kensington & Chelsea is 107% of the earnings for full-time workers. In other words, a single full-time worker in the bottom quarter of the earnings distribution is unlikely to be able to afford a two-bedroom property alone, as they would have to spend more on rent than they earn. Although this measure is slightly unfeasible, in that most full-time workers are unlikely to be renting a two-bedroom flat by themselves (though a lone parent would), it is indicative of broader trends in affordability.

The biggest deterioration in the earnings ratio since the last report occurred in boroughs that have had large increases in rents. Newham had the worst deterioration (from 63% of earnings in 2014/15 to 72% of earnings in 2015/16), and had the largest increase in rents over the same time period (£200 per month - a 17% rise). Tower Hamlets, Redbridge and Hounslow had the second, third and fourth largest deteriorations and also saw rent increases of 10%, 11% and 14% respectively. Barking & Dagenham is the only other borough where rents increased by more than 10% during the time period. The earnings ratio in Barking & Dagenham was seemingly not as affected as the other boroughs (from 48% of earnings in 2014/15 to 52% in 2015/16) because Barking & Dagenham rents were the cheapest of any London borough in 2014/15, meaning even with the large increase in rent (£121 a month), the borough still had the third lowest rent of any borough (£950 a month).

³ These are based on a sample from the lettings administrative information database. This data is based on active tenancies, rather than advertised lettings.

Only one borough, Havering, has rents below 50% of earnings. This is down from five boroughs in 2014/15. In Outer London, rents are 61% of earnings, up from 57% in 2014/15. In Inner London, rents are 72% of earnings, up from 70% in 2014/15. Across England, the bottom rents are 29% of earnings, a decrease from 2014/15 when it was 31%.

Local housing delivery

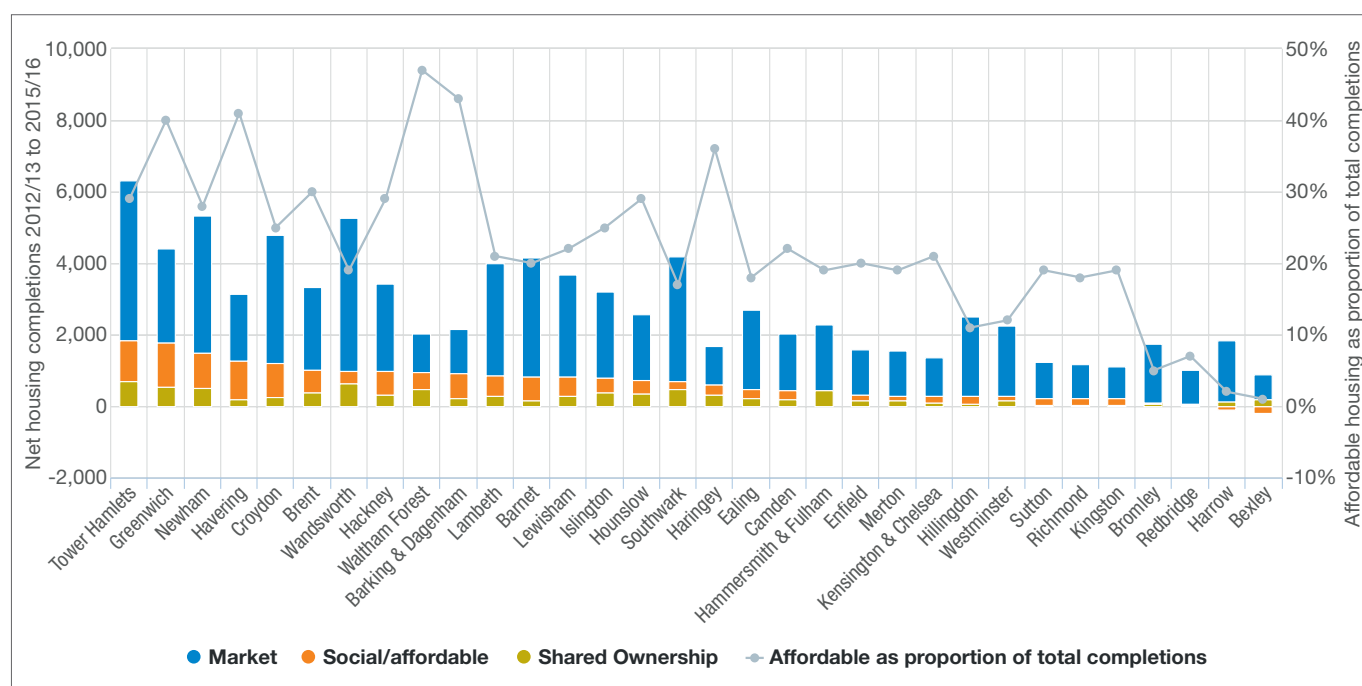


Figure 5.4

Source: Table 2.7 and table 3.12 annual monitoring report 13, GLA; data is a three-year total to 2015/16.

Key points

- 24% of new housing completions were affordable homes in London in the three years to 2015/16. This is a decline on the three years to 2013/14, when a third (34%) of all home completions were affordable.
- The 2015 London Plan target for net additional affordable homes is 17,000 a year. In 2015/16, a net total of 6,700 affordable homes were completed.

'Affordable' homes are available at sub-market costs to households whose needs are not met by the market.⁴ There were 21,500 affordable home completions in London in the three years to 2015/16. This represents 24% of all housing completions during that period. A similar number of affordable homes completed were in Inner (10,800) and Outer London (10,700).

Figure 5.4 shows that in the three years to 2015/16, Tower Hamlets delivered the most affordable homes of any borough at 1,830 (29% of completed homes). Waltham Forest was the borough in which affordable homes were the largest proportion of new homes at 47%. However, this is because this borough completed relatively few market homes, rather than a high number of affordable homes.

⁴ In practice this is housing managed by a local authority or a registered social landlord available as shared ownership, affordable rent or social rent.

Bexley delivered the fewest affordable homes. The borough actually had a net loss of social rents as more were demolished or converted to a different tenure than were built due to a phased redevelopment scheme. As this scheme progresses, the borough has set a target for 50% of all new completions to be affordable.

In 2015/16, a net total of 6,700 affordable homes were completed, which represents only 39% of the 2015 London Plan target of 17,000 net affordable homes each year. The number of net affordable completions has declined since 2013/14, when the average for the previous three years was 7,700 a year.

Affordable home completions have also fallen as a proportion of total home completions over this period. Around a quarter (24%) of the net increase in homes were affordable. In the three years to 2013/14, a third (34%) of all home completions were affordable. 38% of the affordable homes delivered in the three years to 2015/16 became social rents, 39% for affordable rent and 23% for shared ownership.

'Affordable housing' is defined in this graph based on the 2011 London Plan definition which defines affordable rent as 80% or below of market value. Mayor Sadiq Khan has indicated he plans to publish a revised London Plan, which recent policy documents indicate will probably change both the definition of 'affordable rent' and the targets for affordable housing.

Eviction rates

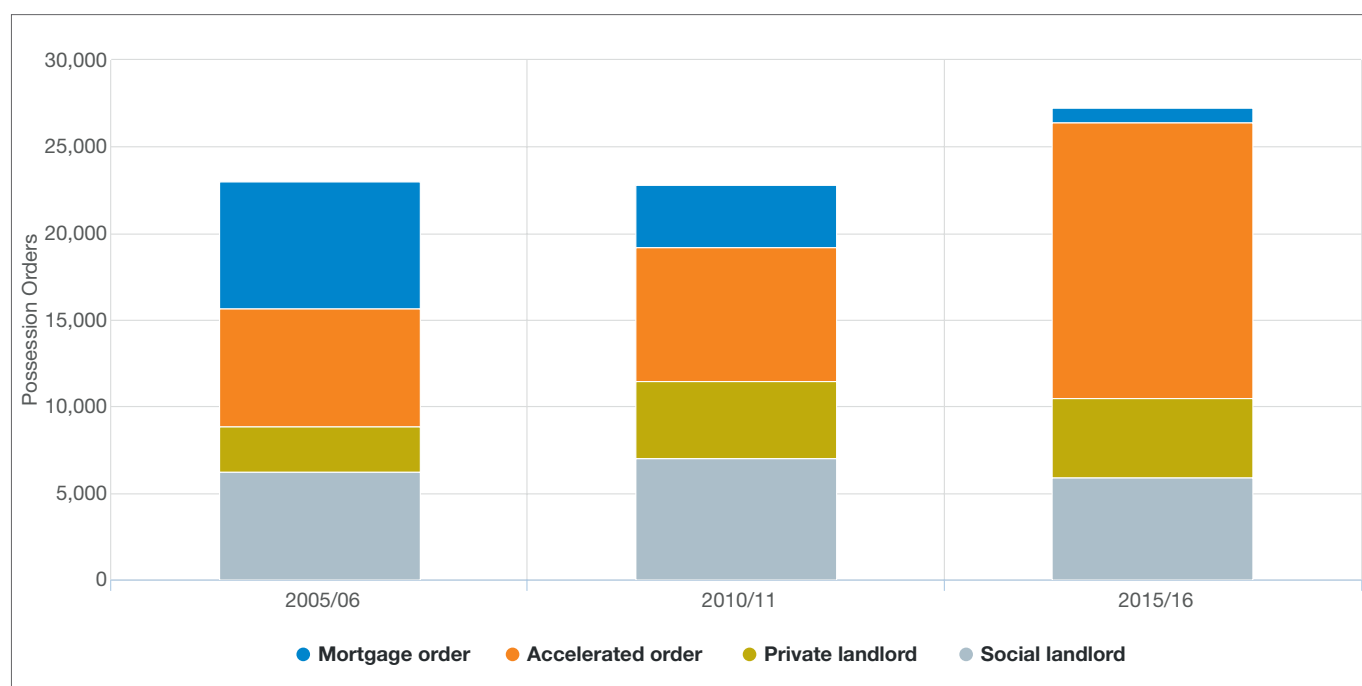


Figure 5.5

Source: Mortgage and landlord possession statistics, Ministry of Justice; English Housing Survey, DCLG.

Key points

- The total number of landlord and mortgage possession orders in London has risen in the five years to 2015/16.
- While landlord possession orders have risen over the past decade, mortgage possession orders have fallen significantly from 7,400 to 900.

- The rate of landlord possession orders was higher in 2015/16 at 15 per 1,000 rented households than five years previously, at 13 per 1,000 households. The rate in the rest of England was much lower at 6 orders per 1,000 rented households – representing a fall from a decade previously.

The total number of landlord and mortgage possession orders has risen in the five years to 2015/16. Mortgage possession orders have fallen significantly over the past decade, from 7,400 down to 900. Since the financial crisis, mortgage holders have benefited from extremely low interest rates and lender forbearance policies⁵ which have probably contributed to the fall in mortgage possession orders.

The overall increase is therefore due to a significant increase in landlord possession orders which made up 97% of total orders in 2015/16. The rate of landlord possession orders was higher in 2015/16 at 15 per 1,000 rented households than five years previously, at 13 per 1,000 households.

This is particularly accounted for by the rise in accelerated possession orders, more than doubling from 7,700 to 16,000. These orders are predominately used by private landlords⁶, although they can be used by social and private landlords with shorthold tenancies once the initial fixed tenancy period has ended. After giving the tenant two months' notice, an accelerated order allows the landlord to apply to the court for possession solely on the basis of written evidence and without a hearing.

The increase over the last five years was not matched across the rest of England, where the rate was considerably lower at 6 orders per 1,000 rented households in 2015/16, representing a fall compared with a decade previously.

⁵ Bank of England Financial Stability Report 2011: these policies allow customers to reduce or reschedule mortgage payments when they fall into arrears.

⁶ Clarke et al (2017) *Poverty, Evictions and Forced Moves*. York: JRF.

Possession orders for renters

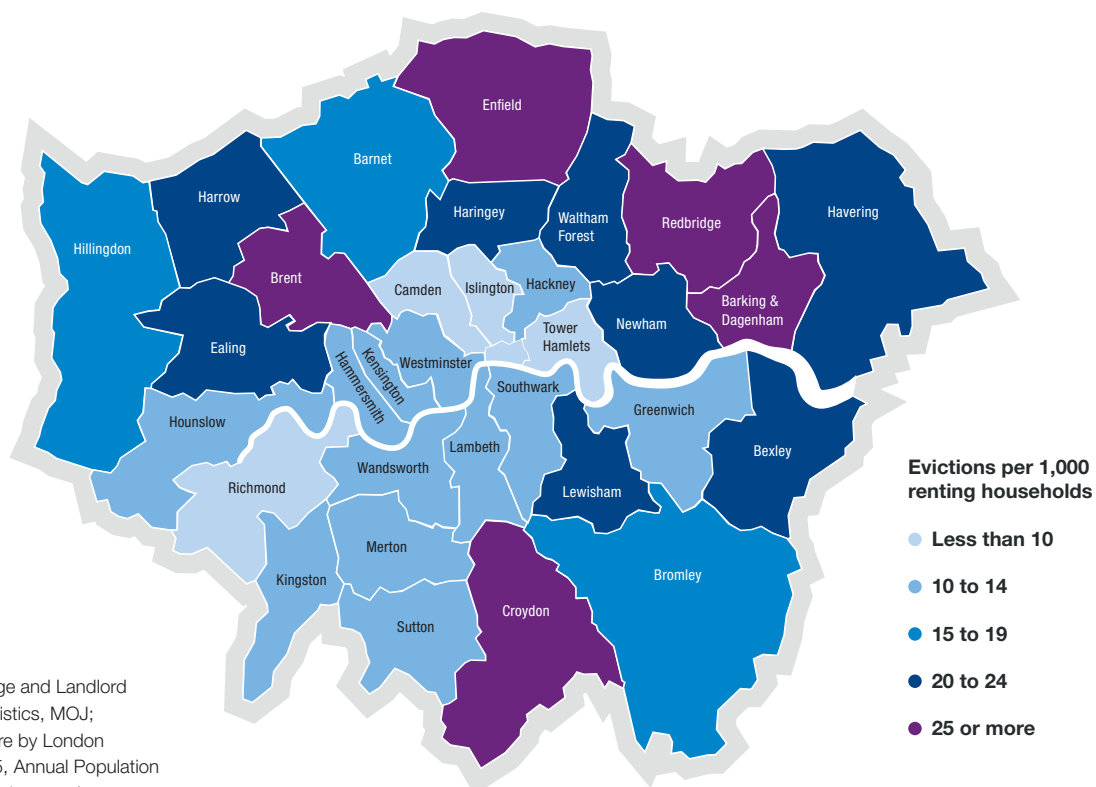


Figure 5.6

Source: Mortgage and Landlord Possession Statistics, MOJ; Household tenure by London borough in 2015, Annual Population Survey (via GLA datastore).

Key points

- **Enfield had the highest eviction rate in 2015/16 of 34 evictions per 1,000 renting households.**
- **The highest eviction rates are mostly concentrated in Outer London – of the top ten, nine are in Outer London.**
- **Eight of the ten boroughs with the highest eviction rates in 2014 were still in the top ten in 2015/16.**

This map shows how eviction rates for renting households differ across boroughs. Enfield had the highest eviction rate in 2015/16 of 34 evictions per 1,000 renting households (in 2014/15 it also had the highest eviction rate of 30 evictions per 1,000 renting households). Brent was the next highest with a rate of 28 while Camden had the lowest rate of 6 evictions (per 1,000 renting households).

The highest eviction rates are mostly concentrated in Outer London – nine of the ten boroughs with the highest rates are in Outer London. Eight of the ten boroughs with the highest eviction rates in 2014/15 were still in the top ten in 2015/16. Waltham Forest and Barnet's eviction rates both declined (by 3.4 and 3.6 evictions per 1,000 renting households respectively), and they are no longer in the top ten. Brent had the largest rate increase of any London borough, from 20 evictions in 2014/15 to 28 in 2015/16, followed by Harrow with an increase from 17 to 24.

High eviction rates seem to occur in boroughs with high proportions of families with children living in the private rental sector receiving housing benefit. In Enfield, one quarter of all children in the borough are in this situation. Welfare changes, most notably the lowering of the rate of Local Housing Allowance (LHA – housing benefit that can be claimed by a private sector tenant) in 2011), and the benefit cap introduced in 2013 (and lowered further in 2016) have made the private rental sector precarious for low-income families. Private tenants receiving housing benefit in London have a particularly high risk of falling into arrears, as high London rents mean many of these families will face a shortfall between their housing benefit and their rent since these reductions in the value of payable housing benefit.

It is therefore worrying that the proportion of families in London receiving housing benefit in the private rental sector is growing – from one quarter (25%) in 2008 to almost a third (31%) in 2016. A lack of social housing means more low-income people are likely to find themselves in the private rented sector, and facing a greater risk of eviction.

Overcrowding over time

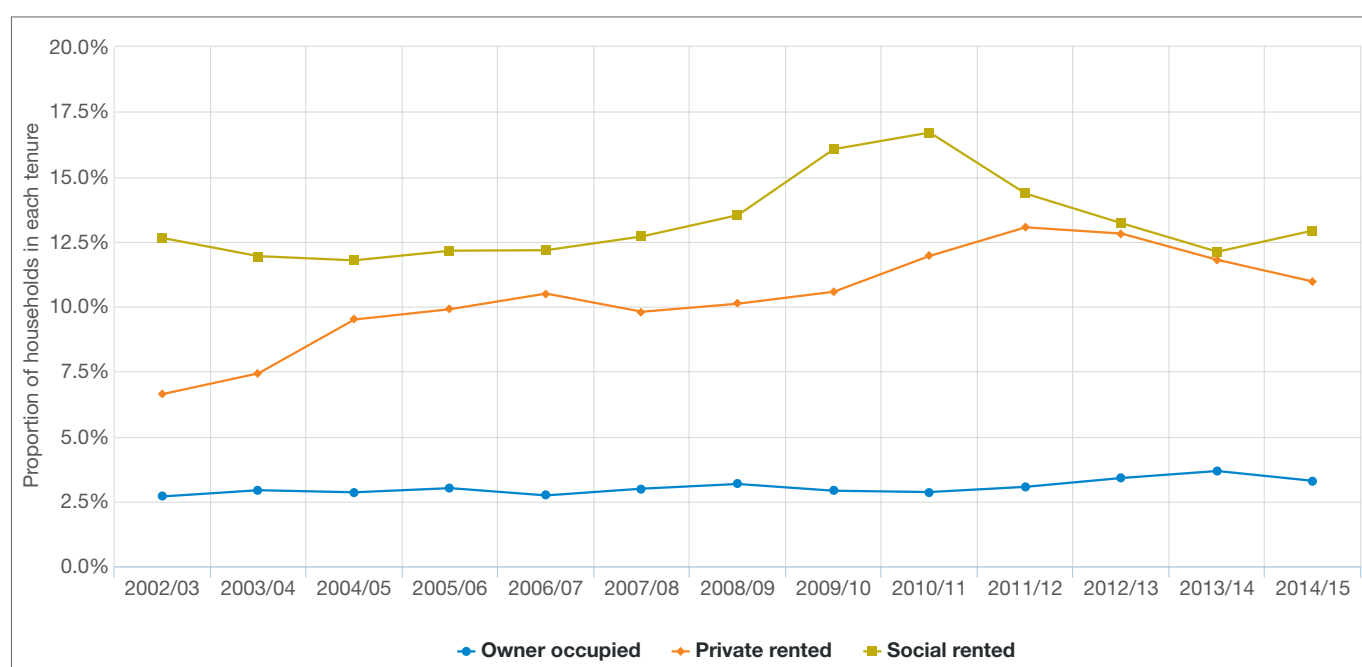


Figure 5.7

Source: English Housing Survey, DCLG; the data is a three-year average to the year shown.

Key points

- In 2014/15, there were 250,000 overcrowded households in London. 14% of social renting, 11% of private renting households and 3% of owner-occupier households were overcrowded.
- Levels of overcrowding in London are more than twice as high as the rest of England across tenures.
- The rate of overcrowding among ethnic minority households in London was 13% compared with just 5% of White households.

In 2014/15, there were 250,000 households in London that were overcrowded by the 'bedroom standard' which assesses the number of bedrooms needed according to the size and composition of households. Of these overcrowded households there were 50,000 households in owner-occupation and 100,000 households in each of the private rented sector and social rented sector. This represents 14% of the social renting households in London, 11% of private renting households and 3% of owner-occupiers.

Levels of overcrowding in London are more than twice as high as the rest of England for every tenure. In the rest of the country, the rates of overcrowding are 1% in owner-occupation, 4% in the private rented sector, and 5% in the social rented sector.

While rates of overcrowding in London are higher now than a decade ago, current levels of overcrowding in London remain far below historic levels of overcrowding. In London over the past century, the average number of rooms per person rose every decade from 1.02 rooms per person in 1911 to a high of 1.99 rooms per person in 2001, before falling slightly to 1.88 rooms per person in 2011.

These figures are average rates based on total rooms and population. However, rooms have never been evenly distributed across households. Until the mid-twentieth

century, it was common for poor households in London to experience extremely high levels of overcrowding. In the 1911 Census, in Stepney alone, there were more than 7,000 households recorded with three or more people living in a single-room home.

Official statistics do not capture 'hidden households' such as those who live in illegal structures ('beds in sheds'), therefore the scale of this type of overcrowding in London is difficult to gauge.⁷ Newham introduced a borough-wide licensing scheme in 2013, in part in an attempt to curb this type of criminal behaviour by landlords. Since 2015, boroughs have to have government approval to implement a selective landlord licensing scheme. The borough of Redbridge has recently introduced a scheme in two wards⁸, and is applying to the government to roll it out in a further 12 wards, following DCLG's initial rejection of their application for a borough-wide scheme in 2015.⁹

Ethnic inequalities in overcrowding exist in London. Across all tenures, the rate of overcrowding among ethnic minority households in 2014/15 was 13% compared with just 5% of White households. Analysing the 2011 Census, a report from the Runnymede Trust found that people who identify as Black African or Bangladeshi are the most likely to live in overcrowded homes in London.¹⁰

Commentary

The 2015 edition of this report stated: 'What is most worrying is that the extent of [the housing situation] seems to be getting worse rather than better and there appears to be no progress.' This year, rents continue to rise as affordability falls across London. Eviction rates and overcrowding remain high, while the provision of affordable housing in London continues to fall far short of targets.

The timeframe of the data collected in this chapter almost entirely falls under the previous mayor's administration. The new mayor has committed to deliver 90,000 new affordable homes by 2021, which will include introducing a new 'rent to buy' product which will use locally specified sub-market rents (called 'Living Rent'). He has also said his administration will revise the 2015 London Plan, with a revised definition of 'affordable housing' with a lower cost threshold for what can be considered affordable. These are positive commitments, but as this chapter has shown, the cost burden that low-income tenants face in private rents is a key source of hardship in London. The slow process of Redbridge's attempts to form a borough landlord licensing scheme, shows the barriers that even the most modest efforts to reform this tenure face.

Another key issue for housing in London is not just quantity but quality. The number of non-decent homes (defined by current statutory minimums for things like thermal comfort and state of repair) in the social rented sector has almost halved across England over the past decade, in large part because of the last Labour government's investment through the Decent Homes Programme. However, the lethal fire at Grenfell Tower has raised questions both about how acceptable standards for housing (across tenure) are set, and how effectively they are enforced. Between 2008 and 2013 the proportion of dwellings (of any tenure) across England that contained a Category 1 health and safety hazard¹¹ declined from 23% to 12%, but the decline has stalled since then.

Policies that continue to give primacy to owner-occupation will inevitably fail to alleviate the hardship faced by the half of households in London who rent. A radical shift, both in investment in quality social housing and in better regulation of the private rented sector, is required to redress London's gaping housing inequality.

⁷ In 2012, the Leader of Ealing Council suggested there could be up to 60,000 people living in these 'beds in sheds' in Ealing alone: Cooke (2012) "'Beds in sheds' shouldn't distract us from the real housing crisis' The New Statesman. <http://www.newstatesman.com/blogs/politics/2012/08/beds-sheds-shouldnt-distract-us-real-housing-crisis>.

⁸ London Borough of Redbridge. <https://www.redbridge.gov.uk/housing/private-rentals/licences-to-rent-out-properties/>.

⁹ DCLG *Selective licensing in the private rented sector: A Guide for local authorities*. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/418551/150327_Guidance_on_selective_licensing_applications_FINAL_updated_isbn.pdf.

¹⁰ Elahi, F. and Khan, O. (2016) *Ethnic Inequalities in London: capital for all*. London: Runnymede Trust.

¹¹ A Category 1 hazard is one which poses a serious threat to the health or safety of people living in or visiting your home, such as a broken boiler or leaking roof.

Homelessness

Key points

- In 2016/17, there were 8,100 people recorded sleeping rough, almost three times the number in 2006. However, there was no increase on the previous year.
- The number of rough sleepers from Central and Eastern European countries fell between 2015/16 and 2016/17, after almost a decade of rapidly rising numbers.
- 75% of people sleeping rough were recorded in Inner London, lower than in 2011/12 when it was 83%. The number of people recorded as sleeping rough has risen in both Inner and Outer London, but the increase has been faster in Outer London.
- 39% of homeless households that the council has a duty to house (statutorily homeless) became homeless as a result of the end of a shorthold tenancy in 2016/17. As a proportion of homelessness acceptances this has increased significantly, from 10% in 2009/10.
- Levels of homelessness in London were more than double those in the rest of England, at 5 per 1,000 households compared with 2 per 1,000 in 2016/17. However, statutory homelessness varies significantly by borough, with east London boroughs having the highest levels.
- There were 54,000 households in temporary accommodation arranged by the local council in London in the first quarter of 2017, a 48% increase on five years previously. Seven in 10 households in temporary accommodation in England are in London.
- 19,700 households in temporary accommodation (more than one in three) were placed outside the borough to which they had been accepted as homeless. This is a 10% increase on the previous year.
- A total of 30,000 cases of homelessness prevention or relief were estimated to have taken place in London in 2016/17: unchanged from the previous year but down from the peak of 34,000 in 2013/14.

Introduction

Homelessness is a sharp manifestation of poverty: a situation in which one of the most basic needs is not being met adequately, or at all. Homelessness can be seen both as a consequence of poverty – no longer having the income to continue or begin a tenancy – as well as cause. Without a stable home, it is hard to plan for the future or improve your circumstances in other ways.¹

This chapter considers two types of homelessness: people who are sleeping rough – on the streets, for example – and people who local authorities accept are homeless and have a right to be housed (statutory homelessness). Both are linked to the lack of affordable housing discussed in the previous chapter.

The first indicators in this chapter look at rough sleeping across London and over time. We then examine statutory homelessness trends followed by temporary accommodation and homelessness prevention and relief.

Rough sleeping over time

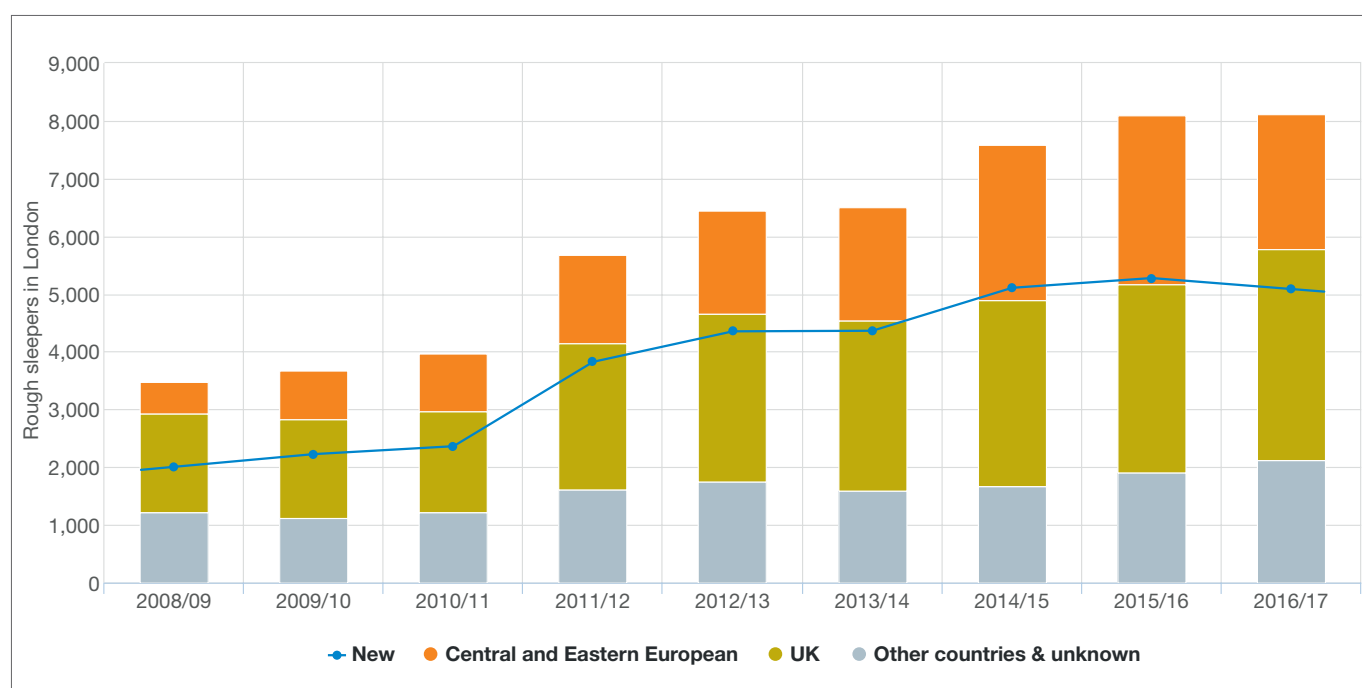


Figure 6.1

Source: CHAIN annual reports, GLA & St Mungo's Broadway.

Key points

- The number of people recorded as rough sleeping in 2016/17 is almost three times the number a decade ago. There was no increase between 2015/16 and 2016/17.
- There is high turnover in rough sleeping – as the number of people sleeping rough has risen, the number of new rough sleepers has also risen.
- The number of rough sleepers from Central and Eastern European countries fell between 2015/16 and 2016/17, after almost a decade of rapidly rising numbers.

¹ Smith, M., Albanese, F., and Truder, J. (2014) *A roof over my head*. London: Shelter and Crisis.

8,100 people were seen sleeping rough at least once by a homeless outreach team in London in 2016/17, the same number as the previous year. The number of people sleeping rough in London has increased dramatically since 2007, and in 2015/16 was almost three times the number a decade ago in 2006.

Over the period where rough sleeping has risen, the number of new rough sleepers has also risen, from 1,600 in 2007 to 5,100 in 2016/17. There is a high turnover, with 77% of rough sleepers seen sleeping out only once or twice.

Only 15% of people recorded as sleeping rough in London in 2016/17 were women. However, many homeless women are 'hidden homeless' (for example they are sofa surfing or being sexually exploited in exchange for shelter) in order to avoid sleeping on the streets (where they also face a very high risk of sexual violence and exploitation).² Even women who are actually sleeping rough are less likely to be recorded than men, as women often feel unsafe accessing male-dominated street homeless services.³ Data on rough sleepers therefore probably underestimates the true scale of female homelessness.

10% of people recorded as sleeping rough in London in 2016/17 were under 25. However, recent changes to housing benefit eligibility for under-21s may result in an increase in homeless young people across England.

The increase in the number of people sleeping rough has been most marked among rough sleepers from Central and Eastern European countries. This number has increased from 300 in 2007 to a high of 2,900 in 2015/16. This is likely to be a result of increasing migration from these regions over this period, as well as policy changes such as housing benefit restrictions for European Economic Area (EEA) migrants introduced in 2014.

However, the number of Central and Eastern Europeans sleeping rough fell by 600 people between 2015/16 and 2016/17, from 2,900 to 2,300. This is the first fall in this group in almost a decade. Since February 2017, rough sleeping has been reclassified as an 'abuse of treaty rights' for EU and other EEA migrants, meaning that migrants are now liable for detention and deportation if they are found rough sleeping. Even before the change in policy, many London councils were helping the Home Office's Immigration Compliance and Enforcement (ICE) teams to deport people sleeping rough in 2016. A range of factors, such as the decision to leave the EU, the rise in hate-crime against foreign-born people, and an increase in ICE targeting of people sleeping rough, may all be driving homeless EEA nationals out of London.

² House of Commons Communities and Local Government Committee (2016) *House of Commons Communities and Local Government Committee Homelessness: third report of session 2016–17*.

³ Mayor of London (2016) *Female entrenched rough sleeper project*.

Rough sleeping across London

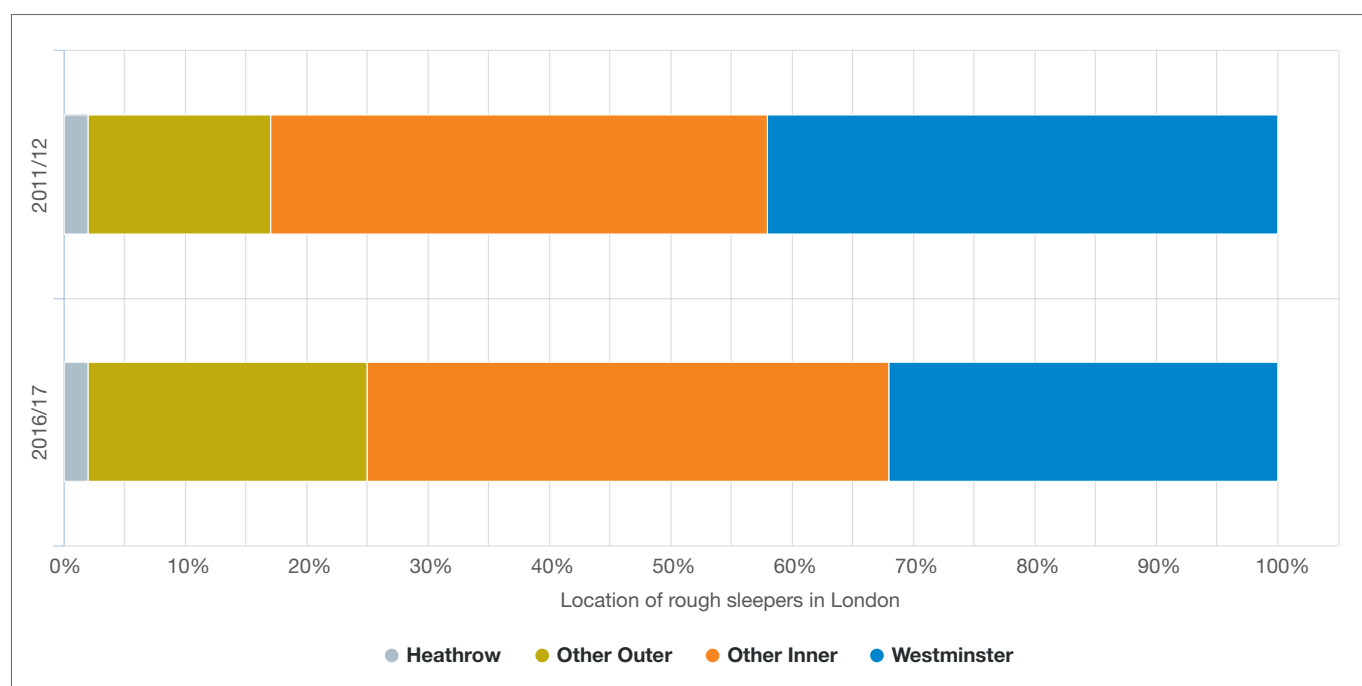


Figure 6.2

Source: Table 4.2, CHAIN annual reports, GLA & St Mungo's Broadway.

Key points

- The majority of people sleeping rough (75%) were recorded in Inner London.
- Almost a third (32%) of people recorded sleeping rough in 2016/17 were in Westminster. This is down from 42% in 2011/12, despite an increase in the absolute number recorded in the borough.
- The proportion of people rough sleeping recorded in Outer London has increased significantly in five years.

75% of all rough sleepers were in Inner London in 2016/17, with 32% in Westminster and 43% in other Inner London boroughs. The number of rough sleepers in Westminster increased over this five-year period, but rose more quickly elsewhere meaning its share of total rough sleepers has fallen.

The proportion of rough sleepers in Outer London has risen from 17% in 2011/12 to 25% in 2016/17, with 2% of total rough sleepers recorded in Heathrow airport. This offers some further evidence of disadvantage in London shifting out towards the outer boroughs.

