

London's Poverty Profile 2015

Trust for London and the New Policy Institute have updated a wide range of indicators related to poverty and inequality in London. These indicators use government data to reveal how the capital compares to the rest of the country, highlight trends and differences between groups and boroughs, and consider changes since the last report in 2013 and over the longer term.

Key findings

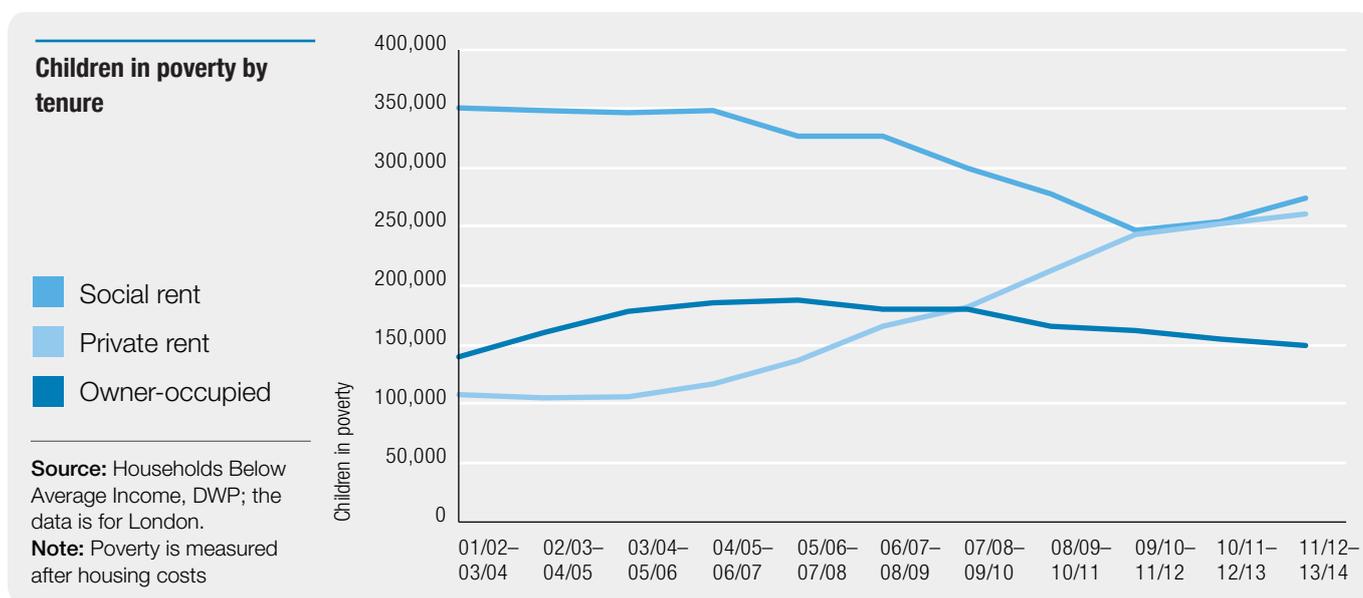
1. 27% of Londoners live in poverty after housing costs are taken into account, compared with 20% in the rest of England. The cost of housing is an important factor in London's higher poverty rate.
2. The majority of people living in poverty are in a working family. As employment has increased so has the number of people in a working family in poverty – from 700,000 to 1.2 million in the last decade, an increase of 70%.
3. The total wealth of a household at the bottom (the 10th percentile) is £6,300; towards the top (the 90th percentile) it was £1.1 million. London's 90:10 wealth ratio is 173, almost three times the ratio for the rest of Britain (at 60).
4. The number of unemployed adults is at its lowest level since 2008, at just over 300,000. The unemployment ratio in Inner London has halved over the past 20 years reaching 5.6%, slightly higher than Outer London (5.2%) and the rest of England (4.8%).
5. Almost 700,000 jobs in London (18%) pay below the London Living Wage. This number has increased for five consecutive years, particularly among men working full-time.
6. At 860,000 there are more people in poverty in private rented housing than there are in social rented or owner-occupied homes. A decade ago it was the least common tenure among those in poverty.
7. The vast majority of children in poverty are in rented housing (more than 530,000), half with a registered social landlord and half with a private landlord. The number of children in poverty in private rented housing has more than doubled in ten years.
8. In the three years to 2013/14 there was a net increase of 7,700 affordable homes a year compared with a target of 13,200, meaning the target was missed by 40%. 60% of these new homes were available for social rent.
9. In 2014/15 there were 27,000 landlord possession orders (permitting landlords to immediately evict tenants). This rate is more than double the rest of England. The highest rates were in Outer London.
10. 48,000 households live in temporary accommodation in London (three times higher than the rest of England put together), 15,600 of which live outside their home borough. Over the last two years an estimated 2,700 families have been placed in accommodation outside London.
11. In 2015, 10,500 families were affected by the overall benefit cap including 2,400 losing more than £100 per week. If the cap is lowered as planned, they will lose another £58 a week and a further 20,000 families will be affected.
12. Half of 0 to 19-year-olds in London (1.1 million) live in a family that receives tax credits. 640,000 children benefit from in-work tax credits and are likely to be worse off when these are cut in April 2016.
13. In every London borough pupils receiving free school meals performed better on average at GCSE than their peers in the rest of England.

