

PayCheck 2009

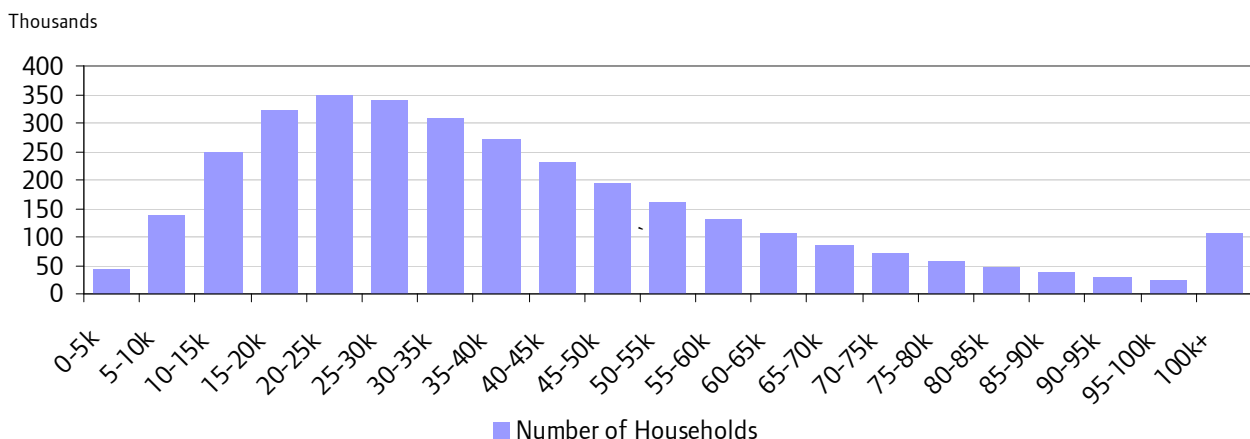
Background

In January 2009 the UK officially entered a recession following two consecutive quarters of negative growth¹. With the exception of agriculture, all sectors shrank over the six-month period. A contraction of this nature inevitably impacts upon the labour market and hence levels of household income. In spring 2009, economists at the Greater London Authority predicted a probable contraction in employment to continue throughout 2009 alongside a fall in both household income and spending².

This *Update* focuses on the household income aspect using figures from the 2009 PayCheck dataset. The data 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 larger income than a smaller 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. This assumes that the equivalised income of a couple with no children is equal to their actual income. The equivalised income of larger households is less than their actual income and the equivalised income of a single person household is greater than their actual income (see Appendix A).

Chart 1 shows the distribution of London households between £5k bands of unequivalised household income. Exactly 40 per cent of households in London had an unequivalised household income between £15k and £35k per year. Just over three per cent of households had an income greater than £100k per annum. This is equivalent to more than 100,000 households.

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



Source: PayCheck 2009, CACI

¹ The Impact of the Recession on the Labour Market, Office for National Statistics, May 2009.

² London's Economic Outlook: Spring 2009, GLA Economics, April 2009.

The analysis presented in this *Update* focuses on the median measure of gross household income as opposed to the mean. A mean measure of income could 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. In addition, median income estimates are used widely by the government when measuring poverty. According to PayCheck figures for 2009, the median unequivalised household income in London was £32,825. This was £6,134 (15 per cent) lower than the mean figure of £38,959.

