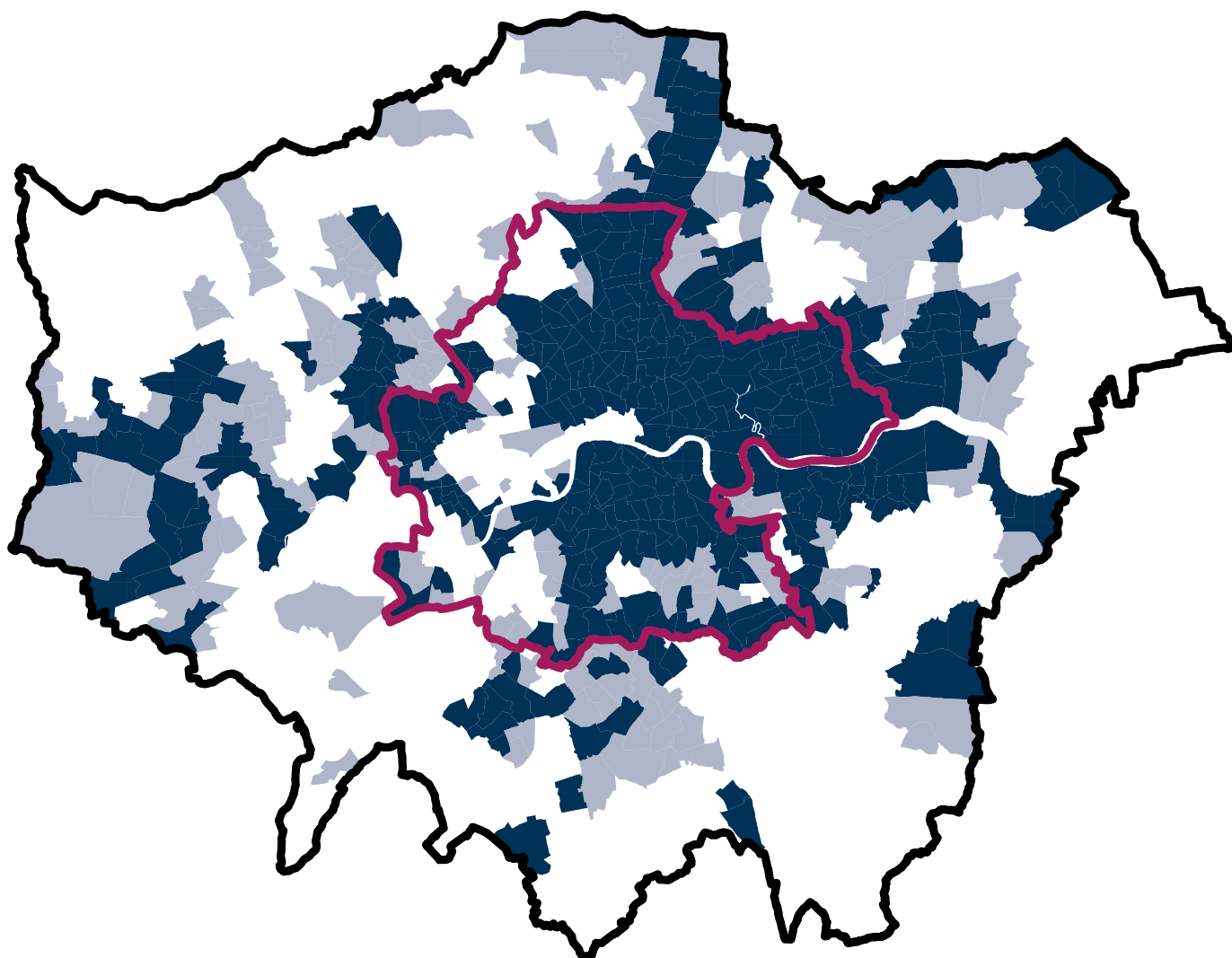


London Divided

Income inequality and poverty in the capital: summary



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Cover

The map on the front cover is based on the ward-level map of children in families receiving Income Support (IS) in August 1999, which is shown in the main report. The darkest shade represents areas where at least a quarter of all children are in families receiving IS; the lighter shade corresponds to areas where the level of IS receipt is above the national average (16.3 per cent). Areas without shading are those where IS receipt is less than or equal to the national average. The Inner London boundary is marked in purple.

