

Poverty figures for London: 2008/09

Summary data from the Households Below Average Income series.

Key points

- The percentage of Londoners living in poverty has increased.
- Children, particularly those in workless households, remain the group most likely to live in low income. The poverty rate for children in London, after housing costs, remains at 39 per cent, higher than for any other region, showing little change over the last decade.
- Poverty rates for children in both Inner and Outer London, have remained unchanged, with 44 per cent of children in Inner London living in poverty, but the increased rate of 37 per cent for Outer London last year has not increased further.
- Pensioners in London have a higher risk of being in poverty (before housing costs) in the latest figures than at any other time in over a decade, whereas for other regions the risk has reduced. Inner London is also the only region where a higher proportion of pensioners live in poverty using the after housing costs measure than before housing costs are taken into account.
- The percentage of working age people living in poverty has increased in Inner London.

The Government's Child Poverty Target

The new coalition Government has published a programme for government stating that it will maintain the goal of ending child poverty in the UK by 2020 as established by the previous Government. This is its first commitment for Families and Children. Progress against this target is 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).

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.

These latest figures are for the financial year 2008/09; and reveal that the national income distribution continued to rise, with the mean and median figures both before and after housing costs showing an increase on the previous year. These figures cannot incorporate the full effects of the recession, so the question of how this will impact on the relative poverty figures remains.

Child poverty figures for London

Based on three year averages, in 2006/07-2008/09 Greater London still had the highest rate of child poverty on an AHC basis of any region or country in the UK, at **39 per cent**, no change from the figures for 2005/06-2007/8. This is nearly 25 per cent more than the national rate (see Table 1). On a BHC basis, the child poverty rate overall in London (**22 per cent**) was similar to the national rate, and again was marginally lower than for the previous year, although the rates for Inner and Outer London were unchanged. The London rate, and indeed both the Inner and Outer London rates were still higher than for neighbouring regions or the South West.

The last three years' (rolling average) figures show that whereas Inner London poverty rates had been falling, this is no longer the case. They remain higher than for any other region with 44 per cent of all children in Inner London living in households with incomes below 60 per cent of median income after housing costs. Even using the BHC measure, the rate is close to the highest rates of any Government Office region. This represents around 260,000 children in Inner London in poverty on the AHC measure and 160,000 on the BHC measure. The picture for Outer London is quite different in that its rates had been rising but also showed no change in the latest figures and it too has a poverty rate for children higher than any region outside London after housing costs are taken into account at 37 per cent. This represents a higher number of children – around 370,000, compared with 200,000 (20 per cent) on the BHC measure. Chart 1 shows these trends.

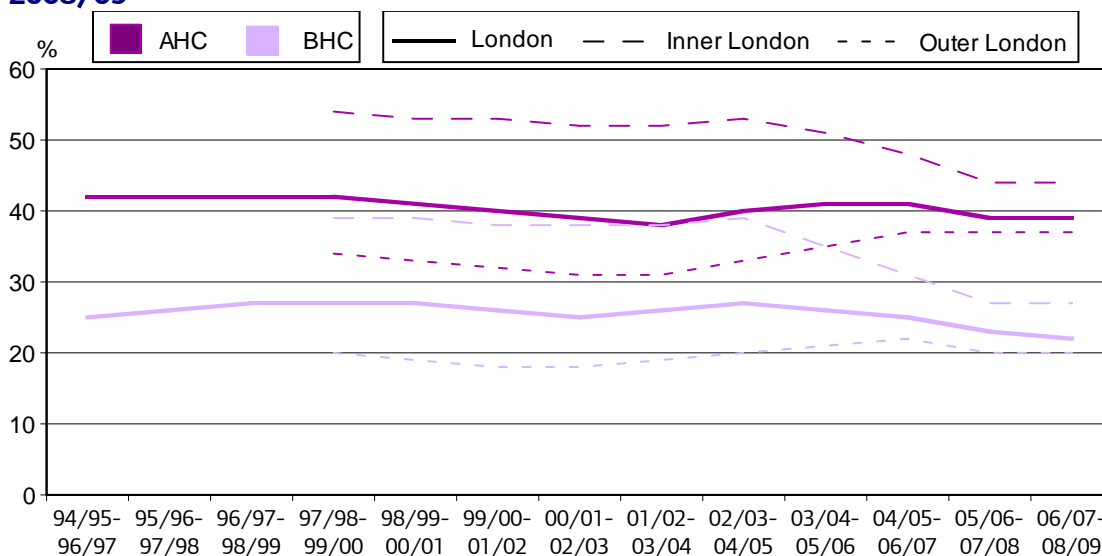
Table 1 Percentage of children falling into low-income groups by region, 2005/06 -2008/09