Poverty

The poverty rate in London is 27%, seven percentage points higher than the rest of England. The high cost of housing in London is an important factor in its higher poverty rate. If poverty is measured ‘before housing costs’ are taken into account the rate is lower at 15%, the same as the England average, because under this measure rental costs are not accounted for and housing benefit payments are included as income. Over the last decade the capital’s poverty rate has not substantially changed. While the number of people in poverty has risen from 1.9 million to 2.2 million, this is due to the increase in London’s population overall.

Despite this seemingly unchanged poverty level, the nature of poverty in London – in terms of the typical age, tenure, work status and location of those in poverty – has been transformed. In the last decade, the number of pensioners in poverty has fallen by 30% to 180,000 whilst the number of working-age adults in poverty has risen by 30% to 1.4 million. The share of low-income households living in the outer boroughs continues to grow and currently stands at 60%.

At 37% poverty among children is higher than other age groups. Of the 680,000 children in poverty in London, 150,000 (22%) live in owner-occupied housing and the vast majority (78%) live in rented housing. This own/rent split is similar to a decade ago, but among those in rented housing the number in poverty in social housing has fallen from 350,000 to 270,000 whilst the number in private rented housing has more than doubled to reach 260,000. There are now almost as many children in poverty in the private rented sector as in the social rented sector. The previous *London’s Poverty Profile* highlighted the rise in poverty among those renting privately; this trend is not confined to working-age adults.



Changes over time

The table below summarises how poverty in London compares to five and ten years ago. London remains the most unequal region in the country so the apparent fall in inequality in the table may seem surprising. But this compares the most recent data with the period just before the recession when income inequality reached a peak. Compared with ten years ago, income inequality remains unchanged. The total wealth of a household towards the top (the 90th percentile) is £1.1 million, 173 times higher than the wealth of someone at the bottom. This 90:10 ratio in London is almost three times higher than that for the rest of England.

For education the picture is universally positive. The 2013 edition of this report noted that both London pupils receiving and not receiving free school meals were on average out-performing their peers in the rest of England and the improvements in the capital have continued.

