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## A minimum income standard for London 2019

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# **A Minimum Income Standard for London 2019**

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**Loughborough  
University**

Centre for Research  
in Social Policy



**Trust for London**

Tackling poverty and inequality

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## Key findings

The Minimum Income Standard (MIS) is based on detailed discussions with members of the public about goods and services households need to reach a socially acceptable standard of living, which covers essentials and enables participation in society. This report provides an update of the cost of a minimum budget, needed for a minimum standard of living, for four core households in Inner and Outer London comparing these with the rest of the UK. The update is based on price increases between 2018 and 2019, along with available data concerning childcare, transport and housing costs in the capital.

### Overall

- ◁ 4 in every 10 Londoners (41%) have an income below what is needed for a minimum standard of living, a significantly greater proportion than in the UK as a whole. This means that 3.57 million Londoners are living in households with inadequate income.
- ◁ Although many of the costs of meeting a minimum standard of living in London are similar to other towns and cities in the UK, a minimum budget in the capital costs between 15% and 58% more than in the rest of the UK depending on household composition. Much of this difference continues to be accounted for by the higher costs of housing, childcare and transport in the capital.

### Three key recent trends

- ◁ A growing proportion of pensioners living in the capital do not have sufficient income to cover their minimum needs. Around a third of all pensioners in London now have incomes below MIS, up from a quarter in 2011.
- ◁ A key source of additional costs, the cost of renting in London, has increased substantially in the past five years. While rents at the cheaper end of the rental market in the UK increased by around 10% between 2014 and 2019, in Inner London private rents increased by around 15% and in Outer London by around 20%.
- ◁ The National Living Wage (NLW) has done less to meet in London than elsewhere. The NLW enables a single person working full time in urban areas of the UK outside London to cover just over 80% of their costs, and this figure has risen as the NLW has increased. For a single person in London, however, the proportion of costs covered has fallen to below 50%, partly because costs have risen but also because the level of support provided by Housing Benefit to help workers with high rents has fallen.

### Further key findings in 2019

- ◁ Single working-age adults living in Inner London face the highest proportion of additional costs compared to the same households in urban areas of the UK outside of London. Much of this is related to the higher cost of renting privately in London. Rent

accounts for 44% of the total minimum household budget in Inner London, 40% in Outer London and 29% outside London.

- ◁ Safety-net benefits for people living in London fall substantially short of covering minimum needs, providing about half of a minimum budget for households with children, and less than a quarter for single working-age adults.
- ◁ Pensioner couples in receipt of pension credit receive nearly enough to reach MIS in the UK outside London and in Outer London. Inner London however, pensioner couples fall 29% short of meeting these minimum needs.
- ◁ Over a million children in London are growing up in households with incomes below MIS, with children in lone parent households being far more likely to be living below this level.
- ◁ Over three-quarters of all Londoners with incomes below MIS are living in rented accommodation: 1.3 million are renting privately and 1.2 million renting from a social landlord.

## 1. Introduction

What do people living in London need for a minimum socially acceptable standard of living? Previous research in the capital (Padley et al., 2019, 2017, 2015), building on an established programme of research in the UK (Davis et al., 2018; Hirsch, 2019), has explored in detail what people living in London agree is needed for a minimum standard of living. Groups of members of the public in London have discussed the needs and costs which are different and/or additional to those described by people living in urban areas of the UK outside London. This detailed, deliberative research provides the basis for calculating the income needed by a range of different household types in order for them to be able to afford an acceptable living standard.

This report builds on this research and updates the Minimum Income Standard (MIS) for London based on price increases in the year to April 2019, as estimated by the Consumer Prices Index (CPI). For housing, transport and childcare costs the updated budgets reflect 'real' change. This update provides an opportunity to assess what has changed in the cost of minimum between 2018 to 2019, and to examine the implications of this for the adequacy of state support and wages, and for the income needed to provide a minimum standard of living.

## Box 1: Minimum Income Standard - summary

### What is MIS?

A Minimum Income Standard (MIS) for the United Kingdom is the income that people need in order to reach a minimum socially acceptable standard of living in the UK today, based on what members of the public think. It is calculated by specifying baskets of goods and services required by different types of household in order to meet these needs and to participate in society.

### How is it arrived at?

A sequence of groups has detailed negotiations about the things a household would need in order to achieve an acceptable living standard. They go through all aspects of the budget in terms of what goods and services would be needed, of what quality, how long they would last and where they would be bought. Experts check that these specifications meet basic criteria such as nutritional adequacy and, in some cases, feedback information to subsequent negotiation groups who check and amend the budget lists, which are then priced at various stores and suppliers by the research team. Groups typically comprise six to eight people from a mixture of socioeconomic backgrounds, but all participants within each group are from the category under discussion. So parents with dependent children discuss the needs of parents and children, working age adults without children discuss the needs of single and couple adults without children and pensioner groups decide the minimum for pensioners.

A crucial aspect of MIS is the method of developing a negotiated consensus among these socially mixed groups. It uses a method of projection, whereby group members are asked not to think of their own needs but to imagine walking round the home of the individuals under discussion, to develop a picture of how they would live, in order to reach the living standard defined below. While participants do not always start with identical ideas about what is needed for a minimum socially acceptable standard of living, through detailed discussion and negotiation they commonly converge on answers that the group as a whole agree on. Where this does not appear to be possible, for example where there are two distinct arguments for and against the inclusion or exclusion of an item, or where a group does not seem to reach a satisfactory conclusion, subsequent groups help to resolve differences.

### What does it include?

Groups in the initial research

but is more than just, food, clothes and shelter. It is about having what you need in order to have

Thus, a minimum is about more than survival alone. However, it covers needs, not wants, necessities not luxuries: items that the public think people need in order to be part of society. In identifying the minimum that everyone should be able to afford, it does not attempt to specify extra requirements for particular individuals and groups—for example, those resulting from living in a remote location or having a disability. So, not everybody who has more than the minimum income can be guaranteed to achieve an acceptable living standard. However, someone falling below the minimum is unlikely to achieve such a standard.

### Who does it apply to?

MIS applies to households that comprise a single adult or a couple, with or without dependent children. It covers most households, with its level adjusted to reflect their unique needs. The needs of over a hundred different family combinations (according to numbers and ages of family members) can be calculated. It does not cover families living with other adults, such as households with young children.