We would like to thank the Department for Work and Pensions for providing data on household incomes analysed in *London Divided*. The DWP is not responsible for the analysis and interpretation of this data, which was undertaken by the Greater London Authority Social Statistics Group.



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summary

London is unique among the regions of Great Britain in that it contains concentrations of both high and low income households. Polarisation between rich and poor is far more marked in London than elsewhere and the implications of such a divide are serious. Poverty rates are particularly high for some minority ethnic groups, and with half the entire minority ethnic population of Great Britain living in the capital, income inequality in London has a strong ethnic dimension. The spatial aspect of deprivation is also strongly marked, with Inner London – an area of nearly three million inhabitants – registering rates of income poverty for children, working age adults and pensioners which are far higher than in any region of Great Britain.

London Divided draws on income data as the key indicator of poverty in the capital, while recognising that many other aspects of poverty are important. As well as establishing the scale of poverty in the capital, the report aims to contribute to a better understanding of the factors leading to poverty, and the impact of low incomes on London's residents.

The report makes comparisons with national and regional figures for income and includes more localised data where available. Other measures of deprivation which are closely associated with income poverty, such as rates of unemployment and benefit receipt, provide a more detailed spatial analysis at sub-borough level.

The report aims to provide a broad picture of income poverty in the capital in terms of the types of household which are affected, ethnicity, employment status and location. Data on specific groups which are particularly vulnerable to poverty – including disabled people and asylum seekers – will be included in future GLA publications.

Poverty in London

The extent of poverty in London became clear in 2000, when the Department of Social Security (now the Department for Work and Pensions) included regional household incomes data for the first time in its annual report on low incomes, *Households below average income (HBAI)*. Using data relating to the year 1998/99, it found that London had the highest rate of poverty for children of any region of the UK, at 43 per cent, after housing costs were taken into account. Rates of poverty for working age adults and pensioners were also high by comparison with national averages.

Poverty is defined in terms of household incomes amounting to 60 per cent or less of the national average (median) income. This is the measure used throughout *London Divided* and this summary, unless otherwise indicated.

Using the *HBAI* dataset for 1998/99 to 2000/01, *London Divided* presents an initial analysis of London household incomes both before and after housing costs. The analysis reveals enormous differences in poverty between Inner and Outer

London and between ethnic groups. It also highlights the extent to which estimates of poverty in London are affected by taking housing costs into account. It details the extent of pensioner poverty in Inner London, and explores the relationship between child poverty rates and employment in households with children.

Inner and Outer London

The level of poverty among children in Inner London revealed by this analysis is far higher than for the whole of the Greater London area. Looking at disposable income before housing costs have been taken out, 36 per cent of children in Inner London are living in poverty, compared to 19 per cent in Outer London. The child poverty rate in Inner London before housing costs is higher than in any region or country of Great Britain.

This pattern is even more marked after housing costs. Rates of poverty after housing costs for children, working age adults and pensioners in Inner London are far higher than in any other area for which income poverty figures are currently available. Based on the disposable income of households after housing costs have been taken out, 30 per cent of working age adults, 36 per cent of pensioners and 53 per cent of children in Inner London are living in poverty. By contrast, the levels of poverty in Outer London after housing costs are close to the national level.

Ethnicity and child poverty

At national level, child poverty rates for most minority ethnic groups are considerably higher than for the white population, and this is also the case in London. While the incidence of poverty for broadly defined minority ethnic groups in London appears to be similar to the incidence at national level, the ethnic dimension of poverty is much more marked than in London because the proportion of ethnic groups in London is far higher than elsewhere.

Housing costs

Apart from the sheer scale of poverty in Inner London, this analysis shows the importance of taking account of housing costs in measuring incomes, particularly in Inner London. The difference in incomes before and after housing costs is most marked among pensioners, where rates of poverty in Inner London are twice as high after housing costs are taken into account. This pattern is not repeated in any other area for which data is currently available.