Theme	Indicator	5 year change	10 year change
Low income	Child poverty rate	Better	Flat
	Pensioner poverty rate	Better	Better
	In-work poverty rate	Flat	Worse
Inequality	Income inequality	Better	Flat
	Pay inequality	Flat	Flat
	Wealth inequality	Better	No data
Housing	Mortgage repossessions	Better	Better
	Landlord repossessions	Worse	Worse
	Overcrowding	Worse	Worse
Homelessness	Rough sleeping	Worse	Worse
	Homelessness acceptances	Worse	Better
	Temporary accommodation	Worse	Better
Worklessness	Workless households	Better	Better
	Unemployment ratio	Better	Flat
	Young adult unemployment ratio	Better	Flat
Work Quality	Involuntary part-time workers	Worse	Worse
	Involuntary temporary workers	Worse	Worse
	Low paid jobs	Worse	Worse
Benefits	Out-of-work benefit claimants	Better	Better
	Housing benefit caseload	Flat	Worse
	JSA sanction rate	Worse	Worse
Education	Attainment at age 16	Better	Better
	Free-school-meal attainment at age 16	Better	Better
	Lacking qualifications at age 19	Better	Better

Work

The proportion of people in workless (working-age) households has fallen considerably over the last 15 years from nearly 20% to less than 10%. This has coincided with an increase in in-work poverty, with 60% of non-pensioners in poverty living in a working family. A decade ago, the majority (55%) of those in poverty were in workless families.

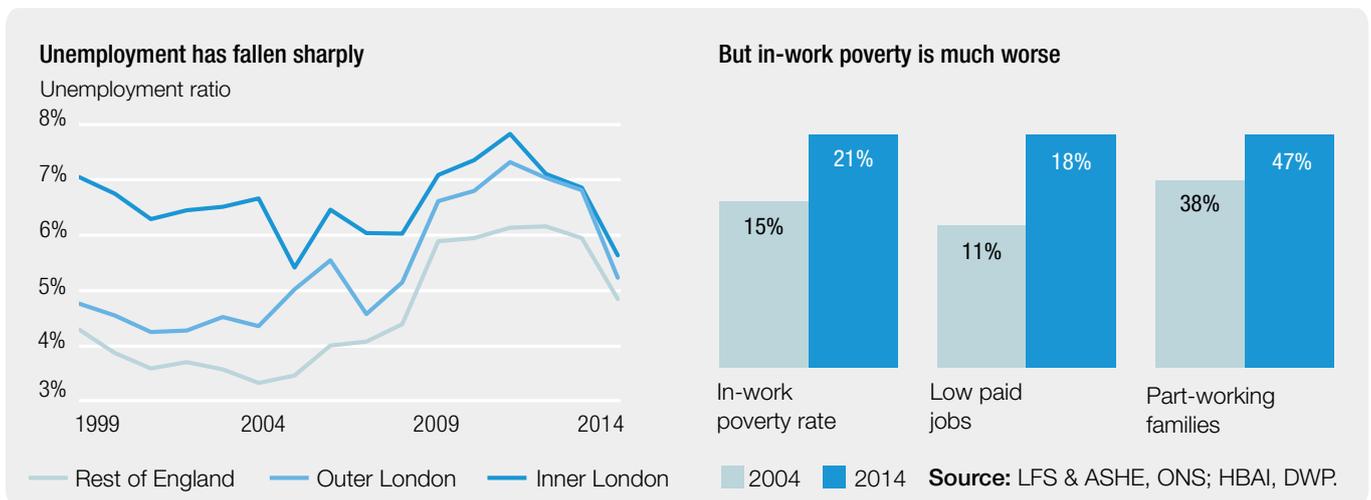
The fact that worklessness has fallen is good news and this fall has been substantial, particularly in London. Historically Inner London has had high unemployment, but over the past 20 years it has seen a significant improvement. The unemployment ratio (the proportion of working-age people that are unemployed) has halved since the mid-1990s. It now stands at 5.6% compared to 5.2% in Outer London and 4.8% in the rest of England. During the recession, unemployment in London rose by less than the rest of the country and in the recovery it fell by more. Even the unemployment ratio among young adults in London has fallen and converged with the rest of England at 10.6%. Though disparities in work rates across ethnic groups remain, all have seen a fall in worklessness.

Falls in worklessness can be seen across London with every borough seeing a considerable fall in out-of-work benefit claims, which dropped from 690,000 in 2009 to 525,000 in 2014. The borough with the highest rate of claims (Barking & Dagenham) at 12.9% in 2014 is nonetheless 5.4 percentage points lower than in 2009.

