

## Poverty and the impact of tax and benefit changes in London

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This document details the findings of two pieces of research commissioned by BBC Radio London 94.9 and carried out by the Institute for Fiscal Studies (IFS) and the New Policy Institute (NPI). The IFS conducted the research on the direct impact of tax and benefit changes on London households whilst the NPI research analyses the characteristics of Londoners in poverty and just above the poverty line.

Pages 2 to 12 detail the IFS research and includes a description of the methodology, what is modelled and importantly, what is not modelled. The key findings of the IFS analysis are:

- The increases in taxes and cuts in benefits and tax credits announced by the coalition Government in the June Budget and Spending review and due to take effect between now and 2014-15 hit lower income Londoners harder than those on higher incomes. For instance they amount to 5.7% of net income for the poorest fifth of Londoners, on average, compared to 1.7% for the richest fifth.
- The effect of all changes in taxes and cuts in benefits and tax credits due to come into effect by 2014-15 (i.e. including those announced by the last Labour government and yet to take effect) is less regressive. They amount to 5.2% of net income for the poorest fifth of Londoners, on average, compared to 4.6% for the richest fifth.
- Higher housing costs mean the low income Londoners are hit harder, on average by the cuts to benefits and tax credits than low income households across the UK as a whole.

Pages 13 to 18 detail the findings of the NPI research. A household is in poverty if its income, after taxes and housing costs is below 60% of the national median for that year. The median income is the level at the middle of the income distribution – half of people live above it and half below. Key findings are:

- Roughly half of poor children and one third of children just above the poverty line are in families that report they are receiving housing benefit. Furthermore, almost 90% of all children living in families receiving housing benefit in London are in poverty or just above the poverty line.
- Around half of children and around 40% of working age adults in families saying they receive disability living allowance are in poverty or are just above the poverty line.
- White British people make up just under one-third of the poor in inner-London and just under one-half of the poor in outer-London. They make up just over half of the non-poor in inner-London and around 65% of the non-poor in outer London.

## Distributional Analysis of Tax and Benefit Reforms: A focus on London

This note describes the findings of research undertaken by the Institute for Fiscal Studies (IFS) for BBC Radio London 94.9. This research analyses the impact of tax and benefit changes taking effect between now and 2012/13 and 2014/15 across the income distribution and across different household types. It builds on work conducted by the IFS that conducted the analysis for the UK as a whole by doing the analysis separately for London.

### What the analysis does and does not include

This analysis shows the cash and proportional (i.e. as a percentage of income) gains and losses to households both for London specifically and across the UK as a whole due to changes in income tax, National Insurance, VAT, duties, benefits and tax credits between now and two future periods: 2012/13 and 2014/15. In the June Budget and 2010 Spending Review, the Government produced distributional analyses of a subset of the reforms<sup>1</sup> up to 2012/13 only. The IFS has since developed a method for allocating the gains and losses of other reforms to different parts of the income distribution and different household making best use of the data that is available, together with Department for Work and Pensions analysis of housing benefit cuts.<sup>2</sup> Further details of this method can be found in Appendix B of IFS Briefing Note 108 which analysed the situation for the UK as a whole as far as the June 2010 Budget.<sup>3</sup>

It is important to note that the analysis presented is done on the basis of no-behavioural response. That is not to indicate that we believe the policies will have no behavioural impact; changes in effective marginal tax rates will change people's incentives to work, for instance. However, we believe that an assessment of who wins or losses and by how much assuming they behave as before is an interesting question in its own right and this is consistent with the analysis published by Her Majesty's Treasury (HMT).<sup>4</sup>

It is also important to note that this analysis includes the announcements made by the Government up to and including the Spending Review. It does not, therefore, include an assessment of the winners and losers under the Universal Credit proposals. The White Paper published by the Government<sup>5</sup> includes enough detail (regarding the allowances, disregards and taper rates) for the IFS to conduct analysis of the proposals on the incomes of households across the income distribution and on work incentives. This analysis will be published in due course. It is planned that Universal Credit will be introduced from October

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<sup>1</sup> Those that could be modelled for individual households using the Treasury's static tax and benefit micro-simulator.

