

Poverty figures for London: 2007/08

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, at 39 per cent, remains higher than for any other region, showing little change over the last decade.
- Poverty rates for children in Inner London, although falling in recent years, are still particularly high at 44 per cent, while the rates for Outer London have risen to 37 per cent.
- There was little change in the proportion of pensioners in poverty either nationally or in London, with the London figures below the national ones before housing costs are taken into account but again the highest of any region after housing costs.

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.

Although these figures are the most recent ones available, they are all from before the current recession started. It is not clear how the figures will be affected by the recession, since they are measures of relative deprivation, with numbers being measured relative to an average, rather than an absolute level. So it may be that the median income alters differently to the figures for the low income groups as the recession impacts differentially on various groups within the population. If the impact is greatest on households with higher or middle incomes, this may lead to a lowering of the median income resulting in fewer children or pensioners in relative deprivation. If the impact is greatest on the poorer households this could result in more households in relative deprivation or more households below the 50 per cent median level, but little difference in the number below the 60 per cent median level.

Child poverty figures for London

Based on three year averages, in 2005/06-2007/08 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**, down from 41 per cent for 2004/5-2006/7, and was still around 125 per cent of the national rate (see Table 1). On a BHC basis, the child poverty rate in London (**23 per cent**) was close to the national rate, and again was lower than for the previous year, but still higher than in the neighbouring regions or the South West and higher also than in Scotland.

The last three years' (rolling average) figures show that Inner London poverty rates have been falling, but 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 similar 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 have been rising 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 illustrates these trends.

Table 1 Percentage of children falling into low-income groups by region, 2005/06 -2007/08

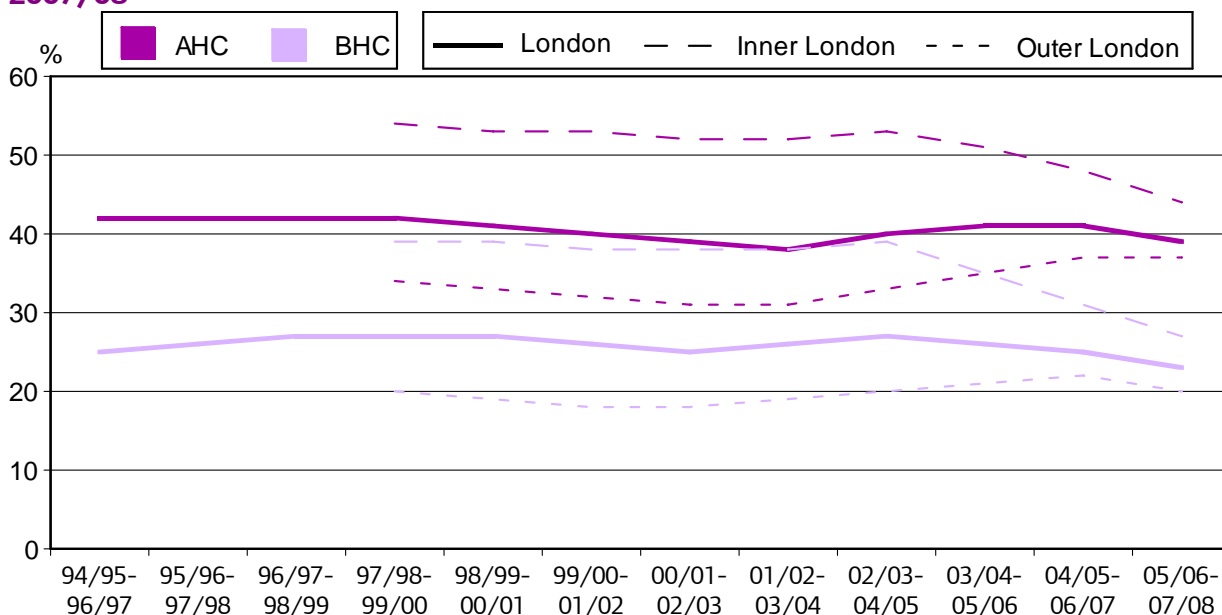
	Before Housing Costs	After Housing Costs	All children (millions)
England	22	31	10.8
North East	28	33	0.5
North West	27	34	1.5
Yorkshire and the Humber	26	30	1.1
East Midlands	26	30	0.9
West Midlands	27	35	1.2
Eastern	15	26	1.2
London	23	39	1.6
Inner	27	44	0.6
Outer	20	37	1.0
South East	15	26	1.8
South West	18	27	1.0
Scotland	21	24	1.0
Wales	27	32	0.6
Northern Ireland	24	26	0.4
United Kingdom ¹	23	31	12.8

