Costs and needs in London

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1 Introduction

This paper considers how the ability of Londoners to meet their minimum needs might differ from that of people living elsewhere in the UK. People’s ability to meet their needs depends on both the costs of meeting those needs and the financial resources available to them, so each of these are considered in turn. Where possible, the paper also considers how the things that Londoners require, and not just their cost, might differ from elsewhere in the UK, but at present there is little evidence to this effect. The paper then considers existing evidence regarding the numbers and experiences of people unable to satisfy their minimum needs in London.

In reviewing the above evidence, the paper sets out the gaps in knowledge that a new project funded by Trust for London will address. This project will build on existing Minimum Income Standard [MIS] research (http://www.lboro.ac.uk/research/crsp/mis/), and, based on detailed discussions with groups of Londoners about what goods and services London households need to be able to buy, and how this differs from what people require in the rest of the country, will create a Minimum Income Standard for London: calculating the amount that different types of household, in Inner London and in Outer London, require in order to reach an acceptable standard of living as defined by members of the public.
2 Costs In London Compared To Elsewhere

A person’s ability to meet their needs will depend partly on what it costs to purchase necessities, and there is a sense among both members of the public and policy makers that many of these costs are significantly higher in London than elsewhere. For instance, in line with the 1974 Pay Board report, which recommended that higher wages be paid to London employees in order to compensate for the specific costs of living in London, many employers in both the public and private sectors apply a ‘London weighting’ to the wages of their London employees, albeit not in any particularly logical or structured fashion. Based on a more systematic recognition of the additional costs of housing, transport, childcare and other necessities in the capital, there is also a separate Living Wage for London, which at present is 17 per cent higher than the Living Wage for the rest of the country (£9.15 compared to £7.85 per hour).

The following discussion considers evidence regarding the costs of meeting different needs in London, and if, how and why these costs are different in London to elsewhere in the country. It also considers, where possible, how these costs differ between Inner and Outer London, as the MIS London project will do. It begins by considering housing costs, the most substantial cost associated with living in the capital, before looking at the costs of other goods and services, including most significantly transport, groceries, childcare and recreational activities.

2.1 Housing

Rents and mortgages are probably the clearest – and certainly the most commonly discussed – cost differences associated with living in London compared to elsewhere. Every tenure of housing is more expensive in London, and the city has a very distinctive tenure structure. Inner London has half the level of owner occupation
and twice as much rental in both the social and private sectors compared to the English average (Aldridge et al., 2013). This paper focuses on rents rather than mortgages, following the MIS model. Past MIS focus groups have reached a consensus that owning one’s home is the ‘nice to have’, and that, as a minimum, social housing is adequate to fulfil people’s need for housing. Where the social housing model has not seen as realistic, renting in the private sector is modelled as the minimum need. At present, for example, it is assumed that most working age adults without children would not be able to obtain social housing, and so these households are expected to be privately renting a room or one-bed property. The following discussion also considers other housing costs, namely council tax, insurance and fuel and water bills.

2.1.1 Rents in the Social and Private Sectors
Over 1.8 million people (23 per cent) in London live in social housing. In 2012/13, households in this sector in London paid at least 30 per cent as much rent again compared to the average paid outside London, ranging from an additional £17 per week for a Local Authority bedsit (up 30 per cent on the average outside London), to an extra £34 per week for a three bed flat rented from a Housing Association (up 36 per cent) (Wilcox et al., 2014; see Figure 1). The proportional increase in social rents in London as compared to elsewhere in England is larger for those with more rooms in local authority housing, but marginally lower for those living in larger properties where homes are provided by housing associations.
There are more people in London living in privately rented accommodation (26 per cent) than in social housing (23 per cent), and in Inner London one in three households is in the Private Rental Sector [PRS] (ONS, 2011a). This means that there is a high demand for cheaper private accommodation in the capital. In 16 of the 33 London boroughs, for example, more than 30 per cent of private renters are claiming housing benefit. Even without taking into the account the fact they will also be competing for access to the lowest rental properties with households who are not claiming housing benefit, this means that it is impossible for all claimants to be living within the limits of their housing allowance, which is capped at the third decile (Jarvie, 2014: 13).

What is more, rents in the private sector are even higher in London compared to the rest of the country than in social renting. Figure 2 indicates the differences between
lower quartile rents for different property types in the PRS in London and in the rest of England.

**Figure 2** Lower quartile weekly rents in the private sector

![Figure 2](image)

Source: VOA, 2014a: Tables 1.2-1.5. Reference year: 2014

The lower quartile rents for whole properties are significantly higher in London than anywhere else in the country. At this lower quartile point, Londoners are paying between 2.4 and 2.9 times as much as those in the North East, the region with the lowest rents in both the social and private sectors. This represents an additional cost of between £93 per week for a studio flat and £195 a week for a three-bed property. Even compared to the South East, the most expensive region outside of the capital, the lower quartile figures for whole properties in London are between 65 per cent and 69 per cent higher, with London households facing an additional weekly cost of between £63 and £121. The proportional ‘penalty’ paid for living in London is lower when renting a room in shared accommodation – the provision for single people of
working age in the calculation of the London Living Wage (GLA, 2013: 29) – rather than a whole property, but is still significant. For a room only, lower quartile rents in London are 72 per cent higher than in the North East, and 27 per cent higher than in the South East. This proportional increase adds an additional £21 to £42 per week to the costs faced by ‘sharers’ in London.

The increasing disparity between the supply of and demand for properties in the capital means that the gap between private rents in London and elsewhere is not only significant, but also increasing. Between 2010/11 and 2013/14, for example, the average weekly cost of renting a one-bed property in the PRS – the current MIS provision for working age adults without children – rose by £23 (nine per cent) in London, whilst rising by just £4 (three per cent) across England as a whole (VOA, 2011; 2014a). This meant that, between 2010/11 and 2013/14, the proportional additional cost paid for a one-bed property in London rose by 12 percentage points, from 82 per cent to 94 per cent. Turning to lower quartile rents, which might provide a closer indication of what people need to be able to afford, and again using a one-bed property as an illustrative example, rents in London rose by £27 per week (15 per cent) between 2010/11 and 2013/14, compared to a rise of £7 (six per cent) in the South East; the second most expensive region in the UK (VOA, 2011; 2014a). In this three year period, according to this lower quartile figure, Londoners renting a one-bed home in the PRS went from paying 54 per cent to 67 per cent more than those living in the South East.

In the social sector, the gap between the rents charged by Housing Associations in London and elsewhere has increased dramatically over the last decade. For example, the average rent for a one-bed property in London was 16 per cent higher than the national average in 2003, and 37 per cent higher in 2013. For a two-bed property the difference rose from 19 per cent to 35 per cent, and for a three-bed home the difference rose from 27 per cent to 34 per cent (Wilcox, 2004; Wilcox et al., 2014).
terms of weekly budgets, the additional cost faced by households in London rose from £8 to £28 for a one-bed property, from £11 to £30 for a two-bed, and from £17 to £33 for a three-bed. In contrast, the proportional difference between Local Authority rents in London and elsewhere has remained fairly constant over the last decade, narrowing slightly during the late noughties but widening again during the last few years. For example, London rents for a one-bed Local Authority property were 27 per cent higher than the England average in 2003, and 28 per cent higher in 2013, whilst the average LA rent for a three-bed property in London was 37 per cent higher than the national average in 2003, and 36 per cent higher in 2013 (Wilcox, 2004; Wilcox et al, 2014). However, although this proportional gap has remained the same, the real cost added to Londoners’ weekly budgets has risen for households renting from Local Authorities as well as Housing Associations. In 2003, Londoners paid £7 more each week for a one-bed Local Authority home compared to the national average, and in 2013 they paid an additional £18. For a three-bed property, the difference in weekly rents rose from £19 in 2003 to £30 in 2013.