## 2. The additional costs of living in London

This section of the report sets out the minimum budgets required by selected households in Inner and Outer London, looking at how these have changed over the past year and since the initial MIS London research in 2014/15 (see Padley et al., 2019, 2017, 2015). It also compares the minimum budgets for Inner and Outer London with the budgets for the same households in UK MIS. The budgets presented and considered here have been updated based on price increases in the year to April 2019, as estimated by the Consumer Prices Index (CPI). The exceptions to this are in housing, transport and childcare costs where the latest budgets reflect directly measured changes in London costs.

This section also looks at the composition of additional costs for households in Inner and Outer London, identifying what is driving the differences between the minimum budgets for these households and those in the UK outside of London. It also explores the implications of the additional cost of a minimum standard of living in London for the adequacy of support through the social security system, the adequacy of incomes relative to MIS on the National Living Wage and for income requirements in the capital. The discussion and analysis focuses principally on four core households focused on in the UK MIS (see Hirsch, 2019; Davis et al., 2018). Concentrating on these household types enables a range of different lived experiences across demographic groups in the capital to be reflected. This section also looks at some living situations not addressed in UK MIS and the consequences of the additional costs of living for income requirements for these – crucially in the context of London, this includes single working-age adults living in shared accommodation and households with children who are unable to access social housing, instead renting in the private rented sector.

A full range of results for both Inner and Outer London are available in the online [Minimum Income Calculator](#) (CRSP, 2019). The calculator also allows items such as housing costs and childcare to be adapted to individual circumstances, an important tool given the variation in these costs within both Inner and Outer London.

### Overall differences in minimum household budgets

#### *Differences in 'headline' minimum household budgets*

- < The weekly cost of a minimum budget in London, excluding housing and childcare costs, has increased by between 2.1% and 3.5% since 2018.
- < Over the past five years a minimum budget for a single working-age adult has increased by 26% in Inner London, compared to 9% in Outer London and 13% in urban UK.
- < In order to have enough to provide a minimum standard of living, couple pensioner households in Inner London need around 27% more than their counterparts in urban areas of the UK outside London.



Research over the past five years, establishing the cost of a minimum budget in London (Padley, 2017; Padley et al., 2019, 2017, 2015) has repeatedly shown that in order to reach a minimum socially acceptable standard of living, many Inner and Outer London households need substantially more than the same households living in other urban locations within the UK. The key findings this year further substantiate this finding. The cost of a minimum budget for each of the four core households considered here has increased since 2018, in both Inner and Outer London. The overall budgets, not including rent and childcare, shown in Table 1, have risen between 2.1% and 3.5% since 2018. In the same period CPI rose by 2.1%. Table 1 sets out the total 'headline' budgets for Inner and Outer London, in 2018 and 2019.

**Table 1: Changes in weekly London 'headline' budget**

Household type	London weekly budget			Outer London		
	Inner London					
	2018	2019	% change	2018	2019	% change
Single, working age	£268.86	£276.14	2.7%	£244.69	£253.19	3.5%
Couple, pensioner	£381.66	£392.62	2.9%	£316.55	£325.30	2.8%
Lone parent, one child (aged 0)	£291.03	£297.27	2.1%	£308.12	£315.20	2.3%
Couple parents, two children (one aged 0-4; one primary age)	£503.15	£514.36	2.2%	£520.46	£532.16	2.2%

Since 2018, the 'headline budget' for a single person in Inner London has increased by 2.7% and 3.5% in Outer, above CPI inflation, compared to a 3.6% increase in the minimum budgets for a single person in urban UK. Increases in the cost of household fuel, internet access, council tax and transport have largely driven this change. For pensioners, the weekly budget has increased by 2.9% and 2.8% in Inner and Outer London respectively, again above CPI. This increase is driven most clearly by the rising price of fuel, council tax and other travel costs, all of which are increasing at a rate well above overall inflation.

Households with children have seen budget increases broadly in line with increases in CPI since April 2018, as is the case for households with children in urban UK. For a lone parent with a toddler, the cost of childcare has fallen by around 4% in Inner London while it has risen by 3% in Outer London. For couples with preschool and primary school aged children, the cost of childcare has fallen by 9% in Inner London, but has increased by 11% in Outer London. Households with children, along with pensioners, have also seen social rents decrease by 1% between April 2018 and April 2019, in line with government policy of reducing social rents each year until 2020.

Table 2 sets out the increases in minimum budgets between 2014 and 2019. This shows that the 'headline' budget increases for couple pensioners and for single working-age adults in Inner London, where a minimum budget has increased by a fifth and one quarter respectively over this five year period. While the increase in a minimum budget for single-working age adults in Inner London is substantially greater than in urban UK and Outer London, couple pensioners have seen a large increase in each location. In general, the increase over time for households with children has been smaller.

**Table 2: Changes in weekly UK and London 'headline' budget (excluding rent and childcare), 2014 to 2019**

Household type	UK	Inner London	Outer London
Single, working age adult	13%	26%	9%
Couple pensioner	18%	21%	16%
Loneparent, one child(10)	9%	3%	6%
Couple parents, two children (pre/prior)	2%	2%	2%

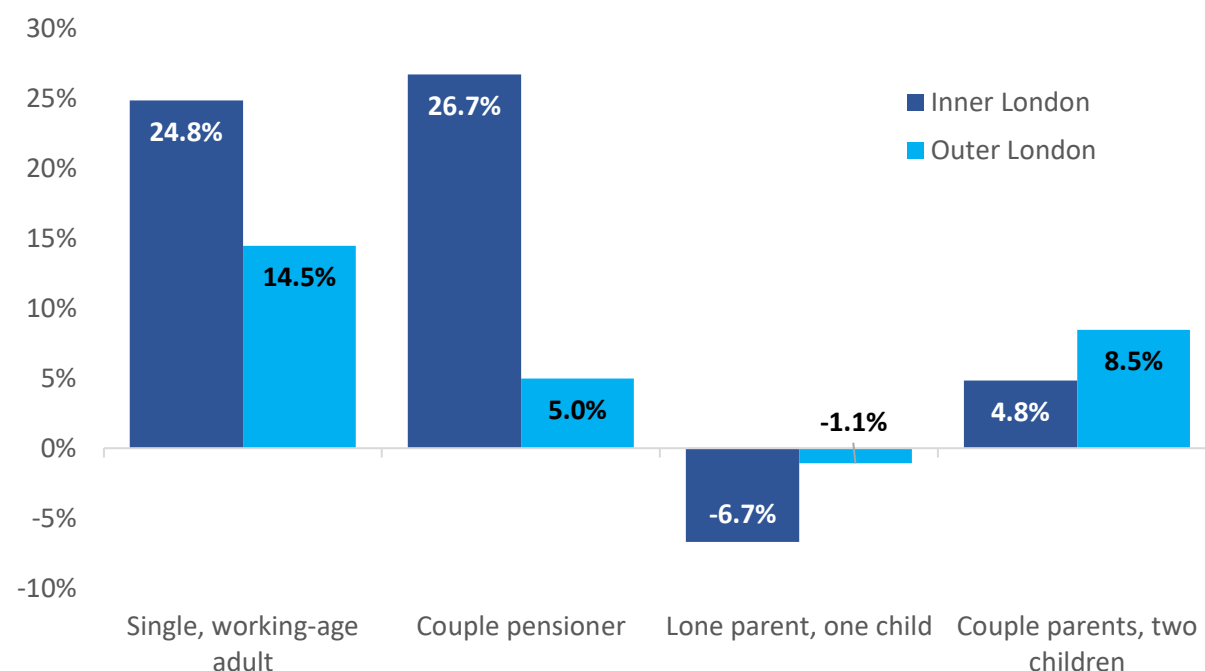
While across different sorts of households there is variation in the additional cost of a minimum socially acceptable standard of living, the needs of Londoners have, in general, a higher weekly cost than in other urban areas in the UK. Figure 1 and Table 3 show the differences in weekly budgets for four core households in the capital, excluding the cost of rent and childcare.

