

Poverty figures for London: 2004/05

Summary data from the Households Below Average Income series.

Introduction

This *Update* presents a summary of the figures from the Households Below Average Income data series published by DWP on 9 March 2006, as they relate to London.

The Government's Poverty Target

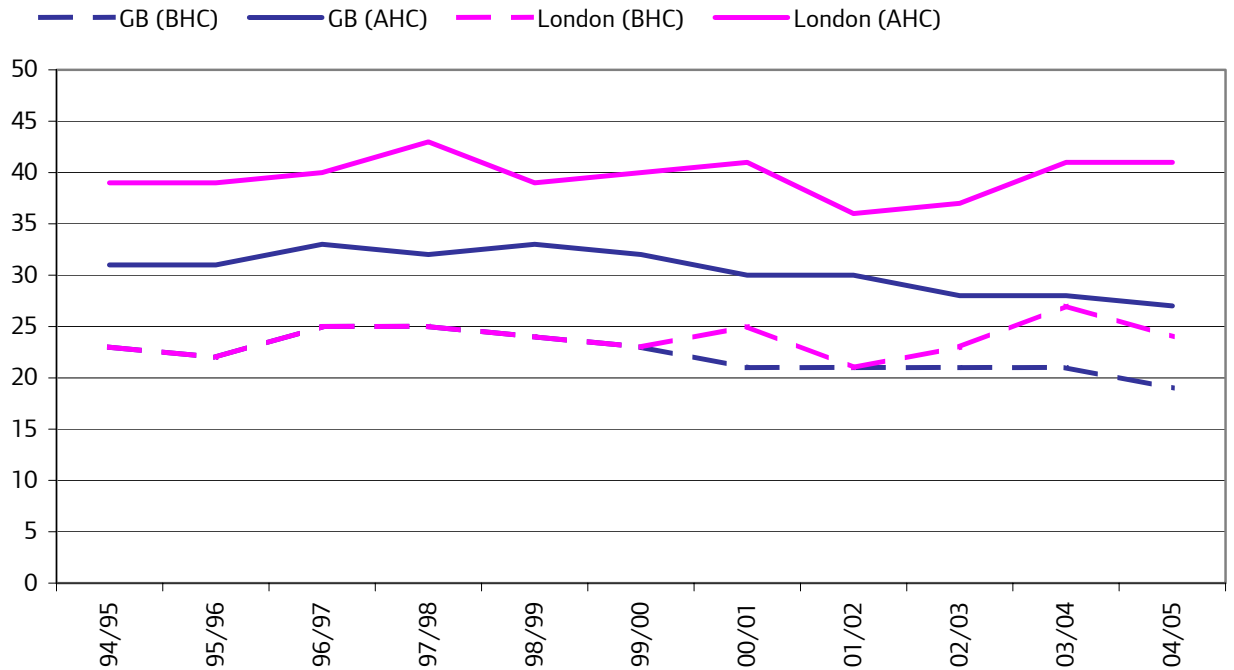
The Government's stated aim is to eradicate child poverty in the UK by 2020. This is measured by the proportion of children living in households with disposable income below 60 per cent of the median (midpoint) of the national income distribution for households, after taking account of differences in household size and composition.

Disposable income is presented in two ways – before (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.

In 2004/05 Greater London had the highest rate of child poverty on an AHC basis of any region or country in Great Britain (see Table 1). While on a BHC basis the child poverty rate in London was lower than in the North East (24 per cent compared to 26 per cent), on an AHC basis child poverty in London was far higher than in other regions at 41 per cent compared to 27 per cent. Chart 1 shows how these figures have changed over time from 1994/5. Child poverty After Housing Costs in London peaked at 43 per cent in 1997/8 and fell to 41 per cent in 1998/9. There has been little in the way of consistent improvement in child poverty in London since 1998/9 on either an AHC or a BHC basis, although there is some indication that poverty fell in the early 2000's only to rise again between 2002/3 and 2003/4. In 2004/5 the AHC figure remained the same (41 per cent) whereas the BHC figure fell from 27 to 24 per cent (see Table 2).

