London Cost of Living Report

A Living Wage

Fiona Twycross AM

GREATER LONDON AUTHORITY | LONDON ASSEMBLY LABOUR
Poverty pay is a growing problem in London, in 2007 there were 420,000 people paid below the London Living Wage. By 2012 this number had increased to 600,000, this represents 17% of all the jobs in London. The London Living Wage is the level set by the Mayor and his GLA Economics team, and is the amount needed to live in London. This means there are hundreds of thousands of Londoners in work, today, who are being paid a poverty wage. This should shock us out of complacency.

As the Cost of Living Survey demonstrates Londoners of all incomes are struggling as rent, energy, childcare and transport costs continue to rise above wage growth. There is also widespread concern that this will continue with 60% of respondents stating they believe their living standards will go down over the next three years. The survey also found a deeply worrying pattern that it is the lowest paid, the disabled and BAME Londoners who are being hit hardest by the cost of living crisis:

- 64% of respondents who claim working tax credit believe that their living standards have decreased, with 62% believing that this will continue in the future.
- 71% of disabled respondents believe that their living standards have gone down in the past three years. This is 15 percentage points higher than the average across London and 14% higher than the figure for non-disabled respondents.
- 74% of disabled respondents believe that their living standards will continue to go down in the next three years.

In the face of these problems Londoners have a firm sense of fairness, with 94% of respondents agreeing that the current national minimum wage is not enough to live on in London. So, in light of these findings, what can be done to help Londoners keep up with rising costs and make our economy fairer? The answer is to massively expand take-up of the London Living Wage. Currently the Mayor has a relatively small team at City Hall responsible for promoting the policy and isn’t giving the LLW the prominence it deserves. At the current rate it will take 425 years for all workers in London to earn at least a living wage – this is simply unacceptable.

This report argues that the Mayor should invest in additional staff at the GLA for one year who will be responsible for significantly increasing the GLA’s engagement with businesses to encourage take up of the London Living Wage. The Mayor has made insufficient resources available for engaging with London’s businesses on the London Living Wage and has been unable to demonstrate the extent of his claimed lobbying on the issue or his success of encouraging take up. If this new sufficiently resourced programme of business engagement fails to prove the Mayor’s assertion that the voluntary approach will deliver results, then the Mayor should lobby the government to introduce the LLW on a statutory basis.

We also need pilot schemes that tackle high levels of unemployment amongst high priority groups including ex-offenders, care leavers, young black males, and people with disabilities. The Mayor must provide a six-month Jobs Guarantee to all Londoners aged 16-24 who have been unemployed for more than 12 months. Finally, the Mayor must support London’s Credit Unions by making available to them the GLA’s unique access to Transport for London’s advertising space. This would give local Credit Unions greater recognition among communities and help to raise awareness of alternative options to harmful high interest lenders such as Wonga.

The choice is simple, we either sit back and accept poverty pay, or we decide to do something about it.

Fiona Twycross AM
# CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>QUOTES</td>
<td>3</td>
</tr>
<tr>
<td>THE MINIMUM WAGE RATE</td>
<td>4</td>
</tr>
<tr>
<td>WHAT LONDONERS HAVE SAID</td>
<td>5-6</td>
</tr>
<tr>
<td>HARDEST HIT LONDONERS</td>
<td>7-8</td>
</tr>
<tr>
<td>WHAT OTHER RESEARCH HAS SAID</td>
<td>9-11</td>
</tr>
<tr>
<td>POLICY ANALYSIS</td>
<td>12-13</td>
</tr>
<tr>
<td>RECOMMENDATIONS</td>
<td>14</td>
</tr>
<tr>
<td>METHODOLOGY</td>
<td>15</td>
</tr>
<tr>
<td>REFERENCES</td>
<td>16-17</td>
</tr>
</tbody>
</table>
A LIVING WAGE: Making employment work for Londoners

“Making the Living Wage a highly weighted element within procurement contracts would help to create an environment where paying the Living Wage is more likely to become the norm.”

Business in the Community

“Productivity has improved; attitudes are more flexible and positive. Service has improved; our help desk gets far fewer complaints.”

Guy Stallard, KPMG

“A fruitful partnership between the Mayor and his Office, the Assembly, Citizens UK and the Living Wage Foundation is capable of producing tangible, measurable results for the lowest paid workers in the capital.”