Results

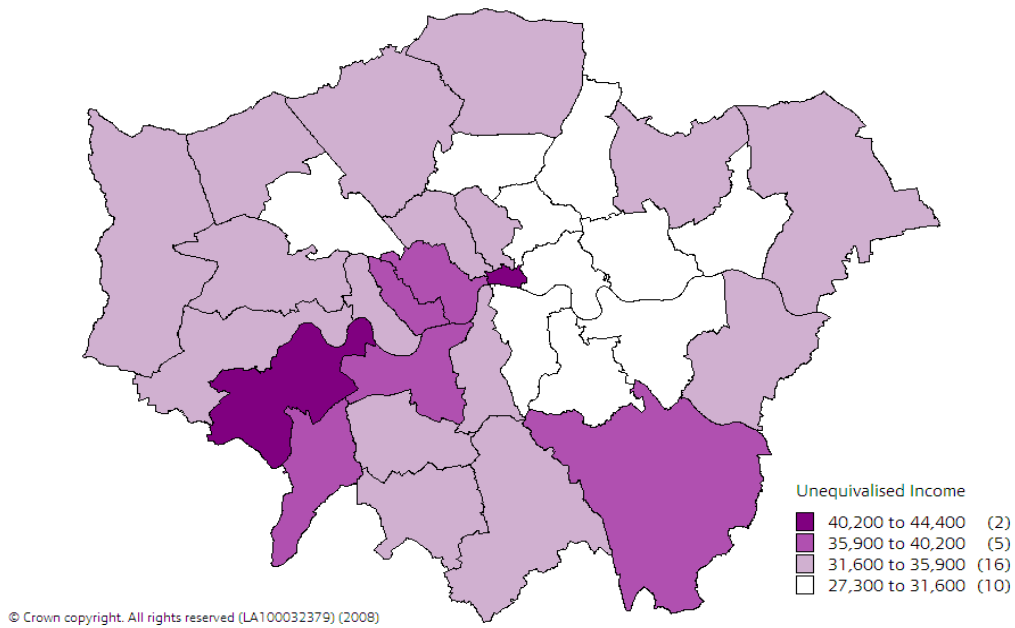
London and Borough Level

London's unequivalised median gross household income in 2009 was £33,430, over £4000 higher than the Great Britain average of £29,363. The 2009 figure represents a decrease of £340 on the previous year, equivalent to one per cent. Figures for Great Britain show an increase of 2.3 per cent from £28,698 in 2008 to £29,363 in 2009.

When equivalised the London figure fell by 10 per cent to £30,168. In Great Britain the equivalised figure fell to £26,518 also a decrease of 10 per cent. Within London, unequivalised income was highest in the outer London boroughs at £33,850 over a thousand pounds more than inner London (£32,825). However, equivalisation of the estimate saw the outer London figure fall by over £4000 to £29,797, almost a thousand pounds lower than the inner London figure of £30,766 (see Table 1).

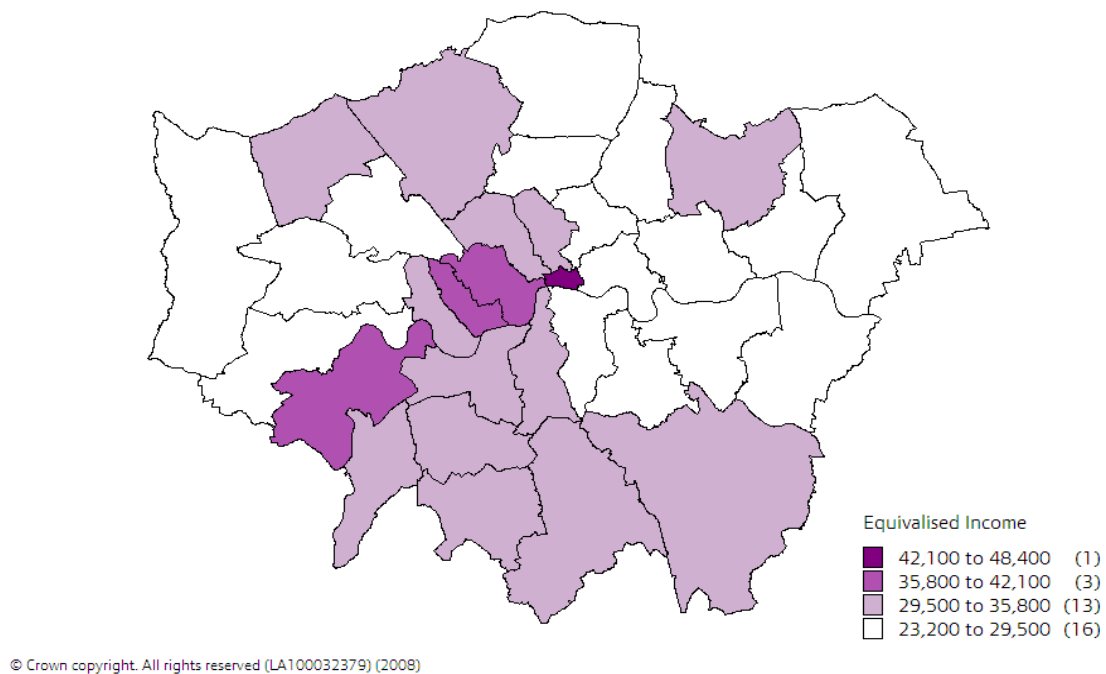
This largely reflects a tendency for fewer single person households in outer London boroughs, not necessarily the presence of larger families. Within London, median unequivalised income was highest in Richmond upon Thames at £42,028 (excluding the City of London) (see Map 1). Kensington & Chelsea has the highest income when equivalised at £39,407. Newham has the lowest income on both scales at £27,314 (unequivalised) and £23,265 (equivalised) (see Map 2). Newham also had the second largest difference in income between the two measures at just under 15 per cent, behind Harrow at over 15 per cent. In Westminster and Kensington & Chelsea, the equivalised estimates were 1.4 per cent and 0.4 per cent higher than the unequivalised figure, respectively. 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 (£).