**Table 3: Comparison of weekly MIS budgets for urban UK households and London households (April 2019 prices, *excluding* rent and childcare)**

Household type	Weekly budget outside London (UK MIS)	London weekly budget (£ and % difference)	
		Inner London	Outer London
Single, working age	£221.19	£276.14 (24.8%)	£253.19 (14.5%)
Couple, pensioner	£309.89	£392.62 (26.7%)	£325.35 (5.0%)
Lone parent, one child (aged 0)	£318.67	£297.27 (6.7%)	£315.20 (1.1%)
Couple parents, two children (one aged 0-2, one primary age)	£490.65	£514.36 (4.8%)	£532.16 (8.5%)

Excluding rent and childcare, the additional cost of a minimum budget, compared to urban UK, is highest in Inner London for couple pensioners. Couple parent households and single working-age adults face the most significant additional costs in Outer London. The weekly budgets for lone parent households in Inner and Outer London are lower than in UK MIS, although this difference is relatively small in Outer London. The majority of this difference for lone parents (78%) is accounted for by difference in the cost of transport – in urban locations outside London, a car is included as part of a minimum budget which has a greater weekly cost than using public transport in Inner London. More specifically, owning and running a car in urban UK outside London is greater than the weekly costs of a Zones 1-4 travel card in Inner London.

**Figure 1: Additional weekly budgets compared to urban UK households (April 2019 prices, excluding rent and childcare)**



### *The composition of additional costs*

- < For single working-age adults in Inner and Outer London the additional cost of a minimum budget is a product of higher transport costs in the capital and of an increased amount allocated to eating out and social participation.
- < For households with children, there are some savings from not needing to own a car in the capital, but for couple parents transport costs are greater in the capital as each parent needs a monthly Oyster card.

Tables 4a and 4b set out in more detail the source of the differences in the cost of a minimum budget in London and urban areas of the UK outside London. For single working-age adults in both Inner and Outer London, the relatively high cost of public transport in the city, compared to other urban areas in the UK, accounts for a substantial proportion of the additional cost: higher transport costs account for over a third of the overall budget difference in Inner London and more than three quarters of the difference in Outer London. The increased budget for eating out and social participation make up over half (58%) of the difference in a minimum budget for both single working-age adults and for pensioners in Inner London compared to elsewhere in the UK. The minimum budgets for households with children living in urban areas of the UK outside London include the cost of owning and running a second hand car, while in London a car is not included in the budget, with transport needs being met through public transport and an occasional taxi journey. While this results in a saving – or only very small additional cost – for lone parents, couple parents need a monthly Oyster card for each adult in both Inner and Outer London, accounting for the additional transport budget required in the capital.

**Table 4a: Components of additional costs for Inner London households (excluding rent and childcare)**

Household type	Of which (£)						
	Additional Inner London weekly cos (£)	Transport	Food & alcohol (including eating out)	Personal goods and services	Heat and power	Social and cultural	Other
Single, working age	54.95	18.15	11.62	6.16	-0.14	20.53	-1.36
Couple pensioner	82.73	9.76	27.69	12.97	4.63	20.59	7.08
Lone parent, one child (aged 0-10)	-21.01	-16.32	-1.12	0.63	-0.44	0.16	-3.92
Couple parents, two children (one aged 4; one primary age)	24.18	15.67	0.00	1.73	4.37	5.33	-2.93

**Table 4b: Components of additional costs for Inner London households (excluding rent and childcare)**

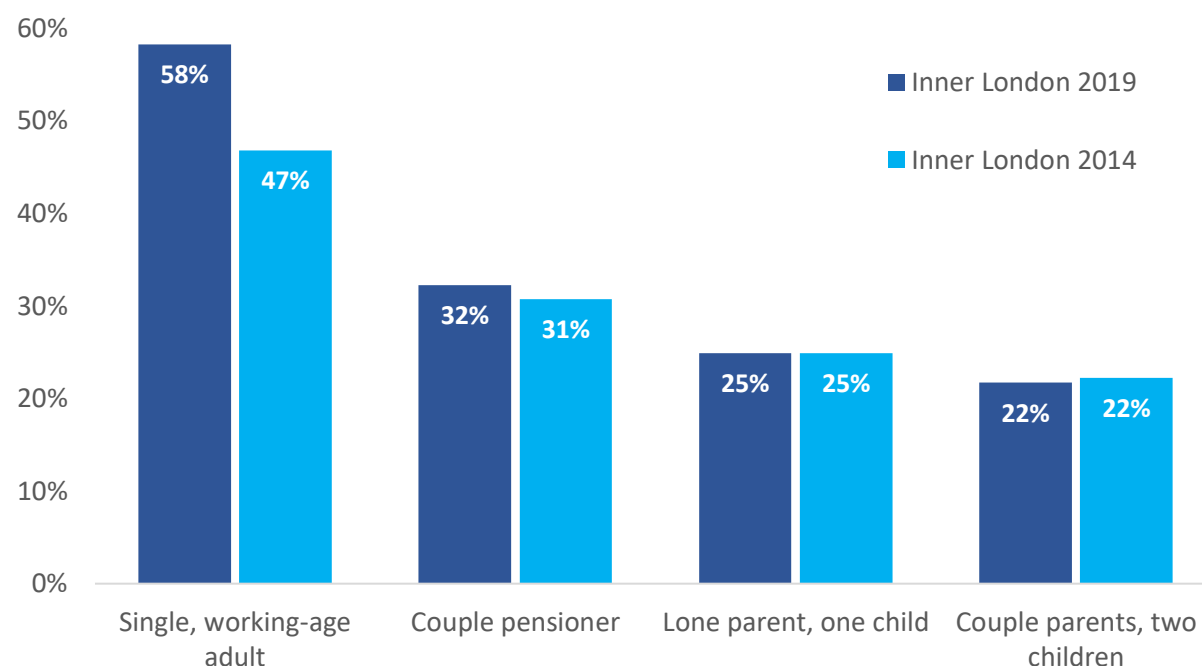
Household type	Of which (£)						
	Additional Outer London weekly cos (£)	Transport	Food & alcohol (including eating out)	Personal goods and services	Heat and power	Social and cultural	Other
Single, working age	32.00	24.73	8.44	0.88	-0.14	0.00	-1.90
Couple, pensioner	15.41	0.00	5.89	3.18	4.63	0.00	1.71
Lone parent, one child (aged 0-10)	-3.48	0.10	-0.46	0.63	-0.44	0.00	-3.30
Couple parents, two children (one aged 4; one primary age)	31.84	26.75	-0.46	-0.34	4.37	5.33	-3.82