<sup>2</sup> See <http://www.dwp.gov.uk/docs/impacts-of-hb-proposals.pdf>.

<sup>3</sup> See Appendix A, <http://www.ifs.org.uk/bns/bn108.pdf>.

<sup>4</sup> It should also be noted that changing behaviour (e.g. to avoid taxes when they increase) also incurs a welfare cost or effort – otherwise such behaviour would have been engaged in before the tax change.

<sup>5</sup> See <http://www.dwp.gov.uk/docs/universal-credit-full-document.pdf>.

2013 for new claimants, with existing claimants moving over between April 2014 and October 2017. This means that a significant number of people are likely to remain on the existing system of benefits and tax credits in 2014-15, the final year analysed in this research.

The research only considers taxes and cash benefits. It does not consider the impact of cuts in public spending on services (such as education or health) or on pure public goods (such as defence). IFS researchers believe that whilst the degree of progressivity or regressivity of the overall fiscal retrenchment is likely to be affected very much by how progressive or regressive the cuts in public service spending are, the available data and policy detail do not allow one to estimate the distributional impact of cuts to public services accurately.<sup>6</sup>

This analysis splits the reforms into those announced by the last Labour government and due to come in between June 2010 and April 2014; those announced by the coalition in the June Budget; and those announced by the coalition in the Spending Review. Those announced by Labour include:

- An increase in all employees' and employers' National Insurance rates of 1% from April 2011;
- An increase in the threshold at which employees start to pay National Insurance of £23 per week from April 2011;
- Real reductions in the point at which the higher rate of income tax starts to be paid in both April 2011 and April 2012;
- Restricting tax relief on pension contributions for those with incomes above £130,000 (which the coalition plans to amend);
- The expiry of a number of one-off giveaways for the financial year 2010–11, in particular a temporary real increase in some benefits and the income tax personal allowance;
- From April 2011, private sector tenants claiming Local Housing Allowance (LHA) would no longer be able to receive more in LHA than they have to pay in rent. (Previously claimants could keep up to £15 of the amount by which their LHA payment exceeded their rent).
- A £4 per week toddler's tax credit from April 2012 (which the coalition has cancelled).
- A lower hours-of-work requirement for working tax credit for some of the over 50s (which the coalition has cancelled).
- Various increases in excise duties.

Those announced by the coalition Government in the June Budget include:

- An increase in the standard rate of VAT from 17.5% to 20.0% in January 2011.

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<sup>6</sup> For more details see "Who loses most from public service cuts" at <http://www.ifs.org.uk/publications/5314>.

- A £1,000 cash increase in the income tax personal allowance for those aged under 65 in April 2011;
- A £21 increase in the threshold at which employers start paying National Insurance Contributions in April 2011;
- Using the CPI rather than the RPI or Rossi to uprate all benefits (see section 5 for more details);
- Withdrawing the family element of the Child Tax Credit from higher-income families;
- Increasing the rate at which tax credits are withdrawn from 39% to 41% in April 2011;
- Removing the baby element of the Child Tax Credit in April 2011;
- Increasing the child element of the tax credit in April 2011 and April 2012;
- Changes to the way in which in-year changes are made to tax credit awards so that by April 2013 increases in income of more than £5,000 (rather than £25,000) will reduce tax credit payments and by April 2012 falls in income of up to £2,500 will not increase tax credit payments. Also, claimants will have to inform HMRC about changes in their circumstances more quickly;
- Freezing Child Benefit rates for three years from April 2011;
- Earnings indexation of the State Pension in April 2011, and an increase in the Pension Credit in the same year;
- LHA rates will be set at the 30th percentile of local rents rather than the 50<sup>th</sup> percentile from April 2011. This effectively means that LHA claimants will only be able to choose from the cheapest 30% of properties in their local area of the appropriate size for their family rather than the cheapest 50%;
- Increase housing benefit deductions for resident non-dependents by uprating with prices from April 2011, and reversing previous freeze.
- Irrespective of local rents, there will be caps on the total amount of rent that can be claimed under LHA from April 2011 and rents will be capped at the 4-bedroom rate. This will prevent claimants obtaining large amounts of LHA to live in high-rent areas;
- Reductions in housing benefit for those of working age living in social housing that is under-occupied from April 2013;
- Increasing local reference rents (the maximum rents that private sector tenants can claim) in line with CPI rather than actual rents from April 2013, and;
- Reducing housing benefit by 10% for those who have been claiming Job Seekers' Allowance for more than a year from April 2013.
- A further real reduction in the point at which the higher 40% rate of income tax is paid in April 2013;
- Reforms to the medical test for Disability Living Allowance from 2013-14 that are assumed to eventually reduce the number of claimants by 20%;

