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London's changing economy since 2008

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Contents

Executive summary

- In 2013 London's GVA accounted for 22.2 per cent of the UK's total, up from 18.9 per cent in 1997 and 20.9 per cent in 2008.

- London's growth since 2008 has been stronger than the UK's with London's GVA having increased by 18.2 per cent in nominal terms (i.e. without taking account of inflation), compared to 11.4 per cent for the UK.

- In 2013 if London had been a European country, on the available data from Eurostat, it would have been the eighth biggest European economy, an unchanged position from 2008.

- Between 1997 and 2008 London grew at an average annualised nominal rate of 6.2 per cent compared to a rate of 5.2 per cent for the UK, while over the years 2008 to 2013 London grew at an annualised rate of 3.4 per cent compared to a rate of 2.2 per cent for the UK as a whole.

- Productivity in London over the period 2008 to 2013 grew at a slower rate than the UK as a whole with the average annualised output per hour worked growing by 1.7 per cent in London and 1.9 per cent in the UK as a whole; this reversed the situation seen between 2004 and 2008. This perhaps reflects a faster growth in workforce jobs in London than in the UK as a whole.

- In 2014, there were around 5.554 million jobs in London, a 5 per cent increase compared with 2013 and 12 per cent higher than in the pre-recession peak in 2008. This compares with the UK performance of a 3 per cent rise from 2013 and around 4 per cent higher than in the pre-recession peak in 2008.

- The employment rate in London increased to 71.2 per cent in 2014 from 69.1 per cent in 2008, narrowing the gap in the employment rate performance between London and the UK to 1.0 percentage point.

- The unemployment rate in London in 2014 was 7.0 per cent, compared to 6.2 per cent in the UK. However, the gap between London and the UK narrowed from 1.6 percentage points in 2009 down to 0.8 in 2014. The inactivity rate in London was around 23.3 per cent in 2014, a 3.3 percentage point fall from 2008 and only 0.5 percentage points higher than in the UK

- In 2014, part-time jobs in London accounted for around 29 per cent of total workforce jobs, up from 26 per cent in 2008, whilst self-employment jobs contributed towards 14 per cent of the total, a rise from around 12 per cent in 2008. In comparison, in the UK as a whole part-time accounted for around a third of all jobs in 2014 (around 31 per cent in 2008), whilst self-employment jobs made up around 14 per cent of all jobs (a rise from 12 per cent in 2008).

- The number of temporary employees in 2014 was around 241,300 in London and around 1,680,900 in the UK. This is around a 26 per cent and 20 per cent increase compared to 2008 for London and the UK respectively. Overall, in 2014 temporary employees accounted for around 5.7 per cent of all jobs in London (and 5.5 per cent in the UK), compared to around 5.1 per cent in 2008 (and 4.7 per cent in the UK).

- Between 2008 and 2014, nominal gross median hourly earnings for full-time jobs in London increased by 9.2 per cent, whereas Consumer Price Index inflation for the UK in the same period increased by 18.0 per cent. In real terms, since 2008, earnings in London have not returned to their pre-recession peak in 2008. Median gross hourly earnings for full-time jobs in London are 31.5 per cent higher than the UK as a whole, standing at £17.29 per hour. For part-time jobs, the difference between London and the UK is not as great, at 15.6 per cent.

- Averaged over the three-year period of 2011/12 – 2013/14, around 2.2 million people, or 27 per cent of all those living in London are in poverty.

- More than a third of all London's children are in households with income below the poverty line. The poverty rate for children in London, after housing costs, stands at 37 per cent, and remains substantially higher than for any other region. Around 300,000 children in Inner London are living in poverty, with a further 400,000 in Outer London. The Inner London child poverty rate remains significantly higher than for any other region, at 46 per cent.

- House prices in London have grown sharply since 2008; median house prices have increased by 40.4 per cent, 24 percentage points higher than the next highest region (South East). Median house prices vary widely by borough; the highest being Kensington & Chelsea (£1,195,000), the lowest being Barking & Dagenham (£215,000). All 33 London boroughs have median prices greater than the England median house price (£198,000).

1. Introduction

Since the 2008/09 recession output growth has been sluggish by historical post-recession standards whilst employment growth has been uncharacteristically and unexpectedly strong. This has led to a stalling in productivity growth. It has been argued that at least some of the strength seen in the labour market has come from increased labour market flexibility and, within that, potentially less stable employment. Similarly, it has been argued that wages have failed to keep up with rising costs of living. In order to look into these issues GLA Economics was requested by the Economy Committee of the London Assembly to examine how London's economy has changed over the post-recession period, and to identify how those changes have affected (both positively and negatively) London's employees and employers.

Chapter 2 provides background data on the size of London's economy and how it sits in the UK and global context, with Chapter 3 then looking at measures of productivity for London and the UK. Chapter 4 looks at London's labour market, breaking this down to look at employment rates by age, ethnicity and disability, as well as by qualification level. Chapter 5 then looks at income, pay, poverty and wealth in London, with Chapter 6 providing detail as to how the costs of living have progressed over time.

2. The overall size of London's economy

The following section sets out to examine how London's economy's relative position within the UK and globally has evolved over time and in particular in relation to the post 2008/09 recession period.

London's output in a UK context

This sub section will place the output of London's economy into a UK context and examine the performance of the UK and London's economies prior to and after the 2008/09 recession. The analysis in this sub section is based on the latest available regional Gross Value Added (GVA) data that is obtainable from the Office for National Statistics (ONS)[1], which covers the period 1997 to 2013 at headline level and 1997 to 2012 at the sector level. It should be noted that:

- "Gross Value Added (GVA) is a measure of the increase in the value of the economy due to the production of goods and services"[2]. The GVA estimates in this sub section are workplace-based, where GVA is allocated to the area in which the economic activity takes place.

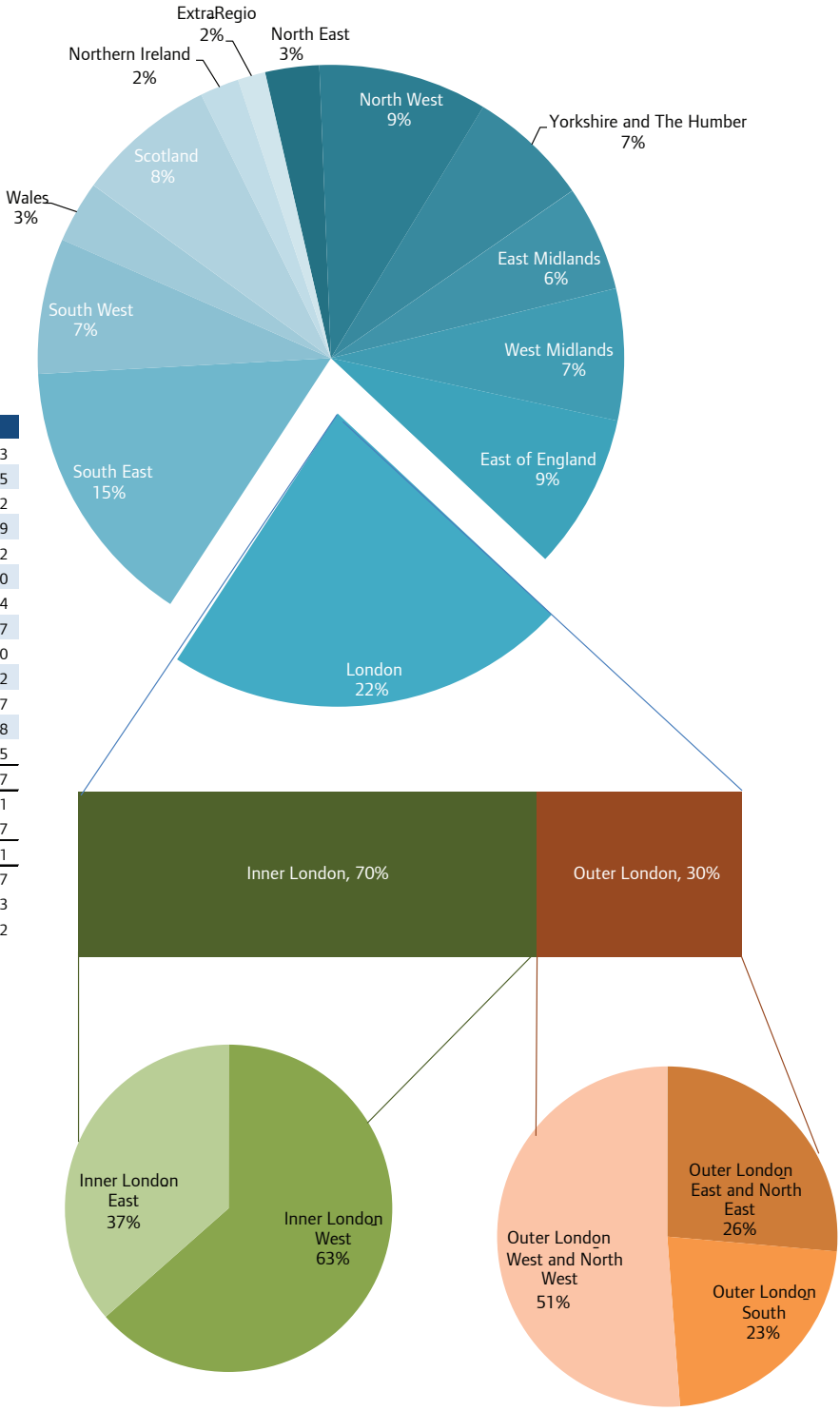
- The GVA estimates measured by the income approach are in current prices, meaning no adjustment has been made to remove the effects of inflation. Over time, even if the true (economic) value of GVA is unchanged, GVA in current prices would increase in line with price rises (inflation).

In 2013, London's total GVA was over £338 billion (see Figure 1). This was up 4.0 per cent on 2012 and accounted for 22.2 per cent of the UK's total GVA, up from 18.9 per cent in 1997 and 20.9 per cent in 2008. The growth in London's nominal GVA accounted for over 26 per cent of the UK's total GVA increase between 2012 and 2013 (and never less than 18 per cent since 2008 with an average of around 30 per cent between 2008 and 2013, this compares to the 1997 to 2008 average of around 24 per cent). Over two-thirds of London's GVA was produced in Inner London in 2013 (Figure 1). In fact, almost half (45 per cent) of London's total GVA was produced in Inner London-West alone. Indeed, Inner London-West has a higher GVA than all UK regions except for the South East (and, of course, London). However, Inner London-East has seen the greatest change in its relative importance to London's economy. Having accounted for 19 per cent of London's GVA in 1997, this stood at 23 per cent in 2008 and by 2013 was up to 26 per cent.

Figure 1: Geographic breakdown of Headline UK[3] GVA in 2013[4]

Headline workplace GVA in 2013, £ billion	
Northern Ireland	33
North East	45
Wales	52
East Midlands	89
Yorkshire and The Humber	102
West Midlands	110
South West	114
Scotland	117
East of England	130
North West	142
South East	227
London	338
UK	1,525
Inner London	237
Inner London - West	151
Inner London - East	87
Outer London	101
Outer London - East and North East	27
Outer London - South	23
Outer London - West and North West	52

Note: Numbers may not add due to rounding
& UK numbers include Extra-Regio & statistical discrepancy



Source: Regional Accounts, ONS

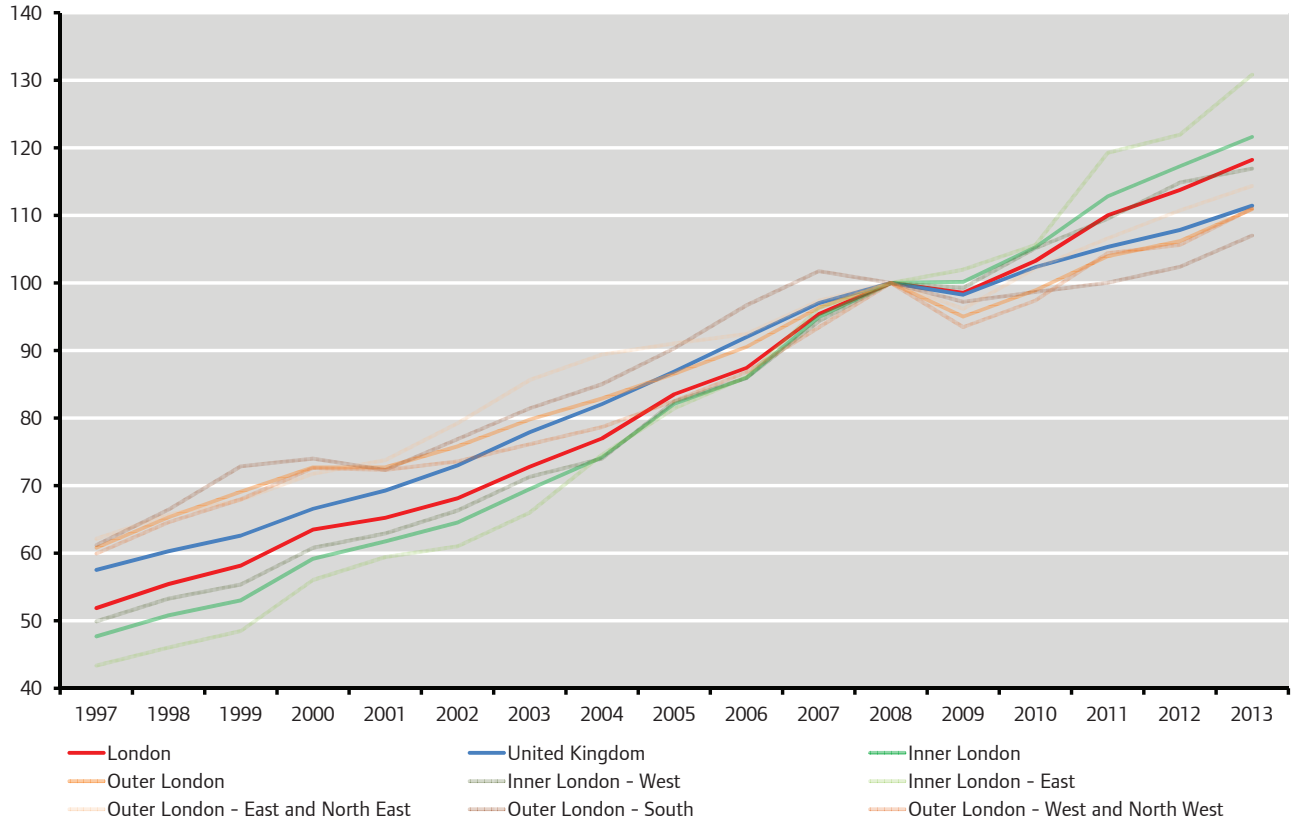
Table 1 shows that compared to the UK as a whole output in London has grown more strongly. This is especially the case with respect to Inner London but the performance of Outer London has been more mixed. Figure 2 shows the variation between growth rates prior to and post 2008. Figure 3 shows that London's recovery since the recession has been the strongest of any UK region or nation.

