

# IS LONDON A FAIR CITY?



Interim Report 2015

"WE WANT TO HARNESS THE TALENT,  
ENERGY, CREATIVITY AND SHEER  
CAN-DO ATTITUDE OF LONDONERS  
TO CREATE A FAIRER CITY."

Lord Victor Adebowale, *Chair of the London Fairness Commission*

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## FOREWORD

London is one of the world's great cities. It has become a byword for dynamism, diversity, and creativity. All the signs are that London will continue to attract business, people and money from around the world. But a dark cloud hangs over London's future, and that cloud is unfairness.

Only half of London's residents currently believe they live in a fair city. Younger Londoners, the self-employed, disabled people, and many ethnic minorities are more likely to think London is unfair. These groups make up a growing share of the city's population.

Our work reveals a distinct set of challenges driving feelings of unfairness. Access to affordable housing, transport, and the high cost of living prevent many London residents from saving, achieving security, and owning their own home. An increasing number of Londoners have practically no financial or housing assets at all despite being in work. One in four live in increasingly unaffordable and insecure privately rented accommodation, and this proportion is growing.

It is the combination of these two things – a growing group that feel unfairly treated and precarious, and powerful forces which lock many Londoners out of security and prosperity – that gives the shadow of unfairness its dark hue. London thrives because it is seen as a place of opportunity. Growing unfairness threatens this valuable asset and the city's success.

It is up to us – the people of London – to choose what kind of city we become. We can choose to accept high levels of inequality, increasing congestion and an ever worsening housing crisis. But the cost of this will be growing dissatisfaction and resentment, and eventually political pressure and unrest. It will make London a much less attractive city; one with more gates and guards, more tension, a worse environment, and more segregation between different people and places. Eventually it will threaten London's economic success, as other places become more attractive by comparison.

Or we can take seriously the project of creating a city that more of its residents feel is fair. A city that lives up to its promise of being a place of opportunity for everyone who works hard. One where everyone makes a fair contribution. One that continues to be remarkably open, safe and enjoyable to live in. One where families can have confidence that their children will succeed in the city they call home. One that rewards risk takers, and continues to create and attract and grow successful businesses.

This is not just about poverty and inequality, and it is certainly not party political. It is true that London is home to millions of adults and especially children living in poverty, and that they have been hit particularly hard by recent cuts in welfare benefits. But fairness is an issue that affects all Londoners, stretching well up the income scale and into families in every part of the capital.

The London Fairness Commission wants to make these issues central to the coming Mayoral election. However, the Commission is not just about engaging with politicians. We want an inclusive conversation with the widest possible range of Londoners from all walks of life, all parts of the city, and all sectors of the economy. So over the coming year we will be involving more and more Londoners in debates about what they consider fair, and how we should tackle what they think is unfair about their city.

Our interim report draws attention to the shadow of unfairness that hangs over London. Now we want to understand what Londoners think should be done to dispel it. We want to harness the talent, energy, creativity and sheer can-do attitude of Londoners to create a fairer city.

We invite you to be part of these debates, to be part of the solution.

**Your city needs you!**

Lord Victor Adebawale,  
*Crossbench peer, Chair of the London Fairness Commission*

EXECUTIVE SUMMARY

About the London Fairness Commission

The London Fairness Commission has been established to organise conversations across the city to discuss:

- What is fairness?
- Is London fair?
- Should we be trying to make London a fairer city?

Chaired by Lord Victor Adebowale, the Commission brings together expertise from across the worlds of business, research, health and charity. We are an independent Commission established by Toynbee Hall and My Fair London, with funding from Trust for London, Tudor Trust, London Funders and City Bridge Trust.

Over the past few months we have been building our understanding of what fairness means to Londoners, where consensus can be achieved and where there are stark divergences between the views of different groups. We have been listening to members of the public including younger Londoners, business representatives, policy makers, think tanks, academics, and campaigning organisations.<sup>1</sup> We convened expert meetings, hosted debates with representatives of London businesses, attended externally hosted events which have a bearing on fairness in London and issued a call for evidence on our website ([www.londonfairnesscommission.co.uk](http://www.londonfairnesscommission.co.uk)) which continues.

We have also commissioned a poll of Londoners<sup>1</sup> to enable the views of London residents on fairness in their city to be shared more widely and have a central influence on the direction that the London Fairness Commission follows.

The aim of this report is to reflect back our findings so far and outline how the Commission will be taking its work forward before we make our final recommendations early next year.

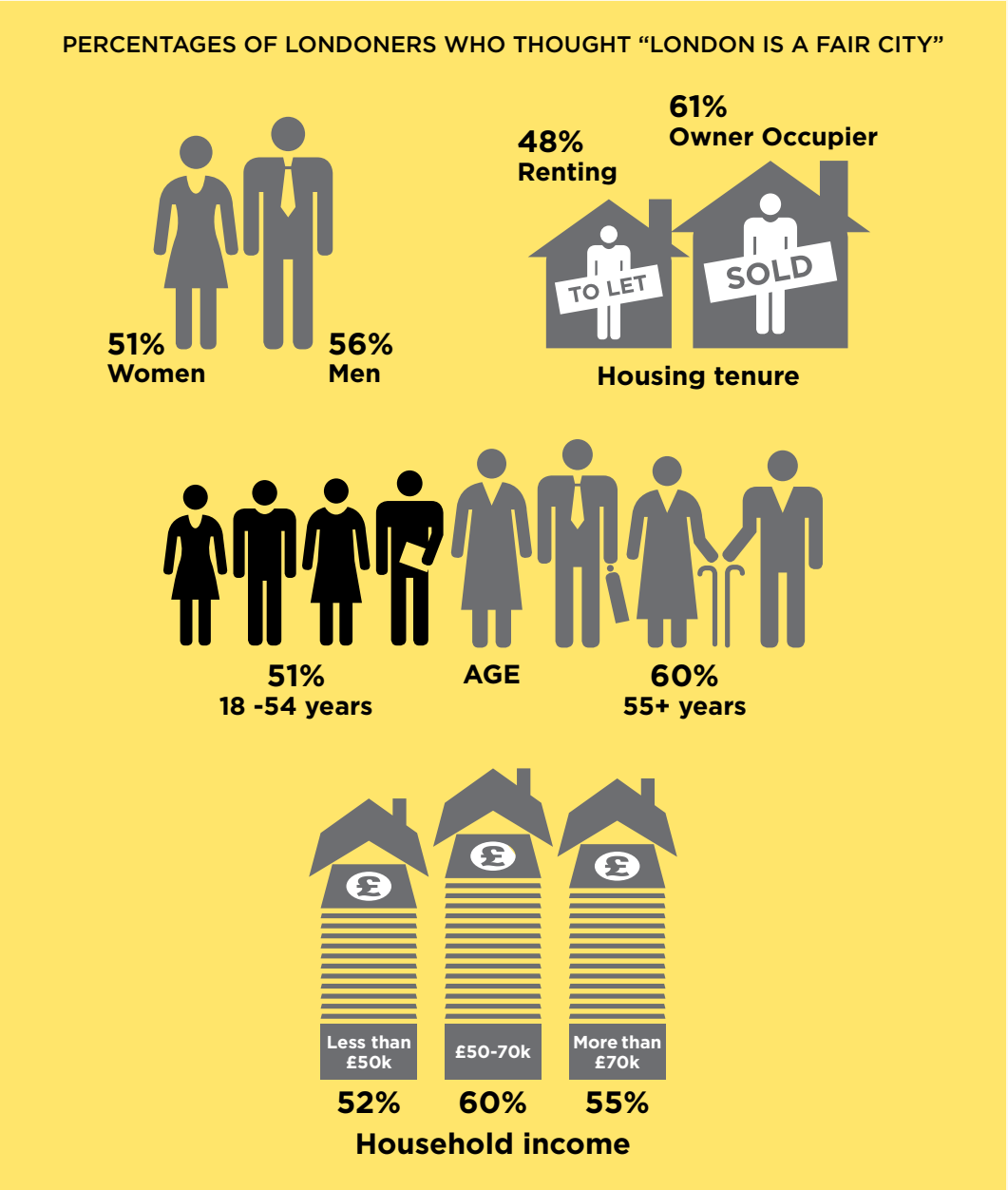
Our findings need to be considered in the context of London as a dynamic, growing, successful city attracting skilled labour, innovation and investment from all over the world. There are record numbers of jobs in the city, generating wealth for citizens and government. Yet 2.2 million Londoners still live in poverty and the city has the highest rates of child and pensioner deprivation in the country.<sup>2</sup>

1. Online panel poll of Londoners aged 18 and older undertaken between 3rd and 10th July 2015 by Survation. The sample size was 2,026 and data has been weighted by sex, age, London region, ethnicity and past vote using ONS 2011 Census data and the results of the General Election 2015

2. Rachel Leeser, Update 13-2014: Poverty in London: 2013/14, GLA Intelligence, October 2014 and Institute for Fiscal Studies, Living standards, poverty and inequality in the UK, 2014

Is London fair?

Just over half of Londoners (53%) believe that “London is a fair city” while a substantial minority (31%) believe that “London is not a fair city”. The remaining 16% of Londoners do not know either way.



Londoners thought that housing and affordability of transport in London was “unfair” but access to green spaces, healthcare, good education and job opportunity in London were strongly rated as “fair”. Access to benefits, childcare and mental health support, affordability of leisure activities and work/life balance were also rated as “fair” but by a lower margin.

Self-employed Londoners and those living in privately rented accommodation (which is a rapidly growing group) feel that London is less fair.

Is London’s income distribution fair?

London has recently seen record levels of employment but not all groups are equally benefitting with young people, disabled people, mothers’ with dependent children and people from some ethnic groups, particularly women from these groups having marked lower levels of employment. These same groups are also likely to be earning lower salaries when they are in work.<sup>3</sup>

London households are amongst the hardest hit by recent changes to tax and benefits in particular changes to housing benefit have been felt more strongly as London has relatively lower owner-occupation rates and higher rents. Nearly half of families affected by the benefit cap live in London.<sup>4</sup>

When housing costs are included, London’s poorest households are worse off than their counterparts in the rest of the UK. The poorest 10% of London households have seen their incomes drop by 19% between 2007/08 and 2012/13, a loss of £27 per week leaving them an income of just £112 per week.<sup>5</sup>

London households face higher costs of living than elsewhere in the country with those who are privately renting their homes paying on average 53% more per week than in the country as a whole. Similarly, mortgage holders in London have to find 46% more per week to pay their mortgages than mortgage holders in the UK.<sup>6</sup> In 2013/14, the Government spent £6.2 billion supporting one in four London households to pay all or some of their housing costs.<sup>7</sup>

The Minimum Income Standard is higher in London for all types of households than for households based elsewhere in the country ranging between 18% higher (for a pensioner couple living in Outer London) and 47% (for a single working aged person living in Inner London).<sup>8</sup>

Two thirds of Londoners believe that their wages have not kept pace with the increased costs of living with this being felt particularly strongly for households earning less than £50k per year. Furthermore, just over half of Londoners do not believe that their wage is a fair reflection of their work. 57% of Londoners think that it is unfair for top earners in London to be paid very high salaries as other in London are struggling to get by.

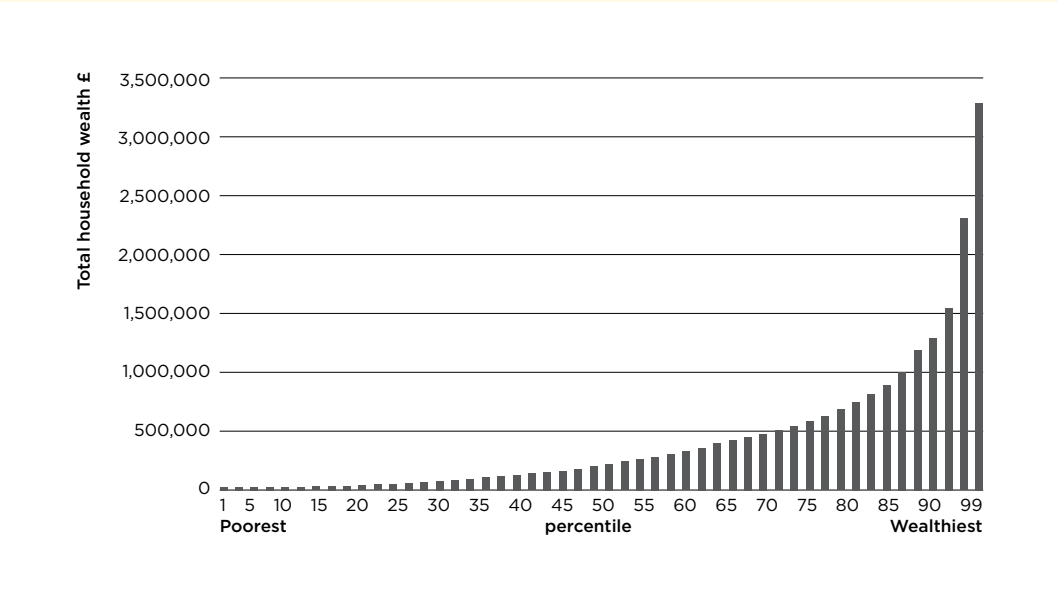
There is a strong call for a higher minimum wage in London with 78% of Londoners supporting this.

Is London’s wealth distribution fair?

Wealth inequality is higher than income inequality in London and remains very large with the top 10% of households having wealth of £173 for every £1 of wealth of the bottom 10% of households. Wealth inequality is far higher in London than nationally where the top 10% of household have £60 of wealth for every £1 of wealth held by the bottom 10% of households.

To be in the top 1% of London’s wealthiest households requires holding assets worth at least £3.2 million. However, the top 1% is a very heterogeneous group and the upper echelon of households will have wealth measured in billions.

Distribution of wealth in London



Source: ONS, Wealth and Assets Survey 2010/12

Property is a key component of the wealth of Londoners so those who are renting are likely to have less, or no, wealth and the bottom 30% of households have substantially less total wealth than those at the median level.

Types of wealth held by London households

	Income Decile				
	10th	30th	Median	70th	90th
Financial and physical	3,100	16,300	40,300	79,600	246,500
Property	1,400	9,800	110,700	254,900	503,400
Pension	1,800	20,700	62,500	137,500	339,000
Total	6,300	46,800	213,500	472,700	1,088,900

N.B. A decile is where we divide the population into 10 equal groups so the 10th decile is the poorest 10% of Londoners and the 90th decile is the richest 10% of Londoners  
Source: ONS, Wealth and Assets survey 2010/2012

3. Office for National Statistics, Annual Population Survey January to December 2014

4. James Browne and William Elming, The effect of the coalition's tax and benefit changes on household incomes and work incentives, IFS Briefing Note BN 159, Institute of Fiscal Studies, January 2015

5. Polly Vizard, Eleni Karagiannaki, Jack Cunliffe, Amanda Fitzgerald, Polina Obolenskaya, Stephanie Thompson, Chris Grollman and Ruth Lupton, The changing anatomy of economic inequality (2007 to 2013), Centre for Analysis of Social Exclusion, London School of Economics and the University of Manchester, March 2015

6. ONS, Family Expenditure Survey/Living Costs and Food Survey 2013

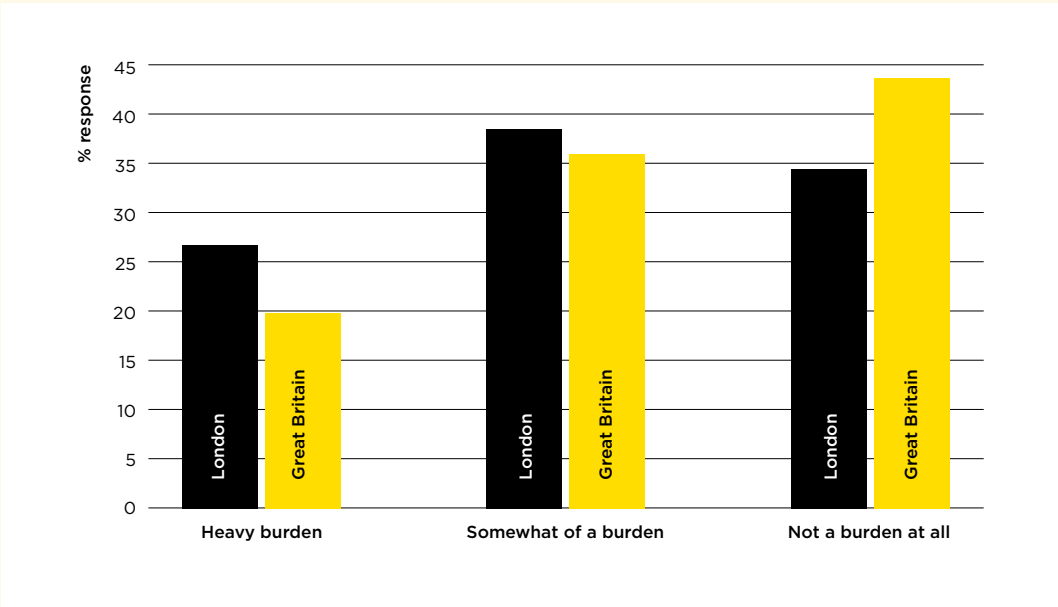
7. Department for Work and Pensions, Benefit expenditure and case load tables, March 2015

8. Matt Padley, Lydia Marshall, Donald Hirsch, Abigail Davis and Laura Valadez, A Minimum Income Standard for London, Loughborough University and Trust for London, May 2015

It takes time to accrue wealth. Londoners aged between 55 and 64 years old are the most wealthy of any age group in the city. Households from ethnic minority backgrounds and those households with a disabled person are less likely to accrue wealth.

Around 500,000 Londoners have problem servicing their debts and there has been an increase in households seeking advice about arrears in household debts. Londoners are more likely to feel that their financial debts were a heavy burden or somewhat of a burden than households in the country as a whole.<sup>9</sup>

London and British Households’ perception of their financial debts



N.B. Only includes respondents who have financial liabilities  
Source: ONS, The Burden of Financial and Property Debt, Great Britain, 2010 to 2012, 27 July 2015

Londoners are divided about how their personal financial situation may change over the next year. 44% felt that it would stay the same, 22% thought that it would get better and 24% felt that it would get worse. 9% did not know how their personal financial situation would change.

