Poverty & Inequality in the Capital
Understanding the Issues, Finding Solutions

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More often than not, when 'London' and 'inequality' are mentioned in the same breath, it's to draw a distinction between the capital as 'economic powerhouse' and struggling regions further north.

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Such broad-brush comparisons are useful up to a point, but the image of London as the capital of wealth and success misses the vast and growing inequalities within the city. In fact, those at the bottom of the income ladder in London own less and earn less (after taking account of housing costs) than their equivalents in the rest of the country.

Part of our role is to challenge the narrative of 'London versus the rest', and to foreground the sharp contrasts within our city. As hackneyed as it is to describe London as a city of extremes, it is astonishing to reflect on how severe those extremes are.

A recent project led by the *London School of Economics* and funded by the *Trust for London* examines the changing anatomy of economic inequality in London, comparing snapshots of various measures pre- and post-2008 downturn; and comparing patterns in London with the rest of the country.

It found that those at the bottom of income distribution in are worse off in terms of income and wealth than their counterparts in the rest of the country. Weekly household incomes after housing costs for poor Londoners (at the 10th percentile) fell by nearly 20% over the downturn, from £139 to £112 between 2007/08 and 2012/13. This was a far greater drop in percentage terms than other Londoners, or the poor in the rest of the country (whose after housing cost incomes fell from £171 to £161 over the period).

Meanwhile, Londoners at the top enjoy much greater wealth than the wealthy elsewhere. Between 2006/08 and 20010/12, London households at the top of the wealth distribution (at the 90th percentile) saw their financial and property wealth increase by 26%, equivalent to over £150,000. Total personal wealth (including pension wealth) at the 90th percentile is now well over £1m - nearly £200,000 higher than the equivalent figure for the rest of the country. Total personal wealth for Londoners at the 10th percentile, meanwhile, is just £6,300, less than half the equivalent figure for the rest of the country.

A similar pattern of stark inequality and 'hollowing out' is observed over a longer period in the recent London Mapper analysis by Prof Danny Dorling and Benjamin Hennig. Looking back thirty years, they found that the proportions of Londoners qualifying either as 'poor' (people living below a relative poverty line such that they are excluded from participating in the norms of society) or 'wealthy' (with housing wealth exceeding the inheritance tax threshold) have both grown dramatically – in both cases by 80%. Over the same period, the proportion of the Londoners in the middle fell from 64.7% in 1980 to 37.1% in 2010.

Trust for London invests around £7 million per year across a range of priorities. We are well aware that, as much as our funding is vitally important to the organisations we support, it pales in comparison with total combined pool of charitable and public funds spent tackling social issues in London. We therefore take great care to maximise the impact of our funding, putting a great deal of thought into developing our funding priorities and assessing grant applications.

Our focus is by no means exclusively on economic inequality and exclusion. In recent years we have concentrated significant grant funding on community based prevention work addressing female genital mutilation (FGM), disability hate crime, child sexual exploitation, and trafficking. Nevertheless, we seek to support approaches which tackle the roots causes of poverty and inequality which do not duplicate other funders, and which have a real chance of making a difference by influencing policy, practice, and public attitudes.

Many of the root causes of income poverty, for example, are not all that mysterious: unemployment, underemployment, and low pay. Employment remains one of our key priorities but is a very crowded area from a funding perspective, with millions of pounds of public money spent on support for the unemployed every year (to varying effect). Our challenge is to identify and support new approaches.

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Increasingly, this has meant that we have focused not on unemployment per se, but on low pay. Our *London's Poverty Profile* research has shown that low pay and precarious work conditions are driving the growth in poverty: more Londoners in poverty now live in household where someone is working (well over 1 million), than in workless households. Despite this, low pay receives less attention from policy makers and media than it deserves.

We have long been supporters of the *London Living Wage* campaign, encouraging employers to pay their workers at a level that allows them to have an adequate standard of living. Despite the great success of the campaign (by some estimates it has put over £200 million in the pockets of low paid workers), a quarter of London's workers are still paid below the living wage. Some groups are disproportionately affected, for example women, Pakistani and Bangladeshi Londoners,

young people, and part-time workers. As a result we've funded further work to determine a statutory minimum wage for London, following the lead of San Francisco and other US cities. This would be lower than the living wage but higher than the national minimum wage: a step in the right direction and strengthening protection for the lowest paid.

More recently we've turned our focus to enabling low-paid workers to increase their earnings. This began with a significant report, Work In Progress, describing the nature and scale of the low pay problem and presenting evidence of 'what works' in pay progression. We have just launched a joint special initiative with Lambeth-based *Walcot Foundation,* which will fund pilot pay progression projects. These will be managed more closely than our usual grants and will share learning as they go, with a view to producing a programme-wide evaluation robust enough to influence wider policy and practice.

Housing costs (together with transport and childcare costs) are another key driver of both poverty and inequality in London. Here again, our *London's Poverty Profile* research highlighted the growing concentration of poverty among Londoners who are privately renting. Over the last decade the number of people in poverty in the social rented sector has fallen, while poverty among private renters (who are now a greater proportion of those in poverty in London than social renters) has grown. This is due in no small measure to the declining levels of social housing stock (falling consistently since the 1980s), which in previous generations provided a home for low-income families.

Clearly more genuinely affordable housing stock is needed, but we are in no position to address that issue head-on. Instead, we think can make a difference by improving conditions for private renters on lower incomes. We are funding research into the role that local authorities can play in regulating private landlords, and funding grassroots private renters' rights organisations to coordinate a collective voice for this diverse, chronically underrepresented, and growing group.

While few disagree on the need to tackle poverty, there is much less of a consensus (and, perhaps, fewer ideas), on the best ways to tackle inequality. Evidence of this can be seen in the response to proposals to curb excessive corporate pay, tighten non-domicile tax rules, or impose a property tax on prime properties.

Yet while London has always been home to the very wealthy and the very poor, the gaps have been widening dramatically in recent years, doing real damage to our social fabric: in 1999/01 the difference in life expectancy between the best and worst boroughs was 5.4 years for men, and 4.2 years for women, but by 2007/09 it had increased to 9 years for men, and 8.5 years for women. The *LSE* figures quoted above make it clear that the relative resilience of the London economy and labour market through the downturn masked steadily growing inequality. Like its wealth, London's resilience is distributed unequally among its residents.

Led by *Toynbee Hall* and building on the work of various borough-level initiatives, in early 2015 we supported the establishment of the *London Fairness Commission*. The commission will investigate inequality in the capital, identify solutions, and report its recommendations in time for the 2016 Mayoral election. It's early days for this initiative, but Lord Victor Adebowale CBE, Jonathon Portes, Danny Dorling, and *Murphy Group's* Caroline Murphy have all come on board as commissioners.

We hope the commission will help to build broad support for a set of practical measures to reduce inequality in London. We expect that in time the project will shift the conversation forward, and have a tangible positive effect on the lives of Londoners.

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