Living Wage Foundation

“As a young person who has recently moved to London for work, being paid a living wage has ensured that I can just about afford to pay for rent, transport and food. I cannot imagine how people, especially those with dependents, are expected to live and work in London on the national minimum wage.”

London Living Wage employee

The way forward may not be in seeking a lot of new employers but in making a breakthrough in those more difficult low-paying sectors of the economy by concentrating on a major company whether it be a flagship retailer…or any one of the large hotel chains.”

USDAW

Quotes taken from the London Assembly Economy Committee ‘Fair Pay’ report, the Living Wage Foundation, and from a young person.
A LIVING WAGE: Making employment work for Londoners

The Minimum Wage is not enough for Londoners and their families to get out of poverty.

Figures from the Office for National Statistics’ Annual Survey of Hours and Earnings show that the National Minimum Wage is over £1,000 below the poverty line, officially defined as 60% of the national median wage. The picture is even worse for those aged below 20 years old and apprentices.

In the Mayor’s own words, the London Living Wage is needed for Londoners to ‘make ends meet’, however there are currently over 600,000 workers in London paid below this rate.
A LIVING WAGE:
Making employment work for Londoners

WHAT LONDONERS HAVE SAID

Research from the Office for National Statistics recently found that the UK is experiencing the longest sustained period of falling real wages since at least 1964. This is due to nominal wage growth being below the rate of price inflation since 2010. Whilst this has occurred, London has been hit by a cost of living crisis which has led to deteriorating living standards for many Londoners. In the ‘London Cost of Living’ survey, 56% of Londoners said that their living standards had gone down in the past three years. When asked about the next three years, an even higher proportion (60%) said they believe that their living standards will go down.

With high price rises in necessities such as public transport, rent, food, and energy, the cost of living crisis has severely impacted those on the lowest wages. In the cost of living survey, 94% of Londoners said that the minimum wage (£12,070 p.a.) is not enough to live on in London.

Do you think that the minimum wage is enough to live on in London?

Yes (2%)  No (94%)  Undecided (3%)
A LIVING WAGE:
Making employment work for Londoners

Breakdown by GLA constituency

<table>
<thead>
<tr>
<th>Breakdown by GLA constituency</th>
<th>% of respondents that believe their living standards have gone down in the past three years</th>
<th>% of respondents that believe their living standards will go down in the next three years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ealing &amp; Hillingdon</td>
<td>55%</td>
<td>56%</td>
</tr>
<tr>
<td>Brent &amp; Harrow</td>
<td>54%</td>
<td>57%</td>
</tr>
<tr>
<td>Barnet &amp; Camden</td>
<td>57%</td>
<td>39%</td>
</tr>
<tr>
<td>Enfield &amp; Harington</td>
<td>55%</td>
<td>35%</td>
</tr>
<tr>
<td>North East</td>
<td>55%</td>
<td>47%</td>
</tr>
<tr>
<td>City &amp; East</td>
<td>57%</td>
<td>62%</td>
</tr>
<tr>
<td>Lambeth &amp; Southwark</td>
<td>61%</td>
<td>60%</td>
</tr>
<tr>
<td>Greenwich &amp; Rotherhitge</td>
<td>64%</td>
<td>64%</td>
</tr>
<tr>
<td>Brentford &amp; Ealing</td>
<td>67%</td>
<td>76%</td>
</tr>
<tr>
<td>Camden &amp; Somers</td>
<td>57%</td>
<td>65%</td>
</tr>
<tr>
<td>Lewish &amp; Vanbrugh</td>
<td>69%</td>
<td>65%</td>
</tr>
<tr>
<td>West Central</td>
<td>65%</td>
<td>65%</td>
</tr>
<tr>
<td>South West</td>
<td>65%</td>
<td>65%</td>
</tr>
</tbody>
</table>

London Cost of Living Report | 6
HARDEST HIT LONDONERS

Parents

The London Cost of Living Survey showed that 65% of parents in London believe that their living standards have declined in the past three years. 67% also believe their living standards will go down in the next three years.\textsuperscript{iv} The figures reflect the impact of the additional strain on family budgets created by having to support dependents.