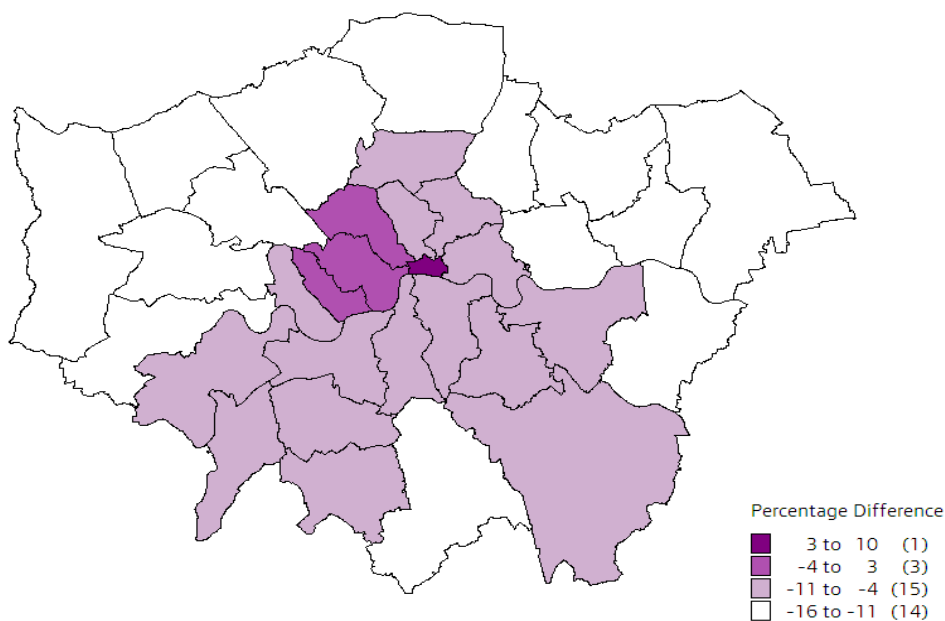
Source: PayCheck 2009, CACI

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



Source: PayCheck 2009, CACI

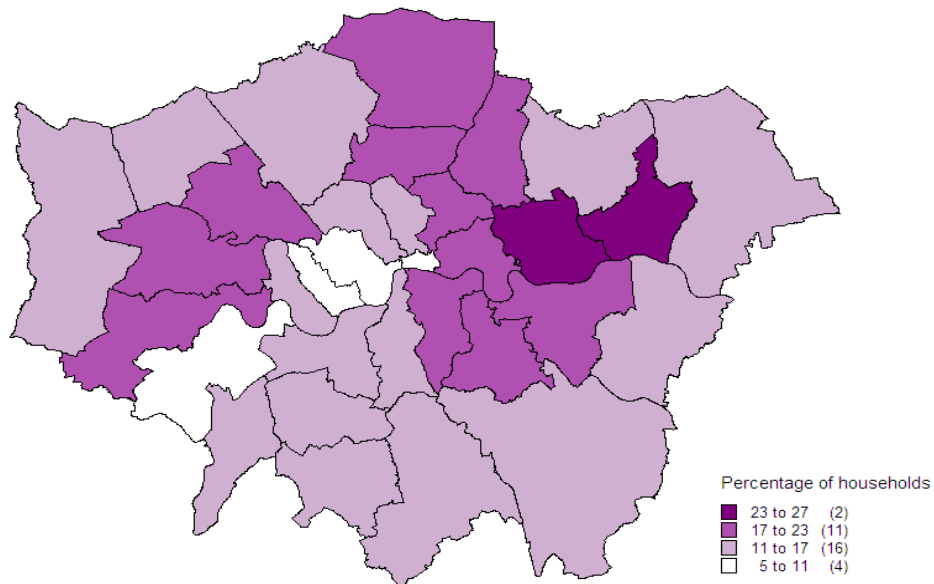
Map 3: Percentage difference between unequivalised and equivalised median gross household income, by borough.