Those announced by the coalition Government in the Spending Review include:

- Removing child benefit from families with a higher rate tax payer from January 2013;
- Time-limiting contributory Employment and Support Allowance except for the most disabled from 2012-13;
- A cash freeze in the basic and 30-hour element of the working tax credit for 3 years from April 2011.
- An increase in the hours-requirements for working tax credit for couples with children from April 2012.
- A reduction in the maximum proportion of childcare costs covered from 80% to 70% in April 2011.
- A 10% reduction in expenditure on (and localisation of) council tax benefit;
- A freeze in the savings credit part of Pension Credit for 4 years;
- A Benefit cap of £500 per week (or £350 per week for single adults) for most recipients;
- Cuts in Local Housing Allowance for single people aged 25 – 34;
- Further increases in the child element of the child tax credits in April 2011 and April 2012.

### **Understanding the Findings**

The distributional analysis is shown in the tables at the end of this document. Tables 1 and 2 show the results for the UK as a whole for different income groups and different household types respectively. Tables 3 and 4 repeat the analysis for London.

Tables 1 and 3 split the population into five equal sized groups (called quintile groups) based on their position in the net household income distribution (adjusted for household size), where group 1 is the poorest, and group 5 the richest. It also includes the average. Note that the groups for London are based on their position within the distribution of incomes *within* London. Table 5 shows how many households in London are in each of the UK-wide quintile groups. Income is measured net of taxes and benefits but before housing costs are deducted.

Tables 2 and 4 split the population into 6 different groups: those households made up of a single working-age adult; those made up of lone parents with only dependent children; those made up of a couple with no children; those made up of a couple and only dependent children; pensioners; and multi-family households. Its important to note that in line with the government and the NPI analysis a family in this context means a single adult, or couple, and their dependent children (aged 0 - 16 or 0 - 19 and in FTE education). So if we had a couple, with 1 child aged 20, and 1 aged 15, that is two families for this analysis (as for the benefit system).

The first two columns of each table show the mean (average) weekly and annual net income for each of the income or family-type groups. Then we show the mean (average) impact of

reforms up to 2012/13 and then 2014/15, splitting the announcements into those things that were announced by Labour to come into effect between now and the future date; those announced in the June Budget; and those announced in the Spending Review. The monetary amounts are in £s per year. We then have a mean (average) total impact and then a figure for this as a proportion of mean (average) household income for that group.

It should be noted that the reported amounts and proportions are averages and that there is significant diversity amongst people within a group. Findings for the top 20% of the income distribution are driven to a significant extent by the impact of income tax reforms on the very top of the income distribution.

### **The Findings**

In this section I first explain the findings for London, and then compare findings between London and the UK as a whole.

#### **London: up to 2012/13**

Overall, the pattern of losses in London shows no clear pattern over the income distribution. Losses are biggest proportionally for those households in the top 20% of the income distribution, followed by those in the middle 20%. However, the large losses for the top 20% are actually concentrated amongst the richest households (about 2%) who are being affected by Labour's proposals to reduce pensions contributions tax relief for the richest. Considering the reforms announced by the coalition Government only, the tax rises and welfare cuts look to hit lower income households harder, proportionally, than richer ones.

Turning to household types, losses are highest (proportionally) for couples with children and single adults without children. The significant losses due to Labour's plans for the former group reflect a small number of such households with very high incomes being hit very significantly by the restriction of pension contributions tax relief. Pensioner households are the least hard-hit in proportional and cash terms.