Table 1: London, the UK, and London's NUTS regions output indexed, 1997 to 2013 (index 2008=100)

	London	United Kingdom	Inner London	Outer London	Inner London West	Inner London East	Outer London East and North East	Outer London South	Outer London West and North West
1997	52	58	48	61	50	43	62	61	60
1998	55	60	51	65	53	46	66	66	65
1999	58	63	53	69	55	48	68	73	68
2000	63	67	59	73	61	56	72	74	73
2001	65	69	62	73	63	59	74	72	72
2002	68	73	65	76	66	61	79	77	74
2003	73	78	70	80	71	66	86	81	76
2004	77	82	74	83	74	75	89	85	79
2005	84	87	82	87	82	81	91	90	83
2006	87	92	86	91	86	86	92	97	87
2007	95	97	95	96	94	96	97	102	93
2008	100	100	100	100	100	100	100	100	100
2009	99	98	100	95	99	102	96	97	93
2010	103	102	105	99	105	106	102	99	97
2011	110	105	113	104	109	119	107	100	104
2012	114	108	117	106	115	122	111	102	106
2013	118	111	122	111	117	131	114	107	111

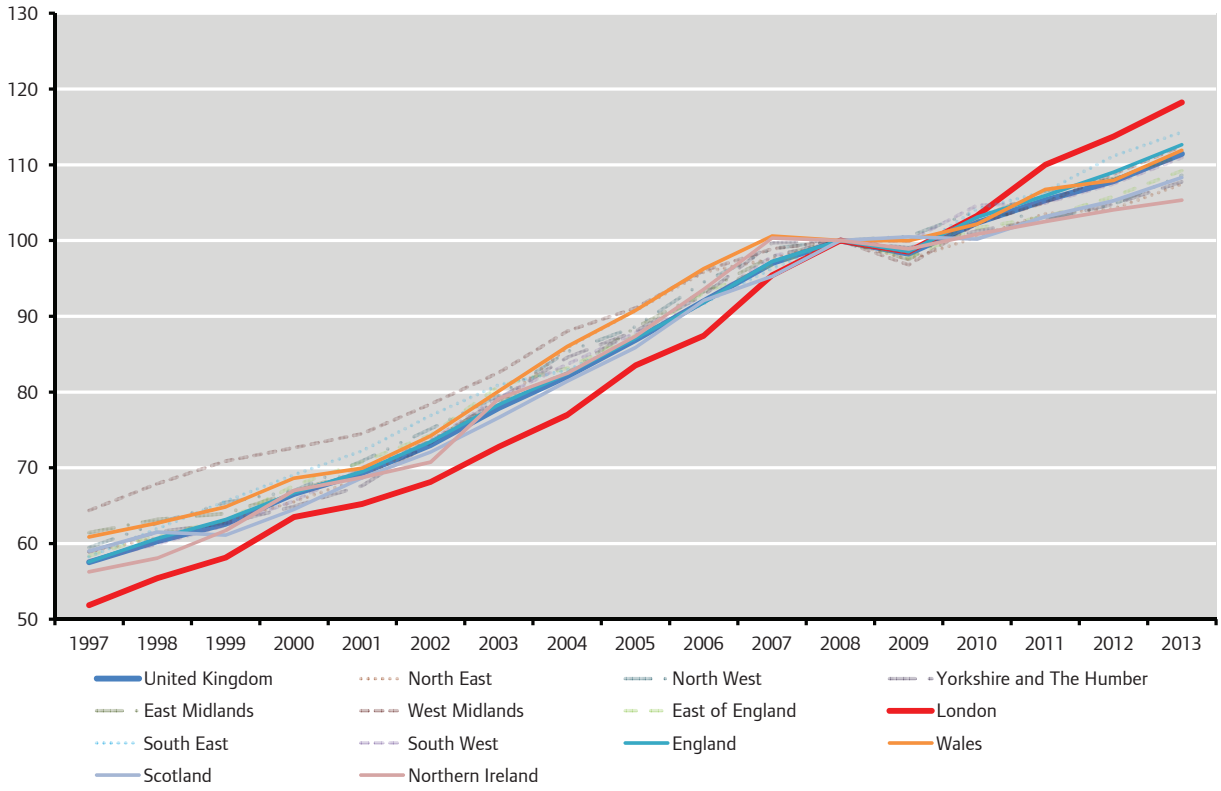
Source: ONS and GLA Economics calculations

Figure 2: London, the UK, and London's NUTS regions output indexed, 1997 to 2013 (index 2008=100)



Source: ONS and GLA Economics calculations

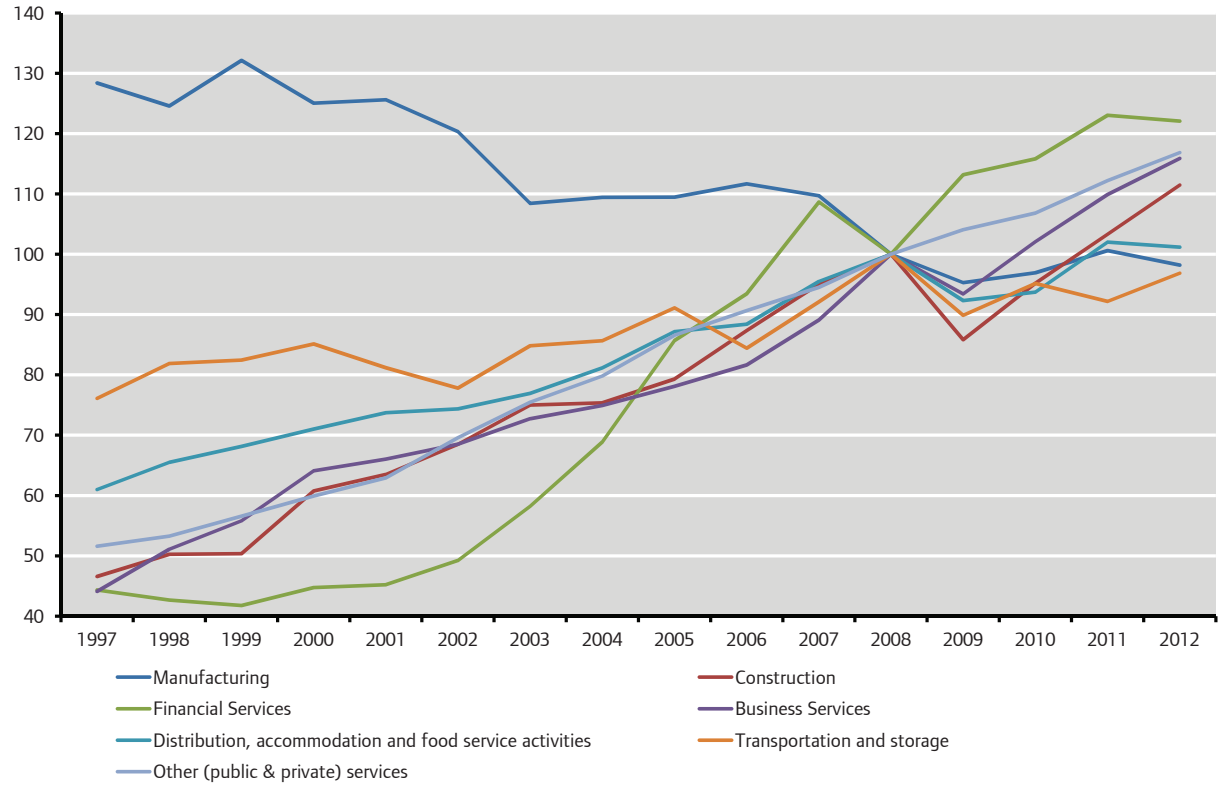
Figure 3: London, the UK, and the UK's nations and regions output indexed, 1997 to 2013 (index 2008=100)



Source: ONS and GLA Economics calculations

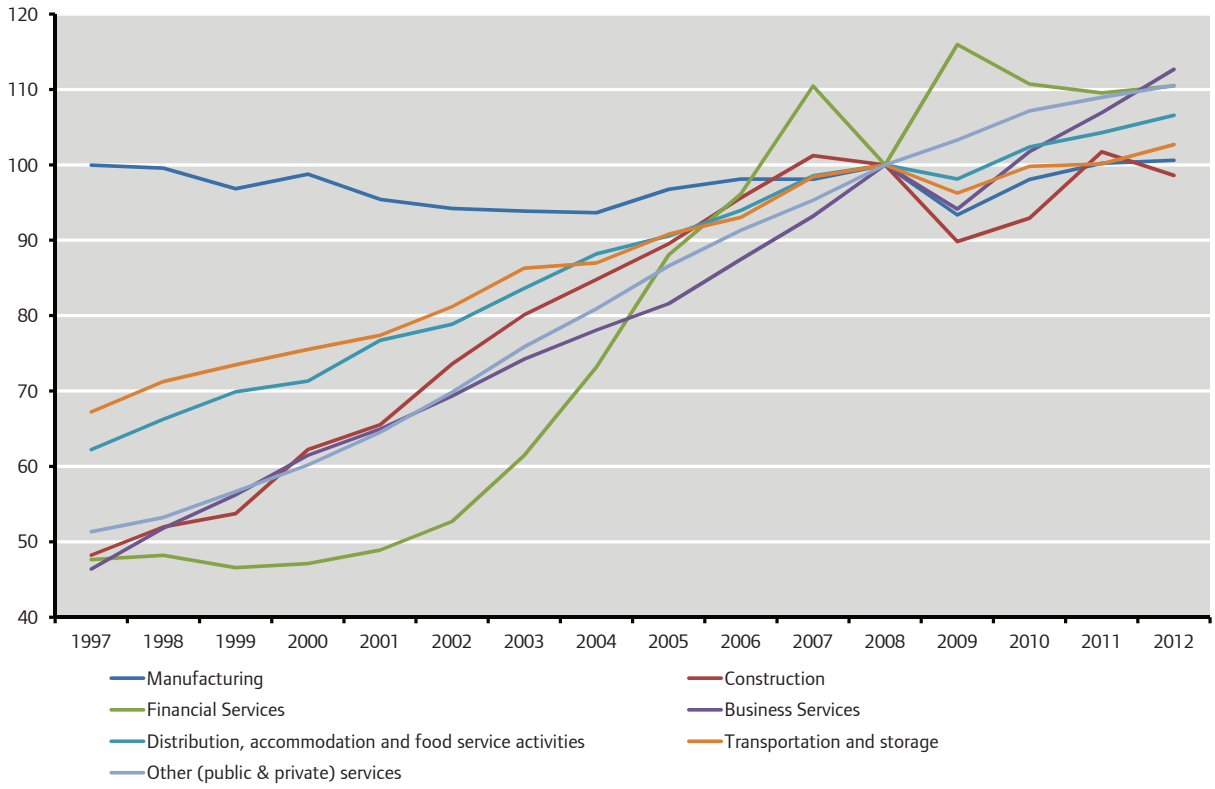
Further, Figures 4 & 5 show the performance of sectors of the UK and London's economy indexed to 2008 and illustrates that the post-recession performance of London's broad sectors has been slightly more varied but also perhaps generally more positive than the UK's as a whole.

Figure 4: London's broad sectors output indexed, 1997 to 2012[5] (index 2008=100)



Source: ONS and GLA Economics calculations

Figure 5: UK's broad sectors output indexed, 1997 to 2012 (index 2008=100)



Source: ONS and GLA Economics calculations

London in a global context

Placing London into an international context it can be seen from Table 2 that in 2013 if London had been a European country on the available data from Eurostat it would have been the eighth biggest European economy[6], an unchanged position from 2008. However at the NUTS1 level in 2013 Nordrhein-Westfalen, Île de France, Nord-Ovest, and Bayern had a higher output level than London. In terms of output per inhabitant London in 2013 was ranked fifth of any European region or NUTS1 area (as shown by Table 3). While Table 4, using a different geography than used by the ONS[7] and Eurostat, shows that the OECD metropolitan database ranks London as having the sixth largest economy of any metropolitan area in 2010[8]. Table 4 also provides comparisons on GDP per capita and labour productivity.

Table 2: Economies ranked by size of output in 2008 and 2013 (€ Purchasing Power Standard (PPS))

2008 Position	Country	Size of Economy in 2008 (GDP million PPS)	2013 Position	Country	Size of Economy in 2013 (GDP million PPS)
1	Germany	2,462,046	1	Germany	2,672,693
2	UK	1,822,874	2	France	1,868,891
3	France	1,767,304	3	UK	1,851,918
4	Italy	1,617,087	4	Italy	1,595,388
5	Spain	1,210,883	5	Spain	1,165,008
6	Netherlands	589,660	6	Poland	698,253
7	Poland	537,592	7	Netherlands	585,786
8	**London**	**381,292**	**8**	**London**	**410,953**
9	Belgium	317,551	9	Belgium	351,083
10	Sweden	301,646	10	Sweden	323,671

Source: Eurostat

Table 3: Top 10 ranked Nation and NUTS1 region by GDP at current market prices in 2013 (PPS per inhabitant)[9]

Country/Region	PPS per inhabitant
Luxembourg	68,500
Région de Bruxelles-Capitale/Brussels Hoofdstedelijk Gewest	55,100
Hamburg	51,900
Norway	49,600
London	**48,800**
Île de France	46,600
Bremen	42,200
Östra Sverige	39,800
West-Nederland	38,000
Bayern	37,800

Source: Eurostat

Table 4: Top 20 global metropolitan areas in 2010 as ranked by "GDP"

2010 Position (ranked by areas GDP	Metropolitan Area	Size of Economy in 2010 (constant prices and constant PPPs, millions of US$)	GDP annual average growth rate (2000-10)	GDP per capita in 2010 (constant prices and constant PPPs, millions of US$)	GDP per capita annual average growth (2000-10)	Labour productivity (constant prices and constant PPPs, millions of US$)	GDP per employee annual average growth (2000-10)
1	Tokyo	1,294,657	1.1	37,022	0.5	73,665	0.7
2	New York	951,585	1.5	57,534	1.2	125,501	1.2
3	Los Angeles	726,314	1.4	42,590	0.5	99,314	1.7
4	Seoul Incheon	589,192	4.1	26,243	3.0	52,610	2.1
5	Paris	578,790	1.7	49,498	1.1	113,309	1.3
6	**London**	**548,778**	**2.3**	**46,532**	**1.1**	**99,489**	**1.6**
7	Osaka	516,618	0.3	29,952	0.2	65,049	0.7
8	Chicago	449,897	1.0	48,296	0.6	104,295	1.2
9	San Francisco	391,899	1.4	57,228	0.9	133,448	2.0
10	Mexico City	309,266	1.7	16,061	0.5	37,822	-0.1
11	Washington	300,412	2.8	57,167	1.3	117,985	1.6
12	Houston	285,291	3.1	50,681	0.7	114,305	1.3
13	Toronto	228,204	1.2	35,553	-0.6	68,195	-0.6
14	Madrid	226,040	2.3	34,735	0.5	76,588	-0.6
15	Miami	217,693	2.2	39,121	1.1	90,996	1.6
16	Nagoya	215,073	0.9	33,577	0.6	65,554	1.0
17	Philadelphia	198,369	1.4	49,286	1.2	108,068	1.4
18	Dallas	192,545	3.1	46,451	1.0	104,766	1.6
19	Boston	186,417	1.2	51,225	0.9	105,009	1.1
20	Milan	180,506	*	44,453	*	100,193	*

** Data not available*
Source: OECD

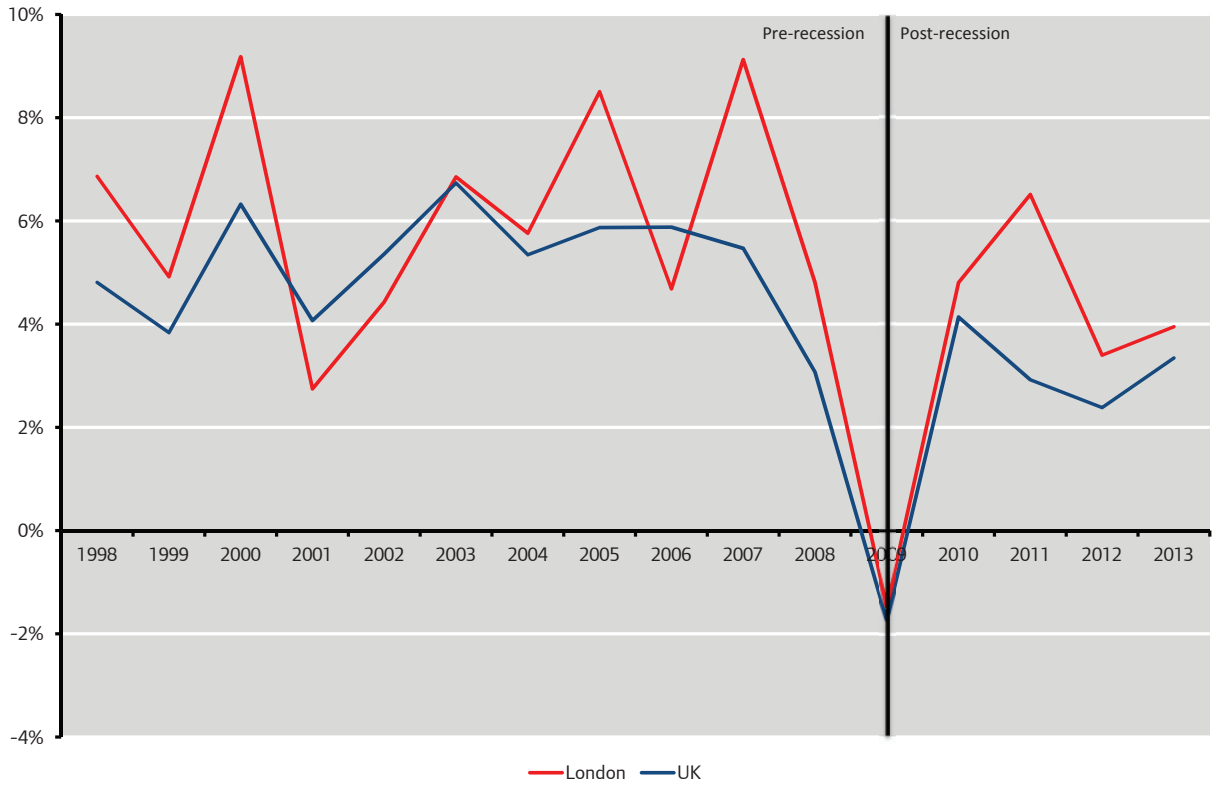
London's growth rate

This section examines in more detail how London's growth rate has varied in the pre and post 2008/09 periods.

London and the UK's output growth

Examining the latest available ONS Regional Accounts data[10] it can be seen, as shown in Figure 6, that **London's output generally grew faster than the UK's as a whole prior to the 2008/09 recession and since that point this faster growth has been maintained, however at a slower pace than was seen prior to the recession**. Thus between 1997 to 2008 London grew at an average annualised nominal rate of 6.2 per cent compared to a rate of 5.2 per cent for the UK, however over the years 2008 to 2013 London grew at an annualised rate of 3.4 per cent compared to a rate of 2.2 per cent for the UK as a whole. It should however be noted that UK inflation was slightly higher over this later period and would imply that real output growth was slightly stronger in London and the UK in the post-recession period than indicated by a simple reading of the nominal number. Still since 2008, London's GVA has increased by 18.2 per cent in nominal terms (i.e. without taking account of inflation), compared to 11.4 per cent for the UK.

