

Poverty figures for London: 2006/07

Summary data from the Households Below Average Income series.

Key points

- Children, particularly those in workless households or in larger families, remain the group most likely to live in low income.
- The poverty rate for children in London, after housing costs, (41 per cent) remains higher than for any other region, showing little change over the last decade.
- Poverty rates for children in Inner London remain very higher, at 48 per cent.
- Although the proportion of pensioners in poverty increased nationally, there was relatively little change in London.

The Government's Poverty Target

The Government's stated aim is to eradicate child poverty in the UK by 2020. This 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.

Based on three year averages, in 2004/95 - 2006/07 Greater London had the highest rate of child poverty on an AHC basis of any region or country in the UK, at **41 per cent**, and was more than a third higher than the national rate (see Table 1). On a BHC basis, the child poverty rate in London (**25 per cent**) was lower than in the North East or the West Midlands (28 per cent and 26 per cent respectively), but still higher than the national rate. Chart 1 shows how these figures have changed over time from 1994/95.

The Inner London poverty rates are particularly high with almost half of all children living in Inner London in households with incomes below 60 per cent of median income after housing costs, and nearly a third in poor households before housing costs – higher than any Government Office region. Outer London also has a poverty rate for children higher than any region outside London after housing costs are taken into account.

Table 1: Percentage of children falling into low-income groups by region, 2004/05 -2006/07

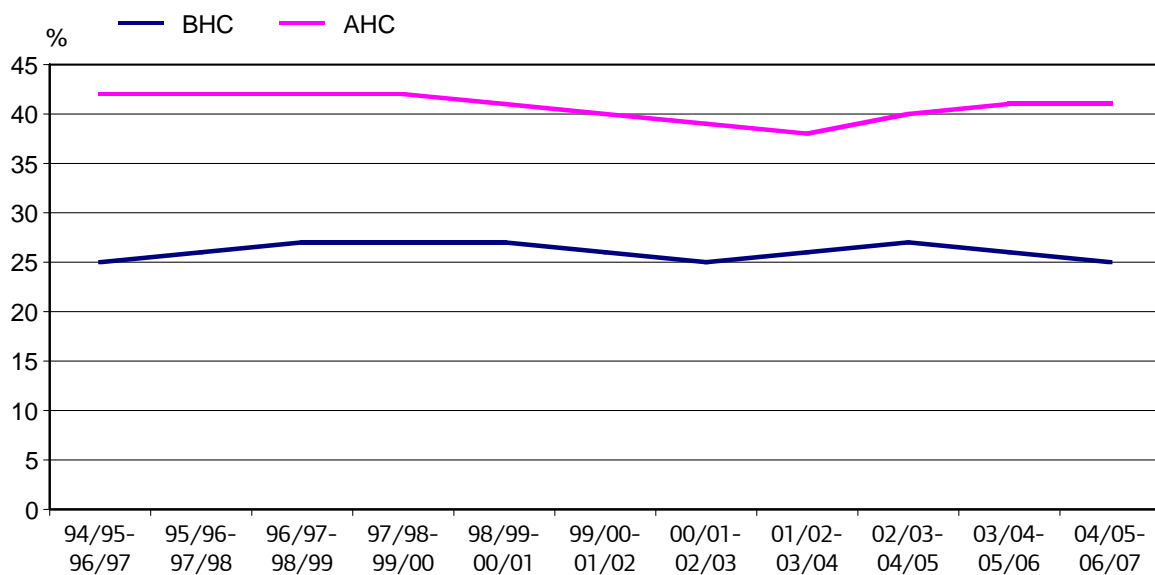
	Before Housing Costs	After Housing Costs	All children (millions)
England	22	30	10.8
<i>of which</i>			
North East	28	33	0.5
North West	25	31	1.5
Yorkshire and the Humber	25	29	1.1
East Midlands	24	29	0.9
West Midlands	26	33	1.2
Eastern	15	25	1.2
London	25	41	1.6
<i>of which</i>			
Inner	31	48	0.5
Outer	22	37	1.0
South East	15	25	1.7
South West	17	26	1.0
Scotland	21	25	1.0
Wales	25	29	0.6
Northern Ireland	24	26	0.4
United Kingdom	22	30	12.8 ¹

Source: FRS 2004/05 - 2006/07

Notes: 1 Figures are three-year averages, except UK figure, which is based on a single year 2006/07