There are also significant differences in the prices that people living in different parts of London must pay to live in the PRS. In 2012/13, lower quartile rents for one bed properties in the most expensive borough (Kensington & Chelsea) were more than twice as high as those in the two least expensive boroughs in Inner London (Lewisham and Newham) and 12 of the 19 boroughs in Outer London, and this gap widens as properties get larger (VOA, 2014a: Tables 2.3 – 2.6). Turning to the social rented sector, average weekly rents for homes provided by Housing Associations in greater London in 2014 varied by 24 per cent between the least (Lewisham) and most (Newham) expensive London boroughs (DCLG, 2014b: Table 704). The disparity in rents is even more stark in Local Authority housing, which in 2013/14 varied by 53 per cent between the most (Wandsworth) and least (Havering) expensive boroughs (DCLG, 2014b: Table 702). However, these discrepancies might reflect differences in
the types of property available rather than or as well as differences in rental costs for equivalent homes.

2.1.2 Council tax

In contrast to rents, council tax rates imposed at any given band are on average lower in London than in the rest of the country. The average Band D yearly council tax rate set for 2014/15 in London boroughs is £1296, compared to a country-wide average of £1468 (DCLG, 2014). The London average is more than 10 per cent lower than the national average, then, ‘saving’ London households in this band an average of £3.31 per week. On the other hand, a higher proportion of households in London are paying council tax in Band D or above, due to higher property values in the capital. More than half (56 per cent) of properties in London lie in Band D or above, compared to only a third (34 per cent) nationally (VOA, 2014b). Because of this difference, although Band D tax is 12 per cent lower in London compared to the national average, the average tax paid per dwelling is only three per cent lower. The average yearly tax paid by households in London is £1015; just 85 pence per week cheaper than the national average. Moreover, there is much variation in council tax rates between London boroughs. For example, Band D tax for 2014/15 was twice as high in Waltham Forest (£1290) as in Westminster (£603) (DCLG, 2014).

Many Londoners on low incomes, like others across the country, are being affected by the abolition of Council Tax Benefit and the associated 10 per cent cut in funding to local authorities. Like 71 per cent of local authorities across England, 82 per cent (27) of the 33 London boroughs have responded to the cuts by introducing ‘minimum payment’ schemes requiring all working-age adults to pay some tax (Bushe et al., 2013, Jarvie, 2014: 16). Although costing households only £1 to £5 more per week, the impact of this change has been far-reaching. Over 445,000 London households paid more council tax in 2014/15 than they would have under the old council tax benefit system (NPI, 2014). The average additional council tax paid by affected
households in London has been £149 per year – the same as the average across all schemes in England. The average additional cost was lower for households in Inner London (£138 per year) and higher for Outer London (£157) (NPI, 2014). Moreover, five of the six London boroughs retaining the old system of council tax are located in Inner London. The highest average rise in costs was in Harrow, where 11,300 households have paid an average of £386 per year more than they would have under the Council Tax Benefit scheme. The borough with the largest number of households affected was Croydon, where 25,000 households faced an average increase of £203 per year in 2014/15 (NPI, 2014).

2.1.3 Other housing costs

Although mortgage payments, rents and council taxes constitute the vast majority of housing expenditure, there are other costs that might vary according to where a person lives. Contents insurance, for example, is likely to be more expensive in London. In 2013, 13 of the 20 areas with the highest rates of burglary-related insurance claims were in London, with Herne Hill in South East London and Muswell Hill in North London each accounting for more than four per cent of all burglary claims across the country. This level of risk pushes up premiums, and nationwide research has found that householders living in ‘higher risk postcodes’ pay an average of 24 per cent more for their cover, representing in 2013 an extra £36 per year compared to the national average (Roberts, 2014). Although no average figures are provided for insurance premiums in London, prices are likely to be particularly high across the capital. In 2001, research by the Family Budget Unit found that all London boroughs were classed as ‘high risk’, and a basic policy worth £20,000 cost twice as much in Tower Hamlets as in their comparative case study in the suburbs of York (FBU, 2001).

In contrast, water and fuel costs are likely to be lower in London. At £266, the average annual metered water bill in London in 2010/11 was 13 per cent lower than
the national average (Ofwat, 2010, 2011). Fuel prices differ between regions according to demand, the charges that energy suppliers are required to pay distributors, and the degree to which they correctly predict the demand for energy. London is among the five regions with the cheapest fuel costs in the UK (uswitch.com, 2014), and the higher prevalence of flats and smaller property sizes in London are also likely to lower households’ expenditure on fuel. The ‘Urban Heat Island’ effect, which leaves London significantly warmer than its rural fringes, might also reduce the costs associated with keeping homes warm in the winter in London, although this saving might to some extent be offset by increased use of the fan that has been included in MIS budgets for people of pension age.

2.2 Transport

Another significant cost in household budgets is the need to get around; to work, to school or to social activities. There seems to be a lack of consensus about how much the cost of transport in London differs to elsewhere. The UK Relative Regional Consumer Price Levels [RRCPLs] released by the Office for National Statistics [ONS] in 2010 indicated that Londoners spend a slightly lower proportion of their money on transport than people living elsewhere in London, with households in London allocating 23.5 per cent of their total household expenditure (AHC) to transport, compared to the 25.2 per cent that households in the rest of England spend on transport costs (ONS, 2010: 7). However, this figure doesn’t necessarily tell us much about how much transport costs; it might reflect the fact that households in London have higher incomes and so spend more on other things, or that those other things cost more in London, for example.

2.2.1 Transport costs in London compared to elsewhere

The RRCPLs do also tell us about prices, and suggest that transport is slightly more expensive in London than elsewhere. According to these figures, transport is three
per cent more expensive in London than elsewhere in England; a relatively small difference (ONS, 2010: 9). Moreover, although the transport prices used in these RRCPLs are weighted for regional expenditure on public vs ‘private’ transport costs, these prices still reflect differences in the costs of owning and maintaining vehicles, which can be significant. For example, although the ONS assume that there are no regional price variations in the cost of buying a car, average insurance premiums in inner London in 2014 were 64 per cent higher than the national average, representing an additional cost of £7.08 to the weekly spending of an average car owner in London (confused.com and Towers Watson, 2014). Petrol prices also vary regionally, although they are not necessarily highest in London. As of 5th November 2014, diesel was less expensive in London than in eight of the other regions of England, and unleaded petrol was less expensive in London than in six other regions (Experian Catalist, 2014). Nonetheless, driving a car in Inner London also involves paying the congestion charge, as well as potentially higher maintenance costs and the costs of parking. The RRCPL transport costs might therefore be less relevant if focus groups decide that, as a minimum, most Londoners do not need cars.

2.2.2 Transport patterns in London compared to elsewhere
Households in London are 1.8 times as likely to have no access to a car or van as those in the rest of the country, with 42 per cent of households in London, including 30 per cent of households with dependent children, having no access to a car or van, compared to 23 per cent outside of the capital (ONS, 2011a). Figure 3 reveals the differences in the ways that people in and outside of the capital travel to work. Outside of London, the majority (59 per cent) of people drive to work, whilst only one in ten people commutes by public transport. Within London, however, taking public transport is the most common way that people get to their work (48 per cent), with less than a third driving. People in Inner London are more than four times as likely to take public transport to work than to drive there. Although transport patterns in Outer London are less dissimilar to the rest of England and Wales, the
difference is still significant, and the most common means of getting to work is still public transport. Londoners also spend, on average, significantly longer getting to work (DFT, 2014).

Although we might expect these differences to result from the fact that London is being compared to the rest of England and Wales, which contain rural as well as urban areas, where the use of cars might be more necessary (Smith et al., 2010), Figure 4 indicates that when comparing Inner and Outer London to other metropolitan areas, travelling to work by public transport is still significantly more common in the capital. People living in Inner London are almost three times as likely to use public transport to get to work than people living in any other metropolitan area. Even in Outer London, which provides a closer comparison to these metropolitan conurbations, workers are more than twice as likely to commute by public transport.
Figure 3  Prevalence of different methods of travel to work, inside and outside London

![Bar chart showing the prevalence of different methods of travel to work in England and Wales excluding London, London, and Inner and Outer London.]