Percentage of children, working age adults and pensioners living in poverty 2000/01

	Children		Working age		Pensioners	
	Before housing costs %	After housing costs %	Before housing costs %	After housing costs %	Before housing costs %	After housing costs %
England	21	30	14	19	22	25
<i>of which</i>						
North East	32	37	19	23	25	28
North West and Merseyside	22	32	16	21	20	23
Yorkshire and the Humber	24	29	16	19	22	26
East Midlands	25	29	15	18	28	26
West Midlands	26	37	16	21	25	27
Eastern	12	22	9	14	23	25
Greater London	25	41	15	23	17	26
<i>of which</i>						
Inner London	36	53	18	30	18	36
Outer London	19	33	12	19	17	21
South East	11	22	8	13	19	21
South West	16	27	14	19	20	24
Scotland	25	30	17	22	20	23
Wales	26	33	16	21	23	22
Great Britain	21	31	14	19	22	25

source Department for Work and Pensions, Households Below Average Incomes dataset 2000/01
note households include the self-employed

Poverty in London – key points

- London has the highest incidence of child poverty, after housing costs are taken into account, of any region in Great Britain.
- Income poverty is particularly concentrated in Inner London, where the scale of income poverty for children, working age adults and pensioners is significantly greater than for any region in Great Britain.
- After housing costs 41 per cent of children in London are living in income poverty, a higher percentage than in any region or country in Great Britain. In Inner London this rises to 53 per cent of children, compared to 33 per cent in Outer London and 31 per cent nationally. The North East has the next highest incidence of child poverty at 37 per cent.

- Thirty per cent of working age adults are in income poverty after housing costs in Inner London compared to 19 per cent in both Outer London and Great Britain as a whole. The North East has the next highest incidence of poverty after housing costs for working age adults, at 23 per cent.
- Thirty six per cent of pensioners in Inner London are in poverty after housing costs compared to 25 per cent nationally and 21 per cent in Outer London. Again the North East has the next highest rate after Inner London, at 28 per cent.
- The incidence of income poverty is highest for children in workless lone parent and couple families at both London and national levels. The high child poverty rate registered in London is to a large extent due to the fact that 33 per cent of children in London are living in workless families, compared to 22 per cent nationally.
- Seventy three per cent of Pakistani and Bangladeshi children and 55 per cent of black children are living in income poverty after housing costs at both London and national levels.

London's labour market

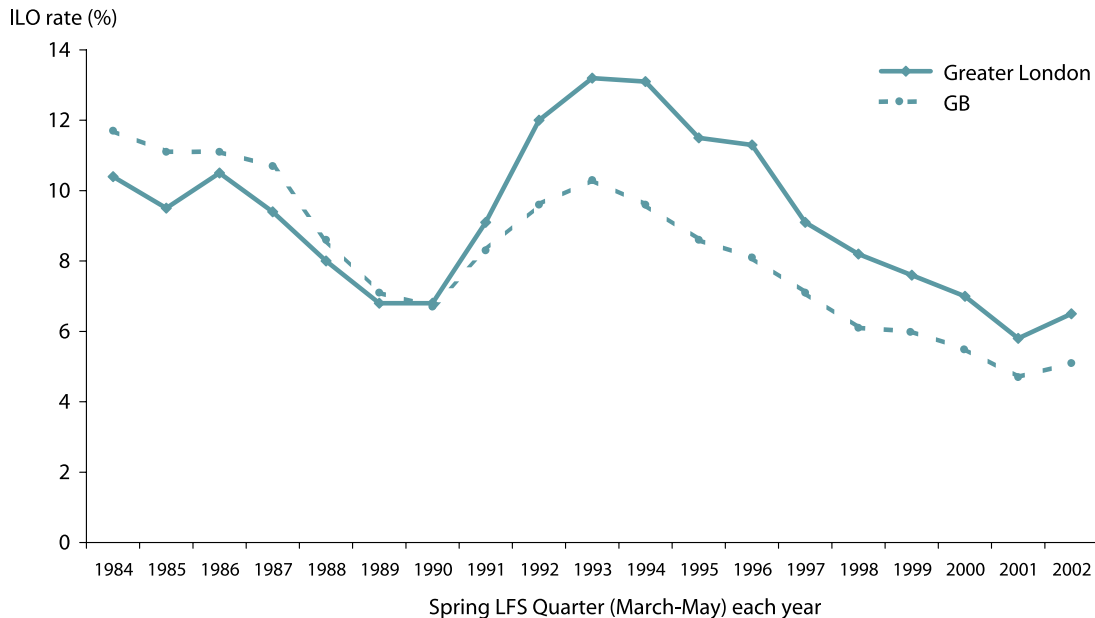
The most important factor in explaining London's high rates of poverty for both children and working age adults appears to be the level of employment. The difference between child poverty in London and the national average seems to be driven by relatively low employment rates in London coupled with the fact that households without employment in London are more likely to include dependent children. However, employment does not provide a guarantee that households will not be in poverty. Thirty seven per cent of children in poverty in London are living in households in which at least one individual is in employment.