Homelessness acceptances over time

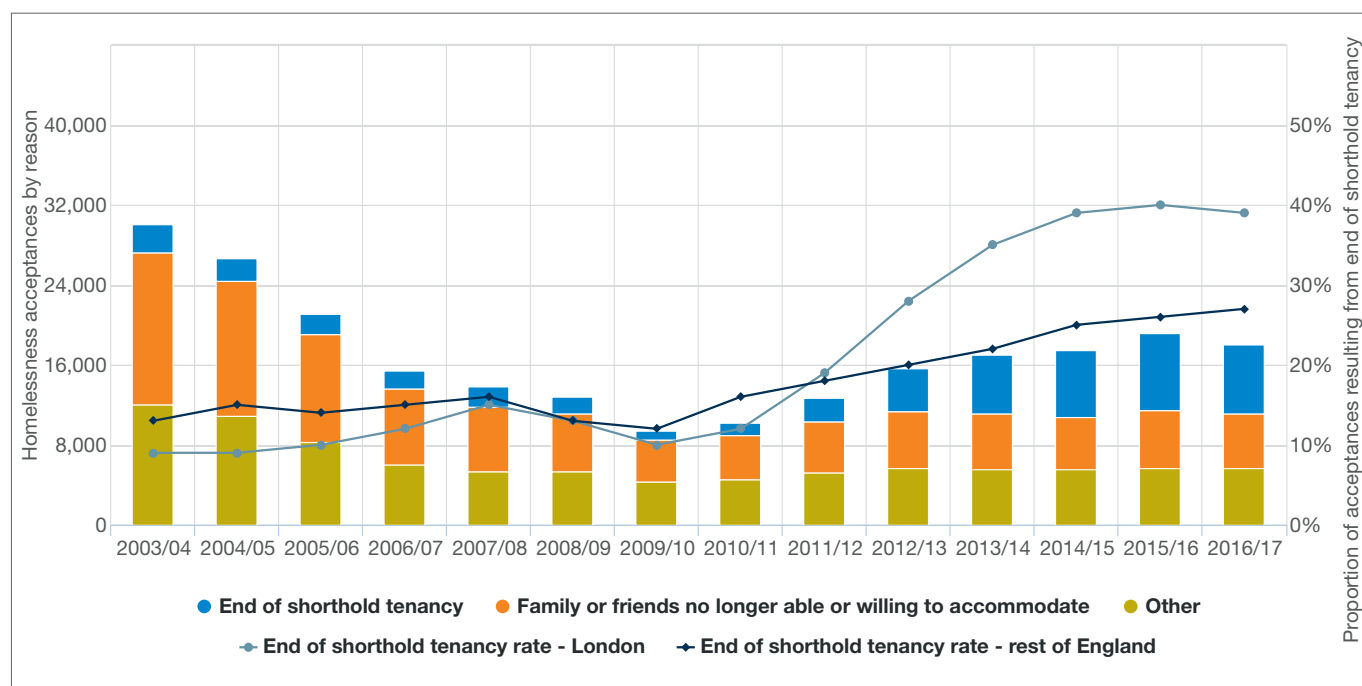


Figure 6.3

Source: PE1 Homelessness returns, DCLG.

Key points

- In 2016/17, the number of homeless acceptances declined from the previous year – the first decline since 2009/10.
- In addition to statutorily homeless households, a further 11,700 households were found not eligible for rehousing. The newly passed Homelessness Reduction Bill will mean these households are eligible for help, but not necessarily rehousing, from next year.
- 39% of statutorily homeless households had become homeless as a result of the end of a shorthold tenancy in 2016/17. As a proportion of homelessness acceptances this has increased significantly, from 10% in 2009/10.

In 2016/17, the number of homelessness acceptances across London was 18,100. This marked a decline from the highest number of acceptances in a decade from the previous year (19,200). This is the first year acceptances have declined, rather than increased, since 2009/10.

These figures reflect statutory homelessness (those who the local authority has determined are legally entitled to assistance). To be accepted as statutorily homeless by the local authority you must be found legally and unintentionally homeless, be eligible for assistance (based on citizenship and/or immigration status) and in priority need (the most common reasons to be found in priority need are having children in the household or meeting the criteria for 'vulnerability' through age or health issues). Given this strict definition, there are probably far more homeless households than the number recorded as receiving assistance. In practice, local authorities interpretation of the scope of who is eligible under the law also varies widely, which is one of the reasons for the differing numbers of homeless acceptances in 6.4 below.

In addition to the 18,100 households accepted as homeless and in priority need, a further 11,700 households were found to be eligible but not accepted because they were found to be not homeless (5,100 households), intentionally homeless (2,600 households), or not in priority need (4,000 households). However, figures are not published for the number of people who are found not eligible. Research from Crisis also found that many London boroughs use a variety of 'gatekeeping' techniques to prevent people from making a homeless application.⁴ It is impossible to estimate how many people are prevented from making an application in this way in London every year.

The Homelessness Reduction Bill, which received Royal Assent in April 2017 (and will come into force next year), requires local authorities to help all eligible applicants, not just those in priority need. This could potentially lead to a large rise in the number of people applying to local authorities (by making it more difficult for councils to 'gatekeep') and receiving help.

The number of homelessness acceptances peaked in the late 1990s and early 2000s, with 30,000 homeless acceptances in 2003/04. This fell to 2009/10 when it hit a low of 9,400, following years of more proactive homeless prevention across England. After 2009/10 the number of homeless acceptances rose again.

The reasons for homelessness have changed since this rise began, with the greatest increases in homelessness as a result of the end of a shorthold tenancy, up from 900 in 2009/10 to 7,000 in 2016/17. In 2009/10, friends or family being no longer willing or able to accommodate a homeless individual or family was the most common reason for homelessness in London among those accepted as homeless by local authorities, making up 44% of the total, while end of shorthold tenancy made up 10% of the total. By 2016/17, 39% of those accepted as homeless were homeless as a result of the end of a shorthold tenancy.

While this has been an increasingly important reason across the rest of England as well, its share of homelessness acceptances resulting from this is lower at 27%, having been higher than the London rate throughout much of the 2000s and as recently as 2010/11.

Homeless acceptance figures show that ethnic minorities have a greater risk of statutory homelessness. In 2016/17, over half of statutorily homeless households were BME, despite BME people making up only 41% of the population of London. Black or Black British households made up the largest number of homeless households (5,900) and the largest proportion (33%) of any ethnic group.

⁴ Dobie, S., Sanders, B. & Teixeira, L. (2014) *Turned Away: The treatment of single homeless people by local authority homelessness services in England*. London: Crisis.

Homelessness acceptances by borough

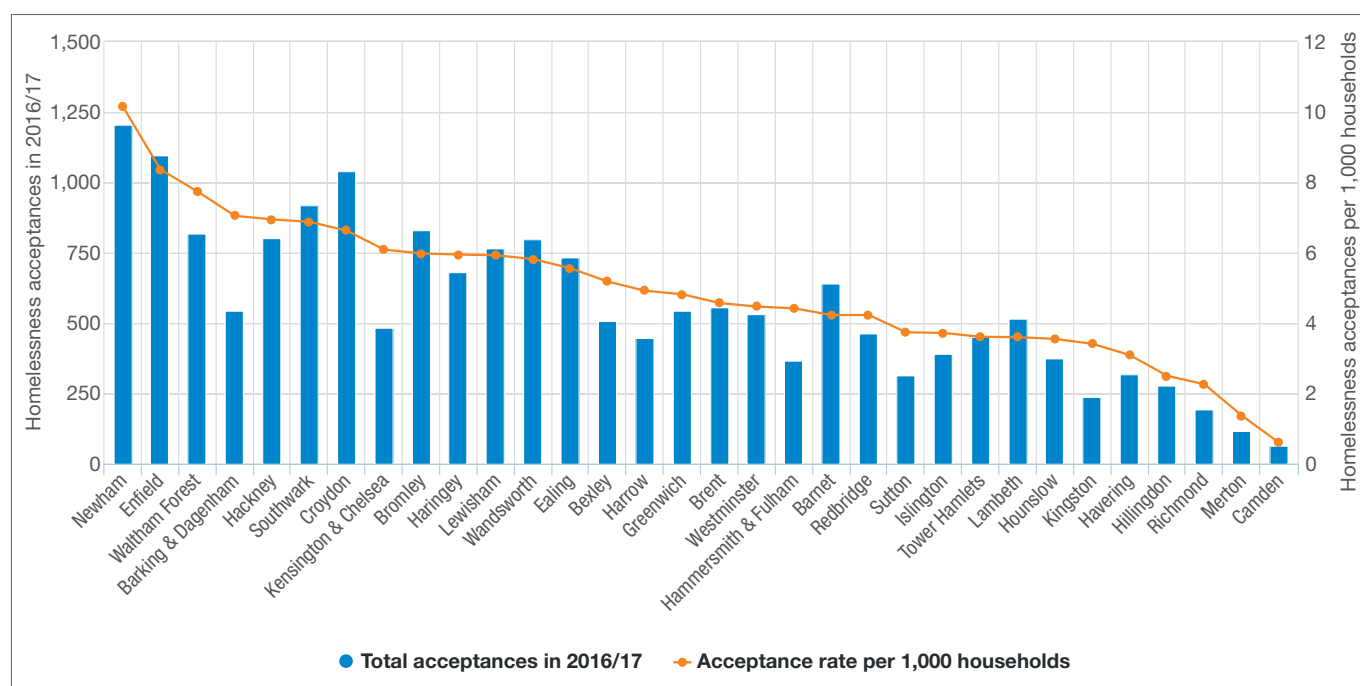


Figure 6.4

Source: PE1 Homelessness returns, DCLG; the data is for 2016/17.

Key points

- Levels of homelessness in London were more than double those in the rest of England, at 5 per 1,000 households compared with 2 per 1,000 in 2016/17.
- Newham had the highest rate in 2016/17 at 10 per 1,000 households, while Camden and Merton both have homelessness acceptance rates of less than the average for the rest of England outside London.
- Variation by borough is probably influenced by several factors, such as borough specific strategies, as well as local housing market changes.

Although the levels of homelessness in London were more than double those in the rest of England, at 5 per 1,000 households compared with 2 per 1,000 in 2016/17, this varies considerably by London borough by year. Newham is the only borough with a rate over 10 per 1,000 households in 2016/17. Factors likely to be driving this phenomenon in Newham include the high proportion of families with children receiving housing benefit living in the private rental sector, and rapidly rising rents in the borough over the past five years (median rents rose 45% between the beginning of 2012 and 2016, the third highest increase in London).

In 2015/16, Waltham Forest and Barking & Dagenham both also had rates above 10 per 1,000 households. Despite a large decline in the number of households they accepted as homeless over the past year in both boroughs, they still have some of the highest rates in London (8 and 7 acceptances per 1,000 households respectively). At the other end, Camden and Merton both have homelessness acceptance rates of less than the average for England outside London.

Part of this variation can be explained by borough specific approaches, both by the local authority and homelessness charities. Changing local housing market conditions (such as rapidly rising rents at the bottom of the market, gentrification, and other local authorities competing for affordable temporary accommodation) probably also contributes.

Temporary accommodation over time

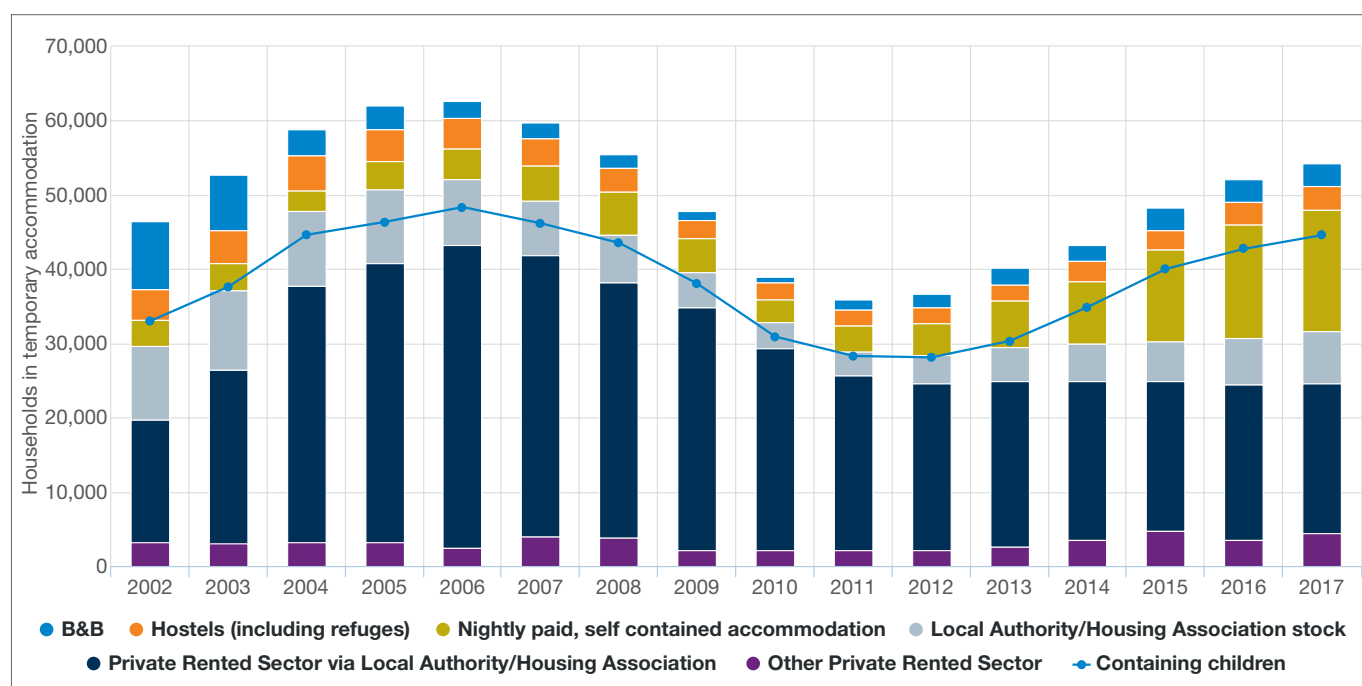


Figure 6.5

Source: PE1 Homelessness returns, DCLG; the data is for January–March each year.

Key points

- There were 54,000 households in temporary accommodation in London in the first quarter of 2017, a 48% increase on five years previously. Seven in 10 households in temporary accommodation in England are in London.
- 45,000 households in temporary accommodation (82%) contain children (or expect children), and 66% are BME.
- 25,000 households in temporary accommodation were in private rented accommodation. Nightly paid accommodation is increasing among private rented temporary accommodation.

The number of households in temporary accommodation in London in the first quarter of 2017 was 54,000, compared with 23,000 across the rest of England. This marks a sixth consecutive increase at the same point in previous years, with 2,000 more households in temporary accommodation than a year previously, and a 48% increase on five years previously.

The number of households in temporary accommodation follows a similar pattern to the number of households accepted as homeless, with an increase in the mid-2000s to a peak of 63,000 in 2006, followed by falls to 2011 and subsequent rises. There was a slight lag between peak numbers of homeless acceptances and numbers in temporary accommodation. This is probably due to the length of time many households remain in temporary accommodation; at the beginning of 2017, 58% had been in temporary accommodation for longer than a year, 12% had remained for five years or longer.

Of the 54,000 households in temporary accommodation at the beginning of 2017, 45,000 (82%) contained children (or expected children).

3,000 were in B&B accommodation and 3,200 in a hostel or women's refuge. This is considerably less than in the early 2000s, following legislation introduced to limit the use of B&B accommodation, with a six-week limit on the amount of time a family with children can spend in this type of accommodation. The use of B&Bs for temporary accommodation varies by borough. At the beginning of 2017, there were seven boroughs where at least 1 in 10 households in temporary accommodation were in B&B accommodation. At the same time, there were 15 boroughs where less than one in a hundred households in temporary accommodation were staying in B&Bs.

In the final quarter of 2016, 710 households in London exceeded the six-week limit. However, the number of households in nightly paid, self-contained accommodation has increased dramatically over the past five years, and in 2016/17, 30% of households were in this type. This type of accommodation 'typically involves the use of units and annexes associated with privately managed hotels generally paid on a nightly basis, but the household has exclusive use of all facilities'.⁵ While this type of accommodation provides a private kitchen and bathroom for a family, it is not conventional accommodation.

Of the remaining households, 13% were in local authority or housing association stock and almost half (45%) were in private rented accommodation. Of these an increasing number are now in nightly paid accommodation. This could offer private landlords providing temporary accommodation 'more frequent opportunities to exploit competition from boroughs bidding for properties and to negotiate higher rates'⁶ as agreements can be changed from night to night. The six-week limit hampers boroughs' negotiating power in these instances, although since 2014 boroughs have been working more closely together on this issue.

As with homeless acceptances, BME households are over-represented in temporary accommodation. 66% of households in temporary accommodation in London at the beginning of 2017 were BME.

⁵ DCLG (2017) *PE1 Guidance Notes: Quarter 1 2017 DCLG*.

⁶ Irvine, B. (2016) *RSA Briefing: Designing solutions to London's temporary accommodation system*. London: RSA.

Temporary accommodation placements by borough

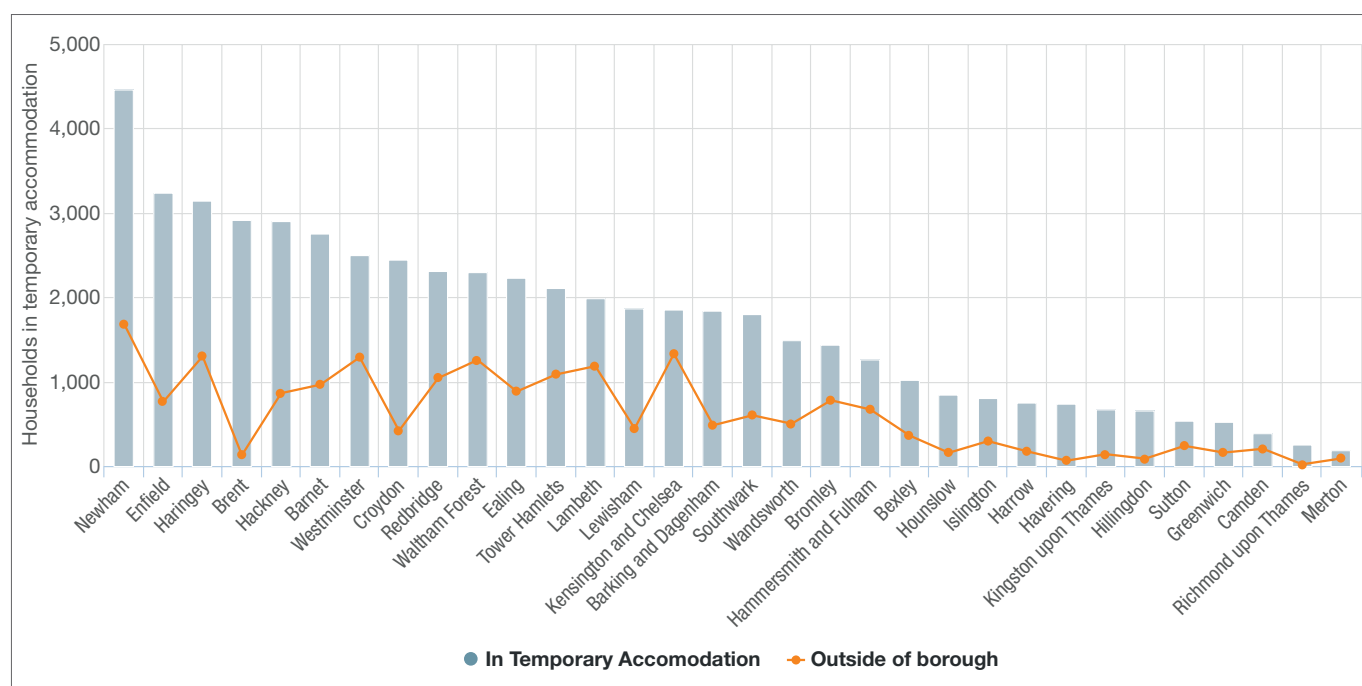


Figure 6.6

Source: PE1 Homelessness returns, DCLG; data is for January – March 2017.

Key points

- **19,700 households in temporary accommodation (more than one in three) were placed outside the borough in which they had been accepted as homeless.**
- **Newham had the highest number of outside borough placements at 1,700, while Kensington & Chelsea had the highest rate at 72% of all households in temporary accommodation.**

At the beginning of 2017, there were 19,700 households in temporary accommodation located outside their home borough, more than one in three of total households placed in temporary accommodation. This is 1,800 more households than were placed outside their borough at the same point in 2016 (a 10% increase in one year).

The patterns across London are uneven, with eight boroughs placing more than 1,000 households in temporary accommodation outside of the borough. Newham had the highest number at 1,700. Newham also had the highest number of households in temporary accommodation overall as they also did in 2016). In addition to the local housing market factors discussed above, there has also been a ‘knock-on’ effect of Inner London boroughs placing their homeless families in temporary accommodation in Newham, which the council said in 2015 had been ‘reducing suitable properties available’ to them.⁷

In eight boroughs, over half of placements into temporary accommodation were outside the borough. Kensington & Chelsea had the highest rate at 72%.

⁷ Hakim, S. ‘Nearly 5,000 children in Newham are homeless’. Newham Recorder. 3 April 2015.

According to data from the Inter Borough Temporary Accommodation Agreement (ITBAA), most of these placements are in neighbouring boroughs. There is also evidence of a domino effect, where placements from more expensive Inner London boroughs have a knock-on effect on their less expensive neighbours (as with Newham).⁸

Homelessness prevention/relief over time

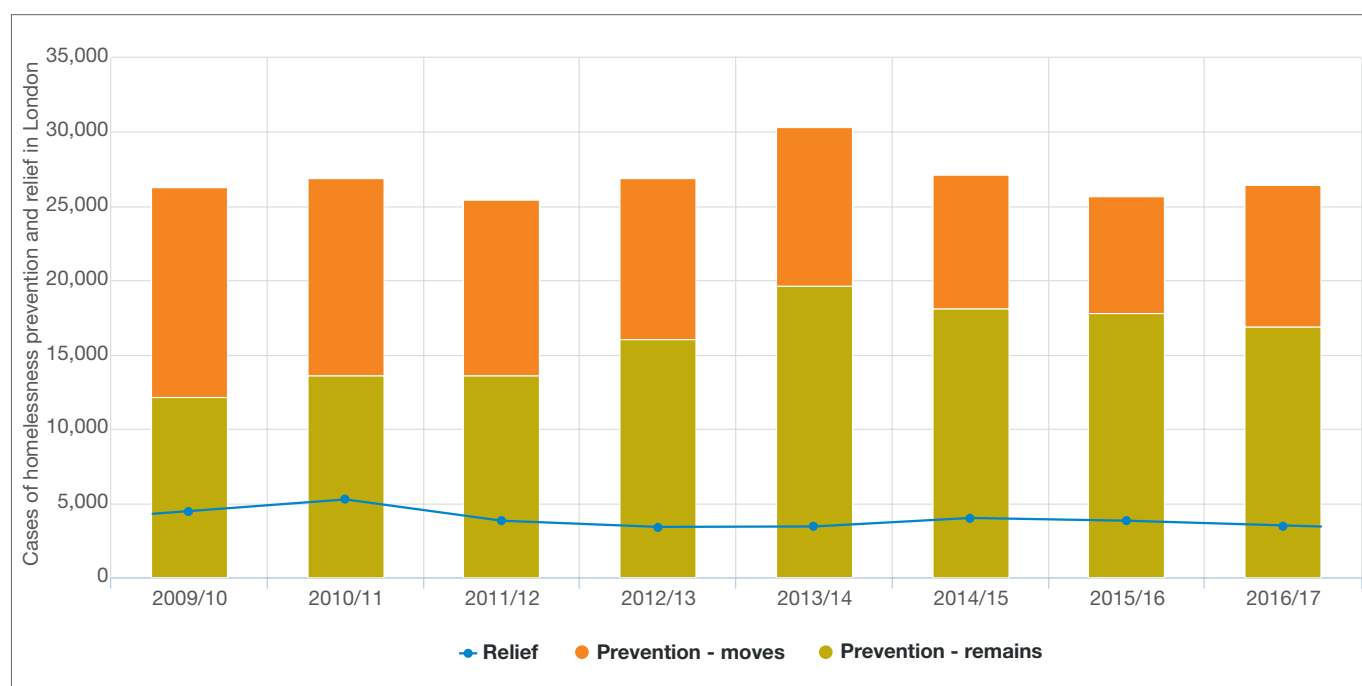


Figure 6.7

Source: Homelessness returns, DCLG, data is for London.

Key points

- A total of 30,000 cases of homelessness prevention or relief were estimated to have taken place in London in 2016/17: unchanged from the previous year but down from the peak of 34,000 in 2013/14.
- Over half of cases (17,000) involved homelessness prevention through help to remain in their home. Since 2009/10, the balance has shifted away from the majority of prevention cases involving moves to involving help to remain.
- There were 3,400 cases of homelessness relief in 2016/17, where the local authority helped someone into secure accommodation despite not being under statutory duty.

A total of 30,000 cases of homelessness prevention or relief were estimated to have taken place in London in 2016/17, in cases where local authorities did not have a statutory duty. This is unchanged from the previous year, but down from the peak of 34,000 in 2013/14.

⁸ Shelter (2016) Home and away: The rise in homeless families moved away from their local area. London: Shelter.

Homelessness prevention can either involve helping people facing homelessness to secure alternate accommodation, or helping someone to remain in their home (for example by brokering a repayment schedule between the tenant and the landlord to avoid eviction). Homelessness relief involves helping a household secure accommodation when the household does not meet the statutory definition of homelessness (see above).

There were 3,400 cases of homelessness relief in 2016/17, where the local authority helped someone into secure accommodation despite not being under statutory duty. The number of homelessness relief cases has remained fairly consistent over the past five years.

There were 9,500 cases of homelessness prevention where someone was helped to find alternative accommodation and 17,000 cases where someone was helped to remain in the same home. The number of cases where someone moved to avoid homelessness rose, after falling in 2015/16. However, there were far fewer homeless prevention moves in 2016/17 than in 2009/10 (when there were 14,000 moves). The number of cases where someone remained in the same home fell for the third year running, from 20,000 in 2013/14. However, it is still 4,700 higher than in 2009/10.

The Homelessness Reduction Act 2017 requires local authorities to help all those threatened with homelessness or currently homeless to secure accommodation, regardless of whether they are in priority need or deemed to be intentionally homeless, so these numbers are likely to increase in the coming years.

Destinations of cases relieved/prevented from homelessness and moving home

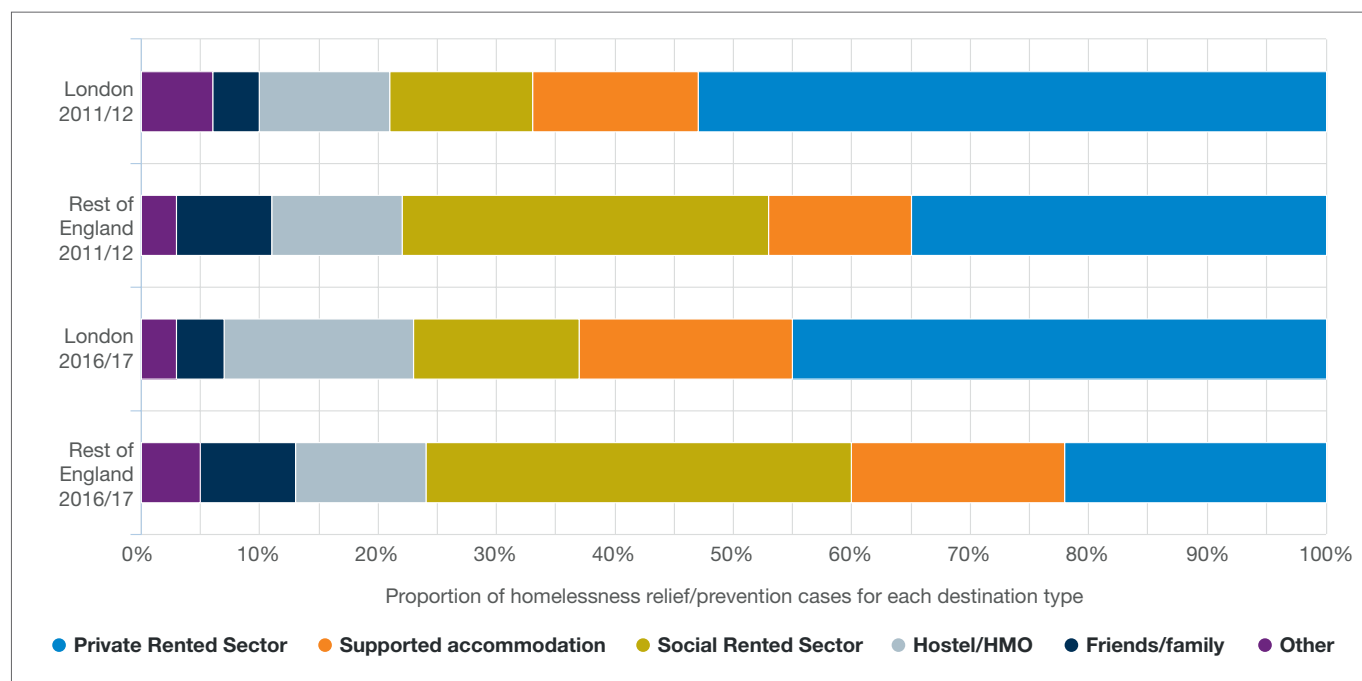


Figure 6.8

Source: PE1 Homelessness returns, DCLG, data is for London.

Key points

- **The private rented sector (PRS) is the most common destination for households in London who move as a result of homelessness prevention or relief.**
- **However, the number of households moving to the PRS has declined from five years previously, while the number moving to other accommodation has remained flat. Thus, the proportion of households moving into the PRS has fallen.**
- **In the rest of England social housing is the most common destination and is more than double the London proportion.**

Of the 13,000 cases in London where homelessness was prevented or relieved and the household moved home in 2016/17, 5,900 moved to private rented accommodation, 45% of all cases. A similar amount moved to social rented accommodation, supported accommodation and hostels or (houses in multiple occupation (HMO), with 1,900 moving to a social rent, 2,000 to a hostel or HMO and 2,300 to supported accommodation.

The proportion of households that moved into private rented accommodation is down from five years previously, when it was 53% of all cases prevented or relieved where the household moved home. This has been driven by a fall in the absolute number of households moving to private rent, down from 8,500 households in 2011/12. The number of households moving into other types of accommodation has remained fairly unchanged over five years.

However, the proportion that moved into private rented accommodation is still higher than across the rest of England, where the proportion was 22% of all cases in 2016/17. A higher proportion across the rest of England moved to social rented accommodation, at 36% compared with 14% in London.

Commentary

Homelessness in London cannot be uncoupled from London's housing problems. The lack of social housing relative to demand in London has led to an increase in low-income households in the private rental sector (see Chapter 5 Housing for full discussion). The private rental sector is precarious for low-income households; the end of shorthold tenancies has become the largest cause of statutory homelessness over the past decade. The dearth of social housing also means that local authorities are forced to house an increasing proportion of homeless households in the private rented sector. London's overheated rental market means London boroughs have to use incentive payments and/or LHA top-ups to entice landlords to let to homeless households rather than tenants on the open market. This situation leaves many councils (such as Newham) struggling to secure long-term accommodation for homeless households, leaving people in temporary accommodation. These pressures have created increasing competition for temporary accommodation as well, creating a 'domino effect' whereby even boroughs with lower rents struggle to house all of their homeless households in-borough, as Inner London boroughs are forced to send their homeless households to cheaper boroughs.

The increase in low-income households in the private rented sector and homeless households in temporary accommodation means that the bottom of the housing market is very competitive, which in turn has probably contributed to the increase in the number of people forced into sleeping rough.

The lack of social housing means that councils 'gatekeep' access to the stock they have. The majority goes to families with children. Usually, unless a single adult has certain vulnerabilities, such as a physical or mental health issue, local authorities will not consider them in 'priority need'. Research from Crisis found that it was quite common for people in these circumstances to be merely given pamphlets on private renting or simply turned away without any assistance.⁹

The Homeless Reduction Act, passed this year and likely to come into effect in 2018, requires councils to help all eligible applicants, whether they are in priority need or not. This does not mean entitlement to be housed by the council – in most cases it will probably mean advice for securing accommodation, which may be an improvement on the current situation, but may not actually lead to much material change for many people experiencing homelessness. However, it should result in better data collection about the true scale of homelessness. 'Hidden homelessness' such as squatting, sofa-surfing, and 'beds in sheds' is by its nature difficult to estimate. The Homeless Monitor: England 2017 estimated that in 2016 there were over three million adults in these 'concealed' households.¹⁰ While many of these people who are 'hidden homeless' may never approach the council for help, better recording of all those who do will give a fuller picture of the scale of the problem in London.

Welfare changes such as the benefit cap and the exclusion of housing benefit from under 21s are likely to swell the ranks of both statutorily homeless households and rough sleepers in the coming year.

⁹ Dobie, S., Sanders, B. and Teixeira, L. (2014) *Turned away: The treatment of single homeless people by local authority homelessness services in England*. London: Crisis.

¹⁰ Fitzpatrick, S., Pawson, H., Bramley, G., Wilcox, S. and Watts, B. *The Homelessness Monitor England 2017*. London: Crisis. www.crisis.org.uk/ending-homelessness/homelessness-knowledge-hub/homelessness-monitor/england/the-homelessness-monitor-england-2017.

Work

Key points

- There is a strong link between employment and income. Around 1 in 10 adults in the poorest 20% are in households where all adults are working full-time.
- The number of unemployed people in London fell to 280,000 in 2016, the lowest level since the start of the recession in 2008/09 and far lower than its peak in 2011 at 430,000.
- The unemployment ratio (unemployment as a proportion of the population) continued to fall. The ratio in Inner London in 2016 was 5.1%; Outer London was 4.1%; the rest of England was slightly lower at 3.8%. There were large variations between London boroughs.
- The gap between the unemployment ratio for 16 to 24-year-olds compared with older working-age adults remains large. 9.4% of young adults in London are unemployed, compared with 3.6% of 25 to 64-year-olds.
- In 2016, worklessness (a combined measure of unemployment and economic inactivity) for all ethnic groups had fallen compared with 2006. However, those from a minority ethnic background continue to be more at risk of worklessness.
- Underemployment has continued to fall and is now much closer to pre-recession levels – 14% of the working-age population. However, the proportion who work part-time but want to work full-time remains high.
- In 2016 one in three (33%) workers on a temporary contract would like a permanent contract. Before the recession this number was around one in four.
- In 2014 – 16 in London, 10% of working-age employees were at risk of being in insecure employment, compared with 9% in the rest of England. Younger employees and employees from minority ethnic backgrounds are more at risk of being in insecure employment.

Introduction

This chapter looks at the problems associated with worklessness, underemployment and certain types of work. Poverty and the amount of paid work carried out by adults in a household are closely related. As the figures on in-work poverty in Chapter 3 show, having an adult in employment is not a guarantee of having a good income. However, poverty is much more likely without employment or when working relatively few hours.

This chapter first looks at work and worklessness within the family and over time. We use the term ‘worklessness’ to describe all those who are not in employment, including those who are unemployed and economically inactive. The difference between these two categories is that those who are unemployed are seeking work and are currently available to start work. Those who are inactive are not available for work or not seeking work for a variety of different reasons; they may be too ill to work or they may have caring responsibilities. We then look at unemployment in London, at borough level, and by age. The next section looks at worklessness by ethnicity, by country of birth and at the composition of the London workless. Working enough hours and in a job that is secure are both important for a family’s financial security, so in the last section we look at underemployment and insecure employment.

Household work status and the income distribution

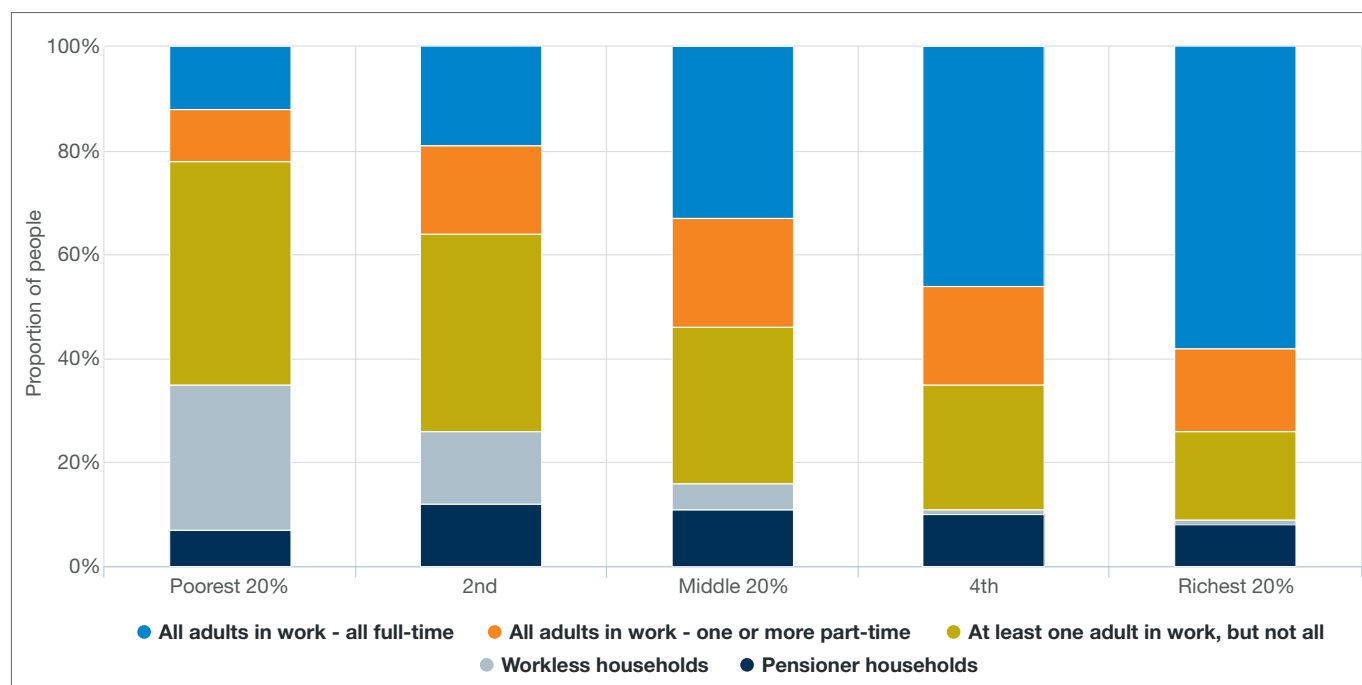


Figure 7.1

Source: Households Below Average Income, DWP. The data is a three-year average for 2013/14 to 2015/16.