Source: ONS, 2011a

Figure 4  Prevalence of different methods of travel to work in London and the metropolitan counties

![Bar chart showing the prevalence of different methods of travel to work in various metropolitan areas.]

Source: ONS, 2011a
2.2.3 Public transport costs in London compared to elsewhere

Considering the fact that only 28 per cent of Londoners drive to work, and that 42 per cent of households have no access to a car or van, it seems sensible to compare the costs associated with taking public transport in London and elsewhere in isolation.

A monthly Oyster travel card for zones 1-3 (the card that the GLA (2013) use to calculate the London Living Wage) now costs £144.80 for adults aged 18-64; more than twice the standard MIS figure for 2014, which works out at £70.68 per month for a £65 four-week Arriva Midlands bus pass. Assuming that zones 1-3 account for ‘Inner’ London, an ‘Outer’ equivalent might be a zone 1-6 oyster travel card, which, at £225.10 per month, costs more than three times the MIS standard.

On the other hand, the Family Budget Unit’s calculation of a ‘low cost but acceptable’ income standard for families in the East End assumed that low-paid workers would not live or work in zone one, and therefore only included in their budgets travel cards for zones 2-3 or 3-4 (Parker, 2001). This option would cost £92.60 per month for an adult of working age (a 30% increase on the MIS standard). The same price would apply for adults living in Outer London and travelling only within two zones. Travelling further than this would cost significantly more, for example £122.50 for travel within zones 3-6. However, it seems unlikely that this will be a useful hypothesis, given the fact that around two-thirds of London jobs are located in Inner London (Aldridge et al., 2013), and taking into account the fact that travelling between ‘outer’ zones often involves passing through zone 1. This will be discussed in depth with the MIS London focus groups.

These monthly travel cards cover all forms of transport, including the underground, overground, national rail, trams and busses. Focus groups may decide that taking
the tube or train is a ‘nice to have’, and that taking the bus (or tram, particularly in Outer London) is an acceptable minimum. 2011 census data indicate that 28.2 per cent of Londoners taking public transport to work were travelling by bus (ONS, 2011a), and bus use is much more common among those on lower incomes. Transport for London data indicates that half of bus users earn less than £20,000 per year, and a third earn less than £15,000. This is compared to 70 per cent of tube users earning above £20,000, and 20 per cent earning above £30,000 (Shawcross, 2014). A monthly bus and tram pass for all zones costs £77.60; just under a fifth more expensive than the MIS standard. The findings from MIS London will indicate whether members of the public feel that taking the bus only is sufficient to meet people’s travel needs in London, or that to be limited to this form of transport is inadequate.

It is important to note that that children under 11 and pensioners can travel for free on all forms of transport in all zones of London, after paying a one-off fee of £10 for a photocard. Children aged 11-15 can also travel for free on all buses and trams, whilst the monthly bus and tram pass is half price for children aged 16-17. All children aged 11 and over also receive a 50 per cent discount on all other forms of transport in London, including pay as you go fares and travelcards. In the Midlands, in contrast, a child would pay the full adult price (£65) for a four-week bus pass; £16.25 per week more expensive than bus travel in London, but 39 pence cheaper per week than zone 1-3 travel on all forms of transport paid for with a monthly Oyster card, and £9.62 cheaper per week than a zone 1-6 monthly Oyster card. Here there is no direct comparison with the MIS budget for the UK, however, as families with children are expected to have a car. Interestingly, the GLA only provide a travel budget for adults who are in work in their calculation of household budgets for the London Living Wage, whilst the Family Budget Unit study expected children to be able to walk or cycle to school and thus only budgeted for travel to leisure activities for children. Of course, Oyster travel is now free for younger children, and so this would apply to
secondary school children only. It will be interesting to see whether focus groups come to similar conclusions as the FBU and the GLA regarding the transport needs of different members of London households.

The costs of public transport in London are rising rapidly. Between 2008 and 2014, individual tube fares increased by 33 per cent and bus fares by 44 per cent (Shawcross, 2014). In the one year between the 2012 and 2013 Living Wage reports, the GLA reported a 4.1 per cent increase in transport costs, based on the cost of a zone 1-3 Oyster card per working adult. In 2013/14, Transport for London approved a below-inflation rise in taxi fares of 0.7 per cent; their lowest ever. However, taxis fares remain significantly more expensive in London than elsewhere, although the prevalence of public transport links in London may well make them less of a necessity. Participants have included some money for taxi fares in the main MIS budget for the purpose of emergencies and journeys outside of the times during which busses operate, for households without access to a car.

2.3 Household and Personal Services

Many other services, in addition to transport provision, might be associated with different costs in London compared to elsewhere. The ONS comparison of Relative Regional Consumer Price Levels [RRCPLs] in 2010 revealed prices in all categories of services – except communication, which showed no regional variation – to be highest in London (ONS, 2011b). They also calculated prices in their ‘miscellaneous goods and services’ category to be on average 11.2 per cent higher than the national average, but the report does not separate this category into goods and services. The particularly high costs of services in London, from hairdressing to household repairs, reflect the high costs of labour, outlet rental and other overheads in the city (ONS, 2002; 2010).
2.3.1 Medical services

The MIS budget includes an allocation for medical services. Private medical costs do differ in London, but NHS prices for dental care and prescriptions are the same across England, and so using the MIS model there should not be an additional cost in this instance for living in London. It would be interesting to know if there is more or less access to NHS dentists in London, as private costs will vary.

2.3.2 Childcare

Childcare is the most significant ‘service’ cost in many households’ budgets. Many Londoners lack informal family networks, which although not assumed in MIS, do reduce costs for many families where parents work. Less than one in five families in London use grandparent childcare, compared to around one in three nationally (Jarvie, 2014: 33).

According to the Family and Childcare Trust’s most recent survey (see Table 1), living in London adds around £30 per week to the cost of 25 hours of formal childcare at a nursery or with a child minder (the typical amount of childcare that a parent working part-time might purchase, or the extra hours a parent working full-time in England might purchase on top of their allocation of 15 hours’ free provision for three- and four-year-olds). This represents an addition of between 26 per cent and 37 per cent to the average costs for England, and – as with the ‘miscellaneous’ services discussed above – results largely from the high costs of running a business in London (Bell et al., 2012). For example, a comparison of the costs involved in running a child care service in London and Stockport found that, in 2011, ground floor nursery rent was around £100 to £250 per square metre in London, compared to £40 to £60 in Stockport, and that the difference in staffing costs was between 20 and 30 per cent (London Assembly, 2012). The difference in costs is even more significant for after-school child minding for older children, with 15 hours ‘dropoff’ care costing on average 45 per cent more in London.
Table 1  Average childcare costs in London and England

<table>
<thead>
<tr>
<th>Service</th>
<th>London</th>
<th>England</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nursery, 25 hours (under 2)</td>
<td>£140.12</td>
<td>£110.95</td>
</tr>
<tr>
<td>Nursery, 25 hours (2+)</td>
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<td>£105.52</td>
</tr>
<tr>
<td>Child minder, 25 hours (under 2)</td>
<td>£136.40</td>
<td>£100.74</td>
</tr>
<tr>
<td>Child minder, 25 hours (2+)</td>
<td>£138.77</td>
<td>£101.51</td>
</tr>
<tr>
<td>After-school child minder, 15 hours</td>
<td>£93.83</td>
<td>£64.75</td>
</tr>
<tr>
<td>After-school club, 15 hours</td>
<td>£49.04</td>
<td>£48.40</td>
</tr>
</tbody>
</table>

Source: Family and Childcare Trust, 2014: Table one

In contrast to the costs of nurseries and child minders, after-school clubs in London are on average less than a pound per week more expensive than the national average, and less expensive than in four other regions of England. However, differing levels of subsidisation and of supply and demand within and between local authorities have resulted in significant variation in the costs of after-school clubs within the capital. The FCT survey findings revealed that, in 2014, the cost of after-school provision in the most expensive local authority in London was 240 per cent higher than that in the least expensive, compared to a difference of only 14 per cent between the most expensive and cheapest regions of England (the East and Yorkshire and Humberside respectively) (FCT, 2014: 9).

