

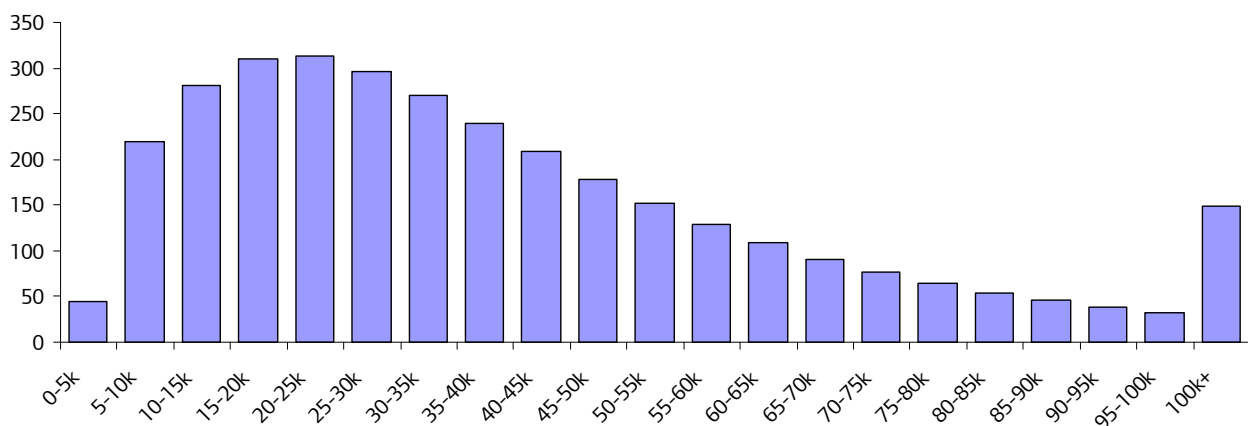
PayCheck 2010

Background

This *Update* focuses on levels and distribution of household income using figures from the 2010 PayCheck dataset. PayCheck is produced by CACI Solutions and provides modelled estimates of gross household income including income derived from investments and social security benefits. Two separate estimates of gross income are given, unequivalised and equivalised. Equivalised income estimates take into account the size and composition of a household and reflect the idea that a larger household would require a higher income than a small household in order to achieve an equivalent standard of living. The equivalence scale used in PayCheck data is a form of the McClements Scale, however calculations and estimates are made at post-code rather than household level. The scales assumes that the equivalised income of a couple with no children is equal to their actual income. The equivalised income of a large household is less than its actual income and the equivalised income of a one person household is greater than its actual income (see Appendix A).

Chart 1 shows the distribution of London households between £5k bands of unequivalised household income. Exactly 50 per cent of households in London had an unequivalised household income between £15k and £45k per year. One in twenty households had an annual household income in excess of £100k, equivalent to about 150 thousand households.

Chart 1: Number of households at £5k bands of unequivalised household income, thousands



Source: PayCheck 2010, CACI

The analysis presented in this *Update* focuses on the median measure of gross household income rather than the mean. A mean income would be skewed by a small number of extremely high earners, who would fall into the greater than £100k per annum category. In contrast, the median measure ranks all values and takes the mid-point, thereby reducing the effect of extremes. The median income estimates are used widely by the government when measuring poverty. According to PayCheck figures for 2010, the median unequivalised household income in London was £33,441. This was £7,012 (17 per cent) lower than the mean figure of £40,453.