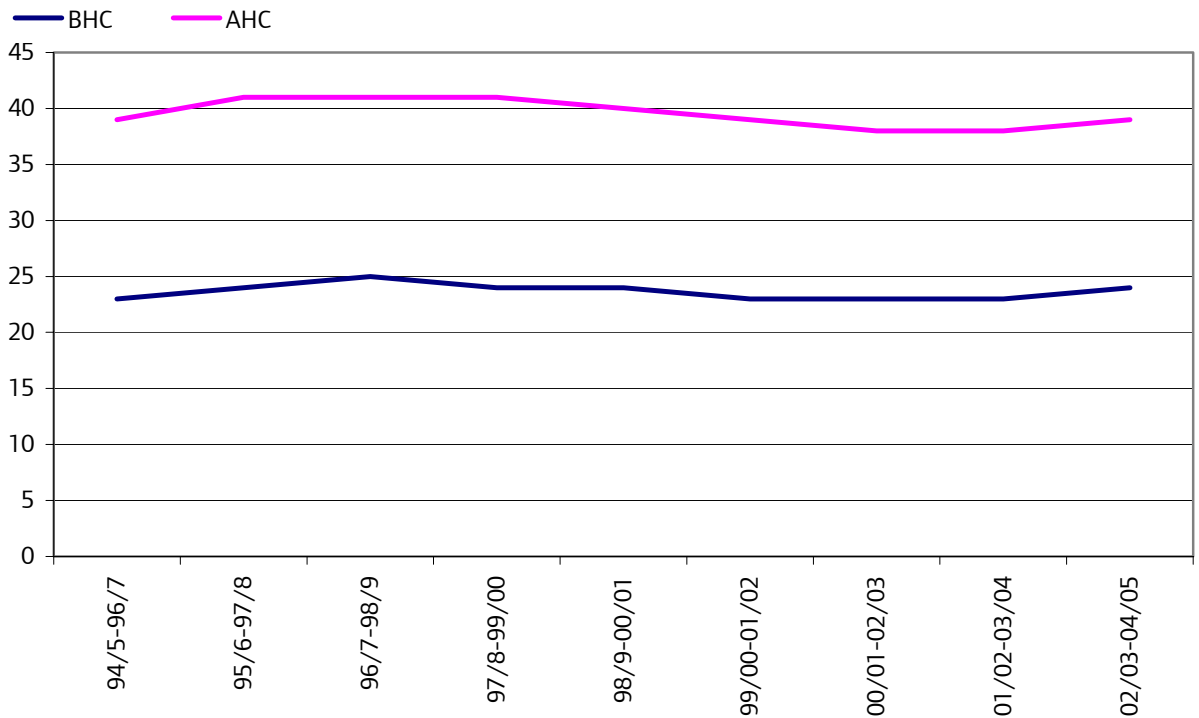
These figures should be interpreted with caution as there are wide margins of error around year on year changes at regional level, another way of looking at trends is to compare averages over three year periods. These are shown in chart 2 and show a slightly different picture, with the level of child poverty in London remaining very high, but nonetheless lower after 1999/00 than previous years. The rates remain stubbornly high especially for AHC.

Chart 1: Change in child poverty for London: (single year figures) 1994/5 to 2004/5



Source: DWP, Households Below Average Income, (based on single year figures)

Chart 2: Change in child poverty for London: (three year rolling averages) 1994/5 to 2004/5



Source: DWP, Households Below Average Income, (based on three-year rolling averages)

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

Percentage of children below 60% median

Source: FRS 2004/05

	Before Housing Costs	After Housing Costs	Before Housing Costs	After Housing Costs	All children (millions)
	<i>Three year average</i>		<i>Single year figures</i>		
England	20	28	19	28	10.9
<i>of which</i>					
North East	28	32	26	31	0.5
North West and Merseyside	22	29	20	28	1.5
Yorkshire and the Humber	24	29	24	27	1.1
East Midlands	21	26	20	24	0.9
West Midlands	24	30	24	29	1.2
Eastern	14	22	13	22	1.2
London	24	39	24	41	1.6
<i>of which</i>					
Inner	35	52	34	53	0.5
Outer	19	33	18	34	1.1
South East	12	21	13	23	1.8
South West	16	25	15	22	1.0
Scotland	21	25	19	23	1.0
Wales	23	28	23	27	0.6
Great Britain ¹	19	27	19	27	12.6

Notes:

1. The totals for Great Britain are shown for the year 2004/05 only and are not 3-year rolled averages.

The Inner London rates are very high with around half of all children living in Inner London in households with incomes below 60 per cent of median income after housing costs, and a third in households before housing costs - higher than any Government Office region. Outer London has the second highest rate in the country after housing costs are taken into account.

Poverty amongst other groups

The proportions of people of working age in households with incomes below 60 per cent of the national median 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 3).

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

Table 2: Percentage of Children living in households with less than 60 per cent of contemporary median household income, for London and Great Britain for the years 1994 -2005

	London ¹	
	BHC	AHC
1994/97	23	39
1995/98	24	41
1996/99	25	41
1997/00	24	41
1998/01	24	40
1999/02	23	39
2000/03	23	38
2001/04	23	38
2002/05	24	39
	Great Britain ²	
	BHC	AHC
1994/95	23	31
1995/96	22	31
1996/97	25	33
1997/98	25	32
1998/99	24	33
1999/00	23	32
2000/01	21	30
2001/02	21	30
2002/03	21	28
2003/04	21	28
2004/05	19	27
	London ³	
	BHC	AHC
1994/95	23	39
1995/96	22	39
1996/97	25	40
1997/98	25	43
1998/99	24	39
1999/00	23	40
2000/01	25	41
2001/02	21	36
2002/03	23	37
2003/04	27	41
2004/05	24	41

Notes:

1 London figures are expressed as three-year rolled averages

2 GB figures are expressed as single year

3 London figures are expressed as single year

Table 3: Working Age poverty figures: 2004/05

Percentage of people of working age in households with income below 60 per cent of national median

	Great Britain	London	Inner London	Outer London
Before Housing Costs	14	15	19	13
After Housing Costs	18	24	29	21

Source: FRS 2004/05

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

Poverty among pensioners is higher than among people of working age but had been declining in London – as DWP now publish three year averages for regions (instead of single year figures) it is difficult to gauge the trend.

Table 4: Pensionable Age poverty figures: 2004/05

Percentage of people of pensionable age in households with income below 60 per cent of national median

	Great Britain	London	Inner London	Outer London
Before Housing Costs	19	18	17	19
After Housing Costs	17	21	26	19

Source: FRS 2004/05

Note: Figures for London are based on a three-year rolling averages. GB 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 just above the national average using the before housing costs measure. Using the after housing costs measure, London had the highest rate for any region with 27 per cent.

Table 5: All ages poverty figures: 2004/05

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

	Great Britain	London	Inner London	Outer London
Before Housing Costs	16	18	22	15
After Housing Costs	20	27	34	23

Source: FRS 2004/05

Note: Figures for London are based on a three-year rolling averages. GB 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.

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