Source: PayCheck 2009, 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 27 per cent of all individuals in London lived below the poverty line (after housing costs are deducted) during 2005/06 to 2007/08. 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 £18,100. 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. More than one in four households in Newham have household incomes of less than £15K per year. A further four boroughs (Tower Hamlets, Hackney, Brent and Barking & Dagenham) have more than one in five households with low incomes (see Map 4). This compares with Richmond upon Thames where just 8 per cent of all households have annual incomes lower than £15K.

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



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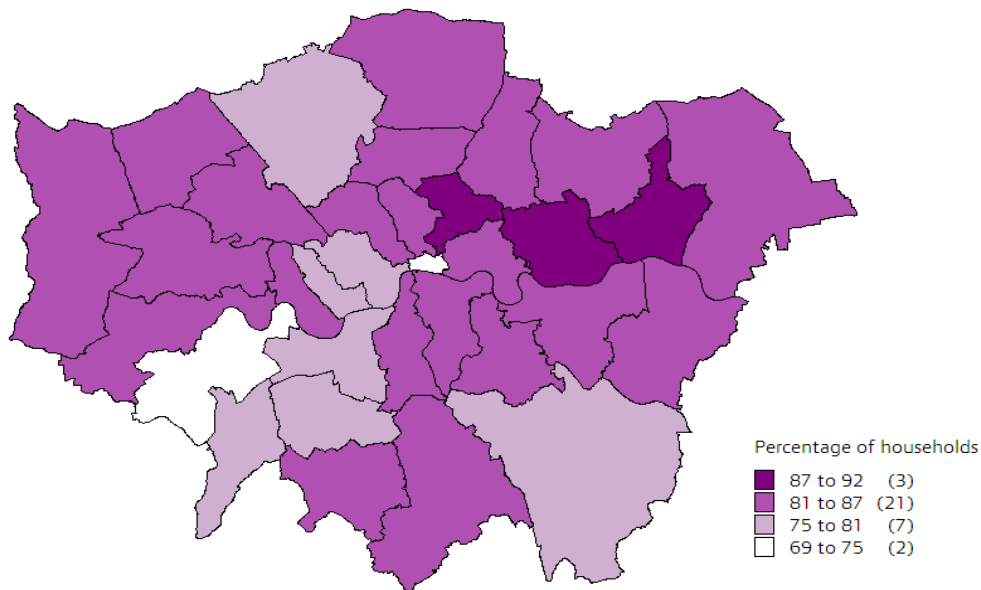
Source: PayCheck 2009, CACI

The economic downturn affecting the UK throughout 2009 led to difficult conditions for first time buyers wishing to enter the housing market³. The government introduced the “First Time Buyer Initiative”⁴ 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 83 per cent, compared with nine in ten households in Great Britain. Barking & Dagenham and Newham had the highest proportion at 91 per cent. Excluding the City, Richmond upon Thames had the lowest proportion of households with an income under £60,000 at 72.6 per cent (see Map 5).

