

Poverty Figures for London: 2011/12

Intelligence Update 09-2013

June 2013

Key points

- The number of Londoners living in poverty has seen little change over the last few years.
- More than a third of London's children are in households with income below the poverty line, though rates have again fallen. The poverty rate for children in London, after housing costs, remains higher than for any other region, but is at its lowest level for 16 years.
- Child poverty in Outer London, before housing costs are taken into account, has fallen to the same level it was when the Government set Child Poverty reduction targets.
- Poverty among pensioners in Inner London has fallen in the last year's figures, but it is the only part of the UK where the pensioner poverty rate after taking housing costs into account is higher than using the before housing costs measure.
- Pensioners in Inner London are at least twice as likely to suffer material deprivation as those in any other area, and the proportion is more than four times that in the East of England.
- The latest poverty figures show that working age poverty has decreased in line with the decrease in poverty rates among children in London.

The Government's Child Poverty Target

This Government has maintained the goal of ending child poverty in the UK by 2020 as established by the previous Government. Progress against this target has been measured by the proportion of children living in households with disposable income below 60 per cent of the median (midpoint) of the national income distribution for households, after equivalisation (taking account of differences in household size and composition). Under the original plan was a milestone target of halving child poverty by 2010. Whereas the release of data for 2010/11 provided the opportunity to measure against that target nationally, this was not possible at a regional level. This *Update* provides the latest figures as they relate to London which also give the opportunity for matching against the target in the different regions, including London and the sub-regions of Inner and Outer London.

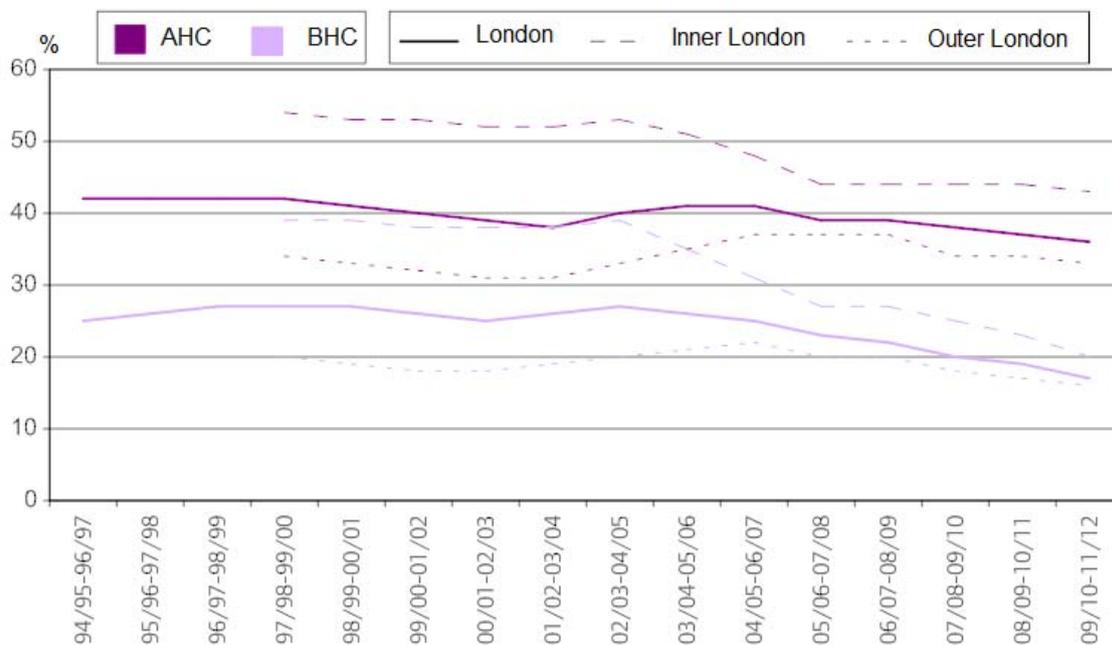
Disposable income is presented in two ways – before housing costs (BHC) and after housing costs (AHC). This is because the costs of housing do not always reflect the value of the housing. For example, two households could have very different costs for comparable standards of housing. It can be argued,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

Results

These latest figures are for the financial year 2011/12. The average measures of the national income distribution – mean and median – rose again, both before and after housing costs, but as over the previous year, only by a small amount, and below the level of inflation, so representing another fall in real terms. Income inequality in the UK remained broadly stable before housing costs are taken into account, but, due to lower levels of housing support, the lower end of the income distribution fared worse than the upper end after housing costs are considered, so on this basis, there was greater income inequality in the UK. The Gini coefficient, which is also a measure of inequality was stable on a before housing costs basis, but rose on an after housing costs basis, confirming this finding. The report does not include figures on the income distribution for London.