Results

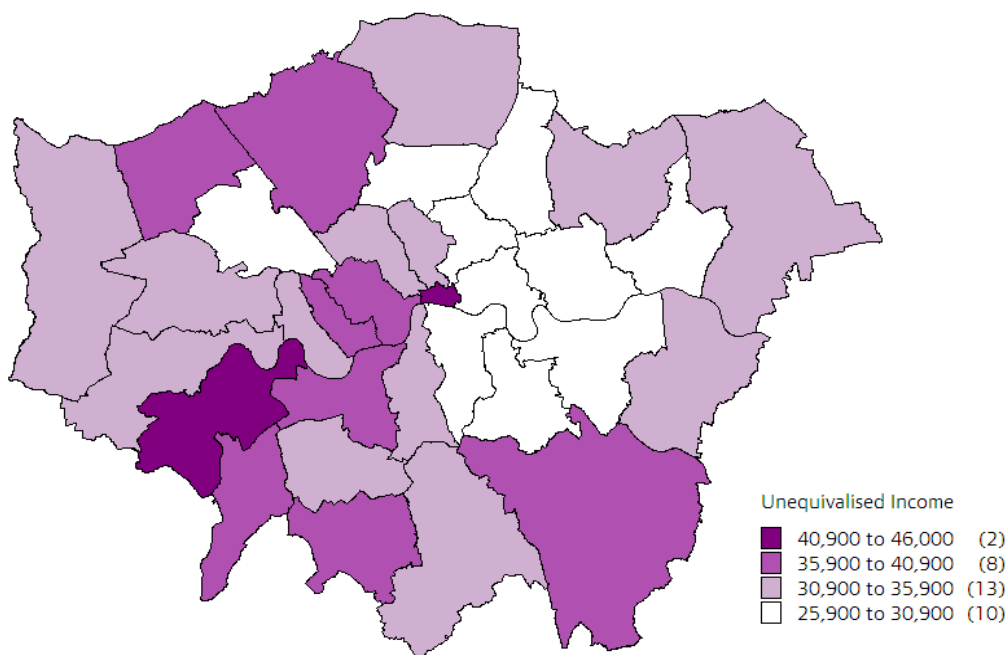
London and Borough Level

London's unequivalised median gross household income in 2010 was £33,441, almost £5000 higher than the Great Britain average of £28,445. The 2010 figure represents an increase of £11 on the previous year. Figures for Great Britain show a decrease of three per cent from £29,363 in 2009 to £28,445 in 2010.

When equivalised the London median income fell by 11 per cent to £30,168. In Great Britain the equivalised figure fell to £26,518 a decrease of seven per cent. Within London, unequivalised income was highest in the outer London boroughs at £34,036 almost £1,500 more than in inner London (£32,588). However, equivalisation sees the outer London figure fall by over £3000 to £30,507, almost a thousand pounds lower than the equivalised inner London figure of £31,379 (see Table 1).

This largely reflects relatively fewer one person households in outer London boroughs, not necessarily the presence of larger families. Within London (excluding the City of London), median unequivalised income was highest in Richmond upon Thames at £44,003 (see Map 1). Kensington & Chelsea has the highest income when equivalised at £39,196. Newham has the lowest income on both scales at £25,982 (unequivalised) and £23,984 (equivalised) (see Map 2). Harrow had the largest difference between the two measures at 15 per cent, four percentage points higher than the next widest differential. In Westminster, Kensington & Chelsea and Camden, the equivalised estimates were almost equal to the unequivalised figures. In these boroughs, average household size is lower than elsewhere in London (see Map 3).

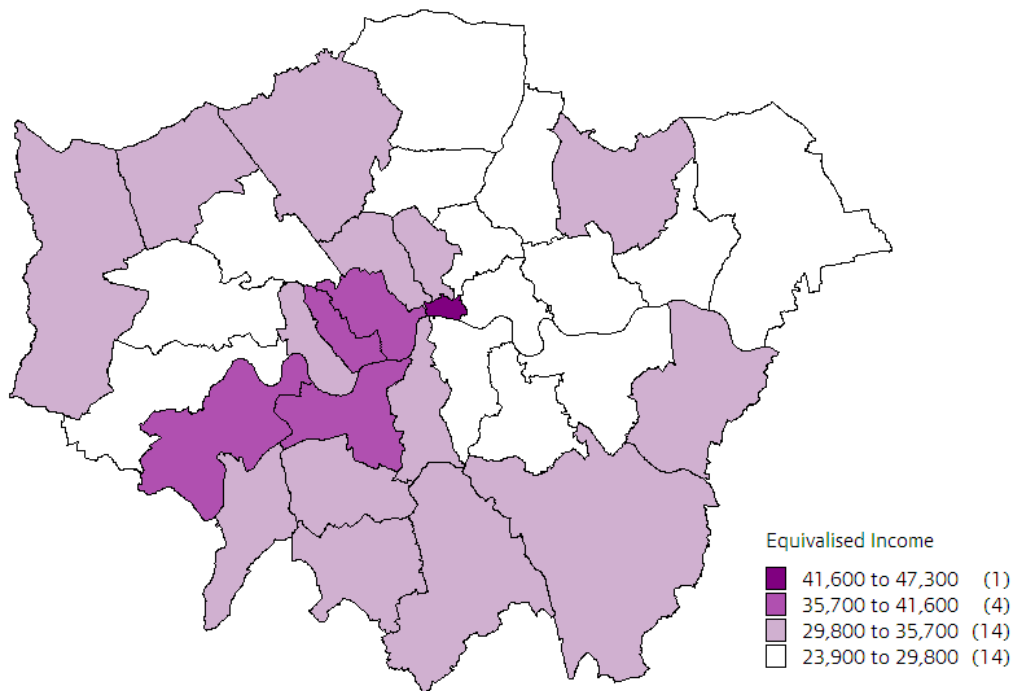
Map 1: Median unequivalised gross annual household income, by borough (£).



