

Poverty figures for London: 2009/10

Summary data from the Households Below Average Income series.

Key points

- The number of Londoners living in poverty has seen little change.
- Children, particularly those in workless households, remain the group most likely to live in low income. The poverty rate for children in London, after housing costs, at 38 per cent, remains higher than for any other region, but is back to its lowest level for six years.
- Poverty rates for children in Inner London, remained unchanged, with 44 per cent of children or around 250,000 living in poverty, but the rate for Outer London reduced, back down to 34 per cent.
- Poverty among pensioners in London has decreased according to the latest figures, reversing last year's increase. The risk of poverty for pensioners in London is now the same before and after housing costs according to the latest figures, but remains above that for the rest of the UK.
- The percentage of working age people living in poverty has increased again in both London and nationally

The Government's Child Poverty Target

The coalition Government intends to maintain the goal of ending child poverty in the UK by 2020 as established by the previous Government. Progress against this target 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.

These latest figures are for the financial year 2008/09; and reveal that the national income distribution continued to rise, with the mean and median figures both before and after housing costs showing an increase on the previous year. These figures cannot incorporate the full effects of the recession, so the question of how this will impact on the relative poverty figures remains.

Child poverty figures for London

Based on three year averages, in 2007/08-2009/10 Greater London still had the highest rate of child poverty on an AHC basis of any region or country in the UK, at **38 per cent**. Like the national rate this is down slightly (one percentage point) from the figures for 2006/07-2008/09, due to a decrease in Outer London, but the London rate remains the highest of any region and significantly higher than the rate for England or the UK as a whole (see Table 1). On a BHC basis, the child poverty rate overall in London (**20 per cent**) was slightly below the national rate, and had decreased from the previous year, with improvements in the rates for both Inner and Outer London. The London rate, and indeed both the Inner and Outer London rates were still higher than for neighbouring regions or the South West.

Table 1 Percentage of children falling into low-income groups by region, 2007/08 -2009/10

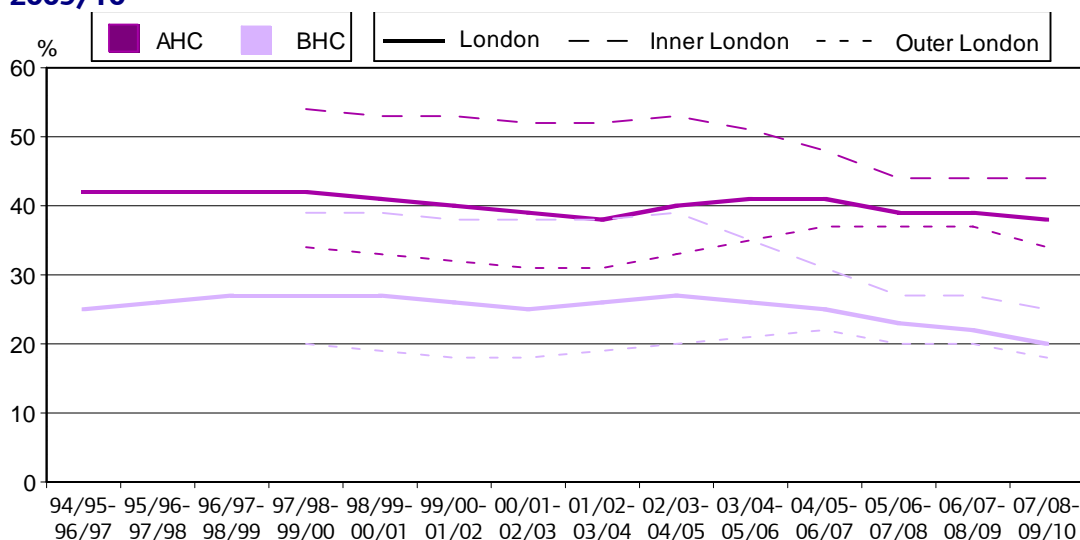
	Before Housing Costs	After Housing Costs	All children (millions)
England	21	31	10.8
North East	26	33	0.5
North West	25	33	1.5
Yorkshire and the Humber	26	32	1.1
East Midlands	23	29	0.9
West Midlands	29	36	1.2
Eastern	16	25	1.2
London	20	38	1.6
Inner	25	44	0.6
Outer	18	34	1.1
South East	14	24	1.8
South West	16	26	1.0
Scotland	20	25	1.0
Wales	25	33	0.6
Northern Ireland	26	28	0.4
United Kingdom	21	30	13.0

