

A Minimum Income Standard for London

Trust for London funded The Centre for Research in Social Policy at Loughborough University to explore what households in Inner and Outer London need for a minimum acceptable standard of living, and calculate the difference in costs between London and the rest of the UK.

A Minimum Income Standard (MIS) is based on in-depth discussions with members of the general public about the goods and services households need in order to reach an acceptable standard of living, covering essential needs and enabling participation in society.

Key findings

- While many costs are similar in London to other urban areas in the UK, some key differences mean living in the capital is significantly more expensive - between 18 to 47% higher.
- Many additional costs arise from higher *prices*, especially relating to housing, public transport and childcare but this is not the only source of extra costs. Some are influenced by the *way people live* and the *infrastructure* of London.
- Costs vary considerably by household type and are different in Inner and Outer London. The highest premium is for single working age adults, where the minimum budget is 47% higher in Inner London and 35% higher in Outer London.
- Just over one-third of Londoners have insufficient income to afford a minimum budget. The equivalent in the UK is 27%.
- Families with children living in London are the most likely to be below a minimum income standard (43%), compared to 26% for working age households without children.
- Pensioners have a lower risk of being below MIS than other household types. However, the risk of having an inadequate income is significantly higher for pensioners in London than for the UK as a whole (18% compared with 7%).
- Safety-net benefits fall well short of providing minimum costs for Londoners, covering only around one-third of a minimum budget for singles, half for families with children and for pensioners three-quarters in Inner and nearly 90% of a minimum budget in Outer London.
- Londoners working on the National Minimum Wage have disposable incomes between a half and three-quarters of what they need to meet their minimum costs.

Method

The study used the same method as in the Minimum Income Standard for the UK research, building consensus among members of the public about what different types of household require for an acceptable standard of living. This involves bringing together groups of people from a range of social backgrounds to deliberate in detail over which items are needed in a household budget in order both to fulfil essential physical needs and to have the choices and opportunities that allow participation in society. A minimum is about more than survival alone. However, it covers needs, not wants, necessities, not luxuries.

In London, a total of 21 groups considered in what respects the things that Londoners need are the same or different from those identified by the research elsewhere in the UK. Separate groups looked at needs in Inner and in Outer London, and at pensioners and at working age households with and without children. The resulting baskets of goods and services are priced by researchers.

How London is different

In many areas of life, there are few or no differences between the things that people living in London and others in the UK need to spend their money on, or the prices that they pay for them. The minimum cost of clothes, food, household goods, and toiletries is similar across the country. However, in certain areas of life, costs differ in London caused either by differences in prices or in the content of budgets.

The price of both housing and childcare is much higher in London. The research looked not just at like-for-like comparison in costs of these items, but also at what would be considered a minimum acceptable in London.

For **housing**, the groups agreed more modest minimum standards, accepting that it is unrealistic to expect the same amount of space as elsewhere in the UK. For example, a studio rather than a one-bed flat was judged the minimum for a single person living on their own, and a flat rather than a house for a family with children. Despite these modifications, housing costs for each household type are much higher in London than they are in the rest of the UK.

As with the UK MIS, the budgets for housing costs have been based on a consensus that people's minimum need for accommodation could be reasonably met by social housing. However, groups decided that the social housing model was no longer realistic for working age households without children, who unless they had additional, complex needs would be unlikely to be allocated social housing. The housing budget for single and couple working age households without children are thus based on the assumption that they live in low-cost properties in the private rental sector.

The model of **childcare** required for a working family was no different, so the overall cost of childcare reflects the much higher prices that London families pay for it.