Key points

- There is a strong link between employment and the number of hours worked in a family and income. Around 1 in 10 of adults in the poorest 20% are in households where all adults are working full-time.

- Families where all the adults are working full-time are mainly found in higher income quintiles.
- Workless households are overwhelmingly found at the bottom of the income distribution. These make up 28% of people in households in the bottom 20%.

Figure 7.1 shows the position of Londoners within the UK income distribution by several different work statuses. These are: whether they are in households where all adults are working full-time; all work but one or more is part-time; only some work; none work; or all adults are of pension age. Families where all the adults are working full-time are mainly found in higher income quintiles. However, more than 1 in 10 (13%) adults in the poorest 20% are in households where all adults are working full-time. Families where all adults are in work, but one or more are working part-time, are spread fairly evenly across the second, fourth and fifth quintiles with slightly more found in the middle 20%. There are fewer in the poorest 20% at 1 in 10 (10%). Households where some adults work and some do not are common across the entire distribution, but are more heavily concentrated towards the bottom. At 43% they make up the largest group in the poorest 20%.

Workless households are overwhelmingly found at the bottom of the income distribution. These make up 28% of people in households in the bottom 20%. There are fewer pensioner households found at the top and the bottom of the distribution and they are distributed fairly evenly across the middle.

Household work status over time

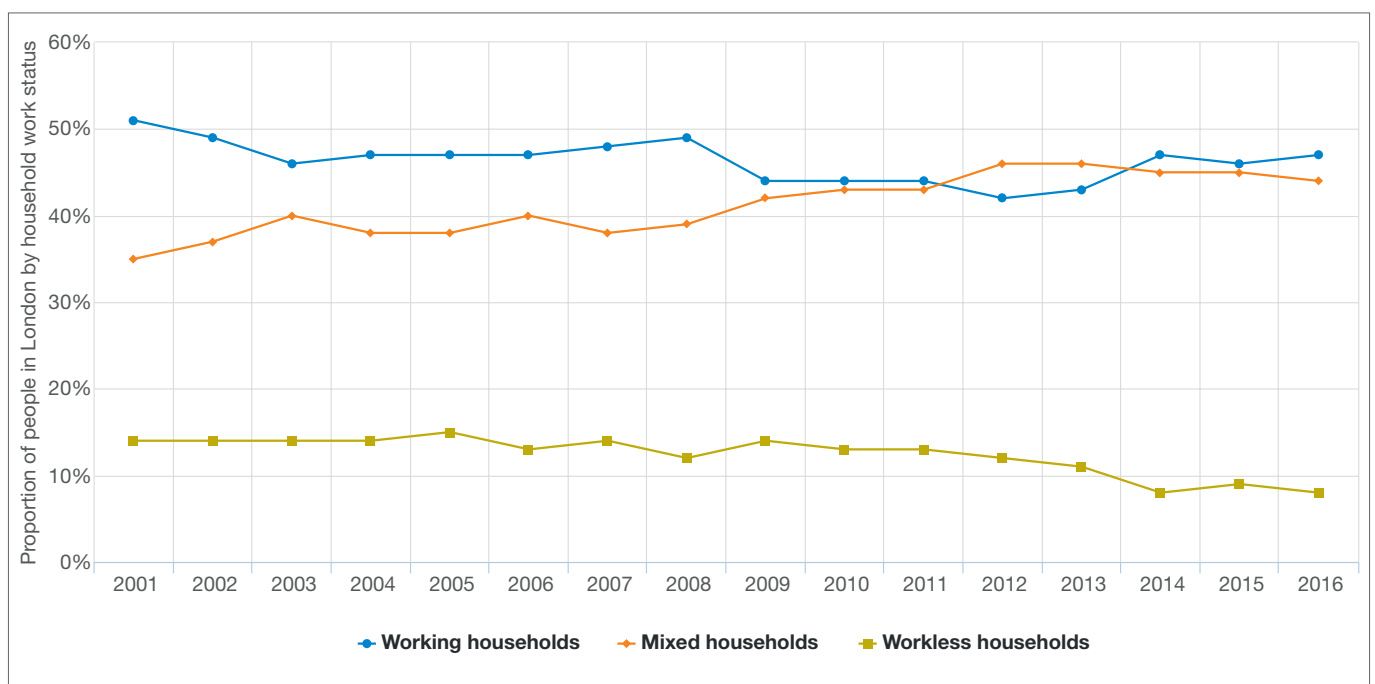


Figure 7.2

Source: Working and Workless Households, ONS. The data is for April to June for each year shown.

Key points

- The proportion of households¹ where all adults are working fell during the recession and has not yet recovered to its pre-recession level.
- The proportion of people in households where no adults are working has fallen considerably since 2001. The figure almost halved from 14% to 8%.
- There has been an increase in the proportion of adults in a mixed household where only some of the adults are working. Since 2013 the proportion has started to decrease but it still represents nearly half of all those in households where someone is of working age.

This shows how household work status has changed over time in London for families with at least one working-age (16 – 64) adult. The proportion of households where all adults are working has remained fairly constant over time, apart from during the recession. In 2016, 47% of people in London were in a household where all adults were working. In the past 20 years the only time this has dropped below 47% was from 2009 to 2013. During this period there was a substantial fall in the proportion of people in a working household, to 42% in 2012.

The proportion of adults in a mixed household, where only some of the adults are working, has increased over the past 20 years. It increased from 35% in 2001 to 44% in 2016. It increased during the recession to its highest level in 2012 and 2013. It has since fallen, but represents nearly half of all those in a household where someone is of working age. This is significant as these households are more likely to be susceptible to in-work poverty, with one person's earnings spread across two adults and any children.

The proportion of people in households where no adults are working has fallen considerably from 14% in 2001 to 8% in 2016. The number of workless households did not rise dramatically during the recession, and is now at its lowest point on available data.

¹ Households including at least one person aged 16 to 64.

Unemployed adults in London over time

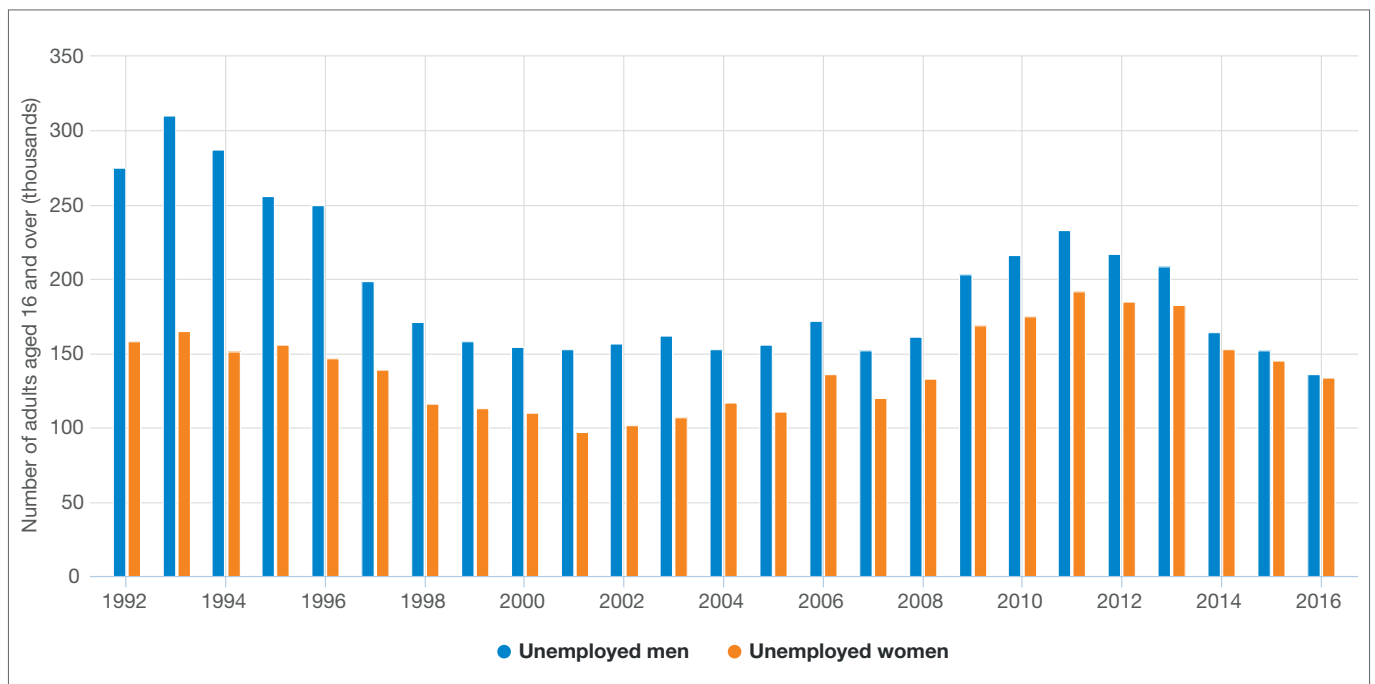


Figure 7.3

Source: Regional Labour Market Statistics for London, ONS.

Key points

- In 2016, there were 270,000 unemployed people in London, the lowest level since the start of the recession in 2008/09.
- Half of unemployed people were men and half were women. This is the first time that unemployment has been split evenly between men and women.
- The number of unemployed people in 2016 was 27,000 fewer than in 2015.

Figure 7.3 shows the number of unemployed men and women in London from 1992 to 2016. In 2016, there were 270,000 unemployed people in London, the lowest level since the start of the recession in 2008/09. The figure is down around 27,000 on the previous year.

The recent peak in the number of unemployed men was 230,000 in 2011, although the high point in this data series was more than 300,000 in 1993. At 136,000 in 2016, the number of unemployed men is at its lowest in this series.

There were 134,000 unemployed women in London in 2016, down from a peak of 190,000 in 2011. Unemployment levels for women have been fairly close to the numbers for men, something that is historically unusual in London. This is largely due to increased economic activity for women: previously they were more likely than men to be not working and not seeking work or available for work. The unemployment ratio for women has not fallen as much as for men since the 1990s, but employment for women has increased more due to reduced economic inactivity. In 2016 the employment rate for working-age women was 66.9% and for men it was 80.5%. (Unemployment as a proportion of the population in question (women, men etc) is called the unemployment ratio. This differs from the unemployment rate, which looks at unemployment as a proportion of the economically active population).

Unemployment ratio over time

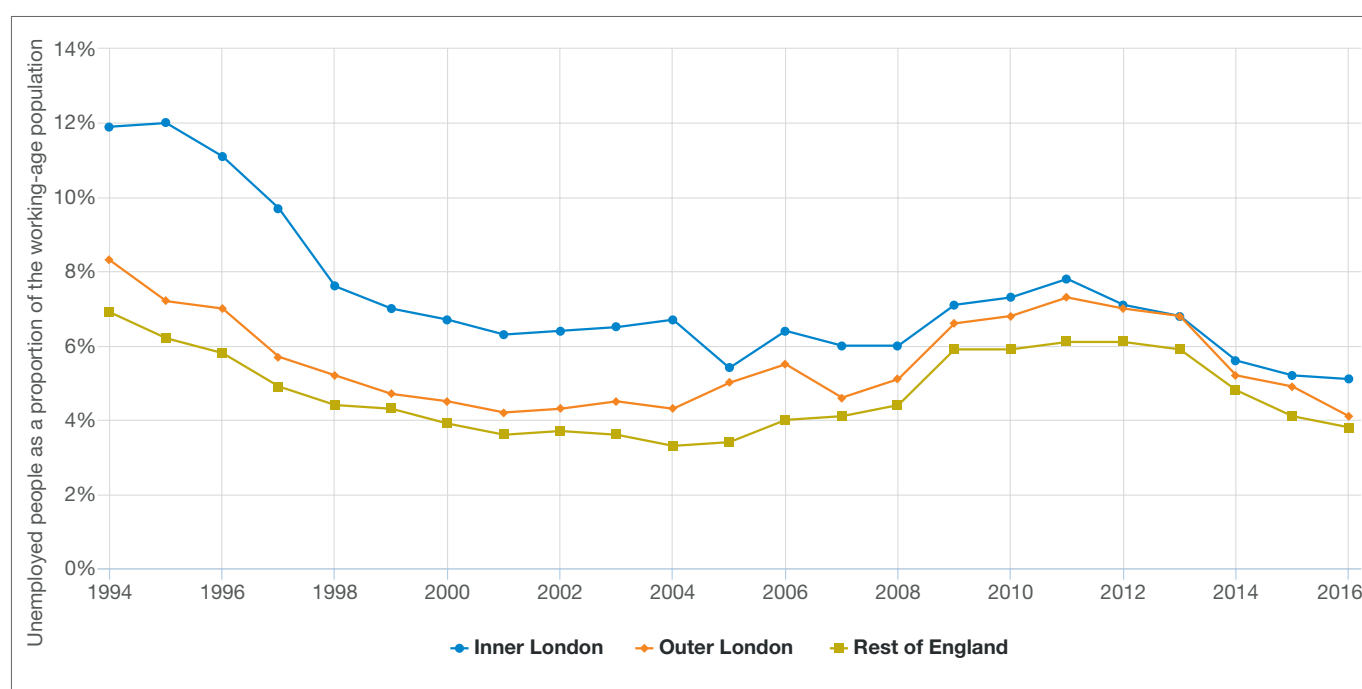


Figure 7.4

Source: Labour Force Survey, ONS.

Each year of data is a four-quarter average.

Key points

- In 2016, the unemployment ratio was slightly higher in London than the rest of England.
- The ratio in Inner London in 2016 was 5.1%; Outer London was 4.1%; the rest of England was slightly lower at 3.8%.
- This represents a convergence over time which is mainly driven by an improvement in Inner London. The Inner London rate was nearly twice as high as the rest of England in the mid-1990s.

Figure 7.4 shows unemployment as a proportion of the working-age population, (the unemployment ratio). This differs from the unemployment rate, which looks at unemployment as a proportion of the economically active population.² In 2016, the unemployment ratio was slightly higher in London than the rest of England. The ratio in Inner London in 2016 was 5.1%; Outer London was 4.1%; and the rest of England was slightly lower at 3.8%.

These rates peaked during the recession at 7.8% and 7.3% for Inner and Outer London respectively in 2011. They have since continued to fall, and further converged on the rest of England rate.

Over a longer time period, there has been a substantial convergence over time between London and the rest of England, mainly driven by an improvement in Inner London. In 1994, 11.9% of the working-age Inner London population were unemployed, a ratio that was substantially higher than Outer London and the rest of England. Both Outer London and the rest of England have seen falls in the proportion of the unemployed since the mid-90s but they started at a lower level and the fall has been less dramatic. This continuing fall in the level of unemployment is positive but it hides significant differences across London which is shown in Figure 7.5.

² In 2016 78.2% of people were economically active; 84.9% for men and 71.6% for women.

Unemployment ratio by borough

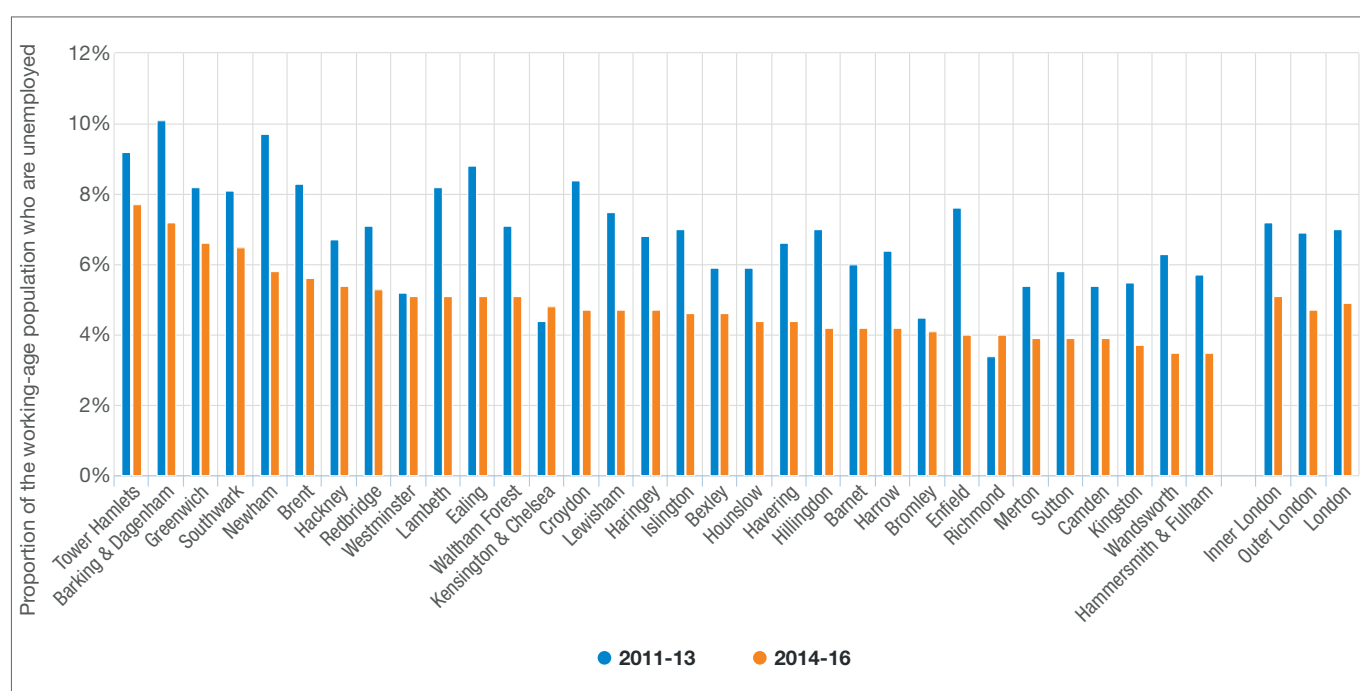


Figure 7.5

Source: Annual Population Survey via Nomis, ONS.

Key points

- Between 2011 – 13 and 2014 – 16, the unemployment ratio came down by 2 percentage points in Inner London and 2.1 percentage points in Outer London.
- While there are large variations between the boroughs, in 2014 – 16 the difference between the borough with the highest and the lowest unemployment ratio is smaller than in 2011 – 13.

Figure 7.5 shows unemployed people as a proportion of the working-age population by borough during the periods 2011 – 13 and 2014 – 16. During these two periods, the unemployment ratio came down by 2.1 percentage points in London to 4.9%. This was down by 2 percentage points in Inner London and 2.1 percentage points in Outer London. In 2014 – 16 London had a lower unemployment rate than both Birmingham (6.9%) and Manchester (5.8%).

While in London overall there was a 2.1 percentage point drop in the unemployment ratio, there were large variations between the boroughs. Four boroughs saw a fall in unemployment of more than 3 percentage points: Newham (3.8 percentage points), Croydon (3.7), Ealing (3.7) and Enfield (3.5). In 2011 – 13 Newham had a very high rate of unemployment (9.7%) so in 2014 – 16, despite the large drop, it remains among the boroughs with the highest levels of unemployment. Croydon, Ealing and Enfield had slightly lower levels of unemployment so the drop has meant that they have fared better and are no longer among the boroughs with the highest levels of unemployment.

During this time only two boroughs saw an increase in the proportion of the working-age population who were unemployed, Richmond and Kensington & Chelsea. In these boroughs there was an increase of 0.6 and 0.4 percentage points respectively. However, in 2011 – 13 they were the two boroughs with the lowest unemployment ratios.

In 2011 – 13, the difference between the boroughs with the highest and lowest unemployment ratios was 6.7 percentage points. Barking & Dagenham had the highest proportion who were unemployed at 10.1%, followed by Newham and Tower Hamlets at 9.7% and 9.2% respectively. Richmond had the lowest rate at 3.4%. For 2014 – 16, the difference between the boroughs has fallen to 4.3 percentage points³. The boroughs with the lowest rates are now Hammersmith & Fulham and Wandsworth, both at 3.5%, and the borough with the highest unemployment rate is Tower Hamlets at 7.7%, followed by Barking & Dagenham at 7.2% and Greenwich at 6.6%.

Unemployment by age

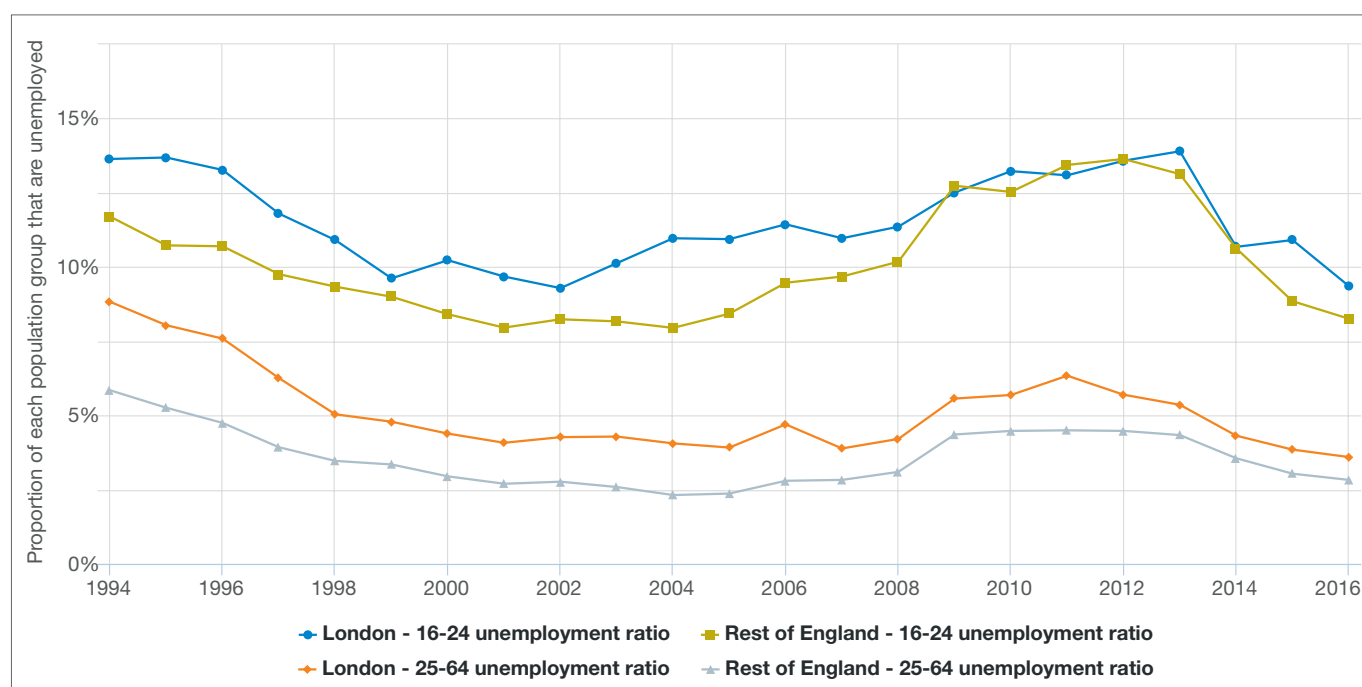


Figure 7.6
Labour Force Survey, ONS. Each year of data is a four-quarter average.

Key points

- Unemployment is higher for 16 to 24-year-olds than for older working-age adults in both London and the rest of England.
- In London 9.4% of young adults are unemployed, compared with 3.6% of 25 to 64-year-olds.
- The gap in the employment ratio for both 16 to 24-year-olds and 25 to 64-year-olds in London and the rest of England has decreased over the past 20 years.

³ Number different due to rounding.

This graph shows the level of unemployment by age for both London and the rest of the UK. Unemployment is higher for 16 to 24-year-olds than for older working-age adults in both London and the rest of England. 9.4% of young adults in London are unemployed, compared with 3.6% of 25 to 64-year-olds. In the rest of England, the figures are 8.3% and 2.8% respectively. Young adult unemployment ratios have fallen quickly since 2013 in London and the rest of England, for London down from a peak of 13.9%. While unemployment for young adults in London is higher than in the rest of England by 1.1 percentage points, the difference is not as large as it used to be. Between 1995 and 2004 it was around three percentage points. The gap between the employment rate of 25 to 64-year-olds in London and the rest of England was smaller in 2016 than it has ever been at 0.8 percentage points. It has been at this level since 2014 as both rates have fallen. This is a much smaller gap than in 1994 when it was 3 percentage points. This gap fell steadily throughout the 2000s.

In 2016 the unemployment rate for 16 to 24-year-olds in Inner and Outer London were very similar at 9.5% and 9.3%, however the unemployment rate for 25 to 64-year-olds was higher in Inner London, at 4.2%, than in Outer London, at 3.1%. This means the higher unemployment rate for 25 to 64-year-olds in London than the rest of England has been driven by the higher rate in Inner London rather than Outer London.

The unemployment ratio for 16 to 24-year-olds in London is 2.6 times higher than for 25 to 64-year-olds. This gap is lower than in the rest of England, where young adult unemployment is nearly three times higher than for 25 to 64-year-olds.

Worklessness by ethnicity



Figure 7.7

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

Key points

- In 2016 the worklessness rate for all ethnic groups had fallen compared with 2006, apart from those of Mixed ethnicity for who it remained the same.
- It remains highest among Pakistani and Bangladeshi ethnic groups despite this group seeing an 11 percentage point reduction.

This graph shows worklessness that is either unemployed or economically inactive by ethnicity in 2006 and 2016. It also shows the share of each ethnic group who are workless as a proportion of the total.

In 2016 the worklessness rate for all ethnic groups had fallen compared with 2006, with the exception of those of Mixed ethnicity. Those of Pakistani or Bangladeshi ethnicity had the highest unemployment rate in 2016 at 46%, a decrease of 11⁴ percentage points from 2006. Worklessness was lowest among those of White ethnicity in both 2016 and 2006, at 21% and 26% respectively. Although the proportion of those of White ethnicity who are workless is low, because they make up the majority of the working-age population, they are also the largest share of the unemployed at 49%. This is lower than in 2006 when it was 54%.

The Mixed, Pakistani and Bangladeshi and Other ethnic groups increased as a share of the workless. This is despite the fact that for all apart from the Mixed ethnic group their rate of worklessness decreased. The changes noted above are in large part due to the change in London's ethnic composition between 2006 and 2016. In 2006 65% of the working-age population was of White ethnicity, while in 2016 this had fallen to 60%.

⁴ Number different due to rounding.

Worklessness by country of birth

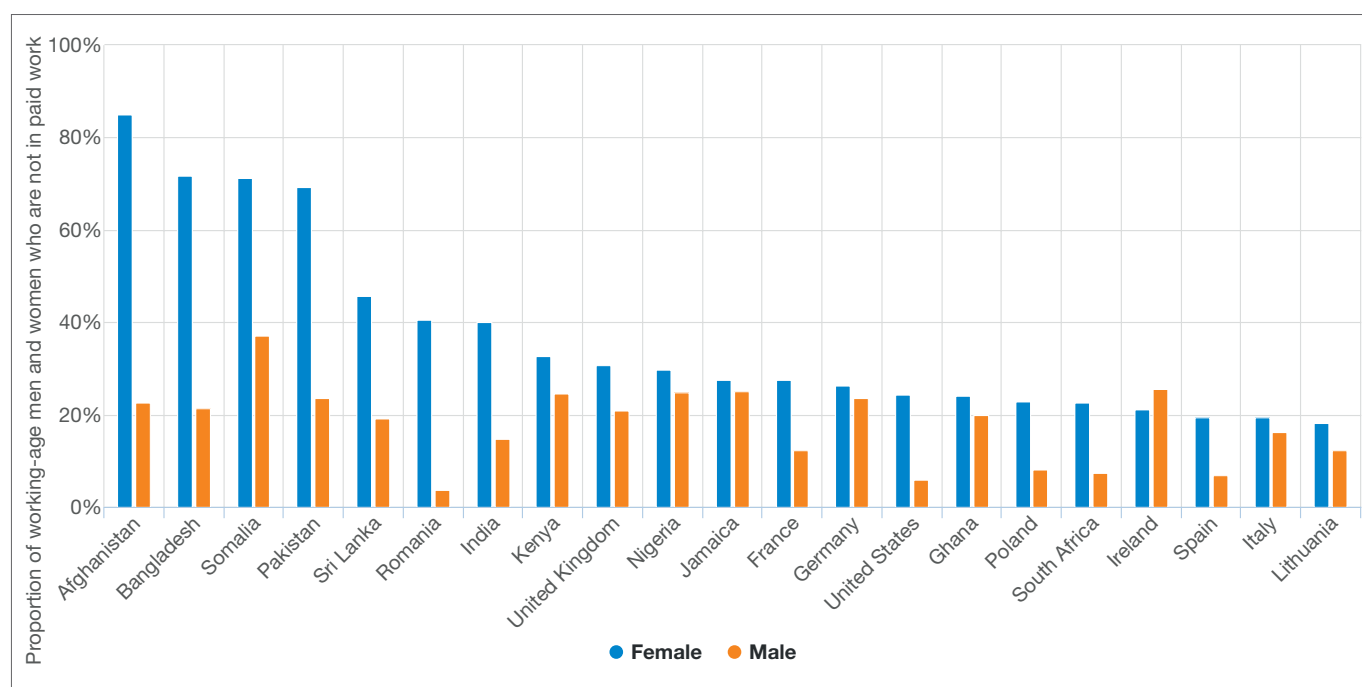


Figure 7.8 Source: Labour Force Survey, ONS. The data is a four-quarter average for 2015 and 2016.

Key points

- In all cases apart from Ireland, female workless rates are higher than for males. This is the case for both those born in the UK and those born elsewhere.
- Male worklessness is below 30% for all countries of birth apart from Somalia where it is at 37%. The lowest rate is Romania, at 4%.
- There is a greater range within female worklessness with the rate ranging from 18% for women born in Lithuania to 85% for women born in Afghanistan.

Figure 7.8 shows the proportion of working-age men and women who are workless (unemployed or economically inactive) by their country of birth. The countries shown are the ones with the largest populations in London (see Chapter 2 Demography for more details). In all countries of birth apart from Ireland, including the UK, female workless rates are higher than for males. The differences between genders are explained by levels of economic inactivity rather than unemployment, which suggests that caring responsibilities are a reason for this disparity. There is, however, a large difference between countries. The female workless rate among those born in Afghanistan is 62 percentage points higher than for men, while it is 3 percentage points higher for those born in Jamaica, Germany and Italy. For those born in Ireland the female workless rate is lower than the male worklessness rate by 5 percentage points.

Male worklessness is below 30% for all countries of birth other than Somalia, where it is 37%. The lowest male worklessness rate is for those born in Romania at 4%. There is a greater range within female worklessness with the rate ranging from 18% for women born in Lithuania and 85% for women born in Afghanistan. Although these are the countries with the largest populations in London, each country, including those with high rates of worklessness, only accounts for a small share of total London worklessness. Those born in Afghanistan, both women and men, make up 1% of those who are workless. People born in the UK make up 52% of the worklessness in London.

An important factor to consider is the entry route to the UK that people born in these countries take. If it is through an established labour market route such as a non-EU citizen coming in through a working visa, then lower levels of worklessness would be expected compared, for example, with many Somalis coming through the asylum-seeking process. Another contributing factor to these inter-country differences is that London universities have some of the highest international student recruitment numbers, and some countries may be over-represented. Students are more likely to be economically inactive than working.

Composition of those without paid work

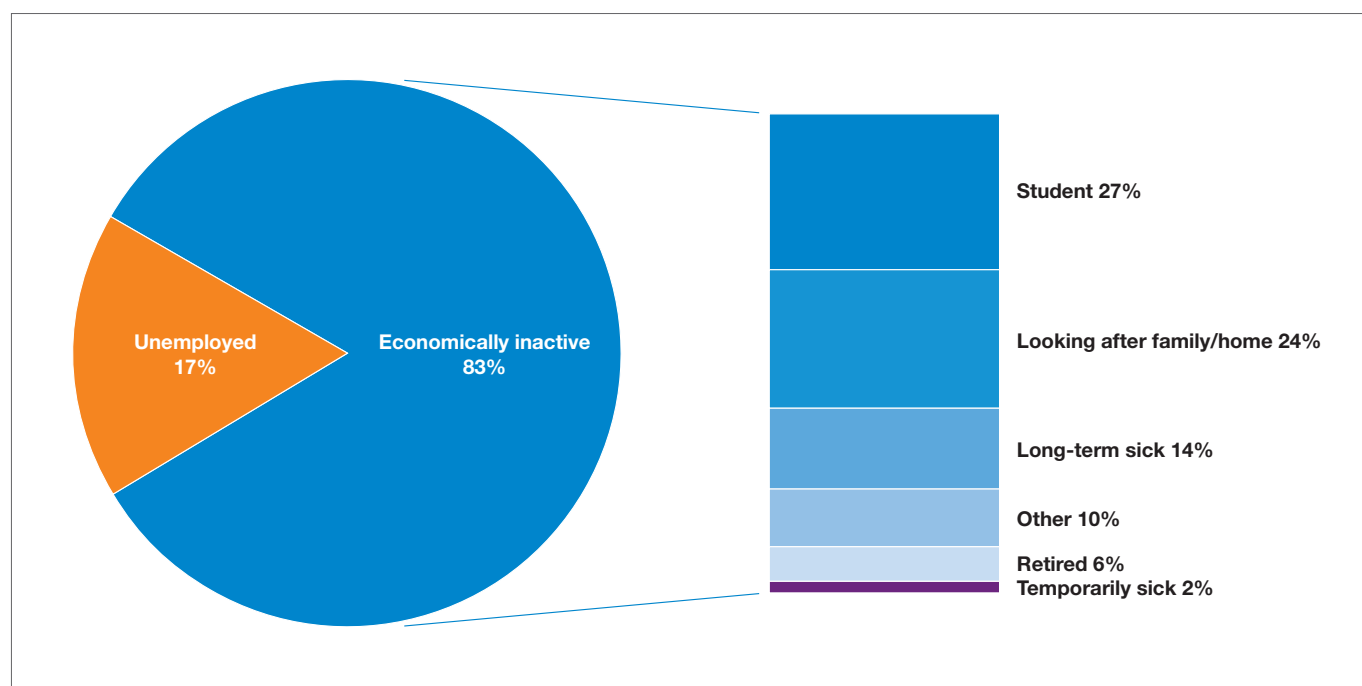


Figure 7.9

Source: Regional labour market:
Headline indicators for London, ONS.
The data is for 2016.

Key points

- A quarter of the working-age population in London was without paid work (workless) in 2016. 17% of these adults were unemployed while 83% were economically inactive.
- Women are more likely to be workless than men in London – 19% of men are workless compared with 33% of women. This is in large part because there are more women not working because they are looking after the family or home.

Figure 7.9 looks at the working-age adults in London who are not in work. There were 1.5 million workless adults of working age in London in 2016 which is one quarter (26%) of the working-age population. 17% of these workless adults are unemployed, meaning they are available to start working and are seeking work. The larger proportion of workless adults, 83%, is made up of those who are economically inactive, meaning that they are not available for work.

Women are more likely to be workless than men in London – 19% (570,000) of men are workless compared with 33% (980,000) of women. This is because of the large variation in the number of economically inactive men (440,000) and women (840,000). Those who were looking after the family or home contributed the most to this difference: 31,000 men and 340,000 women.

In London more than a quarter of the economically inactive (27%) are students and do not work because they are in education (if a student has a job, they are counted as being in work). Another quarter (24%) are not working because they are looking after the family or home – generally this is caring for children. 14% are long-term sick, 10% are inactive for some other reason, 6% are retired and 2% are temporarily sick.

This has implications for government policy, which has tried to encourage people into becoming economically active through conditionality in the social security system, such as through requirements to look for work or face a sanction. There are potential barriers to work or economic activity through caring responsibilities or sickness or disability.