| | Before Housing Costs | After Housing Costs | All children (millions) |
|--------------------------|-------------------------------------|------------------------------------|------------------------------------|
| England | 22 | 31 | 10.8 |
| North East | 28 | 34 | 0.5 |
| North West | 26 | 33 | 1.5 |
| Yorkshire and the Humber | 26 | 31 | 1.1 |
| East Midlands | 25 | 30 | 0.9 |
| West Midlands | 29 | 36 | 1.2 |
| Eastern | 16 | 26 | 1.2 |
| London | 22 | 39 | 1.6 |
| Inner | 27 | 44 | 0.6 |
| Outer | 20 | 37 | 1.0 |
| South East | 15 | 26 | 1.8 |
| South West | 17 | 26 | 1.0 |
| Scotland | 21 | 25 | 1.0 |
| Wales | 26 | 32 | 0.6 |
| Northern Ireland | 24 | 26 | 0.4 |
| United Kingdom | 22 | 31 | 12.8 |

Source: FRS 2007/07 - 2008/09

Note: Figures are for children in households with income below 60 per cent median

Chart 1 Change in child poverty for London: (three year rolling averages) 1994/95 to 2008/09



Source: FRS 1994/95 - 2008/09

Table 2 shows 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, showing marginal improvement for the UK as a whole, and some improvement in London using the before housing costs so that once again it is similar to the national average, whereas the percentage of London's children in poverty after taking into account housing costs remains high and is getting no closer to the national average.

Table 2 Percentage of children living in households with less than 60 per cent of contemporary median household income, for London and UK 1994/95 -2008/09

| | | 94/95-96/97 | 95/96-97/98 | 96/97-98/99 | 97/98-99/00 | 98/99-00/01 | 99/00-01/02 | 00/01-02/03 | 01/02-03/04 | 02/03-04/05 | 03/04-05/06 | 04/05-06/07 | 05/06-07/08 | 06/07-08/09 |
|--------|-----|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| London | BHC | 25 | 26 | 27 | 27 | 27 | 26 | 25 | 26 | 27 | 26 | 25 | 23 | 22 |
| | AHC | 42 | 42 | 42 | 42 | 41 | 40 | 39 | 38 | 40 | 41 | 41 | 39 | 39 |
| UK | BHC | 25 | 26 | 27 | 26 | 25 | 24 | 23 | 23 | 22 | 22 | 22 | 22 | 22 |
| | AHC | 33 | 33 | 34 | 33 | 33 | 31 | 30 | 30 | 29 | 29 | 30 | 30 | 31 |

Source: FRS 1994/95 - 2008/09

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.

However, taking the national median income for 1998/99 held constant in real terms, ie adjusting for costs of living only, rather than for generally improving standards of living, which the contemporary median does, the picture is quite different. Child poverty in London using this method has matched the national decrease on the BHC basis, falling from 30 per cent in 1994/95-1996/97 to 14 per cent in 2006/07-2008/09, compared with 29 per cent down to 13 per cent nationally. On the basis of similar calculations on the AHC basis, the national figure has halved from 37 per cent to 19 per cent, while the London figure has only reduced from 44 per cent to 27 per cent. West Midlands is the only other region with a reduction under 40 per cent on this basis. The regional figures are given in Table 3.