The change to VAT impacts households across the income distribution. Increases in National Insurance contributions hit higher income households more (indeed, some lower income households will benefit due to increases in NI thresholds), whilst the increase in the income tax personal allowance benefits households with "upper middle incomes" most (lower income households do not have taxpayers, whilst those at the top lose from the reduction in the higher rate income tax threshold that offsets the increased personal allowance). The restriction of pension contribution tax relief hits households with the highest incomes only. Clearly, the tax measures therefore do not hit poorer households hardest.

It is benefit and tax credit cuts that are affect lower income households more than richer ones. Cuts to housing benefit, disability benefits, many of the cuts to tax credits (although not the removal of the family element from middle and higher income families) and the

change in the way benefits are uprated all hit lower income households harder than higher-income households (in cash terms as well as proportionally). Pensioners are protected from many of these measures, whilst families with children are particularly affected by some (notably the changes to tax credits).

### **London: up to 2014/15**

Over time, additional cuts in benefits impact more on lower income households, particularly the further reductions in the generosity of housing benefit, disability benefits, and the accruing impact of the change to CPI uprating for benefits and tax credits. Towards the top, a further freeze in the higher rate tax threshold, and changes to child benefit have an impact, but these are smaller in proportional terms than the benefit cuts hitting households lower down the income distribution.

Households with children are harder-hit, on average, than other household types. Towards the bottom of the income distribution such households are heavily reliant on benefits that are being reduced through specific reforms (e.g. housing benefit) and the change in the benefit uprating rules. Changes in tax credits affect households with children across the income distribution (although different changes affect different parts of the income distribution). Higher up the income distribution they are being hit by the removal of child benefit for families containing a higher rate taxpayer (and at the very top, couples with children contain a relatively large fraction of those affected by the measures on pension contributions).

### **Comparing London and the rest of the UK: up to 2014/15**

The pattern of losses across the income distribution and across different types of households is similar in London to the pattern for the UK as a whole. Up to 2012/13, the pattern looks less regressive for London than for the UK as a whole. At the top, this is because there are more households in London containing someone with an income high enough to be (likely to be) hit by the changes in pensions contributions tax relief, and because there are more higher income individuals generally who are being hit by cuts and freezes in the income tax higher rate threshold. Lower down, this reflects the fact that the high rents in London mean that those hit by cuts in housing benefit have higher incomes before housing costs than the households being affected elsewhere in the country and are not necessarily towards the very bottom of the income distribution.

By 2014/15 the pattern is more in line with the pattern for the UK as a whole; increases in taxes and cuts in benefits and tax credits amount to a larger proportion of income for both the UK as a whole and for London. This is particularly true when focusing on the announcements of the coalition Government only (and so ignoring those policies announced by the last Labour government, which actually hit higher income households rather more than lower income households, both in London and in the UK as a whole).

Households in London are hit harder, on average, by both the reforms announced by the last Labour government and by the current coalition. Cuts to housing benefit, in particular, hit London households harder than those in the rest of the country because of higher housing costs in the capital compared to the rest of the country. On the tax side, higher incomes in London mean more households are hit by the cuts in the higher rate tax threshold, the removal of child benefit for higher rate taxpayers and particularly, at the very top, the restriction of pension contributions tax relief.



## United Kingdom Distributional Analysis

Table 1

Income Quintile	Weekly Net	Annual Net	Impact to 2012/13					
			Labour's Reforms	June Budget	Spending Review	Total	Total %	Coalition %
1	£240	£12,505	-£2	-£222	-£118	-£341	-2.7%	-2.7%
2	£360	£18,730	-£53	-£243	-£187	-£483	-2.6%	-2.3%
3	£474	£24,662	-£159	-£261	-£160	-£580	-2.4%	-1.7%
4	£638	£33,150	-£319	-£239	-£144	-£703	-2.1%	-1.2%
5	£1,209	£62,853	-£1,646	-£412	-£87	-£2,145	-3.4%	-0.8%
Average	£584	£30,380	-£436	-£275	-£139	-£850	-2.8%	-1.4%