Research undertaken by the Joseph Rowntree Foundation found that a working couple with two children would have to earn an additional £2,550 each compared to a single person with no children to reach an adequate standard of living. They found that a lone parent would be required to earn an extra £8,750.\textsuperscript{v}

Low income families

Londoners working on low incomes have particularly seen their living standards decline in recent years and believe that this will continue in the near future. 64% of respondents who claim working tax credit believe that their living standards have decreased in the recent years with 62% believing that this will continue in the future.\textsuperscript{vi}

In London, an estimated 174,500 families claim working tax credit. After the North-West, London is the region with the highest number of families claiming working tax credit in the UK.\textsuperscript{vii}

Working tax credit is for working people on low incomes.\textsuperscript{viii}

Disabled Londoners

The survey shows that disabled Londoners are the hardest hit group with regards to declining living standards. 71% of disabled respondents believe that their living standards have gone down in the past three years. This is 15% higher than the average across London and 14% higher than the figure for non-disabled respondents. 74% of disabled respondents believe that their living standards will continue to go down in the next three years.\textsuperscript{ix}

In London, people with disabilities are over twice as likely to be without work as people who are not disabled and have been disproportionally affected by welfare changes.\textsuperscript{x} It is likely that this has contributed to declining living standards.

BAME Londoners

A higher proportion of Londoners from Black, Asian and Minority Ethnic (BAME) backgrounds have experienced declining living standards compared to their white counterparts. In the survey, 65% of
BAME respondents said that their living standards have declined in the past three years. This is 8% higher than the proportion of white respondents. When asked about the next three years, the proportions were similar with 62% of BAME respondents and 61% of white respondents believing their living standards will decline.\textsuperscript{x,i}

The 2011 Census showed that 40% of Londoners are from Black, Asian and Minority Ethnic backgrounds\textsuperscript{x,ii} and research has shown that half of all people in poverty in London are from BAME backgrounds.\textsuperscript{x,iii}

**Women**

Over half of female respondents to the survey (56%) said they believe their living standards have gone down in the past three years. 1 in 2 female respondents said their living standards will go down in the next three years.\textsuperscript{x,iv}

Research from the Fawcett Society\textsuperscript{x,v} shows that across the UK, women earn 85p for every pound a man earns and that women make up the majority of those in low paid jobs. They also found that women also experience economic inequality later on in life with women’s average personal pensions being only 62% of the average for men.

### Economic activity by men/women in London

![Economic activity by men/women in London](image)

WHAT OTHER RESEARCH HAS SAID

National Minimum Wage (NMW)

Research carried out by the Joseph Rowntree Foundation outlined that, in the UK, ‘single people need at least £16,850 a year before tax in 2013 for a minimum acceptable living standard.’ They also note that ‘the cost of the minimum household budget of goods and services required for a decent standard of living is rising faster than the official rate of inflation’.\textsuperscript{xvi}

Figures from the Office for National Statistics show that around 117,000 Londoners are on the minimum wage.\textsuperscript{xvii} Before tax, the minimum wage equates to £12,070 per year.\textsuperscript{xviii}

117,000
Londoners are on the national minimum wage

In October 2013, the NMW increased to £6.31 per hour – a 1.9% increase on the previous rate of £6.19. This represents the fourth consecutive annual fall in the real value of the NMW after inflation.\textsuperscript{xix} The NMW is now worth £1,000 less in real terms than in 2008.

Despite being a civil offence, data suggests London is a hotspot for non-compliance with NMW enforcement. The Low Pay Commission’s 2013 annual report highlights that 10% of all calls to the Pay and Work Rights Helpline are in London – the highest of any English region – of which 70% relate to the NMW. They have also observed that far more complaints were received about NMW non-compliance in London between 2007 and 2011 than in any other region.\textsuperscript{xx}

London Living Wage

Research conducted by Trust for London\textsuperscript{xxi} found that the benefits of the living wage for workers are:

- Increased income
- Stronger motivation to work
- Better career opportunities
- Improvements in health and well-being
- Improved family life
A LIVING WAGE: 
Making employment work for Londoners

In 2012, 600,000 London jobs were paid below the London Living Wage, representing 17% of all the jobs in the capital. This is an increase of 180,000 compared to 2007.

“More and more London firms are recognising the benefits of fair remuneration for all of their workforce. Paying the London Living Wage ensures hard working Londoners are helped to make ends meet, providing a boost not only for their personal quality of life but delivering indisputable economic dividends to employers too.”

Boris Johnson, Mayor of London

Cost-benefit analysis undertaken by the Institute for Public Policy Research and the Resolution Foundation found that the government would save £2.2 billion if everyone was paid a Living Wage and that 4 million people would benefit. Their research also shows that the cost of paying a Living Wage for firms in sectors such as construction, food production and banking would add less than 1% to their wage bills.