The main measure of poverty, the percentage of people in households with incomes below 60 per cent of the national contemporary median, is known as “relative poverty”. Due to sample size restrictions, at regional level, these are presented as a three-year rolling average to improve the robustness of the figures. The time series for London, and for both Inner and Outer London separately are illustrated in Figure 1. In the latest figures (2009/10-2011/12) London has seen a decrease over the previous figures (2008/9-2010/11) in the percentage of children in poverty, both before and after housing costs, of two percentage points BHC and one percentage point AHC, matching those seen in the national figures (see Table 1). Both Inner and Outer London have seen comparable drops in the percentage of children in poverty AHC, in Outer London the percentage of children in poverty BHC dropped by just one percentage point in the latest figures, while Inner London rates fell by three percentage points, narrowing the gap still further. It is clear that these figures do not represent a halving of child poverty since 1998, though child poverty has fallen on all measures except the after housing costs measure for Outer London.

Figure 1: Change in child poverty for London: (three year rolling averages) 1994/95 to 2011/12



Source: FRS 1994/95 – 2011/12

Table 1 gives both national and London time series for the percentage of children living in households with income below 60 per cent of the contemporary national median. It shows that the London figures are clearly at their lowest since the series began on both measures. The UK figures in this table are given as a three year average to give comparability with the London levels, but the published single year figures also show the UK with the lowest poverty levels since 1994/5. While the percentage of London’s children in poverty before housing costs is now below the UK-wide figure, after housing costs are taken into account, the London child poverty level remains very high – still above those seen at any point in the last 16 years nationally.

Table 1: Percentage of children living in households with less than 60 per cent of contemporary median household income, for London and UK 1994/95 –2011/12

		94/5-96/7	95/6-97/8	96/7-98/9	97/8-99/00	98/9-00/1	99/00-01/2	00/1-02/3	01/2-03/4	02/3-04/5	03/4-05/6	04/5-06/7	05/6-07/8	06/7-08/9	07/8-09/10	08/9-10/11	09/10-11/12
London	BHC	25	26	27	27	27	26	25	26	27	26	25	23	22	20	19	17
	AHC	42	42	42	42	41	40	39	38	40	41	41	39	39	38	37	36
UK	BHC	25	26	27	26	25	24	23	23	22	22	22	22	22	21	20	18
	AHC	33	33	34	33	33	31	30	30	29	29	30	30	31	30	29	28

Source: FRS 1994/95 - 2011/12

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

As well as the relative poverty measure, an "absolute" poverty measure is given, which adjusts only for inflation, rather than keeping pace with rising living standards. In the latest publication, this has been rebased to 2010 living standards, and the figures show that in London, using the before housing costs measure, around half the proportion of children are in poverty in the latest figures compared with the number that would have been in poverty if the same living standard had been applied in 1998/9, though the difference is much less dramatic after rising costs of housing have been taken into account. In fact, London's child poverty rates have improved more dramatically than for most areas before housing costs are considered, whereas after housing costs, the story is very different. Up until 2001/02-2003/04, the after housing costs child poverty figures for London had been improving in line with those of other regions, but since then, London has seen much slower improvement, while other regions continued the sharper decline, but since just before the beginning of the recession, the rates have increased in some regions. The regional figures are given in Table 2.

A further measure of poor living standards for families with children is the percentage living in low income and material deprivation. However, a change of questions means that it is not possible to collate these over a three-year period and therefore these data are not available for regions in the current publication. Similarly, the "severe child poverty" measure is not given at regional level in the latest publication. Previous years' figures are given in GLA Intelligence Update 11-2012.

Table 2: Percentage of children living in households with less than 60 per cent of 2010/11 real terms median household income, by region, 1994/95 –2011/12