Source: FRS 2007/08 - 2009/10

Note: Figures are for children in households with income below 60 per cent median

Chart 1 illustrates that whereas Inner London poverty rates had been falling, the three year rolling average figures show that, they have stabilised. They 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, though the rate fell slightly, it is still higher than all Government Office regions except the West Midlands. This represents around 260,000 children in Inner London in poverty on the AHC measure and 150,000 on the BHC measure. The picture for Outer London is quite different in that its rates had been rising but the latest figures show a decrease on both measures, so though there has been an overall increase in the number of children, the number in poverty has remained stable.

Chart 1 Change in child poverty for London: (three year rolling averages) 1994/95 to 2009/10



Source: FRS 1994/95 - 2009/10

Table 2 gives 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. It shows that the London figures are at their lowest for the whole fifteen year period on both measures, whereas the figures for the UK, while lowest according to the BHC measure are still higher than five years ago after housing costs. Nevertheless, the percentage of London's children in poverty after taking into account housing costs remains very high.

Table 2 Percentage of children living in households with less than 60 per cent of contemporary median household income, for London and UK 1994/95 -2009/10

		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	06/07-08/09	07/08-09/10
London	BHC	25	26	27	27	27	26	25	26	27	26	25	23	22	20
	AHC	42	42	42	42	41	40	39	38	40	41	41	39	39	38
UK	BHC	25	26	27	26	25	24	23	23	22	22	22	22	22	21
	AHC	33	33	34	33	33	31	30	30	29	29	30	30	31	30

Source: FRS 1994/95 - 2009/10

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.

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, reveals a similar picture in that London is close to the national average using the BHC measure, and much higher than other regions using the AHC measure. While this method of measuring change shows significant reductions in child poverty both regionally and nationally, the gap between London and UK using the AHC measure has remained more or less constant, so London is not matching the UK's rate of change. The national figure almost halved, from 37 per cent to 19 per cent, while London and the West Midlands are the only regions where this rate of reduction is not apparent. 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, 1994/95 –2009/10

	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	06/7- 08/9	07/8- 09/10
Before Housing Costs														
England	29	28	27	25	22	19	16	14	13	13	13	13	13	12
North East	37	36	35	33	30	24	22	19	17	15	14	14	14	14
North West	34	33	34	31	27	21	18	17	15	15	14	15	15	14
Yorkshire and the Humber	34	33	32	31	28	24	19	16	15	14	15	15	15	14
East Midlands	30	28	26	24	24	21	19	15	14	13	13	15	14	12
West Midlands	31	32	30	28	25	23	20	17	16	16	16	17	17	16
East of England	23	21	21	19	16	13	10	10	9	10	9	9	10	10
London	30	30	28	27	24	21	18	16	16	17	16	15	14	12
South East	20	19	18	16	14	12	9	8	8	9	10	10	9	8
South West	26	25	25	23	19	16	13	12	11	10	10	10	11	10
Scotland	33	33	31	28	25	21	18	16	15	13	12	12	12	11
Wales	35	34	31	30	27	22	18	14	14	13	14	15	15	14
Northern Ireland	..	..	..	..	27	22	19	17	16	15	14	13	14	16
United Kingdom	29	29	28	26	23	19	16	14	14	13	13	13	13	12
After Housing Costs														
England	37	36	35	33	31	27	24	21	20	19	19	20	20	19
North East	42	41	41	40	37	31	28	24	22	18	18	19	21	20
North West	40	39	40	37	34	28	25	22	20	20	20	21	20	20
Yorkshire and the Humber	38	37	37	36	33	28	24	21	19	17	17	18	19	19
East Midlands	36	33	31	29	28	25	23	20	19	18	18	19	18	17
West Midlands	36	37	35	33	32	29	26	23	20	20	20	22	22	22
East of England	32	29	29	27	24	21	18	16	15	15	15	15	16	16
London	44	44	43	42	39	37	33	31	30	30	29	27	27	25
South East	30	28	27	25	23	21	17	16	15	15	16	16	16	15
South West	35	34	33	31	28	24	21	19	16	15	16	17	17	16
Scotland	36	35	33	31	29	25	21	19	17	16	15	14	14	14
Wales	41	40	37	35	34	30	26	22	20	19	19	21	21	21
Northern Ireland	..	..	..	..	26	23	21	19	17	15	13	14	14	16
United Kingdom	37	36	35	33	31	27	24	21	19	19	19	19	19	19