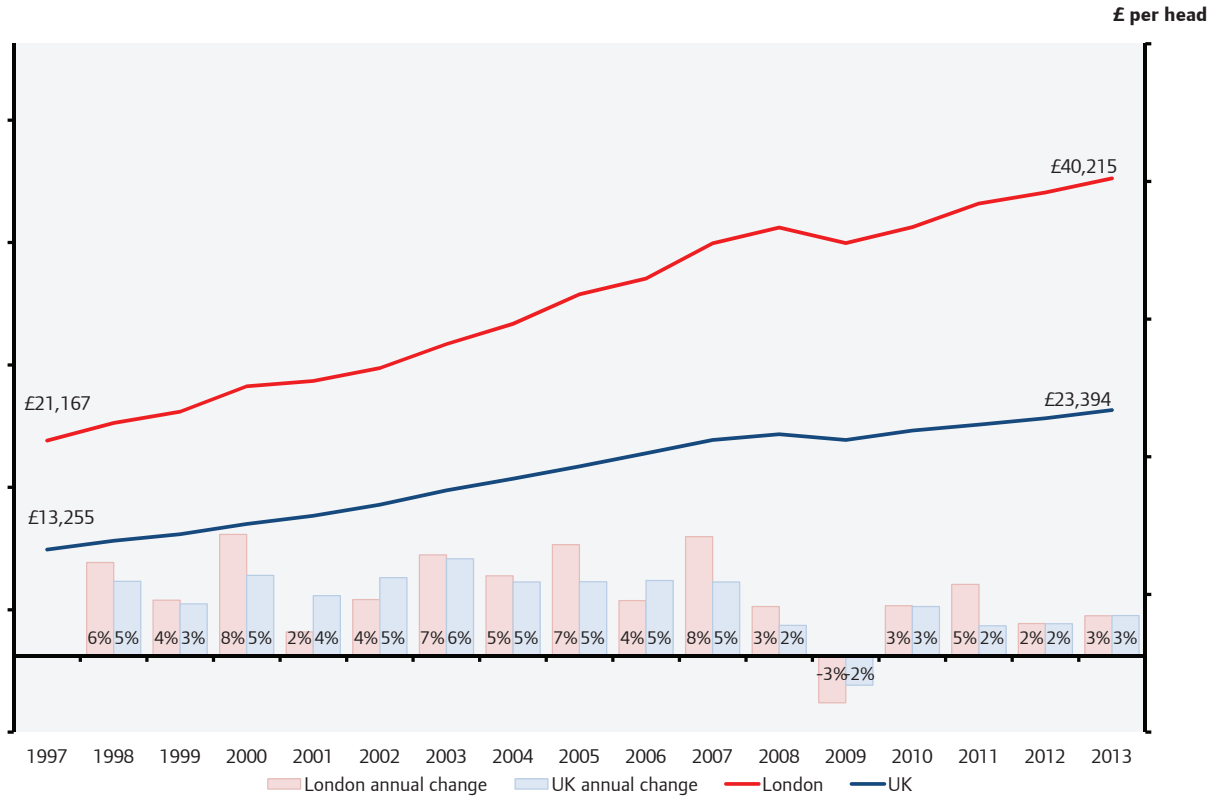
Figure 6: Nominal growth rates in GVA in London and the UK, 1998 to 2013



Source: Regional Accounts, ONS

London's GVA performance remains strong even after adjusting for its relative size[11]. GVA per head of population in the capital was £40,215 in 2013 (see Figure 7, which shows the time series for London versus the UK as a whole), the highest of any English region or UK nation and over 70 per cent higher than that for the UK as a whole which stood at £23,394. Over 2013, GVA per head in London increased by 2.6 per cent. Since 2008, it has risen by 9.7 per cent, compared to a rate of increase of 8.1 per cent for the UK as a whole. Between 1997 and 2008 London's GVA per head grew at an average annualised rate of 5.1 per cent compared to a rate of 4.6 per cent for the UK, however over the years 2008 to 2013 London grew at a slower annualised rate of 1.9 per cent compared to a rate of 1.6 per cent for the UK as a whole.

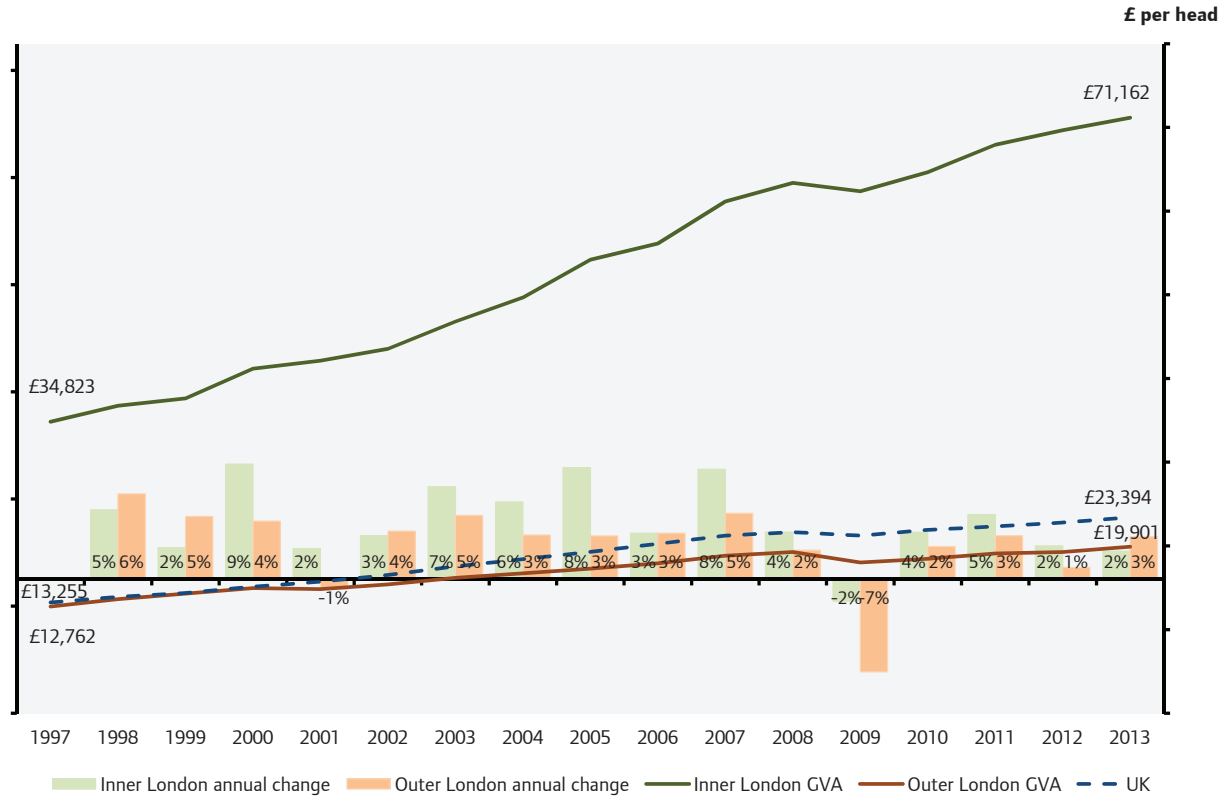
Figure 7: Headline GVA[12] per head (£) and annual percentage change for London and UK 1997-2013[13], current prices



Source: Regional Accounts, ONS

However, the London-wide GVA per head estimates hide some significant variation across its sub-regions and local areas. Figures 8 and 9 show GVA per head across London since 1997. **Whilst London has a higher GVA per head than the UK, this is driven by Inner London. GVA per head in Outer London is lower than in the UK as a whole, and it has grown more slowly than the UK since 1997**. The difference between Inner and Outer London's GVA per head was £51,261 in 2013, more than double the £22,061 difference that existed in 1997. This faster growth for GVA per head for Inner London than Outer London was also observable in the periods 1997 to 2008 and 2008 to 2013, where Inner London grew respectively by 5.6 and 2.3 per cent on average per annum compared to Outer London's growth rate of respectively 3.8 per cent and 0.7 per cent on average per annum. For comparison GVA per head for the UK as a whole grew on average by 4.6 per cent per annum between 1997 and 2008 and on average by 1.6 per cent between 2008 and 2013.

Figure 8: Headline GVA[14] per head and annual percentage change at London NUTS2 level and UK, 1997-2013[15], current prices.



Source: Regional Accounts, ONS

Looking at smaller areas (NUTS3 level) in London (Figure 9) the variance is even larger; in 2013 there was a GVA per head difference of £121,157 between the highest (Inner London – West) and the lowest (Outer London – East and North East). Since 2008, all of London's NUTS3 areas saw a rise in GVA per head, yet the differences between Inner and Outer London were significant and have increased. GVA per head in Outer London as a whole increased by 3.3 per cent between 2008 and 2013 with Outer London East and North East rising by 5.8 per cent, compared to rises of 1.5 per cent and 2.9 per cent in Outer London South and West and North West respectively. In comparison, GVA per head for Inner London increased by 12.3 per cent over the same period with Inner London East recording an 18.0 per cent increase over the period. Over the period of the data series (1997 to 2013), Inner London – East has seen a 136 per cent increase in the value of its GVA per head, the fastest growth of any local area in the UK. Further, if we examine the periods 1997 to 2008 and 2008 to 2013 we find the average annual growth rate of GVA per head in these sub regions was faster in the pre-recession period. Thus between 1997 and 2008 GVA per head grew on an annualised average basis of 5.2 per cent in Inner London – West, 6.5 per cent in Inner London – East, 3.6 per cent in Outer London – East and North East, 4.0 per cent in Outer London – South and 3.8 per cent in Outer London – West and North West. While, between 2008 and 2013 GVA per head grew on an annualised average basis of 2.4 per cent in Inner London – West, 3.4 per cent in Inner London – East, 1.1 per cent in Outer London – East and North East, 0.3 per cent in Outer London – South and 0.6 per cent in Outer London – West and North West.

In 2012 just under a fifth of London's GVA was generated by the financial and insurance industry (£60.5 billion) (see Figure 10 and Table 5). The value of this industry has grown by 175 per cent since 1997, the second fastest rate for any industry in London. The only industry to surpass this rate of growth was real estate activities which has grown by 247 per cent since 1997, and accounted for 11 per cent of London's GVA in 2012. In 2012, just over half of the UK's GVA in the financial and insurance industry was generated in London (up from 43 per cent in 1997 and 46 per cent in 2008, see Figure 11). Indeed, London's financial and insurance industry made up 4.1 per cent of the UK's total GVA in 2012.

Figure 9: Headline GVA[16] per head at London NUTS3 level and UK, 1997-2013[17], current prices.

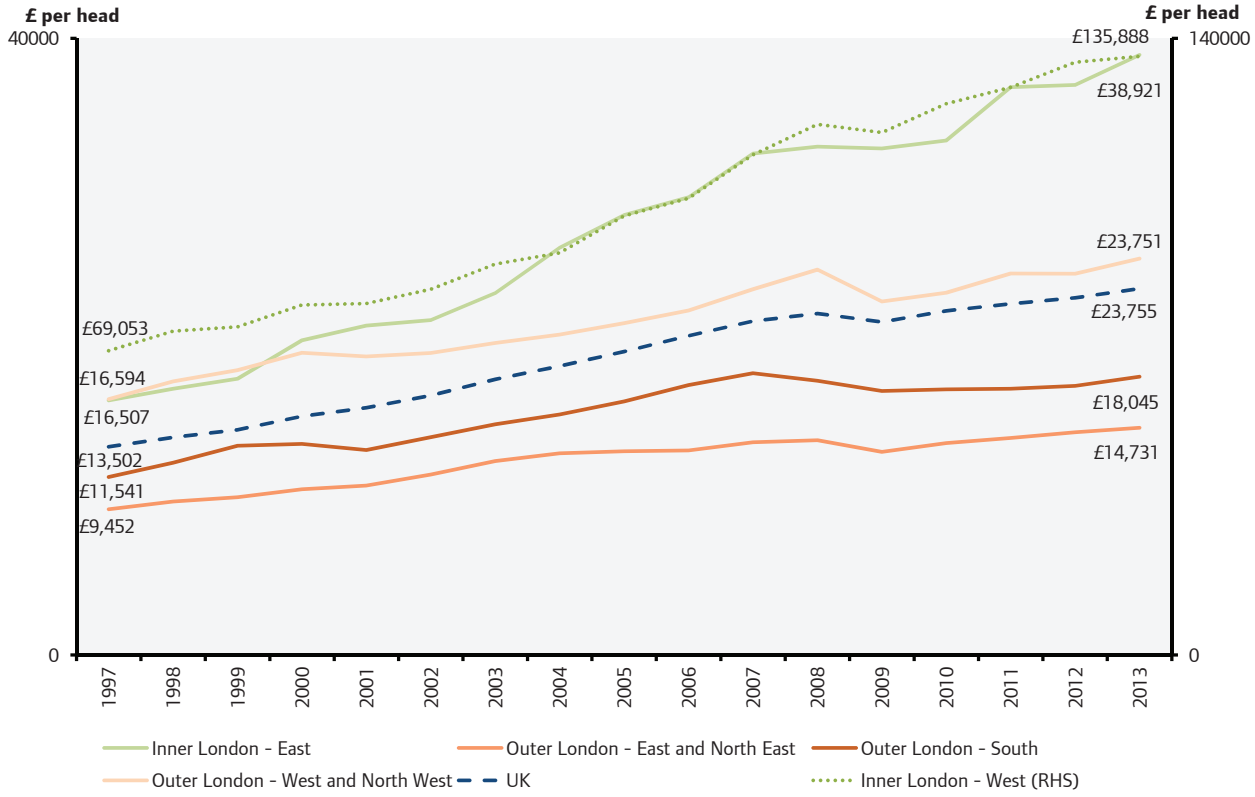
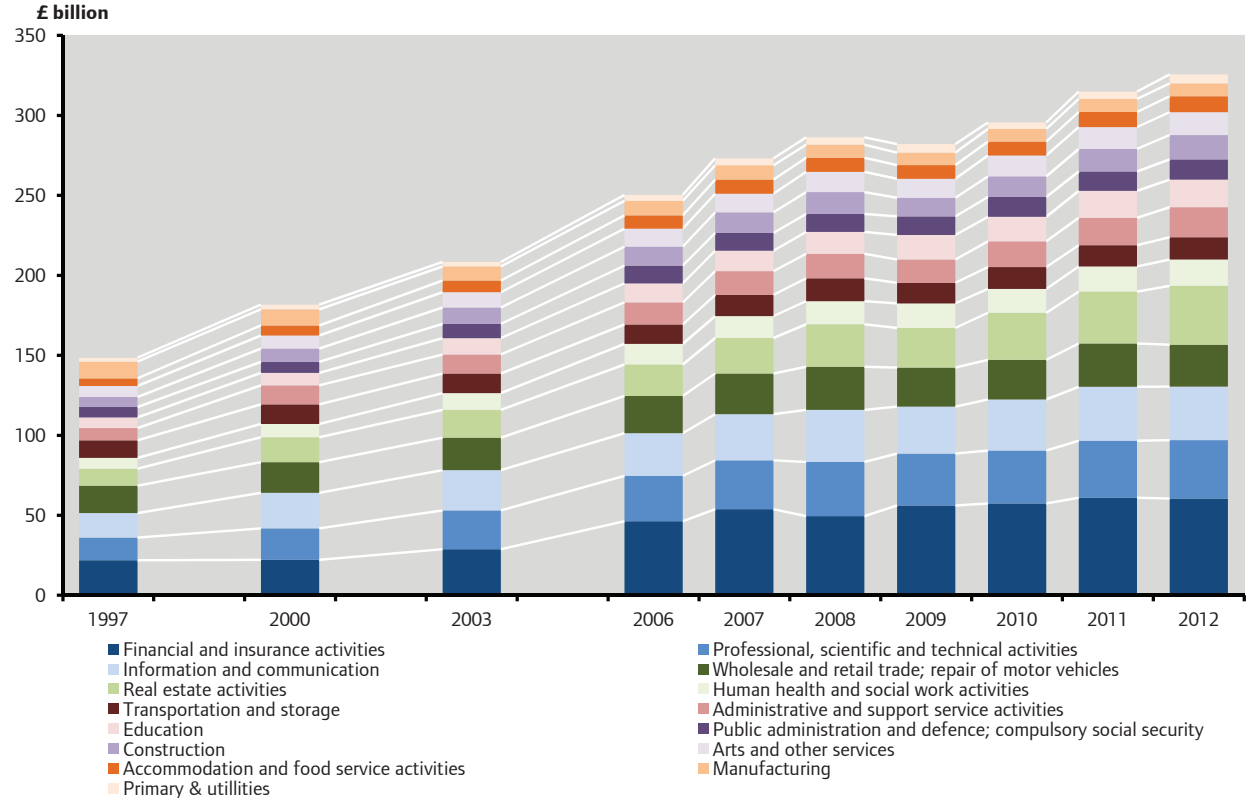


Figure 10: Headline GVA[18] in London by industry, 1997-2012, current prices



Source: Regional Accounts, ONS

Professional, scientific and technical activities; and information and communication industries also play an important role in London's GVA generation. In 2012, these two industries combined accounted for around 22 per cent of London's GVA (up slightly from 20 per cent in 1997). Further, London's professional, scientific and technical activities; and information and communication account for over a third of the UK's GVA in both industries respectively, whilst administrative and support service activities GVA account for over a quarter of the sector's GVA in the UK.