© Crown copyright. All rights reserved (LA100032379) (2010)

Source: PayCheck 2010, CACI

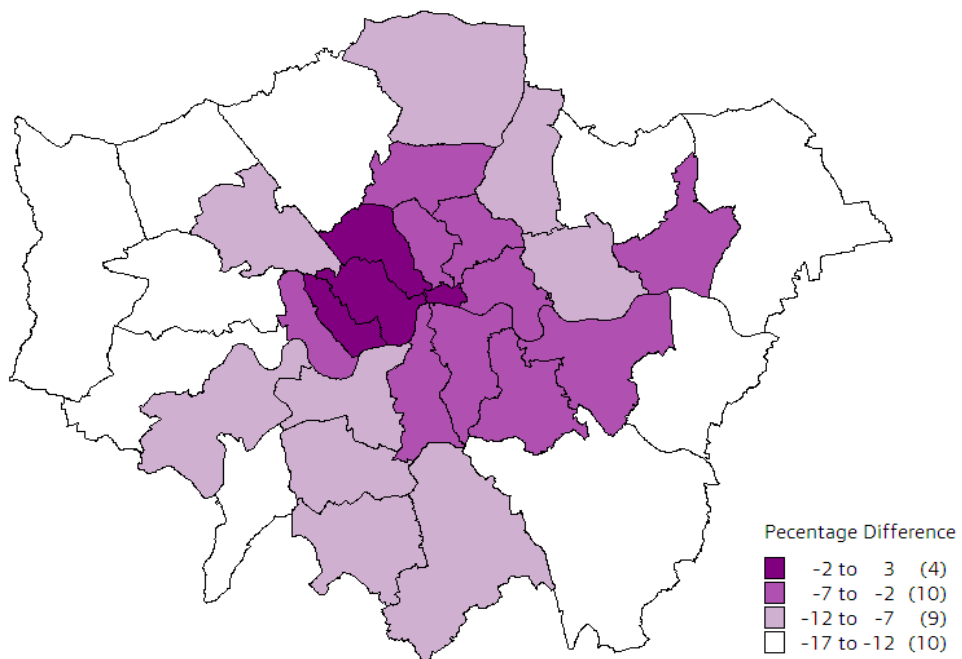
Map 2: Median equivalised gross annual household income, by borough (£).



© Crown copyright. All rights reserved (LA100032379) (2010)

Source: PayCheck 2010, CACI

Map 3: Percentage difference between unequivalised and equivalised median gross household income, by borough.

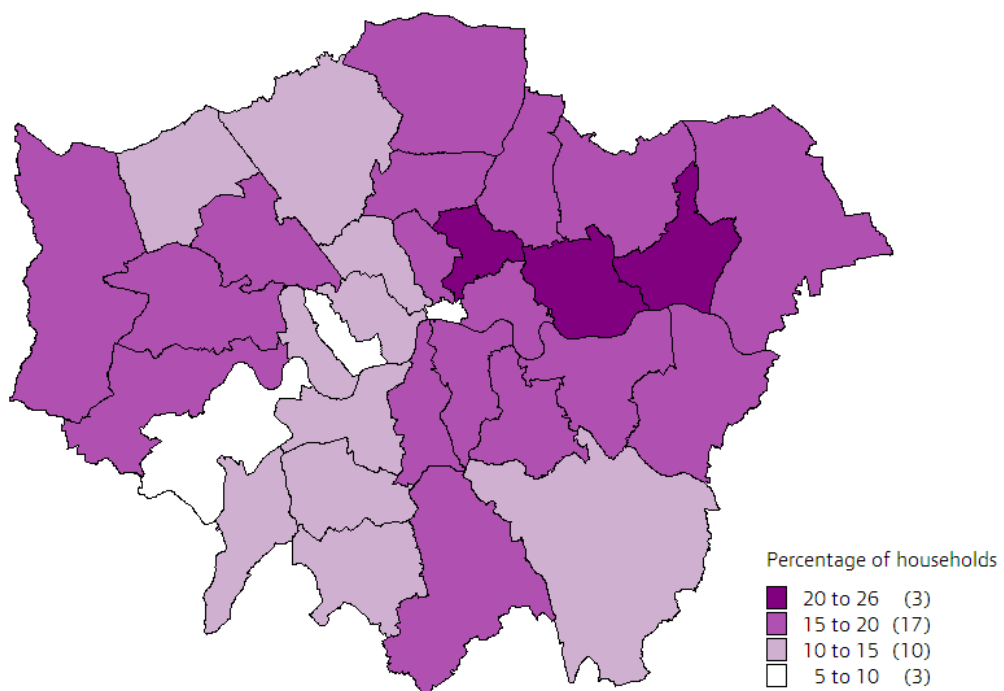


© Crown copyright. All rights reserved (LA100032379) (2010)