### *Differences in total minimum household budgets*

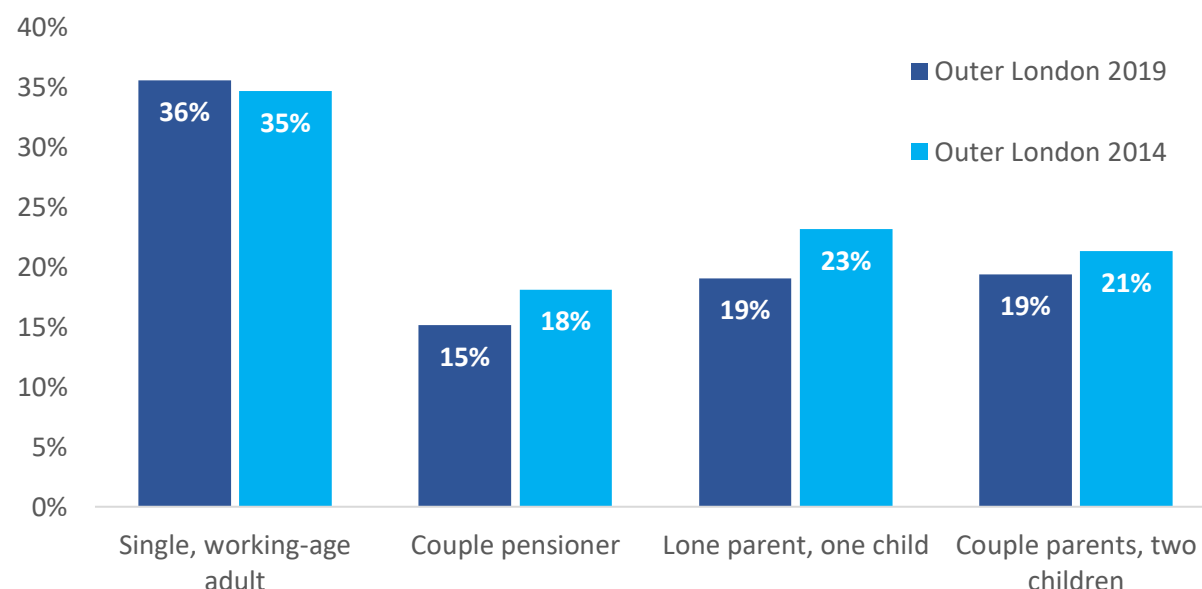
- < The cost of housing and childcare in London continue to be the primary source of difference in a minimum budget between the capital and other urban areas of the UK.
- < These costs mean that a single working-age adult in Inner London in 2019 needs 58% more for a minimum budget than their counterparts in 2014.
- < Households with children in London need between a fifth and a quarter more than the same households in urban areas of the UK outside London for a minimum budget including housing and childcare costs.
- < Much of the difference in a minimum budget for working-age adults without children can be explained by the substantially higher private rents in the capital compared to urban areas outside London.
- < Lower quartile private rents for working-age adults without children have increased by around 10% in urban areas of the UK outside London, by 15% in Inner London and by 20% in Outer London.

The differences in the budgets needed in order to reach a minimum socially acceptable standard of living in Inner and Outer London and urban UK are significantly increased when the cost of housing and childcare are included. Indeed, housing and childcare continue to be the principal source of difference between London and urban UK outside of London (Figures 2a and 2b and Table 5). Single working-age adults living on their own in Inner London face by far the greatest additional costs, needing 58% more than their counterparts living in urban UK outside of London. The 'gap' between what is needed to reach a standard of living in Inner London and urban UK has grown over time. In 2014 single working-age adults needed 47% more than their counterparts living in urban areas of the UK outside London; five years later in 2019, this gap has grown to 58%. In Outer London, single working-age adults need 36% more for an acceptable minimum than the same households in other urban areas of the UK outside London.

**Figure 2a: Additional weekly budgets in Inner London compared to urban UK households, 2019 and 2014, including rent and childcare**



**Figure 2b: Additional weekly budgets in Outer London compared to urban UK households, 2019 and 2014, including rent and childcare**



For other household types in Inner London there has been little change over the five year period in total in the additional cost of a minimum budget. While the gap has not widened between 2014 and 2019, there has been a small reduction in the difference between the weekly MIS budget needed in Inner London and urban UK for households with children. This reduction can be explained largely through the different rate of increases in particular budget areas in London and outside London over this period. For example, travel costs for

lone parents with a toddler over this five year period have increased by 4% in Inner London, 16% in Outer London and 29% in urban areas outside London.