London Minimum Wage

In November 2013, the Centre for London published a report highlighting the need for and viability of a ‘London Minimum Wage’. This is a London regional weighting to the NMW. The report sets out that the London economy could support an adult minimum wage of £6.75 an hour (7% higher than the NMW) without threatening jobs or competitiveness. It found that in 2013-14, this would increase the income from employment for around 175,000 London workers by up to £800 a year. The report also found that, over time, a London minimum wage would raise incomes for 315,000 London workers by £2,300 a year. This in turn, they argue, would raise around £280 million for the exchequer through increased income tax receipts and reduced in-work benefit payments.

Similar systems of regional/city specific minimum wages operate in other countries. For example, San Francisco sets its own minimum wage rate, which has resulted in no discernible relocation of jobs outside of the city.

Zero Hours Contracts

Data from the Office for National Statistics shows that 250,000 workers in the UK are on zero hours contracts, representing approximately 1% of the UK workforce; however this figure is in disputed. The Chartered Institute of Personnel and Development (CIPD) estimate that the real number is more than one million.

Research by the CIPD found that 16% of zero-hours workers said their employer often fails to provide them with sufficient hours each week. The CIPD also warn that employers may take advantage of zero-hours contracts by using them as a management tool – offering more hours to employees that ‘behave’ and fewer to those who cause trouble; allowing for the possibility of exploitation.
A report by the London Assembly’s Economy Committee found that employers in London who do use zero hours contracts put more of their workforce on zero hours contracts than comparable employers in the rest of the country. Across the UK, the percentage of employees on zero hours contracts for organisations that use them is 16.5%. In London, it is significantly higher at 27.8%.

Unaffordable credit

People on low incomes are often forced to pay a high price for credit and other suitable financial services. This is commonly referred to as ‘paying a poverty premium’. About 7 million people on the lowest incomes are affected by the problem nationally. This has been a particular problem in the capital, which alongside the North West, has historically experienced the highest levels of financial exclusion in England.

For more than a century, the credit and financial services gap has been filled in low income households by home credit (doorstep lenders) and mail order companies. These organisations charge high interest rates or premium prices. According to the Financial Services Authority, these companies ‘operate lawfully…but place a heavy burden on the low income consumers they serve.’

Proportion of employee jobs that are low-paid jobs in each low-paying industry sector and in other sectors, London 1997-2012 (%)
POLICY ANALYSIS

Failure on pay

Despite the Mayor publicly championing the London Living Wage and acknowledging the economic and social benefits, the reality is that thousands of Londoners are being let down and will be unable to ‘make ends meet’. Since the Mayor took office, an additional 180,000 Londoners are now paid below the London Living Wage.\(^{xxxvi}\)

Whilst the Mayor has described the living wage as ‘fair remuneration’ and that it ensures that people can ‘make ends meet’, he has failed to make it a political imperative. Although thousands of London’s lowest paid workers are paid less than that required to meet the ‘minimum acceptable living standard’, the Mayor has instead focused his energy on praising the 1% top earners and fighting the European Union’s cap on multi-million pound bonuses in the financial services sector.\(^{xxxvii}\)

According to Shelter, average wages in London decreased by 4.9% in 2012.

> ‘The cost of living is growing faster than earnings, so as prices increase more jobs fall below the low pay threshold.’

London Poverty Profile, 2013

Zero hours contracts

The Mayor has made much of his support of the Living Wage, however, in December last year, it emerged that 40 members of staff at City Hall were employed on zero hours contracts.\(^{xxxviii}\) As zero-hour contracts do not guarantee work hours or income, they completely undermine the Living Wage movement. Employees need to have some level of job security and a fair wage that will allow them to cope with the living costs in London and have an acceptable standard of living.

Declining living standards

As a result of wages not matching the rising costs of living, Londoners from all walks of life have seen their living standards decline. Whilst this means necessities such as energy bills, transport, and housing increasingly unaffordable, it also reflects that the work and wages for many Londoners is becoming increasingly unfair. Work has to pay, and with almost two-thirds of Londoners in the Cost of Living Survey believing that their living standards will go down in the next three years, urgent action is needed on pay in the capital.