Table 3 Percentage of children living in households with less than 60 per cent of 1998/99 real terms median household income, by region, 1994/95 –2008/09

| | 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 | |
|-----------------------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----|
| Before Housing Costs | | | | | | | | | | | | | |
| England | 29 | 28 | 27 | 25 | 22 | 19 | 16 | 14 | 13 | 13 | 13 | 13 | 13 |
| North East | 37 | 36 | 35 | 33 | 30 | 24 | 22 | 19 | 17 | 15 | 14 | 14 | 14 |
| North West | 34 | 33 | 34 | 31 | 27 | 21 | 18 | 17 | 15 | 15 | 14 | 15 | 15 |
| Yorkshire and the Humber | 34 | 33 | 32 | 31 | 28 | 24 | 19 | 16 | 15 | 14 | 15 | 15 | 15 |
| East Midlands | 30 | 28 | 26 | 24 | 24 | 21 | 19 | 15 | 14 | 13 | 13 | 15 | 14 |
| West Midlands | 31 | 32 | 30 | 28 | 25 | 23 | 20 | 17 | 16 | 16 | 16 | 17 | 17 |
| East of England | 23 | 21 | 21 | 19 | 16 | 13 | 10 | 10 | 9 | 10 | 9 | 9 | 10 |
| London | 30 | 30 | 28 | 27 | 24 | 21 | 18 | 16 | 16 | 17 | 16 | 15 | 14 |
| South East | 20 | 19 | 18 | 16 | 14 | 12 | 9 | 8 | 8 | 9 | 10 | 10 | 9 |
| South West | 26 | 25 | 25 | 23 | 19 | 16 | 13 | 12 | 11 | 10 | 10 | 10 | 11 |
| Scotland | 33 | 33 | 31 | 28 | 25 | 21 | 18 | 16 | 15 | 13 | 12 | 12 | 12 |
| Wales | 35 | 34 | 31 | 30 | 27 | 22 | 18 | 14 | 14 | 13 | 14 | 15 | 15 |
| Northern Ireland | .. | .. | .. | .. | 27 | 22 | 19 | 17 | 16 | 15 | 14 | 13 | 14 |
| United Kingdom | 29 | 29 | 28 | 26 | 23 | 19 | 16 | 14 | 14 | 13 | 13 | 13 | 13 |
| After Housing Costs | | | | | | | | | | | | | |
| England | 37 | 36 | 35 | 33 | 31 | 27 | 24 | 21 | 20 | 19 | 19 | 20 | 20 |
| North East | 42 | 41 | 41 | 40 | 37 | 31 | 28 | 24 | 22 | 18 | 18 | 19 | 21 |
| North West | 40 | 39 | 40 | 37 | 34 | 28 | 25 | 22 | 20 | 20 | 20 | 21 | 20 |
| Yorkshire and the Humber | 38 | 37 | 37 | 36 | 33 | 28 | 24 | 21 | 19 | 17 | 17 | 18 | 19 |
| East Midlands | 36 | 33 | 31 | 29 | 28 | 25 | 23 | 20 | 19 | 18 | 18 | 19 | 18 |
| West Midlands | 36 | 37 | 35 | 33 | 32 | 29 | 26 | 23 | 20 | 20 | 20 | 22 | 22 |
| East of England | 32 | 29 | 29 | 27 | 24 | 21 | 18 | 16 | 15 | 15 | 15 | 15 | 16 |
| London | 44 | 44 | 43 | 42 | 39 | 37 | 33 | 31 | 30 | 30 | 29 | 27 | 27 |
| South East | 30 | 28 | 27 | 25 | 23 | 21 | 17 | 16 | 15 | 15 | 16 | 16 | 16 |
| South West | 35 | 34 | 33 | 31 | 28 | 24 | 21 | 19 | 16 | 15 | 16 | 17 | 17 |
| Scotland | 36 | 35 | 33 | 31 | 29 | 25 | 21 | 19 | 17 | 16 | 15 | 14 | 14 |
| Wales | 41 | 40 | 37 | 35 | 34 | 30 | 26 | 22 | 20 | 19 | 19 | 21 | 21 |
| Northern Ireland | .. | .. | .. | .. | 26 | 23 | 21 | 19 | 17 | 15 | 13 | 14 | 14 |
| United Kingdom | 37 | 36 | 35 | 33 | 31 | 27 | 24 | 21 | 19 | 19 | 19 | 19 | 19 |

Source: FRS 1994/95 - 2008/09

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.