**Table 5: Comparison of weekly MIS budgets for urban UK households and London households (April 2019 prices, including rent and childcare)**

Household type	Weekly budget outside London (UK MIS)	London weekly budget (£ and % difference)	
		Inner London	Outer London
Single, working age	£313.68	£496.40 (58%)	£425.20 (36%)
Couple, pensioner	£393.17	£520.00 (32%)	£452.60 (15%)
Lone parent, one child (aged 0-10)	£641.72	£801.40 (25%)	£763.70 (19%)
Couple parents, two children (one aged 24; one primary age)	£788.99	£960.20 (22%)	£941.90 (19%)

Much of the difference between minimum budgets for working-age adults without children can be explained through the substantial differences in the costs of renting in the private sector in London compared to urban UK outside London. In 2019, lower quartile rent for a studio flat was £220.28 in Inner London, £172.10 in Outer London, compared to £92.49 for a single person renting in the private sector in urban areas outside London. Single working age adults living alone in the capital are having to cover rents up to around 2.5 times that demanded in urban areas outside London. In Inner London, rent accounts for 44% of the total minimum household budget, while in Outer London rent takes up 40% of the budget. This compares to 29% outside London.

Over the five years between 2014 and 2019, rents in London have increased at a higher rate than in urban areas of the UK outside London: the rent for a single person living alone in urban UK has increased by 10%, in Inner London by 15.5% and in Outer London by a fifth (20%). Despite these substantial differences since the research began in 2014, recent years have seen rents outside London increase at a faster rate than inside London: since 2018, single working-age rents have increased by 0.6% in Inner and Outer London, compared to 1.5% outside London.

**Table 6: Increases in rents 2014 to 2019 (£ per week, based on lower quartile private rents)**

	2014	2015	2016	2017	2018	2019	% increase 2014 to 2019
Single working age adults (living alone)							
UK MIS	£84.06	£86.13	£87.68	£89.70	£91.12	£92.49	10.0%
Inner London	£190.77	£205.25	£224.53	£227.60	£219.04	£220.28	15.5%
Outer London	£143.38	£147.29	£162.79	£165.07	£171.14	£172.10	20.0%
Couple working age adults (living alone)							
UK MIS	£92.78	£94.28	£96.63	£98.86	£101.83	£103.37	11.4%
Inner London	£257.70	£280.31	£295.21	£299.30	£295.53	£297.20	15.3%
Outer London	£182.28	£193.94	£208.20	£211.21	£217.39	£218.62	19.9%



While housing costs in London for households with children within the MIS budgets are based on social rents, this does not mean that in practice families are able to access social housing. One consequence of this is that a growing proportion of families will be exposed to the often substantial additional housing costs that come with renting accommodation in the private sector. If families with children are unable to access social housing and were instead in the Private Rental Sector (PRS) paying a lower quartile rent, a family with one child in Inner London would need around 50% more than a family living in similar accommodation in the UK outside London. In Outer London a one child family would need around a third more than the same family living in the PRS in urban UK outside London. The challenge for families living in the private rather than the social rented is not only the increased budget needed for a minimum standard of living, but the substantially higher earnings that would be needed to provide this budget.

### The 2019 MIS London budgets: income requirements and comparison with benefits and wages

- ◁ Safety-net benefits for people living in London who are out of work, fall well short of covering minimum needs. In 2019, they provide around half of a minimum budget for households with children, and less than a quarter for single working-age adults.
- ◁ In 2014, safety-net benefits covered around a third of a minimum budget for working-age singles in both Inner and Outer London, compared to 19% and 23% in 2019.
- ◁ Single working-age adults outside London have seen a reduction in the shortfall between incomes working full time on the National Living Wage (NLW) and needs over recent years. However, the opposite has happened in London: in 2016, working full-time on the NLW covered 55% of a minimum budget in Inner London for single working-age adults, while in 2019 it covers 46%.
- ◁ Households with children, where parents are working full-time on the NLW, continue to fall short of MIS, although this gap between incomes and needs has reduced over the past year.
- ◁ Working full-time on the Real Living Wage means that households are able to cover a greater proportion of their minimum needs compared to full-time work on the NLW.

The Minimum Income Standard makes it possible to look at how the minimum budgets needed by a range of different households compare with income from benefits and from working on the National Living Wage, as well as enabling comparisons to the official UK poverty line (60% or median equivalised income). Importantly, it is also possible to determine how much working households in both Inner and Outer London would need to earn in order to provide a minimum acceptable standard of living.

Table 7 shows the extent to which safety-net benefits, for households out of work, continue to fall well short of meeting the minimum needs of Londoners. For working-age single adults in urban areas of the UK outside London, out-of-work benefits cover around a third of a minimum budget (net of rent and council tax). In Inner London, out-of-work benefits provide under one fifth of the minimum income needed by single working-age adults; in Outer London they provide under a quarter of minimum needs. This stark difference in the adequacy of safety-net benefits in the capital is in part a consequence of the higher budget

needed to provide a minimum standard of living in the capital, but this alone does not take account of the substantial difference between the urban areas of the UK and London. As noted in previous reports (Padley et al., 2019; Padley, 2017) although out of work households *are* in receipt of housing benefit, single working-age adults renting in the private sector in particular, have seen an increasing gap between their rent and the amount of support they receive for housing costs.

For those renting in the private sector, housing benefit is capped at the maximum local housing allowance (LHA) rate for each broad rental market area (BRMA). LHA rates were set at the '30<sup>th</sup> percentile rent' for appropriate properties in each area: this means that the rates covered the cheapest 30% of properties in a given BRMA. These rates were frozen in April 2016 for four years, although this freeze is due to end in 2020. While the LHA rates have been frozen, rents in the private sector have continued to increase and this has resulted in a situation where LHA rates have become ever more inadequate and detached from the levels, with tenants having to make up growing shortfalls between housing support and actual rents from other safety-net benefits. Crisis (2019, p15)) estimate that in 94% of areas in Great Britain in five or less privately rented homes were affordable within Local Housing Allowance rates to single people, couples, or families with one or two children' .

The growing shortfall between housing benefit and rents means that in urban areas of the UK outside London, single working-age adults face a weekly shortfall of £6.47; in Inner London this shortfall is around 3.5 times higher at £22.03 each week, while in Outer London the shortfall each week is £17.21. This shortfall helps to explain the substantial reduction in the adequacy of safety-net benefits for working-age singles since this research first began in 2014. In 2014, safety-net benefits covered around a third of a minimum budget in both Inner and Outer London, compared to 19% and 23% in 2019.

**Table 7: Londoners' income compared to MIS: safety**

Safety net benefits* as % of MIS budget			
	UK outside London (2018 in italics)	Inner London (2018 in italics)	Outer London (2018 in italics)
Single working age	32%(33%)	19%(19%)	23%(23%)
Pensioner couple	90%(90%)	71%(71%)	87%(87%)
Lone parent one child aged 0-1	49%(54%)	55%(51%)	54%(52%)
Couple two children, primary and preschool	56%(58%)	52%(53%)	49%(48%)

\*Post-rent income on Income Support or Pension Credit, including Child Benefit, Child Tax Credit and Winter Fuel Payment.