Source: PayCheck 2010, CACI

The poverty line is defined by the government as 60 per cent of median net income. Figures from the Households Below Average Income dataset suggest that during 2006/07 to 2008/09 28 per cent of all individuals in London lived below the poverty line (after housing costs are deducted). Child poverty is a longstanding issue in the capital with 39 per cent of all children living below the poverty line, rising to 44 per cent in Inner London. Using PayCheck to calculate the official poverty line shows 60 per cent of median net income in London is equivalent to £21,100. PayCheck provides estimates of the number of households within a range of income bands (at £5k intervals), from more than £100k down to those households with a gross income of less than £15K per annum (approximately 50 per cent of median equivalised income). It is estimated that 16 per cent of households across London have an equivalised annual income lower than £15k, compared with 21 per cent in Great Britain. Little difference exists between the aggregated rates for inner and outer London, however there is significant variance across London boroughs. One in four households in Newham have a household income of less than £15K per year. A further two boroughs (Barking & Dagenham and Hackney) have more than one in five households with low incomes (see Map 4). This compares with Richmond upon Thames and Kensington & Chelsea where just eight and nine per cent of all households have annual incomes lower than £15K, respectively.

Map 4: Percentage of households with equivalised household income of less than £15,000 per year, by borough.

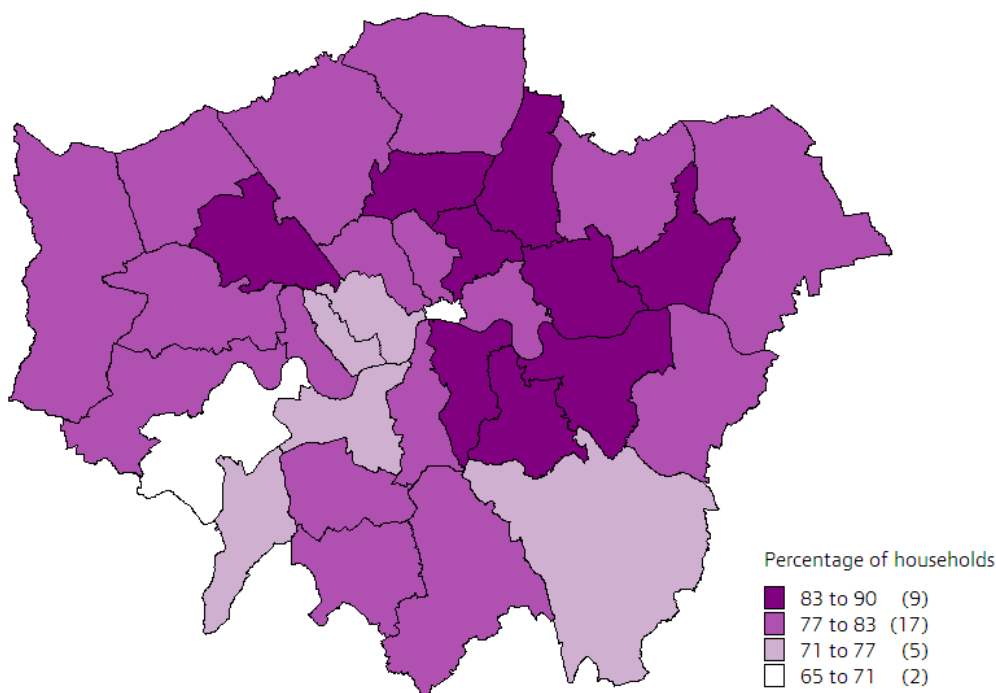


© Crown copyright. All rights reserved (LA100032379) (2010)

Source: PayCheck 2010, CACI

In 2009, the government introduced the “First Time Buyer Initiative”¹ to mediate against increasingly prohibitive lending conditions. In order to qualify for assistance, household income must not exceed £60,000 per annum. The proportion of households in London with an annual income under £60,000 is 80 per cent, compared with 85 per cent of households in Great Britain. Barking & Dagenham and Newham had the highest proportion at 89 per cent. Excluding the City, Richmond upon Thames had the lowest proportion of households with an income under £60,000 at 68 per cent (see Map 5).

Map 5: Percentage of households with unequivalised household income less than £60,000 per year, by borough.



© Crown copyright. All rights reserved (LA100032379) (2010)