³ www.housing.org

⁴ www.affordablehousingadvice.co.uk

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



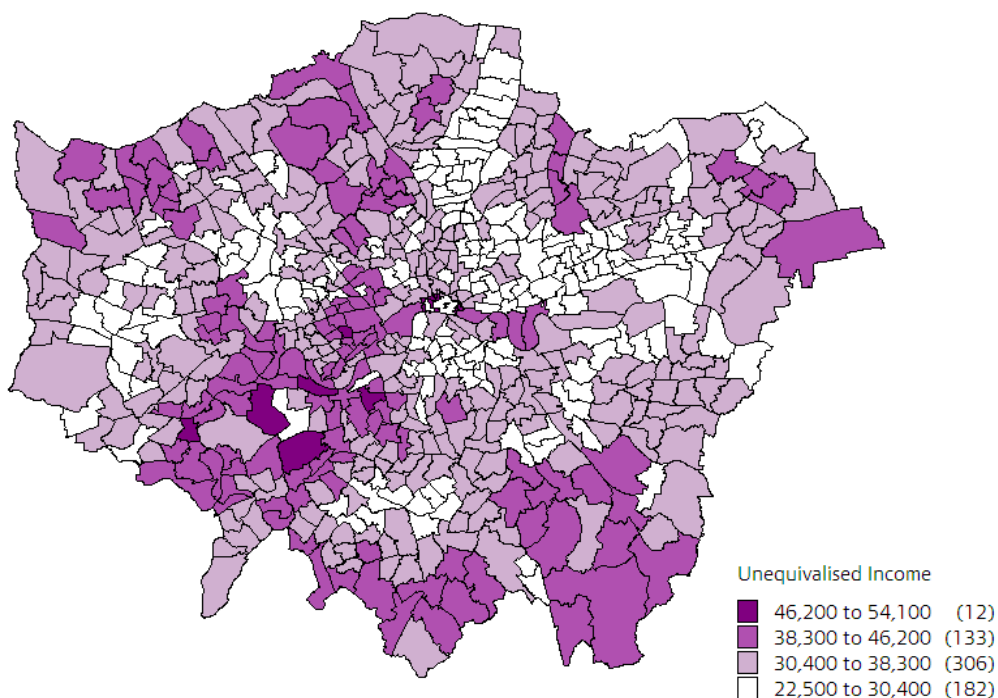
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Source: PayCheck 2009, CACI

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 four wards in Newham. Small clusters of wards with low incomes can also be seen in Southwark, Lewisham, Croydon in the south, Brent and Enfield to the North, and in the west – Ealing and Hounslow. Excluding wards in the City, Thamesfield ward in Wandsworth had the highest median income at £47,953, compared with the lowest in Fieldway ward in Croydon at £22,510.