Underemployment over time

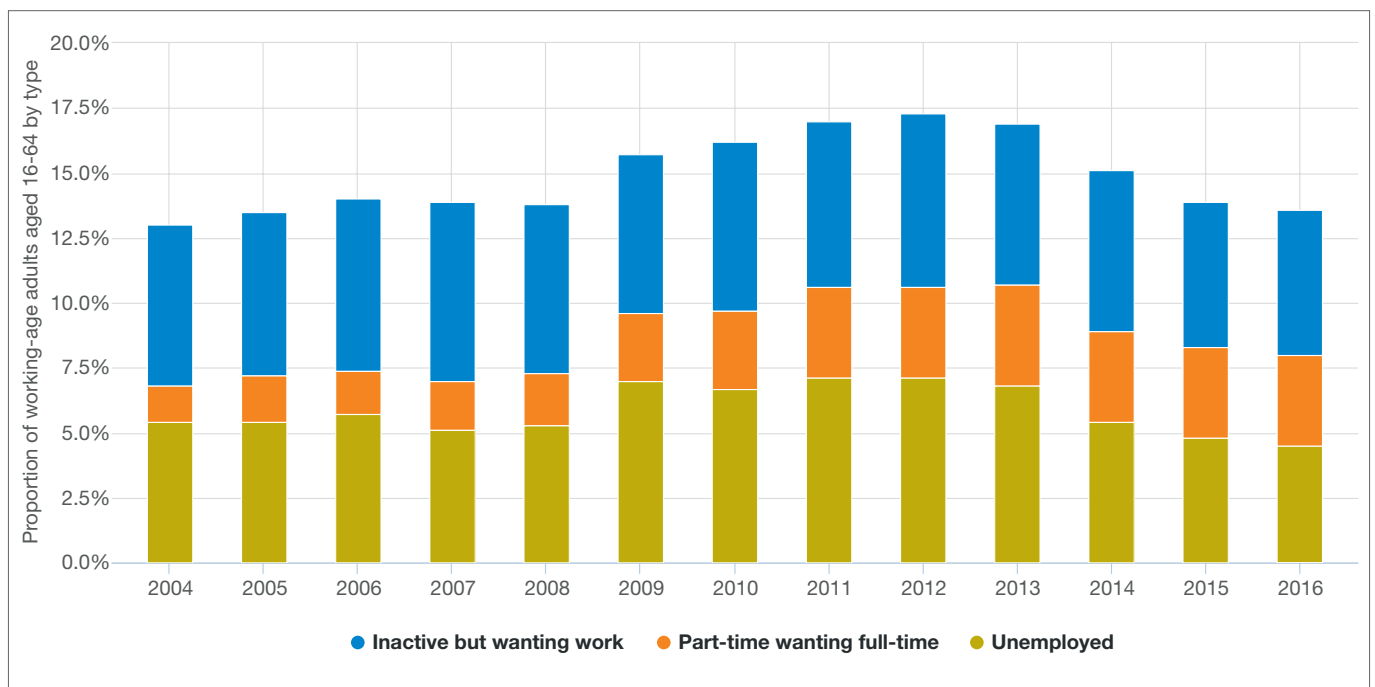


Figure 7.10

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

Key points

- Just under 14% of the working-age population were underemployed in 2016. This is the fourth consecutive fall in this rate.
- Falling unemployment had been the largest contribution to falling underemployment.
- The proportion of the working-age population who are working part-time but who would like full-time work has increased steadily from 2004. Unlike the other two measures which make up underemployment, this measure has not started to fall in the years after the recession and remains higher than in 2004.

Figure 7.10 shows the proportion of the working-age population who are unemployed, economically inactive but who would like to work, and working part-time because they cannot find a full-time job. This represents those who are not working 'enough' and who would like to work more. In 2016, 800,000 people, 13.6% of the working-age population, were underemployed. The largest group within this was the economically inactive who want to work. The underemployment rate has fallen for four consecutive years since its high of 17.3% (980,000) in 2012.

The unemployment rate was 5.4% in 2004, and fluctuated around this level until 2009 when it increased to 7% and remained high until 2012 when it was 7.1% (400,000). Since then it has fallen every year until its lowest rate of 4.5% (270,000) in 2016. This has been the largest contribution to falling underemployment.

The proportion of the working-age population who are inactive but wanting work remained fairly stable from 2004 to 2014 with high points in 2007 and 2012 (6.9% and 6.7% respectively). Between 2014 and 2015 it fell 0.5 percentage points to 5.6%, its lowest level since 2014. In 2016 it remained at 5.6% (330,000).

The proportion of the working-age population who are working part-time but who would like full-time work has increased steadily from 2004 when it was 1.4% (70,000) until 2011 when it was 3.5% (200,000). Since 2011 the proportion has been 3.5% in every year apart from 2013 when it was 3.9%. In 2016 it was also 3.5% – 200,000 people. Unlike the other two measures which make up underemployment, this measure has not started to fall in the years after the recession and remains higher than in 2004.

Temporary contracts

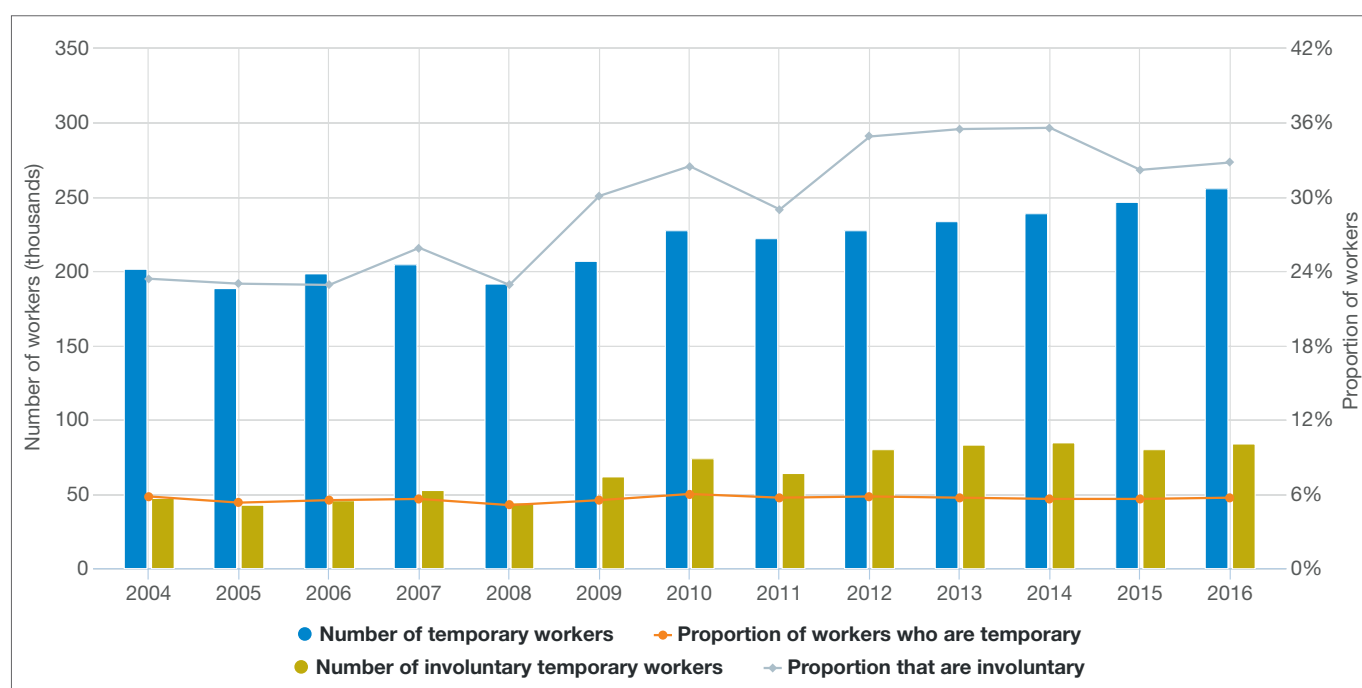


Figure 7.11
Source: Regional Labour Market Statistics, ONS. The data is for London.

Key points

- In 2016, the number of workers in London on temporary contracts was at an all-time high at 260,000.
- Temporary contracts have remained fairly constant as a proportion of all employment, but temporary contracts themselves have become more precarious.
- One in three (33%) of workers on a temporary contract would like a permanent contract. Before the recession this number was around one in four.

Figure 7.11 shows the number of workers who are on temporary contracts and the number of workers who are on temporary contracts who could not find a permanent position. It also shows the proportion of temporary workers who are involuntarily on temporary contracts and those on temporary contracts as a proportion of all workers in employment.

In 2016, the number of workers in London on temporary contracts was at an all-time high at 260,000. This is 55,000 more than in 2004 when the number of temporary workers was 200,000.⁵ Despite the growth in workers on temporary contracts, the proportion of all workers in London who are on temporary contracts has remained remarkably consistent since 2004 when it was at 5.8%, nearly the same proportion as in 2016 when it was at 5.7%. The total number of workers has grown at the same rate as the number of temporary workers.

Temporary contracts are potentially a precarious form of employment, though some people might want the flexibility. This is why it is important to look at the number of workers who are on temporary contracts because they could not get a permanent job. The proportion of people on a temporary contract because they cannot find permanent work has increased as a share of all temporary contracts. One-third (32.8%) of temporary workers were on a temporary contract due to being unable to find a permanent position. This is 9.4 percentage points higher than in 2004 when the proportion was 23.4%.

The proportion of involuntary temporary workers increased significantly between 2008 and 2009, from 22.9% to 30.1%. During the recession it fluctuated with a peak of 35.6% and now stands at 32.8%. If employment continues to rise it is possible that the number of people on involuntary contracts will continue to fall as these workers find permanent positions.

⁵ This difference is due to rounding.

Insecure workers by age

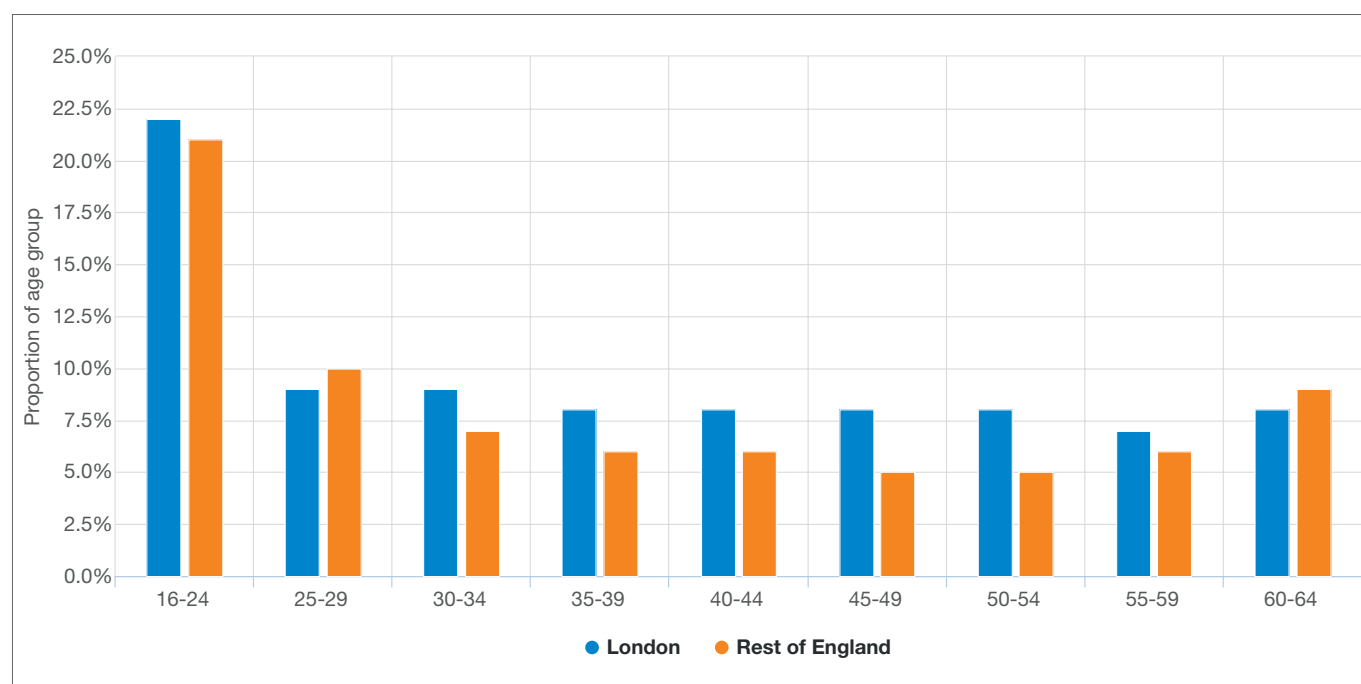


Figure 7.12 Source: Labour Force Survey, ONS. The data is an average of three October to December quarters from 2014 to 2016.

Key points

- In 2014 – 16 in London, 10% of working-age employees were at risk of being in insecure employment, compared with 9% in the rest of England.
- Employees aged 16 to 24 are much more likely to be in insecure employment at 22%. This is more than double the proportion overall.
- In London those of Black, African or Caribbean ethnicity fared the worst, with 17% of people of these ethnicities being in insecure employment.

Figure 7.12 shows the proportion of employees aged 16 to 64 who are at risk of being in insecure employment by age group in London and the rest of England. Here we define the risk of insecure work as being on a zero-hours contract, in temporary employment, working for an agency, or some combination of these. It is important to note that this does not mean that all workers will experience these forms of employment negatively. This indicator also looks only at employees, and not self-employed workers who might be on a zero-hours, temporary or agency contract.

Since the recession the UK as a whole has seen a larger increase in insecure work than many other countries.⁶ The Trades Union Congress found that the number of people in insecure work, which it defines as those working without guaranteed hours or baseline employment rights, increased by 27% in the five years between 2011 and 2016.⁷

In 2014 – 16 in London, 10% (350,000) of working-age employees were at risk of being in insecure employment, compared with 9% in the rest of England. In both London and the rest of England, young adult employees (aged 16 to 24) are much more likely to be in insecure employment at 22% and 21% in London and the rest of England respectively (90,000 and 570,000), double the proportion overall. In London each age group has a slightly higher proportion of insecure workers than in the rest of the country apart from those aged 25 to 29 and those aged 60 to 64.

The risk of being in insecure employment is also not even across different ethnic groups. Those from a minority ethnic background are more at risk but their risk is lower in London than the rest of England. In London those of Black British, African or Caribbean ethnicity fared the worst, with 17% of people of these ethnicities being in insecure employment. This is 7 percentage points higher than the overall proportion of 10%. The risk of insecure employment was lowest for Chinese, Indian, White and Bangladeshi groups.

⁶ Hudson-Sharp, N. and Runge, J. (2017) International trends in insecure work: A report for the Trades Union Congress. London: National Institute of Economic and Social Research.

⁷ www.tuc.org.uk/workplace-issues/basic-rights-work/insecure-work-quarter-2011-finds-tuc

Employment by qualification over time

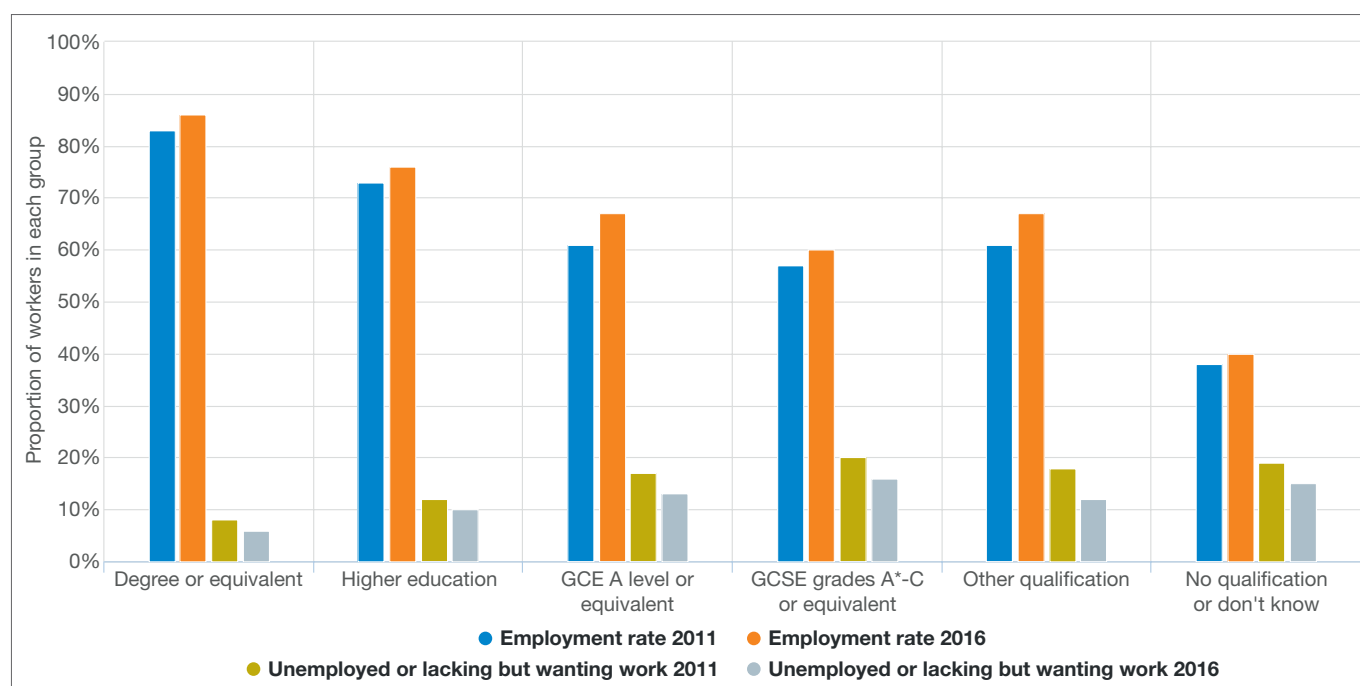


Figure 7.13

Source: Labour Force Survey, ONS.
The data is for London and is a four-quarter average for each year shown.

Key points

- The proportion of those who are unemployed or lacking but wanting work is lower for those with higher levels of qualifications.
- In 2016 the employment rate for each group had increased compared with 2011.
- The employment rate increased the most for those with A-levels or equivalent and those with other qualifications.

This graph shows the proportion of the working-age population who are in employment, or unemployed and lacking but wanting work, by educational attainment.⁸ Those who are lacking but wanting work are economically inactive and not available to work for various reasons (such as being a student or ill). They are not counted as unemployed.

In 2016 the employment rate for each group had increased compared with 2011. Among workers with a degree or equivalent, the employment rate was 86% in 2016 compared with 83% in 2011. For those with no or unknown qualifications the employment rate was less than half of this in 2016 at 40% and 38% in 2011.

The employment rate increased the most for those with A-levels or equivalent and those with other qualifications. For workers with A-levels or equivalent the employment rate increased by 6 percentage points to 67% in 2016.⁹ Levels of unemployment and the proportion of people who were lacking work but who wanted to work decreased between 2011 and 2016. Those with a degree or equivalent make up 45% of the working-age population in London, so despite having low levels of unemployment and economic inactivity they account

⁸ In this categorisation higher education is equivalent to NVQ level 4 or a diploma in higher education. A-level or equivalent is NVQ level 3 and Degree or equivalent is NVQ level 5.

⁹ The numbers differ due to rounding.

for a quarter (24% or 380,000) of those who are workless. Other large groups are those with GCSE grades A* – C or equivalent who account for 330,000 (21%) of those who are workless and those with A-levels or equivalent who account for 320,000 of those who are workless.

From a poverty perspective, despite the fact London is increasingly well educated, good outcomes also require decent employment opportunities for those with lower levels of education, as well as support for retraining.

Commentary

Many of the positive trends that were reported in London's Poverty Profile 2015 have since continued and are evident in the 2015 and 2016 data. Some of these measures will have a positive impact on poverty. The proportion of households where all adults are working continues to rise after a big drop during the recession and the proportion of workless households has continued to fall. The number of unemployed women and men fell for the fifth consecutive year after reaching a peak in 2011 and the unemployment ratio in Inner and Outer London continues to fall.

However, despite these positive developments, this chapter has highlighted two problems. As shown in Chapter 3 Low Income, people in families where all adults are working (and at least one is full-time) are less likely to be in poverty than other working families. The model of having one person earning a wage which is enough for the rest of the family to live on above the poverty line no longer works for many families.

The decrease in the proportion of workless households has mainly occurred because the proportion of mixed households has risen since the mid-1990s, rather than because the proportion of working households has risen. Mixed households, while less likely to be in poverty than workless households, are still more exposed than those with all adults working. If the second adult in the family cannot work due to disability, illness or caring responsibilities, these households also have few options for increasing their income. Families where one or both adults are in part-time jobs because they cannot find full-time ones, or are on temporary contracts, may face the same problem – both problems which are still very evident in the aftermath of the recession.

The second problem is that the overall positive improvements hide significant differences within boroughs, between different people and in the quality of the work available. The borough with the highest unemployment rate has a level which is more than double the rate for the borough with the lowest. The young are still disproportionately affected by unemployment, with those aged 16 to 24 being far more likely to be unemployed than those aged 25 to 64. Although there has been a decrease in worklessness for all ethnic minority groups, they are still far more likely than those in the White ethnic group to be unemployed or economically inactive.

There has been an increase in temporary contracts with the proportion who are involuntarily on temporary contracts still high and an increase in insecure work that in London is concentrated on the 16 to 24-year-old age group and workers from ethnic minority backgrounds. Not only are certain people less likely to get a job or 'full' employment, when they do it is less likely to be secure with all the usual benefits of being an employee. These benefits are important because they can significantly reduce the risk and severity of in-work poverty.

Low pay

Key points

- In the last decade, weekly pay in London has fallen. A larger proportion of people are earning less than £200 and £400 per week in 2016 than in 2006.
- In 2016 13%, – 410,000 – workers earned less than £200 a week and another 20% or 630,000 earned less than £400 (but more than £200).
- In 2016, just over one in five employees were low paid (paid less than the London Living Wage). This is a fall on 2015, and it was the first time since 2005 that the proportion of people who are low paid decreased. This change is being driven by a decrease in the proportion of part-time jobs that were low paid.
- The biggest group among the low paid were female, part-time employees – 220,000 or 31% of the total. 55% of all low-paid jobs in London were carried out by women.
- In 2015/16 Newham had the highest proportion of residents who were low-paid at 36% and Richmond had the lowest proportion of low-paid residents at 12%.
- In 2015/16 in Tower Hamlets just over 1 in 10 jobs were low-paid, whereas in Waltham Forest more than a third of jobs were low paid.
- The low pay rate for Bangladeshi and Pakistani employees at 46% is more than double the rate for White British employees at 19%, though only 6% of all low-paid people in London are Bangladeshi or Pakistani.
- The proportion of employees who are low paid is extremely high in the hospitality sector, at 64%, though the sector with the most low-paid jobs is retail.
- Disabled people are more likely to be low-paid: 37% of disabled people compared with 27% of non-disabled people.
- The risk of low pay for employees is lower for those with higher levels of qualifications. Just over 1 in 10 employees with a degree or equivalent were low paid whereas for those with no or unknown qualifications the proportion was 7 out of 10.

Introduction

The relationship between poverty and low pay is complicated. Low pay alone does not guarantee poverty – there are other factors, such as the amount of in-work benefits received by the family, the income of a partner or other family members, family size and housing costs, which are particularly important in London. It is also possible to work enough hours at low rates to avoid poverty. However, it may be hard to avoid living in poverty if you are low paid and have children and a partner who is not working. This is significant because the proportion of households where not all adults are working remains high and some forms of underemployment and insecure work – where you are not guaranteed a certain number of hours – are becoming more prevalent. It is also the case that most workers in poverty are low paid, even if most low-paid workers are not in poverty.¹

The focus of this chapter is identifying who is likely to be low paid and therefore potentially at increased risk of being in poverty. The term low pay is used to mean anyone paid below the London Living Wage. The London Living Wage for 2016 was set at £9.40 an hour and was calculated by the Greater London Authority². This London Living Wage calculation includes assessing the cost of a basic basket of goods and the amount needed to reach 60% of median income, plus a discretionary amount for emergencies. This is different to the mandatory National Living Wage (NLW) which was £7.20 from April 2016 for workers over the age of 25.

Most of this chapter focuses on hourly pay because the National Living Wage (NLW) and the London Living Wage (LLW) are set at hourly rates. However the first graphs looks at weekly earnings, as this is more reflective of actual earnings.

¹ Hick, R. and Lanau, A. (2017). *In-work poverty in the UK*. Cardiff: Cardiff University.

² From October 2016 the London Living Wage was calculated by the Resolution Foundation using a slightly different method. The London Living Wage for the period October 2016 to September 2017 is £9.75.

Real weekly earnings

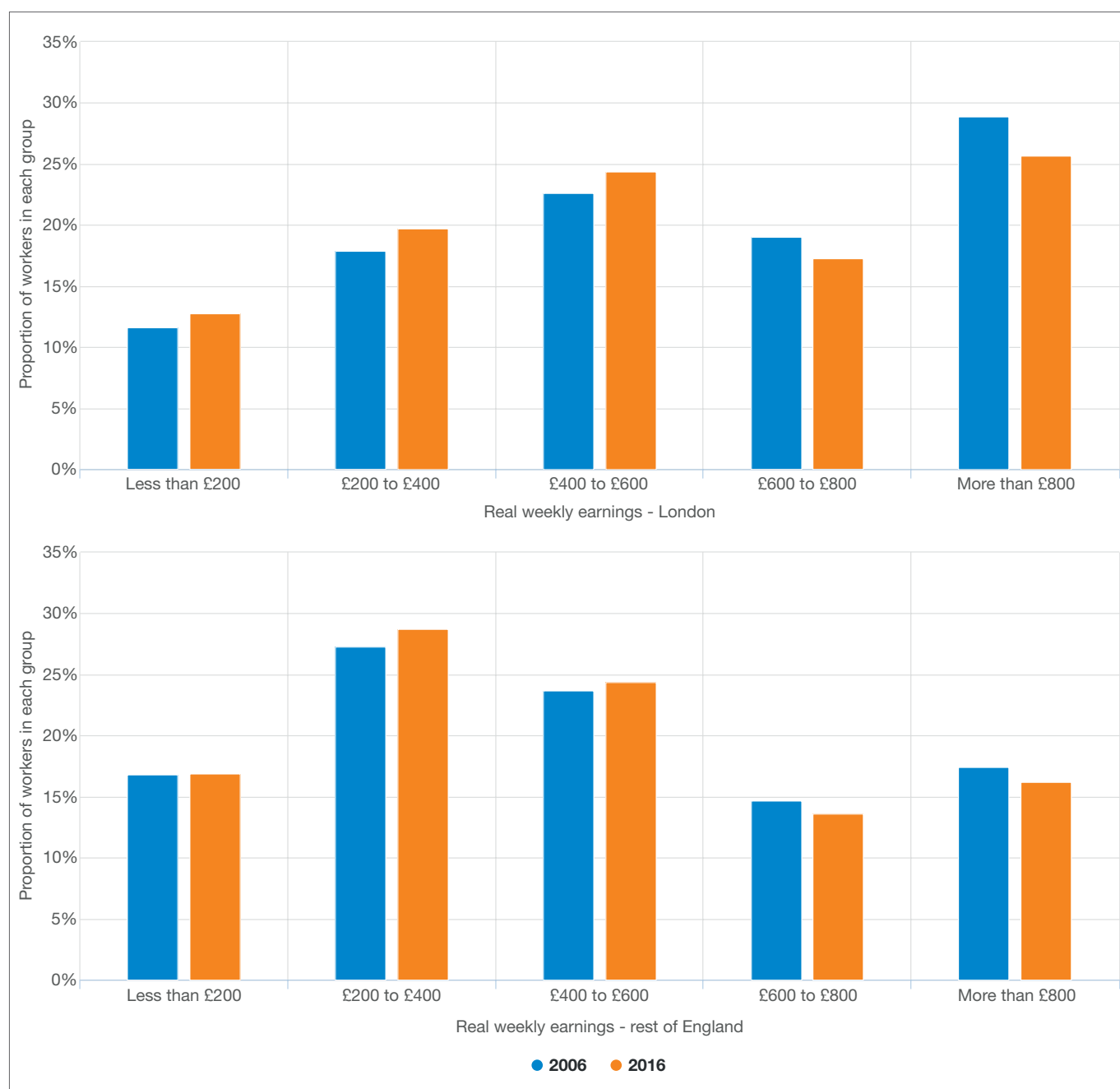


Figure 8.1

Source: Annual Survey of Hours and Earnings via Nomis.

Key points

- The proportion of employees in London earning less than £200 a week and £400 a week has increased since 2006. The proportion earning more than £800 a week has decreased.
- In 2016, 13% – 410,000 – employee jobs earned less than £200 a week and another 20% – 630,000 – earned less than £400 (but more than £200).

Figure 8.1 shows the proportion of employees by real gross weekly earnings category. This means that weekly earnings have been adjusted for inflation (using CPIH)³ so that it is possible to compare weekly earnings in 2016 with those 10 years ago in 2006. This graph includes both part-time and full-time employees. Part-time employees are generally concentrated towards the bottom of the weekly earnings distribution, due to both fewer hours of work and lower average hourly pay rates. In 2016 in London the median for all employees was £537 and for England –including London – the median was £442.

In 2016 in London, there was a smaller proportion of employees earning more than £600 than in 2006, and there has been an increase in the proportion of employees earning less than £600. This is also true in the rest of England but the change has been less marked.

57% – 1.8 million – employee jobs in London were earning less than £600 a week in 2016, an increase on 2006 when this figure was 52%. In the rest of England, 70%, 13 million employees, were earning less than £600, but there has only been a two percentage point increase since 2006. In 2011, the figure for London was 54% and for the rest of England it was 70%. This means that the proportion of employees paid less than £600 continued to increase between 2011 and 2016 in London but not in the rest of England.

The London distribution is shifting so that it resembles that of the rest of England more closely, with a larger proportion of employee jobs earning under £600 and a smaller proportion earning more than this.

³ This is a version of the Consumer Price Index that includes a measure of housing costs.

Low-paid jobs over time

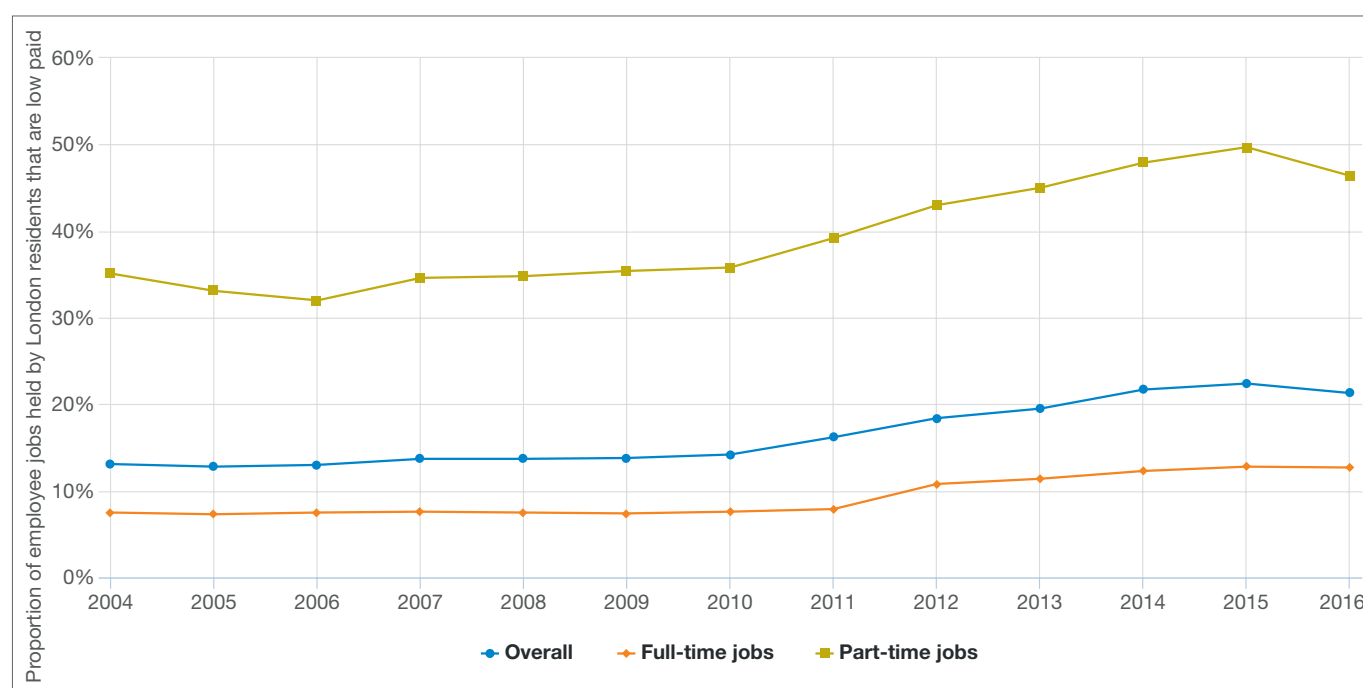


Figure 8.2

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

Key points

- In 2016, just over one in five employees living in London were low-paid.
- This figure has fallen since 2015 and is the first time since 2005 that the proportion of people who are low-paid went down.
- This change is being driven by a decrease in the proportion of part-time jobs that were low paid.

Figure 8.2 shows the proportion of full-time, part-time and all jobs that are paid below the LLW over time and are held by Londoners. This graph assesses whether people are low paid or not based on their hourly earnings. Some workers may be paid above the LLW but because they are not working full-time hours, or have low weekly earnings. The LLW has been calculated for full-time workers⁴ and there is no equivalent number that weekly earnings can be measured against.

In 2016, just over one in five employees (21%) were low paid. This was a decrease of 1 percentage point since 2015 when it was 22%. This was the first time since 2005 – when the low pay rate was 13% – that there was a decrease in the proportion of people who are low paid. The number of low-paid jobs in London in 2016 was 680,000, a decrease of 19,000 since 2015 and the first drop since 2009.

This change is being driven by a decrease in the proportion of part-time jobs that were low paid. In 2016, the low pay rate for part-time jobs was 46%, which is equivalent to 340,000 jobs, 3 percentage⁵ points lower than in 2015 when half of all part-time jobs were low paid (50%, or 360,000). The impact on the overall rate of low-paid jobs was smaller than this because part-time jobs only account for 23% of all jobs. Up until 2009 about a third (35%) of part-time jobs were low paid, this increased rapidly until 2015. The decrease between 2015 and 2016 has not been enough to reverse this rise completely.

The proportion of full-time jobs that are low paid remained the same in 2016 at 13% (315,000 jobs) as in 2015. The proportion of low-paid full-time employees was fairly constant between 2004 and 2011 (fluctuating between 7% and 8%). Between 2011 and 2012 the rate increased by 3 percentage points to 11% and continued to increase – at a slower rate – until 2015. The rate has not begun to fall yet so the rate has remained higher than in the 2000s.

An alternative measure of low pay is to compare hourly pay to two-thirds of the median. This represents a more ‘relative’ measure of low pay. On this measure low pay is much more consistent: between 17% and 18% for full-time employees since 2004, and between 52% and 55% for part-time employees in the same period.

⁴ D’Arcy, C. and Finch, D. (2016) Calculating a Living Wage for London and the rest of the UK. London: Resolution Foundation.

⁵ This number is due to rounding.

Low pay by gender

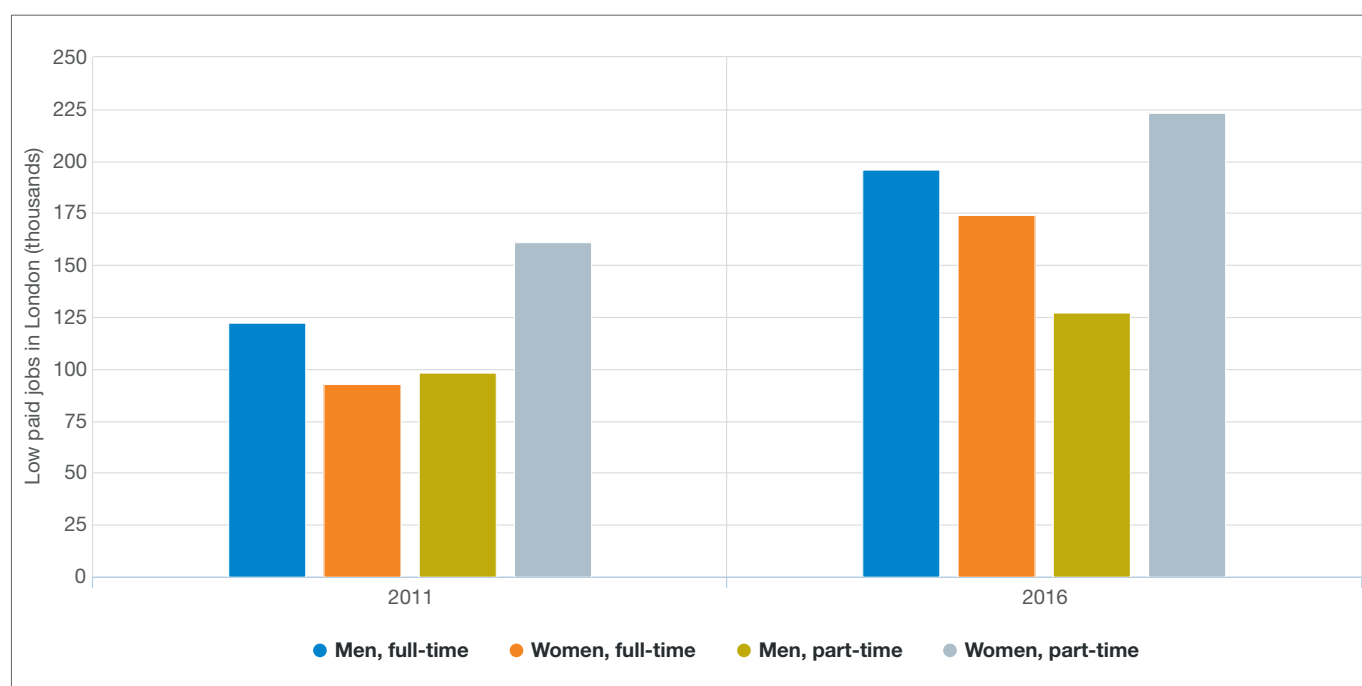


Figure 8.3

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

Key points

- In 2016, the biggest group among the low paid were female part-time employees at 220,000, 31% of the total.
- The number of low-paid jobs increased over the five years to 2016 by 250,000.
- 55% of low paid-jobs in London are held by women.