London Divided looks at various aspects of London's labour market over the period 1985 to 2000. From roughly the beginning of the 1990s, London's labour market began to worsen in comparison to the national figures. Looking at economic activity by age and gender, the report finds that low employment levels in London are in part due to low employment rates among women over 30, a departure from national trends in women's employment.

Unemployment and economic inactivity

The report also shows that the highest levels of unemployment are concentrated in a single area comprising central and east Inner London, north and south of the river, and extending across the Inner London boundary into adjacent wards in the east. Within this area, high unemployment is the rule, not the exception.

ILO unemployment rates 1984-2002, Greater London and Great Britain



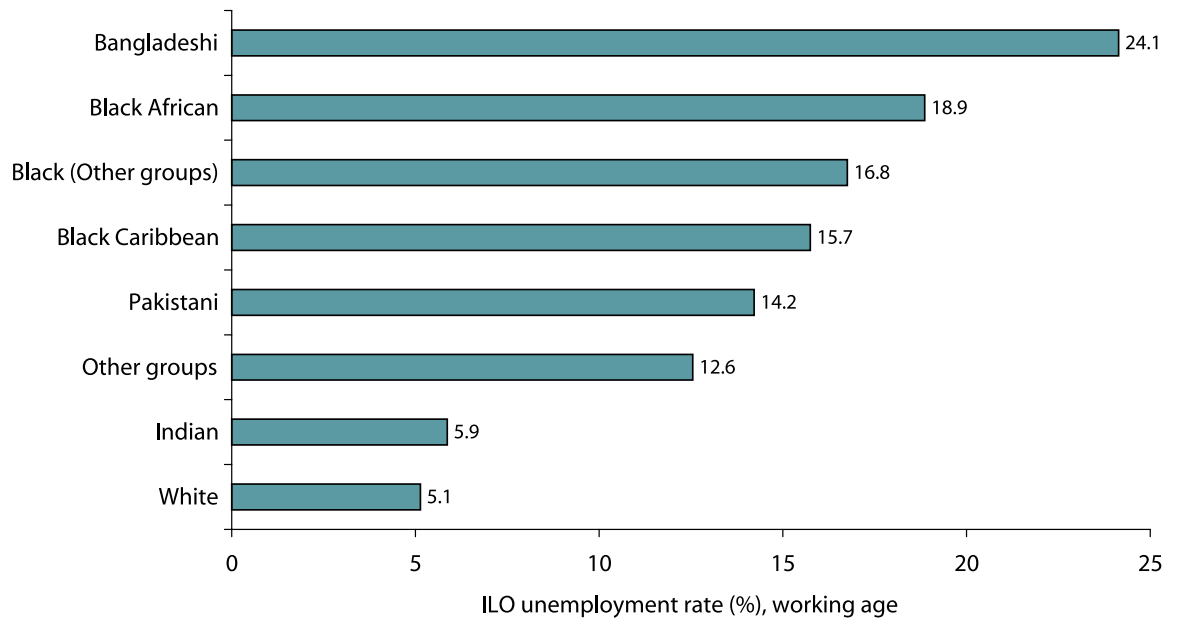
source Office for National Statistics, Labour Force Survey

Most minority ethnic groups have unemployment rates well over twice as high as the white population. Only 59 per cent of black and minority ethnic Londoners are in employment. Employment levels for white Londoners as a whole are close to the national average, although this conceals differences between Inner London, where unemployment is most concentrated, and Outer London.

Women with children face significant difficulties in London's labour market due to high housing and childcare costs. Lone parents in particular are less likely to be employed in London than elsewhere in the country.

London Divided also looks at the impact of higher housing and childcare costs on the disposable incomes of lone parents in employment. The evidence indicates that even assuming the availability of suitable employment opportunities, lone parents in the capital receive less of a 'reward' for being in work than those living elsewhere in Great Britain.