In the UK outside of London, pensioner couples, in receipt of pension credit, have 90% of their minimum needs met, with a comparable proportion covered in Outer London. In Inner London pensioners fall 29% short of covering a minimum budget, principally because of the additional costs of eating out and social participation described by pensioners living in these areas.

As in previous years, it remains the case that few households in London are able to reach the income needed for a minimum standard of living, working full time on the National Living Wage (NLW). Table 8 shows that for single working-age adults in both Inner and Outer London, working full-time on the NLW provides under half of what they need for a minimum standard of living. This is in stark contrast to the situation for single adults in the UK outside of London, where full time work on the NLW provides just over 80% of a minimum budget. The increase of nearly 5% in the NLW in 2019 has meant that income for these households has increased at a higher rate than increases in costs in the UK outside London, resulting in a reduced shortfall compared to MIS. While single working-age adults outside London have seen a reduction in the shortfall between incomes and needs over time, the opposite has happened in London. In 2016, working full-time on the NLW covered 55% of a minimum budget in Inner London; in 2019 it covers 46%. Continued increases in rents and in the cost of a minimum budget combine to account for this growing shortfall, despite substantial increases in the NLW. Unlike their counterparts in urban areas of the UK outside London, single working-age adults in Inner and Outer London, living alone and working full-time on the NLW – and paying rents at or above the average permitted LHA level – continue to receive support with the cost of housing through housing benefit. This means that the adequacy of incomes relative to the cost of a minimum budget will be affected by changes in the level of state support as well as by changes in wages, rents and the cost of living.

Households with children working full-time on the NLW continue to fall short of MIS, although the shortfall has reduced between 2018 and 2019. Where couples with children are receiving Universal Credit (UC), which supports up to 85% of childcare costs, increases in the NLW above the cost of living, a reduction in social rents and a fall in the cost of after-school care for primary school aged children, mean that the shortfall for a couple with two children is 11% in Inner and 10% in Outer London in 2019. This is a significantly smaller shortfall than in 2018, but there remains a gap between the proportion of a minimum budget covered working full time on the NLW in and outside of London. Lone parents with a toddler working full-time on the NLW and in receipt of UC have also seen a reduction in the shortfall between disposable income and MIS, although they still face a shortfall of 22% in Inner and 14% in Outer London in 2019.

**Table 8: Londoners' income relative to National Living Wage, 2016-2019**

Disposable income working full time on National Living Wage, as % of MIS budget*					
		2016	2017	2018	2019
Single working age	UK outside London	77%	78%	80%	82%
	Inner London	55%	53%	49%	46%
	Outer London	54%	56%	46%	48%
Lone parent one child pre-school ages supported by tax credits**	UK outside London	82%	78%	87%	78%
	Inner London	64%	63%	50%	68%
	Outer London	72%	70%	65%	75%
Lone parent one child supported by Universal Credit*	UK outside London	82%	82%	90%	86%
	Inner London	67%	67%	56%	78%
	Outer London	74%	74%	71%	86%
Couple two children, primary and preschool age, supported by tax credits	UK outside London	88%	87%	89%	90%
	Inner London	76%	75%	61%	71%
	Outer London	73%	72%	69%	72%
Couple two children supported by Universal Credit*	UK outside London	96%	95%	96%	98%
	Inner London	88%	95%	70%	89%
	Outer London	84%	89%	76%	90%

\*After rent, council tax and childcare costs

\*\* The lone parent example used here is of a child of pre-school age (3 or 4) rather than the example used elsewhere in this report of a child aged 0-1. The latter has become an outlier when looking at the adequacy of the NLW relative to MIS, because of the high cost of

Table 9 shows that disposable income working full-time on the higher Real Living Wage – currently £10.55 in London, compared to the £8.21 – covers a substantially greater proportion of what is needed for a minimum socially acceptable standard of living in the capital. Under UC, a couple with a primary and a preschool aged child have a shortfall of between 1-2%, compared to 10-11% working full-time on NLW.

**Table 9: Londoners' disposable income on National Living Wage and the Real Living Wage (2019)**

		Disposable income working full time on National Living Wage, as % of M19 budget	Disposable income working full time on Real Living Wage, as % of M19 budget
Single working age	Inner London	46%	61%
	Outer London	48%	69%
Lone parent one child, pre school age, supported by Universal credit	Inner London	78%	86%
	Outer London	86%	93%
Couple two children, primary and preschool age, supported by Universal credit	Inner London	89%	98%
	Outer London	90%	99%

Households in both Inner and Outer London on out of work benefits and the NLW continue to fall further short of reaching a minimum acceptable living standard than similar households living in urban areas of the UK outside London. Households working full-time on the Real Living Wage are able to cover a far greater proportion of a minimum budget, but the higher costs of housing and childcare in the capital continue to mean that the wages London households need to cover a minimum budget are substantially higher than elsewhere in the UK.

A couple with two children – one pre-school and one primary age – where both are working full-time and consequently paying for full-time childcare, need to earn £20,640 each in urban areas outside London (under the tax credit system), £29,219 in Outer London (42% more than the UK) and £30,316 in Inner London (47% more). If this household were unable to access social housing and were instead renting in the PRS, paying an average lower quartile rent for a three bedroom property, each would need to earn £36,662 in Outer London and £39,940 in Inner London (compared to £25,669 in urban UK outside London). A lone parent, with a toddler in need of full-time childcare, would need to earn £42,416 outside London: in both Inner and Outer London, a lone parents would need to earn more than £52,500 a year, well above median annual earnings in the capital. For a lone parent with a pre-school child, also requiring full-time childcare but receiving for 3 and 4 year olds, would need to earn £29,486 outside London, £42,287 in Inner London and £39,206 in Outer London. Households with children continue to face real challenges in meeting their minimum needs through full-time work in London.