In terms of taxation of wealth, London households contributed a quarter of the total inheritance tax collected in 2012/13 therefore London will benefit from recent Government changes that will increase the threshold before the tax is payable more strongly than other parts of the country.<sup>10</sup> Despite the majority of Londoners not paying inheritance tax when they die, 54% of Londoners believe that there should be no inheritance tax at all.

Council Tax is a regressive tax as Londoners living in higher value homes contribute proportionally less for local services and city wide services such as emergency services than Londoners living in lower value homes. Households in boroughs with the highest council tax, pay at least twice the amount of council tax as households in boroughs with the lowest council tax.

11. The City of London council tax has a lower precept for the Greater London Authority than other boroughs as it has its own police force rather than paying towards the Metropolitan Police Service.

2015/16 Council Tax across London Boroughs and City of London, by band and cost <sup>11</sup>

	Band A	Band D	Band H
Lowest council tax (Westminster)	£448.50	£672.74	£1,345.00
Median council tax (Lewisham)	£903.57	£1,355.00	£2,710.70
Highest council tax (Kingston upon Thames)	£1,115.98	£1,673.97	£3,347.94
City of London	£628.96	£943.44	£1,886.88

Is access to housing in London fair?

London’s housing supply has failed to keep up with the growth in London’s population resulting in rapidly increasing prices, and rapid increases in overcrowding.

The increasing cost of housing in London has seen growing profits for the housing industry and massive growth in asset value for property owners. However, for others, in particular the young and newly arrived into the city, the high costs of housing is causing affordability problems.

Businesses are concerned about how high housing costs may reduce their ability to attract new recruits and how productivity may be affected if people are having to commute for ever longer distances, although for the moment at least, London remains a strongly attractive place for people to come for work.

For those who are now seeking social housing it is more difficult to do so, less affordable and has less security than in previous decades. This is a result of policies such as “right to buy”, the conversion of social rent properties into “affordable rent” properties and the introduction of time limited tenures.

The majority of Londoners (69%) do not believe there is sufficient affordable housing available across all areas of London. A further 15% think that there is not enough affordable housing in some areas of London.

Just over half of Londoners (52%) believe that Local Authorities should encourage mixed developments for households from all incomes to be developed. A substantial minority (31%) believe that new developments should be low cost housing for poorest residents.

9. London Assembly Economy Committee, Final demand: Personal problem debt in London, March 2015

10. HMRC, Inheritance tax statistics: Table 12.10 - provisional amounts of tax due in tax year 2012 to 2013 by geographical region, 25 July 2015



Next steps for the commission

Given the evidence that we have heard to date, we will be engaging with Londoners and London organisations over the coming months to develop recommendations that will focus on the following key issues:

Income

- Are growing disparities a threat to London’s future stability and the well-being of Londoners?
- What more should London’s businesses do to increase fairness of access to employment opportunities?
- How can incomes for those at the bottom be increased?
- What can be done to reduce the costs of housing and transport in London?
- What is an appropriate contribution for wealthy households in London?

Wealth

- How can more Londoners secure wealth given high living costs (and therefore difficulty of saving) and high property costs?
- Do the wealthy pay their fair share towards public assets and services?
- Does the existence of very wealthy households reduce opportunities for all to accrue wealth?
- Does London’s financial sector use its wealth to help poorer people and to help other sectors in London?
- How could the property tax system be made fairer in London?

Housing

- How could London’s housing be improved?
- What is a fair rent?
- How could housing supply be increased across all tenures?

How can you make your voice heard?

The London Fairness Commission want to hear about how you think fairness in London can be improved. You can engage with us by signing up online: Londonfairnesscommission.co.uk and following us on twitter @LondonFairness

We look forward to hearing your ideas over the coming months.

ABOUT THE FAIRNESS COMMISSION

The London Fairness Commission has been established to organise conversations across the city to discuss:

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We have also commissioned a poll of Londoners<sup>12</sup> to enable the views of London residents on fairness in their city to be shared more widely and have a central influence on the direction that the London Fairness Commission follows.

The aim of this report is to reflect back our findings so far and outline how the Commission will be taking its work forward in the coming months before we make our final recommendations in March 2016.

London context

London’s economy has outperformed the national economy for 13 of the past 15 years<sup>13</sup> yet London still has the highest levels of pensioner and child poverty in the country<sup>14</sup>. While some parts of London are much richer (in both income and wealth terms) than anywhere in the UK, other parts are relatively poor, 28% of London households are living in poverty some 2.2 million Londoners.<sup>15</sup>

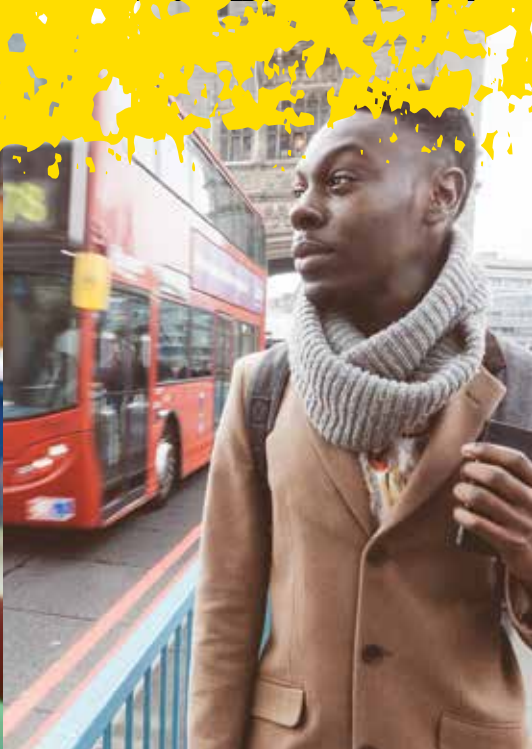
The findings of this report must be seen in the context of a dynamic, growing successful city. London attracts skilled labour, innovation and investment from all over the world. Large numbers of jobs are being created in the city, generating wealth for citizens and government. Yet it is home to large numbers of poor people many of whom are working in low-paid jobs. Appendix A sets out key facts and forward projections for London’s population and economy.

12. Online panel poll of Londoners aged 18 and older undertaken between 3rd and 10th July 2015 by Survation. The sample size was 2,026 and data has been weighted by sex, age, London region, ethnicity and past vote using ONS 2011 Census data and the results of the General Election 2015

13. ONS, Regional GVA at Nuts 3 level, 1997 to 2013

14. Institute for Fiscal Studies, Living standards, poverty and inequality in the UK, 2014

15. Rachel Leaser, Update 13-2014: Poverty in London: 2013/14, GLA Intelligence, October 2014



# IS LONDON FAIR ?

## What is fairness?

Fairness is a difficult concept to define with views ranging from equality of opportunity to equality of outcome.

In a city as complex as London the views of fairness are going to differ. One of the objectives of the London Fairness Commission is to discover what Londoners think about fairness, whether they have a clear definition of it and the extent to which they think it is important.

As an early part of our process, two of our Commissioners, Danny Dorling and Richard Brooks have published a think piece on the definition of fairness which we have included in Appendix B.

## The majority of Londoners believe that “London is a fair city” but not for housing or affordability of transport

Just over half of Londoners (53%) believe that “London is a fair city” while a substantial minority (31%) believe that “London is not a fair city”. The remaining 16% of Londoners do not know either way.

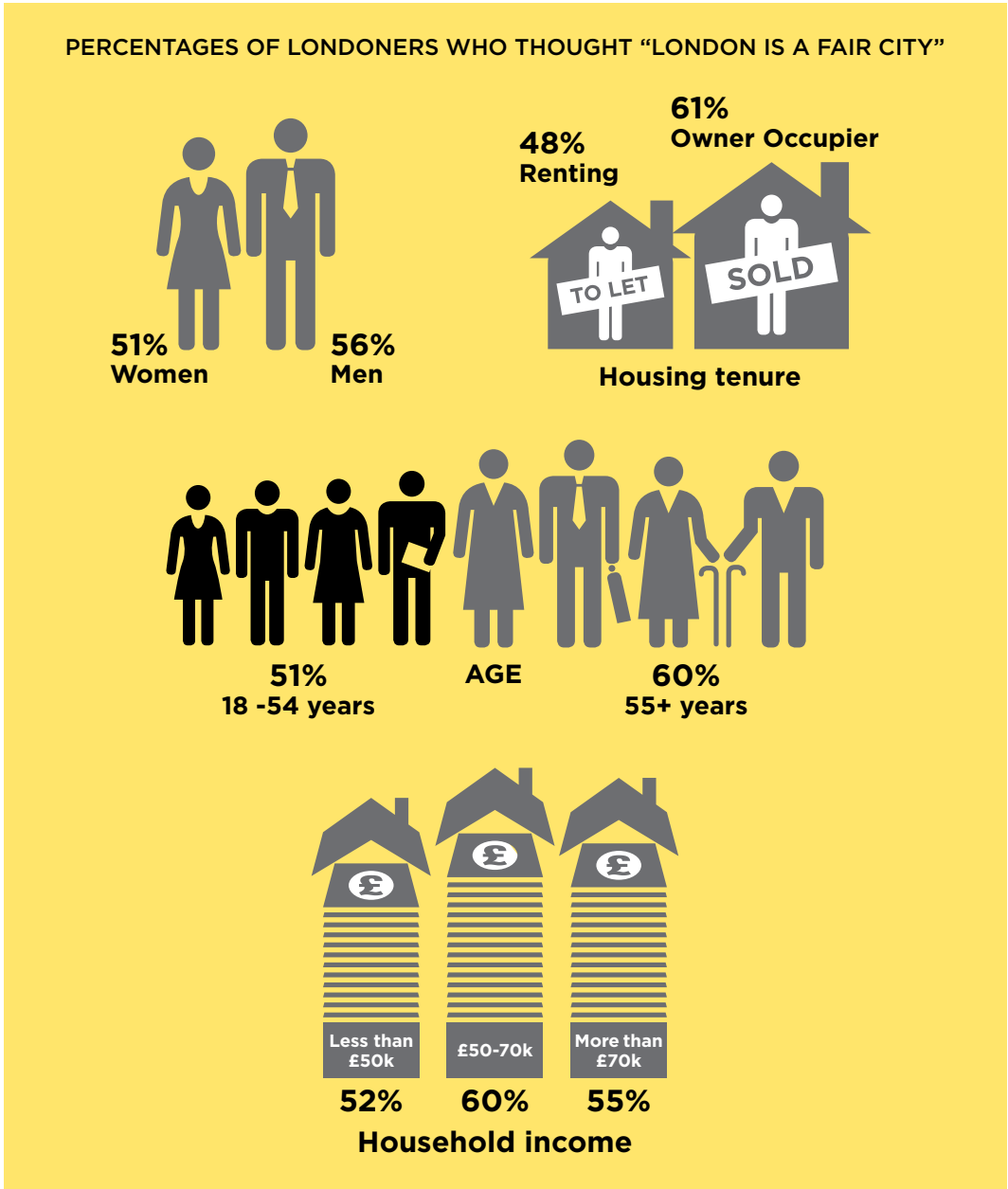
*“A fair city is open and accessible to all. Success or failure of a city’s ‘fairness’ is judged on how the city empowers those who have the least options available to them.”*

Lee, Lambeth resident

*“Fairness has got to be about opportunity. Where people expend effort they can achieve outcomes commensurate to their inputs.”*

Business Representative





*"Fairness and unfairness in London is intimately tied to housing and its exorbitant cost. To me a fair city is one that is able to house all of its citizens, from the most privileged to the most vulnerable, rather than a place where social housing is sold."*

Lindsey, Wandsworth resident

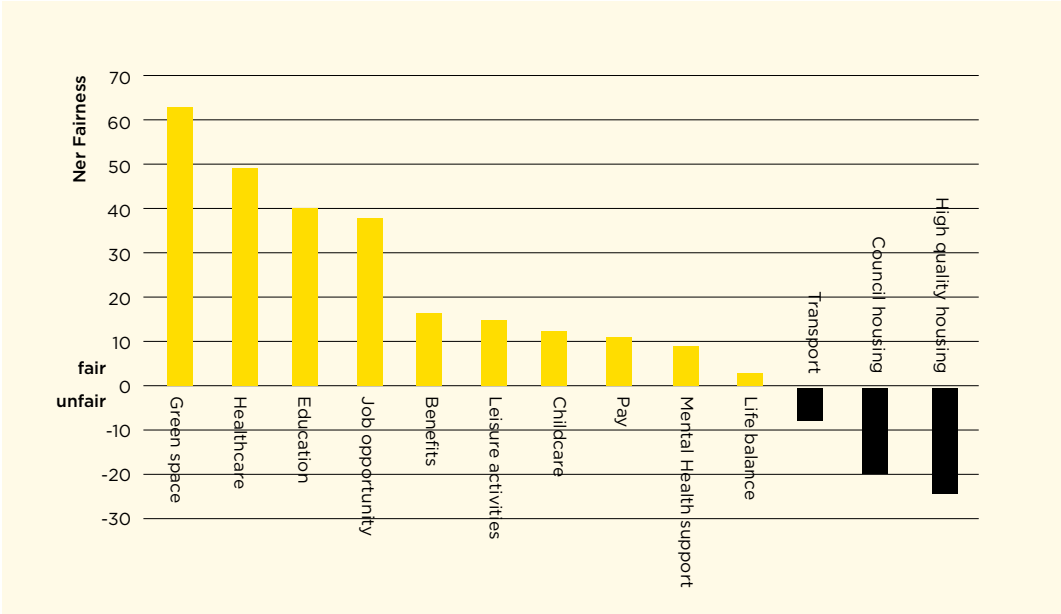
Economic activity is a critical divider for Londoners views of fairness of the city. With those who are students or retired or working as an employee more likely to believe "London is a fair city" than those who are self-employed or unemployed.

Figure 1. Londoners views on whether London is a fair city by their economic activity status



Londoners were asked to rate their views on different aspects of London life. Housing and affordability of transport came out as the two key themes where Londoners thought that London was "unfair". Whilst access to green spaces, healthcare, good education and job opportunity in London were strongly rated as being "fair" by Londoners. Access to benefits, affordability of leisure activities, access to childcare, pay, access to mental health support and work/life balance were also more likely to be rated as "fair" than "unfair" by Londoners, but by a lower margin.

Figure 2. Londoners views of fairness of different aspects of London life



**The majority of Londoners believe that London is a place where people have an equal opportunity to succeed in life regardless of their background**

More Londoners (58%) are likely to identify London as being a place where people have an equal opportunity to succeed in life regardless of their background rather than being a place where people are held back from succeeding in life because of their background (30%). This positive view was much more strongly held by Londoners who voted Conservative in the last general election (at 78%) than it was the view of those who voted for Labour (only 52% of whom agreed). Older Londoners (those aged 55 years and above) were also more likely to hold a positive view (at 66%) compared to younger Londoners (those aged 34 years and below) at 55% and 57% of those aged 35 – 54 years old.

Business representatives believed that fairness in London should be about access to opportunity rather than equality of outcome. London needs people with aspirations to succeed and London is globally recognised for setting up a safe and fair environment in which businesses can operate.

*“I very much like the distinction between social justice and social mobility – that social justice is about getting on to the first rung of the ladder, whereas social mobility is about moving up the rungs. The thought that some people are not even on the ladder is an affront.”*

Charles Fraser

*“We consider a fair city to be somewhere where all peoples have the same opportunity to access and benefit from the resources of the city. Life opportunities should not be predetermined at birth due to family finances, race, gender or sexuality. A fair city would also recognise that life presents challenges and that everyone should have the support needed to overcome these.”*

School Home Support, a charity working with children and families to maximise educational opportunities and improve life chances

**Changes to London’s education offer**

Education is often thought to be the great leveller in society with the belief that improving access to good quality education will allow future social mobility.