From 2008 to 2012, three industries in London have seen a fall in GVA:

- Manufacturing, which has fallen by 2 per cent to £8.0 billion,
- Wholesale and retail trade; repair of motor vehicles, which has fallen by 3 per cent to £26.22 billion,
- Transportation and storage, which has fallen by 3 per cent to £13.94 billion.

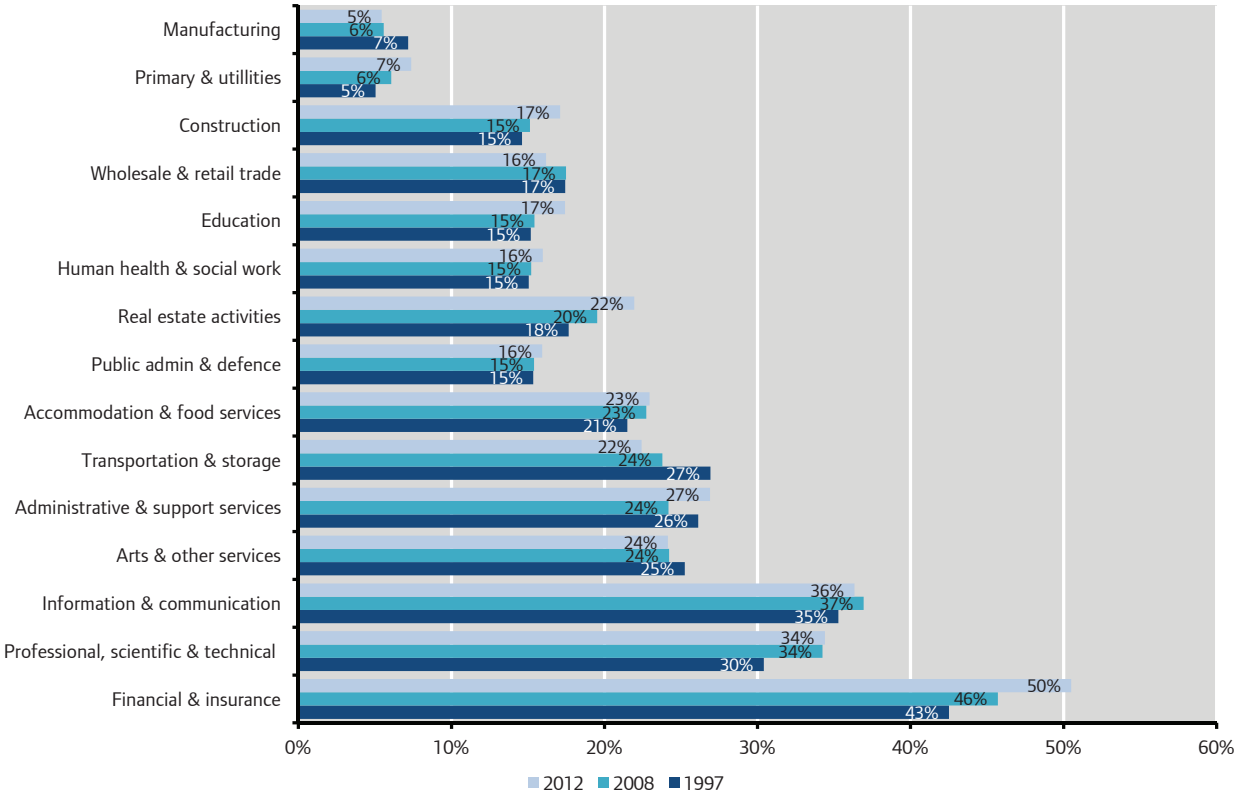
Examining annual average output growth by sector between 1997 to 2008 and 2008 to 2012 it can be observed that most sectors saw faster average growth in the pre-recession period (see Table 5). For instance not unsurprisingly Financial and insurance activities saw fast annual average output growth of 7.7 per cent between 1997 and 2008, compared to average annual growth of 5.1 per cent between 2008 and 2012. However, Manufacturing saw higher (or at least less negative) average annual output growth between 2008 and 2012 compared to 1997 to 2008.

Table 5: Headline GVA[19] in London by industry (£ million and as per cent of total London GVA), 1997, 2008 and 2012, current prices

Industry	1997		2008		2012		1997 to 2008	2008 to 2012
	Industry GVA	Total (%)	Industry GVA	Total (%)	Industry GVA	Total (%)	Average annual growth rate (%)	Average annual growth rate (%)
Primary & utilities	2,419	1.6	4,596	1.6	5,624	1.7	6.0	5.2
Manufacturing	10,456	7.0	8,143	2.8	7,996	2.5	-2.2	-0.5
Construction	6,338	4.3	13,610	4.8	15,170	4.7	7.2	2.8
Wholesale and retail trade; repair of motor vehicles	17,055	11.5	26,897	9.4	26,215	8.1	4.2	-0.6
Transportation and storage	10,949	7.4	14,390	5.0	13,938	4.3	2.5	-0.8
Accommodation and food service activities	4,735	3.2	8,835	3.1	9,943	3.1	5.8	3.0
Information and communication	15,422	10.4	32,586	11.4	33,508	10.3	7.0	0.7
Financial and insurance activities	21,956	14.8	49,539	17.3	60,473	18.6	7.7	5.1
Real estate activities	10,581	7.1	26,631	9.3	36,701	11.3	8.8	8.3
Professional, scientific and technical activities	14,066	9.5	33,821	11.8	36,496	11.2	8.3	1.9
Administrative and support service activities	7,666	5.2	15,212	5.3	18,740	5.8	6.4	5.4
Public administration and defence; compulsory social security	6,511	4.4	11,231	3.9	12,664	3.9	5.1	3.0
Education	6,600	4.4	13,777	4.8	17,195	5.3	6.9	5.7
Human health and social work activities	6,830	4.6	14,364	5.0	16,551	5.1	7.0	3.6
Arts and other services	6,896	4.6	12,662	4.4	14,398	4.4	5.7	3.3
Total	148,480		286,294		325,612		6.2	3.3

Source: Regional Accounts, ONS

Figure 11: London's share of UK headline GVA[20] by industry, 1997-2012, current prices

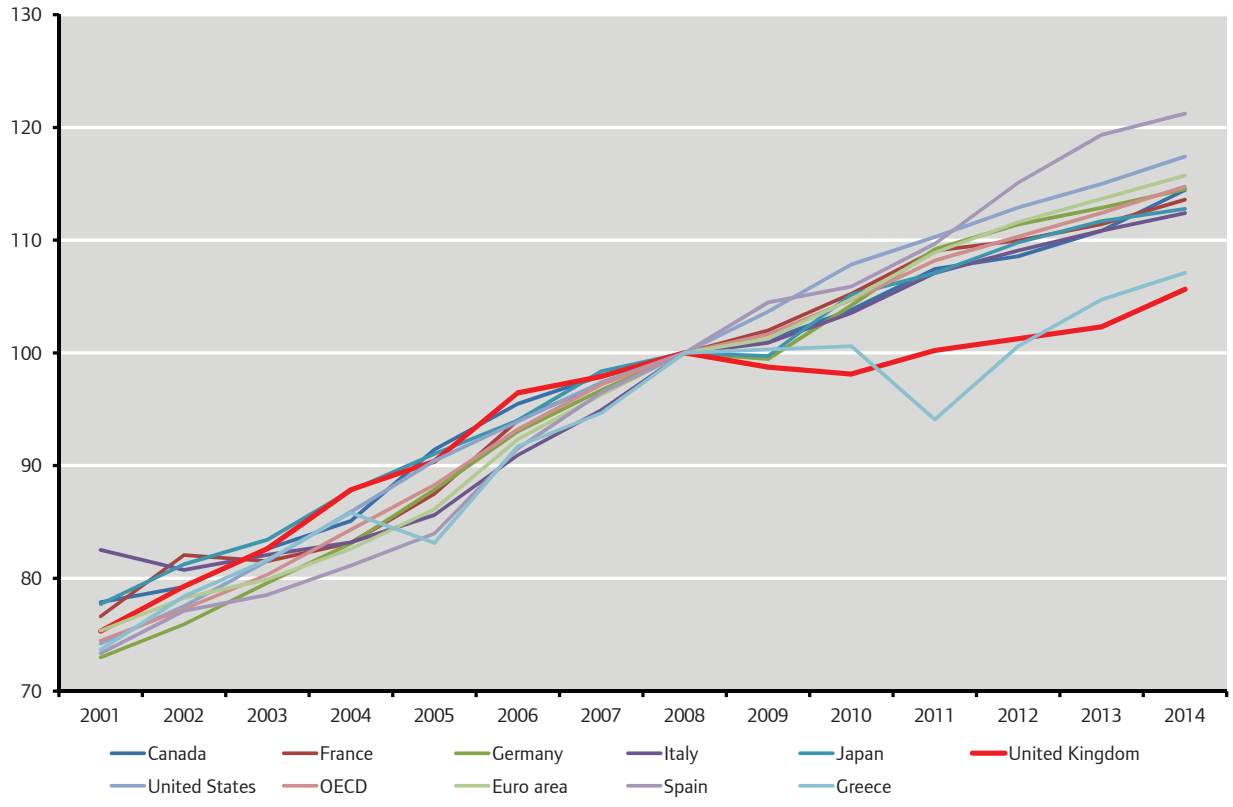


Source: Regional Accounts, ONS

3: Productivity in London

Concerns have been expressed about the long-term prospects for UK, and by extension London's, economic growth, due to the slow growth in productivity that has occurred in the UK since the recent recession. This is demonstrated in Figure 12 which shows output per hour worked and shows that this has been relatively static in the UK since 2008 unlike in other economies. Examining this in more detail between 2000 and 2008 the UK's GDP per hour worked increased on an average annual basis of around 4.2 per cent, virtually identical to the OECD average of 4.3 per cent. However, between 2008 and 2014 the UK's average annual increase in output per hour worked stood at 0.9 per cent compared to an OECD average of 2.3 per cent. Thus although productivity declined in both the UK and OECD countries the decline was greater in the UK in the post-recession period. While in other analysis the ONS observed that "output per hour in the UK was 17 percentage points below the average for the rest of the major G7 advanced economies in 2013, the widest productivity gap since 1992. On an output per worker basis, UK productivity was 19 percentage points below the average for the rest for the G7 in 2013"[21].

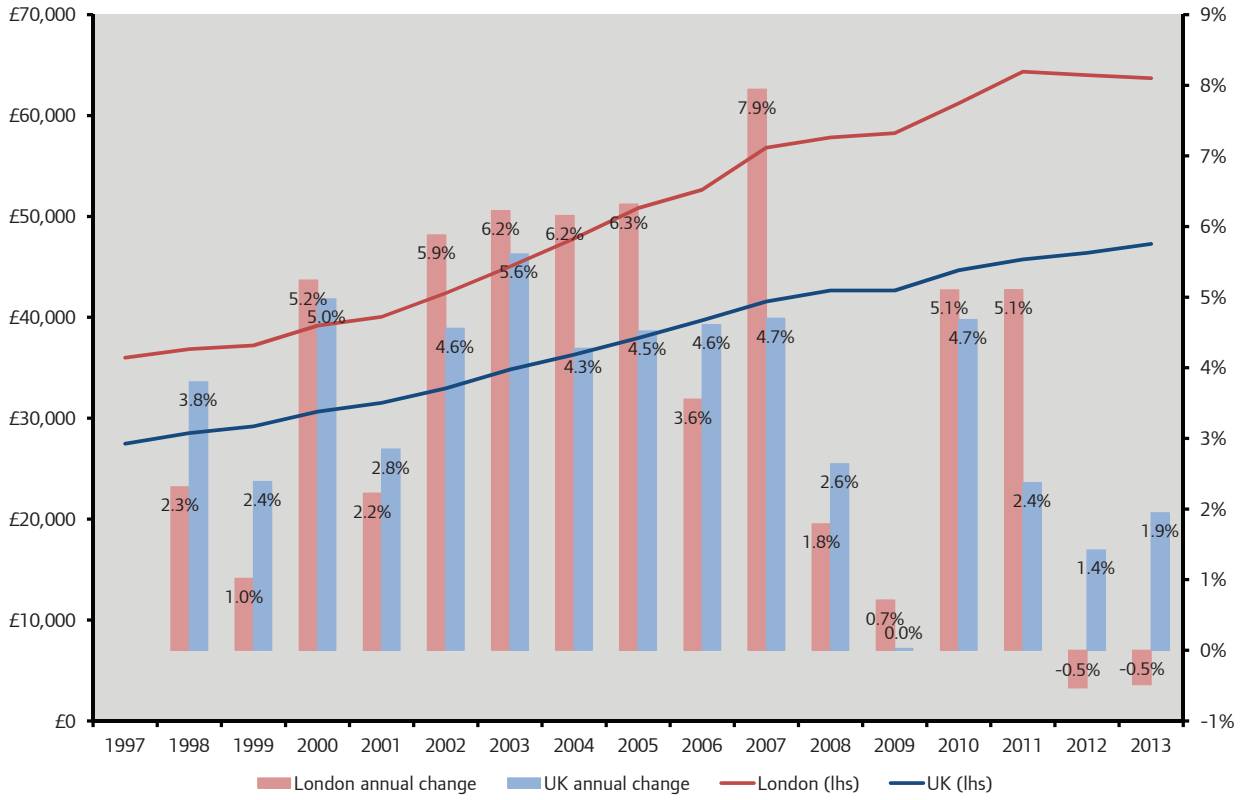
Figure 12: GDP per hour worked in selected countries, 2001 to 2014 (index 2008=100)



Source: OECD

As noted previously GVA per head[22] in London has been rising in the post-recession period although at a slower rate than seen in the pre-recession period. However, given the importance of commuters in producing London's output, GVA per head in London might be considered a somewhat misleading statistic. In terms of productivity, a more representative measure is GVA per worker[23] (see Figure 13). As can be observed GVA per worker is significantly higher in London when compared to the UK as a whole, with it standing in 2013 in London at £63,692 compared to a figure of £47,283 for the UK as a whole. However, in 2013 GVA per worker declined by 0.5 per cent in London, compared to a growth rate of 1.9 per cent for the UK; Figure 13 thus also highlights the difference between GVA per worker and GVA per head in London[24]. Between 1997 and 2008 London's GVA per worker grew at an average annualised rate of 4.4 per cent compared to a rate of 4.1 per cent for the UK, however over the years 2008 to 2013 London grew at an annualised rate of 1.9 per cent compared to a rate of 2.1 per cent for the UK as a whole. Thus in this later period GVA per job grew more slowly in London than the UK as a whole which was not the case when GVA per head was examined.

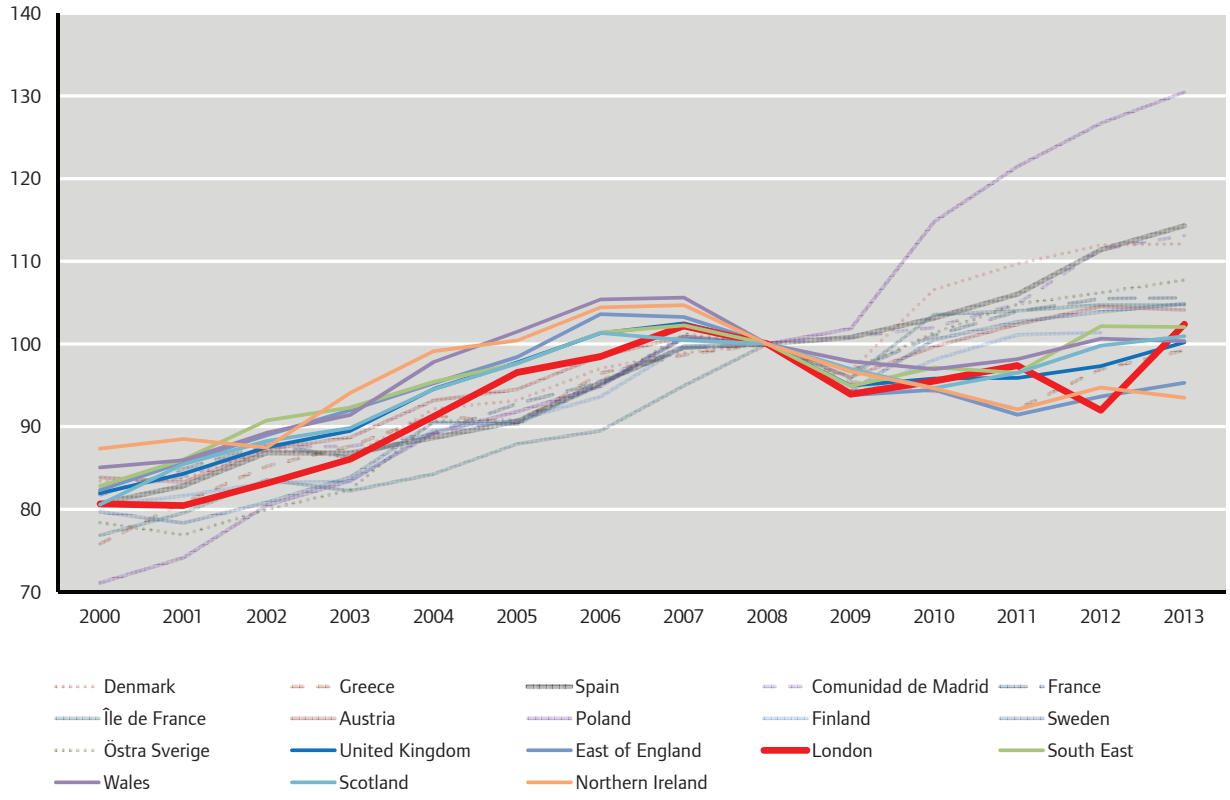
Figure 13: Headline GVA[25] per worker (£) and annual percentage change for London and UK 1997-2013[26], current prices