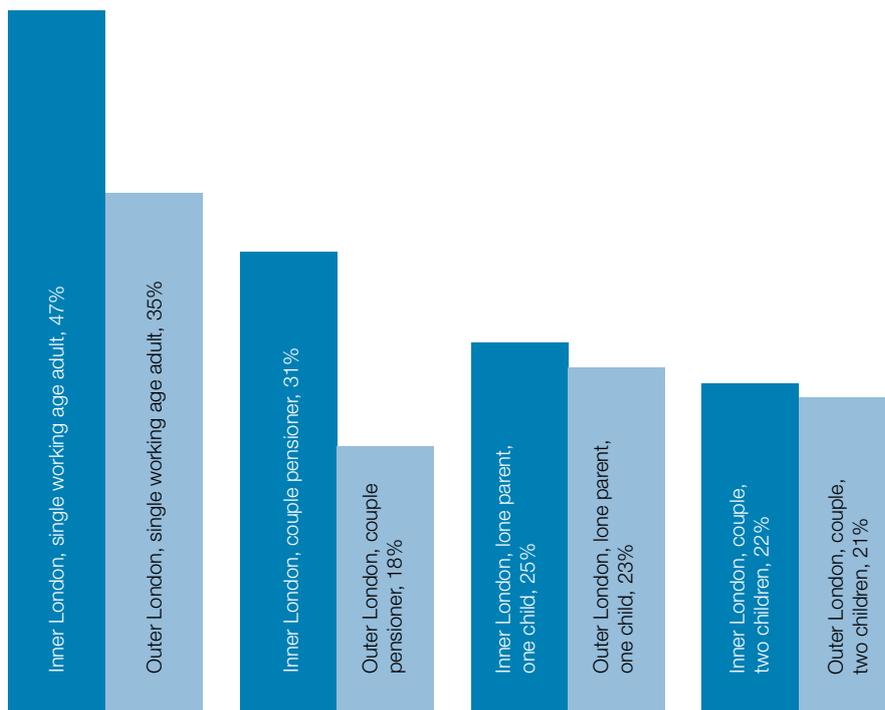
Transport costs reflect the very different requirements of day-to-day travel in London compared to the rest of the country. In urban areas outside London, groups have said that the minimum comprises mainly bus travel for households without children, while those with children require a second-hand car. Within London, a travelcard covering bus and tube, but no car, was considered necessary for all household types. In Inner London this covered Zones 1-4, and in Outer London, Zones 1-6. This makes transport significantly more expensive for those without children, since tubes are much more expensive than buses. For families, public transport in London can be cheaper or more expensive than running a car elsewhere, depending on family size and composition.

Most aspects of **social participation** are fulfilled in similar ways in London, but there are also some significant differences. Eating out costs more both because it is more expensive and because it is judged as being required more frequently – for example once a fortnight rather than once a month for working age adults without children. This is related to living patterns, including doing less socialising at home where there is less space. Pensioners in Inner London consider living there to be very pressured, and one consequence of this is that they say they require more holiday (two rather than one week a year away from home) as a minimum. These lifestyle differences do not imply a higher or lower overall ‘minimum living standard’ in London than elsewhere, but rather reflect differences in customs *and* differences in the situations and pressures experienced by households in the capital.

Size of additional costs

The overall cost of a household budget ranges from 18% to 47% more in London than outside, varying considerably by household type. Much of this extra cost comes from housing and childcare, but other items, especially transport, can add significantly to the minimum cost of living in London. Excluding housing and childcare, additional costs range from zero to 23% for different household types.

Additional weekly budgets compared to UK MIS, including rent & childcare



For single people, housing and transport comprised most of the additional cost. For a single person in Inner London, it is almost as expensive to rent a studio flat as to pay for all other costs combined. For families with children, housing and childcare dominate additional costs, with transport playing a lesser part. For pensioners who have paid off their mortgage or who get their rent covered by Housing Benefit, additional costs are minor in Outer London, but more significant in Inner London due to the higher cost of social participation.

With the exception of pensioner households and lone parents with one child in Inner London, the largest element of additional costs – other than rent and childcare - are those associated with transport. For pensioner households the largest element of additional costs, other than rent, are those associated with social and cultural participation.