  

Income Quintile	Weekly Net	Annual Net	Impact to 2014/15					
			Labour's Reforms	June Budget	Spending Review	Total	Total %	Coalition %
1	£240	£12,505	-£17	-£489	-£141	-£648	-5.2%	-5.0%
2	£360	£18,730	-£71	-£526	-£224	-£821	-4.4%	-4.0%
3	£474	£24,662	-£182	-£486	-£217	-£886	-3.6%	-2.9%
4	£638	£33,150	-£348	-£391	-£263	-£1,002	-3.0%	-2.0%
5	£1,209	£62,853	-£1,681	-£538	-£258	-£2,476	-3.9%	-1.3%
Average	£584	£30,380	-£460	-£486	-£221	-£1,166	-3.8%	-2.3%

Source: Authors' calculations using TAXBEN run on the 2008–09 Family Resources Survey and 2008 Expenditure and Food Survey.

## United Kingdom Distributional Analysis

Table 2

Hhold Type	Weekly Net	Annual Net	Impact to 2012/13					
			Labour's Reforms	June Budget	Spending Review	Total	Total %	Coalition %
Single	£371	£19,277	-£273	-£169	-£76	-£518	-2.7%	-1.3%
Lone Parent	£378	£19,663	£63	-£399	-£193	-£529	-2.7%	-3.0%
Couple, No Kids	£729	£37,933	-£575	-£105	-£179	-£860	-2.3%	-0.8%
Couple, Kids	£784	£40,777	-£762	-£568	-£212	-£1,541	-3.8%	-1.9%
Pensioner	£362	£18,831	-£152	-£182	-£57	-£391	-2.1%	-1.3%
Multi-Family	£820	£42,633	-£692	-£325	-£182	-£1,199	-2.8%	-1.2%

  

Hhold Type	Weekly Net	Annual Net	Impact to 2014/15					
			Labour's Reforms	June Budget	Spending Review	Total	%	
Single	£371	£19,277	-£290	-£310	-£76	-£675	-3.5%	-2.0%
Lone Parent	£378	£19,663	£50	-£1,056	-£271	-£1,277	-6.5%	-6.7%
Couple, No Kids	£729	£37,933	-£606	-£211	-£178	-£995	-2.6%	-1.0%
Couple, Kids	£784	£40,777	-£790	-£899	-£541	-£2,231	-5.5%	-3.5%
Pensioner	£362	£18,831	-£163	-£304	-£63	-£529	-2.8%	-1.9%
Multi-Family	£820	£42,633	-£730	-£567	-£228	-£1,525	-3.6%	-1.9%

Source: Authors' calculations using TAXBEN run on the 2008–09 Family Resources Survey and 2008 Expenditure and Food Survey.

## London Distributional Analysis

Table 3

Income Quintile	Weekly Net	Annual Net	Impact to 2012/13					
			Labour's Reforms	June Budget	Spending Review	Total	Total %	Coalition %
1	£259	£13,458	£89	-£325	-£137	-£374	-2.8%	-3.4%
2	£399	£20,735	£34	-£417	-£175	-£558	-2.7%	-2.9%
3	£534	£27,784	-£75	-£539	-£263	-£877	-3.2%	-2.9%
4	£775	£40,295	-£504	-£241	-£111	-£856	-2.1%	-0.9%
5	£1,596	£83,008	-£2,398	-£984	-£79	-£3,460	-4.2%	-1.3%
Average	£713	£37,056	-£571	-£501	-£153	-£1,225	-3.3%	-1.8%

  

Income Quintile	Weekly Net	Annual Net	Impact to 2014/15					
			Labour's Reforms	June Budget	Spending Review	Total	Total %	Coalition %
1	£259	£13,458	£76	-£618	-£152	-£694	-5.2%	-5.7%
2	£399	£20,735	£18	-£712	-£239	-£933	-4.5%	-4.6%
3	£534	£27,784	-£91	-£738	-£354	-£1,183	-4.3%	-3.9%
4	£775	£40,295	-£529	-£355	-£276	-£1,160	-2.9%	-1.6%
5	£1,596	£83,008	-£2,431	-£1,136	-£247	-£3,815	-4.6%	-1.7%
Average	£713	£37,056	-£591	-£712	-£254	-£1,557	-4.2%	-2.6%

Source: Authors' calculations using TAXBEN run on the 2008–09 Family Resources Survey and 2008 Expenditure and Food Survey.