Source: Regional Accounts, ONS, Nomis and GLA Economics calculations

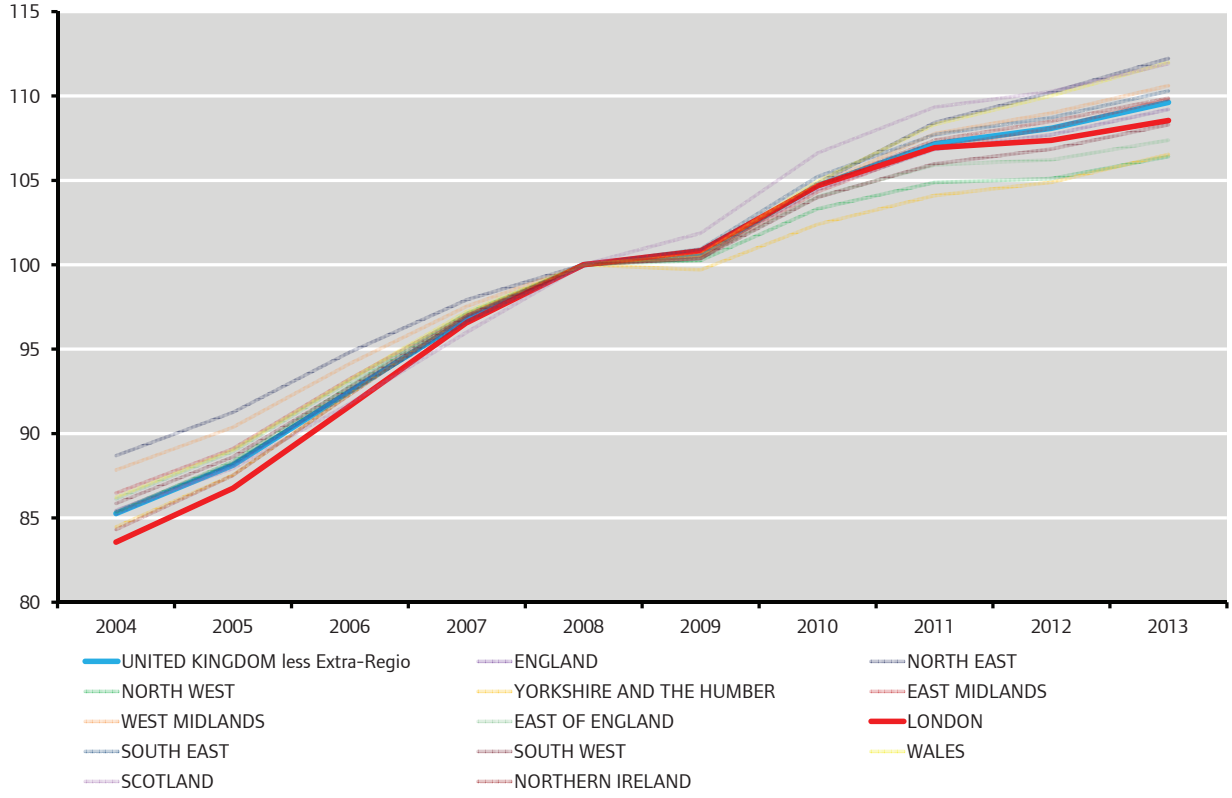
Another measure of productivity in London is examined in detail in Figure 14 which shows output per worker in London and selected European countries and NUTS1 regions. As can be observed by 2013 London's output per worker had recovered more strongly than the UK as a whole, but was lagging other European regions and countries, although this lag was significantly less marked in 2013 than in 2012. When examining London in a UK context Figure 15 shows GVA per hour worked in London, the UK and the nations and regions of the UK indexed to 2008. As can be seen from this figure London's GVA per hour worked grew more rapidly between 2004 and 2008 compared to the UK as a whole at an average rate of 4.6 per cent per annum compared to 4.1 per cent per annum respectively. However, over the period 2008 to 2013 this was reversed with London's GVA per hour worked growing at an average rate of 1.7 per cent per annum compared to the UK as a whole which grew on average by 1.9 per cent per annum. London also performs more poorly than a number of other areas of the UK over this period.

Figure 14: Output per worker in selected countries and NUTS1 regions, 2000 to 2013 (index 2008=100)



Source: Eurostat and GLA Economics calculations

Figure 15: Nominal (smoothed) GVA per hour worked in London, the UK and its nations and regions 2004-2013 (index 2008=100)



Source: ONS[27] and GLA Economics calculations

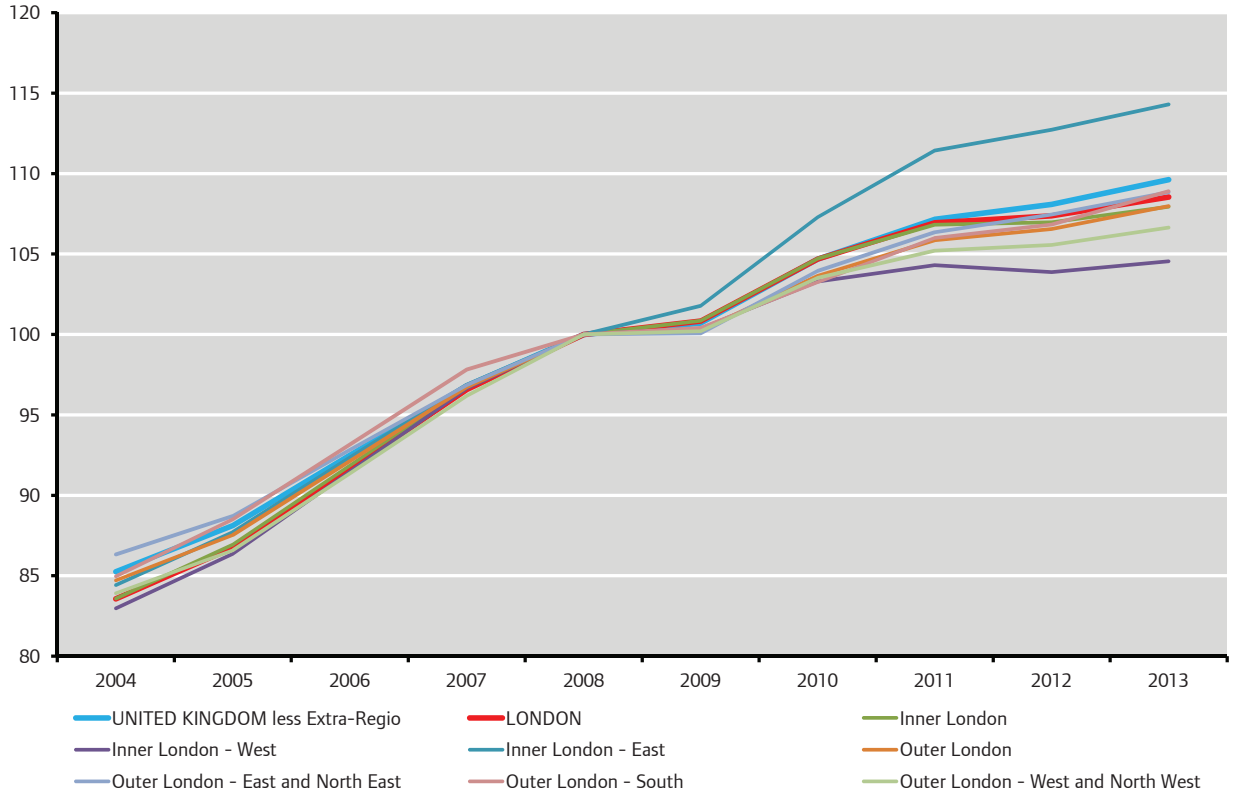
However, as shown in Figure 16 the post 2008 performance of London's NUTS 2&3 geographies is quite variable with Inner London – East (the best performing area) growing at an average annualised rate of 2.7 per cent over 2008 to 2013, compared to Inner London – West (the worst performing area) growing at an average annualised rate of 0.9 per cent. This result may in part be explained by the hypothesis put forward by Ian McCafferty[28] to explain the UK productivity puzzle, which suggested it was due to a mixture of changes in regulation, changes in business model, tough trading environment, labour retention and minimum operating scale. Thus given the different sectoral makeup of different areas of London then it's possible that some of these issues would have a larger impact on different geographies.

To examine this hypothesis the indexed change in GVA per workforce job by broad industrial sector for London and the UK was plotted and is shown in Figures 17 and 18. The measure "GVA per workforce job" is different to the GVA per worker measure since this uses a methodology developed by GLA Economics with assistance from the ONS, to identify the proportion of published GVA which can be seen as attributable to the activity of the workforce (primarily removing the effects of rental incomes from the published GVA data); GVA per workforce job (at the broad sector level) is calculated as attributable GVA to the workforce divided by workforce jobs. Further detail as to the methodology and estimates are provided in GLA Economics Working Paper 63.[29]

Figures 17 and 18 provide estimates of GVA per workforce job indices across the 1997 – 2012 time period. This is an extension of the methodology within GLA Economics Working Paper 63, where data for London and the UK were only provided for 2007 – 2012. For 1997 – 2006, an assumption on the attribution of published GVA to that of the workforce has been made; it is assumed that the average proportion of attributable GVA to the workforce by sector for 2007 – 2012 is used for all years before 2007.

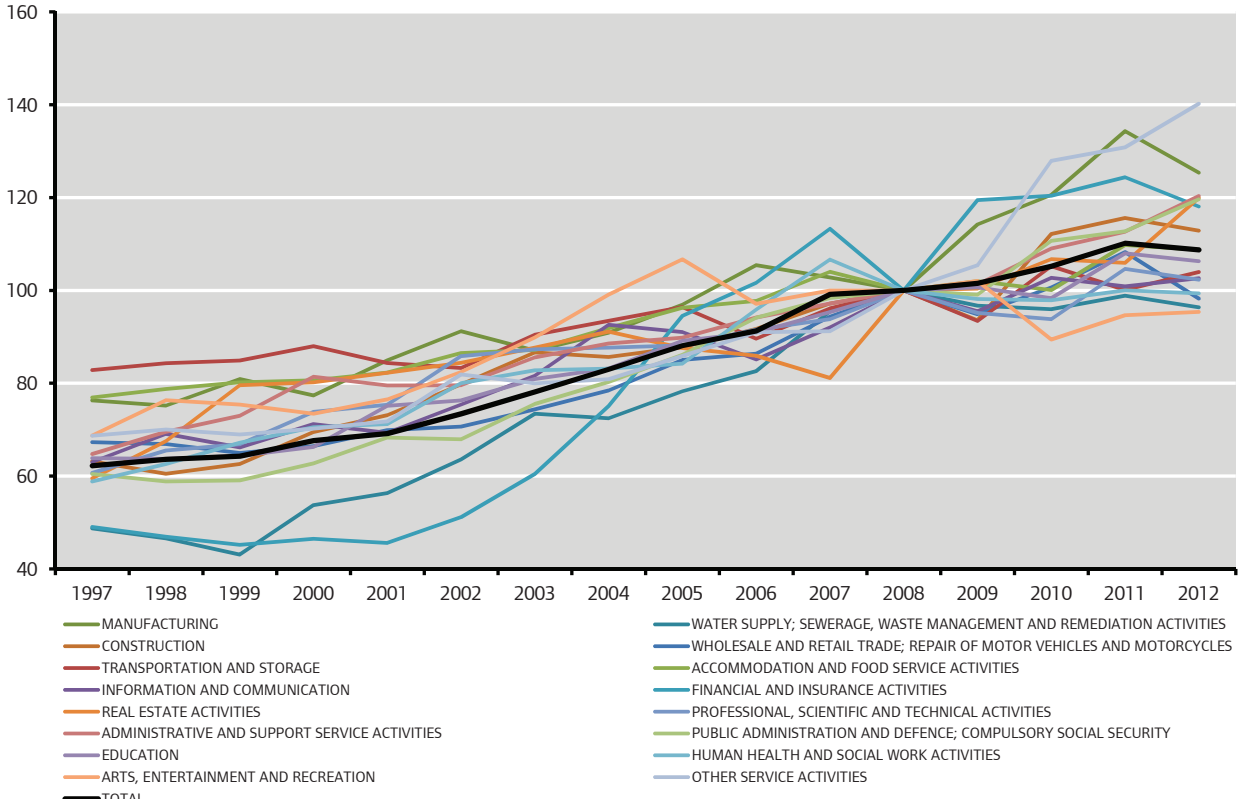
As can be observed from both Figures 17 and 18 the growth in GVA per workforce job has been highly divergent depending on the industrial sector examined with this variability being particularly marked in London. Also surprising was the performance of Financial and insurance activities which saw a strong and unexpected growth in GVA per workforce in 2008/09, in both London and the UK, perhaps showing the reduction in that sectors workforce in that period. While Professional, scientific and technical activities saw particularly slow productivity growth over this period in both London and the UK. It should however be noted that both sectors account for a higher proportion of London's output than they do for the UK as a whole. Further, both Business service activities (which includes Professional, scientific and technical activities) and Financial and insurance activities account for a higher proportion of output in Inner London – West than in any other NUTS region of London.

Figure 16: Nominal (smoothed) GVA per hour worked in London, the UK and London's NUTS 2 & 3 geography 2004-2013 (index 2008=100)



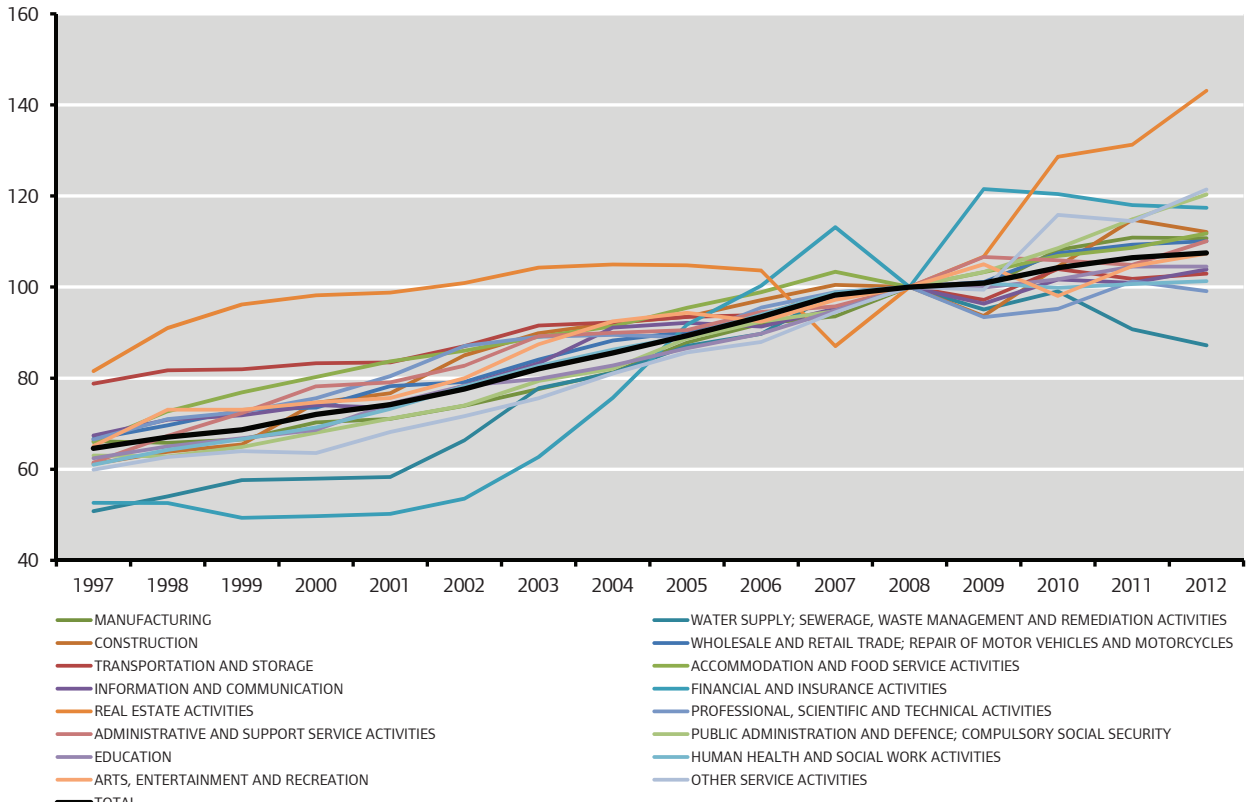
Source: ONS and GLA Economics calculations

Figure 17: Nominal GVA per workforce job in London by broad industrial sector 1997-2012 (index 2008=100)



Source: GLA Economics calculations[30]

Figure 18: Nominal GVA per workforce job in the UK by broad industrial sector 1997-2012 (index 2008=100)