But whilst there are fewer people in workless families, the poverty rate among working families has risen to 21%, higher than the rest of England and London a decade ago (both 15%). This level of in-work poverty reflects the growing proportion of working families with limited disposable income for various reasons, such as lacking enough work, low pay and/or unaffordable housing costs. All of these are widespread in London:

- 85,000 people are on temporary contracts wanting permanent work;
- Nearly 700,000 jobs are paid below the London Living Wage;
- 140,000 working private renters need housing benefit to cover their rent.

Unlike the unemployment figures, these in-work poverty trends are moving in the wrong direction.

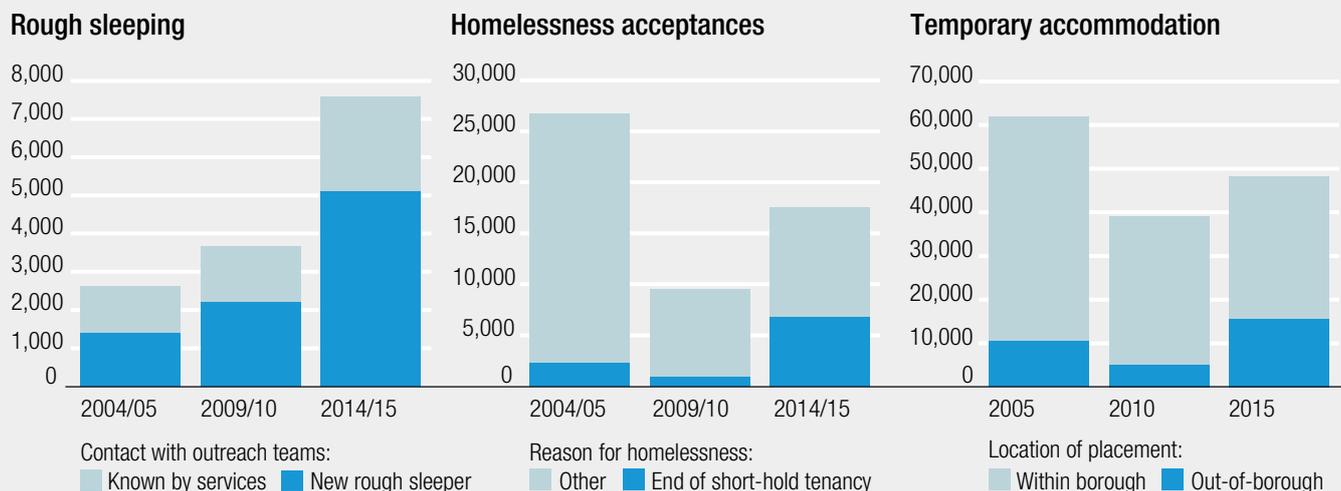


Homelessness

Beyond these contrasting trends in the labour market, which affect hundreds of thousands of people, significant shifts can be seen in homelessness trends – these affect far fewer people but reflect a severe problem.

The number of rough sleepers reached 7,500 in 2014/15, the highest since data started being collected. The number of households living in temporary accommodation, at 48,000, has been rising for four years and is three times higher than the rest of England put together. Although this total remains below its mid-2000s peak, the number of households living in placements outside of their home borough, at 16,800 (a third of all placements), has never been higher.

Similar trends can be seen in the number of homelessness acceptances which reached 17,500 in 2014/15. Again this is below the mid-2000s peak, but the recent increase has been driven by households becoming homeless because their short-term tenancies have come to an end: this is at a record high at 6,800 households. The problems associated with rented accommodation can also be seen in the high rate of court ordered evictions, reaching 14.3 per 1,000 renting households in 2014/15, more than double the rest of England.



Source: CHAIN, St Mungo's Broadway; P1E returns, DCLG.