This graph shows the number of low-paid jobs by whether they are part-time or full-time and by whether they are held by men or women. In 2016 the biggest group among the low paid were female part-time employees at 220,000, or 31% of the total. Male full-time jobs were the next biggest group (200,000, 27%), followed by female full-time jobs (170,000, 24%). The smallest group with just under a fifth of the total (130,000, 18%) were male part-timers.

The number of low-paid jobs increased over this period by 250,000. There was an increase in the number of low-paid jobs across full- and part-time work for both sexes. The increase in low-paid jobs has not been evenly distributed across the groups shown in the graph, however. The overall increase in the number of low-paid workers between 2011 and 2016 was 52%. For full-time men the increase was 61%, for full-time women the increase was 87%, for part-time men it was 29% and for part-time women it was 38%. In both periods, women worked a majority of low-paid jobs in London. In 2016, 55% of low paid-jobs in London were being carried out by women.

Low pay by residence

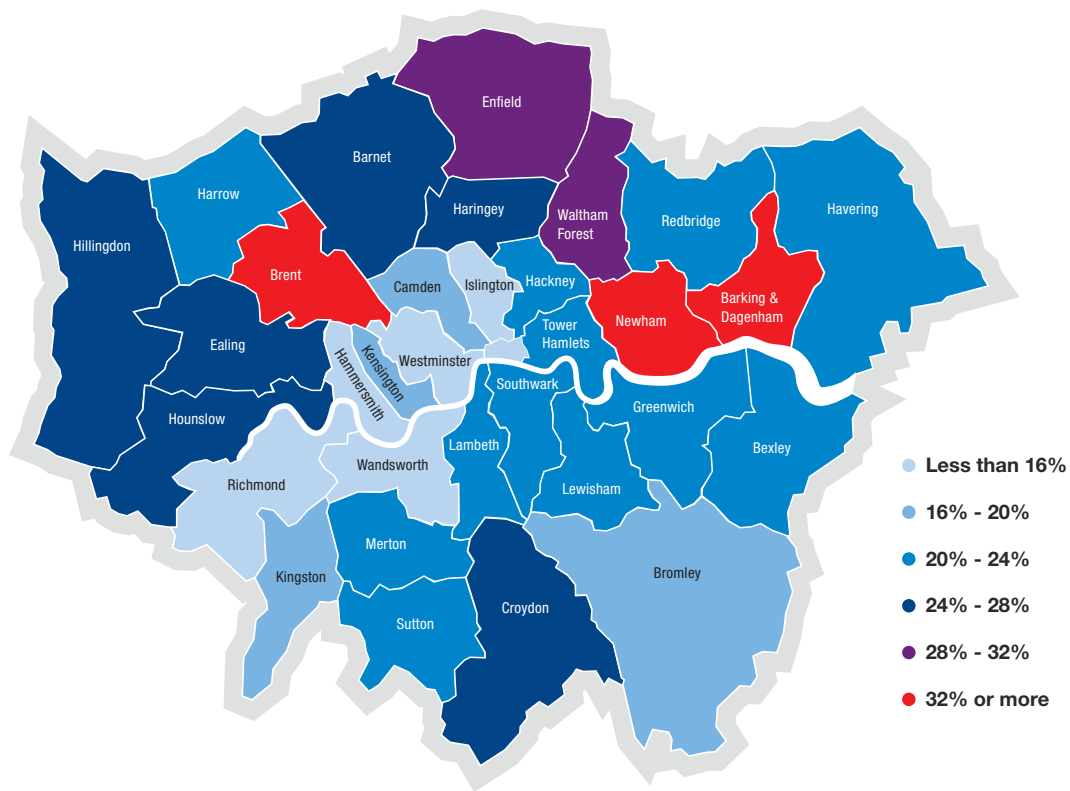


Figure 8.4

Source: Annual Survey of Hours and Earnings, ONS. The data is an average for 2015 and 2016.

Key points

- The overall proportion of jobs held by people living in London that were low paid was 22%; 20% in Inner London and 23% in Outer London.
- In 2015 – 16, Newham had the highest proportion of residents who were low paid, at 36%.
- Richmond had the lowest proportion of low-paid residents at 12%.

This map shows the proportion of people in each borough who are low paid. The overall proportion of jobs held by people living in London that were low paid was 22% (680,000 low-paid residents); 20% (250,000) in Inner London and 23% (430,000) in Outer London. However there was much variation between the boroughs. Eight of the eleven boroughs where 24% or more of the residents were low-paid are found in Outer London.

In 2015 – 16 Newham had the highest proportion of residents who were low-paid at 36% (38,000 low-paid residents). Brent and Barking & Dagenham were next both at 32%. Brent had the highest number of low-paid residents at 40,000 while Barking & Dagenham had 19,000; Brent has more than double the number of residents compared with Barking & Dagenham. Richmond and Wandsworth had the lowest proportion of low-paid residents, both at 12% (8,000 and 16,000 low-paid residents respectively), followed by Hammersmith & Fulham at 13% (9,000).

Employees in low-paid work by location of jobs

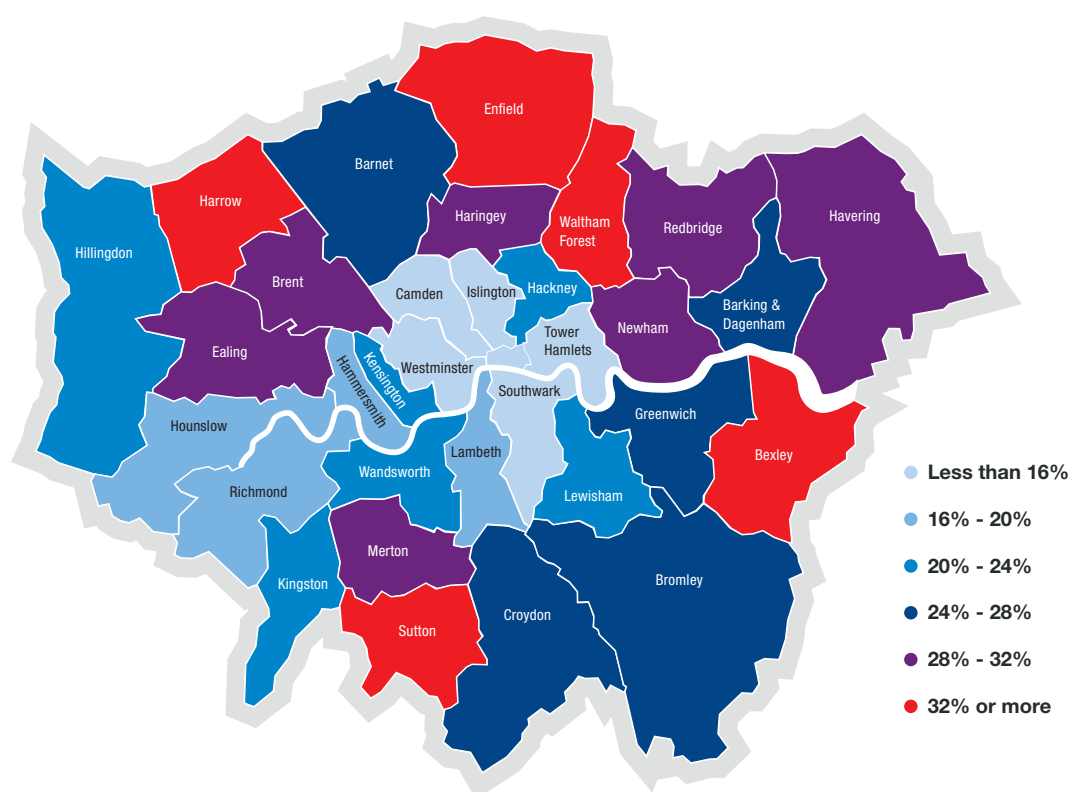


Figure 8.5

Source: Annual Survey of Hours and Earnings, ONS. The data is an average for 2015 and 2016.

Key points

- The overall proportion of jobs in workplaces paid below the LLW in London is 19%.
- The figure for Inner London is 14% and for Outer London it is 27%. The lower proportion for Inner London reflects that it contains some of the largest business districts such as the City and Canary Wharf, with highly paid jobs often taken by commuters. Although Inner London has a lower proportion it has a similar number of low-paid jobs as Outer London, as there are more jobs located there.
- In Tower Hamlets just over 1 in 10 jobs were low paid, whereas in Waltham Forest more than a third of jobs were low paid.

This map shows the proportion of jobs in workplaces in each borough that are low paid. The overall proportion of jobs in workplaces paid below the LLW in London is 19% which is equivalent to 730,000 low-paid jobs. Jobs based in London are less likely to be low paid than the jobs worked by people living in London. The figure for Inner London is 14% (340,000 low-paid jobs) and for Outer London it is 27% (390,000). The lower proportion for Inner London reflects the large business districts such as the City and Canary Wharf, with highly paid jobs often taken by commuters.

Tower Hamlets has the lowest proportion of low-paid jobs at 11% (23,000). This is followed by Islington, Southwark and Camden all at 12% and Westminster at 15%. These are all Inner London boroughs. These five boroughs have low proportions of

low paying jobs but because they contain a large number of the jobs in London (1.4 million, 41%), together they make up a quarter (25%) of all low paying jobs in London. Westminster alone accounts for 16% of the jobs in London, and 11% of all low-paid jobs. It is the borough with the largest number of jobs, at 560,000, with 79,000 of them being low paid.

Waltham Forest had the highest proportion of low-paid jobs at 37%, however because it has a relatively small total number of jobs it only has 17,000 low-paid jobs. It is followed by Sutton (34%), Enfield (33%), Harrow (32%) and Bexley (32%). These are all Outer London boroughs.

Some boroughs contain many more low-paid jobs than low-paid residents or vice versa. In Tower Hamlets only 11% of jobs are low paid whereas 19% of residents are low paid. Many of the higher paying jobs are not taken by residents of the borough. At the other end of the spectrum is Sutton where 34% of jobs are low paid but only 20% of residents are low paid.

Low pay by ethnicity

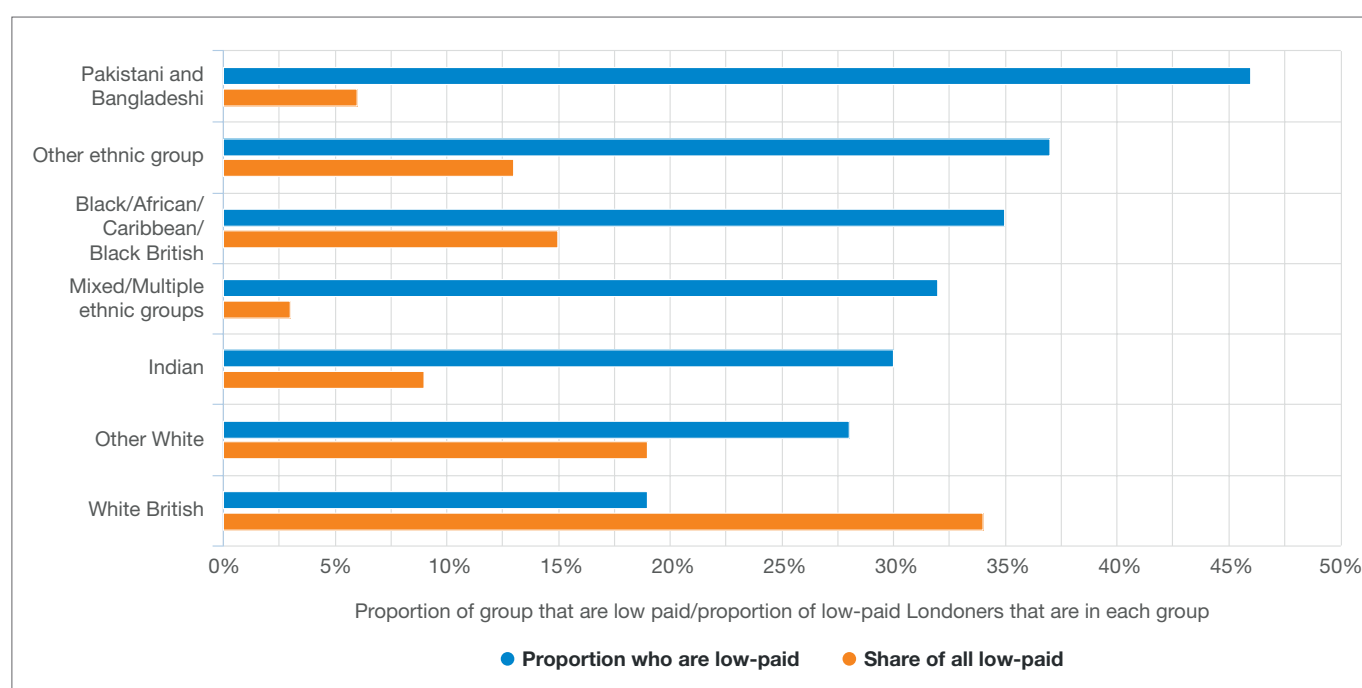


Figure 8.6

Source: Labour Force Survey, ONS.
The data is a three-year average from 2014 to 2016.

Key points

- Low pay rates vary substantially between different ethnic groups.
- The low pay rate for Bangladeshi and Pakistani employees, at 46%, is more than double the rate for White British employees at 19%.
- The largest group of low-paid workers are White British who make up 34% (310,000) of the low paid; the smallest group are Bangladeshi and Pakistani at 6% (58,000).

Figure 8.6 shows the proportion of employees of each ethnic group that are paid below the LLW and the share of low-paid employees that this represents.

Low pay rates vary substantially between ethnic groups. The low pay rate for Bangladeshi and Pakistani employees, at 46%, is more than double the rate for White British employees at 19%. Those from Other ethnic groups and Black/African/Caribbean/Black British have the next highest rates of low pay, at 37% and 35% respectively.

The ethnic make-up of the working-age population means that the low-paid workforce as a whole looks different from what the numbers above might suggest. The largest group of low-paid workers are White British who make up 34% (310,000) of the low paid. This is a reduction on several years ago and the last London Poverty Profile report, which reflects that the proportion of employees who are White British has fallen. Other White and Black/African/Caribbean/Black British also make up a substantial proportion of the low paid, at 19% (180,000) and 15% (140,000) respectively. Conversely, Pakistani and Bangladeshi employees only account for 6% (58,000) of the low-paid workforce.

Low pay by industry

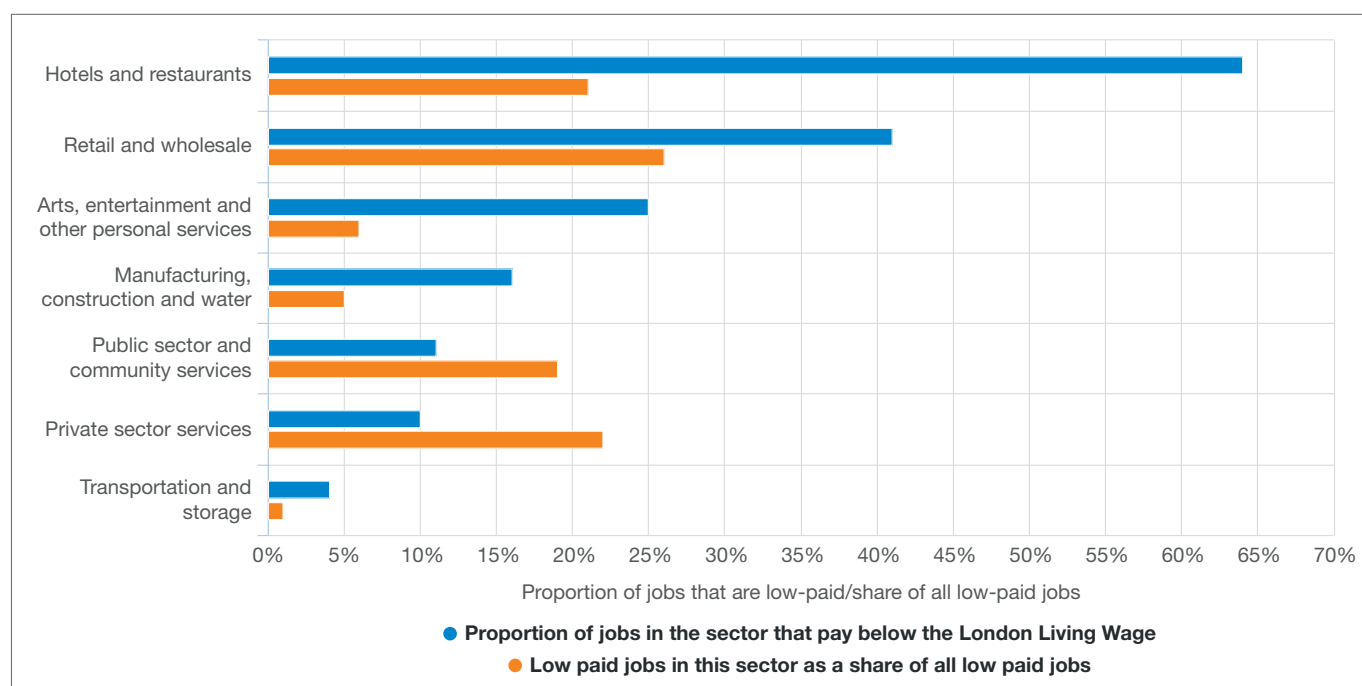


Figure 8.7

Source: Annual Survey of Hours and Earnings, ONS. The data is for 2016.

Key points

- Some sectors have a much higher proportion of low-paid jobs than others.
- The proportion of employees who are low paid is extremely high in the hospitality sector, at 64%.
- The retail and wholesale sector accounts for the largest share of low-paid jobs, at 180,000.

Figure 8.7 shows the proportion of employees in each industry who are paid below the LLW and the share of low-paid employees that this represents.

Some sectors have a much higher proportion of low-paid jobs than others. The proportion of employees who are low paid is extremely high in the hospitality sector (hotels and restaurants) at 64%. The industry with the second highest proportion of low paid workers is retail and wholesale at 41%. Transportation and storage and private sector services⁶ have the lowest proportion of employees who are low paid, at 4% and 10%. Some private sector service jobs are well paid such as financial and insurance activities and professional, scientific and technical activities, while some are generally less well paid, such as administrative and support work.

Overall there are a large number of jobs in retail and wholesale, so low-paid jobs in this sector make up the largest number of low-paid jobs overall at 26%, equivalent to 180,000 low-paid jobs. Private sector services is a very large sector overall (37% of jobs), meaning that although low-paid jobs in this sector are a small proportion of the total, it still accounts for 22% or 150,000 of all low-paid jobs. There are a similar number of low-paid jobs in hotels and restaurants (150,000). The public sector and community services sector also accounts for a large number of jobs (30%) and so despite the fact that a low proportion of them are low paid this accounts for 130,000 or 19% of all low-paid jobs.

⁶ Private sector services includes: information and communication, financial and insurance activities, real estate activities, professional, scientific and technical activities and administrative and support service activities.

Low pay by disability

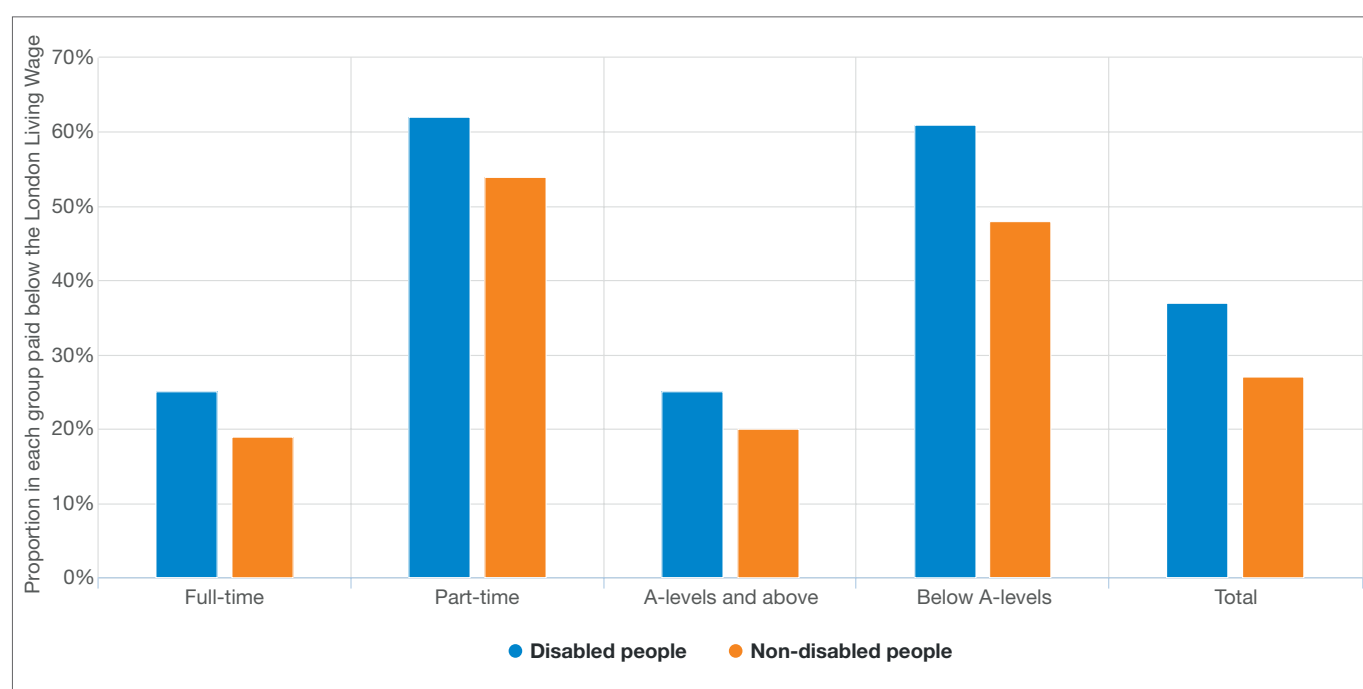


Figure 8.8
Labour Force Survey, ONS. The data is an eight-quarter average for 2015 and 2016.

Key points

- Disabled employees are more likely to be low paid: 37% of disabled employees compared with 27% of non-disabled.
- A quarter (25%) of full-time disabled employees are low paid whereas only one in five (19%) of full-time non-disabled people are low paid.

- The low pay rate for disabled people with at least A-level education is five percentage points higher at 25%, and for those with an education below A-level it is 13 percentage points higher at 61%.

⁷ The low pay rate of all part-time workers in this measure is 56%, which differs from the rate in indicator 8.2. These estimates use different data sources. 8.2 uses ASHE which is the best and most accurate source of pay data available. The data in ASHE is collected through pay slips and does not contain any demographic information. All the measures in the report which compare the characteristics of those who are low paid and those who are not use a different dataset: the Labour Force Survey. In this dataset the information about hourly pay is self-reported and so differs from that in ASHE.

Figure 8.8 shows the low pay rates for disabled and non-disabled people by full-time or part-time work and by level of education. In all cases disabled people are more likely to be low paid: 37% of disabled people compared with 27% of non-disabled people. The difference between the low pay rate for disabled and non-disabled adults is smaller for full-time employees than for part-time employees. Of those who are working full-time, 25% of disabled people are low paid compared with 19% of non-disabled people, a six percentage point difference. However, of those who are working part-time 62% of disabled people are low paid compared with 54% of non-disabled people.⁷ This is an eight percentage point difference.

The pattern is the same when looking at education. Of those with A-levels or above 25% of disabled people are low paid compared with 20% of non-disabled people, a five percentage point difference. Of those with a level of education below A-levels, 61% of disabled people are low paid compared with 48% of non-disabled people. This is a 13 percentage point difference.

Low pay by qualification

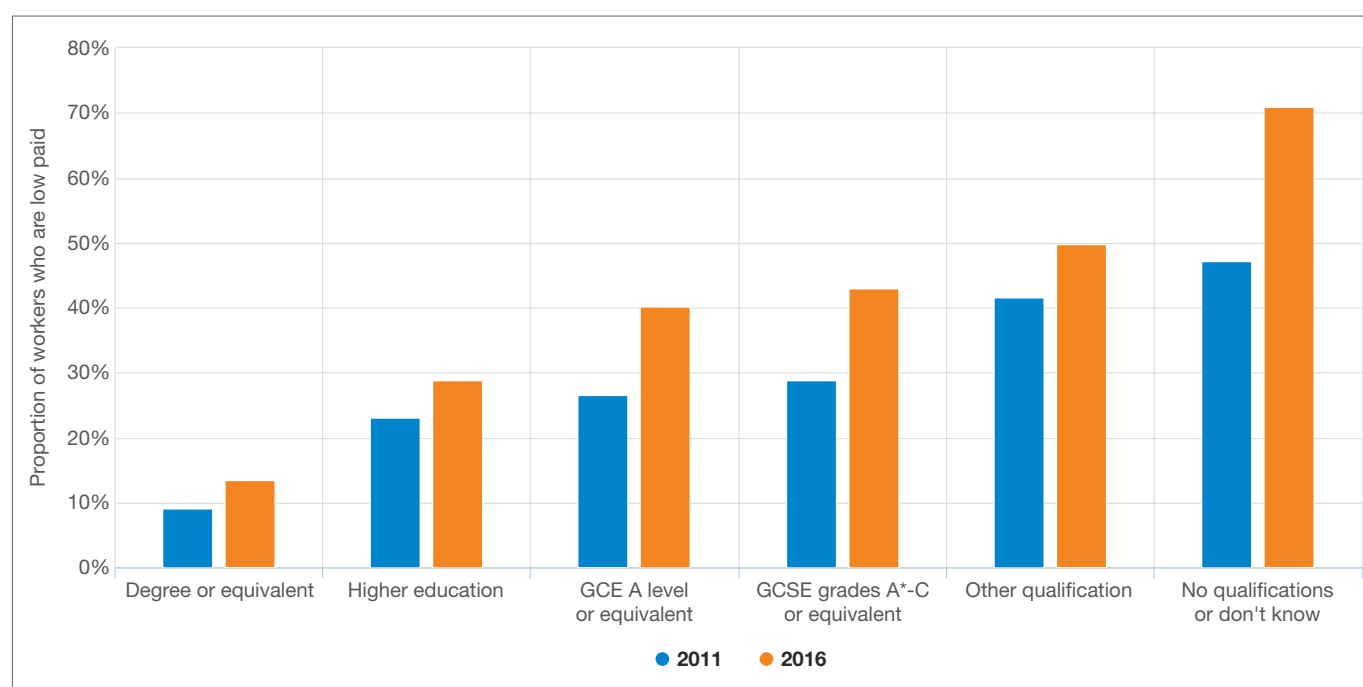


Figure 8.9

Source: Labour Force Survey, ONS.
The data is a four-quarter average of each year shown and it is for London.

Key points

- The risk of low pay for employees is lower for those with higher levels of qualifications.
- In 2016, 13% of employees with a degree or equivalent were low paid, compared with 43% of those whose highest qualification is at GCSE level and 71% for those with no qualification at all.

- **The proportion of workers who were low-paid increased for those at every educational level between 2011 and 2016, however they increased more for those with lower or no qualifications.**

Figure 8.9 shows the proportion of workers who are low paid by qualification level comparing 2011 with 2016. The risk of low pay for employees is lower for those with higher levels of qualifications. In 2016 just over 1 in 10 (13%) employees with a degree or equivalent were low paid whereas for those with no or unknown qualifications the proportion was 7 out of 10 (71%). Those with a degree or equivalent are by far the largest group of employees, they alone are more than half (55%) of all employees. So although this group has a low proportion of low-paid employees, they account for 260,000, 27%, of low-paid employees. Those with no or unknown qualifications only account for 3% of total employees and make up 9%, 120,000, of those who are low paid.

The proportion of workers who were low paid increased for those at every educational level between 2011 and 2016, however they increased more for those with lower or no qualifications. The low pay threshold (the London Living Wage) increased by £1.10 (13%) over this period.

The largest increase in low pay was for those with no or unknown qualifications, where the risk of low pay increased by 24 percentage points from 47% in 2011 to 71% in 2016. This is a relatively small group with low employment rates which shrunk as a proportion of all employees over this period. There are now only 120,000 people in this group. The smallest increase was for those with a degree or equivalent where the risk of low pay increased by four percentage points from 9% in 2011 to 13% in 2016.

Commentary

One in five employees living in London are low paid. Some Londoners are more at risk than others – those working part-time, those with a disability, those from an ethnic minority background and those with lower levels of qualifications – although these are small groups so often make up only a small proportion of those who are low paid. Some of these groups are not only more likely to be in a low paying job but are also more at risk of worklessness or of being employed in insecure work.

Since the financial crisis, wages have been either stagnating or increasing very slowly while the cost of living has been increasing, particularly in terms of housing costs in London. This means that the level at which the LLW is set has been rising faster than earnings, contributing to the increasing number of low-paid jobs in London. The difference between the National Minimum Wage (£7.20) and the London Living Wage (£9.40) in 2016 was large. Even the value of the government's National Living Wage⁸, which is likely to be £8.75 in 2020, is below today's London Living Wage.

The calculation of the LLW includes benefits such as tax credits. The value of tax credits, housing benefit and other means-tested benefits – all of which are important sources of income for working families – are falling. If means-tested benefits were not taken into account the LLW would be approximately £12.00 an hour.⁸ This means

⁸ Greater London Authority
Economics (2015) A Fairer London.
London: GLA.

that the LLW is likely to increase in the coming years to deal with the falling value of benefits, so the gap between the LLW and the National Living Wage could open up further. Families with children who are affected by the changes to benefits will be hit the hardest if the NLW does not keep pace with the LLW.

Low pay cannot be thought of as something that is reserved for those entering the labour force for the first time who will escape from low pay in due course. Low pay is a problem because many people become trapped in low paying jobs and the majority do not manage to earn consistently higher wages.⁹ Just over 80% of low-paid employees were still low paid a year later.¹⁰ Some groups in particular – single parents and people with disabilities – are less likely to progress.

While the pay squeeze has impacted on all workers, the living standards challenge it poses is most acute for those towards the bottom of the pay scale, especially for those who cannot progress into better paying work. There needs to be more focus of shifting the economy away from low-paid jobs and improving progression routes for those at the bottom of the pay scale.

⁹ D'Arcy, C. and Hurrell, A. (2014) *Escape plan: Understanding who progresses from low pay and who gets stuck*. London: Resolution Foundation.

¹⁰ Longitudinal Labour Force Survey three-year average 2013/14 to 2015/16.

Benefits

Key points

- In 2016, 470,000 people in London were claiming an out-of-work benefit. This has been falling since the post-recession peak of 690,000 in 2009. The proportion of working-age adults claiming an out-of-work benefit has nearly halved, from 15% in 1999 to 8% in 2016. This proportion is now lower in London than in the rest of England.
- There has been a fall across all the major out-of-work benefits, with Jobseeker's Allowance (JSA), Employment and Support Allowance (ESA) and Income Support (IS) all at their lowest level. But there is a gap between benefit receipt and need. Only 41% of those who are unemployed are claiming JSA or Universal Credit (UC).
- These falls have been across London but some boroughs still have much higher levels of out-of-work benefit claimants than others. The boroughs with the highest proportions of claimants are found in the North East and East of London.
- Since 2013 the number of families claiming housing benefits (in both the private and social sectors) has been falling, but it is still higher than in 2011. The fall was due to a fall in out-of-work claimants; until 2017 the number of in-work claimants continued to increase. The number of in-work and out-of-work claimants is roughly the same.
- In 2017/18, an estimated 370,000 low-income families will have to pay more towards their Council Tax bill. 25 boroughs require all families to pay at least some Council Tax regardless of income.
- In London, the number of families affected by the overall benefit cap rose by 70% when the cap was lowered, from 8,900 in February 2016 to 15,300 in February 2017, an increase of 6,400. Nearly 80% are families with children.
- The total number of sanctions (ESA, UC and JSA) has fallen to 40,000 in London compared with a peak of more than 130,000 in 2012. The sanction rate for JSA had been 5% and is now 2% of claimants. However, the sanction rate for UC is 6%.

Introduction

The social security system matters a great deal for poverty because benefits are a key income component for poorer families, both those in work and out of work. In 2015/2016, on average for those in the bottom fifth of the income distribution, benefit payments made up 46% of disposable income.¹ As such a large proportion of poorer families' income is from social security benefits, and they are greatly affected when these are reduced. Over the past seven years, both the 2010 Coalition Government and the 2015 Conservative Government have implemented a major programme of cuts and changes to the social security system. Some of these were made directly to the current benefit system, for example through the 'bedroom tax' or by introducing an overall benefit cap, and some came into effect as claimants moved to Universal Credit which is slowly being rolled out to replace six means-tested benefits.

This chapter first looks at the numbers of people claiming an out-of-work benefit and their distribution among the London boroughs. We then look at housing benefit claimants and how this has changed over time. The next section is concerned with the changes to the old system of Council Tax Benefit and its replacement with Council Tax Support and families affected by the overall benefit cap. We then look at those who are claiming Jobseeker's Allowance, Employment and Support Allowance and Universal Credit who have been sanctioned.

¹ Office for National Statistics (2017) Effects of taxes and benefits on UK household income: financial year ending 2016. London: ONS.

Out-of-work benefits over time

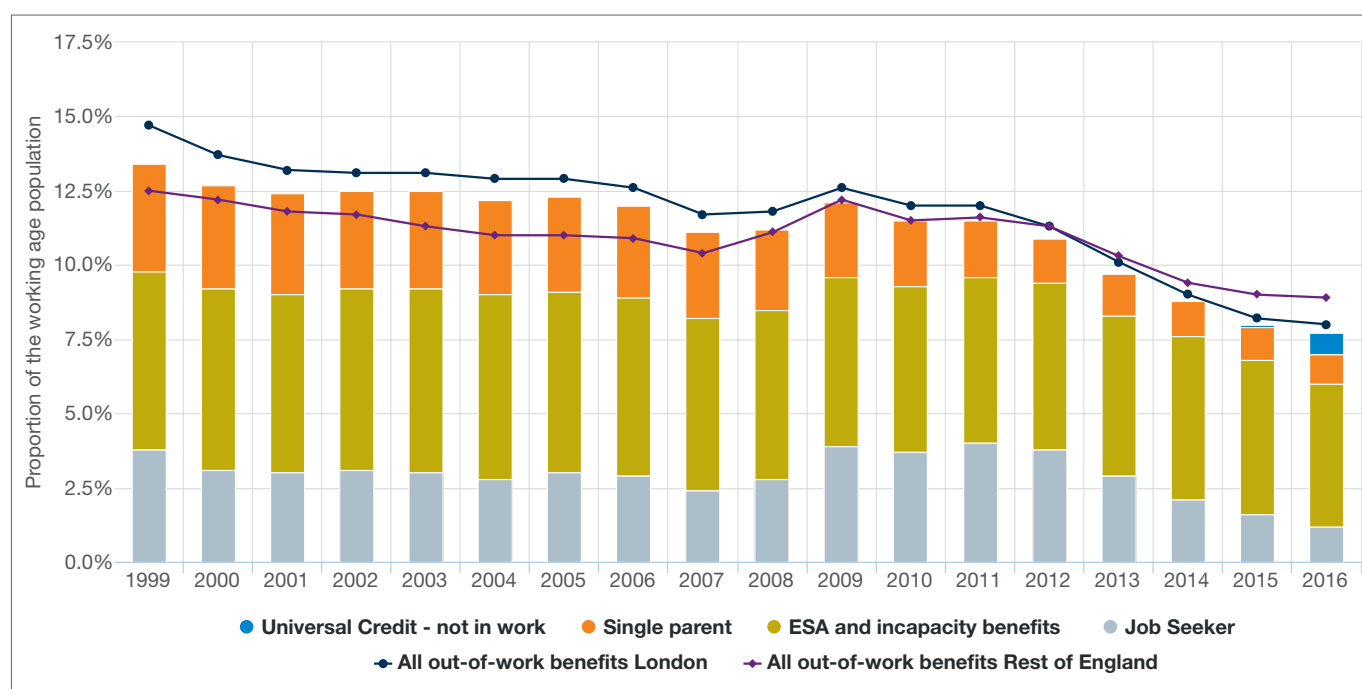


Figure 9.1

Source: Working-age client group benefit claims, DWP via Nomis and People on Universal Credit, Stat-Xplore. The data is for November of each year shown.

