

London's Poverty Profile 2017

Trust for London and the New Policy Institute have updated a wide range of indicators related to poverty and inequality in London. These indicators draw on government data and reveal how the capital compares to the rest of the country, highlights trends and differences between groups and boroughs, and show changes since the last report in 2015, as well as over the longer term.

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, it 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, totalling 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.
- 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 receive 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. Only 1 in 4 new home completions were affordable.
- Local authority rents 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. There has been a fall of around 40%.

Poverty

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, although population growth means the number of people in poverty has remained unchanged at 2.3 million. The poverty rate in London remains significantly higher than the rest of England, where 21% of people are in poverty. The high cost of housing in London is the main factor explaining London's higher poverty rate. While previously London and the rest of England had a similar poverty rate before accounting for housing costs, for the past few years London has had a lower rate (14% compared with 16%).

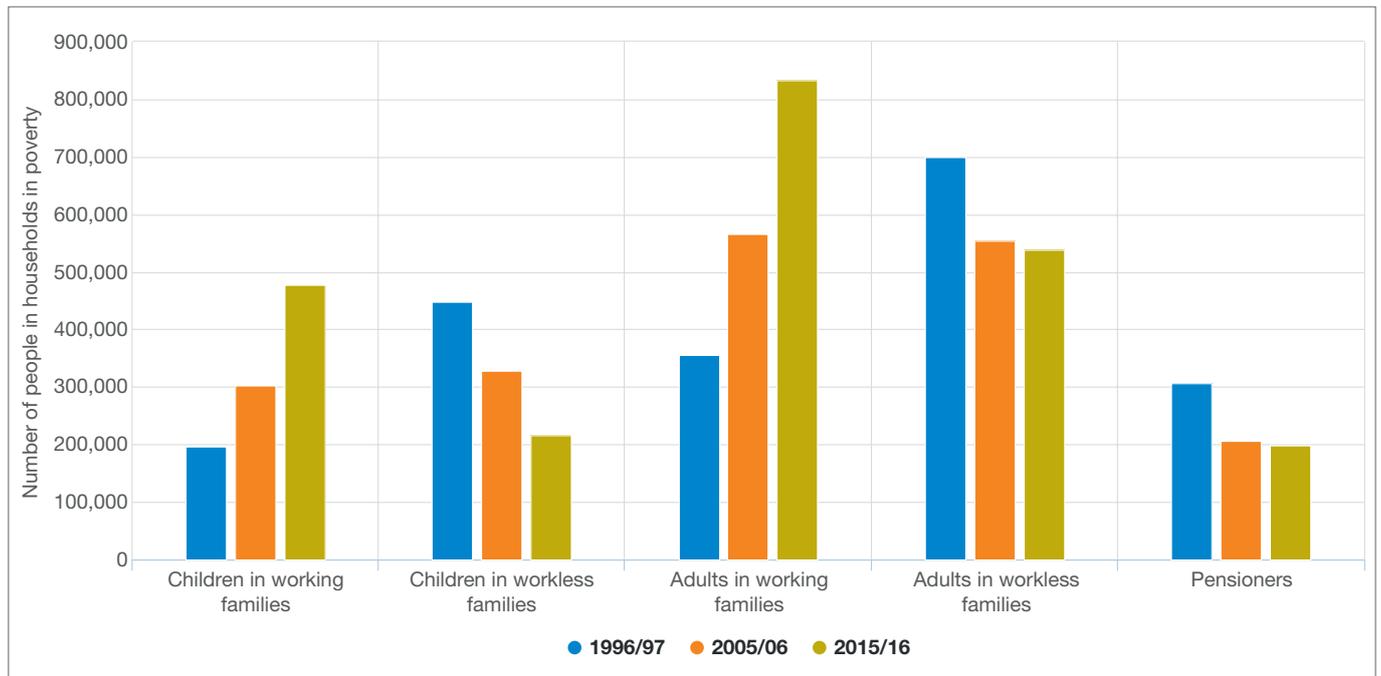
London's high housing costs and reductions in Local Housing Allowance (housing benefit for the private rented sector), the benefit cap, and the bedroom tax have led to a significant reduction in income for many low-income households in London (both working and not working).