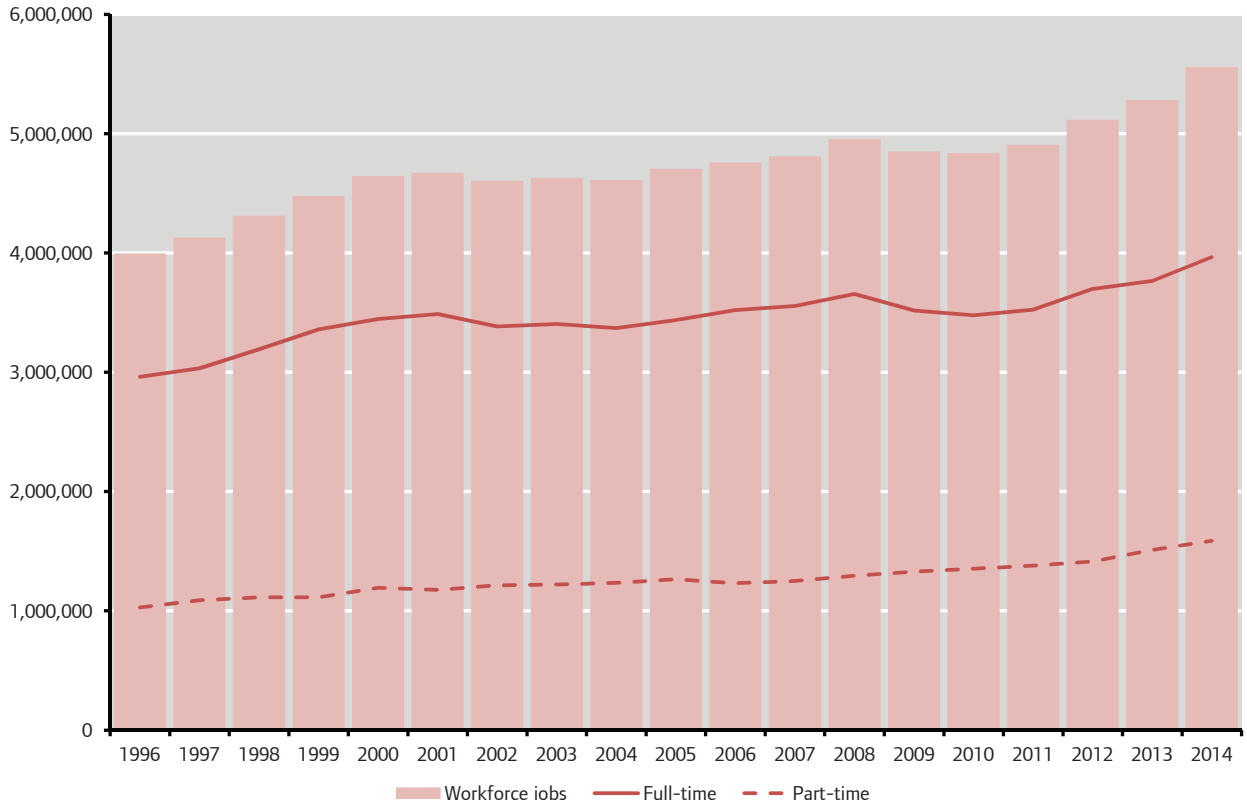


Source: GLA Economics calculations

4: Employment in London

London's labour market performance overtime is shown in Figure 19; the figure shows time series of workforce jobs in London (i.e. the number of jobs located in London, whether or not they are taken by residents of London) since 1996[31]. Since the recession in 2008/09 and falls in jobs in 2009/10 London's labour market has performed strongly. In 2014, there were around 5.554 million jobs in London, a 5 per cent increase compared with 2013 and 12 per cent higher than in the pre-recession peak[32]. Looking at the latest figures on jobs for Q2 2015 workforce jobs in London reached 5.645 million – a new high since the measure began in 1996.

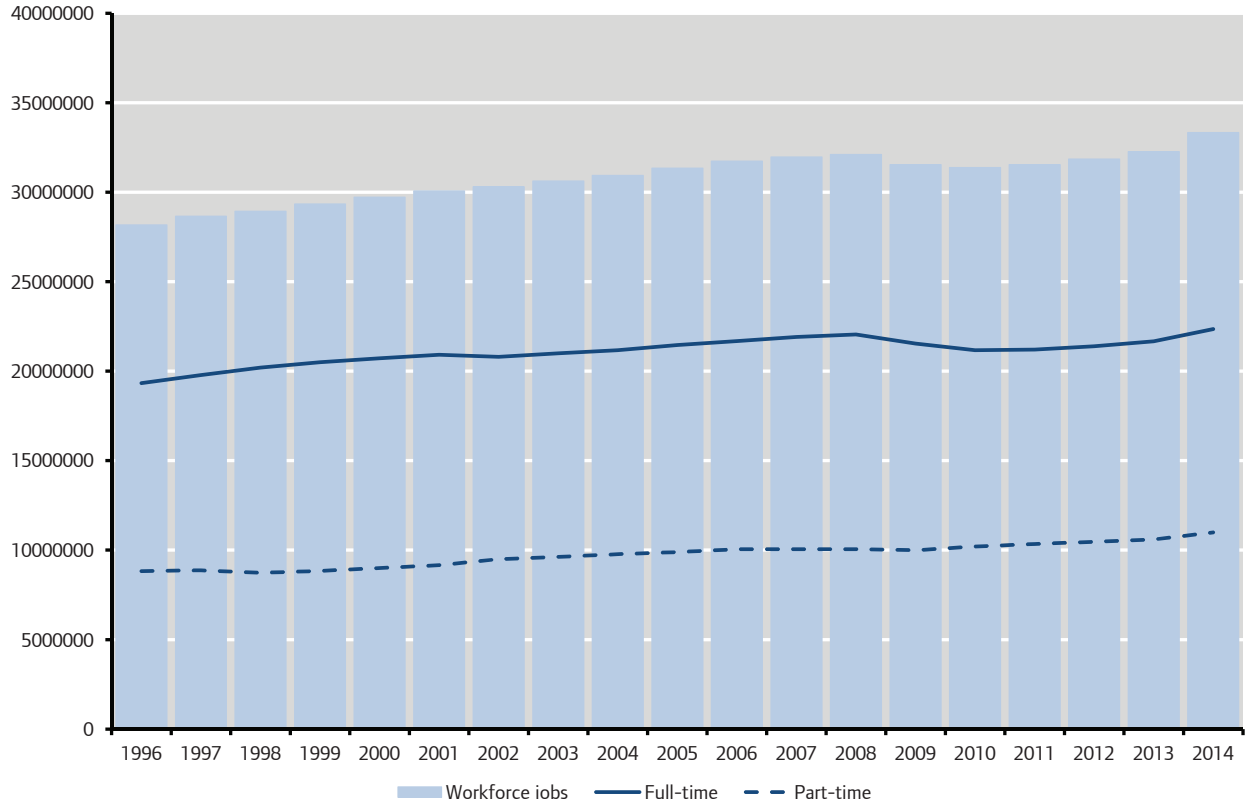
Figure 19: Workforce jobs in London over time, 4-quarter average



Source: ONS Workforce Jobs series, Nomis
Note: Data in the chart for 1996 to 2014 refer to 4-quarter averages.

Similarly to London, jobs in the UK fell in both 2009 and 2010, but since the start of the recovery the labour market performance has been somewhat weaker than in London (Figure 20). Between 2011 and 2014 UK jobs growth has averaged around 1.5 per cent and in 2014 jobs in the UK totalled around 33.339 million. This is a 3 per cent increase from 2013 and 4 per cent higher than in 2008 – falling short of the growth seen in London since recession (average annual jobs growth since 2011 in London was around 4.2 per cent compared to 1.9 per cent in the whole of UK). More recent data show that jobs growth in the UK continued in Q2 2015 and the number of jobs totalled around 33.694 million.

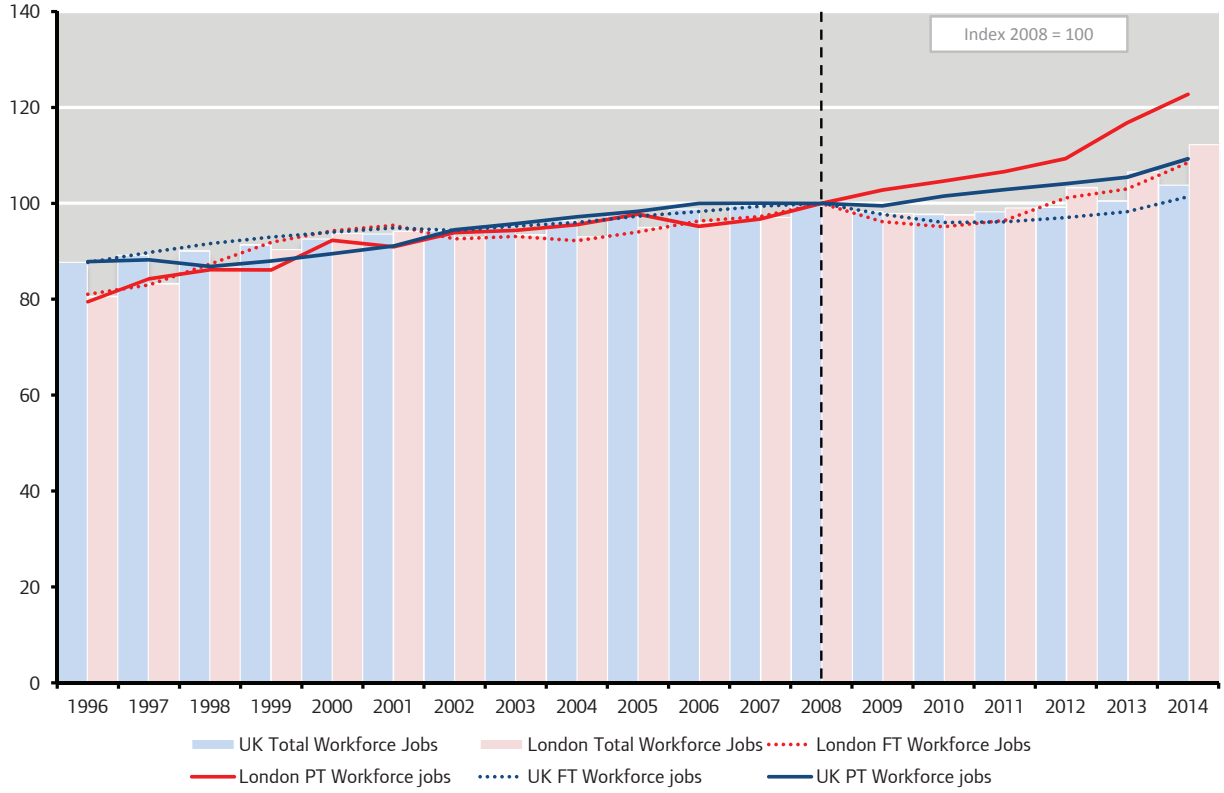
Figure 20: Workforce jobs in the UK over time, 4-quarter average



Source: ONS Workforce Jobs series, Nomis
Note: Data in the chart for 1996 to 2014 refer to 4-quarter averages.

Figure 21 demonstrates growth in overall workforce jobs since 2008 both for London and the UK, and the impact of part-time jobs in the recent jobs recovery. The growth in part-time jobs was particularly strong in London; in 2013 and 2014 part-time jobs increased by 7 and 5 per cent respectively, whilst in the UK these jobs grew by 1 and 4 per cent respectively. In comparison, full-time jobs in London grew by 2 per cent in 2013 and 5 per cent in 2014, whilst in the UK the growth performance was 1 and 3 per cent respectively. Overall, part-time jobs accounted for around 29 per cent of total workforce jobs in London in 2014, compared to around a third in the UK. In comparison to the pre-recession period, by 2014 the part-time share of total workforce jobs in London had risen by around 3 percentage points from approximately 26 per cent in 2007 and 2008. Similarly in the UK as a whole, the change between the pre-recession period and 2014 was around 2 percentage points.

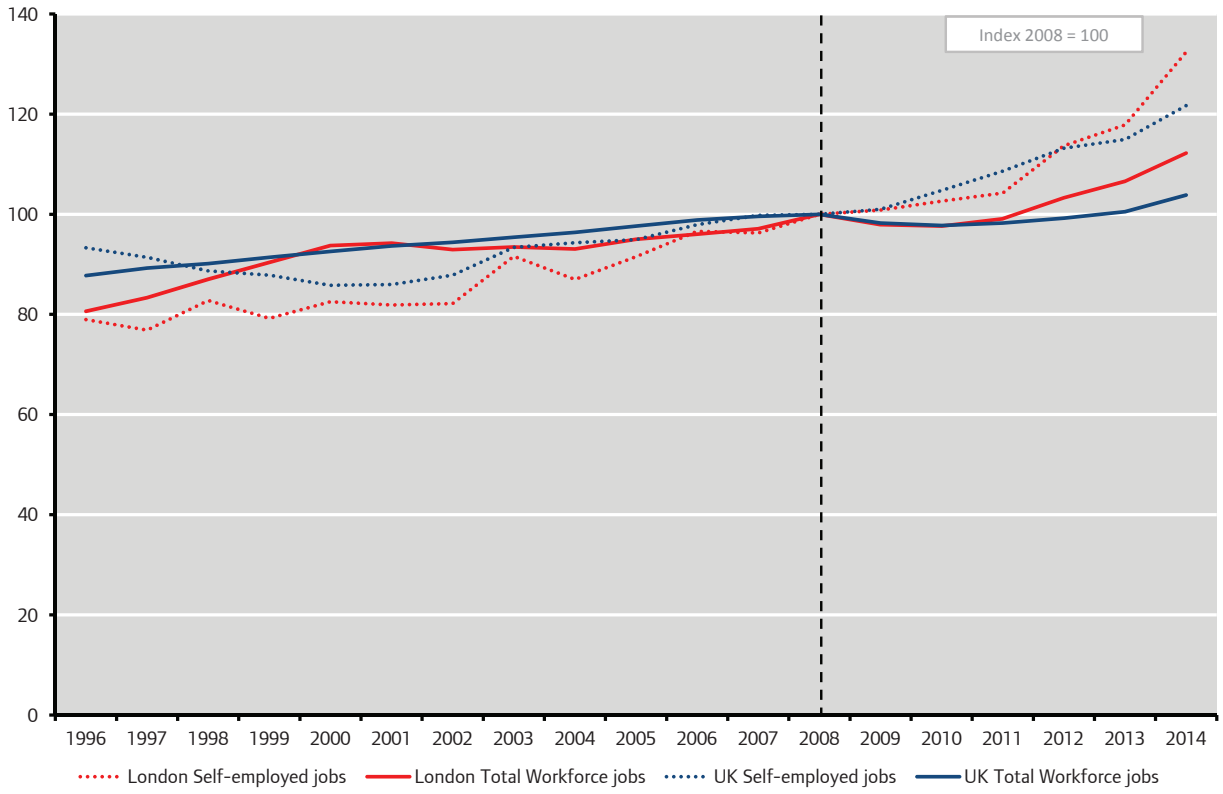
Figure 21: Workforce jobs in London and the UK, full-time and part-time[33]



Source: ONS Workforce Jobs series, Nomis

Similarly, the rise in self-employment jobs has played a key role in the strong jobs performance since the financial crisis (Figure 22). In London, self-employment jobs increased by around 32 per cent from 2008; this compares to growth of around 22 per cent in the UK as a whole. In 2014, self-employment jobs accounted for 14 per cent of total workforce jobs both in London and the UK (equivalent to around one in every seven jobs). In contrast, in 2007 and 2008 self-employment jobs accounted for around 11 to 12 per cent of all workforce jobs in London, compared to around 12 per cent in the UK as a whole.