BHC	94/5- 96/7	95/6- 97/8	96/7- 98/9	97/8- 99/00	98/9- 00/1	99/0- 01/2	00/1- 02/3	01/2- 03/4	02/3- 04/5	03/4- 05/6	04/5- 06/7	05/6- 07/8	06/7- 08/9	07/8- 09/10	08/9- 10/11	09/10- 11/12
England	38	37	36	34	31	28	25	23	22	21	21	21	21	19	18	18
North East	47	46	45	44	43	37	35	32	31	28	27	26	26	24	23	21
North West	42	42	42	42	38	33	29	27	24	24	23	25	24	23	21	21
Yorks and Humber	44	42	41	41	38	34	30	27	26	24	24	24	24	23	23	23
East Midlands	40	37	35	34	32	29	27	24	23	22	22	24	23	21	17	17
West Midlands	40	41	39	37	35	33	30	27	26	26	26	27	28	27	25	23
East of England	31	30	30	27	23	19	16	16	15	15	15	15	15	15	15	14
London	39	39	38	36	34	31	28	27	27	26	24	22	21	19	18	17
South East	28	27	24	23	20	18	15	14	13	13	15	15	14	13	12	12
South West	36	35	34	32	28	25	21	19	18	17	16	17	16	15	14	14
Wales	44	43	40	39	37	34	31	28	26	23	24	25	25	23	21	24
Scotland	40	40	38	36	34	32	29	26	23	22	21	20	20	19	18	17
Northern Ireland	..	..	..	..	36	33	29	27	25	25	23	22	22	23	22	24
United Kingdom	38	37	36	35	32	29	26	24	22	21	21	21	21	20	18	18
AHC																
England	45	44	43	41	39	36	33	30	29	28	28	29	29	28	28	28
North East	52	51	49	49	47	40	38	34	34	31	30	30	30	29	29	28
North West	48	47	47	46	44	40	36	33	30	29	29	31	31	31	30	31
Yorks and Humber	48	46	45	45	43	39	35	33	30	29	28	28	29	30	30	31
East Midlands	45	43	40	38	36	33	31	28	27	26	27	28	27	26	23	25
West Midlands	46	46	44	42	41	39	36	33	30	31	30	32	32	33	32	32
East of England	39	37	37	34	32	28	25	23	22	23	23	24	24	24	23	24
London	51	51	49	48	47	44	41	39	39	39	39	37	37	35	35	35
South East	37	36	34	32	30	28	25	23	21	21	23	23	24	22	22	21
South West	45	45	43	41	37	34	30	29	26	25	24	24	23	23	24	25
Wales	50	47	44	43	42	39	36	32	30	27	27	29	29	31	30	33
Scotland	45	45	43	40	38	36	32	29	26	24	23	22	23	23	23	22
Northern Ireland	..	..	..	..	36	33	30	28	26	25	23	23	23	25	25	26
United Kingdom	45	44	43	41	39	36	33	30	28	28	28	28	28	28	27	28

Source: FRS 1994/95 - 2011/12

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

Poverty amongst other groups

Working Age poverty figures: 2008/09-2011/12

The proportions of people of working age in households with incomes below 60 per cent of the national median, after adjusting for household composition, are lower than for children, which is not surprising, given that some live with children and some without. The latest figures for the London proportion of working age adults living in poverty using both the Before and After Housing Costs measures have fallen slightly, due to

a decrease in Outer London, whereas the latest Inner London and national (single year) figures have stayed the same as for the previous year. The gap between the child and working age poverty rates Before Housing Costs has remained constant, with the child poverty rates three percentage points higher than those for working age people both nationally and within London, whereas the differences using the after housing costs measure are greater in London than the UK average, with both Inner and Outer London poverty rates nine percentage points higher for children than working-age adults, whereas the UK difference is seven percentage points.

Table 3: Percentage of people of working age in households with income below 60 per cent of national median

	UK	London	Inner London	Outer London
Before Housing Costs	15	14	17	13
After Housing Costs	21	27	32	24

Source: FRS 2009/10 - 2011/12

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

Pensionable Age poverty figures: 2009/10-2011/12

Poverty among pensioners is higher than among people of working age but lower than for children on a before housing costs basis, and for the first time, the latest figures show lower rates of pensioner poverty in Inner London than in Outer London, using the before housing costs measure.

Pensioners form the only age group where, nationally, the risk of being in poverty is lower after taking account of housing costs. However, in Inner London, as for the other age groups, the after housing costs rate is higher and the difference between the before and after housing costs rates is significant. Although both rates are lower than those for the previous year, the pensioner poverty rate, using the after housing costs basis, is still clearly higher than for other regions, and indeed, Inner London is the only area for which after housing costs poverty is higher for pensioners than the before housing costs measure. In Outer London, the figures follow the national trend, with only marginal difference from the previous year's rates and with pensioners more likely to be in poverty using the before housing costs measure than after taking housing costs into account. However, the difference is less than for other regions, with Outer London pensioners more likely to be in poverty after taking account of housing costs than pensioners in other regions. London's overall pensioner poverty rates show a slight decrease on those for the previous year.