2 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 2006/07

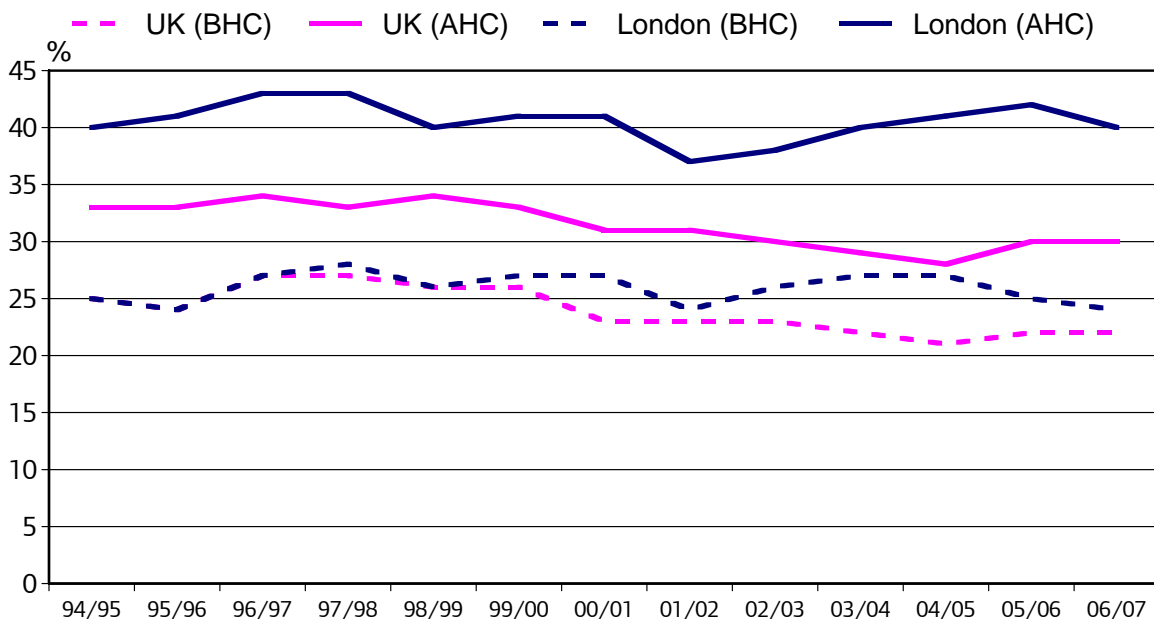


Source: FRS 1994/95 - 2006/07

Chart 2 shows single year figures over time. Child poverty after housing costs in London peaked at 43 per cent in 1996 to 1998 and has been below 40 per cent in only two years 2001/02 and 2002/03. There has been no significant change in child poverty in London since 1998/99 on either an AHC or a BHC basis.

Single year figures should be interpreted with caution, as there are wide margins of error around year on year changes at regional level – three year averages are more reliable. Either way the rates remain stubbornly high especially for AHC.

Chart 2: Change in child poverty for London and UK: (single year figures) 1994/95 to 2005/06



Source: FRS 1994/95 - 2006/07

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, but little change in London on either before and after housing costs basis.

Table 2: Percentage of children living in households with less than 60 per cent of contemporary median household income, for London and UK 1994/5 –2006/7

		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
London	BHC	25	26	27	27	27	26	25	26	27	26	25
	AHC	42	42	42	42	41	40	39	38	40	41	41
United Kingdom	BHC	25	26	27	26	25	24	23	23	22	22	22
	AHC	33	33	34	33	33	32	31	30	29	29	29

Source: FRS 1994/95 - 2006/07

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. The national figure on the BHC basis has fallen from 29 per cent over the decade from 1994/95-1996/97 to 13 per cent in 2004/05-2006/07. The comparable change in London is from 30 per cent to 16 per cent. 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 reduced from 44 per cent to 29 per cent. 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, 1994/5 –2006/7

	94/95	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05
	-	-	-	-	-	-	-	-	-	-	-
	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07
Before Housing Costs											
England	29	28	27	25	22	19	16	14	13	13	13
North East	37	36	35	33	30	24	22	19	17	15	14
North West	34	33	34	31	27	21	18	17	15	15	14
Yorkshire and the Humber	34	33	32	31	28	24	19	16	15	14	15
East Midlands	30	28	26	24	24	21	19	15	14	13	13
West Midlands	31	32	30	28	25	23	20	17	16	16	16
East of England	23	21	21	19	16	13	10	10	9	10	9
London	30	30	28	27	24	21	18	16	16	17	16
South East	20	19	18	16	14	12	9	8	8	9	10
South West	26	25	25	23	19	16	13	12	11	10	10
Scotland	33	33	31	28	25	21	18	16	15	13	12
Wales	35	34	31	30	27	22	18	14	14	13	14
Northern Ireland	..	..	..	..	27	22	19	17	16	15	14
United Kingdom	29	29	28	26	23	19	16	14	14	13	13
After Housing Costs											
England	37	36	35	33	31	27	24	21	20	19	19
North East	42	41	41	40	37	31	28	24	22	18	18
North West	40	39	40	37	34	28	25	22	20	20	20
Yorkshire and the Humber	38	37	37	36	33	28	24	21	19	17	17
East Midlands	36	33	31	29	28	25	23	20	19	18	18
West Midlands	36	37	35	33	32	29	26	23	20	20	20
East of England	32	29	29	27	24	21	18	16	15	15	15
London	44	44	43	42	39	37	33	31	30	30	29
South East	30	28	27	25	23	21	17	16	15	15	16
South West	35	34	33	31	28	24	21	19	16	15	16
Scotland	36	35	33	31	29	25	21	19	17	16	15
Wales	41	40	37	35	34	30	26	22	20	19	19
Northern Ireland	..	..	..	..	26	23	21	19	17	15	13
United Kingdom	37	36	35	33	31	27	24	21	19	19	19

Source: FRS 1994/95 – 2006/07

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

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 figures for London are generally closer to the national figures (see Table 4).

There is very little evidence of change in the proportion of people of working age in poor households either for the UK as a whole or for London. Inner London rates remain higher than for Outer London but below some regions on the before housing costs measure, but very much higher than for any region on the after housing costs measure.

Table 4: Working Age poverty figures: 2006/07

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	15	16	14
After Housing Costs	20	24	26	23

Source: FRS 2004/05 - 2006/07

Note: Figures for London are based on a 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 London, the AHC rate is still higher than on a BHC basis, but below that for other age groups.

Table 5: Pensionable Age poverty figures: 2006/07

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	23	20	21	20
After Housing Costs	19	22	28	19

Source: FRS 2004/05 - 2006/07

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

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 27 per cent.

Table 6: All ages poverty figures: 2006/07

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	27	31	25

Source: FRS 2004/05 - 2006/07

Note: Figures for London are based on a 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.

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