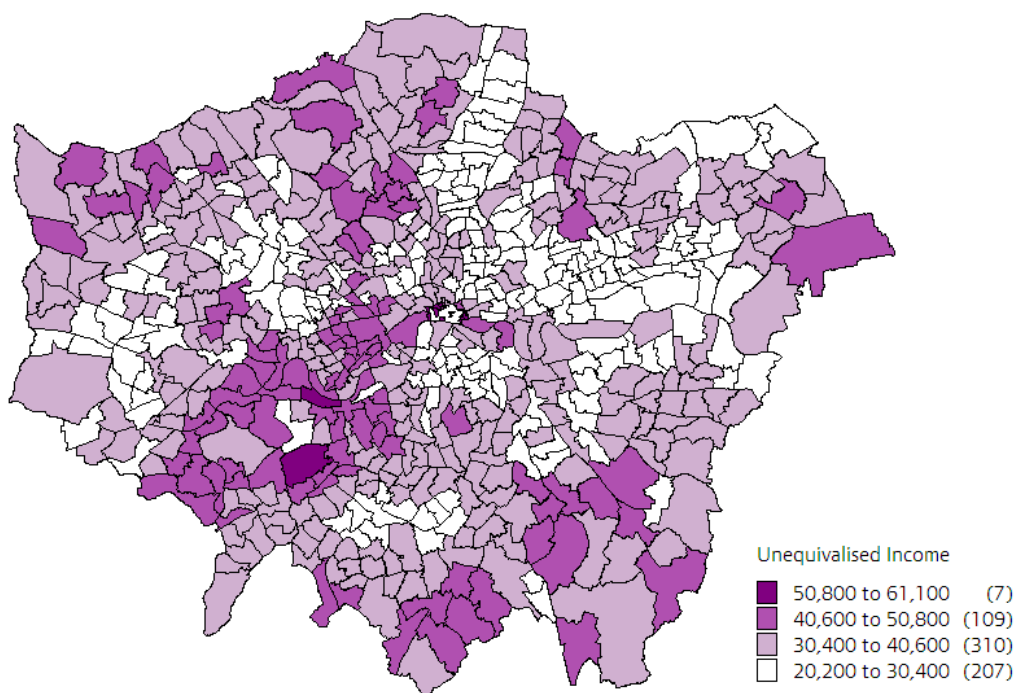
Source: PayCheck 2010, CACI

Ward Level

Map 6 shows median unequivalised income by ward in London. Lower incomes are clearly concentrated in the East, particularly within Newham, Haringey and Barking & Dagenham. Median gross household income exceeds £30,000 per annum in just a single ward in Newham (Royal Docks). Small clusters of wards with low incomes can also be seen in Southwark, Lewisham and Croydon in the south, Brent and Enfield to the North, and Ealing and Hounslow in the West. Excluding wards in the City, Thamesfield ward in Wandsworth had the highest median income at £51,569, compared with the lowest in Fieldway ward in Croydon at £20,258.

¹ <http://www.housingoptions.co.uk/>

Map 6: Median unequivalised gross annual household income, by ward (£).



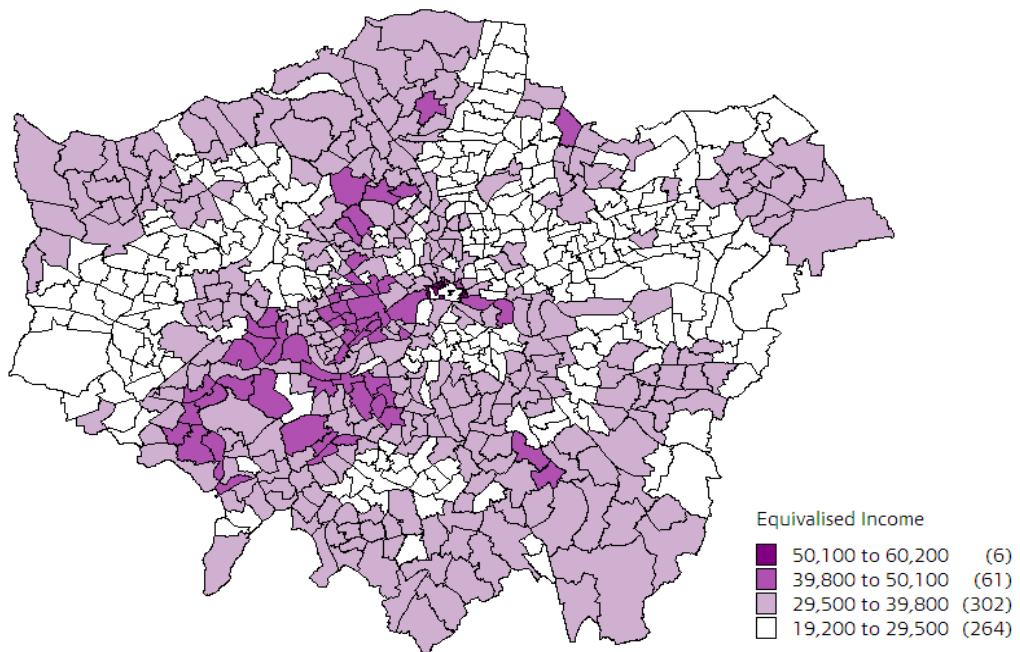
© Crown copyright. All rights reserved (LA100032379) (2010)

Source: PayCheck 2010, CACI

Equivalisation of the estimates generates a large increase in the proportion of wards located in the bottom band between Maps 6 and 7. More than two in five wards in London are ranked in the bottom quarter of the income range when equivalised (£19,200 to £29,500) (see Map 7), compared to 33 per cent when unequivalised (£20,200 to £30,400) (see Map 6). Fieldway Ward retains the lowest median income of any ward at £19,210, followed by East Ham North in Newham (£19,738) and Southall Green in Ealing (£20,132). Queen's Gate ward in Kensington & Chelsea has the highest median equivalised household income at £48,930.