The long commute times discussed above are also likely to increase the costs of childcare for many Londoners, who for the same number of hours worked would require more hours of childcare provision. Parents in London are also disadvantaged by a lack of free nursery places for very young children. By September 2013 the poorest 20 per cent of two-year-olds should have been entitled to free childcare (see DfE, 2013). However, this target was not reached, with only 41 per cent of local authorities across the country having enough places for those eligible (FCT, 2014: 19). The lack of provision in London has been highlighted as being particularly problematic, with just 51 per cent of eligible children in the capital having been placed by November 2013, compared to 74 per cent nationally (FCT, 2014: 3). On
the other hand, the lack of take up may have been because of a lack of demand as well as of supply. Low rates of paternal and maternal employment will be discussed later in this paper.

The costs of childcare are increasing rapidly across the country, and especially so in London. Since 2010, increases in average costs in London have ranged from nine per cent (for 15 hours of after-school clubs) to 41 per cent (for 25 hours of nursery care for children over the age of two – the model provided in MIS). Across England, the increase has ranged from eight per cent to 30 per cent (FCT, 2014).

2.4 Shopping for Goods

Londoners may be faced with different prices when shopping for goods as well as services. The price of the basket used in the 2010 RRCPL analysis was 6.7 per cent higher in London than the UK average, and 6.9 per cent higher than the average for England excluding London (ONS, 2011b). Although this figure included services as well as goods, all goods-only categories (Food and non-alcoholic beverages; Alcohol and tobacco; Clothing and footwear; Furniture and household goods) were more expensive in London than elsewhere.

2.4.1 Groceries

According to the RRCPL analysis, food and non-alcoholic beverages cost 6.3 per cent more in London than elsewhere in England (ONS, 2011b). As supermarket chains use national pricing plans, this difference is likely to point to the availability of different kinds of superstores, or to price differentials in local markets and shops. Independent businesses are likely to charge more for goods in London, in order to cover high overheads including wages and outlet rentals (ONS, 2010). However, the GLA have asserted that ‘food poverty in London is driven principally by reduced spending power’ rather than the availability or cost of food (London Assembly, 2013:
9). Although outdated, the Family Budget Unit’s comparison of minimum needs in London and York in 2001 found that people living in the two areas had very comparable food shopping opportunities (FBU, 2001).

Nonetheless, there are some issues with access to affordable food in London, as will be discussed later in this paper. Although there has been no systematic, citywide mapping of access to different retailers in London that enables comparison with other major cities, accessing large supermarkets by car – as modelled for MIS families – may be a particular problem. Recent research in Tower Hamlets, for example, found that many people struggled to access larger, cheaper shops, and most were unable to take advantage of the savings involved in buying in bulk because of their lack of private transport and advance funds (Toynbee Hall, 2014). As detailed above, households in London are significantly less likely to have no access to a car or van. A recent study in Kensington and Chelsea found that less than one in five shoppers drove to the shops to buy their food, with most walking or taking the bus (Ginn, 2013).

On the other hand, one advantage of living in London is the range of outlets at which many people are able to buy food, including in their local areas. For example, Alison Ginn’s study of shopping habits and prices in Kensington and Chelsea found that whilst over 90 per cent of survey respondents shopped in large supermarkets, over 50 per cent shopped in small supermarkets, over 80 per cent in local markets and over 50 per cent in local speciality stores (Ginn, 2013). Having time to shop around was important in reducing costs, with a weekly shop bought at different outlets within walking distance of where people lived being cheaper than one bought at a large supermarket. Similarly, the recent Toynbee Hall study in Tower Hamlets found that people were able to avoid paying a premium at local shops if they spent time shopping around and compared prices (Toynbee Hall, 2014). However, being able to travel further is still an advantage, with the most cost-effective shopping strategy in
the Kensington and Chelsea study involving buying groceries online, fruit and veg at local markets and meat and fish in supermarkets (Ginn, 2013).

2.4.2 Other goods
The patterns observed in terms of food shopping in London may well apply to other goods. The FBU study discussed previously identified similar shopping opportunities and prices in London and York for clothing, personal care items, household goods, leisure goods and alcohol and tobacco, as well as food (FBU, 2001). In terms of prices, however, the 2010 RCCPL analysis found all categories of goods to be more expensive in the capital (ONS, 2011b). The highest cost differential was identified in the Furniture and household goods category, where prices were on average 7.5 per cent higher in London than elsewhere in England, and the smallest difference was in the price levels for alcohol and tobacco, which were only 0.8 per cent higher in London than in the rest of the country. Clothing and footwear were 5.4 per cent more expensive. On the other hand, many chain outlets implement national pricing plans, and so these differentials likely reflect price differentials in independent stores, which are likely to be more expensive. If shopping in large superstores and national clothes stores, as modelled in the main MIS, prices should not differ between London and elsewhere. However, the smaller supermarkets that tend to be most common in inner cities do charge more than their larger counterparts, and so it will be important for MIS London groups to decide where Londoners, as a minimum, need to be able to shop.

2.5 Social and Cultural Participation

The costs of social and cultural participation in London might on the one hand be lower, because of the ease of mobility and range of free activities available. On the other hand, they might reflect the higher costs of certain goods and services across the city. The following discussion considers some examples of how the costs of
participating in social life might differ in London, but this is an area that has been particularly under-researched. The MIS London project will explore what members of the public think that different households in London need to be able to have and do in order to have a minimum socially acceptable standard of living with regards to social and cultural participation, and this will be vital in facilitating a more valid comparison of the costs of social participation in and outside of the capital.

2.5.1 Television and internet

As with the above miscellaneous goods, prices for technological goods including televisions, laptops, printers and radios are likely to be similar across the country, because of national costing schemes in big stores such as Argos and Tesco. There may be additional costs for delivery in London, if people do not have access to cars.

The cost of a TV license is the same across the UK, the Channel Islands and the Isle of Man. Similarly, internet providers do not charge differently in different places, although not all providers are active in all regions. Londoners are advantaged in that all internet providers offer services in the capital, and so the cheapest options are sure to be available.

2.5.2 Recreational activities

There are many opportunities for cost-free entertainment and cultural activities in Inner London. All of the major museums offer free entry, as do a number of other historic properties and the many parks and green spaces across the city. However, Londoners may not feel that it is fair for people to be wholly constrained to social and cultural participation that is free and, furthermore, most Outer Londoners must travel significant distances to access these Inner London attractions. It is important, therefore, to consider the comparative costs of other, paid-for recreation and entertainment in London.
One aspect of participation is being able to eat out in restaurants with friends and family (Davis et al., 2014). The ONS (2010) analysis of regional prices discussed above suggests that, at the start of the decade, restaurants and hotels were 17 per cent more expensive in London than in the rest of England. These RRCPLs represent the costs of what goods and services that are available in different regions, and therefore do not necessarily compare ‘like for like’ costs. The significant difference in price between London and elsewhere likely reflect the prevalence of high-end restaurants and hotels in the capital, and certainly do not focus on the differing costs of what people need or should be able to afford, as MIS London will. On the other hand, although there are a wide range of independent restaurants accessible to most people living in London, which may well be cheaper than ‘chain’ restaurants, these outlets are still likely to charge more than comparable restaurants elsewhere in the UK, because of the costs of labour and property leases. Furthermore, many national chains that operate through franchises charge increased prices in London.