These welfare changes are likely to be a key driver of the increase in the number of people experiencing deeper poverty, despite a decline in overall poverty. Both the proportion of people whose household income is 50% or less (rather than 60%) of median income and the proportion of people whose income is below the level the public believes is necessary to participate fully in society (the Minimum Income Standard) have increased over the past five years. Further welfare changes, such as reduced work allowances under Universal Credit, and limiting support to two children, are likely to drive even more Londoners into deeper poverty in future.

Almost six in ten (58%) of Londoners in poverty live in a working family, an all-time high. Partly due to rising employment, the number of people in a working family in poverty has risen to 1.3 million over the last decade, an increase of around 50%.

Figure 1: Work and poverty

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



Changes over time

Table 1 summarises how poverty in London compares with five and ten years ago (pre-recession), as well as the change in the most recent year. While there has been little change in most measures in the most recent year, the longer term trend is far more mixed.

The pensioner poverty rate is the only overall poverty rate to have increased in the most recent year, although it is still lower than it was a decade ago. The working-age and in-work poverty rates are higher than they were before the recession, while the child poverty rate has declined.

Worklessness and underemployment have reduced compared with five and ten years ago, as have infant mortality and life expectancy. All of the education indicators have improved as well. GCSE attainment at age 16 looks worse compared with five years ago due to changes in how attainment measures were calculated in 2013/14, so this comparison must be treated with caution.

Table 1: Changes over time

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

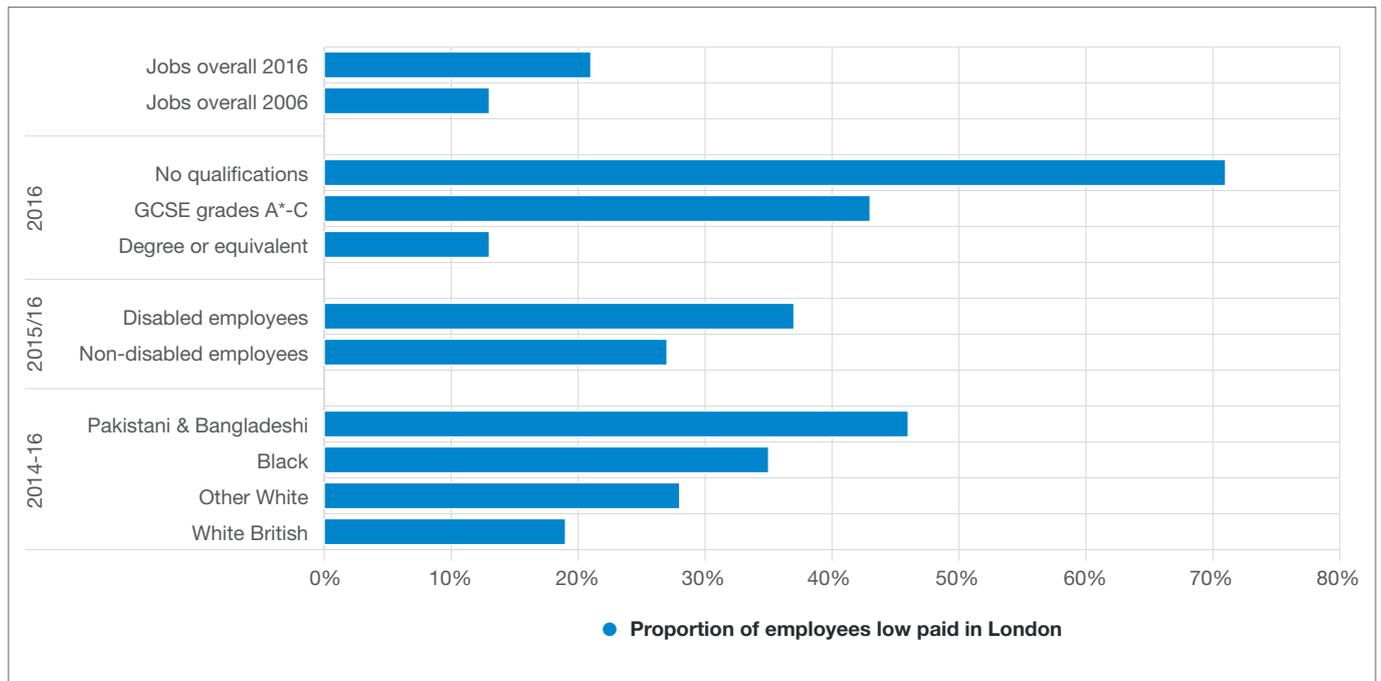
Work

On some top-line figures, London's labour market has improved significantly since the recession. In 2016, there were 280,000 unemployed people in London, the lowest number since the start of the recession in 2008/09. The proportion of people in households where no adults are working is at its lowest point on available data, having nearly halved since 2001, from 14% to 8%.