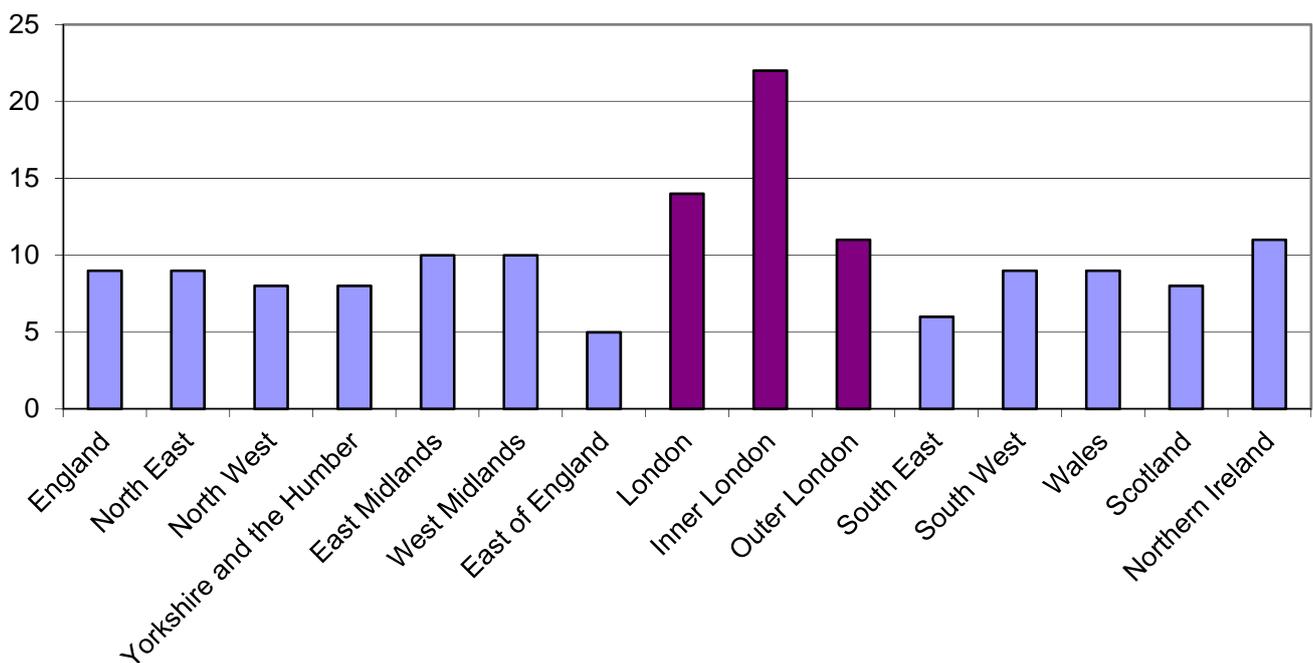
Table 4: Percentage of people of pensionable age in households with income below 60 per cent of national median

	UK	London	Inner London	Outer London
Before Housing Costs	16	18	17	19
After Housing Costs	14	18	23	17

Source: FRS 2009/10 - 2011/12

A measure of material deprivation¹ for pensioners has been published for the first time at regional level. It clearly shows that pensioners in London are at a much higher risk of material deprivation than those elsewhere in the UK. The proportion of pensioners in Inner London suffering from material deprivation was clearly higher than in any other region. It was twice that for Outer London and Northern Ireland, which were the next highest regions, and more than four times that of the East of England. Figure 2 shows the variation across the United Kingdom.

Figure 2: Material deprivation levels among people of pensionable age by region: (three year average) 2009/10 to 2011/12



Source: FRS 1994/95 - 2011/12

All ages poverty figures: 2009/10-2011/12

The three age groups above (pensioners, working age people and children) combine to give overall figures for Londoners in poverty very close to the national average using the before housing costs measure. After housing costs, London again had the highest rate for any region, marginally lower than the previous figure, at 28 per cent. Both Inner and Outer London had higher poverty rates overall after housing costs than any other region of the UK.

¹ Material deprivation for pensioners is a calculated score for people of pensionable age who are unable to afford various items or unable to take part in activities due to health/disability issues or because they have no-one to do it with or to help them. Included in the list are items such as at least one filling meal a day, a waterproof coat, being able to keep their home warm and in a good state of repair, having hair cut regularly, going out at least once a month and taking a holiday away from home.

Table 5: Percentage of individuals in households with income below 60 per cent of national median

	UK	London	Inner London	Outer London
Before Housing Costs	16	16	17	15
After Housing Costs	21	28	33	25

Source: FRS 2009/10 - 2011/12

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

Explanation of terms

Before Housing Costs

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

After Housing Costs

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

Equivalisation

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

Material deprivation for children

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

Material deprivation for pensioners

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