Recent research followed the lives of British children born in 1970 and analysed their success as adults in the labour market taking account of their childhood academic ability and their family background. The research found a “glass floor” existed, where children of affluent families were more likely to take top jobs as adults than children from poorer families even if they show less intellectual ability. Children from high income backgrounds who show signs of low academic ability at age 5 are 35% more likely to be high earners as adults than children from poorer families who show early signs of high ability. The research also showed that women were considerably less likely to be in a “top job” than men regardless of their academic ability.<sup>16</sup>

However, at a London level, school performance has improved dramatically since the start of the millennium. London schools now outperform schools in the rest of England and achieve the highest proportion of students obtaining five good GCSEs, the highest percentage of schools rated ‘outstanding’ by Ofsted, and the highest GCSE attainment for pupils from poorer backgrounds.<sup>17</sup>

*“Equality features very highly in defining what a ‘fair city’ should look like; each individual must have equal rights to opportunities irrespective of gender, sexual orientation, race and religion – the ‘priority areas’. Jobs, housing and education are key elements in the lives of a Londoner; providing ample opportunity for people to access these is very important for young people today. Travel is another important element of a fair London. This must be made affordable, particularly for those who must travel long distances for work due to a lack of jobs within their area.”*

Dare London, London Youth Advisory Board

*“Have people got hope and opportunity? There needs to be a financial return to those who work hard and take risks.”*

Business Representative

16. Abigail McKnight, Downward mobility, opportunity hoarding and the ‘glass floor’ Research report for the Social Mobility and Childhood Poverty Commission, Centre for Analysis of Social Exclusion, London School of Economics, June 2015

17. Sam Baars, Eleanor Bernardes, Alex Elwick, Abigail Malortie, Tony McAleavy, Laura McInerney, Loic Menzies and Anna Riggall, Lessons from London Schools: Investigating the Success, Centre for London, CfBT Education Trust, June 2014





# IS LONDON'S INCOME DISTRIBUTION FAIR?

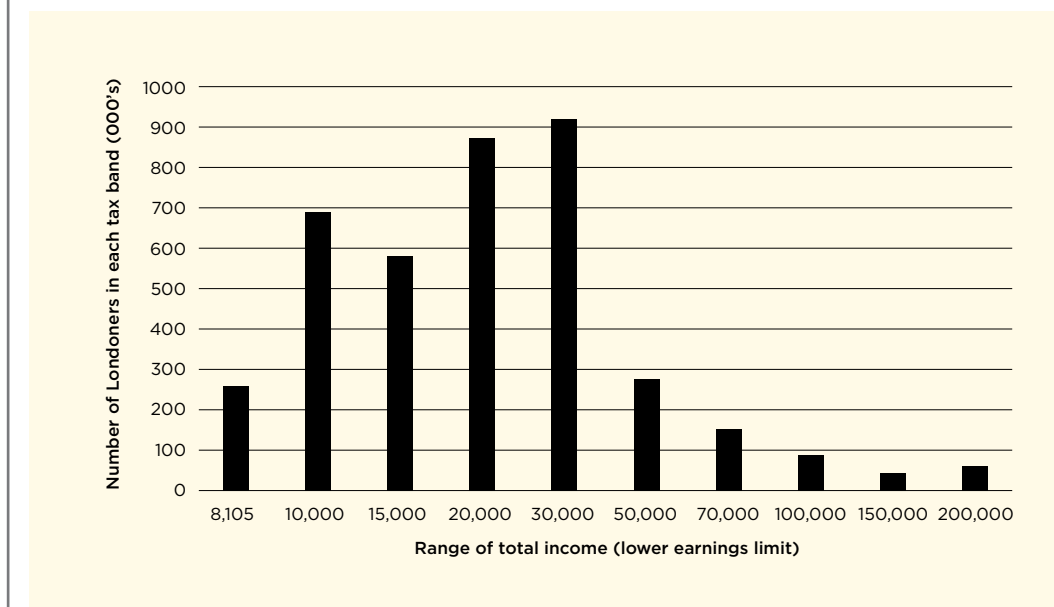


In this section, we report the evidence we have gathered so far from Londoners and London-based organisations and businesses about how Londoners' incomes have changed, what is considered a fair distribution of wages in London and views that London should have a higher minimum wage than the rest of the country.

## Londoners income tax contributions

According to the latest statistics, 3.9 million Londoners paid income tax and in 2012/13 they contributed £157 billion to the Government tax office. This is 18% of the national income tax take from 13% of the national tax payers and clearly demonstrates that London is home to people with some of the highest incomes in the country. 63,000 tax payers in London had an income of at least £200,000. However, London is also home to many of the poorest citizens in the UK and 1.5 million Londoners had a taxable income of less than £20,000 over the same year.

Figure 3. Number of Londoners by income tax band



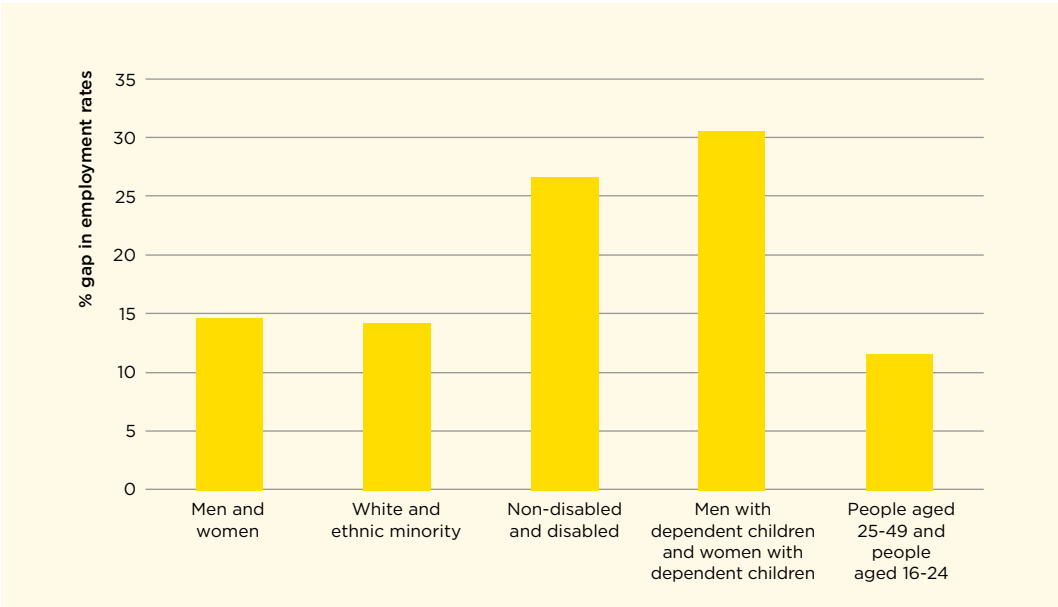
Source: HMRC, Personal Income Statistics, 2012/13 released January 2015

Employment rates for different groups of Londoners

As outlined in Appendix A, London has more jobs now than at any time in its recent past and job growth is expected to continue in the coming years. This growth in jobs is reflected by improvements to London's employment rates over recent years. Between April and June 2015, it reached 72.1% just below the national rate of 73.6%.

But there are large differences in the success of different groups of Londoners in finding employment with marked lower employment levels for young people, disabled people, mothers with dependent children and people from some ethnic groups, particularly women from these groups.

Figure 4. Employment rate gaps between different groups of Londoners



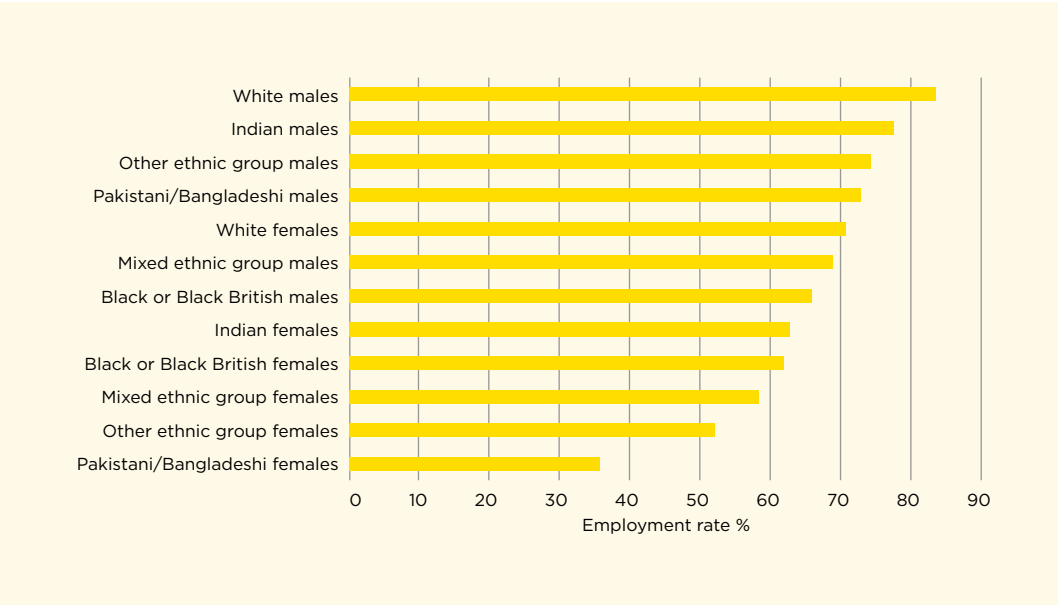
N.B. age groups excluding full time students  
Source: Office for National Statistics, Annual Population Survey January to December 2014

The highest employment rates in London are for men from white, Indian and other ethnic backgrounds. Women from Pakistani/Bangladeshi, other ethnic groups and mixed ethnic group backgrounds have substantially lower employment rates.

*“Life in London can be particularly unfair for young people and the way they are treated is very unjust in terms of housing and their perceived relationship with the police and other organisations. For example, youth unemployment rates have not significantly reduced. Even to be eligible for apprenticeships, a young person has to have a certain amount of qualifications.”*

London Youth Members

Figure 5. Employment rates for Londoners by broad ethnic group and sex



Source: ONS, Annual Population Survey, April 2014 to March 2015

Londoners wages

The same groups who struggle to find employment in the first place are also the groups that tend to have lower wages than other Londoners when they are in work.

The largest pay gap is between White Londoners and those from Black, Asian and Ethnic Minority backgrounds. There are also large pay differences between men and women, and disabled and non-disabled Londoners.

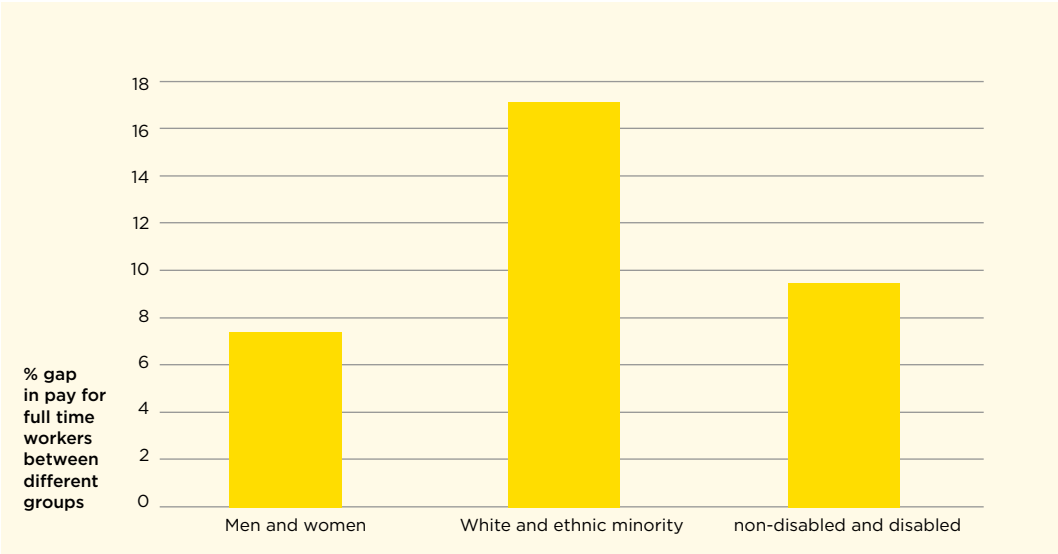
Some, but not all, of these differences can be explained by the different characteristics between the groups for example, in their education levels or the types of jobs or industry that they are working in. However, in other affluent countries and most other affluent cities in the world people of differing education levels are not paid such different wages and salaries.

*“A fair city is a place which comfortably accommodates those who do the jobs that keep the city moving as well as those doing the high-falutin’ jobs.”*

Southwark resident



Figure 6. Pay gaps between different groups of Londoners



Source: Men and Women, Annual Survey of Hours and Earnings, Ethnicity and disability, Annual Population Survey.

Changes to the national tax and benefits system

The UK tax and benefits system has been radically changing in recent years with more generous personal income tax allowances and cuts to fuel duties countered by rises in the main rate of Value Added Tax, increases in the rates of National Insurance contributions (NICs) and significant cuts to benefits. The impacts of these changes on London households will vary substantially depending on different household characteristics including age, family structure, if any of the household has a disability, housing tenure and their spending patterns.

Analysis by the Institute of Fiscal Studies shows that households with more children have lost more, the vast majority of the loss coming from cuts to benefits. The 1% of British households with four or more children have seen an average drop in their incomes of 6.9%, or in cash terms, £2,941 per year between 2010 and 2015.

Households with at least one disabled person are also more strongly impacted by the changes: losing 0.8% of their annual income, or in cash terms £232 than households without a disabled person who saw a drop of 0.3%, or in cash terms £113 per year between 2010 and 2015.<sup>18</sup> This arises because households containing a disabled person are more likely to be receiving benefits than those without a disabled person and less likely to be in work, so are impacted more strongly by benefit cuts than from gains made from cuts to direct taxes.

In its most recent budget, the Government announced freezes in benefit rates, further large cuts to tax credits and a reduction in payments to Housing Associations and Local Authorities. The total impact of the real term cuts to benefits and changes to the tax limits are shown below. As richer households are less likely to be receiving benefits in the first place but are likely to be paying tax and will benefit from changes in the tax limits they are less impacted by the recent Government announcements.

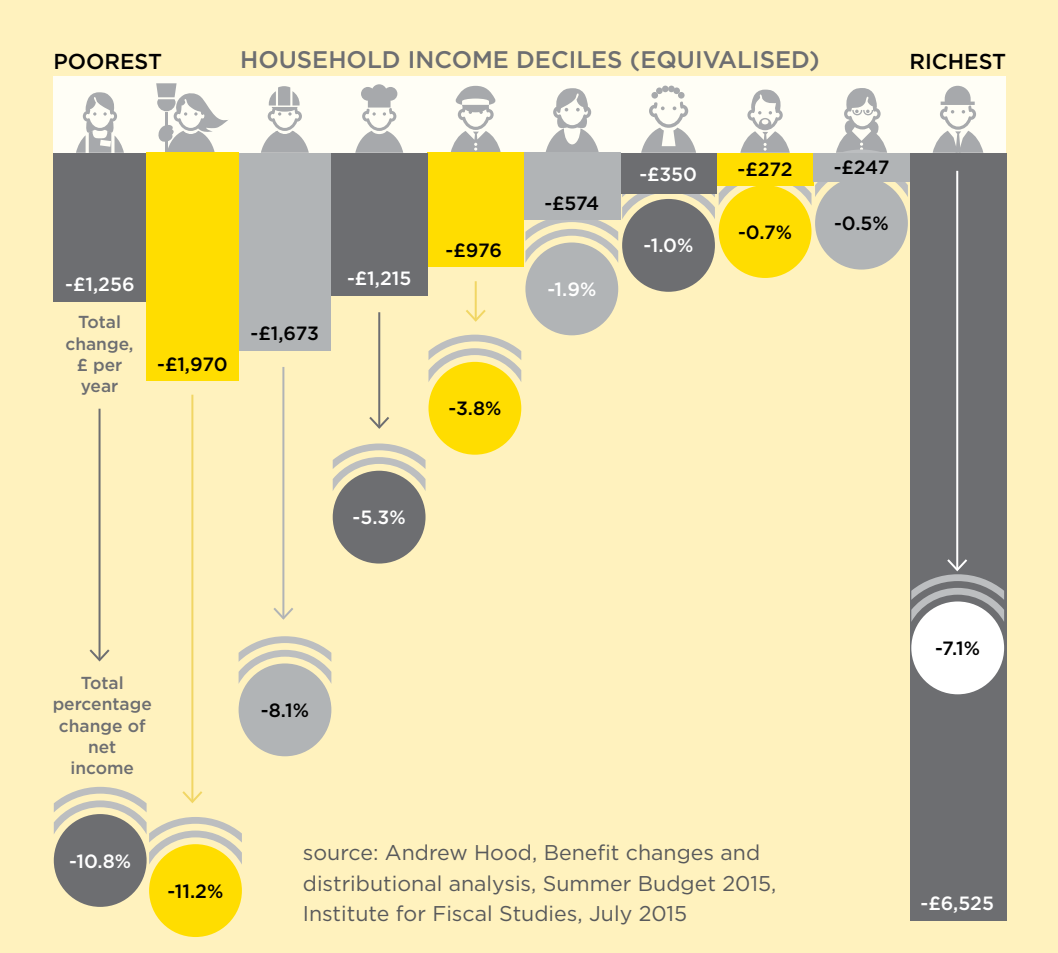
However, since 2010, households in the richest decile have been affected by the introduction of the additional rate of income tax (initially 50%, now 45%), the

18. This is the impact of direct tax and benefit changes and does not include indirect taxes. The IFS analysis does not include the replacement of the DLA with the PIP which will further increase losses for those with disabilities – around 30% of households containing a disabled person receive some DLA.

withdrawal of the personal allowance above £100,000, reductions in the point at which the 40% income tax becomes payable, restrictions on tax relief on pension contributions, increases in National Insurance Contribution rates and the withdrawal of child benefit from higher income families.

Marginal taxation rates for high-income earners in London remain lower than in all the nearest equivalent European cities of Berlin, Paris, Madrid and Rome where higher earners pay a higher proportion of their incomes in tax and pay much more as well in wealth/property tax.<sup>19</sup> But they are also substantially higher than other international cities with which London typically competes including Singapore and New York.<sup>20</sup>

Figure 7. Impact of tax and benefit reforms on UK households between January 2010 and April 2019 (including universal credit)



London households were hit harder by recent changes to tax and benefits than the rest of the country

Households living in London have been amongst the hardest hit by the changes to tax and benefits. London has a higher proportion of higher income households who have been hit by direct tax changes and households in London have also seen larger average losses from benefit cuts. This is because many of the housing benefit cuts have a particularly large impact in London due to relatively low owner-occupation rates and higher rents meaning that a larger proportion of the population are

19. Eurostat, Taxation trends in the European Union Data for the EU Member States, Iceland and Norway, 2014

20. Ernst and Young, Worldwide Personal Tax Guide Income tax, social security and immigration 2014-15, September 2014

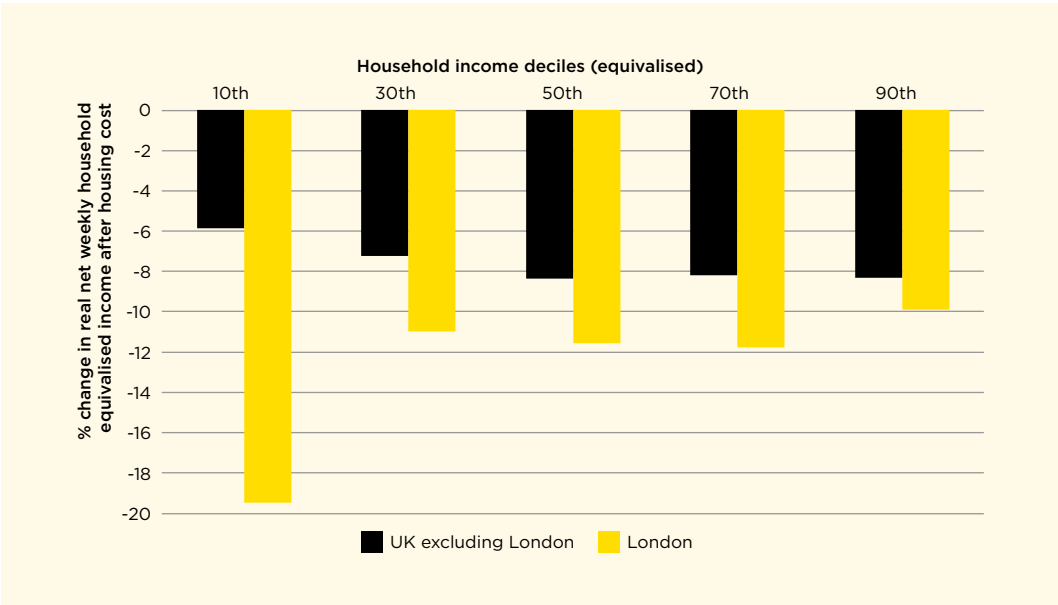
entitled to housing benefit. Housing benefit claimants in London receive an average of £140 per week in London compared to £90 a week in Great Britain as a whole. Furthermore, some housing benefit cuts such as the national cap on Local Housing Allowance rates and the benefits cap only affect high-rent areas. Over 80% of those receiving over £250 a week in housing benefit live in London and nearly half (10,500 of the 23,000) families affected by the benefit cap live in London.<sup>21</sup>

London’s poorest households are worse off than their counterparts in the rest of the UK when housing costs are taken into account

After housing costs are taken into account, the poorest 30% of London households have less income than their counterparts in the rest of the UK. There were substantial falls in income in London after the onset of the financial crisis in 2008 but it is the poorest 10% of London households whom have suffered the highest proportional drop in their income, both in the city and in the country overall. They have seen their incomes drop by 19% between 2007/08 and 2012/13. In cash terms this equates to a loss of £27 per week leaving households an income of £112 per week.