ILO unemployment rates (%) by ethnicity, Greater London 2000/01



source Office for National Statistics, Labour Force Survey (four quarter average)

Employment in London - key points

- The unemployment rate in Inner London in 2000/01 was 9.5 per cent, the highest of any sub-region of England, while the Outer London rate was close to the average for Great Britain of 5.4 per cent.
- There is enormous variation in unemployment rates between boroughs, ranging from more than 16 per cent in Hackney to less than four per cent in Bromley.
- The majority of wards with high unemployment rates are concentrated in central and east Inner London, north and south of the river, extending into adjacent Outer London wards in the east. There are also concentrations of severe unemployment in some Outer London wards, particularly in Ealing and Brent.
- Minority ethnic groups comprise 28 per cent of London's working age population, but 45 per cent of those who are unemployed. The unemployment rate in London in 2000/01 was 24 per cent amongst Bangladeshis, 19 per cent for black Africans, nearly 16 per cent for black Caribbeans and 14 per cent for Pakistanis.
- The London Household Survey shows that the most common reason for not working cited by women in London who wish to work is lack of affordable or suitable childcare.

Jobs and earnings

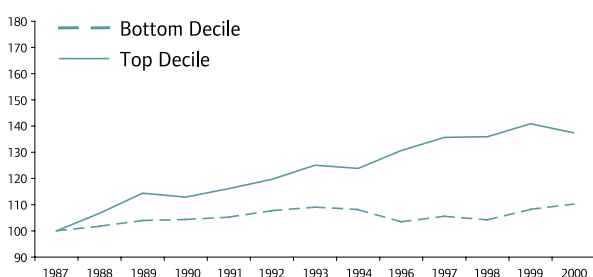
Change in the occupational structure of employment in London over the 1990s means that many Londoners face a less accessible labour market. Virtually all the increase in full-time employment which has occurred since 1992 has been in occupational groups where a university degree or equivalent is a prerequisite for entry. Skilled manual and clerical jobs have declined and employment growth in lower paid service occupations has mainly been in part-time working.

The growth in occupations which demand high qualifications (and pay higher wages) has drawn highly skilled labour from elsewhere in the UK, as well as from other countries. During the 1990s, gross domestic migration into London averaged over 150,000 people a year. The growth in employment in London over the 1990s partly reflects this continual replenishment of the pool of labour with younger, more qualified workers. One implication of this is that London residents without the qualifications to command this type of employment may be left behind.

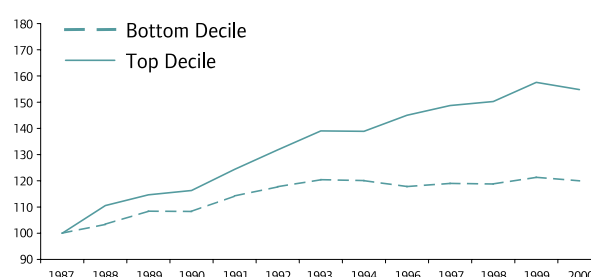
Women employed in lower paid service occupations in London have seen much smaller wage increases than at national level, as well as smaller wage increases than both men and women in high paid occupations in London.

As the gap between the earnings of higher paid and lower paid occupations increases, the lower paid are faced with increasingly difficult options. They experience the same cost of living pressures as other London residents, and are faced with increases in the costs of housing and childcare fuelled by the growth in real earnings of the highest paid groups.

Index of hourly earnings 1987-2000, Greater London



Full-time male employees



Full-time female employees

source Office for National Statistics, *New Earnings Survey 1987-2000*
 note Figures deflated using RPI (all items index)