The RCCPL analysis also indicates that, in 2010, ‘recreation and culture’ beyond eating out cost 10 per cent more in London than elsewhere in England (ONS 2010). Beyond this limited analysis, however, there has been little systematic investigation into the costs involved in taking part in social activities in the capital. The following discussion takes some examples of ‘social and cultural participation’ from the MIS budget, starting with going to the cinema, and explore how the costs of these activities might differ in London as opposed to elsewhere in the country.

In order to facilitate a crude comparison of the costs of going to the cinema, Table 1 compares Odeon ticket prices in London and elsewhere. Although the prices of tickets in the Leicester Square cinema range from being 25 to 85 per cent more expensive than the Loughborough prices, the adult prices in Putney and Uxbridge are comparable to those in Manchester. These examples indicate the wide ranging costs of social participation depending on where you live in London, as well as outside of
the capital. They also reveal that costs in Outer London are not always more similar to the rest of the UK than in Inner London – prices in Richmond are higher than in Putney, for example. On the other hand, a comparison of unweighted average prices across the two cinemas in each category shows cinema tickets to be 37 per cent more expensive in Inner London and 25 per cent more expensive in Outer London. Students and seniors are most disadvantaged by London prices, whilst children and families pay less of a penalty.

Table 2 Odeon Cinema Prices, 11/10/2014

<table>
<thead>
<tr>
<th></th>
<th>Outside London</th>
<th>Inner London</th>
<th>Outer London</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Loughborough</td>
<td>Leicester Sq.</td>
<td>Richmond</td>
</tr>
<tr>
<td>Adult</td>
<td>£8.50</td>
<td>£15.50</td>
<td>£12.50</td>
</tr>
<tr>
<td>Senior</td>
<td>£6.50</td>
<td>£12.05</td>
<td>£9.70</td>
</tr>
<tr>
<td>Student</td>
<td>£7.00</td>
<td>£12.05</td>
<td>£9.70</td>
</tr>
<tr>
<td>Teen</td>
<td>£7.00</td>
<td>£12.05</td>
<td>£9.70</td>
</tr>
<tr>
<td>Child</td>
<td>£6.50</td>
<td>£9.10</td>
<td>£9.00</td>
</tr>
<tr>
<td>Family</td>
<td>£6.50</td>
<td>£8.10</td>
<td>£9.00</td>
</tr>
</tbody>
</table>

Another example of social and cultural participation is being able to exercise at a local leisure centre. Taking a nationwide mid-range leisure brand (fusion-lifestyle.com) as an illustration, Table 2 compares the costs of using the gym and going swimming in branches in Inner and Outer London and outside the capital. The cost of going to the gym once a week is almost uniform across the three centres; costing cost £6.35 in Loughborough and Outer London, and five pence less in Inner London (Camberwell, Southwark). On the other hand, the cost of a monthly membership including unlimited gym access and swimming is 16 per cent (£6.70) higher in Inner London and 11 per cent (£4.70) higher in Outer London compared to the Loughborough prices. Meanwhile, a family swim would cost 10 per cent (80 pence) more in Inner and 17 per cent (£1.40) more in Outer London.
Table 3  FUSION Leisure Centre Prices, 2014

<table>
<thead>
<tr>
<th></th>
<th>Outside London – Loughborough</th>
<th>Inner London – Camberwell (Southwark)</th>
<th>Outer London – South Norwood (Croydon)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult: Casual gym</td>
<td>£6.35</td>
<td>£6.30</td>
<td>£6.35</td>
</tr>
<tr>
<td>Concession: Casual gym</td>
<td>£3.20</td>
<td>£2.70</td>
<td>£5.15</td>
</tr>
<tr>
<td>Adult: One month gym + swim membership</td>
<td>£41.30</td>
<td>£48.00</td>
<td>£46.00</td>
</tr>
<tr>
<td>Concession: One month gym + swim membership</td>
<td>£21.30</td>
<td>£34.00</td>
<td>£37.00</td>
</tr>
<tr>
<td>Family of 4 swim</td>
<td>£8.30</td>
<td>£9.10</td>
<td>£9.70</td>
</tr>
</tbody>
</table>

As well as going swimming, children might attend different clubs and lessons as part of their social and cultural participation. We have already seen that after-school clubs in London are on average very similar in price to elsewhere in the country, although with a lot of variation within the city and even within boroughs. In contrast, other clubs and activities are likely to be more expensive in the capital. Membership fees for brownies, cubs and scouts etc. are set regionally, and these costs are likely to be greater in the capital than elsewhere due to the higher overheads involved in hiring venues and so on. This price inflation is likely to be even higher in the case of private sports clubs or music lessons, where higher wages will also have an impact.

Likewise, the costs involved in taking holidays from London relative to elsewhere have not been researched. Londoners are more likely to go on holiday than people from other regions, taking an average of 3.9 breaks in the UK or abroad in 2013/14, compared to a national average of 3.0 (ABTA, 2014). They are also more likely to travel abroad. The MIS London focus groups will discuss whether households in London have different travel needs, as well as whether the costs of travel are different because one lives in London. The fact that Londoners take more holidays is likely to reflect the number of people with high disposable incomes living in London,
rather than a different need, but the fact that they are more likely to travel abroad may also reflect the large migrant population in the capital, who may have family to visit overseas. First and later generation migrants are also more likely to send remittances abroad, and more than a quarter of the remitters in the UK reside in London (Pharoah and McKenzie, 2013). MIS London focus groups will discuss whether costs like these should be included in a minimum income standard.
3 Incomes

As well as the costs of different goods, services and opportunities, a person’s ability to meet their needs relies upon the financial resources that are available to them. The following discussion considers how household incomes in London compare to those in the rest of the country.

3.1 Wages

Generally speaking, wages are higher in London than anywhere else in the country. In 2012, the median average weekly wage for full-time employees was, at £653 per week, nearly 30 per cent higher than the national median (Trust for London, 2014). However, this London ‘bonus’ is lower for low paid workers. Although workers across the pay distribution are paid more in London than elsewhere in England, those towards the bottom of the scale enjoy a much smaller proportional increase on the national average. For instance, wages at the 90th percentile in 2012 were 45 per cent higher in London compared to the UK, compared to only 13 per cent higher at the 10th percentile (Trust for London, 2014: 29). Looking at the lowest paid jobs, bar staff and care workers in London were paid four per cent more than their counterparts around the country, and cleaners and domestics were paid three per cent more (Trust for London, 2014: 31). As well as people working these low paid jobs in lower level industries, people with low qualifications, those of an ethnic minority background, women, young people and those aged 50 and over and those that are in part-time work are most likely to be low paid (Smith, 2012). Many of these workers will be paid the Minimum Wage, which, unlike the Living Wage, is the same in London as anywhere else in the country.

These varying levels of increased pay paid to Londoners reflect the high levels of inequality in the capital. 16 per cent of the city’s population lie in poorest tenth
nationally, whilst 17 per cent are in richest decile (Aldridge et al., 2013). Wage inequality is higher in the cities of the South of England than elsewhere, and London is particularly unequal. In 2010, employees in the top decile in London earned 4.3 times as much as those in the bottom decile (Lee et al., 2013). Reading and Aberdeen were the only other cities in the UK where the top 10 per cent of earners were paid more than four times as much as the bottom 10 per cent. The Gini coefficient of wages in London in the same year was 0.34, compared to 0.32 in Aberdeen and Portsmouth, which were the next two most unequal cities, and 0.24 in Sunderland, which was the most equal city (Lee et al., 2013). Furthermore, inequalities in earnings in London look set to increase. Between 2008/9 and 2010/11, the expansion of high skill and low skill sectors in the capital, with less growth of intermediate jobs meant that wages in the capital became more polarised. (Lupton, 2013). This reflects a nationwide-trend in earnings, but is more extreme in London (Bell et al., 2012: 26). On the other hand, 83 per cent of jobs in London are paid above the London Living Wage, compared to around 80 per cent of jobs being paid above the national Living Wage in the rest of the country (Aldridge et al., 2013).