Key points

- As of November 2016, 470,000 people in London were claiming an out-of-work benefit. This has been falling since the post-recession peak of 690,000 in 2009. But there is a gap between benefit receipt and need. Only 41% of those who are unemployed are claiming JSA or UC. Between 2010 and 2012 it was 56%.

- **Ten years ago, a higher proportion of people in London were claiming an out-of-work benefit than in the rest of England. Now the reverse is true. The proportion has nearly halved in London, from 15% in 1999 to 8% in 2016.**
- **Employment and Support Allowance and other incapacity benefits are the most common type of out-of-work benefit in London, claimed by 290,000 people in 2016 who were unable to work through disability or ill-health. The proportion of working-age adults claiming ESA has been falling gradually, but at 4.8% in 2016 it is at the lowest level yet.**

Figure 9.1 shows the proportion of the working-age adults claiming an out-of-work benefit in London and the rest of England. This is based on their 'client group', and the main reason why they are claiming a benefit. This includes jobseekers, Employment Support Allowance and incapacity benefits claimants, lone parents and others on income-related benefits (for example carer's allowance) and is shown by the lines on the graph. The bars show the proportion of the working-age population that are claiming one of the four main out-of-work benefits for London only. Universal Credit (UC) will replace all of the benefits shown when it is fully rolled out, a process expected to be complete by 2022. It has been included in the graph for 2015 and 2016 only, as before then the numbers of people who had been transferred onto UC were extremely small.

In 2016, 470,000 people in London were claiming an out-of-work benefit. This has been falling since the post-recession peak of 690,000 in 2009. This fall has been faster in London than in the rest of England. The fall has been faster for JSA and ESA compared with England but the fastest fall has been among those receiving a lone parent benefit. While the number of unemployed is falling in London as seen in Chapter 7 Work, the fall in the number of JSA or UC claimants is even faster. Between 2010 and 2012 on average 56% of those who were unemployed in England were claiming JSA or UC. In 2016 only 41% of those who were unemployed were claiming JSA or UC.² This suggests the gap between benefit receipt and need is widening.

In 2016 the proportion of working-age people claiming an out-of-work benefit was 8.0% in London and 8.9% in the rest of England. Throughout the 2000s the proportion of people claiming an out-of-work benefit was higher in London than in the rest of England, and began closing around the time of the recession.

Employment and Support Allowance and other incapacity benefits are the most common type of out-of-work benefit in London, claimed by 290,000 people in 2016 who were unable to work through disability or ill-health. This is the first time the number of people claiming ESA or equivalent has fallen below 300,000 since 2000.

The next largest group are JSA claimants at 74,000. Jobseeker's Allowance accounted for most of the overall increase in out-of-work benefit claimants during the recession and the subsequent fall. The proportion of people claiming JSA is now 1.2%: its lowest level on record. This is in large part because JSA claimants are being moved onto Universal Credit as it is rolled out across London. In 2016 there were 41,000 people claiming UC who were not in work. The proportion of people claiming UC and JSA is 1.9% which is still lower than in any other year apart from 2015 when it was 1.7%.

² The 2014 to 2016 average is 43%.

A large fall can also be seen in the number of lone parent claimants, which more than halved between 2009 and 2016, from 130,000 to 59,000. This fall is, however, at least in part due to a change in eligibility. Lone parents are now required to seek work and claim JSA when their children are younger than was previously the case.

Out-of-work benefits

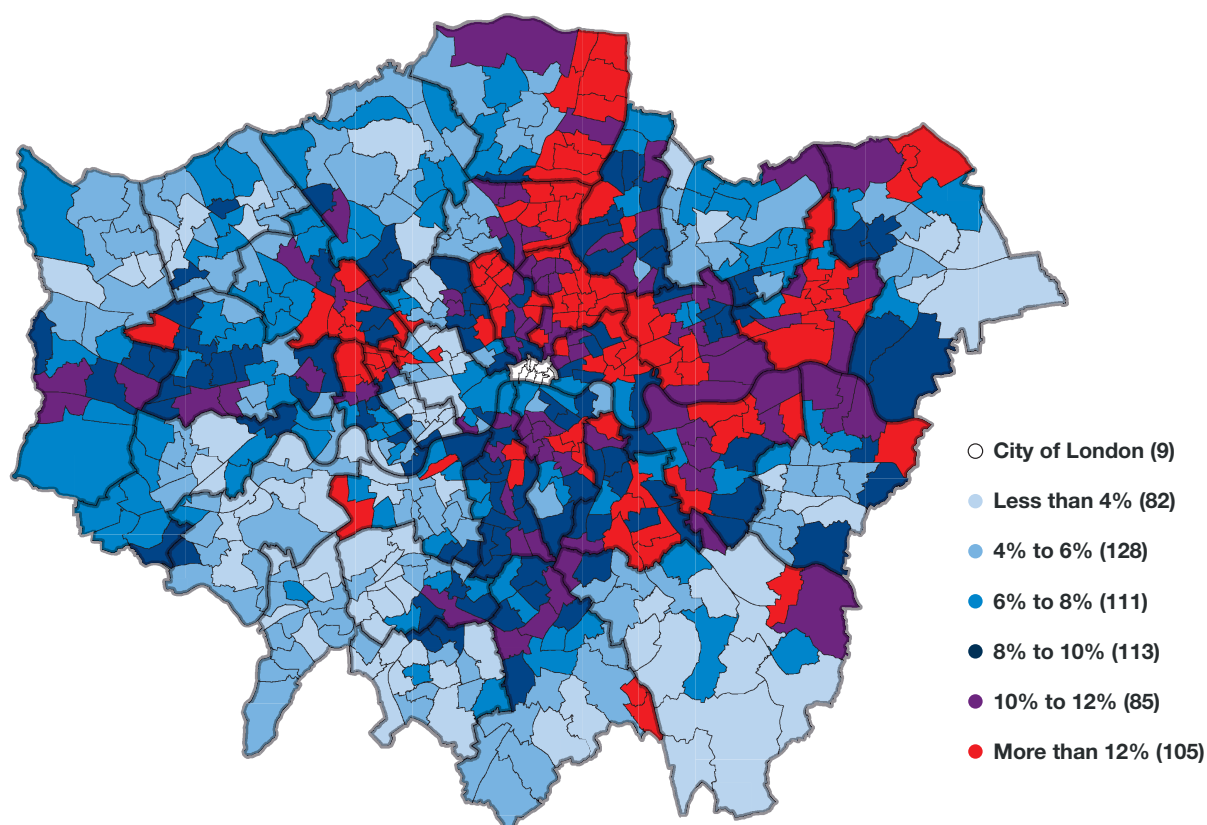


Figure 9.2

Source: Benefit claimants – working-age clients for small areas, 2003 CAS wards via Nomis. The data is for November 2016.

Key points

- The boroughs of North East and East of London contain the highest concentration of wards with more than 10% of people claiming out-of-work benefits.
- Hackney, Islington and Barking & Dagenham only have a few areas with less than 10% of the working-age population claiming an out-of-work benefit, while some boroughs such as Barnet, Harrow, Hounslow, Kingston, Richmond, Merton and Sutton contain no areas where more than 10% of the working-age population is claiming an out-of-work benefit.
- The level of claims has fallen across London since 2014.

The map shows the proportion of the working-age population claiming an out-of-work benefit³ across London. The boroughs of North East and East of London contain the highest concentration of wards with more than 10% of people claiming out-of-work benefits. Most boroughs have a mixture of areas with larger or smaller proportions of people claiming an out-of-work benefit. Hackney, Islington and Barking & Dagenham only have a few areas where less than 10% of the working-age population are claiming an out-of-work benefit. Some boroughs such as Barnet, Harrow, Hounslow, Kingston, Richmond, Merton and Sutton contain no areas where more than 10% of the working-age population are claiming an out-of-work benefit. These are all Outer London boroughs.

³ This does not include Universal Credit. UC is not being rolled out evenly across London which means some areas may have a higher proportion of people who are claiming an out-of-work benefit than is shown in the graph.

⁴ Northumberland Park in Haringey.

⁵ Knightsbridge and Belgravia in Westminster.

The 32 London boroughs, excluding the City of London due to lack of data, contain 624 small areas. These were created so that the census could be analysed using geographical areas with similar population sizes. In just over 70% of these areas the proportion of the working-age population claiming an out-of-work benefit is below 10%. There are a small number of areas (15) where 15% or more of the working-age population is claiming an out-of-work benefit. Six boroughs each have one of these areas but Brent, Kensington & Chelsea and Haringey have two each. Hackney has three. Haringey contains the area with the highest rate of people claiming out-of-work benefits at 20.7%.⁴ Westminster has the area with the lowest rate of people claiming an out-of-work benefit at 0.3%.⁵

Housing benefit claims by tenure and work

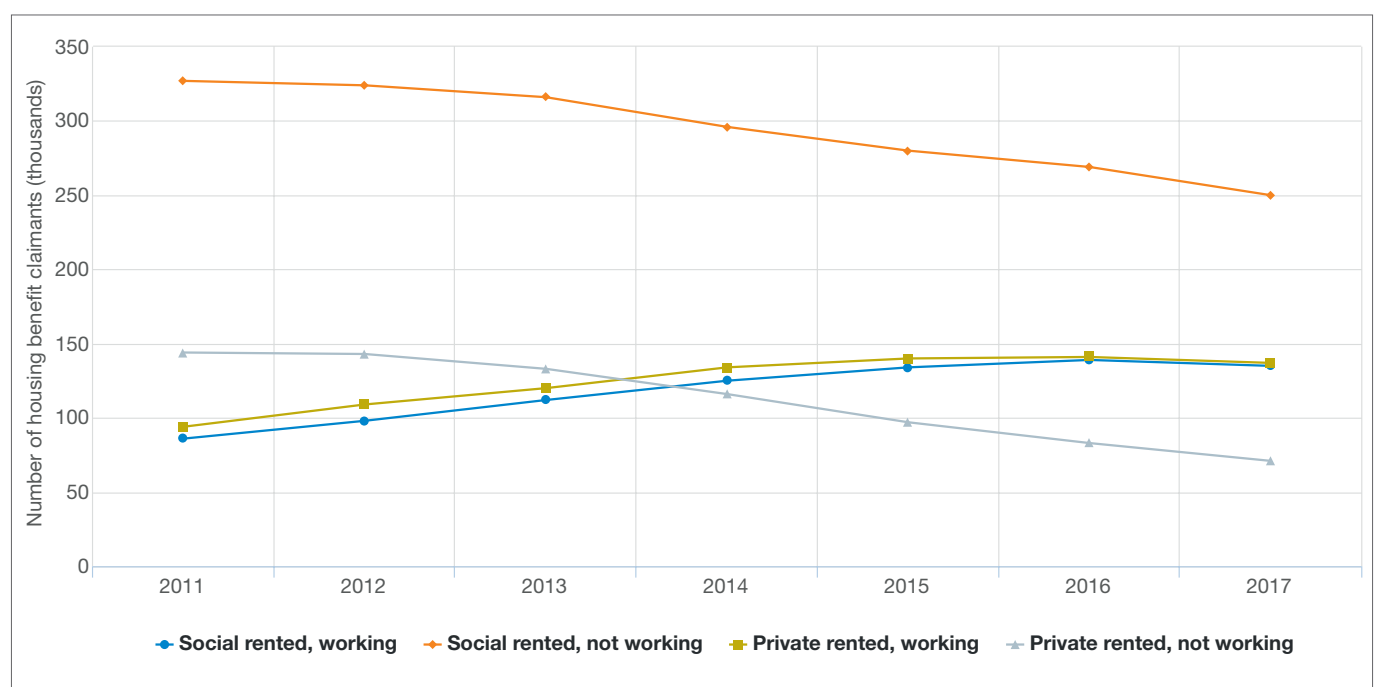


Figure 9.3

Source: Stat-Xplore, DWP. The data is for London, for February for every year shown.

Key points

- Since 2013 the number of families claiming housing benefits has been falling and it is now at its lowest level yet, at just under 600,000.
- The fall was due to a fall in out-of-work claimants; until 2017 the number of in-work claimants continued to increase and they now account for 46% of all housing benefits claimants in London.

- The vast majority of housing benefits claimants who are renting privately in London are in work.

This graph shows the number of working-age housing benefits claimants by whether they are in the social or private rented sectors and by whether they are in work or not. Housing benefit is a means-tested benefit which helps those living in rented homes (both in the social and private sector) meet their housing costs. Those claiming an out-of-work benefit are automatically entitled but it can also be claimed by those in work on a low income and by pensioners.⁶

⁶ Those aged 65 and above are not included in the graph.

⁷ These numbers do not include families who are no longer entitled to any help with their Council Tax because they no longer meet the criteria. For example, the saving threshold was £16,000 for Council Tax Benefit and some councils have reduced this to £6,000 for Council Tax Support. Because of the way the numbers are reported these families are not included but can be said to have suffered a cut in the amount of benefit they receive. Therefore our calculation is likely to underestimate the numbers affected.

In 2017 there were 590,000 working-age families claiming housing benefits. The number of families claiming housing benefits has been falling since 2013, when it peaked at 680,000. The social rented sector accounted for 380,000 (or 65%) of claimants and the private sector for 210,000 (or 35%).

The area in which there has been a significant change is the number of housing benefit claimants who are in work. The number of workless housing benefit claimants was highest in 2011 at 470,000 but has fallen every year since to reach 320,000 in 2017. This is in contrast to the number of claimants who were in work, which increased every year until 2016. There was a slight fall in 2017 to 270,000, however, because the overall number of claimants fell, the proportion of claimants who were in work in 2017 was the highest yet at 46%. This figure has been increasing steadily since 2011 when it was 28%.

Council Tax Support

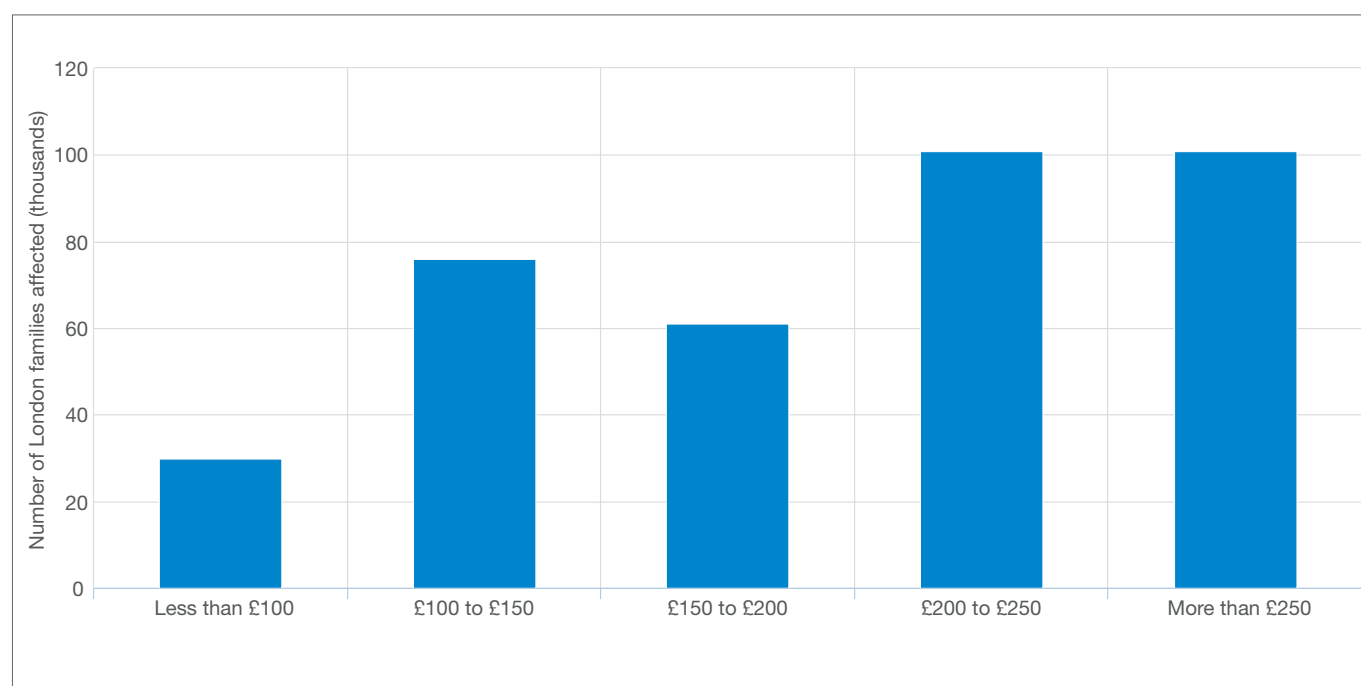


Figure 9.4

Source: Freedom of Information requests to local authorities and NPI analysis. The data is for 2017/18.⁷

Key points

- In 2017/18 an estimated 370,000 families will have to pay more towards their Council Tax bill.
- 25 boroughs require families on a low income to pay at least some Council Tax.
- The difference between Council Tax payable as a result of cuts to Council Tax Benefit ranges from £0 in some boroughs to £384 a year in Harrow.

Figure 9.4 looks at the impact of the replacement of Council Tax Benefit (CTB) with Council Tax Support (CTS). From April 2013, local authorities across England were required to devise their own systems of CTS for working-age adults, and funding for it was reduced. It replaced the national system of CTB which provided support to low-income families to help with their Council Tax bill. Councils had to keep the previous system in place for pensioners.

The most common change that local authorities have made from the former CTB system has been to introduce a 'minimum payment' which requires everyone to pay at least some Council Tax regardless of income. Figure 9.4 shows how much more CTS claimants pay on average relative to the system of national support before April 2013.

Seven boroughs – Camden, Hammersmith & Fulham, Kensington & Chelsea, Kingston, Merton, Tower Hamlets and Westminster – and the City of London have not introduced a minimum payment or a band cap and so, apart from minor adjustments, their CTS schemes remain similar to the national CTB scheme. In these boroughs, residents on a low income still receive a full Council Tax discount.

In 15 local authorities 200,000 low-income residents pay at least £200 or more a year on average towards their Council Tax liability than they would have under the CTB scheme. CTS is received by families with very low incomes, who are now generally expected to pay some Council Tax regardless of just how low that income is. Since April 2013 inhabitants of London with the same income living in neighbouring boroughs may have to pay very different amounts of Council Tax.

Families affected by the overall benefit cap

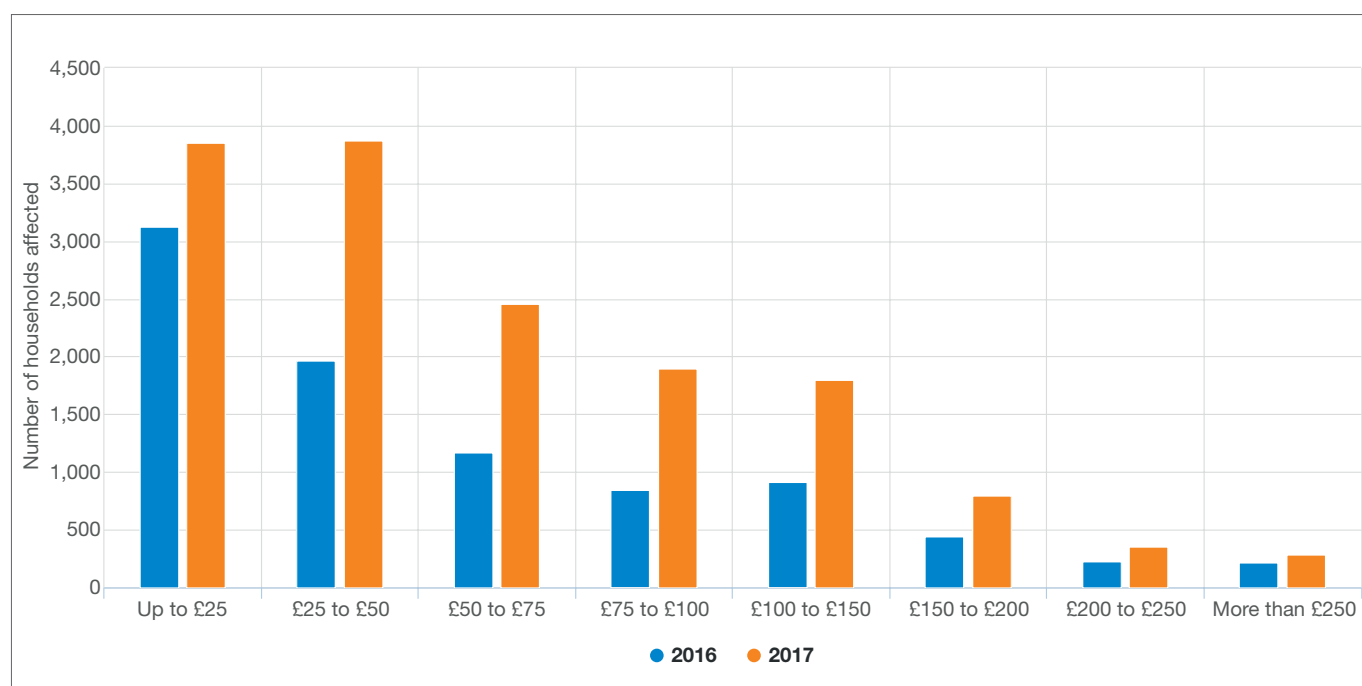


Figure 9.5

Source: Stat-Xplore, DWP. The data is for London for February of each year shown.

Key points

- In London, the number of families affected by the overall benefit cap rose by 70% when the cap was lowered, from 8,900 in February 2016 to 15,300 in February 2017, an increase of 6,400.
- The largest number of families (7,800) had their benefits cut by up to £25, or £25 to £50. However, there were 3,200 families who had their weekly benefit cut by more than £100.
- 78% of those affected are families with children and 64% of those affected were single parents with dependent children.

Figure 9.5 shows the number of households affected by the benefit cap,⁸ grouped by the weekly cut in their support. The cap was introduced in 2013, based on an annual equivalent of £26,000 a year, with a lower level for single adults without children (£18,200). In 2016, it was reduced further, and by a greater amount outside of Greater London.

In London, in 2017, the number of families affected was 15,300 compared with 8,900 in February 2016, an increase of 6,400.

In 2017, the largest single groups of those affected were families losing up to £25 per week and those losing between £25 and £50 a week, both at around 3,900. Compared with 2016, the number in each category of cut has increased with the lowering of the value of the cap. In February 2016, there were 890 families losing more than £150 a week, rising to 1,400 a year later.

⁸ The benefit cap does not apply in all circumstances. Those over pension age, families with someone in work earning over a certain amount, families where someone has recently been in work, families in which someone has a disability, families who receive Guardian's or Carer's Allowance, those living in supported exempt accommodation and those not receiving housing benefit or Universal Credit are exempt from the benefit cap.

15% of families affected were couples with dependent children, and 21% were single adults with no children. By far the largest group affected were single parents with dependent children, making up 64% of those affected. Families with children made up 78% of those affected.

Benefit sanctions over time

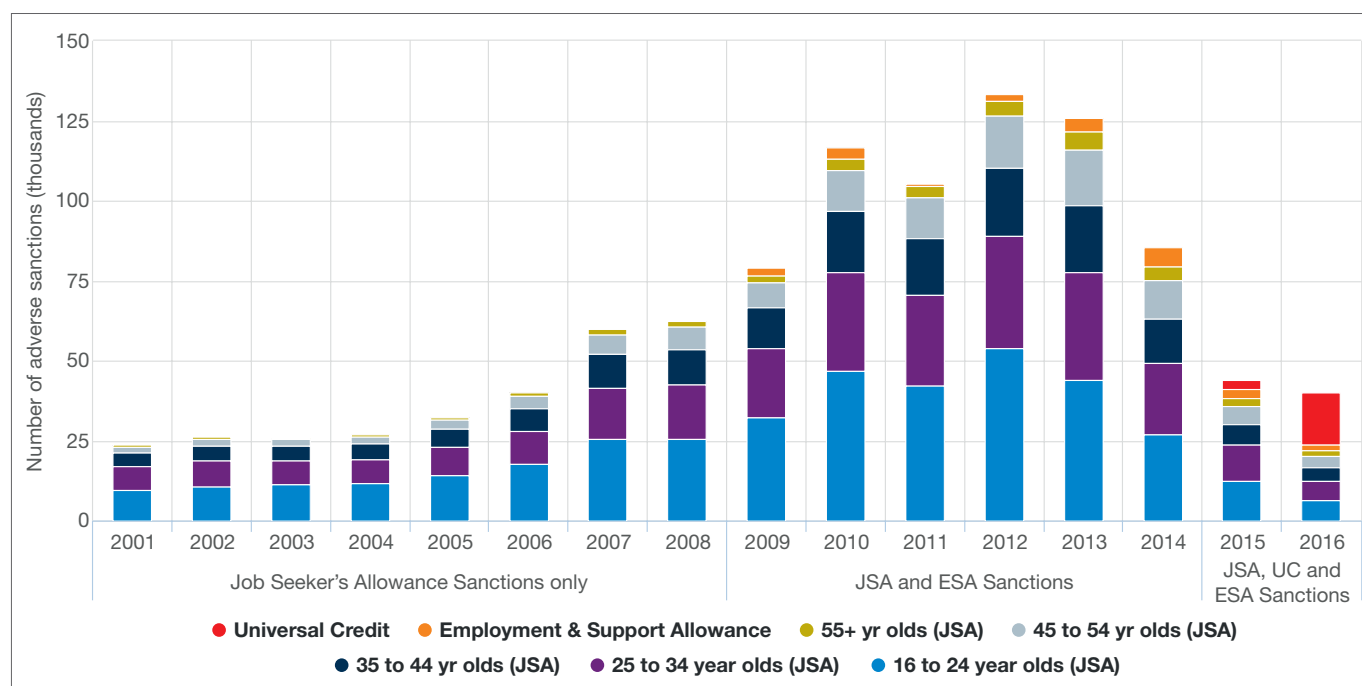


Figure 9.6

Source: Stat-Xplore, DWP. The data is for London. The Universal Credit sanction data does not provide a full year for 2015.

Key points

- In 2016, there were 22,000 sanctions for JSA. This is the lowest number since 2001. The sanction rate for JSA had been 5% and is now 2%.
- The number of ESA sanctions is small compared with the number of JSA sanctions. At their peak in 2014, there were 6,200 ESA sanctions compared with 79,000 JSA sanctions. In 2016 the number of ESA sanctions had dropped to 1,500.
- The total number of sanctions (ESA, UC and JSA) has fallen to 40,000 in London suggesting this is no longer a problem affecting a large proportion of out-of-work benefit claimants, as it has been in recent years. However, the sanction rate for UC is 6%.

Figure 9.6 shows the number of JSA sanctions by age, the total number of ESA sanctions from 2009 onwards and Universal Credit sanctions from 2015 onwards. Benefit sanctions are imposed when a claimant fails to comply with the conditions of a benefit without a reason that the DWP finds acceptable. Thus they only apply to the parts of benefits with conditions attached, such as JSA, or the Work-Related Activity Group of Employment and Support Allowance (people in the work-related activity group are not expected to actively seek and apply for work, but they are expected to carry out some activities).

Under UC, they do not apply to the housing element of the benefit. They vary in length and severity depending on the benefit and why the claimant is being sanctioned. For JSA, 100% of benefit is lost for between four weeks up to a maximum of three years. Under ESA, it is a lower proportion and for a maximum of four weeks.

Sanctions under Universal Credit differ in terms of length and severity depending on what work requirements are given to the claimant, with those with no work-related requirements not receiving sanctions. For example, if a UC claimant was receiving the standard allowance of £73.34 a week in 2017/18 for a person in the 'All work-related requirement group', they could be sanctioned 100% of this amount, but not sanctioned for any housing component they are receiving.

In 2016, the number of JSA sanctions received was 22,000, the lowest number since 2001. This is partly but not wholly due to a fall in the number of people in London receiving JSA. The number of JSA sanctions was fairly steady from 2001 to 2004 until 2005 when they began to climb. They reached an all-time high in 2012 at 130,000. In 2016 the sanction rate for JSA, which is the number of sanctions divided by the number of JSA claimants per month, was 2%. This is the lowest level since 2005 and in the early to mid-2000s the rate was around 1%. In 2010, 2012 and 2013 the sanction rate was as high as 5%.

More sanctions were received by younger age groups than older ones. The number of sanctions received by 16 to 24-year-olds is the highest of any age group in every year.

The number of ESA sanctions is small compared with the number of JSA sanctions. At their peak in 2014 there were 6,200 ESA sanctions compared with 79,000 JSA sanctions. In 2016 the number of ESA sanctions had dropped to 1,500. In 2014, the high point for the number of ESA sanctions, the sanction rate was 1%. The rate now is 0.3%.

In 2016 the number of UC sanctions received was 16,000. This is the only full year of data for UC sanctions that is available. This is less than the number of JSA sanctions for that year but there were also fewer UC claimants. The sanction rate for UC in 2016 was 6%. This is higher than the JSA sanction rate has ever been.

The total number of sanctions (ESA, UC and JSA) has fallen to 40,000 in London, suggesting this is no longer a problem affecting a large proportion of out-of-work benefit claimants, as it has been in recent years. There has been a similar fall in the rest of England. This may not remain the case as UC is rolled out if the UC sanction rate does not come down.

Commentary

This chapter highlights the reduced generosity of the welfare system and the removal of protections of those at the bottom of the income distribution. Benefits have been frozen until 2020, but the return of inflation means that benefit incomes will be reduced in real terms. There are, however, fewer people claiming out-of-work benefits than any time in the last 15 years. While some of this is linked to falling unemployment, there seems to be a disconnect between the number of people entitled to benefits and those claiming them.

In some boroughs those on a low income are now expected to pay at least some of their Council Tax liability. A new lower benefit cap has been introduced which will affect larger families and those in the private rented sector where rents are high. For a few years now there has been evidence that the number of sanctions are falling faster than the number of people on benefits with conditionality. This report shows that this is still the case.

Although sanction rates are improving there are still issues of benefits being stopped through sanctioning and delays in accessing benefits. The high sanction rate in UC means this could become a problem again as a larger proportion of benefit claimants are moved on to UC. Although the rate of sanctioning is low in ESA, claimants are having difficulty accessing ESA and it is the reason for the largest number of visits to the Citizen's Advice service in London.⁹

The average effects of the cuts to social security have so far been cancelled out by the increases in employment when it comes to the overall poverty figures. However, given it is unlikely employment can increase by the same amount again, future cuts to social security are likely to have a graver effect. There are a number of large cuts whose affects will not be felt fully for some time. One of these is the introduction of a 'two-child limit' to most means-tested benefits: families who have two children will no longer receive any extra benefit for further children born into the family. Another one is the reductions in work allowances for Universal Credit, which is how much people can earn before UC begins to be withdrawn.

Although the current Conservative government has not announced any new welfare cuts, those implemented in the two previous parliaments are still being implemented and their effects have not yet been fully felt.

⁹ <https://public.tableau.com/profile/citizensadvice#!/vizhome/AdviceTrendsApril2017/Cover>

Education

Key points

- GCSE attainment in Inner London improved more quickly and surpassed England-wide attainment in 2009/10. The attainment gap between London and England as a whole continued to grow for several years, and has been stable for the last three years.
- The attainment gap between disadvantaged pupils and other pupils was smaller in both Inner and Outer London than in England as a whole, both for pupils achieving 5+ A* – C GCSEs at 16 and 19-year-olds lacking Level 2 and/or Level 3 qualifications.
- Pupils in London outperform pupils in the rest of England across ethnic groups, as do pupils who do not speak English as their first language and pupils with Special Educational Needs (SEN).
- 70% of those with SEN do not achieve A* – C on English and maths GCSEs in London, compared with 87% in the rest of England.
- At 39%, Black pupils are the most likely to not achieve A* – C in English and maths GCSEs in London, followed by pupils of White and Mixed ethnicities (34%).
- Pupils who do not speak English as their first language in London have the same attainment as those who do.
- 19-year-olds in the rest of England are more likely to lack Level 2 or 3 qualifications than 19-year-olds in either Inner or Outer London. In every London borough the majority of 19-year-olds have a Level 3 qualification.
- Both disadvantaged and non-disadvantaged London pupils are more likely to go on to higher education than their counterparts in the rest of England. Disadvantaged students from Inner London have the highest rates of attending higher educational institutions (59%), but are less likely than non-disadvantaged students from either London or the rest of England to attend elite universities.

Introduction

Educational attainment is a key determinant of lifetime earnings, poverty risk and social mobility.¹ Other indicators in this report note how low pay and worklessness are associated in London with lower levels of educational qualification.

The large improvement in educational attainment by pupils in London over the past decade has therefore been rightly hailed as a boon for the life chances of young people in London, especially since the increasing attainment by disadvantaged pupils has been a key driver of this improvement. However, this chapter shows that education in London is still failing to provide opportunities for many pupils.

The gap in educational achievement between disadvantaged pupils and non-disadvantaged pupils is present from the beginning of school, but it widens as pupils age.² The indicators in this chapter therefore focus on educational attainment from age 16. The data used is for state funded schools except where otherwise noted. State funded schools include academies, free schools and pupil referral units, but not independent (private) schools. This chapter looks at attainment gaps over time, and by various demographic characteristics. There are also indicators on adult educational qualifications and pupils entering higher educational institutions.

¹ Social Mobility Commission (2016) *State of the Nation 2016: Social Mobility in Great Britain*. London: Social Mobility Commission.

² Social Mobility Commission (2017) *Low-income pupils' progress at secondary school*. London: Social Mobility Commission.

GCSE Attainment over time

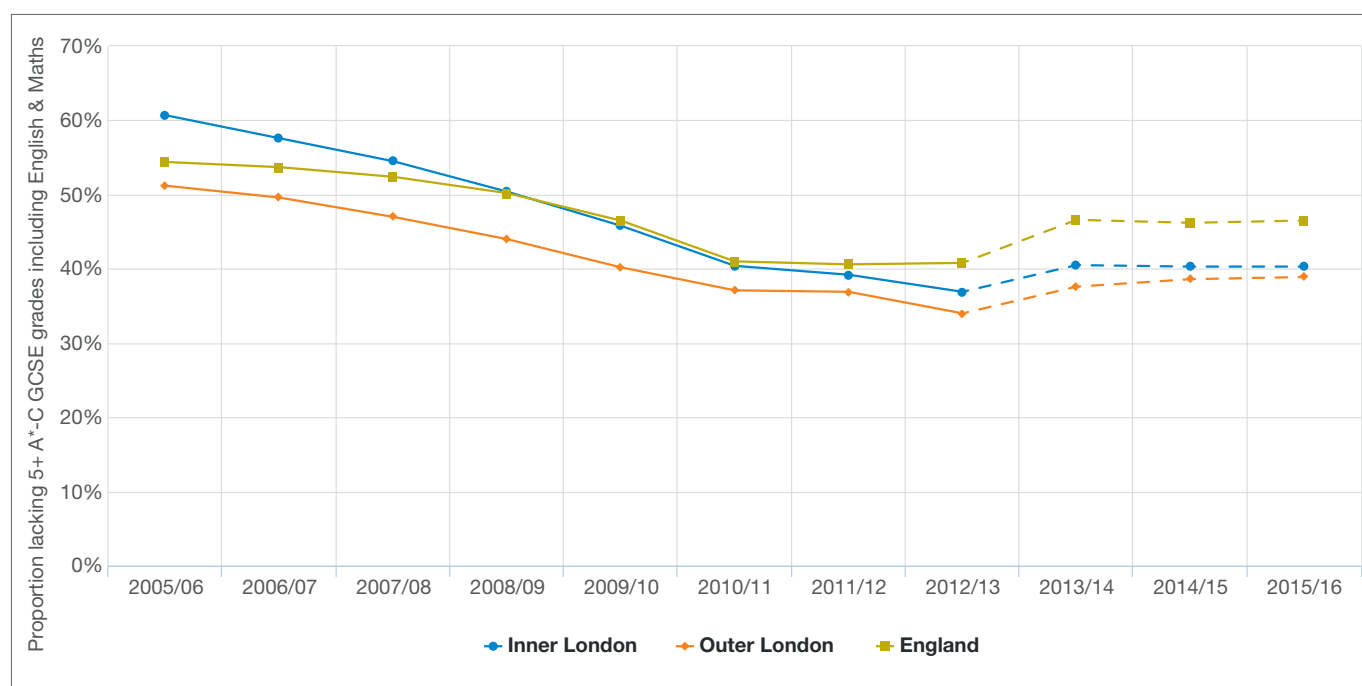


Figure 10.1

Source: GCSE and equivalent results in England 2015/16, Department for Education. The methodology behind the data for this chart changed in 13/14 therefore data before and after 13/14 is not directly comparable (thus data after 13/14 is shown as a dotted line).