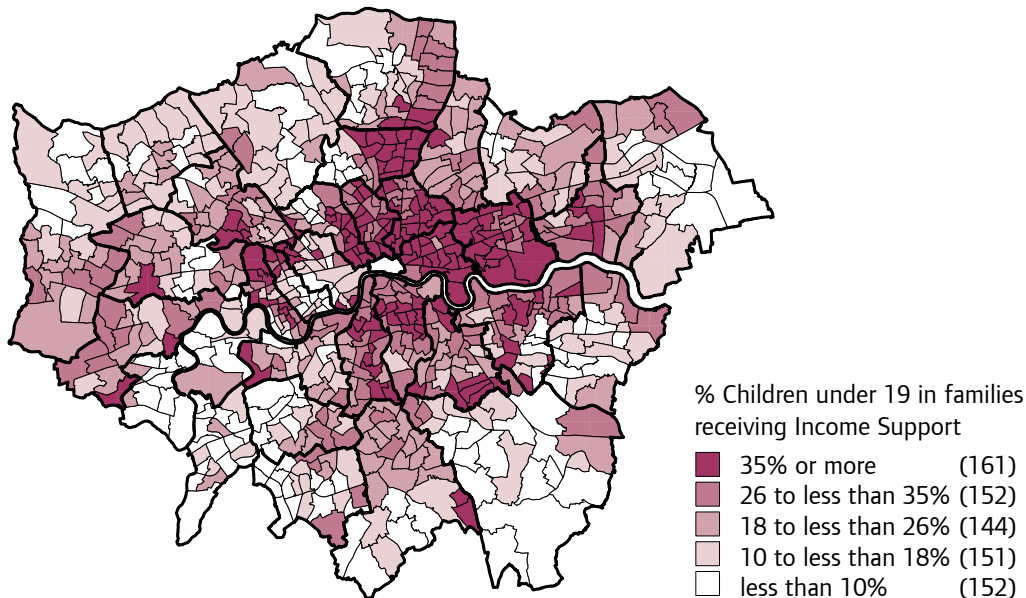
Jobs and earnings in London – key points

- Earnings in London became more polarised over the 1990s. While this was partly due to changes in the structure of employment in London, it also reflects the fact that lower paid groups of workers saw much lower real growth in earnings than those in higher paid groups.
- Men in manual occupations in London saw a rise of nine per cent in real earnings between 1991 and 2001, compared to earnings growth of 26 per cent for men in non-manual occupations. Female manual workers saw a rise of 12 per cent compared to 31 per cent for female non-manual workers.
- Women in some lower paid occupational groups have seen particularly low growth in earnings in London compared to women in similar occupations outside London. Hourly earnings for women in sales occupations in London have shown no significant real terms increase since 1991, while rising by 17 per cent at national level.
- The gender pay gap is greater in London than in Great Britain – in 2001 earnings for women working full-time averaged only 77 per cent of men's in the capital.
- Earnings vary substantially between ethnic groups in London. In 2001, average earnings ranged from £12.11 per hour for white workers to £5.92 per hour for Bangladeshi workers.

Benefit receipt in London

Analysis of those in receipt of benefits confirms the concentration of disadvantage in Inner London revealed by unemployment data. It also shows the impact of housing and childcare costs on disposable incomes for lone parent households with low earnings in London. This indicates that even with the introduction of more generous provision for families with low earnings through the Working Families Tax Credit, the marginal gain for a lone parent moving from benefits into full-time employment is significantly lower in areas with high childcare and housing costs.

Percentage of children under 19 in families in receipt of Income Support, August 1999



source Department for Work and Pensions benefits data and Greater London Authority ward population projections

Benefit receipt in London – key points

- Over a million Londoners – 14 per cent of the population – are dependent on Income Support.
- London has local authority areas with both the highest and the lowest rates of means-tested benefit receipt in the country. Overall 28 per cent of London's households received means-tested benefits compared with 24 per cent in Great Britain as a whole.
- While the rate of receipt of means tested benefits has decreased over the last few years across the country as a whole, this decrease has been less marked in London.
- Nearly a quarter of London's children (24 per cent) are living in households dependent on Income Support. This compares with 16 per cent in Great Britain and is the highest rate for any region. In Inner London one in three children are living in households reliant on Income Support.
- Almost two thirds of lone parent households in London (65 per cent) are reliant on Income Support, again the highest rate for any region.
- A quarter of people in Inner London aged 60 and over are receiving Income Support, compared to 15 per cent in both Outer London and Great Britain.

- 167,000 people in London are receiving Jobseeker's Allowance. The proportion of children in households reliant on income-based Jobseeker's Allowance in London is the highest of all regions.
- Working Families Tax Credit, introduced in October 1999 to boost the incomes of low earning families, has only benefited one in ten families in London, compared with one in six in Great Britain. Only 22 per cent of lone parent households in London receive Working Families Tax Credit, half the rate for England as a whole.
- Nearly one in five households in London receive Housing Benefit. Over a quarter of households in Inner London receive Housing Benefit, rising to around a third in Tower Hamlets and Hackney.