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

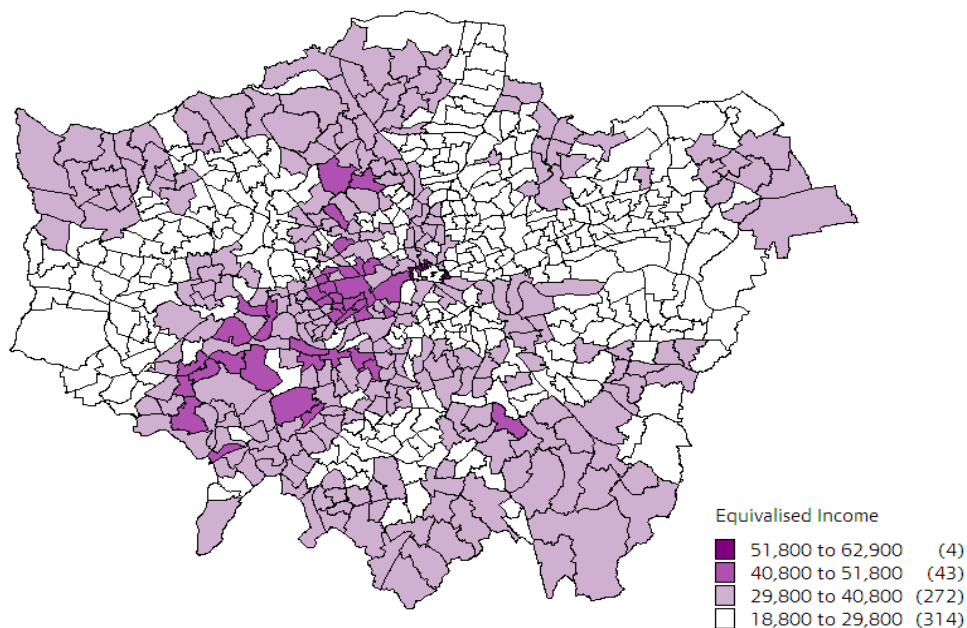


Source: PayCheck 2009, CACI

Equalisation of the estimates generates a large increase in the proportion of wards located in the bottom band between Maps 6 and 7. Almost half of all wards in London are ranked in the bottom quarter of the income range when equalised (£18,800 to £29,800) (see Map 7), compared to 30 per cent when unequivalised (£22,500 to £30,400) (see Map 6). Fieldway Ward retains the lowest median income of any ward at £18,820, followed by Green Street East in Newham (£18,839) and Southall Broadway in Ealing (£19,150). Queen's Gate ward in Kensington & Chelsea has the highest median equalised household income at £48,485.

In 12 wards across five London boroughs (Ealing, Newham, Brent, Redbridge and Harrow) the median income estimate falls by more than 20 per cent when equalised, peaking in Southall Green in Ealing, with a decrease of over 26 per cent. A further three Ealing wards complete the four highest percentage differences between unequivalised and equalised estimates. More than 40 wards had a higher equalised income than unequivalised, this is equivalent to seven per cent of all wards and is due to a relatively high number of single person households in these areas. The vast majority of these wards (72 per cent) are located in Westminster, Kensington & Chelsea or the City of London (see Map 8).

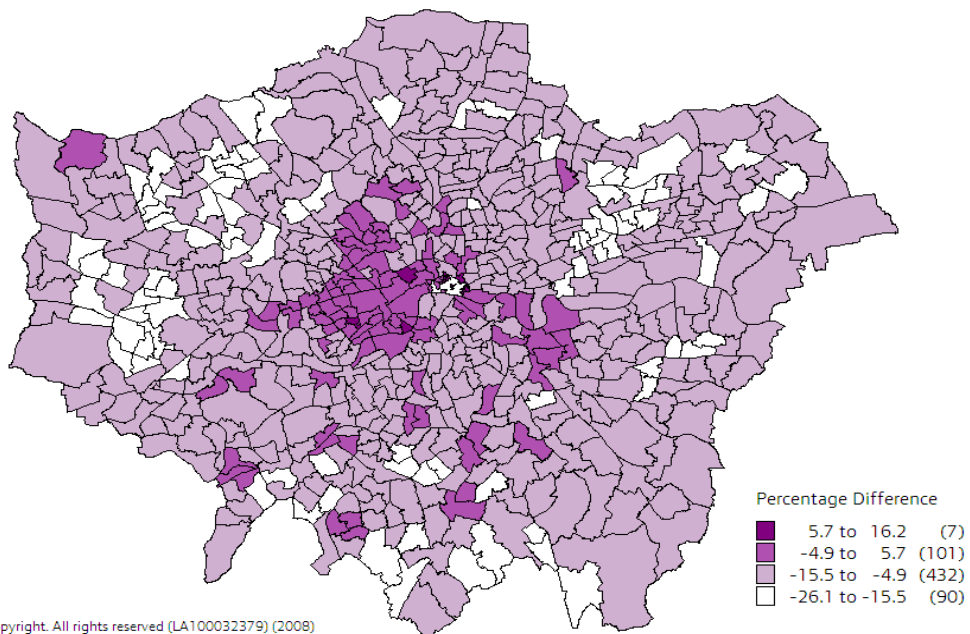
Map 7: Median equivalised gross annual household income, by ward (£).