Source: FRS 1994/95 - 2009/10

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 further 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 16 per cent, the proportion of London's children in this form of deprivation has seen a significant improvement and whereas London was higher than any other region four years previously, the latest figures show that it now matches national average. The Inner London figure is 22 per cent, again showing a decrease on previous figures, and similar to the proportions for the highest regions – the North West and the West Midlands.

Table 4 Percentage of children living in households with low income and material deprivation, by region, 2004/05 –2009/10

	2004/05- 2006/07	2005/06- 2007/08	2006/07- 2008/09	2007/08- 2009/10
England	16	17	17	17
North East	20	20	20	21
North West	19	20	21	22
Yorkshire and the Humber	17	17	19	20
East Midlands	17	19	19	18
West Midlands	20	21	21	22
East of England	11	10	11	11
London	22	21	19	16
Inner	29	26	23	22
Outer	19	18	17	14
South East	11	11	11	10
South West	13	13	14	13
Scotland	15	15	16	15
Wales	18	17	17	20
Northern Ireland	15	14	14	16
United Kingdom ¹	16	17	17	16

Source: FRS 2004/05 - 2009/10

Notes: 1 Figures are three-year averages, except UK figure, which is based on a single year 2009/10

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).

A new measure of “severe child poverty” has been introduced to the annual publication of poverty statistics. This gives the proportion of children with income below 50 per cent of median equivalised income and material deprivation. This is given as five per cent of children nationally for the latest year (2009/10), and six per cent for the previous five years, but is currently not available at a regional level.

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. As for the previous year, the London proportion living in poverty using the Before Housing Costs measure is lower than the national figure, reflecting high wages in London, but after housing costs are taken into account, the reverse is true (see Table 5).

There is no change in the proportion of people of working age in poor households for the UK, London as a whole, Inner or Outer London on the before housing costs measure, whereas there has been an increase for UK, London and Inner London on the after housing costs measures so London as a whole, and particularly Inner London remains higher than any other region on the AHC measure.

Table 5 Working Age poverty figures: 2007/08-2009/10

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	16	15	17	14
After Housing Costs	22	26	30	24

Source: FRS 2007/08 - 2009/10

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. The latest figures show decreases in pensioner poverty in both Inner and Outer London, and therefore London as a whole, as well as nationally, on both before and after housing costs measures.

Again, a new measure has been introduced, since income alone is not as significant in measuring living standards among the elderly as among younger age groups. The new measure considers material deprivation, and the Family Resources Survey, on which these poverty measures are based, asks some different aspects of material need for older people as against children and working age, as their needs and wants often differ. Also the reasons for not having the items considered may include health, disability and isolation issues. All these reasons are included within the definition of deprivation. Nationally nine per cent of pensioners were in material deprivation in 2009/10, and the overlap between these and those in low income is quite small. Since this data is only available for one year, it is not published at regional level.

Table 6 Pensionable Age poverty figures: 2007/08-2009/10

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	21	20	22	20
After Housing Costs	17	21	28	18

Source: FRS 2007/08 - 2009/10

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. After housing costs, London again had the highest rate for any region with 28 per cent, with only a slight decrease both in London and nationally on a BHC basis.

Table 7 All ages poverty figures: 2007/08-2009/10

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

	UK	London	Inner London	Outer London
Before Housing Costs	17	17	19	16
After Housing Costs	22	28	32	26

Source: FRS 2007/08 - 2009/10

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.

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.

Material deprivation for pensioners

Pensioner material deprivation is similar in concept to that described above but covers different items, such as access damp-free home, access to a telephone when needed, having hair done or cut regularly. Reasons for not having these things can include too much trouble/too tiring, no one to do this with or help me, my health/disability prevents me. All these are considered deprived. Only those who don't want something or say it is not relevant are not considered deprived. A pensioner achieving a score of 20 or more is said to be in material deprivation.

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