The Mayor’s approach to wages

The Mayor has been a strong advocate of the London Living Wage and, in particular, the voluntary approach to accreditation. In October 2013, he argued that a compulsory living wage would not be the
right way forward’. Despite this, the Mayor has promoted the benefits that accrue to businesses through implementing the London Living Wage in terms of recruitment and retention of staff; absenteeism and sick leave; productivity; morale and motivation; and ability to attract high quality employees. The Mayor has also previously highlighted research by Queen Mary University that ‘found that the cost increase of introducing the London living wage was mitigated through savings such as in working practices, lower management overheads and reducing working hours’.
A LIVING WAGE: Making employment work for Londoners

RECOMMENDATIONS

London is facing a living standards crisis. With two-thirds of Londoners fearing a decline in their living standards in the next few years, hundreds of thousands earning insufficient wages, and many resorting to zero hours contracts, action needs to be taken by the Mayor to ensure that employment works for Londoners.

In order to combat falling living standards, poverty pay, and unemployment, the Mayor should:

• Invest in additional staff at the GLA for one year responsible for significantly increasing the GLA’s engagement with businesses to encourage take up of the London Living Wage (LLW). The Mayor has made insufficient resources available for engaging with London’s businesses on the London Living Wage and has been unable to demonstrate the extent of his claimed lobbying on the issue or his success of encouraging take up.
  - If this sufficiently resourced programme of business engagement fails to prove the Mayor’s assertion that the voluntary approach will deliver results, then the Mayor should lobby government to increase the minimum wage to a London Minimum wage, as a stepping stone to a statutory living wage for all.

• Pilot schemes that tackle high levels of unemployment amongst high priority groups including ex-offenders, care leavers, young black males, and people with disabilities. Working with key third sector partners, these would draw on best practice and deliver innovative new means of tackling this problem with schemes such as the Visionary Placements programme run by the Royal London Society for Blind People which has helped 50 young blind and visually impaired people into voluntary and paid positions.

• Provide a 6 month Jobs Guarantee to all Londoners aged 16-24 who have been unemployed for more than 12 months. Working closely with appropriate employers, the jobs guarantee would provide participants with 21 hours employment per week at the London Living Wage. Based on the 5,295 16-24 year old Londoners unemployed for over 12 months, this scheme would require an investment of £25.44 million to finance in 2014/15. There are numerous benefits of this scheme including:
  - Preventing another ‘lost generation’ of unemployed young people.
  - Encouraging businesses to invest for growth by reducing labour costs.
  - Generating up to £19.01 million for HM Treasury.
  - Generating up to £40.7 million for the London Regional Economy.

• Support London’s Credit Unions by making available to them the GLA’s unique access to Transport for London’s advertising space. This would give local Credit Unions greater recognition among communities and help to raise awareness of alternative options to harmful high interest lenders such as Wonga. The principal problem faced by financially excluded households concerns lack of access to affordable credit. Credit unions help address this by imposing a maximum interest rate on loans of 2% per month (equivalent to 26.8% APR) capped by legislation; compared to Wonga’s 5,853% APR interest rate.
The London Cost of Living Survey ran from September 24th 2013 until January 6th 2014. Paper surveys were distributed across all constituencies in London and the survey was also available online.

In total, 2,366 Londoners responded to the survey. 872 Londoners answered the paper versions and 1,494 answered the online version. The respondents were self-selected.

The breakdown for the London Cost of Living Survey can be found at http://cityhalllabour.org/.

The term ‘rent’ in the survey refers to both social and private rent.