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Source: PayCheck 2009, CACI

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

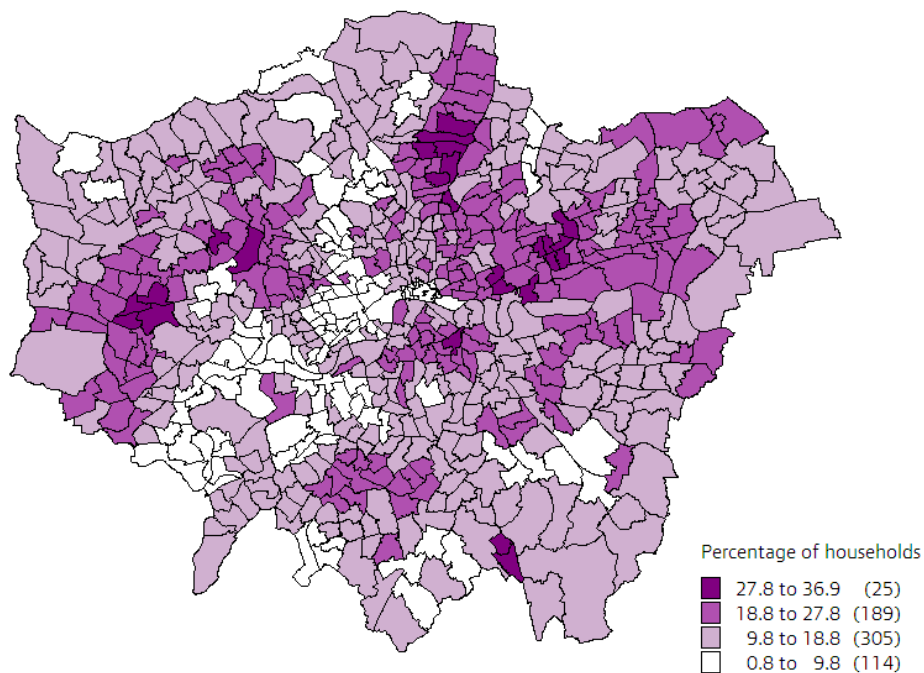


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Source: PayCheck 2009, CACI

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 the Northeast area of London, particularly in Haringey, Hackney, Newham and Barking & Dagenham. Further pockets exist in Greenwich, Southwark, Brent, Ealing and Hounslow. In total, 14 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), including the highest - Green Street East at 37 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 of all wards.

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

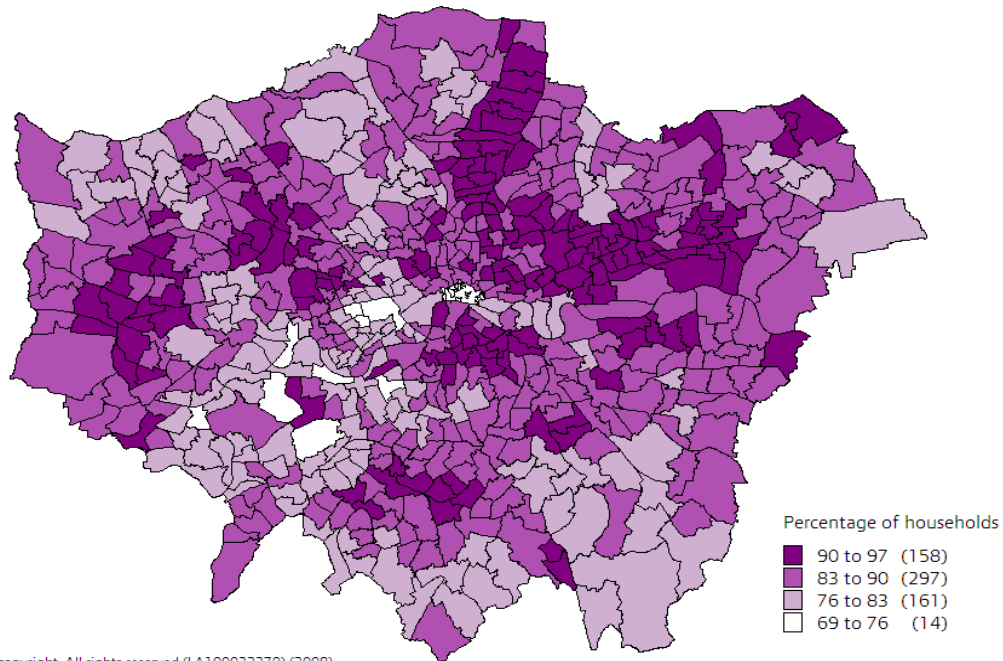


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Source: PayCheck 2009, CACI

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 96 per cent followed by Livesey in Southwark, Green Street East and Little Ilford, both in Newham at 95 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 74 per cent.

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



Source: PayCheck 2009, CACI

Table 1: Gross median annual household income, unequalised and equalised, 2009.