Figure 8. Changes in real net weekly equivalised household income after housing costs, London & rest of the UK, 2007/08 -2012/13

		Income decile					90/10
		10th	30th	50th	70th	90th	ratio
2007/08 (£)	UK excluding London	171	291	407	549	843	4.9
	London	139	265	434	648	1145	8.2
2012/13 (£)	UK Excluding London	161	270	373	504	773	4.8
	London	112	236	384	572	1032	9.2



N.B. The income that a household needs to attain a given standard of living will depend on the number of people living in the household and if they are adults or children. Equivalised is where we

21. James Browne and William Elming, The effect of the coalition's tax and benefit changes on household incomes and work incentives, IFS Briefing Note BN 159, Institute of Fiscal Studies. January 2015

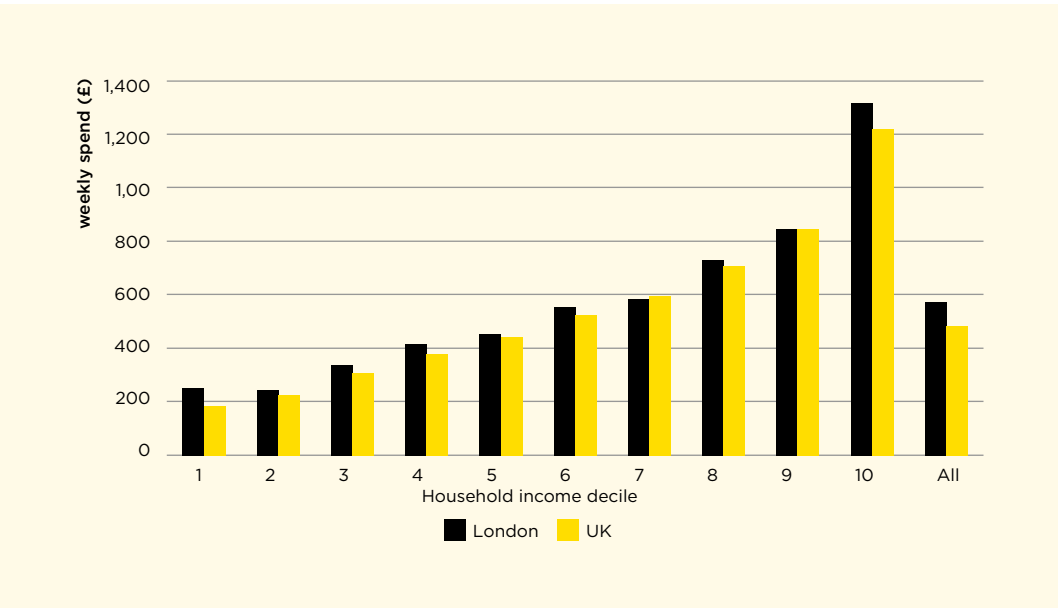
have adjusted a household income for size and composition so that we can look at the incomes of all households on a comparable level.

Source: Polly Vizard, Eleni Karagiannaki, Jack Cunliffe, Amanda Fitzgerald, Polina Obolenskaya, Stephanie Thompson, Chris Grollman and Ruth Lupton, The changing anatomy of economic inequality (2007 to 2013), Centre for Analysis of Social Exclusion, London School of Economics and the University of Manchester, March 2015

High cost of living in London

London is one of the world’s most expensive cities in which to live and is considerably more expensive than other parts of the UK. In general, London households spent more each week than equivalent households in the UK.

Figure 9. Total weekly spend of London and UK households broken down by income decile.



Source: ONS, Family Expenditure Survey/Living Costs and Food Survey 2010-12

London households are spending more than households elsewhere in the country on housing costs, water supply and communication. The only category where London households spent less than households elsewhere across the income spectrum is on alcohol. Apart from the lowest income households, London households are also spending less on recreation and culture, mostly due to lower spending on gardening and pets.

London households within the bottom 40% of income spent more on transport than households elsewhere in the country but this is reversed for London households higher up the income distribution. The transport category includes private and public transport as well as journeys made abroad (but not package holidays). It is likely that this unusual expenditure pattern can be explained by greater use of public transport by all London households regardless of their income levels.<sup>22</sup>

On average, London households who are renting spent £211.60 on rent each week, some 53% more than renting households in the UK as a whole. London mortgage

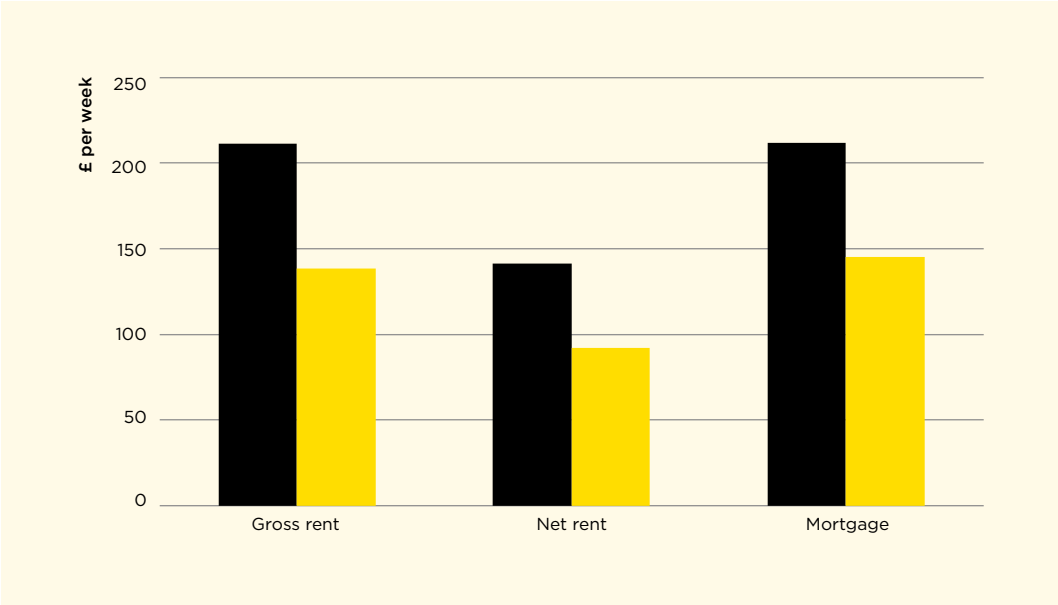
22. Margarethe Theseira, Changing income and spending behaviours of London households, Centre for London, July 2014

23. Department for Work and Pensions, Benefit expenditure and case load tables, March 2015

24. The Minimum Income Standard is calculated by researchers at Loughborough University by building a consensus among members of the public about what different types of household require for an acceptable standard of living. The MIS researchers then priced the costs of the services and goods that are included for Inner and Outer London.

holders spend a similar average amount to London renters at £211.80 per week. This is 46% more than average mortgage holder in the UK pay when considered as a whole. As the costs of renting are so much higher in London, the Government spends more on supporting households with the costs of renting through housing benefits. In 2013/14, the Government spent £6.2 billion supporting one in four London households to pay all or some of their housing costs. This is twice the amount that was spent on housing benefit in the city just 10 years ago.<sup>23</sup>

Figure 10. Weekly expenditure on gross and net rent by households renting and amount spent on mortgage by mortgage households for London and UK.



N.b. Net rent is gross rent less housing benefit, rebates and allowances received.  
Source: ONS, Family Expenditure Survey/Living Costs and Food Survey 2013

What income is needed to live in London?

London continues to attract new comers and retain its existing residents despite its high cost base. People are creative in finding ways that they manage to make ends meet which enables them to stay living in London. In this section we report the Minimum Income Standard which aims to define an “adequate” income for living in London and is based on what members of the public think is enough money to live on, to maintain a socially-acceptable quality of life.<sup>24</sup>

Unsurprisingly, London households face far higher costs than similar households in the rest of the country. Higher housing costs are the main source of this. And this is despite more modest housing requirements for London families (e.g. a single working age person would live in a studio flat in London compared to a one-bedroom flat elsewhere in the country and a family with children would live in a flat rather than a house). This was closely followed by the high costs of childcare and travel.

Table 1. The Minimum Income Standard weekly budgets for Inner London, Outer London and the rest of the UK.

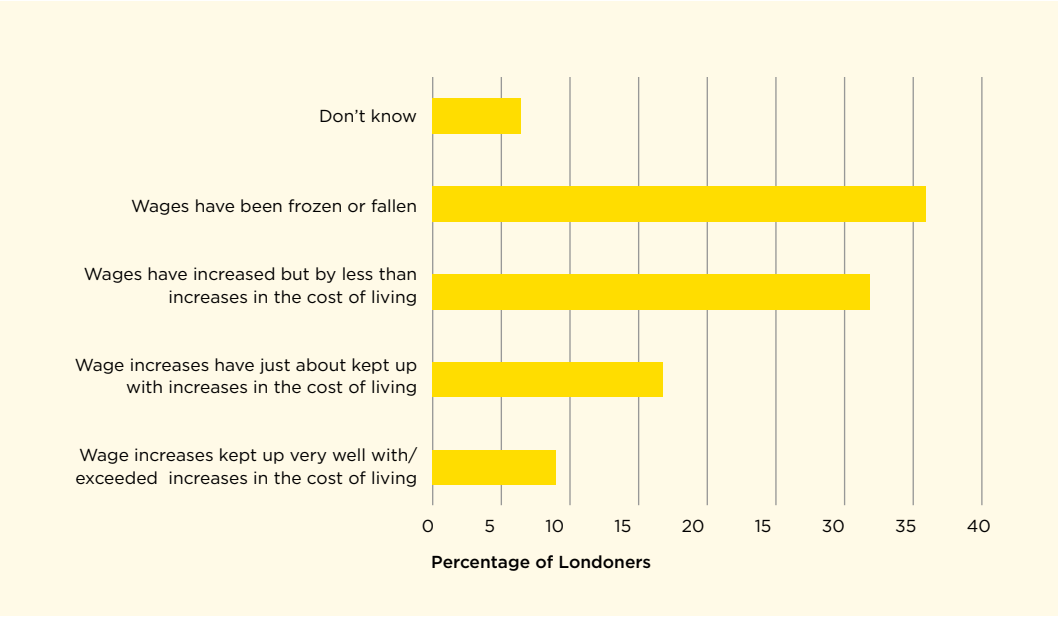
Household type	Weekly budget outside of London (£)	Inner London		Outer London	
		Budget	% difference to outside of London	Budget	% difference to outside of London
Single working aged	279	410	47	376	35
Pensioner couple	348	455	31	411	18
Lone parent, one child (aged 0 to 1)	540	675	22	665	21
Couple with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

Source: Matt Padley, Lydia Marshall, Donald Hirsch, Abigail Davis and Laura Valadez, A Minimum Income Standard for London, Loughborough University and Trust for London, May 2015

Two thirds of Londoners believe that their wages have not kept pace with the increased costs of living

Londoners do not believe that their wages have kept pace with the increasing costs of living in the city over the last two years with 36% reporting that their wages have been frozen or fell, and a further 32% saying that their wages have increased but by less than increases in the cost of living. 17% of Londoners reported that their wage increases have kept up with increases in the costs of living and just 9% of Londoners reported that their wage increases had exceeded increases in the cost of living.

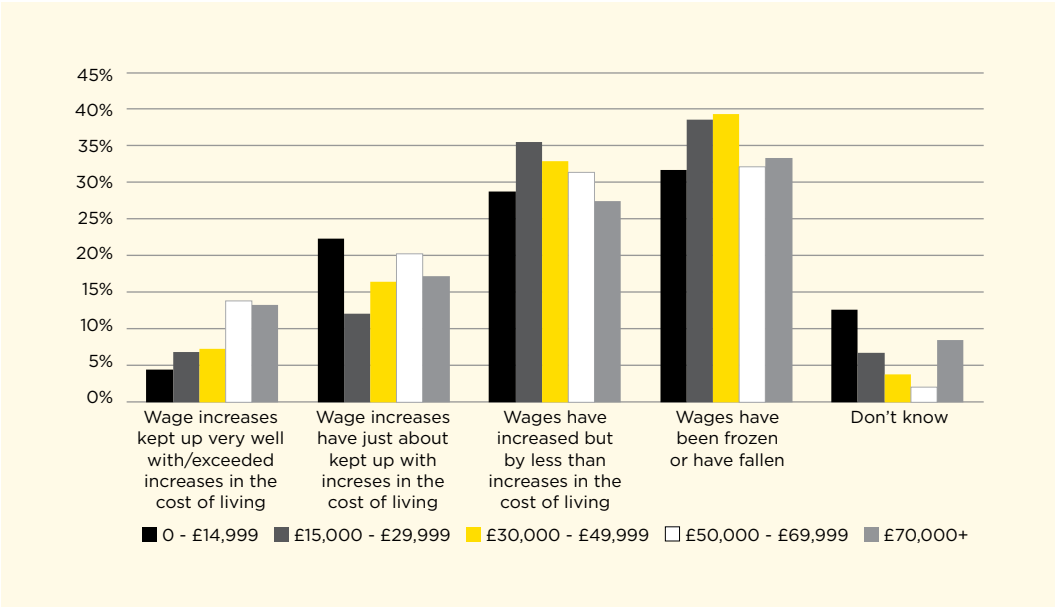
Figure 11. Londoners views of the extent that their wages have kept up with the cost of living over the last two years



But the “squeeze” from wage constraint and increased living costs has been felt differently between demographic groups in London. Younger employees (those aged between 18 and 34 years) are more likely to report wage increases that have exceeded the cost of living (11%) than older groups (8%) and equally were less likely to report that their wages have been frozen or fallen (29%) compared to 40% for Londoners aged 35 years to 54 years and 44% for those aged 55 years and older.

Londoners with household incomes between £15k and £50k were more likely to report that their wages had been frozen or fallen over the last two years or had increased at a lower level than the cost of living increase. At the other extreme, those from households with incomes greater than £50k were more likely to report that their wage increases had exceeded the cost of living increases.

Figure 12. Londoners views of the extent that their wages have kept up with the cost of living over the last two years by their household income



Half of Londoners do not believe their wage is a fair reflection of their work

Just over half of London employees (51%) do not feel that their wage is a fair reflection of what they do at work. Excluding those who say they didn't know, 58% of women and 50% of men say their wage is not a fair reflection of their work.

Those from higher income households (those earning more than £50k per year) are more likely to believe that their wage is a fair reflection of what they do at work. Below this level, the lower the household income level the stronger the belief that their wages are not a fair reflection of what their work.

Figure 13. Londoners' perception of whether their wage is or is not a fair reflection of their work



Over half of Londoners do not think that it is fair for top earners to be paid very high salaries as other in London are struggling to get by

57% of Londoners believe that it is not fair for the top earners in London to be paid very high salaries as others in London are struggling to get by while 28% thought that it was fair as top earners contribute great value to the London economy. Older Londoners were more likely to believe that it was not fair (61% of those aged over 35 years) compared to younger Londoners (51%).

Wage ratios for different London industries

We have calculated wage ratios for different industries in London to determine which of London's industries have larger differences between pay levels for those at the top and for those at the bottom and how this relates to overall pay levels. The largest difference between top and bottom wages was in financial and insurance activities where the top 10% earned 5.3 times the amount of the bottom 10%. However this industry also had the highest hourly wage rates for those at the bottom at £13.52 per hour.

The lowest differences between the top 10% and the bottom 10% were in the accommodation and food services industries, this industry also had the lowest pay for all workers. However, it does not always follow that the opportunity for higher pay at the top means that there is a larger difference between the overall pay ratio. Information and Communication, Education and Transportation and Storage all have relatively high salaries at the top but not such large pay differences.