However, the increase of in-work poverty shows that work does not always protect against poverty. The prevalence of low pay, underemployment and insecure work in London, alongside rising living costs and the falling value of benefits such as tax credits and housing benefit (which are important sources of income for many working families), have all contributed to an increased risk of poverty for people in working families.

Figure 2: Low pay in London
 Source: Jobs Overall: Annual Survey of Hours and Earnings, ONS. Qualifications, disability and ethnicity: Labour Force Survey, ONS.

One in five employees in London is paid below the London living Wage. People lacking qualifications are more likely to be low paid: however, women, ethnic minorities and disabled employees are also more likely to be low paid than other employees, even with the same level of qualifications.



Housing

The high cost of housing in London is a key driver of poverty in the capital. The majority of households in poverty are renters – 43% of people in poverty live in the private rented sector (PRS), and a further 36% in the social rented sector. This is a huge shift from the three years to 2009/10, when the private rental sector had the fewest people in poverty of the three tenures at 660,000 people, compared with 680,000 owners and 850,000 social renters. In the last five years, the number of people in poverty in the PRS has risen by 160,000, while the number of people who own their own homes in poverty has fallen by almost as much (130,000). The number of people in poverty in social rent has remained fairly stable during the same period.

Much attention has been given to the private rental sector in London, which has rents more than twice the average amount for England as a whole. Little attention has been given to social rents which, while still far lower than private rents, have actually increased significantly over the last five years. Rents for local authority social housing have increased by 30%, and housing association rents by 26% in London, while private rents have increased by 20%.

Education

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.

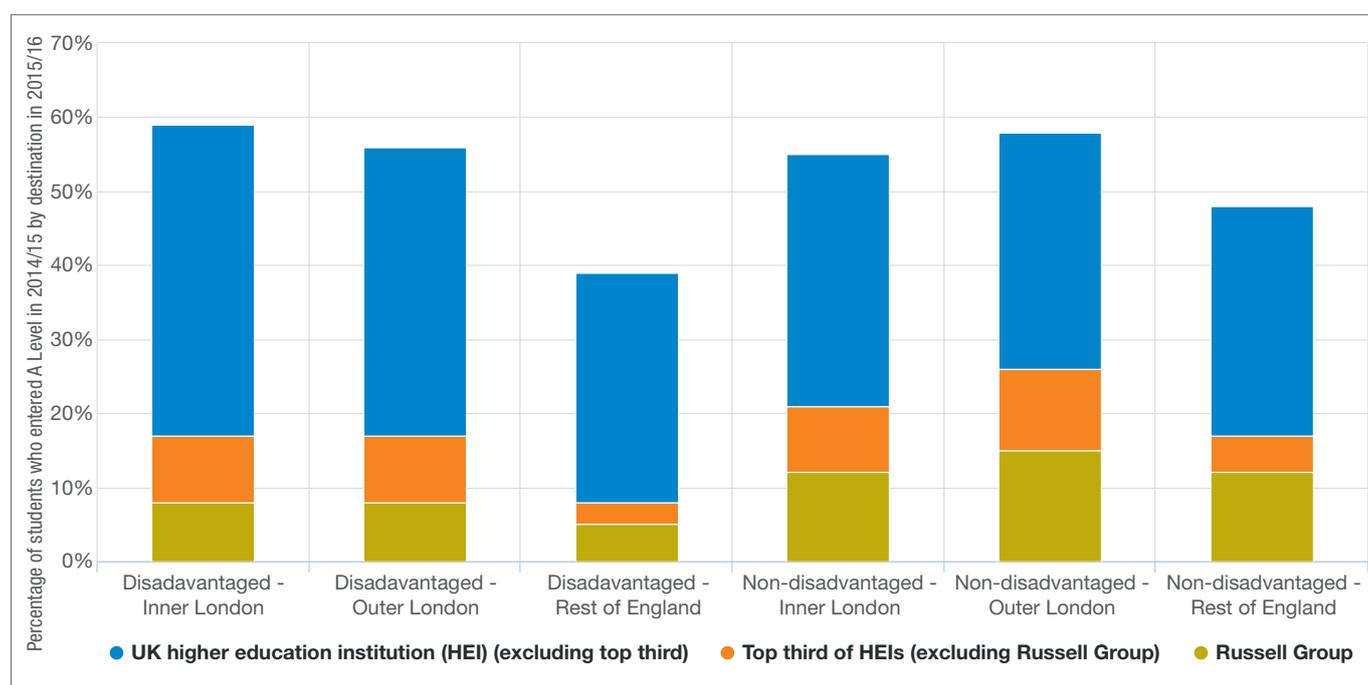
Lower levels of educational qualifications are associated with low pay and worklessness, so educational attainment has a life-long effect on poverty risk. The improvement in attainment has been driven by the attainment of disadvantaged pupils. The difference between the proportion of disadvantaged pupils and other pupils attaining A* – C in maths and English GCSE at age 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).