	Median Income Unequalised	Median Income Equalised	Percentage Difference
City of London	44,337	48,334	9.0
Barking and Dagenham	27,477	23,954	-12.8
Barnet	35,680	31,554	-11.6
Bexley	33,624	29,272	-12.9
Brent	30,679	26,437	-13.8
Bromley	37,357	33,545	-10.2
Camden	33,337	32,696	-1.9
Croydon	33,442	29,649	-11.3
Ealing	33,391	29,088	-12.9
Enfield	31,955	27,995	-12.4
Greenwich	30,650	27,870	-9.1
Hackney	29,187	26,788	-8.2
Hammersmith and Fulham	34,821	32,996	-5.2
Haringey	30,998	28,278	-8.8
Harrow	35,377	29,994	-15.2
Havering	33,399	29,002	-13.2
Hillingdon	33,538	29,349	-12.5
Hounslow	33,175	28,946	-12.7
Islington	31,985	30,047	-6.1
Kensington and Chelsea	39,249	39,407	0.4
Kingston upon Thames	37,787	33,973	-10.1
Lambeth	32,321	29,977	-7.3
Lewisham	31,154	28,518	-8.5
Merton	35,461	31,717	-10.6
Newham	27,314	23,265	-14.8
Redbridge	34,333	29,534	-14.0
Richmond upon Thames	42,028	39,058	-7.1
Southwark	30,639	28,612	-6.6
Sutton	35,381	31,663	-10.5
Tower Hamlets	30,777	28,199	-8.4
Waltham Forest	31,231	27,637	-11.5
Wandsworth	38,330	35,756	-6.7
Westminster	37,398	37,936	1.4
Inner London	32,825	30,766	-6.3
Outer London	33,850	29,797	-12.0
London	33,430	30,168	-9.8
Great Britain	29,363	26,518	-9.7

Source: PayCheck 2009, CACI

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

	Unequalised		Equalised	
	< £15,000	<£60,000	< £15,000	<£60,000
City of London	6.5	69.7	5.1	63.6
Barking and Dagenham	18.5	91.0	24.3	93.1
Barnet	10.9	80.5	14.1	84.4
Bexley	12.4	83.5	16.1	87.6
Brent	15.0	86.9	20.6	90.1
Bromley	9.8	78.5	12.1	82.3
Camden	13.0	83.2	13.7	82.3
Croydon	12.7	83.3	16.5	86.4
Ealing	12.8	83.2	17.6	86.4
Enfield	14.1	84.8	18.7	88.0
Greenwich	15.5	86.1	18.9	87.9
Hackney	17.1	87.8	21.0	88.6
Hammersmith and Fulham	11.8	81.1	13.6	81.8
Haringey	15.3	85.3	19.0	86.9
Harrow	11.0	81.0	15.5	86.4
Havering	12.6	83.7	16.5	87.9
Hillingdon	12.3	83.6	16.3	87.2
Hounslow	12.9	83.6	17.5	86.6
Islington	14.2	84.5	16.3	85.1
Kensington and Chelsea	8.7	76.1	8.9	74.3
Kingston upon Thames	9.3	78.2	11.5	81.8
Lambeth	14.2	84.0	16.9	84.9
Lewisham	14.8	86.0	17.9	87.6
Merton	11.1	80.7	14.4	83.7
Newham	18.9	90.7	26.2	93.0
Redbridge	11.7	82.6	16.1	86.9
Richmond upon Thames	7.1	72.6	8.3	75.2
Southwark	15.7	85.4	18.6	85.9
Sutton	10.9	81.2	13.7	84.7
Tower Hamlets	15.9	84.6	20.3	84.7
Waltham Forest	14.4	86.4	18.8	88.8
Wandsworth	9.7	76.6	11.5	78.2
Westminster	10.1	78.1	10.0	75.9
Inner London	13.7	83.2	16.3	83.6
Outer London	12.4	82.7	16.2	86.1
London	12.9	82.9	16.2	85.1
Great Britain	17.0	89.5	20.8	89.5

Source: PayCheck 2009, 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,
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The source for all data is 'PayCheck 2009, CACI' unless stated otherwise. All PayCheck data in this briefing has been reproduced with the permission of CACI Ltd.