## London Distributional Analysis

Table 4

Hhold Type	Weekly Net	Annual Net	Impact to 2012/13					
			Labour's Reforms	June Budget	Spending Review	Total	%	Coalition %
Single	£476	£24,748	-£473	-£480	-£145	-£1,098	-4.4%	-2.5%
Lone Parent	£430	£22,376	£94	-£540	-£279	-£725	-3.2%	-3.7%
Couple, No Kids	£992	£51,600	-£1,151	-£256	-£77	-£1,483	-2.9%	-0.6%
Couple, Kids	£952	£49,497	-£1,556	-£826	-£255	-£2,636	-5.3%	-2.2%
Pensioner	£386	£20,092	-£226	-£250	-£55	-£531	-2.6%	-1.5%
Multi-Family	£896	£46,575	-£515	-£701	-£187	-£1,403	-3.0%	-1.9%

  

Hhold Type	Weekly Net	Annual Net	Impact to 2014/15					
			Labour's Reforms	June Budget	Spending Review	Total	%	Coalition %
Single	£476	£24,748	-£488	-£611	-£145	-£1,243	-5.0%	-3.1%
Lone Parent	£430	£22,376	£85	-£1,201	-£540	-£1,656	-7.4%	-7.8%
Couple, No Kids	£992	£51,600	-£1,180	-£365	-£76	-£1,621	-3.1%	-0.9%
Couple, Kids	£952	£49,497	-£1,577	-£1,189	-£699	-£3,465	-7.0%	-3.8%
Pensioner	£386	£20,092	-£238	-£353	-£62	-£652	-3.2%	-2.1%
Multi-Family	£896	£46,575	-£547	-£916	-£208	-£1,672	-3.6%	-2.4%

Source: Authors' calculations using TAXBEN run on the 2008–09 Family Resources Survey and 2008 Expenditure and Food Survey.

## POVERTY IN LONDON: FOR BBC LONDON\*

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### OVERALL NUMBERS AND PROPORTIONS IN POVERTY

- Around 39% or 630,000 children, 25% or 1.2m working age adults and about 23% or 230,000 pensioners in London live in poverty. London has the highest rates of child poverty, working-age poverty and pensioner poverty in England.
- About 430,000 people in London live just about the poverty line, with incomes between 60% and 70% of the median (whereas ‘poverty’ is an income below 60% of the median).
- Out of all the people in poverty in London, almost 60% are working age adults, whereas children make up another 30% of the poor in London. Pensioners account for only a tenth of this population.
- Inner London has the highest rates of poverty for any region in England for all three age groups. Outer London has the second highest rates of child poverty and working-age adult poverty. The pensioner poverty rate in Outer London is about national average.
- Over the last decade, Inner London has seen a steady decline in poverty rates for all three groups. Both Child poverty and pensioner poverty rates have fallen by around 10 percentage points since 1997/98 and even working-age poverty fell slightly by about 2 percentage points.
- However, Outer London has seen a rise of about 3% for both child and working-age adult poverty rates and a smaller fall in the rate of pensioner poverty as compared to Inner London.
- As a result, more than half (56%) of all people in poverty in London now live in Outer London.
- Overall for London, there are fewer children in poverty as compared to a decade ago, entirely due to the fall in child poverty in Inner London. On the other hand, there are more working-age adults living in poverty in London than a decade ago.

### POVERTY AND WORK

- Since the late 1990s, the number of children in poverty belonging to *workless* families in London has fallen, from 420,000 to 300,000. The number of working-age adults in poverty in workless families has also fallen slightly .from 600,000 to 570,000.
- However, there has been a substantial rise in the number of children in poverty belonging to *working* families, from about 240,000 in three years to 1997/98 to about 320,000 in three years to 2008-09. The number of adults in poverty who are in working families has risen even more dramatically, from 390,000 at the end of 1990s to about 620,000 in 2008-09.
- As a result, just over half of the children and working-age adults in poverty in London live in working families.
- Around 85,000 children and 170,000 adults in working families are just above the poverty line.