Key points

- A decade ago, GCSE attainment in Inner London was worse than in England as a whole. However, GCSE attainment in Inner London improved more quickly than England as a whole in the mid-2000s, and Inner London attainment surpassed England-wide attainment in 2009/10. The attainment gap between London and England as a whole continued to grow for several years, and has been stable for the last three years.
- The number of pupils failing to achieve five+ A* – C GCSEs in Inner and Outer London has converged: 39% in Outer London and 40% in Inner London. After rapid improvement over most of the past decade, educational attainment in London has plateaued for the last three years.
- London continues to have significantly better attainment than England as a whole where 47% of pupils do not achieve five+ A*-C GCSEs. Attainment across England has also been unchanged for three years.

Figure 10.1 shows how the proportion of students lacking 5+ A* – C GCSEs at the end of Key Stage 4 (age 16) in London and England has changed over the decade from 2005/06 through 2015/16.

Educational attainment across England has improved markedly over the past decade. This graph shows that educational attainment improved more in London (particularly Inner London) than in England as a whole between 2005/06 and 2012/13. Over the past three years, improvements in educational attainment in both London and England as a whole appear to have stalled.

In 2015/16, 39% of pupils in Outer London did not attain this level and 40% in Inner London did not. The proportion not attaining this level in England as a whole was significantly higher – 47%.

A decade ago, GCSE attainment in Inner London was worse than in England as a whole. However, GCSE attainment in Inner London improved more quickly than England as a whole in the mid-2000s, and Inner London attainment surpassed England-wide attainment in 2009/10. Since then, the attainment gap between both Inner and Outer London and England as a whole has grown.

However, Inner London schools are currently facing real terms budget reductions, as well as uncertainty around how a new Schools National Funding Formula may affect their funding in the future. Any significant funding reductions may jeopardise the attainment gains of the past decade.

After the upward turn in 2013/14 due to methodological changes, the rates of pupils not achieving five A* – C GCSE grades (or equivalent) including English and maths stabilised at a higher rate than the years before 2013/14, but still far below the rates of a decade before.³ The upturn in 2013/14 was steeper in England than London, suggesting that pupils in London were less likely to be completing qualifications that were disregarded under the new methodology.

³ This graph uses data from Department for Education. The methodology behind the data for this chart changed in 2013/14: two major reforms were implemented which affect the calculation of Key stage 4 performance measures data: 1) Professor Alison Wolf's Review of Vocational Education recommendations which: restrict the qualifications counted; prevent any qualification from counting as larger than one GCSE; and cap the number of non-GCSEs included in performance measures at two per pupil, and 2) an early entry policy to only count a pupil's first attempt at a qualification, in subjects counted in the English Baccalaureate. Data before and after 2013/14 is not directly comparable (thus data after 2013/14 is shown as a dotted line).

The disadvantage attainment gap in London's boroughs

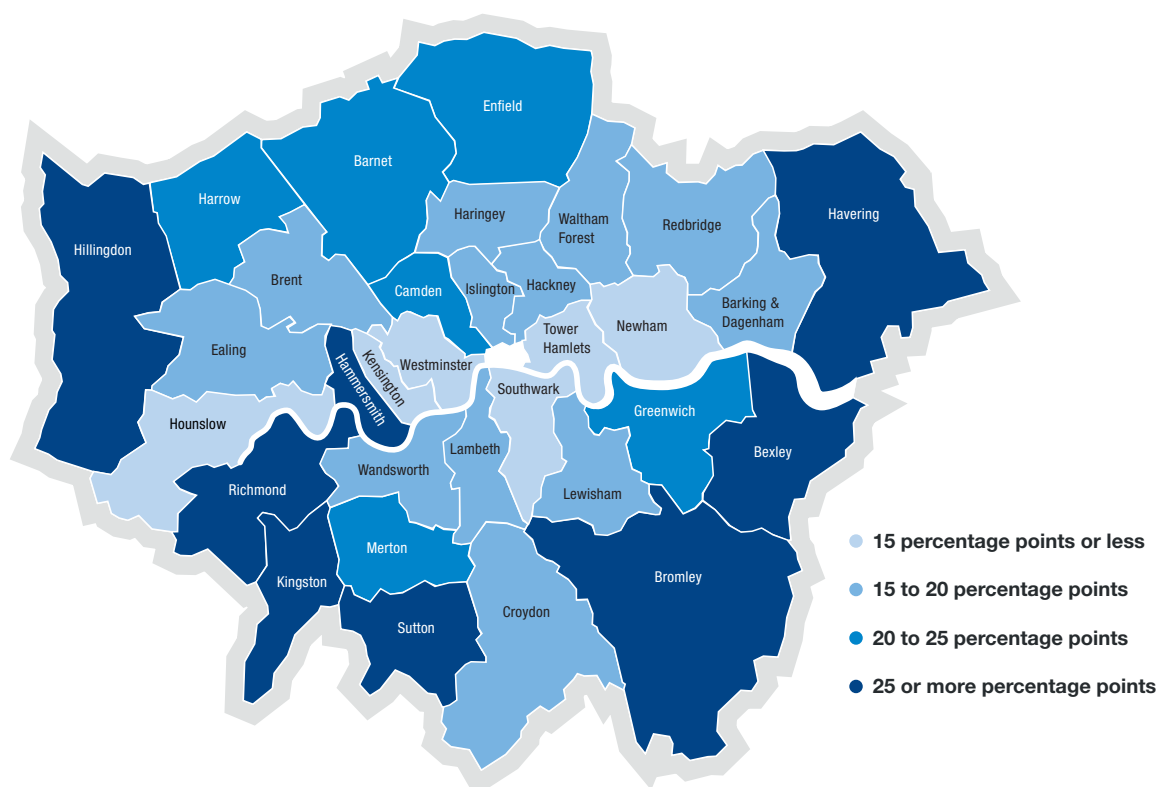


Figure 10.2

Source: GCSE and equivalent attainment by pupil characteristics, Department for Education; data is for 2015/16.

Key points

- In 2015/16, the attainment gap between disadvantaged pupils and other pupils at 16 was significantly smaller in both Inner and Outer London than in the rest of England.
- The shrinking of the attainment gap in London is a key factor in the 'London effect' whereby London pupils outperform their counterparts in the rest of England.
- The size of a borough's attainment gap is generally driven by poor attainment by disadvantaged pupils rather than high attainment by non-disadvantaged pupils.

For the school year 2015/16, the difference between the proportion of disadvantaged pupils and the proportion all other pupils attaining an A* – C in maths and English GCSE at 16 (the attainment gap) in Inner London is almost half (16 percentage points) of the attainment gap in the rest of England (30 percentage points). Outer London has a larger attainment gap than Inner London (23 percentage points), but is still significantly smaller than the rest of England.

The shrinking of the attainment gap in London is a key factor in the 'London effect' whereby London pupils outperform their counterparts in the rest of England.

⁴ In 2015, this indicator used pupils eligible for Free School Meal (FSM) as a proxy for poverty. Department for Education has included 'Disadvantage' as a category this year, which includes pupils that have been eligible for Free Schools Meals at any point in the last six years (about half of the pupils in this measure are currently eligible for FSM), and pupils who have been or are in care. This category has been adopted instead of FSM for this indicator, as it captures children whose families are no longer receiving out-of-work benefits, but are likely to still be living on a low income. This data differs from 10.1 above. 10.1 shows students lacking five+ A* – C GCSEs, while this map is based on data for students lacking A* – C on maths and English GCSEs.

The size of a borough's attainment gap is generally driven by poor attainment by disadvantaged pupils rather than high attainment by non-disadvantaged pupils.⁴ Most of the boroughs with the biggest attainment gaps between disadvantaged pupils and other pupils are also among the worst boroughs for attainment of disadvantaged pupils. Havering and Bexley have the worst level of attainment of disadvantaged pupils of any London boroughs (57% and 55% of disadvantaged pupils in the borough didn't attain A* – C in maths and English GCSE at 16 respectively), and are tied for the fifth biggest attainment gap (28 percentage points). The largest attainment gap was in Richmond (31 percentage points), which had the fifth worst attainment for disadvantaged pupils in London (53% not attaining).

While the gap is usually driven by poor attainment of disadvantaged pupils, there are some exceptions. Tower Hamlets has the lowest attainment gap (7 percentage points), both because it has one of the best attainment rates for disadvantaged pupils (39% not attaining), but also because non-disadvantaged pupils have the fourth worst attainment of any borough (32% not attaining). Hackney has an attainment gap twice as large (18 percentage points) as Tower Hamlets, despite having a similar attainment rate for disadvantaged pupils, because non-disadvantaged pupils have the fifth best attainment in London (only 21% not attaining).

Hounslow has a smaller attainment gap to neighbouring boroughs, both because disadvantaged pupils do comparatively well (43% not attaining) and non-disadvantaged pupils do comparatively badly (30% not attaining).

Demographics and attainment gaps

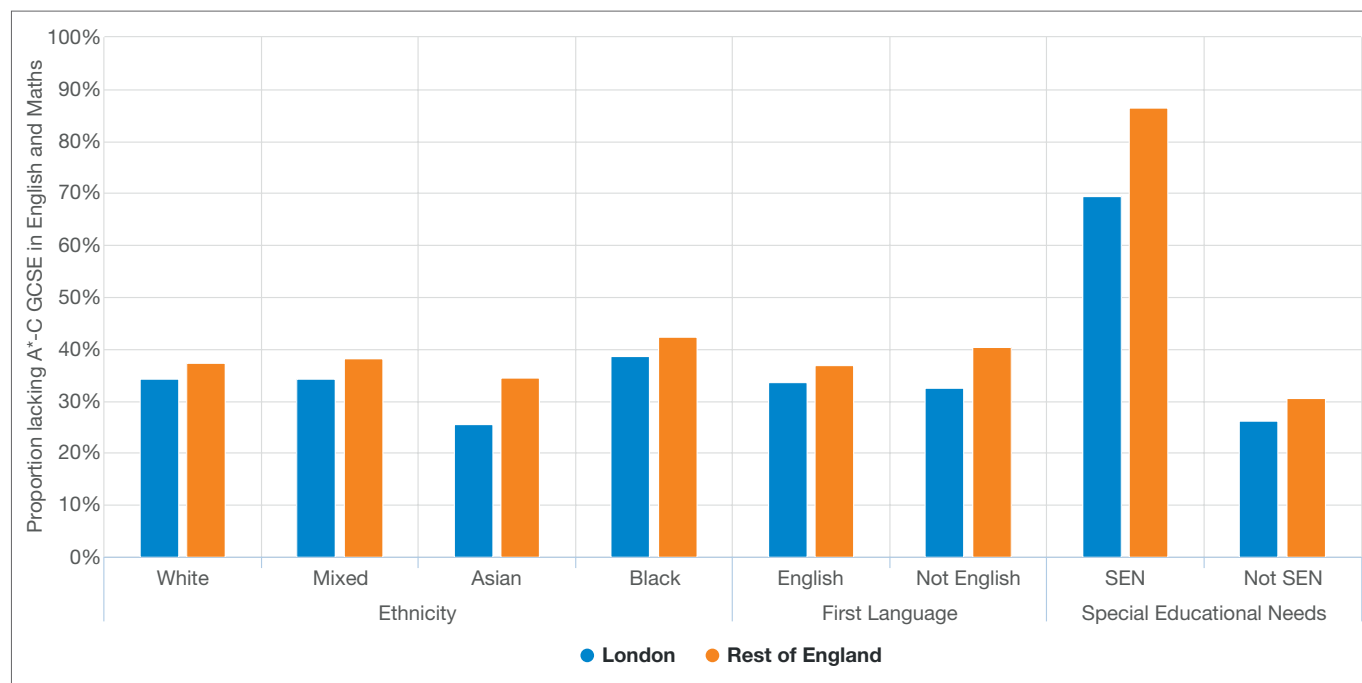


Figure 10.3

Source: GCSE and equivalent entries and achievements of pupils at the end of Key stage 4 by ethnicity for each local authority and region, Department for Education; data is for 2015/16.

Key points

- Pupils in London of every ethnicity have better attainment than their counterparts in the rest of England, as do pupils who speak English as a second language, and pupils with Special Educational Needs (SEN).
- Pupils who do not speak English as their first language in London have the same attainment as those who do.
- The attainment gap between pupils with Special Educational Needs (SEN) in London is 44 percentage points, while in the rest of England it is 56 percentage points.

This graph shows that pupils in London of every ethnicity have better attainment than their counterparts in the rest of England, as do pupils who speak English as a second language, and pupils with Special Educational Needs (SEN).

At 39%, Black pupils have the highest proportion of pupils not achieving A* – C in English and maths GCSEs in London, followed by White and Mixed (34%) ethnicities.

Pupils who do not speak English as their first language have similar attainment as those who do. This is particularly important to attainment levels in London, where 40% (and 51% in Inner London) of pupils do not speak English as a first language. In the rest of England, only 10% of pupils do not speak English as a first language.

In 22 London boroughs, pupils who do not speak English as a first language are more likely to achieve GCSEs than those who do.

70% of pupils with SEN in London do not achieve A* – C in English and maths GCSEs, with an attainment gap of 44 percentage points between pupils with SEN and those without. However, the attainment gap is even larger in the rest of England: 56 percentage points, with 87% of SEN students not achieving A* – C in English and maths GCSEs.

Black pupils have been found to be over-represented in SEN compared with White pupils, particularly in the behavioural and emotional category of need. It has been suggested this reflects structural racial bias which throws up barriers to attainment, particularly as pupils with behavioural and emotional needs have high rates of exclusion.⁵

Note: These proportions are lower than in the London Poverty Profile 2015. This is probably due to two changes in the data from 2015: 1) the change from measuring pupils achieving A* – C GCSEs in English and maths and an additional three GCSEs (LPP 2015) to pupils achieving A* – C GCSEs in English and maths only; 2) in 2015, to achieve the English component pupils had to achieve an A* to C in English language, and have sat an English literature exam. In 2016, pupils could achieve this with A* to C in English language or literature. The Department for Education says the change means a higher proportion of pupils achieve the measure.

⁵ Lindsay, G. Pather, S. and Strand, S. (2006) *Special educational needs and ethnicity: Issues of over- and underrepresentation*. London: Department for Education.

19-year-olds lacking qualifications over time



Figure 10.4

Source: 16 to 19 attainment statistics, Department for Education.

Key points

- 19-year-olds in the rest of England are more likely to lack Level 3 qualifications than their counterparts in London.
- Over the past decade the proportion of 19-year-olds lacking Level 2 or Level 3 qualifications in Inner London has fallen dramatically, overtaking the rest of England in 2007 to converge with attainment in Outer London in 2016.

Figure 10.4 shows a similar trend to 10.1: educational attainment improved more in London than in the rest of England in the early part of the last decade, but since 2012/13, improvements have stalled in many areas. The exception is Level 3 attainment in Inner London, where the proportion of 19-year-olds lacking these qualifications has continued to decline steadily.

In 2016, 19-year-olds in the rest of England were more likely to lack Level 3 qualifications than those in London. 34% of 19-year-olds in Outer London lacked Level 3 qualifications (AS and A-Level qualifications)⁶, compared with 35% in Inner London and 44% in the rest of England.

The proportion of 19-year-olds lacking Level 2 (GCSE-level qualifications)⁷ is similar in London and the rest of England. 14% of 19-year-olds in Inner London and 12% in Outer London lacked Level 2 qualifications compared with 15% in the rest of England.

Across England, the fall in 19-year-olds lacking Level 3 qualifications was mainly driven by an increase in young people achieving a Level 3 through apprenticeships and vocational qualifications, with the proportion achieving A-levels remaining flat.⁸

⁶ Examples of Level 3 qualification: 4 AS levels A – E or 1 NVQ Level 3 pass.

⁷ Some examples of the qualifications for Level 2: 5 A*-C GCSEs; 1 NVQ Level 2 Pass; 2 AS Levels A-E; 1 Apprenticeship Pass.

⁸ Department for Education (2017) *Level 2 and 3 attainment in England: Attainment by age 19 in 2016* Technical document Department for Education.

The change in the free school meal (FSM) gap over time

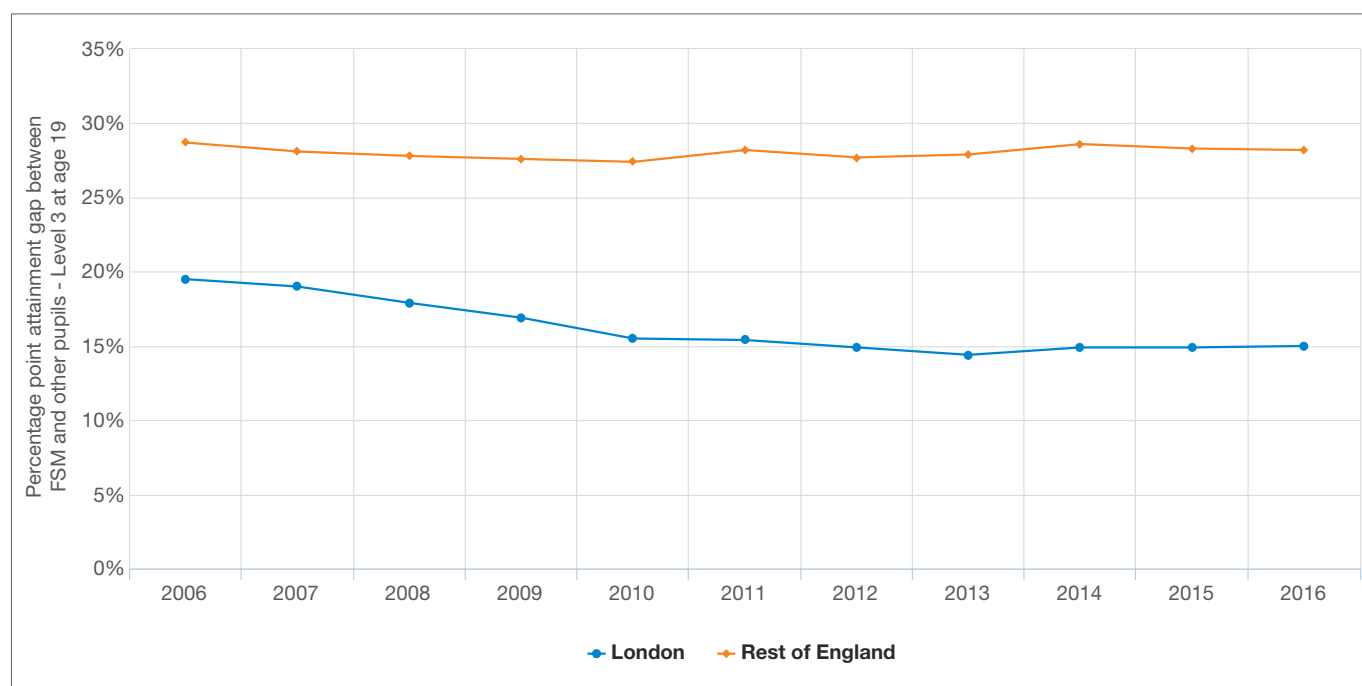


Figure 10.5

Source: 16 to 19 attainment statistics, Department for Education.

Key points

- The attainment gap at age 19 in Level 3 qualifications between pupils formerly eligible for free school meals (FSM) and other pupils is almost twice the size in the rest of England as in London.
- The attainment gap has fallen in London over the past decade but has not changed significantly in the rest of England.
- The shrinking of the attainment gap in London is probably a key factor in London pupils' higher attainment relative to their counterparts in the rest of England.

For 19-year-olds in London in 2016, there was a 15 percentage point difference (attainment gap) between the proportion of pupils who had been eligible for free school meals (at age 15) and the proportion of all other students attaining Level 3 qualifications.⁹ For the rest of England, the attainment gap was almost twice as big – 28 percentage points.

The attainment gap has fallen in London (from 19.5% in 2006 to 15% in 2016) over the past decade, while in the rest of England it has not changed significantly.

As discussed in 10.2, the shrinking of the attainment gap is seen as a key factor in the 'London effect'.

⁹ In the London Poverty Profile 2015, this indicator used 'proportion lacking five A* – C GCSEs including maths and English' which cannot be used this year (see footnote 4). This year's graph shows the attainment gap (in percentage points) between pupils eligible for free school meals and all other students over time, in London and England. It is therefore not directly comparable to the graph above.

19-year-olds lacking a Level 3 qualification by borough

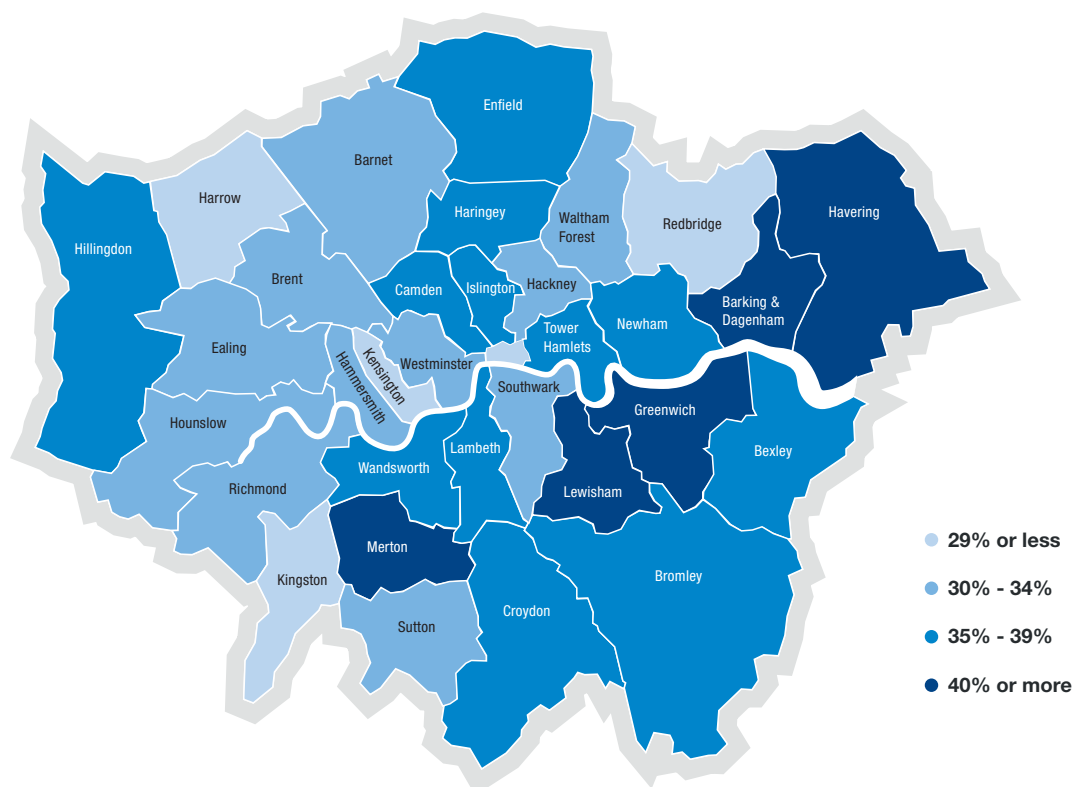


Figure 10.6

Source: 16 to 19 attainment statistics, Department for Education; data is for 2015/16.

Key points

- It is more common for 19-year-olds to have Level 3 qualifications than to lack them in every London borough.
- Boroughs in the Outer West & Northwest and Inner West generally perform better on this measure than Outer East & Northeast.
- However, there is huge variation across boroughs with a 21 percentage point gap between the worst performing borough of Barking & Dagenham and the best performing boroughs of Redbridge, Kensington & Chelsea and Harrow.

This map shows that in every London borough the majority of 19-year-olds have Level 3 qualifications. Barking & Dagenham has the highest proportion of 19-year-olds lacking Level 3 qualifications at 46%, followed by Havering at 44%.

There is huge variation across boroughs with a 21 percentage point gap between the worst performing borough – Barking & Dagenham, and the best performing boroughs – Redbridge, Kensington & Chelsea and Harrow (in all three, only 25% of 19-year-olds lack Level 3 qualifications).

Pattern of qualifications by borough look similar to 2014, with boroughs in the Outer West & Northwest and Inner West generally performing better on this measure than Outer East & Northeast. In previous editions of this report Greenwich has been the worst performer, with 48% lacking a Level 3 qualification in 2014. It is now 41%, an improvement but still in the bottom five boroughs.

Across England, the fall in 19-year-olds lacking Level 3 qualifications was mainly driven by an increase in young people achieving a Level 3 through apprenticeships and vocational qualifications, with the proportion achieving A-levels remaining flat.

Boroughs with comparatively high proportions lacking Level 3 qualifications generally have comparatively high numbers of students not achieving A* – C in English and maths GCSEs at age 16 in 2016. 40% of pupils in Barking & Dagenham failed to achieve A* – C in English and maths at age 16 (Lewisham was the worst performing borough at 44%). Kensington & Chelsea had the third highest attainment (only 24% failing to achieve).

There are some notable outliers. Havering has a significantly higher proportion of 19-year-olds lacking Level 3 qualifications than 16-year-olds not achieving expected standards at age 16. This may indicate rapidly improving attainment between cohorts. Another explanation is that Havering has the highest proportion of 19-year-olds going into employment directly from A-level courses, which may indicate higher than average attrition for young people continuing with education post-16. There are seven London boroughs (all in Outer London) with five percentage points or more 19-year-olds lacking Level 3 qualifications than failing to achieve GCSEs at 16.

Post-school destinations of pupils

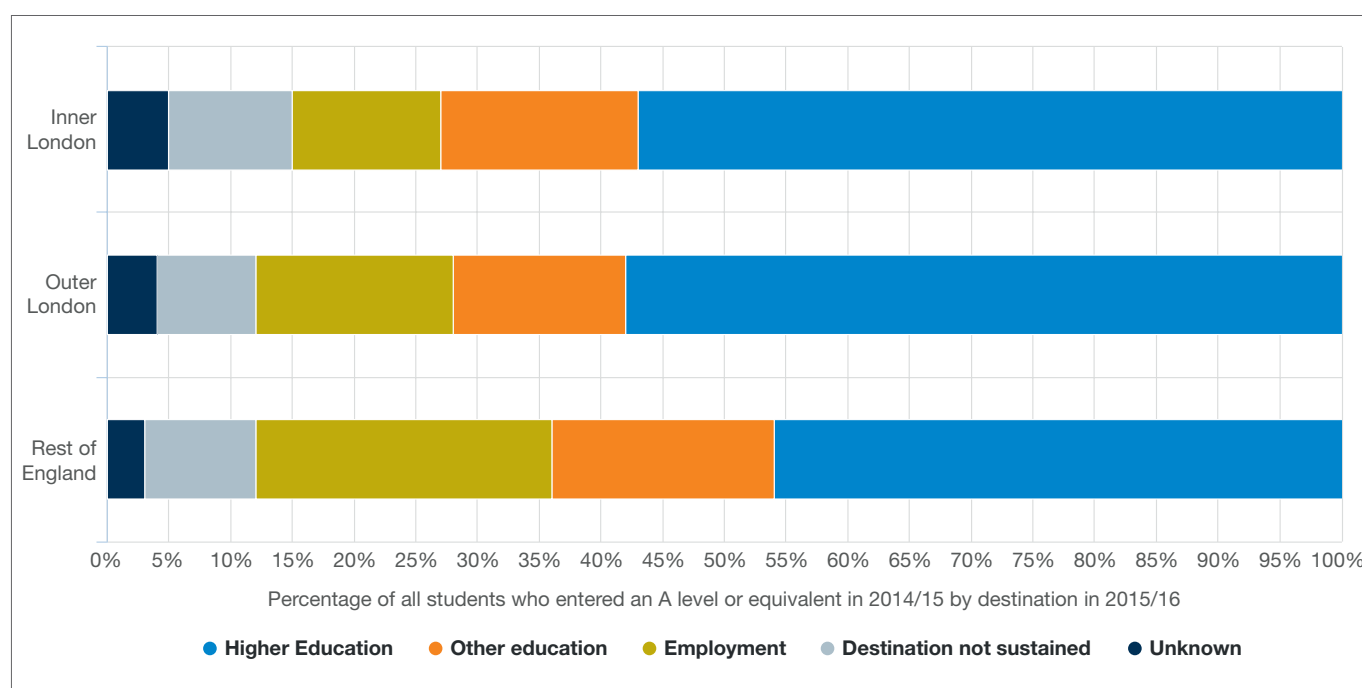


Figure 10.7

Source: Student destinations after Key stage 5 by institution type, Department for Education; data is for 2015/16. Data is from public mainstream schools and colleges only.

Key points

- London pupils are more likely to go on to higher education than their counterparts in the rest of England.
- Young people in London are less likely to move directly into employment after A-levels than young people in the rest of England.
- The proportion of young people not sustaining education, employment or training after A-levels was similar in London and the rest of England.

This graph shows that London pupils who entered an A-level or equivalent in 2014/15 were more likely to go on to higher education in 2015/16 (58% in Outer London, 57% in Inner London) than their counterparts in the rest of England (47%).

In the rest of England, pupils who undertake A-levels are more likely to move directly into employment at age 19 (24%), than in Outer London (16%) or Inner London (12%). This group of young people is a relatively small proportion of total youth employment at age 19 – 83,000 of the 360,000 employed 19-year-olds. The majority of 19-year-olds in the labour market probably did not take A-levels.¹⁰

¹⁰ People who are employed and studying are also in this data.

¹¹ All employers in England will receive a £15,000 annual allowance to fund apprenticeships. The allowance will be financed by employers in England with an employee pay bill of above £3 million a year, who will pay a 0.5% levy on their pay bill. (Department for Education (2017) *Apprenticeship Funding: How It Will Work* www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work/apprenticeship-levy-how-it-will-work

Young people in London are less likely to undertake apprenticeships after A-levels (4% in Inner & Outer London) than the rest of England (8%). The government hopes the apprenticeship levy¹¹, which came into effect in April 2017, will deliver three million new apprenticeships across England by 2020. The level of university tuition fees, the abolition of higher education maintenance grants for disadvantaged young people, and the expansion of apprenticeships may mean a fall in the proportion of young people attending further education, and an increase in the proportion undertaking apprenticeships.

The proportion of young people not sustaining education, employment or training after A-levels was similar in London (10% in Inner London, 8% in Outer London) and the rest of England (9%). This is also true of the proportion of all young people aged 15 – 24 who are NEET (not in Education, Employment or Training) in London and England.

Pupils entering higher education institutions (HEIs)

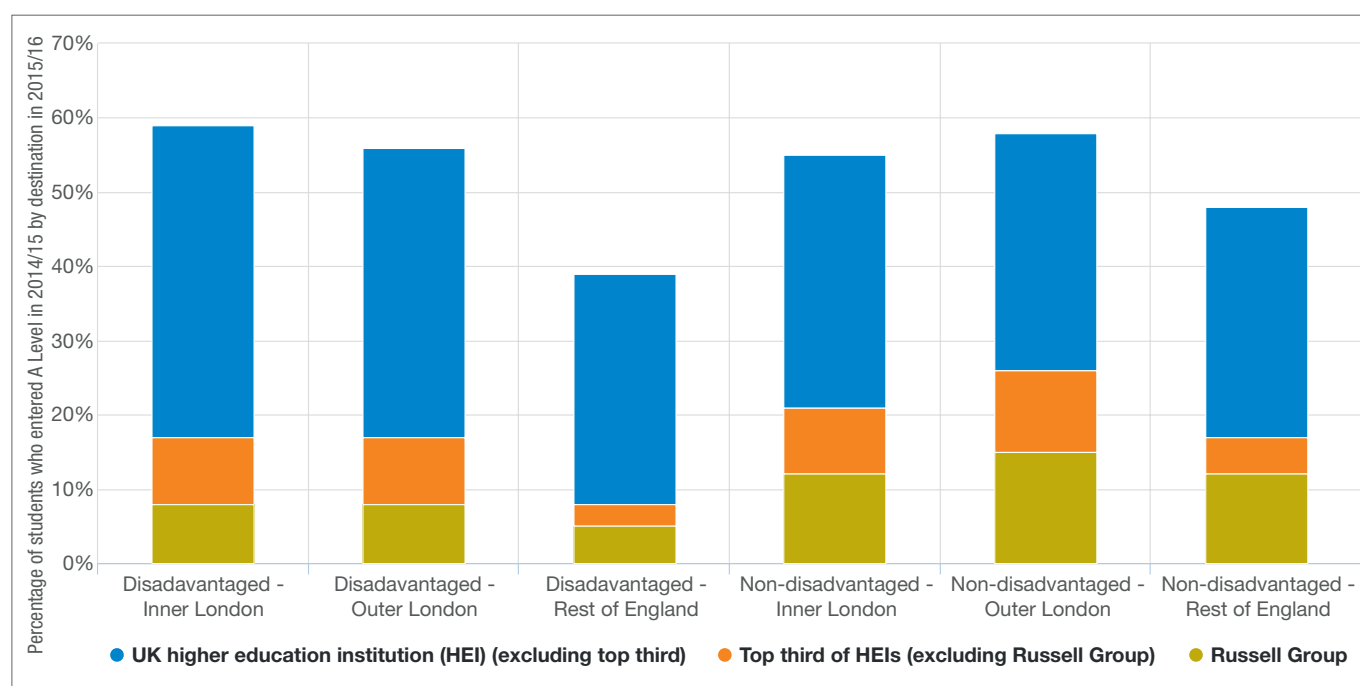


Figure 10.8

Source: Key stage 5 destination measures, Department for Education; data is for 2015/16. Data is from public mainstream schools only.

Key points

- Both disadvantaged and non-disadvantaged pupils from London have higher rates of attending higher education institutions (HEIs) than pupils in the rest of England.
- Disadvantaged pupils in Inner London have the highest rate of attending HEIs.
- Despite this, non-disadvantaged pupils have higher rates of attending elite universities both in London and England-wide.

Figure 10.8 shows that both disadvantaged and non-disadvantaged students from London have higher rates of attending higher education institutions (HEIs) than pupils in the rest of England. Disadvantaged students in Inner London actually have the highest rate of attending HEIs – 59%. This will be important to monitor over time, as abolition of maintenance grants (2016) may lead to a decline in disadvantaged students attending HEIs.

This general pattern extends to the top third of HEIs (excluding the Russell Group), with higher proportions of both disadvantaged and non-disadvantaged pupils from London attending these universities than their counterparts in the rest of England.

However, despite educational attainment gains in London for disadvantaged students, this is not translating through to improved representation of poorer students in elite Russell Group universities. Russell Group university graduates on average earn significantly more than other graduates¹², so this divide fuels adult inequality.

Non-disadvantaged students have higher rates of attendance at elite Russell Group universities across Inner and Outer London and England. In Outer London, 15% of non-disadvantaged students attend, compared with just 8% of disadvantaged students. Inner London had the smallest gap due to a smaller proportion of non-disadvantaged students attending – 12% compared with 8% of disadvantaged students.

Disadvantaged students in the rest of England were the worst represented in HEIs, with only 39% attending HEIs, only 3% attending a non-Russell Group university in the top third, and 5% attending a Russell Group university.

Research from the Sutton Trust¹³ found the representation gap cannot be explained solely by academic achievement. Rather, family background (parents' education/work) seems to still contribute to the access gap.

¹² Kirby, P. (2015) *Levels of Success: The potential of UK apprenticeships*. [Online] www.suttontrust.com/wp-content/uploads/2015/10/Levels-of-Success.pdf.

¹³ O'Leary, J. (2013) *Advancing access and admissions: The Sutton Trust Summit*. [Online] <https://www.suttontrust.com/wp-content/uploads/2014/11/Universities-Summit-Report.pdf>.