In eight wards across five London boroughs (Ealing, Croydon, Brent, Redbridge and Harrow) the median income estimate falls by more than 25 per cent when equivalised, peaking in Belmont in Harrow, with a decrease of over 28 per cent. More than 50 wards had a higher equivalised income than unequivalised, this is equivalent to nine per cent of all wards and is due to the relatively high numbers of one person households in these areas. More than half of these wards (54 per cent) are located in Westminster, Kensington & Chelsea, Camden or the City of London (see Map 8).

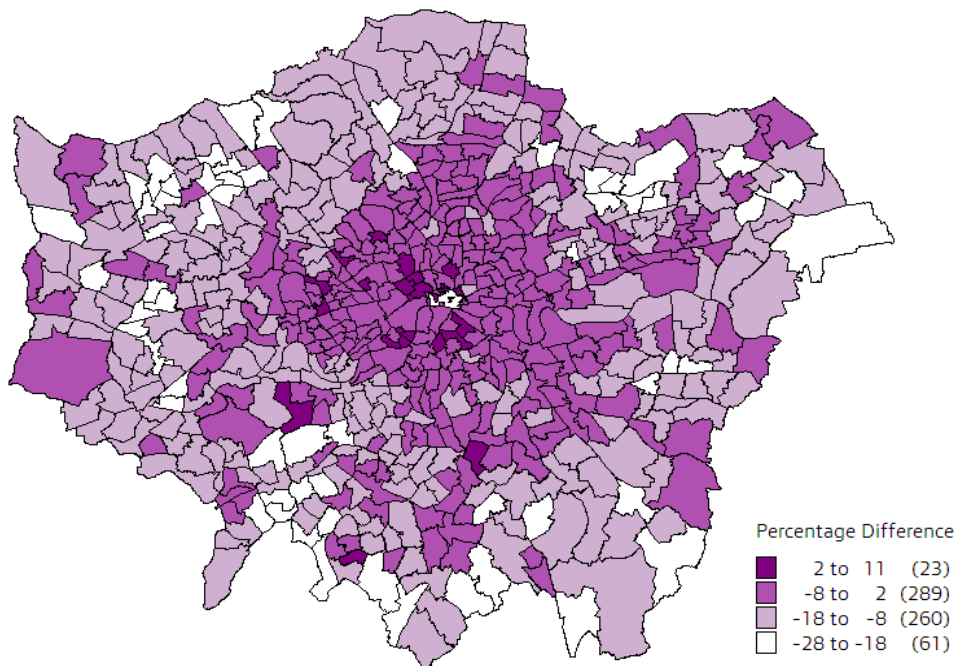
Map 7: Median equivalised gross annual household income, by ward (£).



© Crown copyright. All rights reserved (LA100032379) (2010)

Source: PayCheck 2010, CACI

Map 8: Percentage difference between unequivalised and equivalised median gross household income, by ward.