**Table 10: Earnings needed to reach MIS, 2019 (under tax credit system)**

		UK outside London	Inner London	Outer London
Single, working age	2019	£18,849	£32,862	£27,407
	2018	£18,400	£32,400	£26,900
	2017	£17,900	£30,000	£26,400
	2016	£17,300	£29,600	£25,700
Couple two children, primary and preschool age (each parent)	2019	£20,640	£30,316	£29,219
	2018	£20,000	£31,300	£28,400
	2017	£20,400	£28,000	£30,400
	2016	£18,900	£28,400	£29,900

A single working-age adult living on their own in urban areas in the UK outside London, needs to earn £18,849 each year in order to achieve a minimum socially acceptable standard of living. In Outer London, this requirement increases to £27,407 (45% more) and in Inner London to £32,862 (74% more). These calculations are based on a working age individual living on their own in a studio flat in the capital, but a significant number of single adults in London live in shared accommodation. As there are some overall savings that come from sharing accommodation, someone renting a room in a shared property would need to earn around £22,000 a year in Outer London and £26,500 a year in Inner London in order to reach MIS.

### 3. Households below the Minimum Income Standard in London

The Minimum Income Standard for London provides the basis for an analysis of the proportion of individuals living in London whose incomes are below that needed for a minimum socially acceptable living standard. Employing the same method and approach used to calculate indicators of income adequacy for the whole of the UK (Padley and Stone, 2019; Stone, Padley and Hirsch, 2018)), it is possible to estimate the proportion of individuals in London living in households with incomes below MIS, and to examine how this has changed over time. Unlike in the analysis undertaken at a national level annually, the data presented here are based on three year averages – rather than a single – in order to ensure sufficient sample sizes. The data presented here therefore look at the adequacy of incomes within the capital relative to MIS, for three key demographic groups, working age adults, pensioners and children, in 2011<sup>1</sup> and 2016. The data for 2011 are an average of income data from the Family Resources Survey for 2009/10, 2010/11 and 2011/12, while the data for 2016 are an average of income data for 2015/16/2016/17 and 2017/18.

Table 11 shows that in 2016, 41% of all individuals in London were living in households with incomes below MIS, significantly higher than the proportion for the UK as a whole. The total number of individuals living below MIS in London increased from around 3.36 to 3.57 million between over this period. Between 2011 and 2016 the proportion of individuals with incomes below 75% MIS – the point at which individuals face a greatly increased risk of material deprivation or financial hardship compared with those whose incomes are above the MIS benchmark – saw little change, at just below 30% in each year. This means that more than a quarter of Londoners have incomes well below what they need in order to afford a minimum standard of living.

**Table 11: Proportion of individuals below MIS in 2011 and 2016, by demographic group**

Demographic group	Proportion below MIS		Number below MIS (millions)	
	2011	2016	2011	2016
Working age adults	40%	38%	2.10	2.11
Pensioners	25%	34%	0.26	0.40
Children	55%	54%	0.99	1.05
London total	<b>42%</b>	<b>41%</b>	<b>3.36</b>	<b>3.57</b>

<sup>1</sup> The analysis of households below MIS in London uses an average of Inner and Outer London MIS budgets in order to produce an estimate for London as a whole. MIS budgets for 2014 budgets produced through the initial MIS research.

The likelihood of having an income below that needed to reach MIS varies across demographic groups. In both 2011 and 2016, children are the most likely to be below this MIS threshold, with over half of all children living in households with inadequate income, well above the proportion below this level in the UK as a whole. This means that just over a million children in 2016 were living in London households without the income needed to provide all of their minimum needs. The likelihood of growing up in a household with an income below MIS varies according to household composition. Children in lone parent households are far more likely to be growing up below MIS than those in living in a household with couple parents: in both years examined here, 80% of children living in lone parent households were growing up below MIS, compared to around 46% of children living in couple parent households. Although children in lone parent households are far more likely to be living below MIS, children living in couple parent households account for 63% of all children living below this level: 660,000 of the million children living in households with inadequate incomes in the capital are growing up in couple parent households.

Working-age adults in London are more likely to be in a household with an inadequate income than working-age adults in the UK as a whole; although the proportion below MIS has fallen slightly between 2011 and 2016, this remains around ten percentage points higher than in the UK as a whole. The likelihood of having an income below MIS for working-age adults is far greater for single adults compared to couples. In 2016, just under half of all single working-age adults (48%), living on their own in the capital, were below MIS compared to just under one fifth of working-age adults (19%) living with a partner. The significant additional cost of renting in London compared to urban areas of the UK outside London is without doubt a contributing factor here, once again emphasising the key role that housing costs play in affecting living standards in the capital.

As in the UK as a whole, pensioners in London are less likely to be living in a household with an income below MIS than both children and working-age adults. However, while there has been little change in the proportion of children and working-age adults below MIS in the period explored here, the proportion of pensioners below MIS has increased substantially from a quarter in 2011 to a third in 2016, and there has been a convergence in the likelihood of low income between pensioners and working age adults. As for working-age adults, single pensioners are far more likely to have an income below MIS than pensioners living with a partner, and the proportion living below this level has increased between 2011 and 2016. In 2016, 45% of single pensioners living in London had inadequate incomes compared to a quarter of pensioner couples. A number of factors could account for these increases in the proportion of pensioners below MIS. Differing expectations of what is needed for a minimum socially acceptable standard of living amongst pensioners in the capital compared to those in urban areas outside of London – which results in a high minimum budget in the capital – offer at least part of the explanation. But it is also the case that while pensioners have been protected from freezes in benefits, and have gained from increases in pensions and pension credit being linked to the higher of earnings or price increases, pensioner incomes have not necessarily kept pace with the rising cost of a minimum budget. Finally, some pensioners living in London will face substantially higher housing costs than those specified in MIS, reducing their post-housing income, making covering the cost of a minimum more of a challenge.



Figure 3 sets out the composition of individuals with incomes below MIS in London in 2011 and 2016, and this has not changed dramatically over time. Pensioners account for a greater proportion of all individuals living below MIS in 2016 than in 2011, with working-age adults accounting for a correspondingly smaller proportion in 2016 compared to 2011.