Source: FRS 2005/06 - 2007/08

Notes: 1 Figures are three-year averages, except UK figure, which is based on a single year 2007/08

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 2007/08



Source: FRS 1994/95 - 2007/08

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 sustained 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	05/06-07/08
London	BHC	25	26	27	27	27	26	25	26	27	26	25	23
	AHC	42	42	42	42	41	40	39	38	40	41	41	39
United Kingdom	BHC	25	26	27	26	25	24	23	23	22	22	22	22
	AHC	33	33	34	33	33	32	31	30	29	29	29	30

Source: FRS 1994/95 - 2007/08

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 2004/05-2007/08. The comparable change in London is from 30 per cent to 15 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 27 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

	94/5- 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
North East	37	36	35	33	30	24	22	19	17	15	14	14
North West	34	33	34	31	27	21	18	17	15	15	14	15
Yorkshire and the Humber	34	33	32	31	28	24	19	16	15	14	15	15
East Midlands	30	28	26	24	24	21	19	15	14	13	13	15
West Midlands	31	32	30	28	25	23	20	17	16	16	16	17
East of England	23	21	21	19	16	13	10	10	9	10	9	9
London	30	30	28	27	24	21	18	16	16	17	16	15
South East	20	19	18	16	14	12	9	8	8	9	10	10
South West	26	25	25	23	19	16	13	12	11	10	10	10
Scotland	33	33	31	28	25	21	18	16	15	13	12	12
Wales	35	34	31	30	27	22	18	14	14	13	14	15
Northern Ireland	..	..	..	..	27	22	19	17	16	15	14	13
United Kingdom	29	29	28	26	23	19	16	14	14	13	13	13
After Housing Costs												
England	37	36	35	33	31	27	24	21	20	19	19	20
North East	42	41	41	40	37	31	28	24	22	18	18	18
North West	40	39	40	37	34	28	25	22	20	20	20	21
Yorkshire and the Humber	38	37	37	36	33	28	24	21	19	17	17	18
East Midlands	36	33	31	29	28	25	23	20	19	18	18	19
West Midlands	36	37	35	33	32	29	26	23	20	20	20	22
East of England	32	29	29	27	24	21	18	16	15	15	15	15
London	44	44	43	42	39	37	33	31	30	30	29	27
South East	30	28	27	25	23	21	17	16	15	15	16	16
South West	35	34	33	31	28	24	21	19	16	15	16	17
Scotland	36	35	33	31	29	25	21	19	17	16	15	14
Wales	41	40	37	35	34	30	26	22	20	19	19	21
Northern Ireland	..	..	..	..	26	23	21	19	17	15	13	14
United Kingdom	37	36	35	33	31	27	24	21	19	19	19	19

Source: FRS 1994/95 – 2007/08

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 newly available 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 21 per cent, the proportion of London's children in this form of deprivation is well above the national average and is matched only by the West Midlands, even though it is based on a before housing costs measure, The Inner London figure is 26 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, 2004/5 –2007/8

	2004/5- 2006/7	2005/6- 2007/8
England	16	17
North East	20	20
North West	19	20
Yorkshire and the Humber	17	17
East Midlands	17	19
West Midlands	20	21
East of England	11	10
London	22	21
Inner	29	26
Outer	19	18
South East	11	11
South West	13	13
Scotland	15	15
Wales	18	17
Northern Ireland	15	14
United Kingdom ¹	16	17

Source: FRS 2004/05 – 2007/08

Notes: 1 Figures are three-year averages, except UK figure, which is based on a single year 2007/08

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 figures for London are generally closer to the national figures (see Table 5).

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, though below some regions on the BHC measure, but very much higher than for any other region on the AHC measure.

Table 5 Working Age poverty figures: 2007/08

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	15	14
After Housing Costs	21	24	26	23

Source: FRS 2004/05 – 2007/08

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.

Table 6 Pensionable Age poverty figures: 2007/08

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	21	22	20
After Housing Costs	18	22	29	19

Source: FRS 2005/06 - 2007/08

Note: Figures for London are based on 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 7 All ages poverty figures: 2007/08

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

	UK	London	Inner London	Outer London
Before Housing Costs	18	17	18	17
After Housing Costs	23	27	30	26

Source: FRS 2005/06 - 2007/08

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.

For more information please contact Rachel Leaser, Data Management and Analysis Group, Greater London Authority, City Hall, The Queen's Walk, London SE1 2AA. Tel: 020 7983 4696

e-mail: Rachel.leaser@london.gov.uk

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