After statutory education ends, disadvantaged students from Inner London have slightly higher rates of attending higher educational institutions (59%), than their non-disadvantaged peers in London (or either type of pupil) from the rest of England.

However, this strong performance by disadvantaged students does not translate through to improved representation of poorer students in elite Russell Group universities. A greater proportion of non-disadvantaged pupils from both Inner (12%) and Outer (15%) London attend Russell Group universities, compared with just 8% of disadvantaged pupils in both Inner and Outer London.

Figure 3: Pupils entering higher education

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



Variations across London

Table 2 looks at how different London boroughs compare across a series of indicators. The darker a borough is shaded, the worse it is performing on that indicator. The final column provides an overall rank for each borough, based on its average rank across all indicators.

The Inner East & South region continues to show improvement in unemployment and low pay. However, the region still has the five boroughs with the highest overall poverty rate and three of the worst four with the highest child poverty rates. The other Inner London region (Inner West) generally performs better, but contains all four of the worst boroughs for income inequality and three of the four worst for housing affordability.

The Outer South is the only region with no boroughs in the bottom half overall. Out of the seven boroughs in the Outer West & Northwest, only two are ranked in the worst performing half of boroughs overall.

The Outer East & Northeast has three of the five worst performing boroughs overall. This region does poorly on education and landlord eviction rates.

Table 2: Variations across London

		Low income		Inequality		Homeless		Housing			Workless		Low pay		Benefits		Education		Health		Average rank
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Outer East & Northeast	Barking & Dagenham																				22.6
	Bexley																				14.9
	Enfield																				19.8
	Greenwich																				19.4
	Havering																				12.4
	Redbridge																				14.8
	Waltham Forest																				17.9
Inner East & South	Hackney																				20.3
	Haringey																				18.6
	Islington																				17.7
	Lambeth																				17.1
	Lewisham																				18.6
	Newham																				18.9
	Southwark																				16.7
	Tower Hamlets																				20.8
Inner West	Camden																				15.9
	Hammersmith & Fulham																				16.0
	Kensington & Chelsea																				16.5
	Wandsworth																				12.4
	Westminster																				17.5
Outer West & Northwest	Barnet																				14.7
	Brent																				18.3
	Ealing																				18.8
	Harrow																				15.3
	Hillingdon																				15.2
	Hounslow																				15.3
	Richmond																				12.3
Outer South	Bromley																				15.0
	Croydon																				14.8
	Kingston																				10.7
	Merton																				12.5
	Sutton																				14.2

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

Trust for London

Established in 1891 the Trust is one of the largest independent charitable foundations in London and aims to tackle poverty and inequality in the capital.

www.trustforlondon.org.uk

t +44 (0)20 7606 6145

The full report, news and future updates to the research are available from www.trustforlondon.org.uk/data

New Policy Institute

New Policy Institute is an independent progressive think tank, founded in 1996.

www.npi.org.uk

t +44 (0)20 7613 5397