**Figure 3: Composition of individuals below MIS 2011 and 2016**

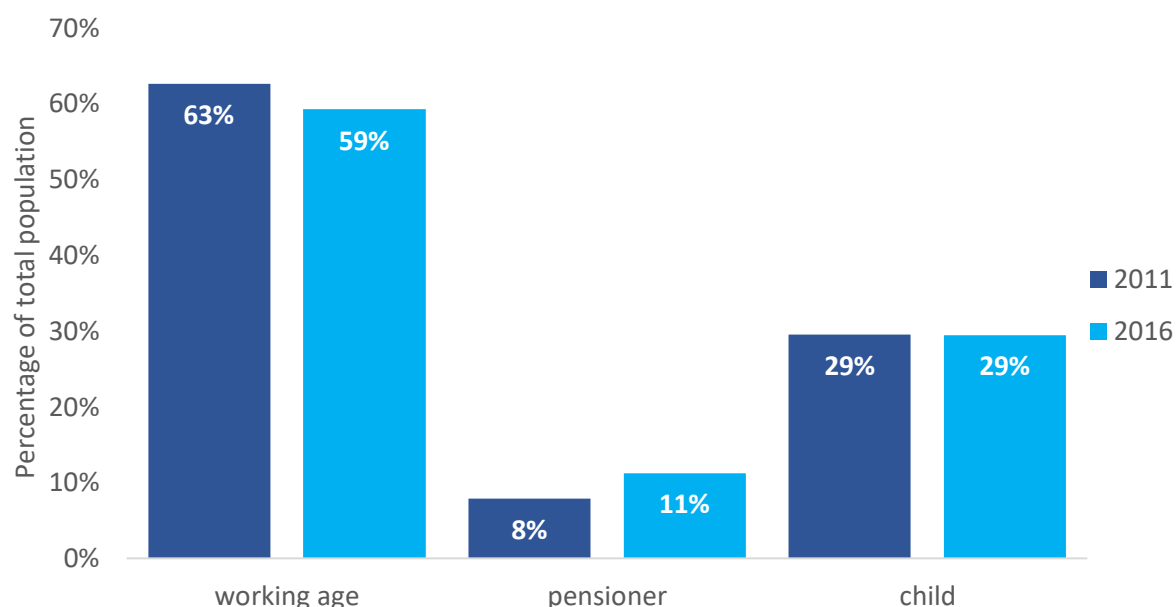


Table 12 shows how the likelihood of having an income below MIS varies according to housing tenure, with those living in the social rented sector the most likely to have an inadequate income. In both 2011 and 2016, three-quarters of individuals in social housing have an income below MIS. Over half of Londoners living in the PRS have incomes below MIS in 2016. Of the 3.6 million individuals in London living below MIS in 2016, 2.7 million (76%) are living in either social or private rental housing.

**Table 12: Changes in the likelihood of falling below MIS by housing type, and the composition of those below MIS by housing type**

Housing type	2011		2016	
	Risk of being below MIS	Composition	Risk of being below MIS	Composition
Social rented sector	75%	35%	75%	38%
Private rented sector	56%	36%	53%	38%
Owned outright	20%	10%	24%	11%
Owned with mortgage	24%	19%	18%	13%

## Conclusion

A minimum socially acceptable standard of living continues to cost substantially more in London than in other urban areas of the UK. Although many costs in the capital are the same as in other areas, those living in London generally need more than their counterparts in other cities to achieve the same standard of living. As highlighted in the previous report (Padley et al., 2019), some of these higher or additional costs are a consequence of subtly different expectations or different ways of living in London: this is not, for example, about any sense of greater entitlement in the capital, but about often small differences that reflect the physical infrastructure of a large capital city. The Minimum Income Standard approach captures the nuance that is so easily lost in unsubstantiated comparisons: 'do more in London' or a feeling that life is more expensive in London. The size of properties included as a minimum in London, for example, makes it more difficult to entertain people in your home, which means that single working-age people need a little more for eating out each month; part of the appeal of living in a capital is the range of opportunities it affords and at a minimum the public agree that you should be able to enjoy some of these.

The overwhelming majority of additional costs, however, are a result of the higher cost of housing, childcare and transport in the city. Private rents continue to exert a greater burden on households in London than they do in urban areas outside of London. While for some households, there are small savings on the cost of transport because the cost of owning and running a car has been replaced by a monthly travelcard, others face substantially greater costs associated with moving around where they live than those outside the capital. Childcare costs continue to increase at a faster rate in London than in urban areas of the UK outside London. These additional costs combine to mean that even though the statutory minimum wage in the UK has increased at a rate far above inflation in recent years, households in London are not benefiting in the same ways as those outside London.

The pressure exerted by housing, childcare and transport continue to demand a strong policy response: a challenge that has not always been met over the past decade and beyond. As we get closer to the London mayoral elections in 2020, candidates are beginning to set out what they would do to tackle some of these costs. Perhaps most prominent is the question of housing affordability, with both the Labour and Green candidates advocating the introduction of rent controls in London in order to ease the burden on those living in the private rental sector – although this is not something that can be done without legislation from central government.

While rent controls could go some way to reducing the cost of housing relative to other minimum needs for some households in the PRS, there are also significant questions to be asked (and answered) about the role of social housing in the capital. The London Housing Strategy (GLA, 2018, p97) acknowledges that:

*The declining amount of social housing has left more than a quarter of a million Londoners on housing registers (some with waiting times of up to 25 years) and more than one in eight social housing tenants living in overcrowded conditions.*

There are pledges to increase the amount of housing available at social rent levels, but this is not something that can be done in the short-term and will need commitments from successive London Mayors in order to halt the increasing movement of families from the social to the private rented sector, with its associated higher costs, or out of London altogether to more affordable locations outside the capital. In the short term, the end of the social rent reductions in 2020 will mean that working households with children living in the capital will see increases in rents for the first time since 2015. The current proposal is to permit providers to increase rents by CPI+1% (Ministry of Housing, Communities and Local Government, 2019). While this may only result in a small weekly increase, it will exert an additional pressure on the ability of households not in receipt of full housing benefit to make ends meet.

The latest draft London Plan (GLA, 2019) makes further commitments to ensuring that people living in London have genuinely affordable homes to buy and rent, with housing positioned as a key component of greater integration and community cohesion, as well as providing the platform enabling 'good growth'. Recognising the challenges posed by housing costs in particular is a useful first step. But it remains the case after five years of research to establish minimum needs in London, that the availability and provision of genuinely affordable housing, and the provision of adequate support for housing and childcare costs for working households, continue to pose a critical policy challenge. If commitments lead to policy change which in turn reduces costs, households in London may start to see an improvement in their ability to make ends meet. Until that point, one in four households in London will continue to fall short of what they need for a minimum socially acceptable standard of living.

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## About the author

Matt Padley is a Research Fellow at the Centre for Research in Social Policy (CRSP), where he has pioneered work on retirement living standards in the UK, as well as leading research on living standards in London. He works across the established Minimum Income Standards (MIS) programme, leading on data analysis, and the application and development of MIS in the UK and globally. His research focuses on public conceptions and understanding of living standards, and how these can be used within public policy. He is currently working with colleagues in Mexico and Singapore undertaking MIS research, and has previously worked in South Africa and Thailand, supporting MIS projects in these countries.