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\* See notes at end of the appendix for definitions.

- 58% of children in poverty (360,000 out of 630,000) live with two parents.

### **POVERTY AND HOUSING**

- 860,000 people in poverty in London (some 40% of all those in poverty) live in socially rented accommodation. 55% of these are working age adults, 35% are children and around 10% are pensioners.
- 530,000 (25%) live in private rented accommodation. However, in contrast to those making up the social tenure, almost 70% of these low income private renters are working age adults, and about a quarter are children.
- A third of people in poverty, about 690,000 people are in homes that are owner occupied. A further 170,000 live in owner-occupied homes just above the poverty line.
- 35% of the people in London in poverty (730,000 people) live in a household that receives Housing Benefit (HB). Among children in poverty, this proportion rises to a half. A further 120,000 people belonging to households receiving HB are just above the poverty line.
- Out of the 730,000 people in poverty and receiving HB, 40% are children, 50% are working age adults and around 10% are pensioners.
- Three quarters of those receiving HB and in poverty live in socially rented accommodation and a quarter are in private rentals.

### **POVERTY AND DISABILITY**

- A quarter or around 520,000 people in poverty in London live in a family with at least one disabled adult.
- Around a fifth of children and working-age adults in poverty in London live in a family with at least one disabled adult and around half of pensioners in poverty live in families where at least one person is disabled. The risk of poverty is around 50% higher for children living in families with disabled adults and around 65% higher for working-age adults living in similar families.
- A further 130,000 people live in families with a disabled adult and are just above the poverty line.

### **POVERTY AND ETHNICITY**

- Poverty rates vary a lot between different ethnic groups. At 21%, the British White group has the lowest poverty rate. It is twice as high among Black Africans and three times as high among Bangladeshis. The poverty rate among Indian households is, though, roughly the same as for White British.
- In London, around half of Pakistanis and two thirds of Bangladeshis live in poverty.
- Of all the people in poverty in London, more than half (60%) are from BME groups, including white non-British. In Inner London people from BME backgrounds make up two-thirds of the population in poverty, the proportion is about 52% in Outer London.

## APPENDIX: TABLES

Annual average, 2006/7 to 2008/9 (after housing costs)	People in households with <60% of median income				People in households with 60%-70% of median income				All others			
	Children	Working age	Pensioner	Total	Children	Working age	Pensioner	Total	Children	Working age	Pensioner	Total
<b>Table 1: total</b>												
Number	630,000	1,230,000	230,000	2,090,000	110,000	220,000	100,000	430,000	860,000	3,370,000	680,000	4,910,000
Risk (number as % of all in the group)	39%	25%	23%	28%	7%	5%	10%	6%	54%	70%	68%	66%
<b>Table 2: total by inner/outer</b>												
	<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>					<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>
Inner	260,000	550,000	90,000	900,000					330,000	1,430,000	230,000	1,990,000
Outer	370,000	670,000	140,000	1,180,000					640,000	2,170,000	550,000	3,360,000
Inner	44%	28%	29%	31%					56%	72%	71%	69%
Outer	37%	24%	20%	26%					63%	76%	80%	74%
<b>Table 3: total by essential items lacked</b>												
	<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>	<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>	<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>
Lacking no items	200,000				50,000				660,000			
Lacking 1 item	150,000				20,000				120,000			
Lacking 2 or more items	280,000				40,000				80,000			
<b>Table 4: total by 'family' work status</b>												
	<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>	<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>	<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>
Fully working	40,000	140,000			20,000	50,000			430,000	2,030,000		
Part working	280,000	480,000			70,000	110,000			390,000	1,050,000		
Workless	300,000	570,000			30,000	50,000			40,000	260,000		