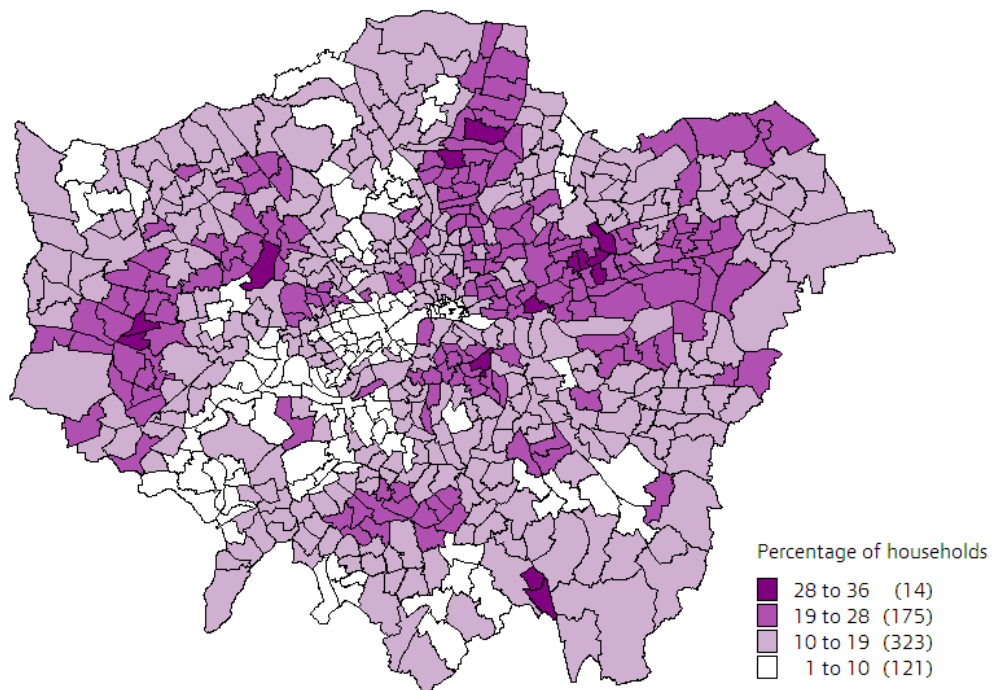


© Crown copyright. All rights reserved (LA100032379) (2010)

Source: PayCheck 2010, CACI

Map 9 shows the percentage of households with a gross equivalised annual household income less than £15,000. Wards with low incomes are clearly concentrated in North East London, particularly in Haringey, Hackney, Newham and Barking & Dagenham. Further pockets exist in Greenwich, Southwark, Brent, Ealing and Hounslow. In total, eight wards have more than 30 per cent of households with an income of less than £15,000. Newham has four of the ten highest percentages (East Ham Central, East Ham North, Little Ilford and Green Street East), however Fieldway ward in Croydon has the highest rate at 36 per cent. Excluding the City of London, Kensington & Chelsea has the three wards with the lowest percentage of households with incomes lower than £15,000.

Map 9: Percentage of households with equivalised household income of less than £15,000 per year, by ward.

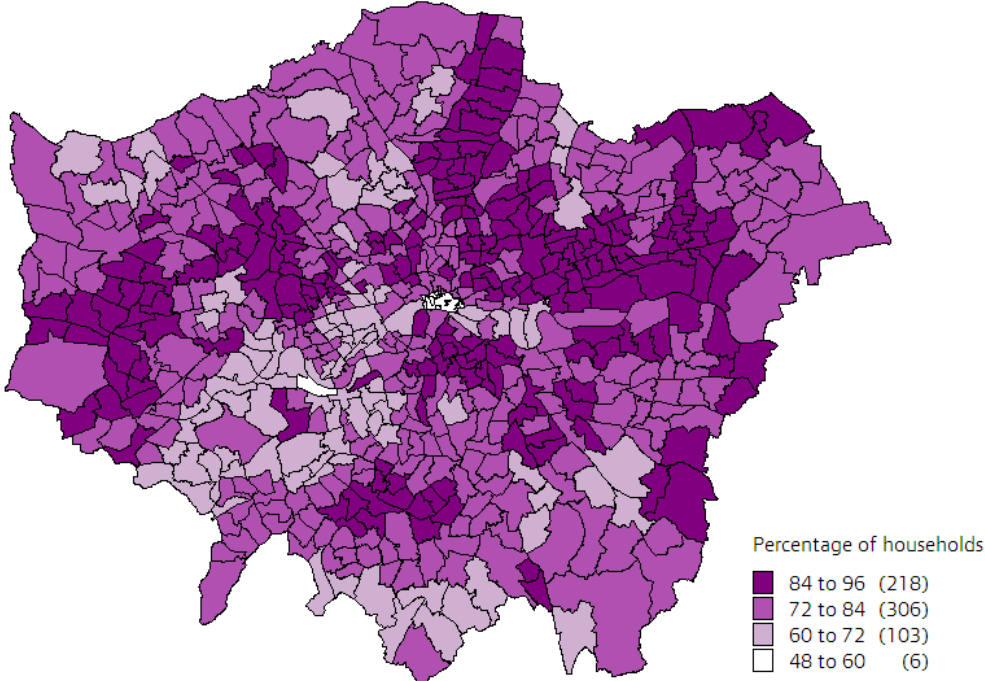


© Crown copyright. All rights reserved (LA100032379) (2010)

Source: PayCheck 2010, CACI

Wards where a high percentage (more than 90 per cent) of households have an annual income less than £60,000 are located in Hackney, Barking & Dagenham, Newham and Greenwich to the East, Southwark, Lewisham and Croydon to the South, Haringey and Enfield to the North and Brent, Ealing and Hillingdon to the West (see Map 10). Fieldway ward in Croydon has the highest percentage at 95 per cent followed by Livesey in Southwark, East Ham North and Little Ilford, both in Newham at 94 per cent. Excluding wards in the City of London, Thamesfield in Wandsworth has the lowest proportion of households with an annual income under £60,000 at 60 per cent.

Map 10: Percentage of households with unequivalised household income less than £60,000 per year, by ward.