A further measure of poor living standards for families with children is the percentage living in low income and material deprivation. A family is in low income and material deprivation if they have a material deprivation score of 25 or more (see explanation of terms at end of this Update) and a household income below 70 per cent contemporary median income, before housing costs. This potentially gives a good measure of whether people are able to achieve reasonable or expected standards of living.

At 19 per cent, the proportion of London's children in this form of deprivation, is lower than the previous figure but is still above the national average whereas using just the before housing costs measure, the London figure matched that for the UK as whole. The Inner London figure is 23 per cent, again showing a decrease on previous figures.

Table 4 Percentage of children living in households with low income and material deprivation, by region, 2004/05 –2008/09

| | 2004/05- 2006/07 | 2005/06- 2007/08 | 2006/07- 2008/09 |
|-----------------------------|---------------------|---------------------|---------------------|
| England | 16 | 17 | 17 |
| North East | 20 | 20 | 20 |
| North West | 19 | 20 | 21 |
| Yorkshire and the Humber | 17 | 17 | 19 |
| East Midlands | 17 | 19 | 19 |
| West Midlands | 20 | 21 | 21 |
| East of England | 11 | 10 | 11 |
| London | 22 | 21 | 19 |
| Inner | 29 | 26 | 23 |
| Outer | 19 | 18 | 17 |
| South East | 11 | 11 | 11 |
| South West | 13 | 13 | 14 |
| Scotland | 15 | 15 | 16 |
| Wales | 18 | 17 | 17 |
| Northern Ireland | 15 | 14 | 14 |
| | | | |
| United Kingdom ¹ | 16 | 17 | 17 |

Source: FRS 2004/05 - 2008/09

Notes: 1 Figures are three-year averages, except UK figure, which is based on a single year 2008/09

2 Figures are for children in households with income before housing costs below 70 per cent median and a material deprivation score of 25 or more (see footnote).

Poverty amongst other groups

The proportions of people of working age in households with incomes below 60 per cent of the national median, after adjusting for household composition, are lower than for children, which is not surprising, given that some live with children and some without. The London proportion living in poverty using the Before Housing Costs measure is now lower than the national figure, probably reflecting high wages in London, but after housing costs are taken into account, the reverse is true (see Table 5).

There is only slight change in the proportion of people of working age in poor households for the UK, London as a whole and Outer London, but there has been an increase for Inner London on both before and after housing costs measures putting it very much higher than for any other region on the AHC measure.

Table 5 Working Age poverty figures: 2008/09

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 | 16 | 15 | 17 | 14 |
| After Housing Costs | 21 | 25 | 28 | 24 |

Source: FRS 2006/07 - 2008/09

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

Poverty among pensioners is higher than among people of working age but lower than for children on a before housing costs basis. 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, the AHC rate is still higher than on a BHC basis, and higher than for other age groups, whereas in Outer London, the figures follow the national trend, with the AHC rate below that for other age groups.

The latest figures show increases in pensioner poverty in London, along with the East of England, on both before and after housing costs measured, which are not reflected in the national figures.

Table 6 Pensionable Age poverty figures: 2006/7-2008/09

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 | 22 | 22 | 23 | 22 |
| After Housing Costs | 18 | 23 | 29 | 20 |

Source: FRS 2006/07 - 2008/09

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. Using the after housing costs measure, London again had the highest rate for any region with 28 per cent, and while the national rate was slightly below the previous figures, the London rates, reflecting the Inner London change, have increased slightly both before and after housing costs are taken into account.

Table 7 All ages poverty figures: 2008/09

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

| | UK | London | Inner London | Outer London |
|----------------------|----|--------|--------------|--------------|
| Before Housing Costs | 18 | 18 | 19 | 17 |
| After Housing Costs | 22 | 28 | 31 | 26 |

Source: FRS 2006/07 - 2008/09

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.

The Households Below Average Income series up to 2004/5, used the McClements scales for equivalising household income for the main results. The Government's first Public Service Agreement target on child poverty also employed the McClements scales. The 2004 Spending Review stated that future child poverty measurement should use the Modified-OECD scale. In line with this, and following user consultation, mainstream HBAI results for the 2005/06 publication switched from McClements to Modified OECD.

Material deprivation

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.

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