Part-time workers particularly miss out on the additional pay enjoyed by most London employees. In 2013, only 52 per cent of part-timers in London earned more than the Living Wage of £8.80 per hour, compared to 88 per cent of full time workers. Furthermore, the earnings of 36 per cent of part-timers were below the GLA’s ‘poverty threshold’ of £7.65 per hour, compared to those of seven per cent of full-timers (GLA, 2013a). There is a part-time pay penalty across the country, particularly in lower skilled occupations, but this penalty has been found to be significantly higher in Central and Inner London than elsewhere (Bell et al., 2012: 39). There are also striking gender and ethnic dimensions to the distribution of low pay in the capital. Women are significantly more likely to be low paid than men, with 23 per cent of female workers in 2011 being paid less than the London Living Wage (at that time £8.30 per hour), compared to 16 per cent of men (GLA Economics, 2012). In the
same year, 45 per cent of Bangladeshi and Pakistani workers, 44 per cent of employees of ‘other Asian origins’, 31 per cent of Black or Black British workers and 28 per cent of employees of Chinese or ‘other’ ethnicity earned less than the London Living Wage, compared to 15 per cent of White workers. Younger workers were also more likely to be low paid (GLA Economics, 2012).

### 3.2 Employment

The extent to which Londoners are able to command adequate incomes depends primarily on the employment opportunities available to them. The labour market in London is significantly different from elsewhere in the country. Firstly, London’s industrial structure is dissimilar to every other region of the UK, with a high proportion of jobs in the financial sector, technology and communications, real estate, and the professional, scientific, technical and creative industries, and the lowest proportion of jobs in manufacturing, construction and agriculture (Trust for London, 2014). Secondly, the labour market in London – and particularly Inner London – was more resilient than other regions to the onset of the recession in the late 2000s. Full-time employment in the capital did fall during the 2000s, but fell by less than elsewhere in the country (Lupton, 2013). Furthermore, the city experienced a less significant increase in unemployment, and part-time employment rates in the capital rose, whilst remaining static in the rest of the UK.

Nevertheless, London has for more than two decades had an employment rate lower than the UK average (Bell et al., 2012). This difference is largely explained by the ethnic composition of the city’s population, and by lower rates of female employment in the capital, where employment rates among mothers in couples are 14 percentage points lower, and the rate among lone parents nine per cent lower than in the rest of the country (Gaffney, 2012; Jarvie, 2014: 17). Compared to the country as a whole, a much higher proportion of the London population are from
ethnic groups with typically lower rates of employment, particularly amongst women, whilst a lower proportion are White; the ethnic group with the highest employment rates for both men and women (ONS, 2014). However, research has found that the demographic characteristics of the London population are insufficient to explain the unemployment rates that persist in the capital, particularly with regard to parental and especially maternal employment. In 2007, for example, HM Treasury found that lone parents in London had a likelihood of being in employment that was eight percentage points lower than the likelihood for lone parents with similar characteristics outside of London, and for mothers in couples the difference was as much as ten percentage points (HM Treasury, 2007; cited in Bell et al., 2012).

Although lone mothers in London are now more likely to be in employment, employment rates among mothers in couples have remained static. This stands in contrast to rates of employment among mothers in couples in the rest of the UK, which rose from 68 to 74 per cent between 1995 and 2005 (Gaffney, 2012).

Maternal employment is closely tied to part-time employment, and part-time employment is particularly uncommon in London, across almost all occupational categories. One in five employees in London works part-time, compared to more than one in four in the rest of the UK (Bell et al., 2012). Part-time working is especially uncommon in Central London, where only 12 per cent of workers are part-time, and in Inner London, where the level is 22 per cent. Outer London is much more similar to the rest of the UK in this respect, with 26 per cent of employees working part-time, compared to 27 per cent in the rest of the UK (Bell et al., 2012: 2). Although levels of part-time employment in London did rise during the onset of the recession, this was mainly among men (Lupton, 2013), and many of these men are likely to have entered part-time work involuntarily. Indeed, 24 per cent of part-timers in London in 2011/12 were working part-time because they could not find a full-time job, compared to 18 per cent in the rest of the UK (Bell et al., 2012: 2).
Lower skills and different work preferences among parents in London go some way to explaining the city’s low levels of part-time employment, but are not significant enough to do so entirely (Bell et al., 2012: 12). Another factor leading to low levels of part-time employment is that there are simply fewer, particularly high-quality, part-time jobs available in London. Of all job vacancies advertised in London in 2012, only three per cent were part-time and citing a salary of more than £20,000 pro rata, whilst 20 per cent were part-time with a salary equivalent to less than £20,000. In contrast, the majority of full-time roles in the capital pay over £20,000 (Stewart, 2012: 35). Furthermore, almost half of part-time roles in the city are not advertised at all, but are for instance used as a retention tool for existing staff (Stewart, 2012: 36). Recent research from the Child Poverty Action Group suggests that businesses are discouraged from advertising for part-time roles by the (perceived) increased costs of employing and managing part-timers (Bell et al., 2012: 15).

From a supply-side perspective, it is argued that, despite the higher wages in the capital, the costs associated with working mean that it is not as worthwhile to work in London as it is elsewhere, particularly for the lone parents and second parents in couples who typically work part-time. In particular, the high costs of childcare in London highlighted already in this paper lower the financial rewards that many parents in London are able to gain by working. For example, a lone parent with four children working part time and paying average childcare costs in London would be £65 worse off per week than the same family outside London (Jarvie, 2014: 9). As well as the potentially high costs of transport to work in itself, long journeys to work in London also add to the prohibitive costs of childcare. Whilst in the rest of the UK part-timers have shorter journeys than full-timers, this is not the case for Central and Inner London workers (Bell et al., 2012: 41). In central London, the average part-time worker working 16 hours per week spends half as much time again commuting, potentially adding more than eight hours to the childcare provision that they require each week (Bell et al., 2012: 43).
The tax incentives for working are also less significant for parents in London. Although Universal Credit will indeed ‘make work pay’ for parents across the country, it will do so less in London because of high childcare, transport and housing costs, all of which are influenced by work because employment requires additional spending and/or because income from work reduces support for these costs. For example, one calculation taking account of these three areas of London costs estimates that the spending power of a couple with two children both working full-time on minimum wage will be £2000 less per year in London, and a lone parent with two kids working a ‘mini-job’ of six hours in London will have £1000 less spending power than the UK average (CESI, 2011: 22).

3.3 Benefits

Londoners are expected to be hit disproportionately hard by the range of welfare reforms that have been introduced in recent years, mainly because they weaken support for those with high housing and childcare costs. For instance, although the tying of Local Housing Allowances [LHA] to the 30th rather than 50th percentile since 2011 has affected households all over the country, high housing costs meant that Londoners lost on average almost £7 a week more than households outside of the capital as a result of this change (Jarvie, 2014: 8). Moreover, Housing Allowances are also subject to national caps. In 2014, half of the households affected by this national cap on housing benefit were living in London (Jarvie, 2014: 12). Six London boroughs had local reference rents above the national cap, meaning that less than 30 per cent of properties in those boroughs were affordable on housing benefit. The use of Discretionary Housing Payments (DHP) has mitigated the extent of these welfare reforms for many households in London, and the upcoming cuts to DHP funding will disproportionately affect those in the capital as a result of the fact that the element linked to the bedroom tax will be protected, while the elements linked
to the caps on overall benefits and LHA will not (see DWP, 2014a). The full impact of these welfare reforms thus remains to be seen.

Similarly, the national benefit caps which limit the total amount that households across the country are entitled to £500 per week for families and £350 for single adults disproportionately affect Londoners who face high housing costs. In 2012, the Child Poverty Action Group estimated that 49 per cent of those affected by this new ‘cap’ would be living in London (Bell and Treloar, 2012). Over 18,000 households in London had been affected by June 2014 (Jarvie, 2014: 7).