Adults lacking Level 3 qualifications by borough

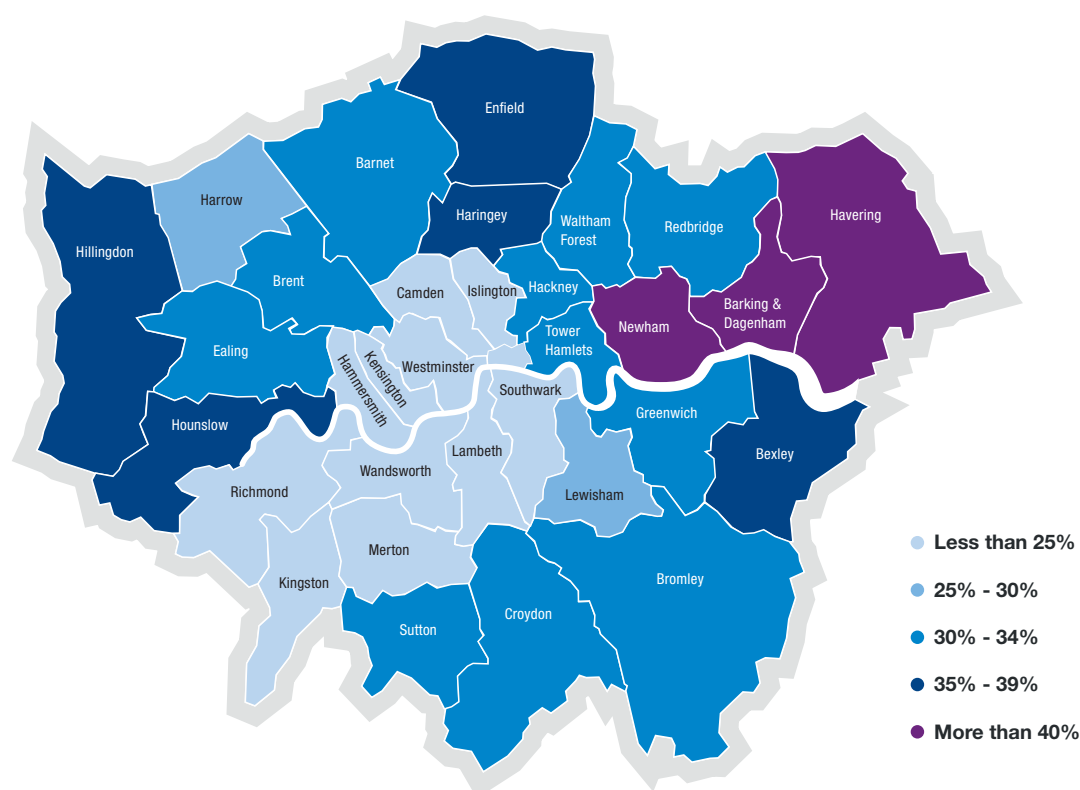


Figure 10.9

Source: Annual Population Survey, ONS (via nomis). The data is an average for 2014 to 2016. Data includes both private and publicly educated adults.

Key points

- The two worst performing boroughs for 19-year-olds lacking Level 3 qualifications – Havering and Barking & Dagenham, are also the worst performing boroughs for older adults lacking Level 3 qualifications.
- In some boroughs the proportion of 25 to 49-year-olds without a Level 3 qualification is significantly lower than among 19-year-olds. This is probably due to the age profile of the borough.
- The vast majority of London boroughs have seen a decline in the proportion of adults lacking qualifications since 2015.

This map shows that the two worst performing boroughs for 19-year-olds lacking Level 3 qualifications – Havering and Barking & Dagenham – are also the worst performing boroughs for older adults lacking Level 3 qualifications (52% and 48% respectively).

However, in some boroughs the proportion of 25 to 49-year-olds without a Level 3 qualification is significantly lower than among 19-year-olds. In Lewisham, 37% of 19-year-olds lack these qualifications, compared with only 26% of 25 to 49-year-olds. Some variation by borough is probably due to the age profile of the borough, as older people (40 and over) are more likely to lack qualifications than younger adults. It may also indicate an educational attainment gap between local school leavers and incoming young professionals.

There is little change in the pattern from the previous edition of this report, although the vast majority of boroughs have seen a decline in the proportion of adults lacking qualifications.

Commentary

Over the past decade, the attainment of London's pupils has surpassed attainment in the rest of England. One of the key drivers of this 'London effect' has been the gains made by disadvantaged pupils in London. Disadvantaged pupils in Inner London currently have the narrowest attainment gap with other students, and are also the most likely group to progress to a higher educational institution (HEI) after A-levels. However, these educational gains have not yet translated into improved representation for disadvantaged pupils at elite universities, a divide which is likely to fuel continuing inequality in adulthood. The Sutton Trust found that family background still plays a significant role in this access gap.¹⁴

Despite important gains, other disparities persist in London between different groups' educational outcomes. While London's pupils outperform their counterparts in the rest of England across ethnic groups, almost 4 in 10 Black pupils in London are not achieving A* – C in English and maths GCSEs, compared with one in four Asian pupils. Similarly, while pupils with special educational needs (SEN) in London outperform their counterparts in the rest of England, a large majority (70%) do not achieve A* – C in English and maths GCSEs.

Recent and proposed future changes in education policy may also threaten the gains made by disadvantaged pupils in London. One such change is the increase in Free Schools, which have been found to under-represent disadvantaged students.¹⁵ The government has also committed to reforming the National Funding Formula that determines how much money schools receive. Before this year's election, the government had proposed changes that would have meant the most disadvantaged primary and secondary schools in London would have lost £16.1 million by 2019/20.¹⁶ However, the Conservative Party Manifesto altered course, with a pledge that no school would lose money as a result of the new formula and that an additional £4 billion would be invested in schools by 2022.

Despite these assurances, London schools face a budget shortfall due to cost pressures, meaning schools here will probably experience a real terms fall in per pupil funding over the coming years.¹⁷ The size of this shortfall will be determined by changes to the funding formula, and how additional funds are allocated across the country.

Pupils in London are less likely to undertake an apprenticeship than pupils England-wide. The new Apprentice Levy has the potential to expand the pool of apprenticeships, although questions remain about whether apprenticeships will offer a nationally recognised qualification.¹⁸ Increasing the number of apprenticeships may provide another avenue to decent paid work for young Londoners, but the lack of a consistent framework for evaluating them may result in an expansion of poor quality, exploitative apprenticeships.

¹⁴ O'Leary, J. (2013) *Advancing access and admissions: The Sutton Trust Summit*. [Online] <https://www.suttontrust.com/wp-content/uploads/2014/11/Universities-Summit-Report.pdf>.

¹⁵ UCL/Institute of Education (2015) *Research into the impact of selective schooling and school composition, secondary school size, and academies and free schools for the Guernsey Education Department*. [Online] <https://www.gov.gg/CHttpHandler.ashx?id=100026&p=0>.

¹⁶ Andrews, J., Perera, N. and Sellen, P. (2017) *The Implications of the National Funding Formula for Schools* Education Policy Institute. [Online] <https://epi.org.uk/report/national-funding-formula/>.

¹⁷ Education Policy Institute (2017) *Education Policy Institute Research Note: Where next on school funding and the National Funding Formula?* [Online] <https://epi.org.uk/wp-content/uploads/2017/07/EPI-School-funding-NFF-July-2017.pdf>.

¹⁸ Resolution Foundation (2017) *Up to the job? Using the Apprenticeship Levy to tackle the UK's post-16 education divide*. London: Resolution Foundation.

Health

Key points

- In the course of just over a decade, London and in particular Inner London have gone from having a higher infant mortality rate than England to a lower infant mortality rate. Between 2013 and 2015 infant mortality in London was 3.4 per 1,000 live births, a fall of around 40% from 2001–2003.
- Hackney has the highest infant mortality rate at 5.4 per 1,000 live births. This is more than twice the rate than in the nine boroughs with the lowest infant mortality rate.
- In 2015/16 in London, 23% of Year 6 students (age 11) were obese, compared with 20% in England. In both London and England this is a 1 percentage point increase from five years earlier in 2010/11.
- Barking & Dagenham had the highest level of childhood obesity at 29%, a 4 percentage point increase from 2010/11. Richmond had the lowest level of childhood obesity at 13%, up 2 percentage points.
- In 2015, the rate of premature deaths was 566 per 100,000 in London and 613 in England on average. This is lower than the rate in 2011, which was 686 in London and 797 in England.
- Between 2011 and 2015 the rate of premature death fell overall and in most London boroughs but not all, the largest reduction being in Lambeth which was 1,055 in 2011 and 696 in 2015.
- The number of years women in London can expect to live at birth without a limiting long-term condition or illness was 63.1 between 2013 and 2015.
- In Tower Hamlets, the borough with the lowest life expectancy at birth without a long-term condition, women can only expect to live 53.5 years without such a condition. In Wandsworth and Richmond, this figure is 68.1.
- The number of years men in London can expect to live at birth without a limiting long-term condition or illness was 64.1 between 2013 and 2015. This ranges from 54 years to 69 years across London.

Introduction

The existence of social inequalities in health – the uneven distribution of good and bad health among the population of London, and indeed the rest of the UK – has been well documented. In earlier times the links between health and poverty were more direct: poor housing and sanitation, inadequate diets and hazardous jobs, infectious diseases, injuries and accidents were concentrated among the poor. Today the relationship between income and health is more complex.

There are differences between those on the highest and those on the lowest incomes in terms of health outcomes. This relationship between socio-economic circumstances and health is a graded one – that is the higher the social-economic position, the better the health. These differences in health are not just caused by genetics, behaviour or difficulties accessing medical care.¹ They reflect, and are caused by, social and economic inequalities in society. This means that the topics covered in the previous chapters such as unequal access to good quality housing and secure well-paid employment can have direct impacts on health and wellbeing. Being in poor health can in turn affect a person's opportunities in finding work, keeping work and in-work progression, leaving them more likely to find themselves living in a low-income household.

Inequalities in health exist across a range of social and demographic indicators, including income, social class, occupation, housing condition, neighbourhood quality, geographic region, gender and ethnicity. Inequalities are evident in many health outcomes, including mortality, morbidity, self-reported health, mental health, death and injury from accidents and violence. This chapter first looks at infant mortality over time and by borough then at childhood obesity. Finally, it looks at premature mortality by borough and life expectancy at birth without a limiting long-term condition or illness for men and women.

¹ Marmot, M. (2010) Fair society, healthy lives. London: The Marmot Review.

Infant mortality over time



Figure 11.1
Source: Infant mortality, Public Health England. The data is a three-year average to the year shown.

Key points

- Between 2013 and 2015 infant mortality in London was 3.4 per 1,000 live births, which was lower than the England average of 3.9.
- In just over a decade, London and in particular Inner London, has gone from having a higher infant mortality rate than England to a lower infant mortality rate.
- There was a significant reduction in infant mortality between 2001–03 and 2013–15, of around 40%.

Figure 11.1 shows infant mortality² in London and England from 2001–03 to 2013–15. Infant mortality is a sensitive measure of the overall health of a population. It is an indicator of the association between the causes of infant mortality and other factors which influence the health of a population, such as economic development, living conditions, wellbeing and rates of illness.³ In 2013–15 infant mortality in London was 3.4 per 1,000 live births, which was lower than the England average of 3.9.

The infant mortality rate has come down since 2001–03 in both England and London. However, in 2001–03, London had a marginally higher rate than England (5.7 to 5.4), and Inner London (6.3) had a much higher rate than England. Outer London was lower at 5.2.

In the course of just over a decade, there has been a large fall in infant mortality rates in both London and England. The rate in Inner London has seen the biggest fall from 6.3 deaths per 1,000 live births in 2001–03 to 3.6 in 2013–15. England has seen the smallest fall during this time period from 5.4 to 3.9. Because the fall in both Inner and Outer London has been faster than in England, the Inner London rate is now lower than the England rate and the Outer London rate is much lower.

² This is the death of children under the age of one year.

³ Department of Health (2007) Review of the Health Inequalities Infant Mortality PSA Target. DH.

Infant mortality by borough

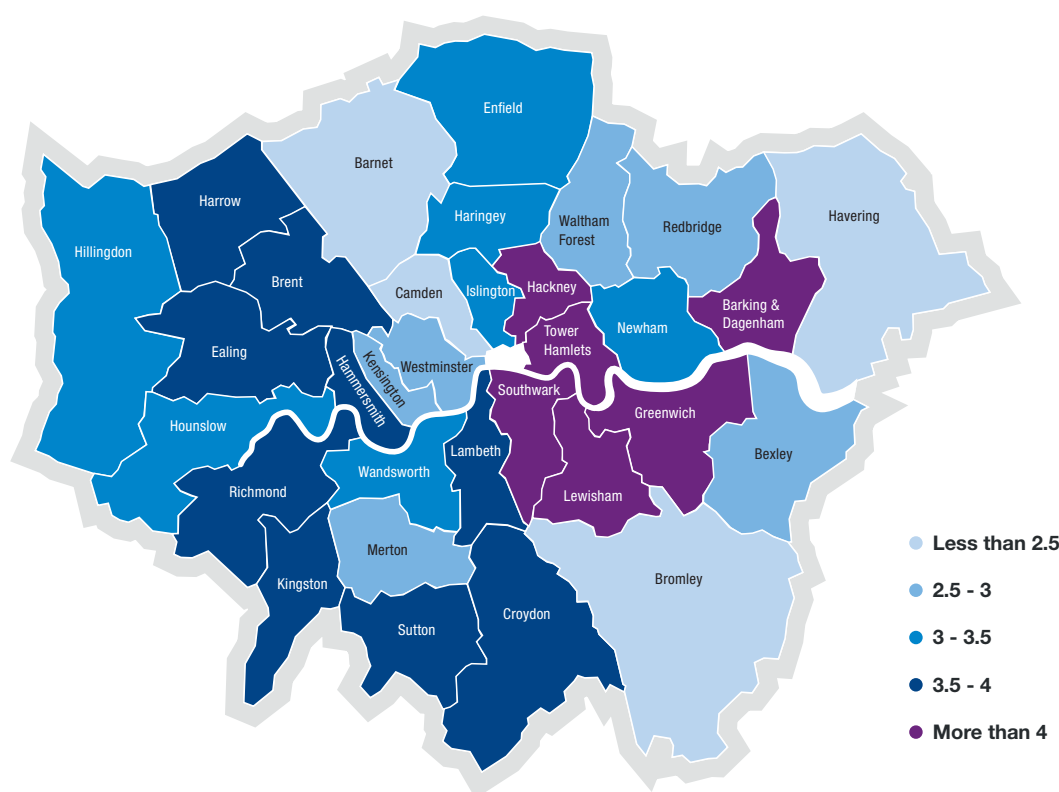


Figure 11.2

Source: Infant mortality, Public Health England. Data is a three-year average to 2015.

Key points

- Hackney has the highest infant mortality rate at 5.4 per 1,000 live births.
- This is more than twice the rate than in the nine boroughs with the lowest infant mortality rate: Havering, Camden, Bromley, Barnet, Merton, Redbridge, Westminster, Kensington & Chelsea and Waltham Forest.
- There is a concentration of boroughs to the East, mostly in Inner London – as well as Greenwich and Barking & Dagenham – where the infant mortality rate is above 4 per 1,000 live births.

The map shows infant mortality by borough. This is shown as the number of infant deaths per 1,000 live births. The boroughs with the highest infant mortality rates, of above 4 per 1,000 live births, are found in Inner East and South East London, plus Barking & Dagenham and Greenwich. This is higher than the London and the England rates.

These boroughs have not seen much improvement. With the exception of Southwark and Greenwich, none of these boroughs were in the bottom 10 for infant mortality a decade ago. However, because they saw no improvements whereas other boroughs have, they have dropped down the rankings. Southwark has improved from 7 per 1,000 live births in 2003–05 to 4 per 1,000, a large improvement.

Hackney had the highest infant mortality rate at 5.4 per 1,000 live births. This is more than twice the rate than in the nine boroughs with the lowest infant mortality rate. Havering's rate is 2 per 1,000 live births and Waltham Forest is at 2.6. Hackney's rate has not improved over the decade, in contrast to most other boroughs.

There is a group of nine boroughs found in the west of London, mostly made up of Outer London boroughs – apart from Lambeth and Hammersmith & Fulham – where the infant mortality rate is between 3.5 and 4 per 1,000 live births. This is the group of boroughs with the second highest infant mortality rate. They all have infant mortality rates higher than the London average, but all apart from Lambeth are below the England rate.

The same pattern is evident in these boroughs. Ten years ago these boroughs had better infant mortality rates compared with other boroughs but over the 10-year period they have seen little change while other boroughs have improved. Two exceptions are Lambeth and Harrow which have seen large falls in their infant mortality rates.

The three most deprived boroughs⁴ which are Tower Hamlets, Barking & Dagenham and Hackney, are in the top four boroughs for infant mortality and all have infant mortality rates above 4 per 1,000 live births. The link at the other end of the deprivation scale is less clear. The three least deprived boroughs Richmond, Kingston and Harrow do not have the lowest infant mortality rates.

Child obesity

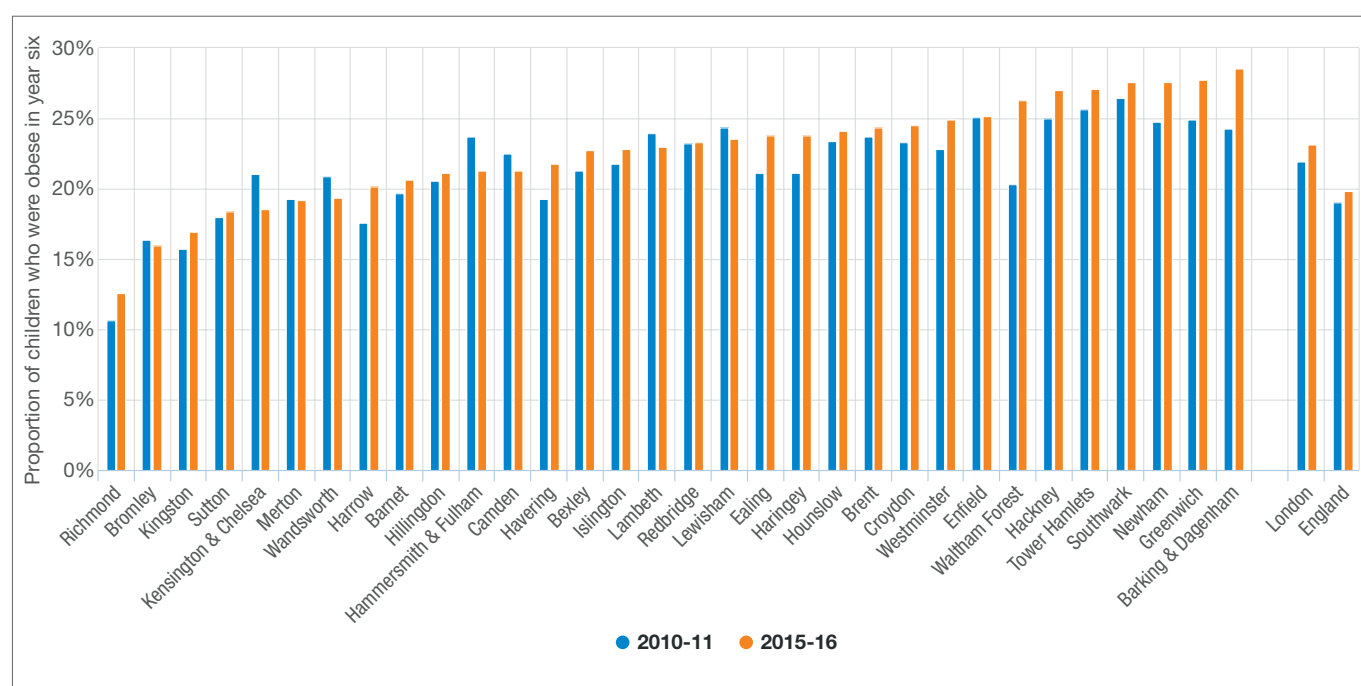


Figure 11.3

Source: Prevalence of childhood obesity, The Health and Social Care Information Centre, Lifestyle Statistics.

⁴ Department for Communities and Local Government (2015) *English indices of deprivation 2015*. London: DCLG.

Key points

- In 2015/16, 23% of Year 6 students (age 11) in London were obese, compared with 20% in England. In both London and England this is a 1 percentage point increase from five years earlier in 2010/11.
- Barking & Dagenham had the highest level of childhood obesity at 29%, a 4 percentage point increase from 2010/11. Richmond had the lowest level at 13%.
- There is a strong connection between area deprivation and obesity rates.

Figure 11.3 shows the proportion of Year 6 students (age 11) in each borough who are counted as obese in 2015/16. In London as a whole, 23% of Year 6 students were obese. This is a higher rate than in England, where 20% of Year 6 students were obese. Both London and England experienced a slight increase over the last five years (one percentage point). Across the boroughs, the change has been uneven. Eight have seen an improvement with the level of childhood obesity falling, while in eight boroughs there has been an increase of more than 3%.

In 2015/16 there were nine boroughs – Westminster, Enfield, Waltham Forest, Hackney, Tower Hamlets, Southwark, Newham, Greenwich and Barking & Dagenham where at least a quarter of children in Year 6 were obese. In 2010/11 there were only six boroughs where at least a quarter of children were obese.

Barking & Dagenham had the highest level of childhood obesity at 29%, a 4 percentage point increase from 2010/11. The borough with the largest increase was Waltham Forest. In 2010/11 20% of Year 6 children were obese but by 2015/16 there had been a 6 percentage point increase to 26%.

Richmond had the lowest level of childhood obesity at 13%, up 2 percentage points in five years. This remains far below both the London and the England averages. There were six other boroughs whose obesity rates were below the England average in 2015/16: Bromley, Kingston, Sutton, Kensington & Chelsea, Merton and Wandsworth.

Obesity in childhood can have long-term negative effects on a person's health. Children who are obese are more likely to become obese adults. Obese adults are more at risk of having type 2 diabetes and to suffer physical health conditions like heart disease and mental health conditions such as depression.⁵ The negative effects of childhood obesity are not evenly distributed among children in London: children from a deprived background are more likely to be obese. Obesity rates are highest for children from the most deprived areas.⁶

⁵ Cabinet Office (2017) *Childhood obesity: a plan for action*. London: HM Government

⁶ Cabinet Office (2017) *Childhood obesity: a plan for action*. London: HM Government

Premature mortality by borough

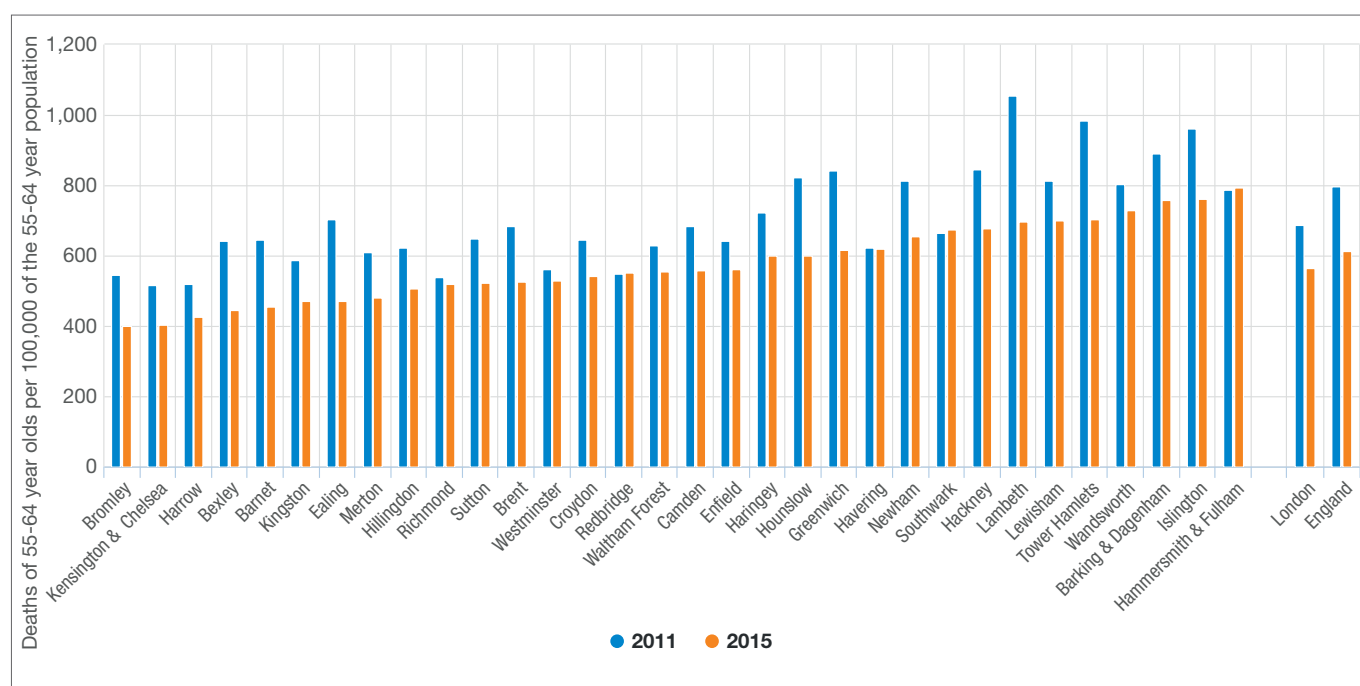


Figure 11.4

Source: ONS mortality statistics, mid-year population estimates and NPI calculations.

Key points

- In 2015, the average rate of premature deaths was 566 per 100,000 in London and 613 in England.
- This represents an improvement on five years earlier, when the figures were 686 in London and 797 in England.
- Between 2011 and 2015 the rate of premature death fell overall and in most London boroughs.

Figure 11.4 shows premature mortality, measured as the number of deaths of those aged 55 to 64 years old per 100,000 of the population by borough. In 2015, the rate of premature deaths was 566 per 100,000 in London and 613 in England on average. This is lower than the rate in 2011, which was 686 in London and 797 in England. The rate has fallen more quickly in England than in London so they are now much closer than five years ago. A Public Health England study found that between 1990 and 2013 there was a large increase in life expectancy in England. The increase was mainly because of falls in the death rate from cardiovascular disease, stroke, chronic obstructive pulmonary disease and some cancers.⁷ There have been improvements in the treatment of these diseases and the introduction of national preventative programmes.⁸

⁷ Newton, J. (2015) Change in health in England, with analysis by English regions and areas of deprivation, 1990-2013: a systematic analysis for the Global Burden of Disease Study 2013. The Lancet.

⁸ ONS Digital (2015) *What are the top causes of death by age and gender?* London: Office for National Statistics.

There is once again a great deal of variation across the boroughs. Those with the highest levels of deprivation such as Tower Hamlets, Barking & Dagenham, Hackney and Islington also have some of the highest rates of premature mortality of all the boroughs. There are, however, some boroughs which stand out as they do not follow this pattern. Wandsworth, one of the least deprived boroughs, and Hammersmith & Fulham which is in the middle for deprivation, are both found among the five worst for premature mortality.

Hammersmith & Fulham has the highest rate of premature deaths at 795 per 100,000, which is nearly twice as many as the best performing borough, Bromley, with 399 per 100,000. Bromley has the lowest rate of premature deaths despite having higher deprivation levels than other boroughs that perform well on this indicator.

Between 2011 and 2015 the rate of premature death fell overall and in most, but not all, London boroughs. Southwark, Hammersmith & Fulham, Redbridge, Havering, Richmond, and Westminster saw no or little improvement.

There was a large improvement in Lambeth, from 1,055 in 2011 to 696 in 2015. This is a fall of just over a third. Tower Hamlets also saw a large fall, from 983 in 2011 to 703 in 2015. However, these boroughs remain among the boroughs with the highest levels of premature mortality.

Expected years without limiting conditions at birth (women)

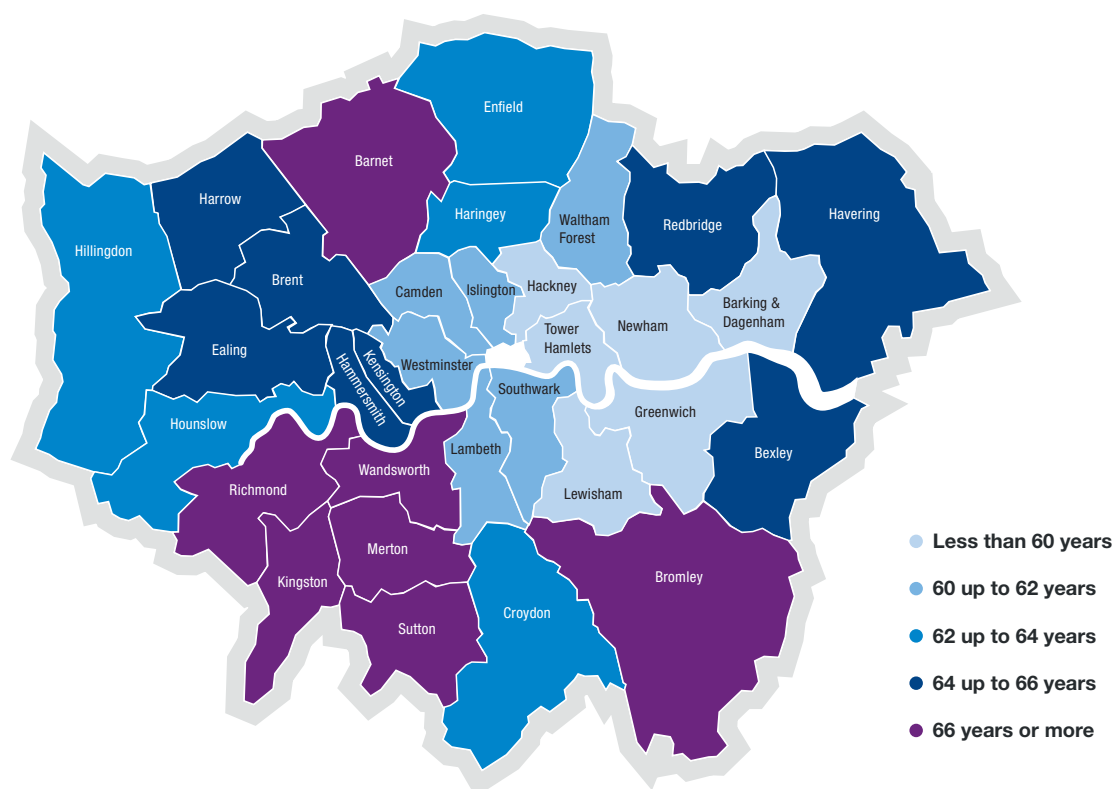


Figure 11.5

Source: Life expectancy, healthy life expectancy and disability-free life expectancy at birth for females, United Kingdom, 2013–2015, ONS.

Key points

- The number of years women can expect to live at birth without a limiting long-term condition or illness was 63.1 years in London between 2013 and 2015.
- In Tower Hamlets, the borough with the lowest life expectancy without a limiting long-term condition, women can only expect to live 53.5 years without such a condition.

- **There is far more variance in life expectancy without a limiting long-term condition for women than overall life expectancy. Women in Tower Hamlets have three years less life expectancy than women in Richmond but a 14-year difference in life expectancy without disability or illness.**

This map shows the number of years women can expect to live at birth without a limiting long-term condition or illness for the years 2013–2015. The life expectancy without a long-term condition dataset is created using a self-reported measure of disability. It asks if the respondent has a long-term illness or disability and if this limits their daily activities. This means, for example, that a person who was born deaf but who did not feel that this limited their daily activities would not be included in the calculations whereas a person who became deaf and felt that this limited their daily activities would be. Health expectancies are a measure of overall population health at different geographies and give an indication of the wellbeing of society. It is important that there are differences in life expectancy but the quality of life people experience in terms of disability, illness and poor health is also important.

Life expectancy without a long-term condition at birth was 63.1 years for women in London between 2013 and 2015. This was just above the England average which was 62.6 years. This however hides a huge variation between the different London boroughs. Generally, Inner East London fares the worst. In Tower Hamlets, the borough with the lowest life expectancy without a long-term condition, women can only expect to live 53.5 years without a disability or illness. Whereas in Wandsworth and Richmond – the boroughs with the highest life expectancy without a long-term condition – women can expect to live 68.1 years without a disability or illness. The pension age for a women born today is currently 68. This means that in some boroughs women can expect to live a life without a long-term condition until the pension age while in some boroughs they may spend the last 10 or more years of their working lives with a long-term condition. There is far more variance in life expectancy without a long-term condition for women than overall life expectancy. Women in Tower Hamlets have three years less life expectancy than women in Richmond but 14 years less in their life expectancy without a long-term condition.

Expected years without limiting conditions at birth (men)

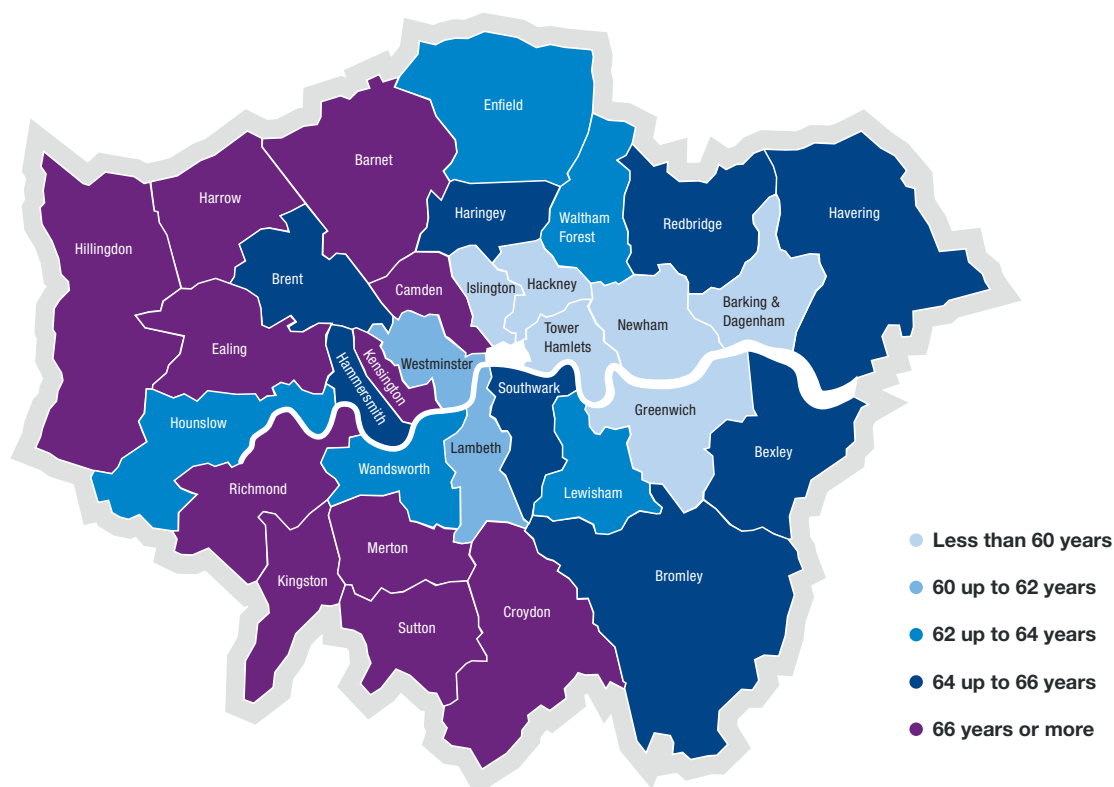


Figure 11.6

Source: Life expectancy, healthy life expectancy and disability-free life expectancy at birth for males, United Kingdom, 2013–2015, ONS.

Key points

- The number of years men can expect to live at birth without a limiting long-term condition or illness was 64.1 years in London between 2013 and 2015.
- In Tower Hamlets, the borough with the lowest life expectancy without a long-term condition, men can only expect to live 54 years without a disability or ill health – this is 15 years less than in the borough with the highest life expectancy without disability or illness.
- Overall men in London can expect to live one year longer without a long-term condition than women in London even though men in London have lower life expectancies than women. This means women are living longer than men but not in better health.

This map shows the life expectancy without a limiting long-term condition for men at birth for the years 2013–2015. Life expectancy without a long-term condition at birth was 64.1 years for London between 2013 and 2015. This was above the England average which was 63 years. As noted above, the measure is subjective and it depends on the respondent's experience of their illness or disability. There is variation between men and women but it is possible that some of this variation is due to these groups reporting differently.

However, this hides a huge variation between the different London boroughs. In Tower Hamlets, the borough with the lowest life expectancy without a long-term condition, men can only expect to live 54 years without a long-term condition. Whereas in Kingston – the borough with the highest life expectancy without disability or illness – men can expect to live 69.3 years.

Overall men in London can expect to live one year longer without a long-term condition than women in London even though men in London have lower life expectancies than women. Life expectancy at birth between 2013 and 2015 in London was 84.1 years for women and 80.2 years for men. This means women are living longer than men but not in better health.

Commentary

This chapter highlighted that many of the health indicators shown are improving. Infant mortality has fallen quickly in the last 15 years both in London and in the rest of the country. Premature mortality rates for those aged 55 to 64 are decreasing while life-expectancies are increasing. This is good news overall.

However, as with the other chapters the improvements are not even across the capital. When the indicators are viewed at the borough level there are big disparities in life expectancies, infant mortality, and disability-free life years which are concentrated in the boroughs with the highest levels of deprivation. Local authorities now have the duty to provide public health services and social care. In 2013 local authorities were given new duties to improve public health.⁹ Boroughs with higher levels of deprivation should have access to more resources if they have populations with high levels of need so that they are able to fulfil their statutory responsibilities and work towards decreasing health inequalities.

As we highlighted in the introduction, ill-health can affect a person's opportunities in finding work, keeping work and in work progression, leaving them more likely to find themselves living in a low-income household which can in turn have negative impacts on their health both mental and physical. This circular problem must be addressed so that everyone can have the same life chances.

⁹ Heath, S. (2014) Local authorities' public health responsibilities (England). House of Common Library.

London's Poverty Profile is an independent and comprehensive source of data on poverty and inequality in the capital. This report uses the most recent government data to consider London's progress on key indicators since the last report in 2015 as well as detailing longer term trends.

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

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

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

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



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