Necessities

London Divided also presents a range of data on aspects of living in London which are closely linked to poverty: housing, health, education and crime.

Interim results from the GLA London Household Survey 2002 show that poverty, defined in terms of inability to afford items generally regarded as necessities is far more pronounced for households with children and minority ethnic households.

London has the highest house prices and rent in the UK and pressure on the capital's housing stock gives rise to high rates of homelessness and overcrowding. Poor housing conditions can contribute to poor health, and it is of concern that notifications of tuberculosis, a disease associated with overcrowding and insanitary living conditions, are between three and eight times higher in London compared to other English regions.

There are lower rates of educational achievement in deprived areas and among certain black and minority ethnic groups. Of considerable concern, given the high proportion of ethnic minority children in the capital, is the variation in exclusion rates between ethnic groups and, in particular, the disproportionate numbers of black Caribbean pupils excluded.

Being a full-time student in London may be becoming impossible for some. It is now so expensive, compared with studying outside London, that those from poorer backgrounds who are unable to live with their parents and/or who are debt-averse may be being priced out of studying in London.

Crime also has a greater impact on low-income households, and the link with low incomes is particularly marked in relation to domestic burglary. The effects of burglary are compounded if households do not have home contents insurance to enable them to replace stolen items, many low-income households do not.

Necessities – Key points

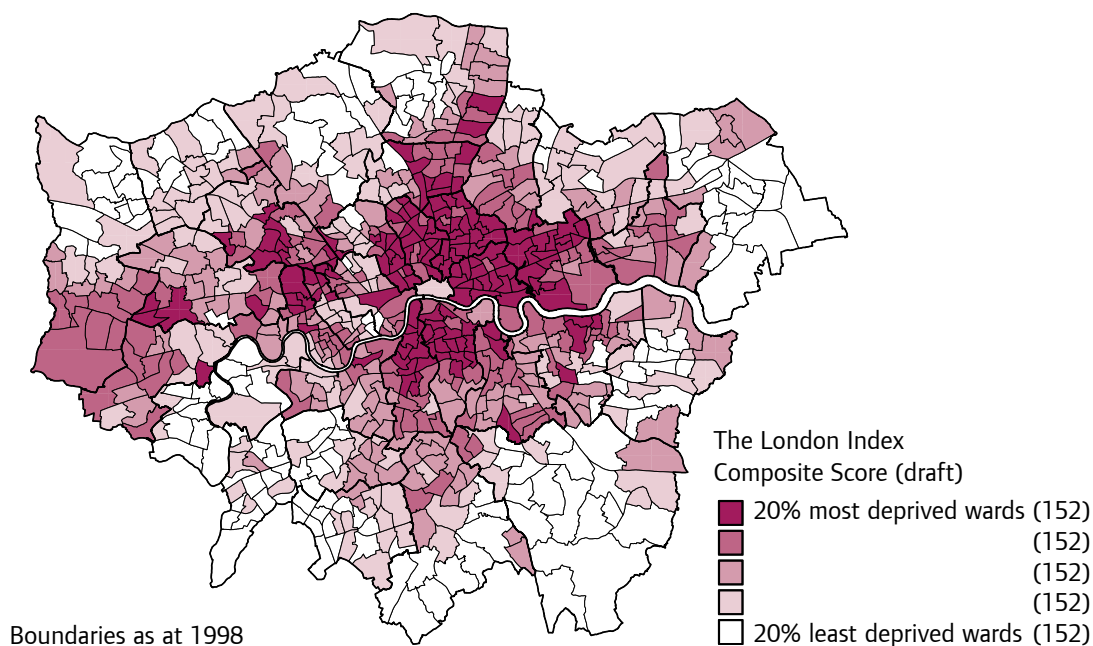
- One in five couple households with children in London, and more than half of lone parent households, can not afford to put aside £10 a month in savings or take a holiday (other than staying with relatives).
- Thirty eight per cent of black households in London can not afford to save £10 a month and 43 per cent can not afford a holiday.
- The cost of buying a home in London more than doubled in the five-year period between 1996 and December 2001.
- During the second quarter of 2002 the average weekly rent for a two-bedroom unfurnished privately rented property was £425 in Inner London and £219 in Outer London. The average rent for this property type in Great Britain was £108 per week.
- Pressure on housing supply in London has led to the highest rates of overcrowding in England. In 2000/01, a fifth of London households had less than 1.5 rooms per person, compared to 12 per cent in England overall.
- During 2000/01, a fifth of all households on local authority waiting lists in England were in London, along with half of all rough sleepers and a quarter of all the households classified as homeless.
- Female life expectancy ranges from 84.7 years in Kensington and Chelsea to 79.0 years in Newham and male life expectancy from 78.8 years in Kensington and Chelsea to 72.9 years in Southwark.
- In 2001, around 42 per cent of maintained secondary school pupils in Inner London were eligible for free school meals, compared with 16 per cent nationally and 18 per cent in Outer London.
- Some 50 per cent of 15-year-old pupils in England and in Outer London achieved five or more A*-C grades in GCSEs in 2001, compared to only 38 per cent in Inner London. Attainment levels among black and Bangladeshi pupils are lower than for white and Indian pupils.
- People on low incomes are more likely to experience some kinds of crime directly and to live in areas with higher crime rates. In 2001/02 the risk of experiencing a burglary was 75 per cent higher for those with a household income of less than £5,000 than for those with an income of £30,000 or more. Social and private renters were more than twice as likely to experience burglaries as owner-occupiers.