25. Damien Knight, New HPC Report on Performance-Related Pay - a Response, Executive Compensation Briefing Note 10, December 2014, MM&K Ltd

26. ONS, Annual Survey of Hours and Earnings, 2014 and High Pay Centre, The State of Pay: High Pay Centre briefing on executive pay, 16 August 2015

27. European Banking Authority, High Earners, 2012 data

Table 2. Hourly wage for top and bottom deciles and wage ratio by industry in London

Industry	Hourly wage (£) excluding overtime		Wage ratio
	Bottom decile	Top decile	(90/10)
Financial and insurance activities	13.52	72.12	5.3
Professional, scientific and technical activities	10.06	46.84	4.7
Wholesale and retail trade; repair of motor vehicles and motorcycles	6.53	26.53	4.1
Manufacturing	7.25	27.54	3.8
Administrative and support service activities	6.43	24.00	3.7
Information and communication	10.73	38.32	3.6
Education	8.71	30.99	3.6
Human health and social work activities	7.61	27.71	3.6
Arts, entertainment and recreation	6.86	22.93	3.3
Transportation and storage	10.21	30.46	3.0
Public administration and defence; compulsory social security	11.61	29.89	2.6
Accommodation and food service activities	6.31	14.89	2.4

N.B. Only industries where the salaries of the top 10% were available within the ONS data are included within this analysis. Source: ONS, Annual Survey of Hours and Earnings 2014

Wages of those at the very top

For Londoners who are in the top 10 per cent of wages there is a large variation within pay but official data does not allow us to break down the wage data into any more detail. Since 1983, the total pay for FTSE 100 Chief Executive Officers (most of whom are London-based) has gone up by 20 times compared with an increase of just over four times for average earnings, although in recent years, the growth in CEO pay has been slower.<sup>25</sup> In 2014, a typical CEO pay package was nearly £5 million including bonuses and incentive pay compared to a London median salary of £32,781.<sup>26</sup>

Most business representatives we spoke to strongly believed that high salaries were needed to attract top staff who could otherwise locate in other international cities. It was the opportunity to earn high salaries that attracted talented people to London and enabled them to create more wealth in the city overall.

The European Union collects annual data on the highest earners in each country in the EU. Over 2000 employees in London are paid over a million euros a year, almost all working in finance. In Europe the next greatest concentration of high earners is found in Germany where fewer than 200 people are paid as much.<sup>27</sup>

When asked what maximum salary would be considered fair for a chief executive of a London-based organisation that paid its lowest paid workers the minimum wage (around £13,500 per year) the responses of Londoners were mixed.

28. Kitty Usher, London Rising: The case for a London minimum wage, Centre for London, November 2013

Table 3. Londoners views of what the maximum salary for a Chief Executive should be if the lowest paid workers of their company earned the minimum wage

Maximum salary	% response
13,500	4
50,000	18
100,000	26
200,000	18
500,000	13
1,000,000	5
2,000,000	2
Any amount “there is no such thing as an unfair salary”	15

15% of Londoners believe that there is no such thing as an “unfair salary” for Chief Executive Officers rising to 25% of Londoners who have a household income of above £70,000.

Men are more likely to say there is no such thing as an unfair salary at 18% compared to 12% of women. Older Londoners (those aged 55 and above) are also more likely to say there is no such thing as an unfair salary (at 19%) compared to 14% of those aged between 35 and 54 years and 13% of 18 – 34 year olds.

Londoners believe that London should have a higher National Minimum Wage than the rest of the UK

The National Minimum Wage was introduced in 1999. The amount is set by the Government following a recommendation by an independent Low Pay Commission. The amount is calculated with reference to the impacts on the wider economy and in particular how the wage will affect the number of jobs. But as the name implies the figure is calculated on a national basis and does not take into account the unique characteristics of the London economy. The lowest paid in London are paid more than the lowest paid in the rest of the country so the national minimum wage has less impact in the city than elsewhere. Research has shown that London could have a minimum wage around 20% higher than the national level without negatively impacting on job numbers.<sup>28</sup>

“There needs to be fair competition rather than limiting what can be achieved at the top.”

Senior Business Representative.

29. <https://www.gov.uk/government/news/national-living-wage-women-and-those-based-outside-london-to-be-biggest-winners>, accessed 19th August 2015

In the most recent Budget, the Government announced a “National living wage” for workers aged 25 years and above, applicable from April 2016 starting at £7.20 it is expected to reach £9 by the end of the decade. However, as London has fewer workers below this hourly wage, the benefit of the policy for low paid London workers is limited. Only 5% of London workers will receive an increase in their pay from this announcement compared to 10% nationally.<sup>29</sup>

Table 4. National Minimum Wage rates in the UK from 1st October 2015.

Group	Hourly Wage (£)
Adult rate	6.70
18 years to 20 years	5.30
16 to 17 years	3.87
Apprentice	3.30
National Living Wage (for over 25 year olds) from April 2016	7.20

Source: [www.gov.uk](http://www.gov.uk)

78% of Londoners believe that London should have a higher National Minimum Wage than the rest of the UK, 15% do not agree and a further 7% did not know.

The London Living Wage

The Greater London Authority has been calculating the London Living Wage since 2005. The hourly wage takes into account the costs of living and, since its inception, has been consistently higher than the National Minimum Wage. It currently stands at £9.15 per hour. Unlike the National Minimum Wage, the living wage is not mandatory. It is supported by the Mayor of London and around 600 employers in London are accredited to the scheme by the Living Wage Foundation.

Around 13% of full time workers and nearly half of part time workers are currently paid less than the London Living Wage. If all employees were paid the Living Wage this would affect the lives of 1,034,000 Londoners. Given that the majority of part time workers are female this would also help to reduce the gender pay gap.

Next steps for the Commission

The clear messages coming from our work so far are:

- Just over half of Londoners feel that London is a fair city except when it comes to housing and affordability of transport.
- Self-employed Londoners and those living in privately rented accommodation (which is a rapidly growing group) feel London is less fair.
- London is growing and employment rising with large numbers of jobs being created
- But some groups of Londoners are missing out on the opportunities created including young people, mothers with dependent children, some ethnic groups (and in particular women from these groups) and those with disabilities.
- London is one of the most expensive cities in the world in which to live and has much higher housing, transport and childcare costs than the rest of the country.
- Londoners have been hit harder than others in the rest of the country by recent Government tax and benefit changes.
- Two thirds of Londoners do not believe that their wages have kept pace with the increased cost of living.
- Londoners feel that the income gap is widening.
- There is a strong call for a higher minimum wage in London.
- Londoners do not think that it is fair for top earners to be paid very high salaries as others in London are struggling to get by.

What this means for the Commission going forward is that we will focus on the following key issues:

- Are growing disparities a threat to London’s future stability and the well-being of Londoners?
- What more should London’s businesses do to increase fairness of access to employment opportunities?
- How can incomes for those at the bottom be increased?
- What can be done to reduce the costs of housing and transport in London?
- What is an appropriate contribution for wealthy households in London?



self-service

# IS LONDON'S WEALTH DISTRIBUTION FAIR?

In this section, we report what we have been told by Londoners and London-based organisations and businesses about Londoner's wealth, how it is distributed, how it has changed over time and which types of households are more likely to accrue wealth. We look at the extent of problem debt in London and how Londoners think their personal financial situation will fare in the coming year. We also report the amount that Londoners pay in inheritance and property taxes.

## Government policy has reduced interest rates and increased asset prices

Very wealthy households can be distinguished from others as they own assets which are income generating for example, stocks and shares, bonds, derivatives and buy-to-let property. These assets can rise and fall in value depending on the business cycle whereas many others are solely reliant on their income from their jobs. In the wake of the recession, the UK Government adopted quantitative easing<sup>30</sup> with the intention of encouraging economic growth and protecting overall employment levels. Without quantitative easing, most people in the UK would have been worse off. However, low interest rates have affected the returns of savers and quantitative easing has pushed up a range of asset prices, which have boosted the values of household's financial wealth held outside of pension funds. Households with assets are heavily skewed with the top 5% of households holding 40% of these assets.<sup>31</sup>

When we discuss total wealth, we include the following:

- financial wealth - the value of financial assets e.g. bank accounts, stocks and shares, money under the mattress minus liabilities e.g. loans, overdrafts and arrears on household bills;
- physical wealth - the value of physical assets e.g. clothing, furniture, technology, jewellery, car, bicycle;
- property wealth - the value of the main residence for a household and any additional properties owned minus the value of the mortgages;
- pension wealth - the value of a projected person's private pension income in retirement.<sup>32</sup>

30. Quantitative easing is essentially when the Government buys gilts from banks to reduce the rate of interest which in turn will encourage businesses and people to borrow more which they spend to boost the economy.

31. Bank of England, The distributional effect of asset purchases, Quarterly Bulletin, q3, 2012

32. Definitions and data are from the ONS, Wealth and Assets Survey 2006/08 to 2010/12 and is provided as nominal values.

The Money Shop  
pawnbroke

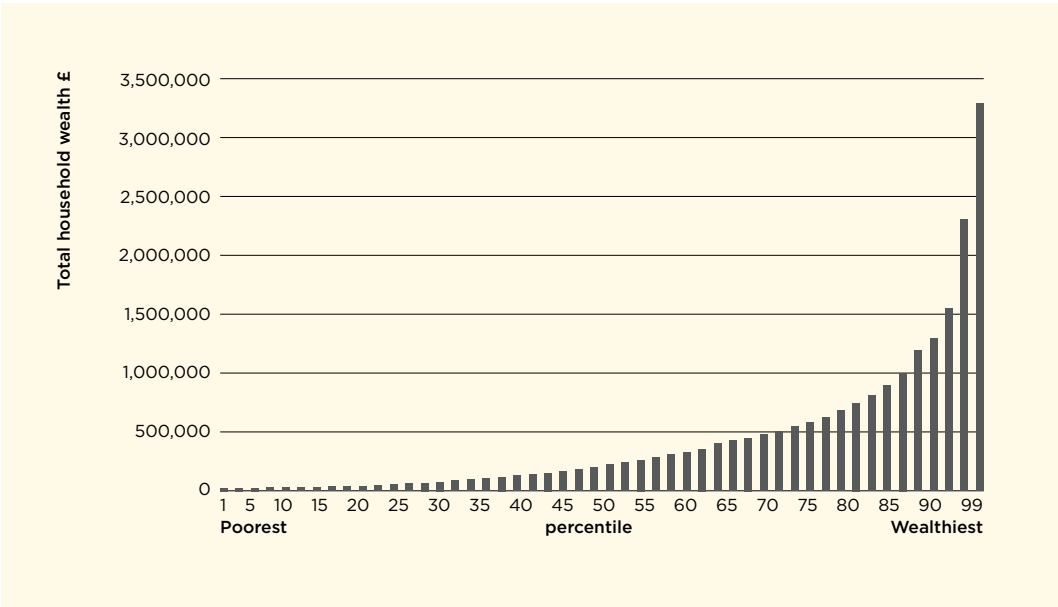


33. Sunday Time Rich List 2015.

Wealth inequality fell between 2006/08 and 2010/12 but still remains very high in London

The distribution of wealth in London is far more unequal than the distribution of income. To be in the top 1% of London's wealthiest households requires holding assets worth at least £3.2 million. However, the top 1% is a very heterogeneous group and the upper echelon of households will have wealth measured in billions. London is home to 80 known billionaires, more than any other city in the world. The wealthiest London based billionaire, Len Blavatnik was worth £13.17 billion alone.<sup>33</sup>

Figure 14. Distribution of household wealth in London



Source: ONS, Wealth and Assets survey 2010/2012

It is only at the upper end of the wealth distribution that London households have more wealth than households in the rest of Great Britain. London households with median wealth and below are less well off than households living in the rest of Great Britain. The bottom 2% of London households have no wealth at all, only debts, while for the rest of Great Britain it is the bottom 1% of households who have no wealth.

Table 5. Total wealth of households in London and Great Britain, 2006/08 and 2010/12

		Income Decile					90/10 Ratio
		10th	30th	Median	70th	90th	
Gt Britain	2006/08	10,700	76,700	200,100	363,600	774,700	72
	2010/12	14,800	88,000	218,700	409,200	895,300	60
London	2006/08	3,800	34,200	163,200	375,500	889,000	234
	2010/12	6,300	46,800	213,500	472,700	1,088,900	173

Source: ONS, Wealth and Assets Survey, 2006/08 and 2010/12

When comparing the wealth of the top 10% of households with that held by the bottom 10% there has been a decline in the level of wealth inequality between 2006/08 and 2010/12 although it is still remains very high in London with a ratio of 173:1. The bottom 10% increased their wealth by £2,500 between the two surveys whilst the top 10% increased their wealth by a substantial £199,900.

Home owners have greater wealth than those who are renting

The main component of wealth assets held by households with median wealth and higher is in the form of property. For households in the bottom 10% of the wealth distribution the most important component is financial and physical wealth.

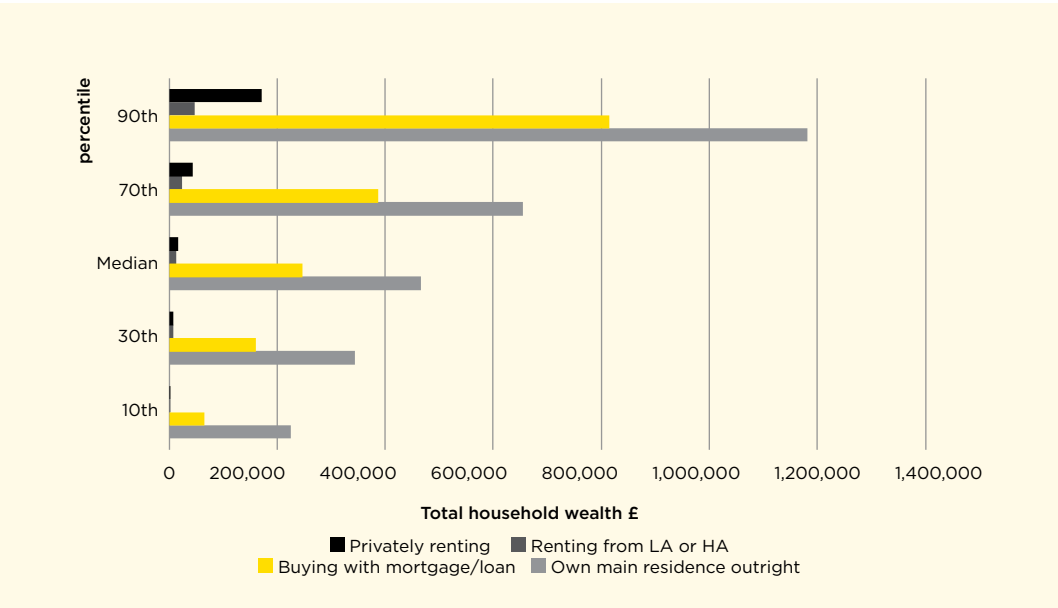
Table 6. Types of wealth held by Londoners 2010/2012

	Income Decile				
	10th	30th	Median	70th	90th
Financial and physical	3,100	16,300	40,300	79,600	246,500
Property	1,400	9,800	110,700	254,900	503,400
Pension	1,800	20,700	62,500	137,500	339,000
Total	6,300	46,800	213,500	472,700	1,088,900

Source: ONS, Wealth and Assets survey 2010/2012

London property prices have risen dramatically over the past few years which has led to an increase in the wealth for those Londoners who either own their property outright or are buying it with a mortgage. Across the wealth spectrum, those who have buy-to let properties, own their home or who are in the process of buying it have substantially more wealth than those who are renting.

Figure 15. Londoners total wealth by housing tenure



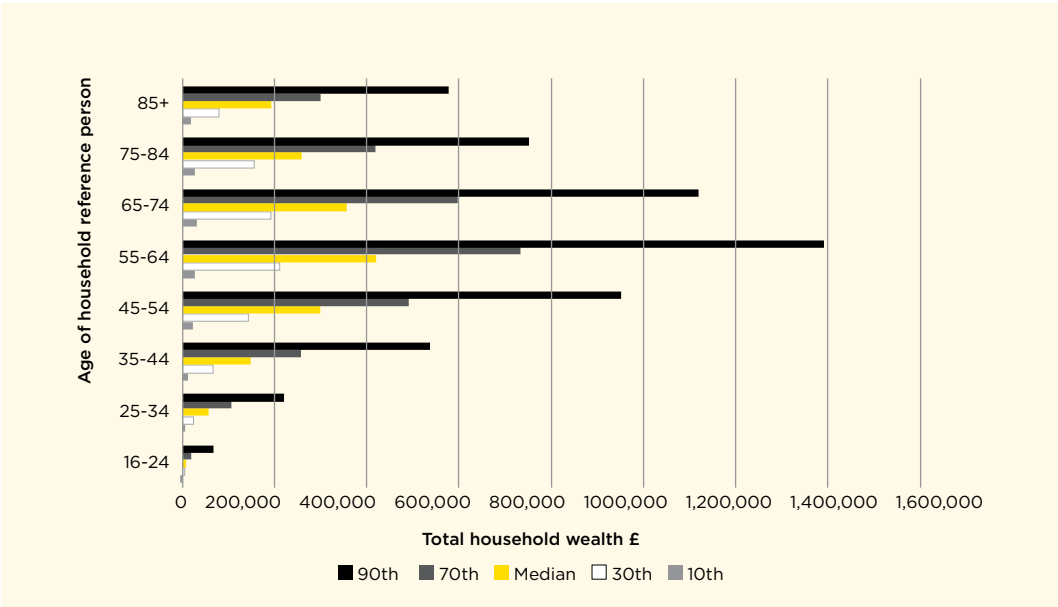
Source: ONS, Wealth and Assets survey 2010/2012



London’s wealthiest households are those headed by someone aged between 55 and 64 years old

As would be expected, wealth accrues over time. London households’ wealth peaks just before retirement age (55 – 64 years) for all deciles except for the bottom 10% of wealthiest households who peak just after retirement (65 to 74 years). Of course, there are also a large number of elderly people living in London who have no wealth at all. Wealth inequalities tend to be higher at older ages. Few people have much wealth when they are young.