Figure 22: Workforce jobs in London and the UK, employee and self-employed jobs

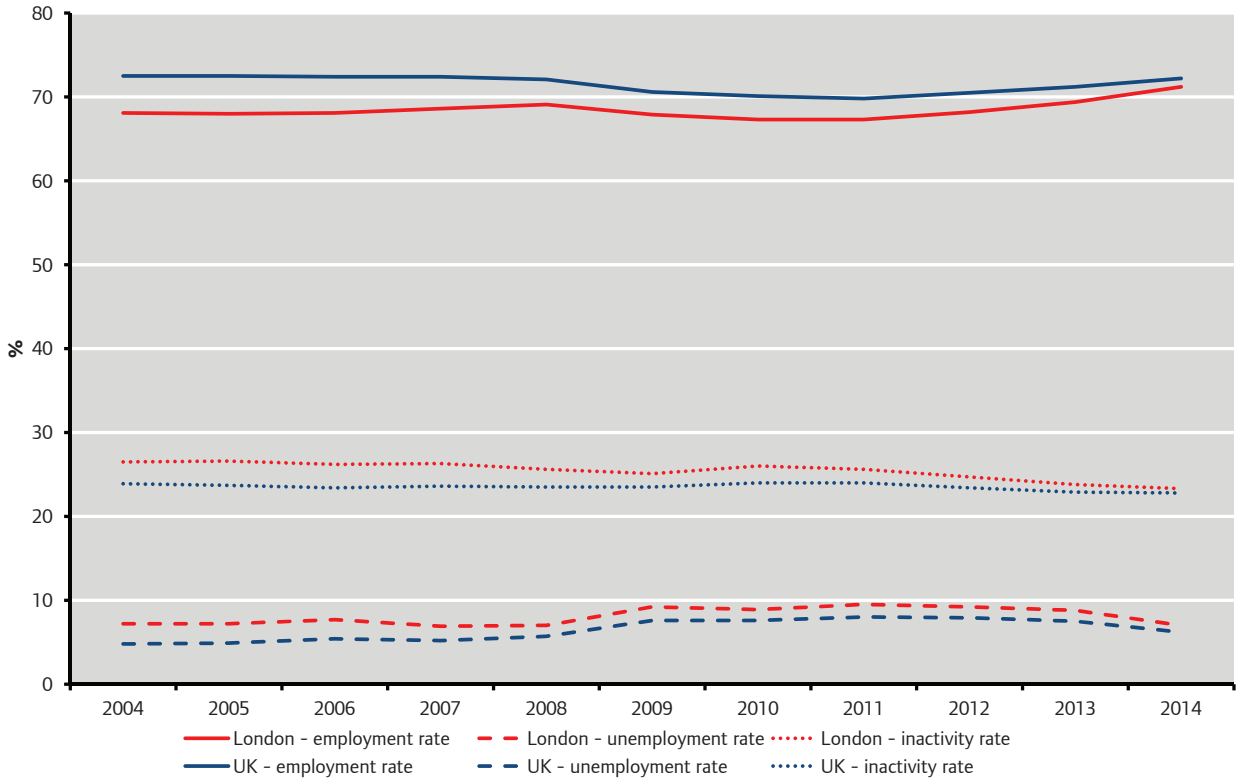


Source: ONS Workforce Jobs series, Nomis

Growth in jobs since the financial crisis has coincided with a rise in employment rates both in the UK and in London, and employment rates are now near record levels (Figure 23). Historically, employment rates in London have been lower than in the UK as a whole. However, as Figure 23 demonstrates, the gap has been closing recently, and in 2014 the employment rate in London was 71.2 per cent compared to 72.2 per cent in the UK as a whole[34]. In comparison, in 2008 the employment rate in London was 69.1 per cent, in the UK as a whole it was 72.1 per cent. The latest data for the three months to July 2015 show the difference between London and the UK at 1.3 percentage points – compared to 2.4 in the same period in 2008.

Similarly, the discrepancy between London's unemployment and inactivity rates relative to the UK has narrowed in recent years (Figure 23). The unemployment rate in London in 2014 was 7.0 per cent; the rate in the UK was lower at 6.2 per cent. However, the gap between London and the UK narrowed from 1.6 percentage points in 2009 down to 0.8 in 2014. The inactivity rate in London was around 23.3 per cent in 2014, a 3.3 percentage point fall from 2008 and only 0.5 percentage points higher than in the UK (22.8 per cent in 2014).

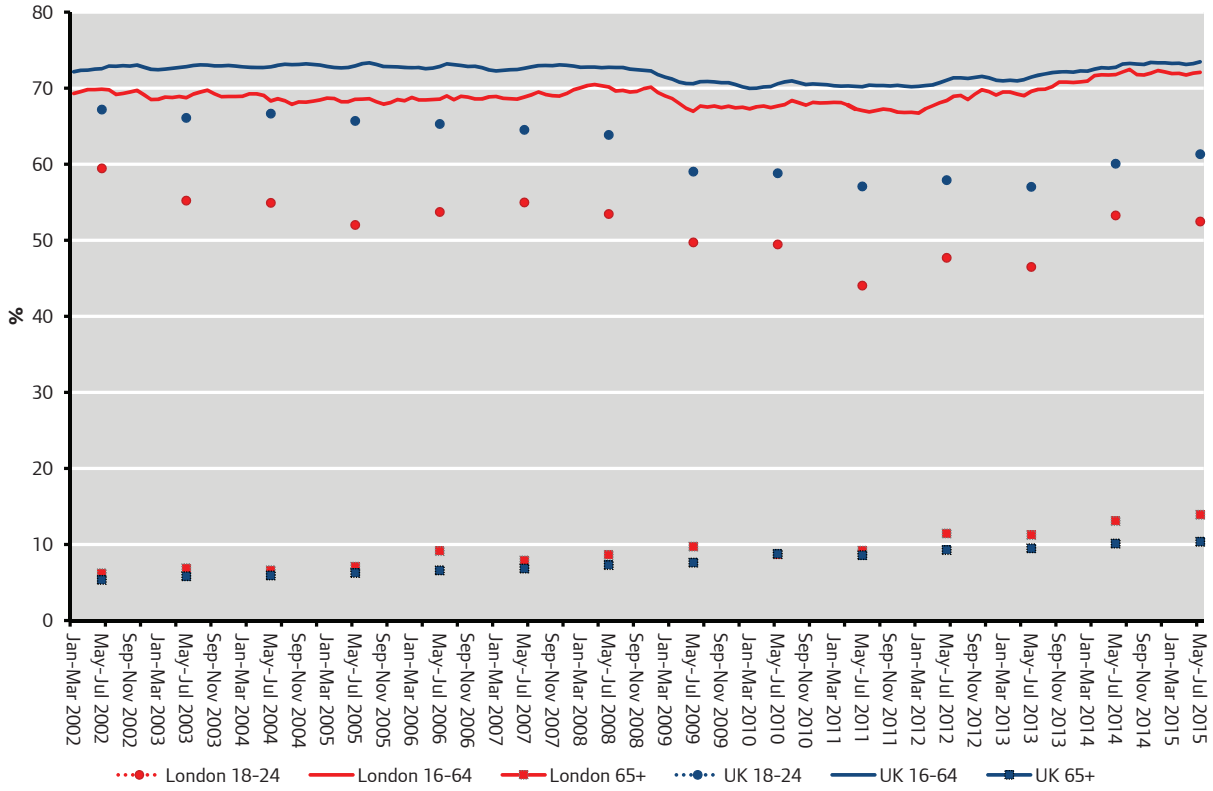
Figure 23: Employment rate, inactivity rate and unemployment rate for London over time[35]



Source: Annual Population Survey, Office for National Statistics

Looking at employment rates by age shows a similar pattern with the gap between London and the UK narrowing across the different age groups (Figure 24). The latest data refer to May to July in 2015 and suggest that the employment rate for Londoners aged 18 to 24 is lower than in the UK as a whole at 52.5 per cent; in the UK the rate was 61.3 per cent. Even though the gap has narrowed recently, in May to July 2015 it was still equal to 8.8 percentage points (and down from 10.4 percentage points in the equivalent period in 2008). Interestingly, the employment rate amongst individuals aged 65 or over in May to July in 2015 was higher in London than in the UK at 13.9 per cent and has risen by more since 2008 than in the UK as a whole (in the UK the rate was 10.4 per cent in the three months to July); in London the rise was around 5.3 percentage points between May to July in 2008 and the equivalent period in 2015. In contrast, the employment rate in the UK for this group rose by around 3.1 percentage points over the same period to 10.4 per cent.

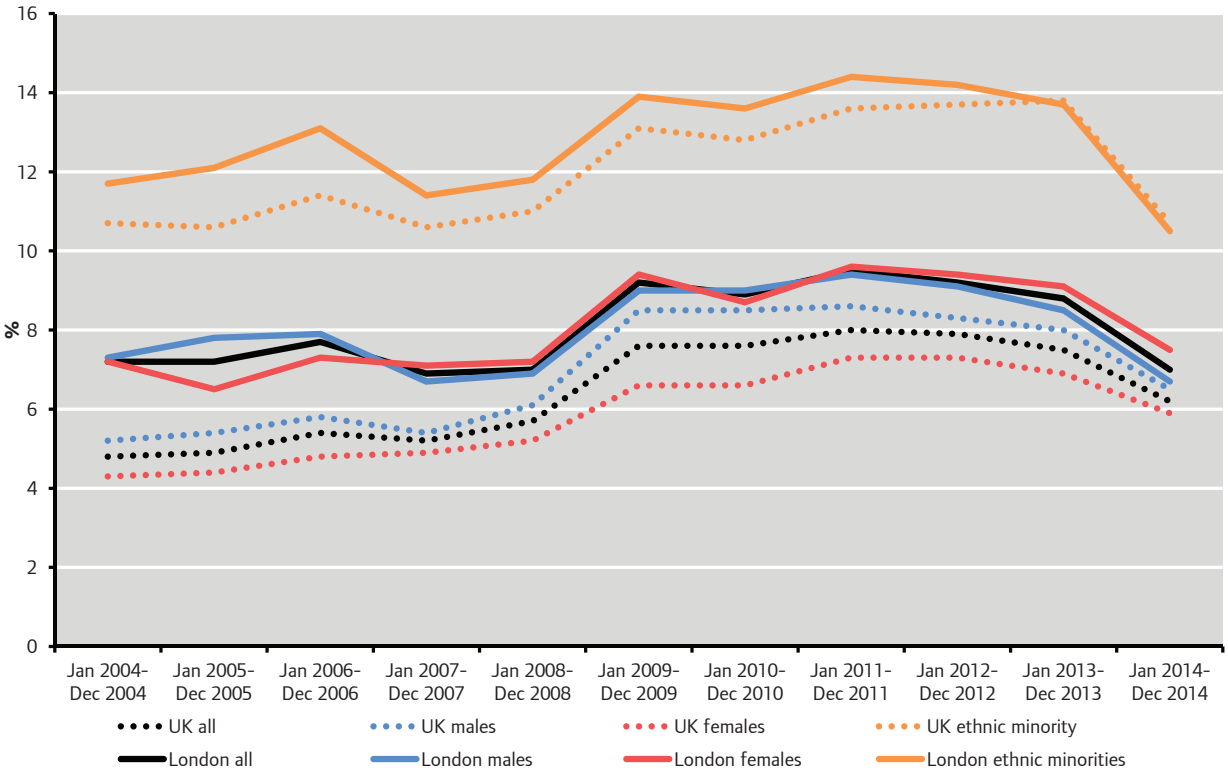
Figure 24: Employment rate by age for London and the UK



Source: Labour Force Survey, Office for National Statistics

Similarly to the trends in employment rates, London continues to underperform in terms of unemployment compared to the UK as a whole (Figure 25). In 2014, the unemployment rate in the UK fell to 6.2 per cent from around 7.5 per cent in 2013, whilst in London the unemployment rate was 7.0 per cent compared to around 8.8 per cent in 2013. The discrepancy between London and the UK is evident for both women and men. In particular, the difference in unemployment rates between women living in London and women in the UK as a whole is more evident; in London the rate was 7.5 per cent in 2014, compared to 5.9 per cent in the UK[36].

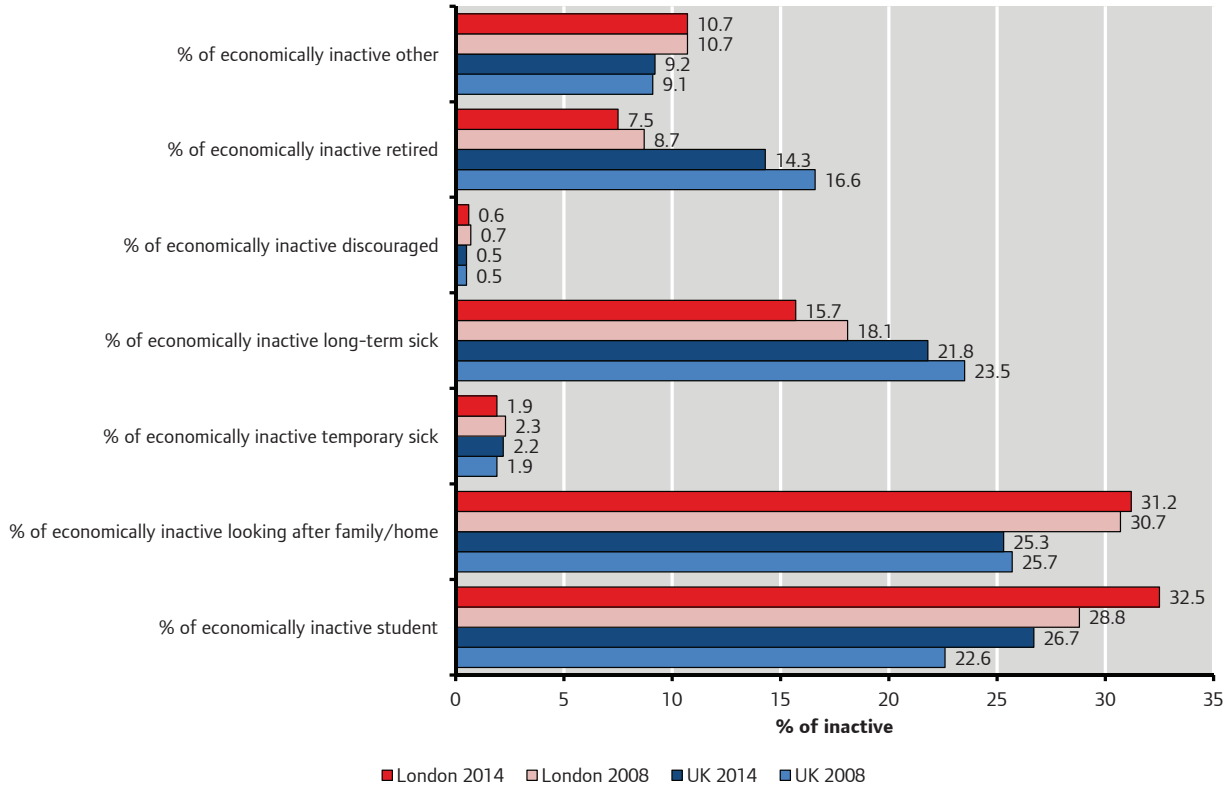
Figure 25: Unemployment rate in London and the UK



Source: Annual Population Survey, Office for National Statistics

As Figure 23 demonstrated, the gap between the inactivity rate in London and the UK has been narrowing over time and in 2014 the difference was reduced to 0.5 percentage points. Figure 26 demonstrates that there are some differences in the reasons for inactivity between London and the UK as a whole. In London, a higher proportion of individuals are recorded as inactive due to a student status (around a third in 2014 compared to around 27 per cent in the UK) but also inactivity due to looking after family or home is more common (31 per cent in London in 2014 compared to a quarter in the UK). Inactivity due to student status has increased around 3.7 and 4.1 percentage points in London and the UK respectively compared with 2008. A slightly larger proportion of individuals in London in 2014 were inactive as a result of looking after family or home than in 2008 (31.2 per cent in 2014 compared to 30.7 per cent in 2008), whilst the opposite was the case in the UK as a whole (25.3 per cent in 2014 down from 25.7 per cent in 2008). In contrast, in the UK long-term sickness and retirement are more commonly noted as reasons for inactivity (around 22 per cent and 14 per cent of people respectively), compared to around 16 per cent and 8 per cent in London[37].

Figure 26: Inactivity by reason in London and the UK in 2014 and 2008

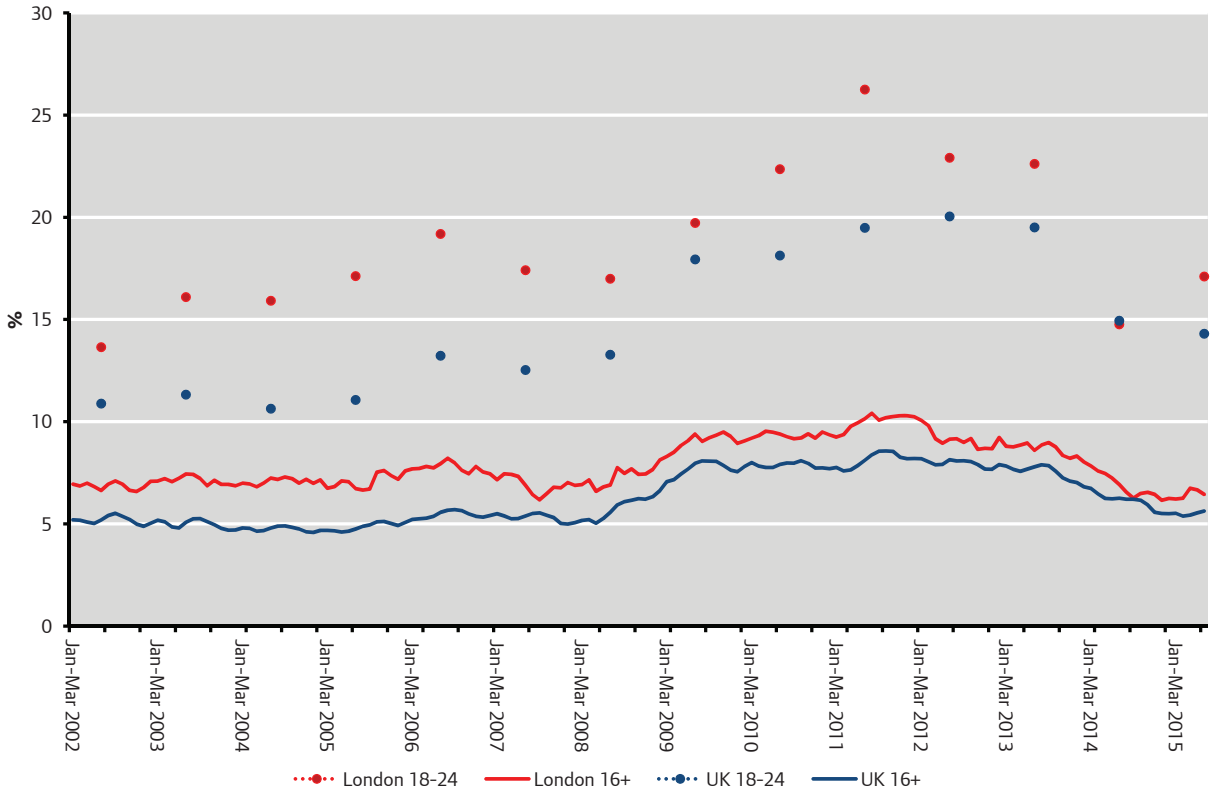


Source: Annual Population Survey, Office for National Statistics

Previous sections looked at jobs, employment rates and inactivity, and demonstrated that there is a consistent discrepancy in the labour market between London and the UK. Age can partially help to explain inactivity among the young and individuals aged 65 and over. However, individuals in London are less commonly in employment, more commonly inactive and unemployed compared to the UK as a whole.