Weekly budgets compared to UK MIS, including rent and childcare

Household type	Weekly budget outside London	London budget (£ and % higher than outside London)	
		Inner London	Outer London
Single working age	£279	£410 (+47%)	£376 (+35%)
Pensioner couple	£348	£455 (+31%)	£411 (+18%)
Lone parent, one child (aged 0-1)	£540	£675 (+22%)	£665 (+21%)
Couple, with two children (one aged 2-4, one primary school age)	£735	£899 (+25%)	£892 (+23%)

Income comparisons and earning requirements

Safety-net benefits fall short of providing minimum costs for Londoners, covering only around one-third of a minimum budget for singles, half for families with children and for pensioners three-quarters in Inner and nearly 90% of a minimum budget in Outer London.

Londoners' income compared to MIS: Safety-net benefits

Safety-net benefits* as a % of MIS	UK outside London	Inner London	Outer London
Single adult	40%	35%	33%
Pension couple	95%	77%	89%
Lone parent, one child	57%	57%	56%
Couple, two children	57%	54%	52%

*Post-rent income on Income Support or Pension Credit

People in London working on the National Minimum Wage also fall short: they have disposable incomes between a half and three-quarters of what they need. The earnings that households need to meet MIS vary widely by household type, but in some cases are above average earnings, suggesting that households in less well-paying occupations will only be able to make ends meet if costs come down.

Londoners' income compared to MIS: Minimum Wage

Disposable income on the Minimum Wage* as a % of MIS			
	UK outside London	Inner London	Outer London
Single adult	69%	61%	57%
Lone parent, one child	85%	55%	60%
Couple, two children	82%	74%	72%

**Income after rent, council tax and childcare costs have been paid. Assumes adult/s in household work full-time*

Those with only a single adult earning find it especially hard to meet the high rents in London, even helped by Housing Benefit, and in the case of single parents to pay for childcare. In these cases the shortfall is around 40% of a minimum budget. For couples with children, the existence of two earners reduces the shortfall, to around a quarter of a minimum budget.

Overall, just over one-third of Londoners fall below MIS. This is a higher proportion than the UK as a whole where 27% are below MIS. Individuals in households with children in London face a greater risk of having an inadequate income than those in working age households without children (43% compared with 26%). Among households with children in the capital, the greatest risk of having inadequate income faces lone parents. Pensioners have a lower risk of being below MIS than other household types, although the risk of having an inadequate income is significantly higher for pensioners in London compared to the UK as a whole (18% compared with 7%).

Individuals below MIS in London by household type

(average for 2010/11 to 2012/13)

Household type	Below MIS in London	Below 50% of MIS
Single/couple working-age	26%	11%
Lone/couple parents	43%	12%
Lone parent	65%	15%
Couple parent	39%	12%
Single/couple pensioners	18%	3%
London Total	34%	11%

Conclusion

This research confirms that high costs make London a more expensive place to live, but for the first time quantifies how much extra it costs to reach a minimum living standard there. The findings show which Londoners are hardest hit and by which kind of costs, allowing policy and practice to address both how to improve incomes and how to get costs down to make living in London more affordable.

The findings show that many additional costs arise from higher prices, especially relating to housing, public transport and childcare but that this is not the only source of extra costs. Some are influenced by the way people live and the infrastructure of London.

Overall, they show the extent to which lowering costs would help various groups. For example, they show the impact of high rents, including in the social housing sector, on disposable income; as well as the significant benefit for families if buses were made more accessible to allow them to travel more cheaply. By providing a rounded picture of minimum costs in London, the research opens the way for informed debate and analysis of how to improve Londoners' living standards.

Trust for London

Established in 1891 it is one of the largest independent charitable foundations in London and aims to tackle poverty and inequality, in the capital.

www.trustforlondon.org.uk

The Centre for Research in Social Policy

An independent research centre based at Loughborough University. The Centre conducts applied social research and policy analysis on issues related to poverty, living standards and income adequacy.

www.crsp.ac.uk

Authors: Matt Padley, Lydia Marshall, Donald Hirsch, Abigail Davis,
Laura Valadez

The full report and key findings are available at:

www.trustforlondon.org.uk/research/minimum-income-standard-for-london

The Minimum Income Calculator allows people to find out how much income they need, so that they can buy things that members of the public think that everyone in London should be able to afford. Available at:

www.minimumincome.org.uk/london