Other sources of research can be found in the references.
REFERENCES

2 London Cost of Living Survey (24/09/13 – 06/01/14). 1,328 out of 2,366 respondents said they believe they and their families’ living standards have gone down in the past three years. 1,418 out of 2,366 respondents believe they and their families’ living standards will go down in the next three years.
3 London Cost of Living Survey (24/09/13 – 06/01/14). 2,002 out of 2,137 respondents said that they do not think that the minimum wage is enough to live on in London.
4 London Cost of Living Survey (24/09/13 – 06/01/14). 163 out of 249 respondents that claim child benefit said that they believe their living standards have gone down in the past three years. 168 respondents said they believe their living standards will go down in the next three years.
6 London Cost of Living Survey (24/09/13 – 06/01/14). 61 out of 95 respondents who claim working tax credit said they believe their living standards have gone down in the past three years. 62 believe their living standards will continue to go down in the next three years.
8 ‘Ethnicity, low income and work’ - http://www.londonpovertyprofile.org.uk/indicators/topics/ethnicity-low-income-and-work/
10 London Cost of Living Survey (24/09/13 – 06/01/14). 117 out of 164 disabled respondents believe that their living standards have gone down in the past three years. 693 out of 1,208 non-disabled respondents said their living standards had gone down. 122 out of 164 disabled respondents said they believe that their living standards will go down in the next three years. 723 out of 1,208 non-disabled respondents said they believe their living standards will go down in the next three years. 166 out of 269 BAME respondents said they believe their living standards will go down in the next three years. 664 out of 1,086 white respondents said theirs will go down. 693 out of 269 BAME respondents said theirs have gone down. 166 out of 269 BAME respondents said they believe their living standards will go down in the next three years.
14 London Cost of Living Survey (24/09/13 – 06/01/14). 175 out of 269 BAME respondents said they believe their living standards have gone down in the past three years. 619 out of 1,086 white respondents said theirs have gone down. 166 out of 269 BAME respondents said they believe their living standards will go down in the next three years. 664 out of 1,086 white respondents said theirs will go down.
17 Ibid. 729 out of 1,307 female respondents said that they believe their living standards have gone down in the past three years. 660 said they believe their living standards will go down in the next three years.
18 http://uat.fawcettsociety.org.uk/cutting/whos-really-winning/
20 See ONS Low Pay, April 2013 (12 December 2013).
21 https://www.gov.uk/national-minimum-wage-rates
26 London’s Poverty Profile, Low Pay - http://www.londonpovertyprofile.org.uk/indicators/topics/low-pay/
27 London’s Poverty Profile, New UK Living Wage - http://www.londonpovertyprofile.org.uk/indicators/topics/low-pay/
29 http://www.standard.co.uk/comment/kitty-ussher-london-deserves-to-set-its-own-minimum-wage-8946764.html
30 ‘What are zero hours contracts?’ - http://www.bbc.co.uk/news/business-23573442
31 Ibid.
xxi Ibid.
xxii Ibid.
xxiv Department for Work and Pensions (2012), Credit Union Expansion Project Project Steering Committee Feasibility Study Report, p.7
xxv Financial Services Authority (2000), In or out? Financial exclusion: a literature and research review.
xxviii London Poverty Profile, p11. In 2012, 600,000 jobs were paid below the LLW compared to 2007 where 420,000 jobs were paid below LLW.
xxx ‘Boris Johnson under fire over zero hours contracts at City Hall’ - http://www.theguardian.com/uk-news/2013/dec/12/boris-johnson-zero-hours-contracts-city-hall
xxx Office for National Statistics, Londoners aged 24 and under, claiming JSA for over 12 months (December 2012).

xi Total funding cost of 21 hours a week of work at the London Living Wage (currently £8.80 per hour) for each of the 5,295 long-term young unemployed for the entirety of the 26 week programme.

xii £25.44 million comprises – 1) Reduced JSA count - a reduction in JSA of 5,295 (18-24 yr-olds in London in long-term unemployment) * £56.80 (under 24 JSA weekly rate) * 26 (number of weeks the scheme would operate); 2) Increased NI payments - £25.44 million(total gross pay to recipients) * 0.12 (the rate of National Insurance paid by scheme participants – 12%); 3) VAT generated by expenditure in the broader economy resulting from the scheme - £40.7 million (expenditure resulting from scheme using an assumed fiscal multiplier of 1.6 (see footnote 15)) * 0.2(VAT at 20%). Please note: i) no income tax would be generated by the scheme as participants’ income would fall below the HMRC tax-free allowance of £10,000; ii) Discounting VAT from scheme-related consumption, the revenue generated for HMT by the scheme would be £5.08 million (25.44m * 0.2).

xiii The net pay received by recipients of the scheme (£25.44 million) * 1.6 (the estimated fiscal multiplier for a study of 27 countries during the 1930s (the episode that most closely characterises the liquidity trap currently faced by the U.K. Source – Blanchard, O., Leigh, D. (2013), Growth Forecast Errors and Fiscal Multipliers, International Monetary Fund Working Paper 13/1, p.4).

xv Hilary Osborne, Wonga increases its typical APR by 1,600%, The Guardian, 21.06.13.
Enquiries:
fiona.twycross@london.gov.uk
020 7983 4101

Media enquiries:
020 7983 4952