- The rate of domestic burglaries in each ward reported to the Metropolitan Police Service in 1999/00 shows a clear concentration of high rates of burglary in Inner London areas, especially in Lambeth, Southwark, Hackney and Tower Hamlets. There is a close association between the incidence of burglary and other indicators of deprivation such as unemployment.
- The effects of burglary on a low-income household are compounded if they do not have home contents insurance to enable them to replace stolen items. The GLA London Household Survey 2002 found that only 35 per cent of those with incomes of under £100 per week had home contents insurance, rising to 89 per cent for incomes of £1,000 per week and over.

Deprivation Indicators

In addition to examining income poverty, its causes and its implications, *London Divided* also examines a broader range of measures of deprivation and how they apply to London. Using a combination of indicators of poverty to produce an overall summary score, the report builds a map of deprivation in London by area. The result is a picture of poverty in London that shows deprivation is not evenly distributed across London, but affects some parts of the capital much more than others. However, the generalised nature of deprivation in Inner London is evident across the range of indicators used.

Quintile distribution of London wards on the draft London Index



source Greater London Authority

There is no consensus about what is meant by deprivation or poverty or about the best methods or indicators to use to measure them. However, the picture of deprivation within London is remarkably consistent between different measures, despite some variation in the detail. On all the measures reviewed, deprivation is concentrated in the eastern and southern parts of Inner London, with wards in Hackney, Tower Hamlets, Newham, Lambeth and Southwark featuring strongly among the most deprived. The position of London wards relative to the rest of the country, however, is highly dependent on the measure used.

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Chinese

中文

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Hindi

यदि आप इस दस्तावेज़ की प्रति अपनी भाषा में चाहते हैं,
तो कृपया निम्नलिखित नम्बर पर फोन करें अथवा दिये
गये पता पर सम्पर्क करें।

Vietnamese

Tiếng Việt

Nếu bạn muốn bản sao của tài liệu này bằng
ngôn ngữ của bạn, hãy gọi điện theo số hoặc
liên lạc với địa chỉ dưới đây.

Bengali

আপনি যদি আপনার ভাষায় এই দলিলের প্রতিলিপি
(কপি) চান, তা হলে নীচের ফোন নম্বরে
বা ঠিকানায় অনুগ্রহ করে যোগাযোগ করুন।

Greek

Αν θα θέλατε ένα αντίγραφο του
παρόντος εγγράφου στη γλώσσα
σας, παρακαλώ να τηλεφωνήσετε
στον αριθμό ή να επικοινωνήσετε
στην παρακάτω διεύθυνση.

Urdu

اگر آپ اس دستاویز کی نقل اپنی زبان میں چاہتے
ہیں، تو براہ کرم نیچے دیئے گئے نمبر پر فون کریں
یا دیئے گئے پتہ پر رابطہ قائم کریں۔

Turkish

Bu broşürü Türkçe olarak edinmek
için lütfen aşağıdaki numaraya
telefon edin ya da adrese başvurun.

Arabic

إذا أردت نسخة من هذه الوثيقة بلغتك، الرجاء
الاتصال برقم الهاتف أو الكتابة الى العنوان
أدناه:

Punjabi

Gujarati