Figure 16. London households total wealth by age of household reference person

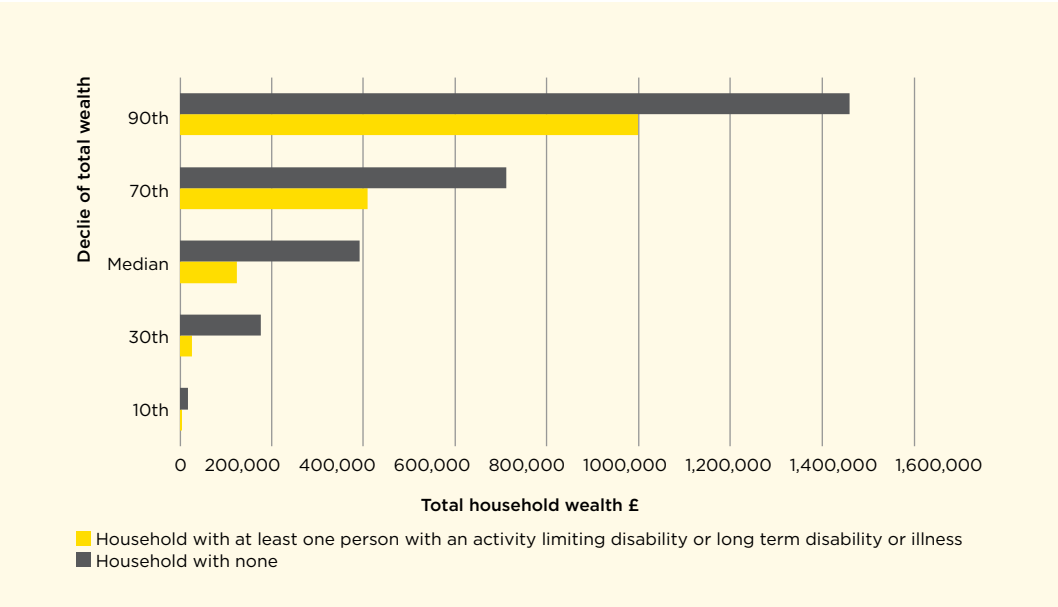


Source: ONS, Wealth and Assets survey 2010/2012

Households with at least one disabled person have lower wealth than households with no disabled people

London households with at least one disabled person have lower wealth than households with no disabled people across the wealth spectrum. The bottom 30% of households with a disabled person have very little wealth with seven times less wealth than a household with no disabled person. For the bottom 10% of households it is 5 times more.

Figure 17. Household wealth by disability status

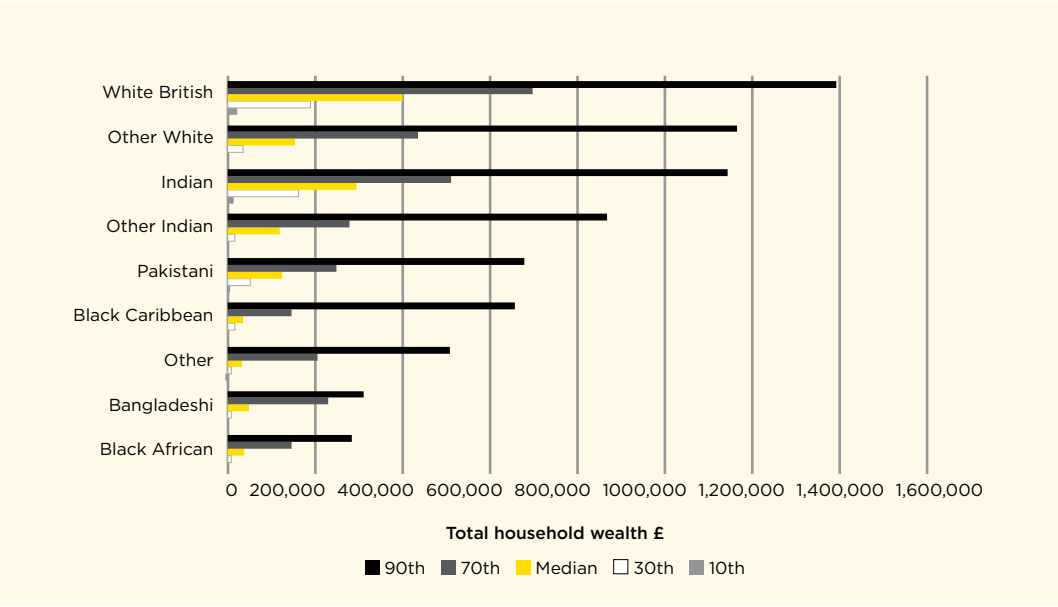


Source: ONS, Wealth and Assets survey 2010/2012

London households from ethnic backgrounds have less wealth than those from white backgrounds

Across the wealth spectrum, households headed by a White British person have higher levels of total wealth than other ethnic groups. For the bottom 30% of households there is very limited wealth for all ethnicities bar those from a White British or Indian ethnicity.

Figure 18. London households total wealth by ethnicity of household reference person



Source: ONS, Wealth and Assets survey 2010/2012

34. www.themoneycharity.org.uk accessed 25/8/2015

35. London Assembly Economy Committee, Final demand: Personal problem debt in London, March 2015

UK Household debt

At the end of June 2014, people in the UK owed £1.441 trillion. The average total debt per household, including mortgages, was £53,961 which equates to an average debt per adult of £28,532 around 111.2% of average earnings.<sup>34</sup>

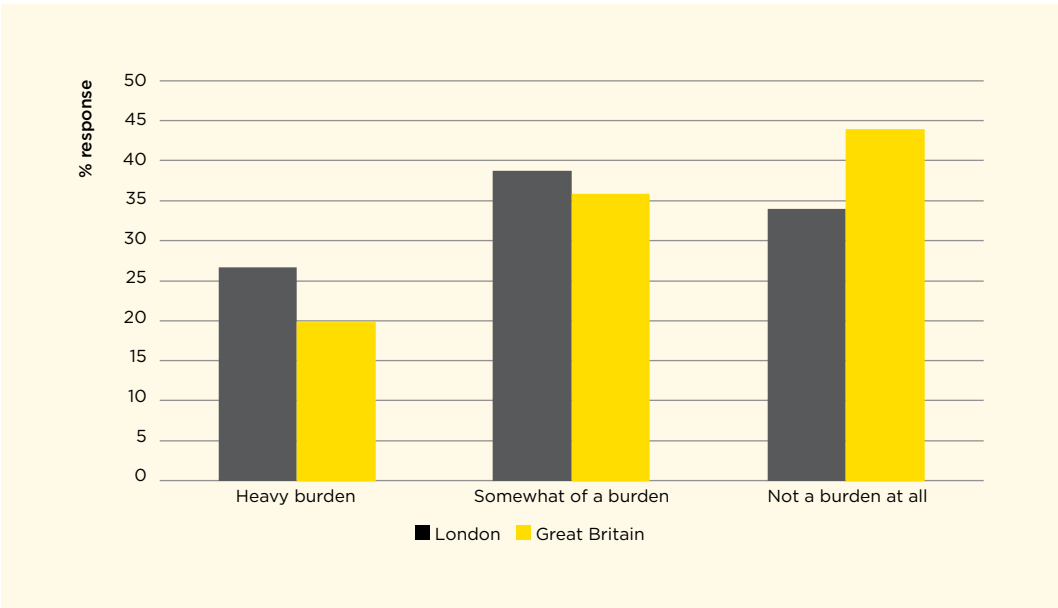
Problem debt in London

As we saw earlier in the report, Londoners do not feel that their wages have kept up with the increases in costs of living. In this section of the report, we consider those who are struggling to keep up repayments of the debts that they have accrued.

Approximately half a million Londoners are currently over-indebted or in financial difficulty. The impact of personal debt extends far beyond the amount of money owed, affecting the wider economy. Household debt affects mental and physical health, reduces productivity and employment prospects, strains relationships and threatens families.<sup>35</sup>

Londoners are more likely to feel that their financial debts were a heavy burden or somewhat of a burden than households in the country as a whole.

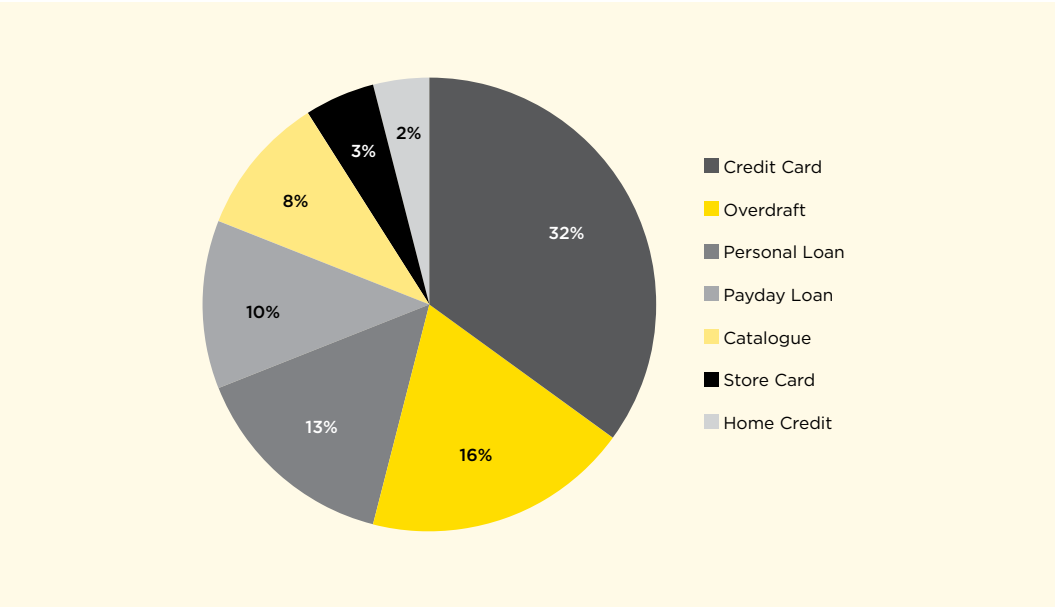
Figure 19. London and British Households' perception of their financial debts



n.b. Only includes respondents who have financial liabilities  
Source: ONS, The Burden of Financial and Property Debt, Great Britain, 2010 to 2012, 27 July 2015

The main sources of Londoners debt are from credit cards (32%), overdrafts (16%) and personal loans (13%).

Figure 20. Types of debt held by StepChange London clients in 2014



Source: London Assembly Economy Committee, Final demand: Personal problem debt in London, March 2015

Debt advice agencies in London are also reporting that more households are seeking their advice about falling into arrears with their household bills. Changes to Council Tax rules implemented in 2013 increases the amount that benefit claimants have to pay by an average of £151 per year.<sup>36</sup>

More Londoners think that their personal financial situation over the next 12 months will worsen that improve

Londoners are divided about how their personal financial situation may change over the next year. 44% felt that it would stay the same, 22% thought that it would get better and 24% felt that it would get worse. 9% did not know how their personal financial situation would change.<sup>37</sup>

As would be expected, as they are no longer reliant on wages, retired Londoners were the most certain about the direction that their personal financial situation would take over the coming year and were the least likely to state that they didn't know. 58% of retirees thought that their financial situation would remain the same, only 11% thought that it would improve and 26% thought that it would get worse. Part time employees were less positive than full time employees with 30% of them thinking their financial situation would get worse compared with 22% of full time employees. The self-employed were the most optimistic group with 31% of them thinking that their financial situation would improve over the coming year and just 20% of them thinking that their financial situation would get worse.

36. Child Poverty Action Group, A new poll tax?: The impact of the abolition of council tax benefit in London, 2014

37. Figures from Survation Poll undertaken on behalf of the London Fairness Commission in July 2015

38. HMRC, Inheritance tax statistics: Table 12.10 - provisional amounts of tax due in tax year 2012 to 2013 by geographical region, 25 July 2015

Inheritance tax

Although fewer than a tenth of all UK citizens pays inheritance tax it is one of the more unpopular taxes. Some people think that inheritance tax is unfair as the money accrued has already been taxed throughout a person’s life and is then double taxed upon their death. As the threshold for the tax has not kept up with house price increases, it is no longer just the very wealthy who have to pay it. In practice, the tax often hits those who just meet the threshold hardest as the very affluent are more likely to have financial advisors in place who will have already found means to reduce taxable amounts before their death. 3,200 Londoners paid inheritance tax in 2012/13, raising £757 million for the UK Government, a quarter of the total amount raised.<sup>38</sup>

More than half of all people in Great Britain think that no inheritances should be taxed with a stronger view in London (54%) than in Great Britain (52%). At the other end, 4% of Londoners believe that all inheritance should be taxed compared with 2% nationally.

Table 7: Views of British and London citizens about inheritance tax

	Percentage	
	All	London
No inheritances should be taxed	52	54
Only inheritances over £1 million should be taxed	18	13
Only inheritances over £500,000 should be taxed	12	9
Only inheritances over £250,000 should be taxed	6	5
Only inheritances over £125,000 should be taxed	1	1
Only inheritances over £50,000 should be taxed	1	3
All inheritances should be taxed	2	4
Refused	*	1
Don’t know	7	10

Source: Survey of 2,019 adults aged 16 plus in Great Britain conducted by Centre for Household Assets and Savings Management, University of Birmingham and Taylor Nelson Sofres in July 2014.

In the last budget, the Government announced that in addition to the tax-free allowance of £325,000 per person (which can be passed on between married couples and civil partners) from April 2017, parents will each be offered a further £175,000 “family home allowance” to enable them to pass property on to children tax-free after their death. This brings the total transferable tax-free allowance from both parents in a married couple or civil partnership to £1 million.

39. The City of London council tax has a lower precept for the Greater London Authority than other boroughs as it has its own police force rather than paying towards the Metropolitan Police Service.

Property taxes

There are two main taxes levied against properties in the UK. Stamp duty which is payable by the purchaser when they buy a residential property and Council Tax which is an annual payment that pays towards local borough services and includes a precept towards the funding of the Greater London Authority Group. For properties which are not the main home of the owner, any increase in value will be subject to Capital Gains Tax payable by the seller on sale of the property. The Government has recently reduced the tax perks for overseas residents who were previously excluded from having to pay capital gains on properties.

Recent changes in Stamp Duty have made the tax more progressive (i.e. it increases with the cost of the home) but Council Tax still remains a regressive tax. The most expensive properties in the boroughs with the lowest council tax pay less per year (£1,345) than average priced properties in the boroughs with average council tax (£1,355). For households in boroughs with the highest council tax, they pay at least twice the amount of council tax as households in boroughs with the lowest council tax.

Table 8. 2015/16 Council Tax across London Boroughs and City of London, by band and cost<sup>39</sup>

	Band A	Band D	Band H
Lowest council tax (Westminster)	£448.50	£672.74	£1,345.00
Median council tax (Lewisham)	£903.57	£1,355.00	£2,710.70
Highest council tax (Kingston upon Thames)	£1,115.98	£1,673.97	£3,347.94
City of London	£628.96	£943.44	£1,886.88

Part of the council tax is the GLA precept which is set out below.

Table 9. GLA Precept for London Boroughs and the City of London

2015/16 GLA precept London Boroughs		2015/16 GLA precept for City of London	
Band	2015/16 (£)	Band	2015/16 (£)
A	196.67	A	57.42
B	229.44	B	66.99
C	262.22	C	76.56
D	295.00	D	86.13
E	360.56	E	105.27
F	426.11	F	124.41
G	491.67	G	143.55
H	590.00	H	172.26

Londoners living in higher value homes contribute proportionally less for local services and city wide services such as emergency services than Londoners living in lower value homes. The ratio of property prices from the top 0.1% to the median (top 50%) is 20.6/1 the ratio for council tax is much lower at 2.4/1.

Table 10. Property price and council tax ratios for London

	Property price*	Council Tax**
Top 0.1%	£6,025,000	£3,164
Top 1%	£2,400,000	£2,637
Top 10%	£730,000	£1,934
Median	£292,000	£1,296
Ratio	20.6/1	2.4/1

Source: \* Residential property sales from Land Registry Price Paid Data, 2014  
\*\*Council Tax charge 2015/16 and chargeable dwellings

Next steps for the Commission

The clear messages coming from our work so far are:

- Despite a reduction in wealth inequality between 2006/08 and 2010/12, it still remains very large in London with the top 10% of households having wealth of £173 for every £1 of wealth of the bottom 10% of households.
- Property is a key component of the wealth of Londoners so those who are renting are likely to have less, or no, wealth.
- The bottom 30% of households have substantially less wealth than those at the median level.
- It takes time to accrue wealth. Londoners aged between 55 and 64 years old are the most wealthy of any age group in the city.
- Households from ethnic minority backgrounds and those households with a disabled person are less likely to accrue wealth.
- Around 500,000 Londoners have problem servicing their debts and there has been an increase in households seeking advice about arrears in household debts.
- More Londoners think that their financial situation will worsen in the coming year than improve.
- Despite that the majority of Londoners do not pay inheritance tax, 54% of Londoners believe that there should be no inheritance tax at all.
- London households contributed a quarter of the total inheritance tax collected in 2012/13 therefore London will benefit from the increases to the threshold more strongly than other parts of the country.
- Council tax is more strongly regressive within London than anywhere else in the UK.

What this means for the Commission going forward is that we will focus on the following key issues:

- How can more Londoners secure wealth given high living costs (and therefore difficulty of saving) and high property costs?
- Do the wealthy pay their fair share towards public assets and services?
- Does the existence of very wealthy households reduce opportunities for all to accrue wealth?
- Does London's financial sector use its wealth to help poorer people and to help other sectors in London?
- How could the property tax system be made fairer in London?





# IS ACCESS TO HOUSING IN LONDON FAIR ?

The increasing cost of housing in London has seen growing profits for the housing industry and massive growth in asset value for property owners. However, for others, in particular the young and newly arrived into the city, the high costs of housing is causing affordability problems.

Businesses are concerned about how high housing costs may reduce their ability to attract new recruits and how productivity may be affected if people are having to commute for ever longer distances, although for the moment at least, London remains a strongly attractive place for people to come for work.

In this section we report on London's housing stock and changes in London's housing tenure mix, price of home ownership and rent. We report back on Londoners' views about the insufficiency of affordable housing in our city and the types of development that they would most value going forward.