Another area where Londoners are losing out is in support for childcare. The childcare tax credit is subject to a national cap on childcare fees, which at £175 a week for one child and £300 for two or more (a level that has remained frozen despite rising costs), hits Londoners hardest (Hirsch, 2014: 24).

Londoners are, of course, being affected by the myriad of other welfare reforms and cuts that have affected households all over the country. Considering the impact of the housing benefit changes and national caps discussed above, as well as that of the under-occupation penalty or ‘bedroom tax’, the replacement of council tax benefit with local council tax reduction schemes and many other reforms including those affecting non-dependent deductions, incapacity benefits and disability allowances, the expected loss per working-age adult in London in 2014/15 is expected to be £520 per year; £50 higher than the average loss across Great Britain (Beatty and Fothergill, 2013: 15).
4 Poverty

Having considered the costs involved in meeting different needs, and the patterns of income that shape Londoners’ abilities to meet these needs, the following discussion considers existing research that has considered the numbers and experiences of people living in the city who are unable to meet their minimum needs. It considers how these compare to reports of poverty and deprivation elsewhere in the country.

4.1 Relative Poverty measures

The most common measure used to estimate the numbers of people living on a low income is the relative poverty line. The after housing costs [AHC] measure is most appropriate in London, where the exceptionally high housing costs discussed above impact significantly on people’s capacities to meet their needs. On the before housing costs [BHC] measure, poverty rates in London are similar to the national average, but this misrepresents the incidence of relatively low disposable income in the capital. Of course, the AHC measure still does not take into account the other additional costs associated with living in London discussed above.

4.1.1 AHC poverty rates in London compared to elsewhere

On average, in the three years to 2012/13, 34 per cent of people in Inner London were living in households with incomes below 60 per cent of the median income after housing costs (DWP, 2014b). In Outer London, the proportion of people living below this relative poverty line was more similar to the national average (24 per cent compared to 21 per cent). Between 2012 and 2013, this three year average figure had increased slightly in Inner London, and fallen slightly in Outer London (Aldridge et al., 2013, DWP, 2014b). The figure for England had remained the same, at 21 per cent.
Among people of working age, the poverty rate in the three years to 2011/12 was 27 per cent, compared to a UK average of 22 per cent. Among pensioners, the figure was 18 per cent, compared to a national average of 14 per cent across the UK. Children are the group with the highest rates of poverty in London, and it is child poverty that is often used as the key indicator of the prevalence of deprivation in England’s capital city. In 2011, the Department of Work and Pensions reported that there were as many poor children living in London as there were in the whole of Scotland and Wales (DWP, 2011). At 36 per cent, rates of child poverty AHC in London are higher than in any other region of the UK, and have remained between eight and eleven percentage points higher than the UK average since the mid-1990s (DWP, 2014b; Gaffney, 2012: 15). In Inner London, the figure rises to 45 per cent of children – almost one in two, and although lower in Outer London, the rate of child poverty AHC there is still significantly higher than the UK average (32 per cent compared to 28 per cent) (DWP, 2014b). The recent Child Poverty Map of the UK estimated that there were eleven London boroughs where between 35 per cent and 50 per cent of children were living below the poverty line AHC (End Child Poverty, 2014).

Poverty rates also vary significantly between ethnic groups in London. More than half of the people living in low-income households in London are from an ethnic group other than White British (Aldridge et al., 2013). In particular, the poverty rate among Black Africans in London is twice as high as that among the White population, and even higher among Bangladeshis and Pakistanis (London’s Poverty Profile, 2015). In contrast, the poverty rate for London’s Indian population is roughly similar to that of the White population. This figure results from both the higher risk of low income for people from Black and Minority Ethnic [BME] backgrounds, and the high BME population in London. In addition, the poverty rate among the non-White British population is significantly higher in Inner London than it is in the rest of the UK, whilst the poverty rate for White British people remains roughly the same (The
Poverty Site, 2010: Graph 6). The high poverty rates experienced by many BME groups in London are not only linked to their low levels of employment, but also to the prevalence of low paid work among those who are employed (London’s Poverty Profile, 2015).

4.1.2 Changes in relative poverty within London

The rate of poverty in London has remained fairly stable in the last two decades. AHC poverty in the capital fell slightly between the mid-1990s and mid-2000s, and has been slowly increasing since the onset of the recession. However, substantial changes have taken place with regards to who is living poverty in London. Firstly, the poverty rate within different age groups has changed significantly during the last decade or so. Between 2001/02 and 2011/12, the child poverty rate AHC fell in London, and the rate among pensioners did so even more dramatically; falling from just under 30 per cent to well under 20 per cent (Aldridge et al., 2013). In 2011/12 there were more than 100,000 fewer pensioners living in poverty in the capital than there were in 2001/2. However, in the same period, poverty levels rose in the working-age population, particularly in Outer London. These trends are generally in line with the rest of England (Aldridge et al., 2013).

There has also been a ‘decentralisation of poverty’ in London (Lupton, 2013: 4). During the 2000s, poverty became less concentrated in Inner London and more so in Outer London. This was partly due to gentrification in Inner London, where the numbers of households in poverty decreased only a little, but more rich households moved in, but also because Outer London was hit harder by the recession (Lupton, 2013). The six boroughs with the biggest increases in unemployment rates since the onset of the recession are all located in Outer London (Aldridge et al., 2013). Significantly, child poverty has fallen significantly in Inner London since the turn of the century, as it has elsewhere, but has risen slightly in Outer London (Trust for London, 2013).
The work status of people living in poverty in London has also been changing. At the start of the 2000s, 40 per cent of children and adults in poverty in London were living in a family where someone was in work. In the decade up to 2012, this figure increased to 57 per cent, meaning that the majority of Londoners living in poverty are now living in a household where someone is working (Aldridge et al., 2013). However, having (a) parent(s) in work still reduces a child’s likelihood of being in poverty. In London in 2009/10, 68 per cent of children in workless families and 29 per cent living in households with one working parent were in poverty AHC, compared to only seven per cent in households with one parent working part-time and one full-time, and four per cent of those with both working full-time (DWP, 2011).

The tenure of Londoners living on low incomes has also changed dramatically. At the start of the 2000s more than one in two people in poverty AHC in London lived in the social rented sector. However, since then, the number of social renters in poverty has decreased from around one million at the start of that decade to roughly 700,000 in 2012, whilst the number of private renters living in poverty doubled to reach 830,000 in the same year. Although a social renter still has a higher likelihood of being in poverty than a private renter (49 per cent compared to 43 per cent), the gap has narrowed significantly, and private rental sector now homes the largest group of people living in poverty. The poverty rate among owner occupiers has risen slightly, but is still the lowest at 13 per cent. In all, as Trust for London’s Poverty Profile has summarised, ‘there is now one high poverty rate for renters and a much lower one for owners’ (Aldridge et al., 2013: 41).
4.2 Other Indicators of Needs Unmet

The relative poverty line is problematic for many reasons, including the fact that it does not tell us when incomes are worsening across the income scale. London households with both median and low incomes were worse off in 2012 than 2010, for example, with the median income in 2011/12 equal to that of 2001/2 in real terms (Aldridge et al., 2013). More importantly here, though, is the fact that this measure is not objectively linked to the income that people need in order to meet their needs. The MIS London project will consider the incomes that different households in the city need to meet their needs, but in the financial year 2011/12, 29 per cent of London households had an income below the national MIS, measured after housing and childcare costs. This compares to 25 per cent of households nationwide. Nine per cent of households in London had incomes below half of MIS, compared to five per cent in the whole of the UK (Padley and Hirsch, 2014).

4.2.1 Food poverty in London

Besides households below MIS, another indicator of the significant number of people living in London who are unable to meet their needs is the rising prevalence of food poverty in the city. In 2013/14, more than one per cent of Londoners were fed by food banks. Trussell Trust food banks fed 95,639 adults and children in London between April 2013 and April 2014, compared to just under 12,000 in 2011/12 (Trussell Trust, 2014). Nationwide, the Trust fed 913,138 in 2013/14, compared to 128,697 in 2011/12.