Welfare changes

Previous editions of *London's Poverty Profile* have warned that welfare changes (in particular the various cuts to housing benefit) would make London unaffordable to the many low-income families that rent their home. The rise in homelessness and evictions may be symptomatic of this, but housing benefit data suggests that since these reforms came into effect fewer private renting claimants are moving home, and, of those that do, the majority remain within their borough. In 2014, 28,000 housing benefit claimants in London's private rented sector moved home, 3,000 fewer than in 2011. Among those who did move, around 10% moved out of London whilst 60% moved within their borough. These proportions have hardly changed since 2011.

So despite benefit cuts and high housing costs, low-income families are staying within London. Given the falls in unemployment, some affected families will have found work. But many workless and working households are spending a greater share of their income on housing and sacrificing other spending to stay where they are. When further benefit cuts come into effect in April 2016, low-income families will have to make further sacrifices to remain in the capital.

Variations across London

The grid overleaf looks at how London's boroughs compare with one another across a series of indicators. A borough is shaded in dark red for a particular indicator if it is among the worst performing four boroughs, orange if it is in the next four boroughs, light orange if it is in the next eight boroughs and pale yellow for the sixteen best performing boroughs.

In previous years the Inner East & South stood out as being the worst performing sub-region, but it no longer does. Whilst levels of benefit receipt [11 and 12] and unemployment [7] are relatively high, the area has also seen some of the biggest improvements in unemployment [8].

The three worst performing boroughs within the Inner East & South (Newham, Haringey and Lewisham) border the Outer East & Northeast sub-region which also performs relatively badly. This sub-region contains some of the highest rates of low pay [9], benefit receipt [11 and 12] and landlord repossessions [5]. Unlike the Inner East & South, it has experienced some of the slowest improvements in unemployment [8] and biggest increases in low pay [10].

The Outer West & Northwest now contains two of the worst performing four boroughs in London: Ealing and Brent. Except for Richmond all boroughs in this region are also in the bottom half in terms of changes in unemployment [8] and low pay [10] suggesting that the sub-region is falling back within the rest of London.

		Inequality		Homeless		Housing		Workless		Low pay		Benefits		Education		Average
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Outer East & Northeast	Barking & Dagenham															
	Bexley															
	Enfield															
	Greenwich															
	Havering															
	Redbridge															
	Waltham Forest															
Inner East & South	Hackney															
	Haringey															
	Islington															
	Lambeth															
	Lewisham															
	Newham															
	Southwark															
	Tower Hamlets															
Inner West	Camden															
	Hammersmith & Fulham															
	Kensington & Chelsea															
	Wandsworth															
	Westminster															
Outer West & Northwest	Barnet															
	Brent															
	Ealing															
	Harrow															
	Hillingdon															
	Hounslow															
	Richmond															
Outer South	Bromley															
	Croydon															
	Kingston															
	Merton															
	Sutton															

Key	Indicator	Description
■ Worst 4 boroughs	1 Benefit polarisation	Proportion of claimants in the highest 25% claiming areas
■ Next 4 boroughs	2 Pay inequality	20:80 hourly pay ratio
■ Next 8 boroughs	3 Homeless acceptances	Homelessness acceptances per 1,000 households in borough
■ Remaining 16 boroughs	4 Temp accommodation	Proportion of temporary accommodation placements outside of borough
	5 Landlord repossessions	Landlord repossessions per 1,000 rented households
	6 Housing affordability	Ratio of lower quartile full-time pay to lower quartile rent for 2-bedroom property
	7 Unemployment ratio	Proportion of working-age population unemployed
	8 Unemployment change	Change in unemployment ratio (over 3 years)
	9 Low pay	Proportion of employees living in area paid below London Living Wage
	10 Low pay change	Change in low pay (over 3 years)
	11 Tax credits	Proportion of children in families receiving tax credits
	12 Out-of-work benefits	Proportion of working-age population receiving out-of-work benefits
	13 GCSE attainment	Proportion of children on free-school-meals not achieving target standard at age 16
	14 Qualifications at 19	Proportion of 19 year olds lacking level 3 qualifications
	15 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.

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New Policy Institute

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