*"A fair city is a place where people who do ordinary jobs can expect to live in some degree of comfort. A place where the needs of Londoners' are placed above the needs of wealthy foreigners' who see our city as an investment opportunity."*

Camden resident

*"Despite high costs most young recruits prefer to be based in London than other cities in the UK. It is still highly sought after for international recruits as part of their training."*

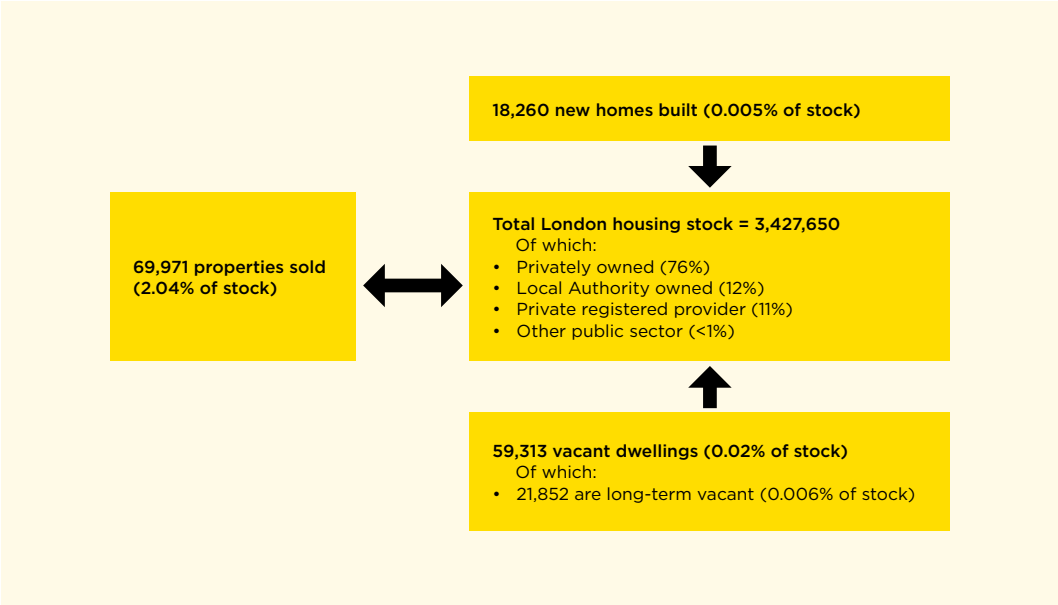
Business representative



The current situation

London’s housing supply has failed to keep up with the growth in London’s population resulting in rapidly increasing prices, and rapid increases in overcrowding.

Figure 21. London’s housing stock, 2014



Source: Land Registry Price Paid Data; DCLG, Dwelling stock: Number of Dwellings by Tenure and district: England; DCLG, Number and proportion of empty dwellings

More than half of London’s households now rent their home

Table 11. London dwellings by tenure

	Own Outright	Buying with mortgage	Rented from Local Authority or Housing Association	Rented from Employer, another organisation, friend	Rented from Private landlord
2014	22	27.9	23.1	2	24.8
2009	22.1	31.1	24.4	2.3	20.1
Change	-0.1	-3.2	-1.3	-0.3	4.7

Source: DCLG, Dwelling stock: Number of Dwellings by Tenure and district: England

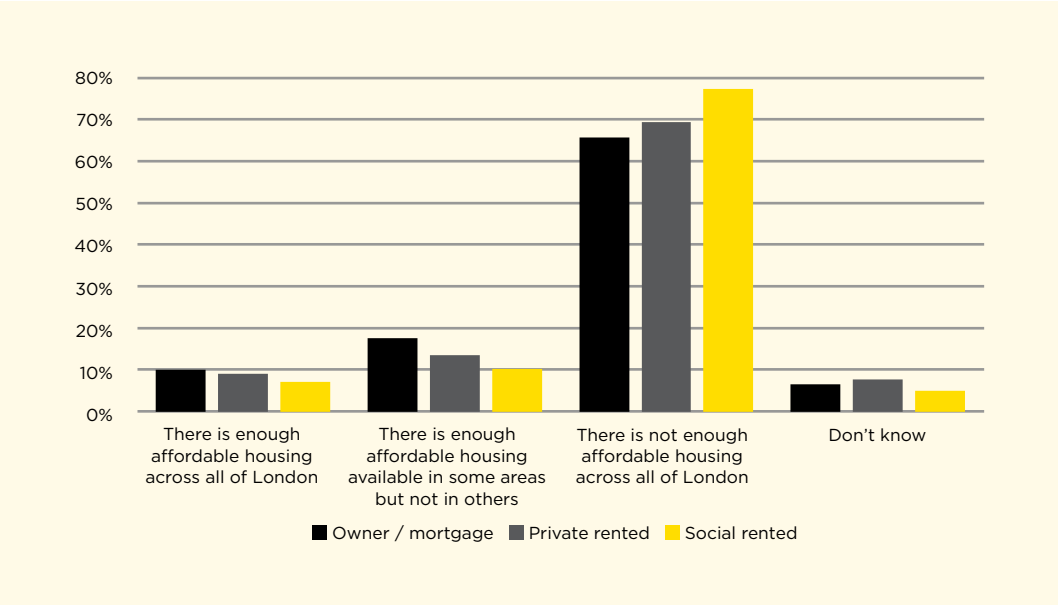
Between 2009 and 2014, there has been a 5 percentage point increase in the number of households within the private rented sector with the majority of the increase made up from a drop in households with a mortgage buying their own home. This increase comes on top of an earlier rapid increase that can be measured from the 2001 census onwards.

The majority of Londoners believe there is not enough affordable housing

The majority of Londoners (69%) think that there is not enough affordable housing across all of London. A further 15% think that there is not enough affordable housing in some areas of London and only 9% think that there is enough affordable housing across the whole of the city. A further 7% do not know if there is enough available or not.

Londoners who live in social rented housing are the most likely to believe that there is not enough affordable housing available across the whole city while home owners are the most likely group to believe that there is not enough affordable housing in particular locations within the city.

Figure 22. Londoners’ views about the availability of affordable homes in London by their tenure



Less access and more expensive rent for households wanting social housing

Just over a quarter of a million London households were on the waiting list for Local Authority housing in April 2014, a reduction of 25% on the previous year.<sup>40</sup> However, the reduction is not due to more households being found a home by Local Authorities but rather by more stringent application of rules about who is allowed on the list in the first place and from Local Authorities using private rented properties to discharge their housing duties.<sup>41</sup> **There is clearly very large pent-up demand for cheaper housing in London.** This demand is greater than it has been for many decades which is one reason that rents and housing prices are now so very high. It is hard to find a large city anywhere else in the world that has more expensive housing than London has today.

40. DCLG, Table 600: number of households on Local Authority waiting list

41. Hilary Osborne, Council housing waiting list slashed with a sweep of a pen, Guardian, 1st February 2014

Part of the decline in households living in Social Housing has been through the introduction of the “Right to buy” policy which enables council tenants to buy their home at a discount, and much of that property being sold on to private landlords. Since the introduction of “right to buy”, 274,405 council houses in London have been sold whilst very little council housing has been built. Receipts from right to buy have not been used to fund new properties. This policy is due to be extended to enable people living in Housing Association properties to purchase their homes at a discount and according to Rick Blakeway, London Deputy Mayor for Housing, a broad estimate is that between 2,000 and 6,000 London homes will be sold each year through the policy.<sup>42</sup> Housing Associations will be charged with building replacement homes with the money that they gain from selling off their existing stock. However, there is no clear view on where the replacement homes will be located nor on the type of stock that will be built.

Between the censuses of 2001 and 2011, there was a 1% reduction in the proportion of people living in housing that was owned outright in London, a 1% increase in people living in Housing Associations property, a 7% reduction in people living in mortgaged property, a 4% reduction in people living in local authority housing and an 11% increase in people living in private renting. In 2001 some 14% of Londoners were renting privately. By 2011 that proportion had risen to 26% and it is much higher now. Families with young children are more likely to be renting privately than other people, especially if they identify with an ethnic minority.

Table 12. Number and % change of people living in London by Tenure, 2001 and 2011

		Owned outright	Mortgaged	LA rented	HA rented	Private rented	Total
Change	(%)	-1	-7	-4	1	11	-
2011	Number	1,437,803	2,590,692	1,050,817	811,564	2,089,459	8,073,700
	(%)	18	32	13	10	26	100
2001	Number	1,359,583	2,771,939	1,178,945	622,805	1,021,605	7,078,632
	(%)	19	39	17	9	14	100

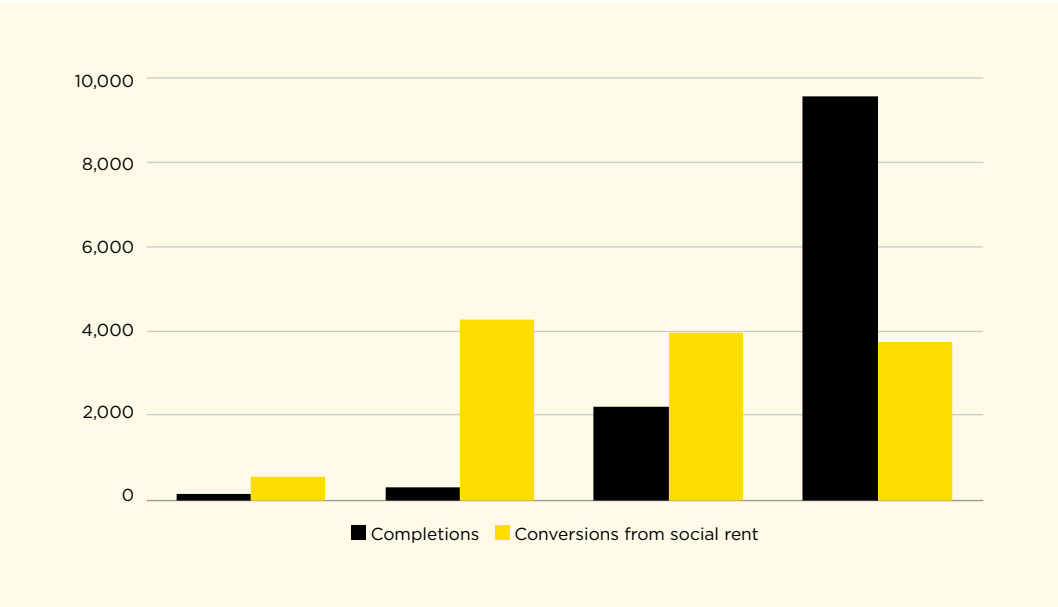
Source: ONS, Census 2001 and 2011

In an effort to increase the amount of money available to Housing Associations to build new stock, the Government introduced “affordable rent” which enables Housing Associations to charge up to 80% of market rent and have the option to introduce fixed-term tenancies. Given market rates of new tenancies are now £350 per week that could mean charging rents of up to £280 per week. This is substantially higher than the current rents charged by Housing Associations and Local Authorities.

Across London, in 2014, average weekly rents as reported by private, but registered providers was £116. The average rent increases from the previous year vary between 17% (for tenants in Newham) and 1% (for tenants in Bromley). For tenants in Local Authority housing the average rent was £104.<sup>43</sup>

New affordable housing stock is increasingly becoming “affordable rent” which is based on a market value rather than the affordability in terms of income of households and shared ownership.

Figure 23. Affordable rent homes newly built or converted from social rent in London, 2011/12 to 2014/15



Source: Completions from GLA Affordable housing statistics, conversions from HCA Registered Provider survey data supplied to GLA

Home ownership is more difficult to access

Londoners wishing to purchase homes are faced with two major barriers, the high cost of housing and difficulty in accessing mortgages.

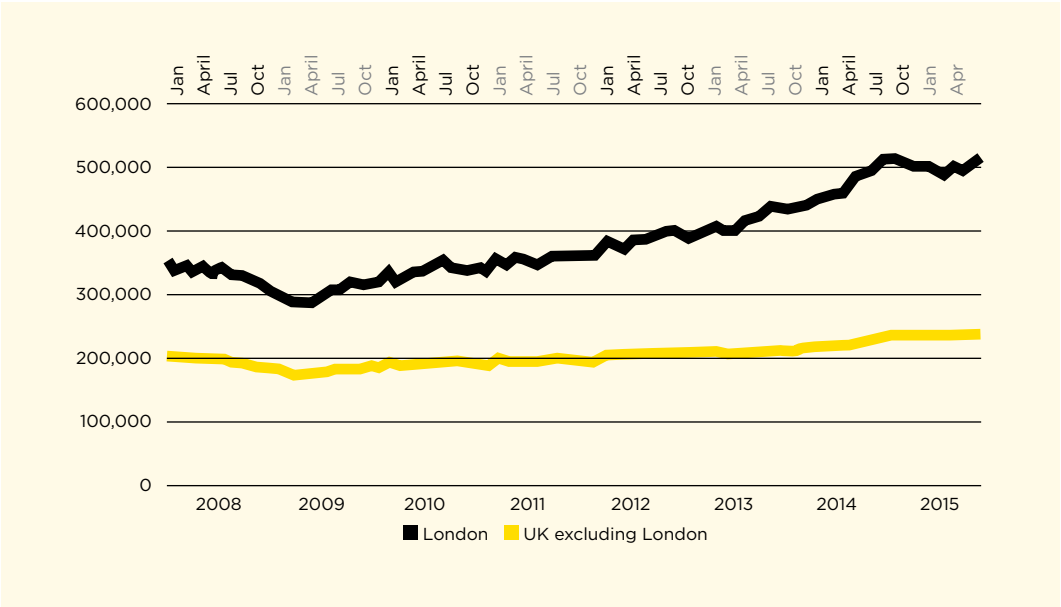
London homes cost more than twice as much as elsewhere in the country.

The average house in London sold for £513k in June 2015, more than twice the amount of an average house in the rest of the country (£238k). London house prices increased by 17.4% in 2014 compared to 10% for the UK as a whole. Across the rest of Europe housing prices tended to be far more stable in 2014 and 2015 with no other area of Europe seeing such high increases in housing costs.

42. Greater London Authority Housing Committee –6 July 2015, Transcript of Item 5: The Extension of the Right to Buy to Housing Associations in London Session2

43. DCLG Live Tables 702 and 704

Figure 24. Average house prices for London and the rest of the UK



Source: ONS, monthly mix-adjusted average house price, released 19 August 2015

First time buyers in London need larger deposits, are more likely to have help with the deposit from others and are older than those in the rest of the country

Following the credit crunch and the subsequent tightening of mortgage loan requirements which led to a massive decline in the numbers of mortgages available, the Government introduced a number of help to buy schemes after the recession to enable those with smaller deposits to access mortgages. However, the average deposit for a London property is still 25% of the mortgage cost and is much larger than the 18% put down elsewhere in the country.<sup>44</sup>

First buyers in London are typically a year or two older than first time buyers in the UK overall and are more likely to secure their mortgage with financial help from external assistance. In the UK 48% buy their home without external assistance but in London this drops to just 35%.<sup>45</sup>

First-time buyers in London typically borrow around £250,000 for their mortgage. This is 3.81 times their gross household income (which was £58,685) compared with the UK average of 3.38. Subsequently, London first time buyers used 19.4% of their gross income to cover the costs of the repayment of the capital and mortgage interest compared with 18.4% of the UK.<sup>46</sup>

44. Bernard Clarke, CML, Personal communication, 26th August 2015

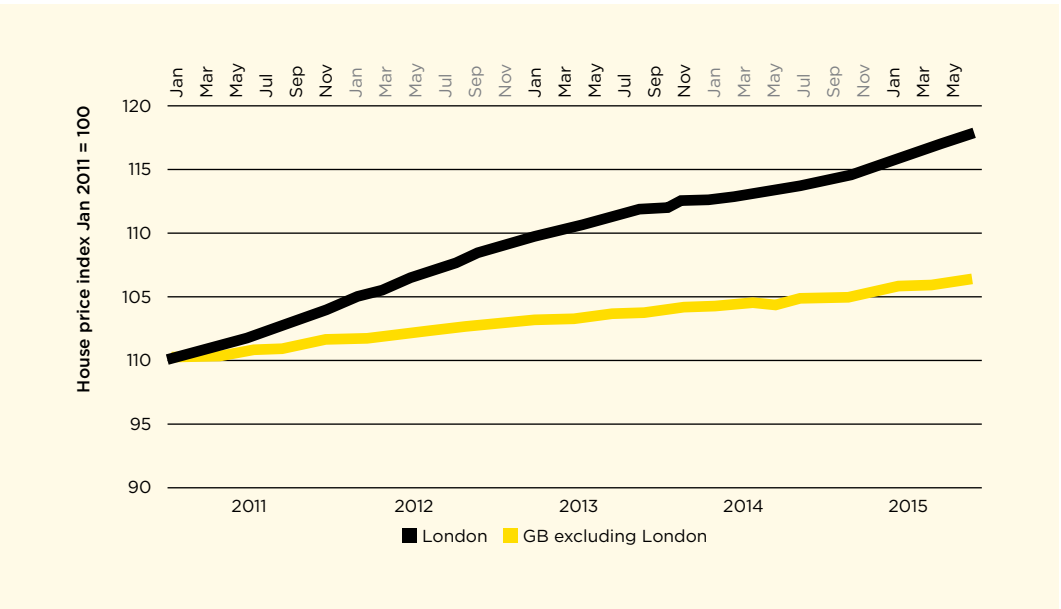
45. Bernard Clarke, New CML Data shows nearly half of first-time buyers didn't use the "bank of mum and dad", CML News, 5 March 2015

46. Bernard Clarke, House purchase lending in London comes out of the seasonal dip but down on last year, CML News, 26 August 2015

London's private rents are twice the national average and are rising rapidly

Private rent costs in London are higher than elsewhere and have increased more rapidly than in the rest of the country. In the year to June 2015, rental prices have increased by 3.8% in London compared to 1.7% in the rest of the country.