In the same year, 55 per cent of London parents surveyed by the GLA reported having seen their ability to afford food worsen, and 42 per cent said that they had been forced to cut back on the amount of food they bought (GLA, 2013b). One in five parents (21 per cent) had skipped meals so that their children could eat, and almost one in ten (nine per cent) children said that they sometimes or often went to
bed hungry. The top reason given for foodbank use in 2013 was benefit delay (24 per cent), followed by low income and unemployment (London Assembly, 2013).

As is the case in other cities, people on low incomes in London, and particularly in inner boroughs, are less likely to live within walking distance of large supermarkets, and thus are less able to take advantage of the lowest prices and multi-buy offers available in these stores (Toynbee Hall, 2014). In the early 2000s, thirteen wards across three East London boroughs were identified as ‘food deserts’, with no provision of food except junk food (Sustain, 2004). However, this is relatively old data, and there has been some improvement in food availability in these East London boroughs, which have been the particular focus of regeneration efforts related to the 2012 Olympics. For example, a study in Hackney in 2009 found that affordable and healthy food was available locally, although there were still problems relating to access and an excess of fast food outlets (Bowyer et al., 2009). Indeed, there is a strong correlation between levels of deprivation and density of fast food outlets across the city (London Assembly, 2013, see also NOO, 2012). There is also a correlation, in high density neighbourhoods in London, between deprivation and poor public transport accessibility, which will further reduce the shopping opportunities available to households on low incomes (Shawcross, 2014). Other ‘poverty premiums’ affecting poor households in London include higher energy and insurance costs, and lack of access to free cash in the poorer areas where cashpoints are more likely to charge a surcharge (Toynbee Hall, 2014).

4.2.2 Homelessness and housing quality in London

Homelessness, an extreme indicator of unmet needs, has also been increasing in London in the last few years. In 2011, 366,613 households in London were waiting for social housing (Harrison et al., 2013: 10). Homeless acceptances increased by 13 per cent between 2012/13 and 2013/14 (Jarvie, 2014: 29), whilst falling slightly on average across England. The number of rough sleepers, meanwhile, almost doubled
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in five years to reach 6,400 in 2012. The vast majority of these rough sleepers are single men, who local authorities have no duty to house (Aldridge et al., 2013).

Another indicator of the number of people living in our capital city who are unable to meet their housing needs is the overcrowding rate. Whilst the rate of overcrowding has remained relatively stable among owner-occupiers in London, it increased by six percentage points in both the social and private rented sectors between 2000/01 and 2010/11, to reach rates of 17 per cent and 12 per cent respectively (Aldridge et al., 2013: 43). A quarter of London’s children live in overcrowded accommodation (London Child Poverty Alliance, 2014), and this issue has recently been highlighted as a particular concern of young Londoners (Poverty Ends Now, 2014).

Besides homelessness and overcrowding, an additional outcome of the lack of affordable housing in London is that households are forced to move out of the city. There are conflicting reports regarding the extent to which this is happening. A recent CPAG report suggests that the number of families accepted as homeless being placed outside of London increased from 21 in 2011/12 to 222 in 2013/14, whilst the number being moved between boroughs doubled from 1,428 in 2010/11 to 2,687 in the first three quarters of 2013/14 (Jarvie, 2014: 9). Trust for London, meanwhile, report that around 700 households were moved out of the city in 2012 (Aldridge et al., 2013: 39). Renters in the PRS may also ‘choose’ to move to cheaper areas within London, or out of the capital, in order to access affordable rents (Jarvie, 2014). Alternatively, many people simply have to pay more, particularly when they are forced to move from social housing to the private rental sector. This trend will further increase the prevalence of poverty after housing costs, and the proportion of households unable to afford a minimum standard of living.
4.2.3 Other forms of deprivation

Other measures of material and social deprivation have been used to try and identify the number of Londoners who are unable to fulfil their needs. For example, research has found pensioners in Inner London to be at least twice as likely as those in any other region of the UK to be unable to afford certain items or activities that most of the public think people should be able to afford, such as having one filling meal a day, keeping one’s home warm, or going out at least once a month. One in five (22 per cent) pensioners in Inner London and one in ten (11 per cent) in Outer London were classed as deprived according to this measure between 2009 and 2012, compared to nine per cent across England (GLA Intelligence, 2013: 7). Turning to children in London, over 20 per cent of those from households in the bottom income quintile could not afford to have a friend round for tea or a snack, compared to 15 per cent in the rest of the country (Aldridge et al., 2013). Similar proportions did not have outdoor space or facilities to play safely.

On some measures of social disadvantage, however, London is making better progress than other areas of the country. The educational attainment of poor students is significantly better in London than elsewhere, with more than half (54 per cent) of children on free school meals in inner London achieving five good GCSEs in 2012/13, compared to less than four in ten (38 per cent) across England (DfE, 2014). The rate among students on free school meals in outer London was 48 per cent, thus lagging behind Inner London but still significantly higher than the national rate. In the decade up to 2012, premature mortality rates also improved significantly; decreasing by around a third and now lying below the national average (Aldridge et al., 2013).
5 Conclusion

This paper has considered the ways in which people in London might be more or less able to meet their needs than people living elsewhere in the UK. It has demonstrated that many of the costs involved in meeting a person’s minimum needs are higher in London, particularly those related to housing rents and childcare. In other instances, such as with transport and social and cultural participation, small scale research suggests that differences in lifestyles and in the ways that people are able to meet their needs might mediate the difference between costs. In others, lifestyles in London exacerbate the costs of certain services. Childcare is again a perfect illustration of this, with commuting times significantly increasing the already high costs of provision in the city. Council tax, fuel bills and water services are examples where costs for London households are, on a like-for-like basis, lower than for households elsewhere. However, council tax rates vary considerably from borough to borough, creating a postcode lottery effect.

Turning to incomes, Londoners earn, on average, significantly more than people living in other regions. However, this advantage is largely skewed towards higher earners, and people at the lower end of the income scale or in part time work are unlikely to earn enough to make up for the additional costs of living in London. These jobs are disproportionally prevalent among young people, among women and among certain BME populations. Moreover, Londoners have been particularly hard hit by recent reforms and cuts in the benefits system, and particularly by national cuts that reduce the amount that the system compensates people for the high housing costs that come with living in the capital.

The MIS London project will provide an unprecedented estimation of the number of people in London who are living on incomes inadequate to provide a minimum standard of living. Even before this research, current evidence regarding low
incomes, poverty and deprivation in the capital indicates that the needs of many are going unmet. In particular, child poverty, food poverty and homelessness and overcrowding have been highlighted as being alarmingly prevalent in the capital city. MIS London will help sharpen this picture.
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About The Author

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Endnotes

i These ‘outside London’ figures are weighted by the latest regional stock data (DCLG, 2014a: Table 109), and assume an even regional distribution across property sizes. They also overlook ‘Affordable Rent’ tenancies, which are to constitute the majority of new social housing supply in the UK, because an absence of dwelling stock data. Allocated in the same way as current social housing provision, affordable rented homes are made available at up to 80 per cent of market rents, and offer more flexibility to local authorities and landlords, who are not required to offer lifetime tenancies. In London in 2012/13, ‘affordable’ rents averaged at 49 per cent of market rents, whilst adding a ‘premium’ of 68 per cent on top of traditional social rents. In England as a whole, affordable rents were 32 per cent lower than market rents and 55 per cent higher than social rents. A two bed ‘Affordable Rent’ tenancy in London was 52 per cent, or £58.09 per week more expensive than the England average in 2012/13. These properties therefore amplify the London ‘penalty’ being paid by renters in the social sector.

ii MIS budgets do not include buildings insurance as people have said that, as a minimum, rented accommodation is sufficient to fulfil people’s need for housing.

iii n.b. these prices are included as illustrative figures, and do not constitute the average costs for the different regions.