© Crown copyright. All rights reserved (LA100032379) (2010)

Source: PayCheck 2010, CACI

Table 1: Gross median annual household income, unequivalised and equivalised, 2010.

	Median Income Unequivalised	Median Income Equivalised	Percentage Difference
City of London	£45,992	£47,262	3
Barking and Dagenham	£26,314	£24,635	-7
Barnet	£36,213	£32,129	-13
Bexley	£33,813	£29,976	-13
Brent	£30,349	£27,387	-11
Bromley	£38,297	£34,154	-12
Camden	£33,054	£32,921	0
Croydon	£33,592	£30,487	-10
Ealing	£33,434	£29,729	-12
Enfield	£31,557	£28,618	-10
Greenwich	£30,339	£28,661	-6
Hackney	£28,194	£27,170	-4
Hammersmith and Fulham	£35,192	£33,635	-5
Haringey	£30,295	£28,979	-5
Harrow	£36,067	£30,827	-17
Havering	£33,588	£29,769	-13
Hillingdon	£33,656	£29,884	-13
Hounslow	£33,156	£29,502	-12
Islington	£31,479	£30,490	-3
Kensington and Chelsea	£40,353	£39,796	-1
Kingston upon Thames	£38,561	£34,360	-12
Lambeth	£31,959	£30,582	-5
Lewisham	£30,570	£29,156	-5
Merton	£35,827	£32,135	-11
Newham	£25,982	£23,984	-8
Redbridge	£34,507	£30,015	-15
Richmond upon Thames	£44,003	£39,473	-11
Southwark	£29,774	£29,165	-2
Sutton	£35,973	£32,401	-11
Tower Hamlets	£30,598	£29,383	-4
Waltham Forest	£30,780	£28,275	-9
Wandsworth	£39,486	£36,385	-9
Westminster	£37,741	£37,789	0
Inner London	£32,588	£31,379	-4
Outer London	£34,036	£30,507	-12
London	£33,441	£30,168	-11
GB	£28,445	£26,518	-7

Source: PayCheck 2010, CACI

Table 2: Percentage of households with income lower than £15,000 and £60,000 per annum.

	Less than £15,000		Less than £60,000	
	Unequalised	Equalised	Unequalised	Equalised
City of London	9	6	66	65
Barking and Dagenham	23	23	89	92
Barnet	14	14	77	84
Bexley	16	16	81	87
Brent	19	19	84	89
Bromley	12	12	75	81
Camden	17	14	80	82
Croydon	16	16	80	85
Ealing	16	17	80	86
Enfield	18	18	82	87
Greenwich	19	18	83	87
Hackney	22	21	86	88
Hammersmith and Fulham	15	13	78	81
Haringey	20	18	83	86
Harrow	14	15	78	85
Havering	16	16	81	87
Hillingdon	16	16	81	86
Hounslow	16	17	81	86
Islington	18	16	82	85
Kensington and Chelsea	12	9	72	74
Kingston upon Thames	12	12	75	81
Lambeth	18	17	81	84
Lewisham	19	17	84	87
Merton	14	14	77	83
Newham	24	25	89	92
Redbridge	15	16	80	86
Richmond upon Thames	9	8	68	75
Southwark	20	18	83	85
Sutton	14	13	78	84
Tower Hamlets	20	19	82	84
Waltham Forest	18	18	84	88
Wandsworth	12	11	73	78
Westminster	13	10	75	76
Inner London	18	16	80	83
Outer London	16	16	80	85
London	16	16	80	85
GB	22	21	85	90

Source: PayCheck 2010, CACI

Appendix A

McClements Equivalence Scale

Household Member:

First Adult (Head)	0.61
Spouse of head	0.39
Other second adult	0.46
Third adult	0.42
Subsequent adults	0.36

Each dependent child aged:

0 to 1	0.09
2 to 4	0.18
5 to 7	0.21
8 to 10	0.23
11 to 12	0.25
13 to 15	0.27
16 or over	0.36

The mean equivalised score for a postcode is based upon

- Estimates of the number of households with 1 adult, with 2 adults, and so on up to 7 adults.
- An Estimate of the number of households containing a married couple.
- Estimates of the number of children in the postcode, by age.

With these figures it is possible to calculate an aggregate equivalisation score for the postcode. This is divided by the number of households in the postcode to generate a mean, which is then assumed to act on the distribution of incomes within the postcode.

For more information please contact Richard Walker, Intelligence Unit,
Greater London Authority, City Hall, The Queen's Walk, London SE1 2AA
Tel: 020 7983 4699 e-mail: richard.walker@london.gov.uk

The source for all data is 'PayCheck 2010, CACI' unless stated otherwise. All PayCheck data in this briefing has been reproduced with the permission of CACI Ltd.