Annual average, 2006/7 to 2008/9 (after housing costs)	People in households with <60% of median income				People in households with 60%-70% of median income				All others			
<b>Table 5: total by lone/two parent family</b>	<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>	<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>	<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>
Couple parents	360,000				80,000				730,000			
Lone parents	260,000				40,000				120,000			
<b>Table 6: total by tenure</b>	<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>	<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>	<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>
Owner occupiers				690,000				170,000				3,440,000
Social renting				860,000				170,000				610,000
Private renting				530,000				90,000				860,000
<b>Table 7: total by 'family' Housing Benefit status</b>	<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>	<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>	<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>
Not receiving HB	310,000	860,000	180,000	1,350,000	80,000	180,000	50,000	310,000	820,000	3,290,000	590,000	4,700,000
Receiving HB	310,000	370,000	50,000	730,000	40,000	40,000	40,000	120,000	40,000	80,000	80,000	200,000
<b>Table 8: total by adult disability status of 'family'</b>	<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>	<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>	<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>
No disabled adult in the family	500,000	950,000	100,000	1,560,000	90,000	170,000	40,000	300,000	780,000	2,990,000	340,000	4,110,000
1 or more disabled adult in the family	130,000	270,000	120,000	520,000	20,000	50,000	50,000	130,000	80,000	380,000	340,000	800,000
<b>Table 9: total by White British/other and Inner/Outer</b>	<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>					<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>
Inner, White British				280,000								1,060,000
Inner, Others				620,000								930,000
Outer, White British				570,000								2,160,000
Outer, Others				610,000								1,190,000



Annual average, 2006/7 to 2008/9 (after housing costs)	People in households with <60% of median income				People in households with 60%-70% of median income				All others			
<b>Table 10: risk by seven major ethnic groups</b>	<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>								
White - British				21%								
White - Other				27%								
Indian				26%								
Pakistani				52%								
Bangladeshi				70%								
Black Caribbean				36%								
Black African				50%								
<b>Table 11: total by family Incapacity Benefit/ESA status</b>	<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>	<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>	<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>
Not receiving IB/ESA	600,000	1,150,000			110,000	210,000			850,000	3,300,000		
Receiving IB/ESA	20,000	70,000			0	10,000			10,000	80,000		
<b>Table 12: total by family Disability Living Allowance status</b>	<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>	<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>	<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>
Not receiving DLA	600,000	1,170,000			100,000	200,000			830,000	3,260,000		
Receiving DLA	20,000	60,000			10,000	20,000			30,000	120,000		
<b>Table 13: total by tenure and Housing Benefit status</b>	<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>					<b>Children</b>	<b>Working age</b>	<b>Pensioner</b>	<b>Total</b>
Social renters not receiving HB	70,000	200,000	30,000	300,000					110,000	350,000	40,000	500,000
Social renters receiving HB	240,000	270,000	50,000	560,000					60,000	100,000	110,000	270,000
Private renters not receiving HB	70,000	280,000	10,000	360,000					90,000	800,000	20,000	910,000
Private renters receiving HB	80,000	90,000	-	170,000					10,000	20,000	10,000	40,000
Owner occupiers not receiving HB	180,000	370,000	130,000	680,000					700,000	2,320,000	580,000	3,600,000
Owner occupiers receiving HB	-	-	-	-					-	-	-	-

**NOTES**

1. Sources *Households Below Average Income* and *Family Resources Survey*, 2006/07 to 2008/09.
2. A household is in poverty if its income, after taxes and housing costs is below 60% of the national median for that year. The median income is the level at the middle of the income distribution – half of people live above it and half below.
3. In order to compare different household sizes, these incomes are “equivalised”, that is, adjusted for the number and age of people living in the household.
4. The numbers in this report are based on a three year average from 2006/07 to 2008/09.
5. Some of the figures refer to households and some to families. A family is any adult, their spouse and dependent children. A household is any group of people living together in a shared space. So, a couple with two children of school age and one grown up child living at home constitutes one household but two families.
6. The definition of disability we use here is “having any long-standing illness, disability or impairment that leads to a substantial difficulty with one or more areas of the individual’s life”
7. The definitions of Inner and Outer London are those used by the GLA and other public bodies.