Figure 25. Private Housing Rental Prices Index for London and Great Britain excluding London



Source: ONS, Experimental Index of Private Housing Rental Prices - Index levels, 31 July 2015

For the three months to June 2015, average rent of a new tenancy in London was £1,515 per month, up £139 on the year previously. For the rest of the country, it was £747, up £55.<sup>47</sup>

Just over half of Londoners believe that Local Authorities should encourage mixed developments for households from all incomes to be developed

52% of Londoners believe that new developments in London should be a mix of housing for those on lower and higher incomes, a substantial minority (31%) believe that new developments should be low cost housing for poorest residents and a further 10% believe that the choice of development should be left to private developers to construct for whatever there is demand for.

Those who live in social housing, the unemployed and those are on very low incomes (less than £15,000 per year) were more strongly in favour that new developments should be low cost housing for the poorest residents at 46%, 43% and 41% respectively.

Those who were property owners, the retired and those from high income households (more than £70,000 per year) were more strongly in favour of mixed developments for a range of incomes. Some 58% of this high income group favour this.

47. HomeLet Rental Index, June 2015. The HomeLet Rental Index is based on their data collected from the referencing process for around 350,000 prospective tenants each year. Their data includes the rental amounts agreed, the number of tenants moving into the property together with the employment status, income and age of all tenants.



Next steps for the Commission

The clear messages coming from our work so far are:

- The price of housing is rising rapidly across all tenures
- For those who are now seeking social housing it is more difficult to do so, less affordable and has less security than in previous decades
- The majority of Londoners do not believe there is sufficient affordable housing available and that new developments should be for households from a mix of income backgrounds although a substantial minority think that new developments should be low cost housing for poorest residents.

What this means for the Commission going forward is that we will focus on the following key issues:

- How could London’s housing be improved?
- What is a fair rent?
- How could housing supply be increased across all tenures?

APPENDIX A – LONDON’S GROWTH

In order to understand the context of fairness in London, in this section of the report we set out how the city’s population and economy are changing and outline the opportunities and threats this brings for Londoners.

Population growth

London is a successful and growing city with more people living in the city than ever before. It is home to 8.6 million people and last year alone grew by 122,000 residents. Just over two thirds of the growth was due to more babies being born than residents dying. London also remains very attractive to migrants both from the rest of the country and beyond.<sup>48</sup>

The city’s population is anticipated to break the 10 million mark within the next 15 years.<sup>49</sup> Its population is also becoming more ethnically diverse. By 2038, those from Black, Asian and other non-white ethnicities will no longer be the minority of the population.<sup>50</sup> The age structure of Londoners is changing with a particularly strong growth in residents aged 65 years and older and an anticipated increase in the working age population of nearly 1.4 million by 2041.

Table 13. Population projections for London to 2041

	0 – 15 years	% change	16 – 64	% change	65+	% change
2011	1,642,929		5,664,416		910,130	
2021	1,905,924	16.0	6,283,809	10.9	1,106,239	21.5
2031	1,962,728	3.0	6,738,894	7.2	1,436,612	29.9
2041	1,986,423	1.2	7,060,445	4.8	1,750,246	21.8

N.B. Population trends based on short term migration patterns. Source: GLA Intelligence, Update 06 – 2015: Mid-year population estimates: London analysis, July 2015

48. GLA Intelligence, Update 06 – 2015: Mid-year population estimates: London analysis, July 2015

49. GLA Intelligence, Update 03 – 2015: GLA 2014 round trend based population projections – results, June 2015

50. GLA Intelligence, Update 12 – 2014: 2013 Round Ethnic Group Population Projections, August 2014

It is a city characterised by churn of its population: nearly 20% of London's population arrived within the last 10 years. That is nearly 3 times more than in the rest of the UK.<sup>51</sup>

Figure 26. London's population statistics



Source: GLA Intelligence, Update 06 – 2015: Mid-year population estimates: London analysis, July 2015; \* ONS Census 2011; # Travel in London report 7, Transport for London, 2014

London's growing population bring benefits and challenges for the city. More people means increased demand for goods and services, a spur to London's economy. That many of migrants into London are highly qualified and bring addition skills to the city increases the opportunity for productivity growth. And that many of the migrants are from overseas brings greater opportunities for international trade.

But such rapid growth in London's population has not yet been matched by a growth in the amount of housing available, leading to increases in housing costs. London's public services and quality of life are also under increasing pressure.

Job growth

There are around 5.62 million jobs in London and the number of jobs in the city is growing rapidly.<sup>52</sup> Each year, an additional 40,800 jobs are anticipated: by 2036, there will be around 6.4 million jobs in the city. But the growth of jobs is not evenly distributed and some sectors are thriving whilst others are in decline.

Job growth is anticipated to continue to concentrate towards the centre of the city with many more jobs created in the boroughs of Tower Hamlets, Southwark, Westminster, Islington, City of London and Camden than surrounding boroughs while Barking and Dagenham and Croydon are expected to have fewer jobs in the future.

51. Office for National Statistics, Census 2011  
52. ONS, Workforce Jobs – seasonally adjusted (March 2015)

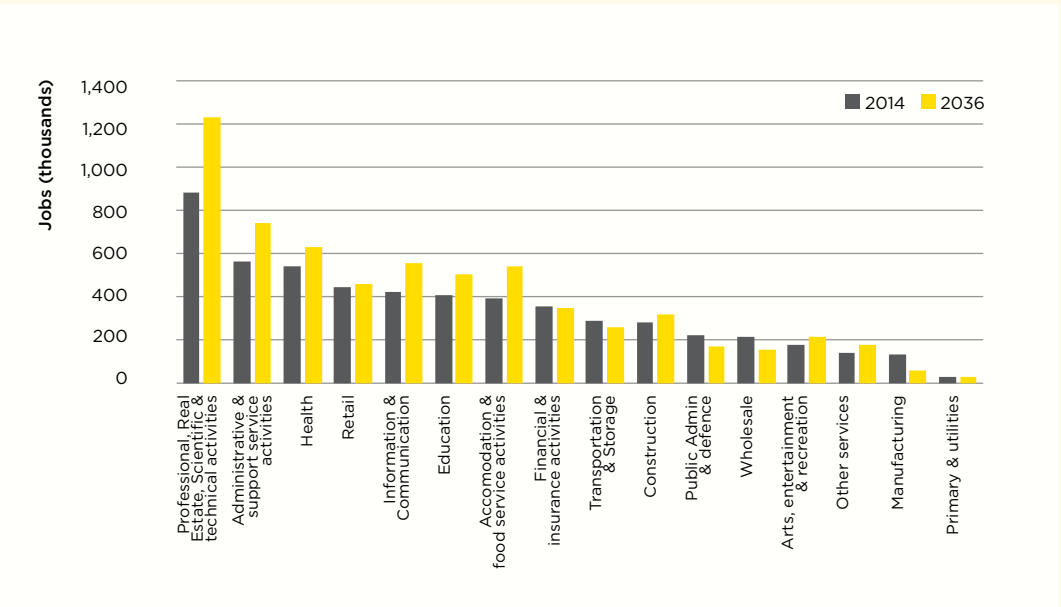
Changes to London's industrial breakdown

London's economy will be driven by strong job growth in the higher paying sectors of Business Services and Information Technology as well as strong growth in the lower paid sector of accommodation and food services.

The strongest growth in jobs between now and 2036 will be in Professional, Real Estate, Scientific and Technical Activities (this category includes companies such as law firms, property developers, accountancy firms, management consultants, scientific research, advertising, architectural and engineering firms as well as vets) and jobs within the Accommodation and Food Services sector. Both of these sectors are projected to grow by 39%. The next fastest growing sectors are Administrative and Support Services (this category includes rental and leasing activities, employment agencies, security services, cleaning agencies as well as typical business support activities) with a growth of 32% and Information and Technology with a growth of 31%.

Sectors where it is anticipated there will be an overall decline in the number of jobs include manufacturing which is expected to lose over half of its jobs, Wholesale which will decline by 29%, Public Administration and Defence (23%), Primary and Utilities (15%) and Transportation and Storage (10%). Financial services and insurance which are critical to London's economy due to their high productivity levels is expected to shrink the size of its workforce by 3% by 2036.<sup>53</sup>

Figure 27. The changing distribution of employment in London by sector



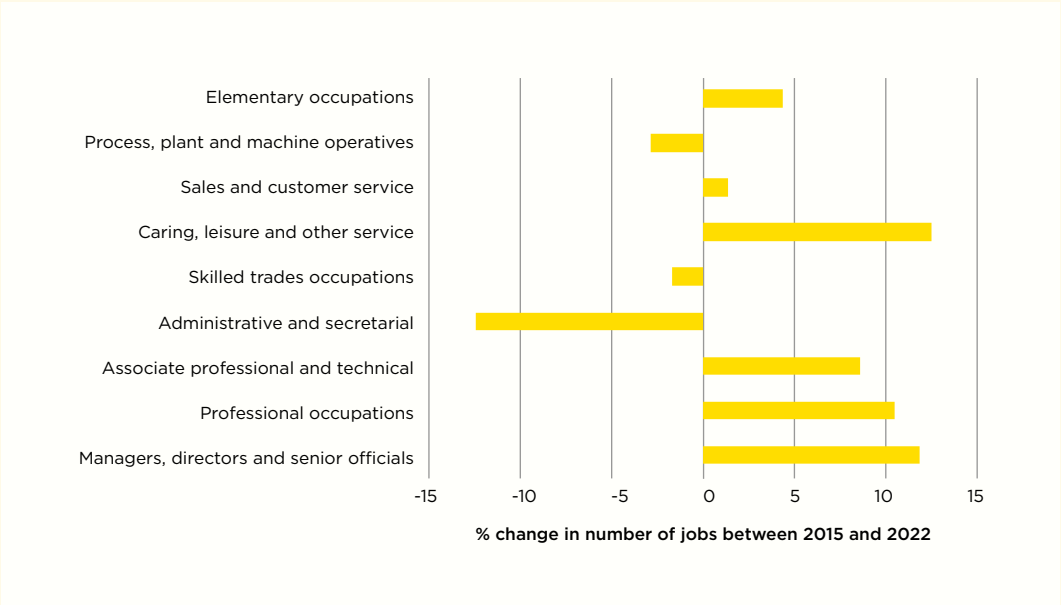
Source: Melisa Wickham, GLA Economics, Working Paper 67: Updated employment projections for London by sector and trend-based projections by borough, July 2015.

53. Melisa Wickham, GLA Economics, Working Paper 67: Updated employment projections for London by sector and trend-based projections by borough, July 2015.

Changes to types of jobs available

The changing industrial structure of London has implications for the types of jobs that will be available in London in the future. This is important to consider as it impacts on educational and training needs of Londoners going forward and how they can best position themselves to take advantage of the growing employment opportunities offered in the city. Londoners are searching for jobs in a highly competitive market where they not only have to compete with other Londoners but also with new arrivals from the rest of the country and beyond.

Figure 28. The growth of different types of occupation in London between 2015 and 2022



Source: UK Commission for Employment and Skills, Working Futures Programme, 4 February 2015

Projections show an increase in what tend to be better paid highly skilled jobs such as managers, directors and senior officials, professional and associated professional and technical occupations. There are also increases in the lower end of the labour market with more jobs within caring, leisure and other services, elementary occupations (this category includes jobs which often don't require any formal qualifications such as parking attendants, construction labourers, window cleaners) and sales and customer services. By 2022, there will be fewer jobs in London within administrative and secretarial roles, process, plant and machinery operatives as well as those in skilled trades occupations.

These occupational changes mean an increase in the proportion of jobs that typically ask for degree or higher degree qualifications.<sup>54</sup> By 2036, estimates show that 53% of jobs will be in occupations that typically are filled by graduates and postgraduates whereas only 5% of jobs will be available for those with no formal qualifications.<sup>55</sup>

A further downside for those in low paying jobs is that they are at increased risk of having their jobs replaced by automation. Technological advances are creating jobs that would not have existed just a short while ago, improving the productivity of many others and replacing jobs that would have once existed. Recent analysis by Deloitte shows that Londoners have a lower risk of their jobs being replaced by

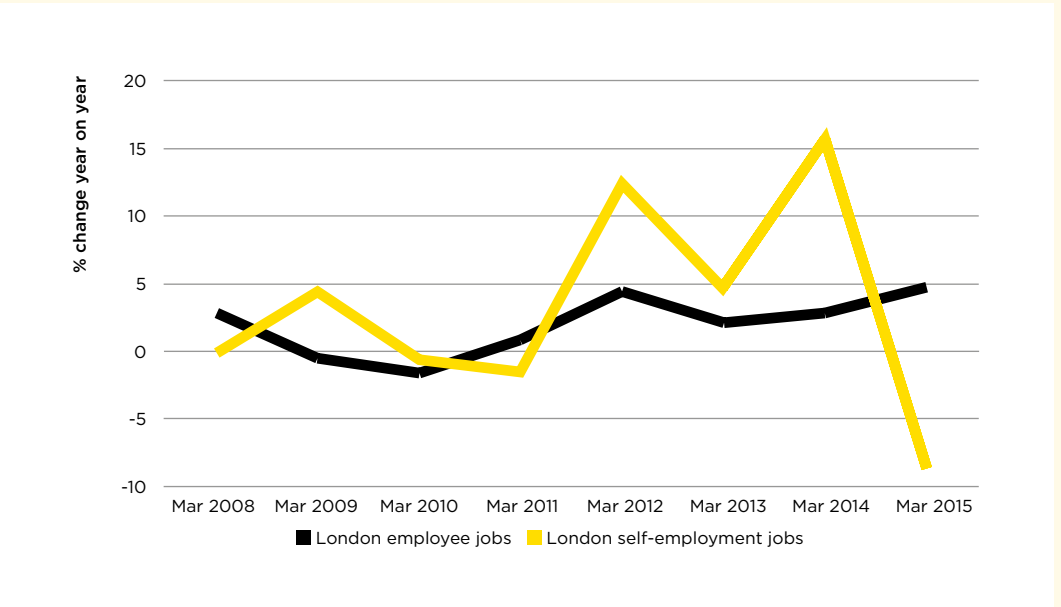
automation than in the UK overall. But over the next two decades this still leaves some 30% of jobs at risk in the city and job paying less than £30,000 per year are over eight times more likely to disappear than jobs paying over £100,000.<sup>56</sup>

Self-employment in London

In March 2015, around 787,000 London workers were self-employed. Londoners are more likely to be self-employed than people living in rest of the country at 18.5% of workers compared to 14.7%.<sup>57</sup>

There were large increases in self-employment between 2008 and 2014 but over the last year the number of self-employed jobs dropped by 9%. In part this may be explained by a return to stronger growth in employee jobs which increased by 5% over the same period.

Figure 29. Changes to the number of employee and self-employed jobs in London



Source: ONS, Workforce Jobs, March 2015

54. UK Commission for Employment and Skills, Working Futures Programme, 4 February 2015  
55. GLA Economics, London Labour Market Projections, April 2013

56. Deloitte, London Futures, Agiletown: the relentless march of technology and London's response, 2014  
57. ONS, Annual Population Survey, March 2015

## APPENDIX B – WHAT DO WE MEAN BY FAIRNESS IN CITIES?

London is now home to more rich people than any other city in the world and benefits from tremendous economic, social and cultural vibrancy. But the city is also home to serious poverty, deprivation and social exclusion, and faces challenges in housing, transport and opportunities for young people.

What is fairness? What would count as a fair city? What would it take to make London the fairest city in the world? The principle of fairness is not easy to apply. Radically different religions and political systems incorporate an idea of fairness. Politicians across both left and right all claim fairness for their approach.

So how can fairness be understood? The classic distinction is between equality of outcomes, resulting in a uniform distribution of goods and equality of opportunity (setting up a fair race).

Fairness as equality proceeds from an objection to gross disparities in income, wealth, power and freedoms. A billionaire simply cannot personally enjoy his wealth so much as a thousand millionaires, and the same sum of money could build new homes for more than 10,000 families.

But there is also public support for the idea that if people “work hard and save,” then they are fairly entitled to their resulting wealth. So the opposite of fairness is not inequality. What is more controversial is the fact that the opportunities of affluent people – and the opportunities of their children, family and friends – are then enhanced by that wealth.

Fairness is also related to ideas of justice. The most basic relationship between fairness and justice is the principle of fair treatment before the law and as subjects of state authority. The high rate of stop and search operations carried out on young black people is widely seen as unfair, as is the low level of criminal sanctions imposed on those apparently abusing positions of great economic power. How many bankers have been imprisoned for breaking the law? How many black people have died in custody in the UK?

The concept of autonomy can also guide our use of fairness. Social justice is a function of the extent to which individual human beings can live a full and rewarding life. It is unfair when someone is prevented from flourishing. Poverty obviously holds people back, but the argument can also be extended to inequality. When public healthcare is not adequately funded, despite massive private affluence, it is unfair that so many people’s autonomy – their freedom from illness and pain, their ability to lead an independent life – is not being respected.

It is worth also thinking about the relationship between luck and fairness. Luck has been used to ensure a form of fairness for thousands of years – for example, drawing lots for political roles in ancient Greece. In western societies, “a fair chance” is almost synonymous with an arbitrary dice roll or a coin toss. The UK’s public perception of lottery winners illuminates this relationship: that their winnings are fair even if not really deserved. There is a lot of luck in the world, and some of it leads to very unequal outcomes.

London is a unique city – today and historically – we therefore expect Londoners to view fairness as a unique combination of equalities, rights, justice and freedoms.<sup>58</sup>

LONDON IS A UNIQUE CITY  
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58. This article written by Danny Dorling and Richard Brooks originally appeared in the Guardian on 13th July 2015



# HOW CAN YOU MAKE YOUR VOICE HEARD?

**The London Fairness  
Commission wants to hear  
what you think is fair and  
unfair about London and  
your vision of a fairer city.**

You can engage with the  
Commission by signing up online:  
**[londonfairnesscommission.co.uk](http://londonfairnesscommission.co.uk)**  
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**Twitter  @LondonFairness**