As with the discrepancy in employment rates between London and the UK unemployment has historically been higher in London than the UK (Figure 27). For the headline measure the gap has narrowed somewhat in recent times. For the age group 18-24 the gap in the unemployment rate between London and the UK is wider than in the headline measure at around 2.8 percentage points in May to July 2015; in London the unemployment rate amongst 18-24 was 17.1 per cent, whilst in the UK as a whole it was around 14.3 per cent.

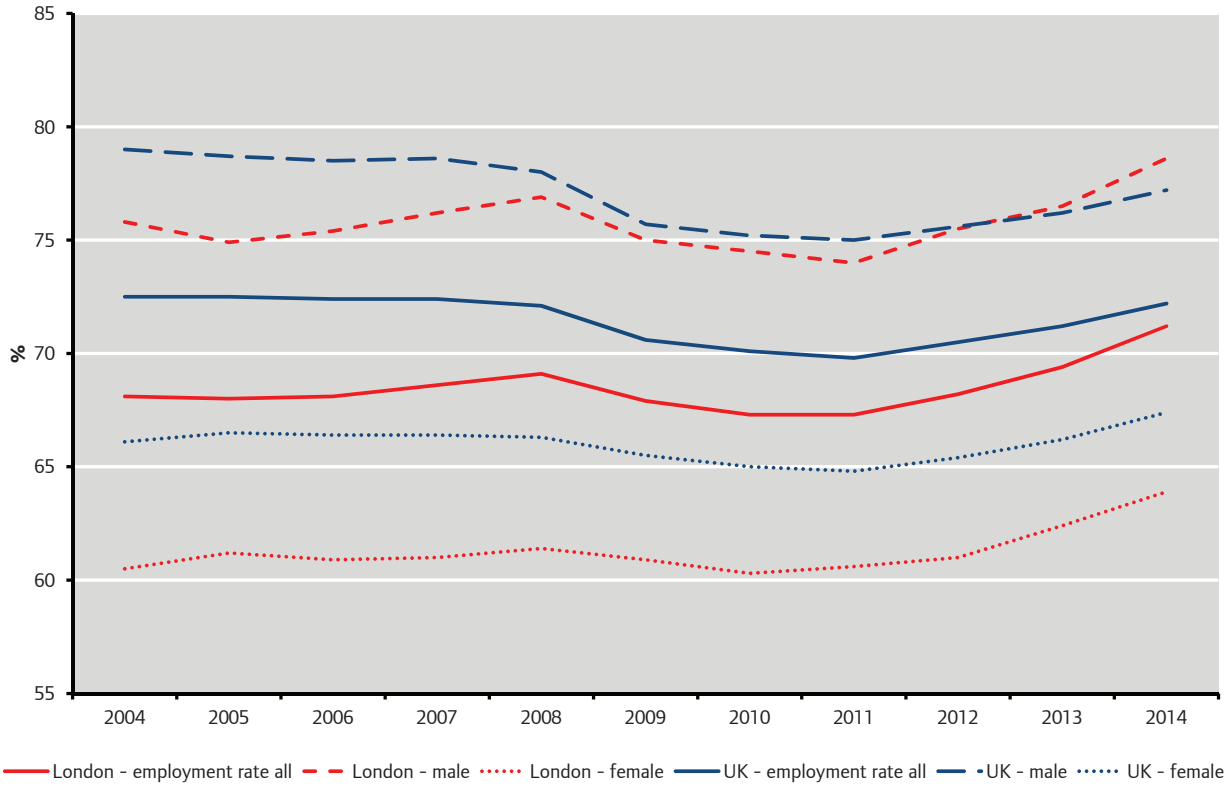
Figure 27: Unemployment rate by age in London and the UK



Source: Labour Force Survey, Office for National Statistics

Figure 28 demonstrates how the gap in the employment rate between London and the UK has narrowed over time. Further analysis of male and female employment rates over time suggest that changes in the male employment rate has driven this reduction between London and the UK. Whilst the male employment rate in London increased by 1.7 percentage points between 2008 and 2014 it fell by 0.8 percentage points in the UK. In 2014, the employment rate of males in London was 78.6 per cent, compared to 77.2 per cent in the UK[38]. Similarly, the rise in female employment rate in London also contributed to the narrowing gap as the rate in London rose by more than in the UK as a whole between 2014 and 2008; in London the female employment rate was 63.9 per cent in 2014 up from 61.4 per cent in 2008. This compares with female employment rate of 67.4 per cent in the UK in 2014, an increase of 1.1 percentage points from 2008.

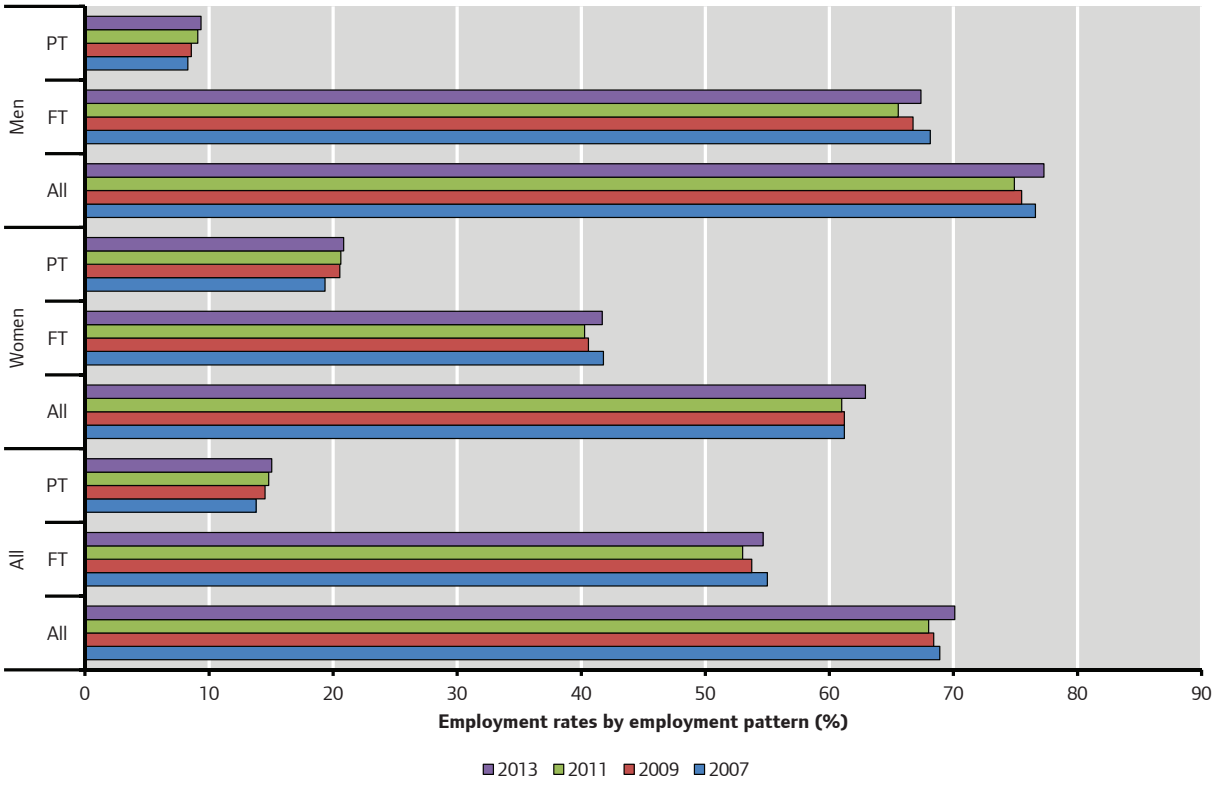
Figure 28: Employment rate by gender in London and the UK



Source: Annual Population Survey, Office for National Statistics
Note: 12 months to December

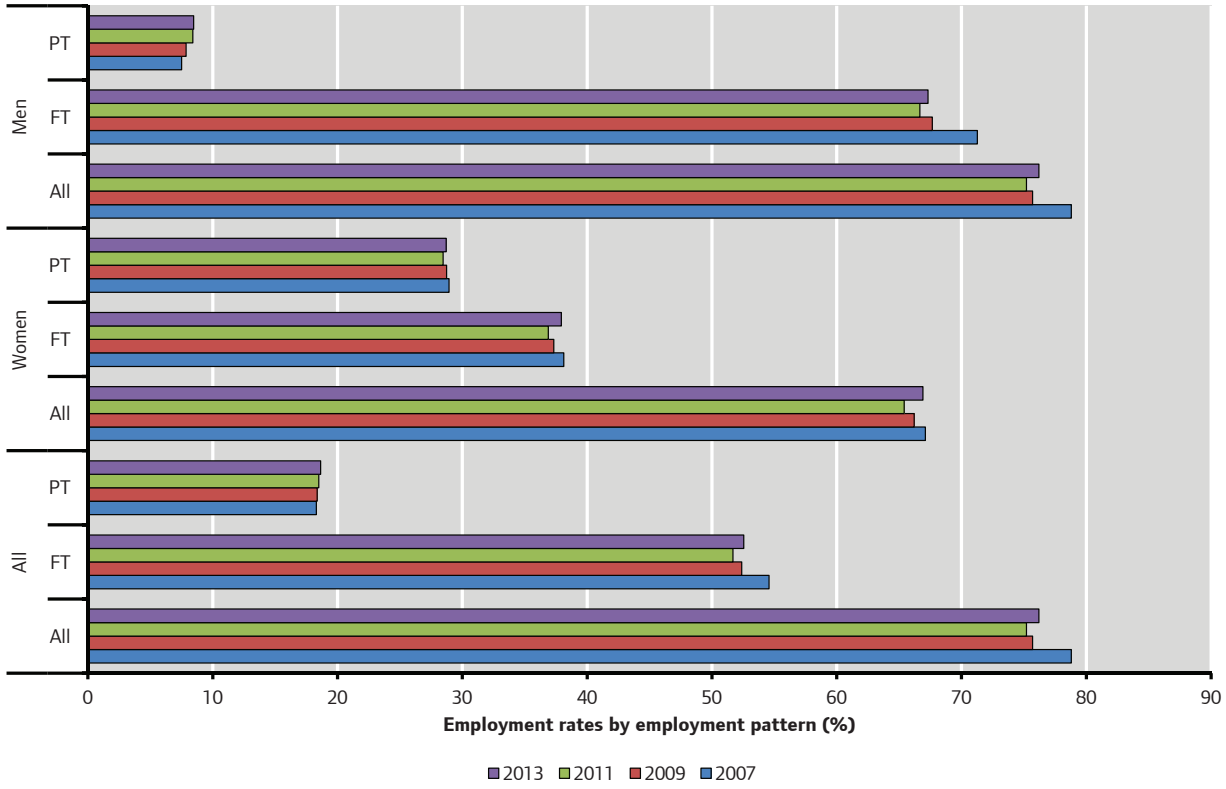
Whilst Figure 28 demonstrates employment rates by gender for London and the UK, Table 6, Figures 29 and 30 indicate employment rates by gender and by employment pattern for London and the rest of UK. Part-time employment rates for both men and women increased between 2013 and 2007, in particular in London. For men the part-time employment rate in London was 9.4 per cent in 2013, compared to 8.3 per cent in 2007. In comparison, the rate for women increased from 19.3 per cent in 2007 to 20.8 per cent in 2013. Full-time employment rates for individuals in London were broadly unchanged over the period, outperforming the rest of the UK where the full-time employment rate fell.

Figure 29: Employment rates in London by gender and by employment patterns (2007-13)



Note: People aged 16-64
i Source: GLA Economics calculations using ONS Annual Population Survey (APS) data, years ending in December
Source: Annual Population Survey, Office for National Statistics

Figure 30: Employment rates in the rest of the UK by gender and by employment patterns (2007-13)



Note: People aged 16-64
i Source: GLA Economics calculations using ONS Annual Population Survey (APS) data, years ending in December
Source: Annual Population Survey, Office for National Statistics

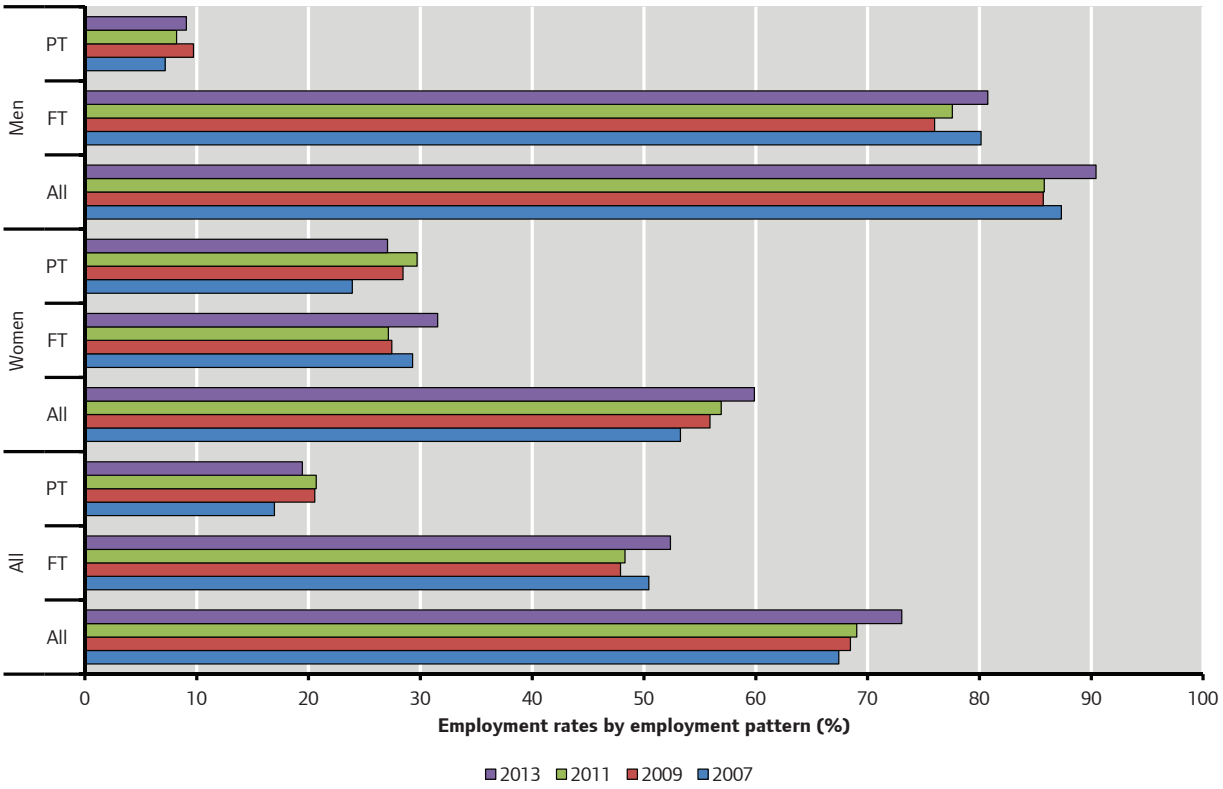
Table 6: Employment rates in London and in the rest of the UK by gender and by employment patterns (2007-13)[39]

London												
	Jan-Dec 2007			Jan-Dec 2009			Jan-Dec 2011			Jan-Dec 2013		
	Employment rate*	FT	PT	Employment rate*	FT	PT	Employment rate*	FT	PT	Employment rate*	FT	PT
Men	76.6	68.1%	8.3%	75.5	66.7%	8.6%	74.9	65.5%	9.1%	77.3	67.4%	9.4%
Women	61.2	41.8%	19.3%	61.2	40.6%	20.5%	61.0	40.3%	20.6%	62.9	41.7%	20.8%
All	68.9	55.0%	13.8%	68.4	53.7%	14.5%	68.0	53.0%	14.8%	70.1	54.7%	15.0%
Rest of the UK												
	Jan-Dec 2007			Jan-Dec 2009			Jan-Dec 2011			Jan-Dec 2013		
	Employment rate*	FT	PT	Employment rate*	FT	PT	Employment rate*	FT	PT	Employment rate*	FT	PT
Men	78.8	71.3%	7.5%	75.7	67.6%	7.9%	75.2	66.7%	8.4%	76.2	67.3%	8.5%
Women	67.1	38.1%	28.9%	66.2	37.3%	28.7%	65.4	36.9%	28.5%	66.9	37.9%	28.7%
All	72.9	54.6%	18.3%	70.9	52.4%	18.4%	70.3	51.7%	18.5%	71.5	52.5%	18.6%

** Note: People aged 16-64*
i Source: GLA Economics calculations using ONS Annual Population Survey (APS) data, years ending in December
Source: Annual Population Survey, Office for National Statistics

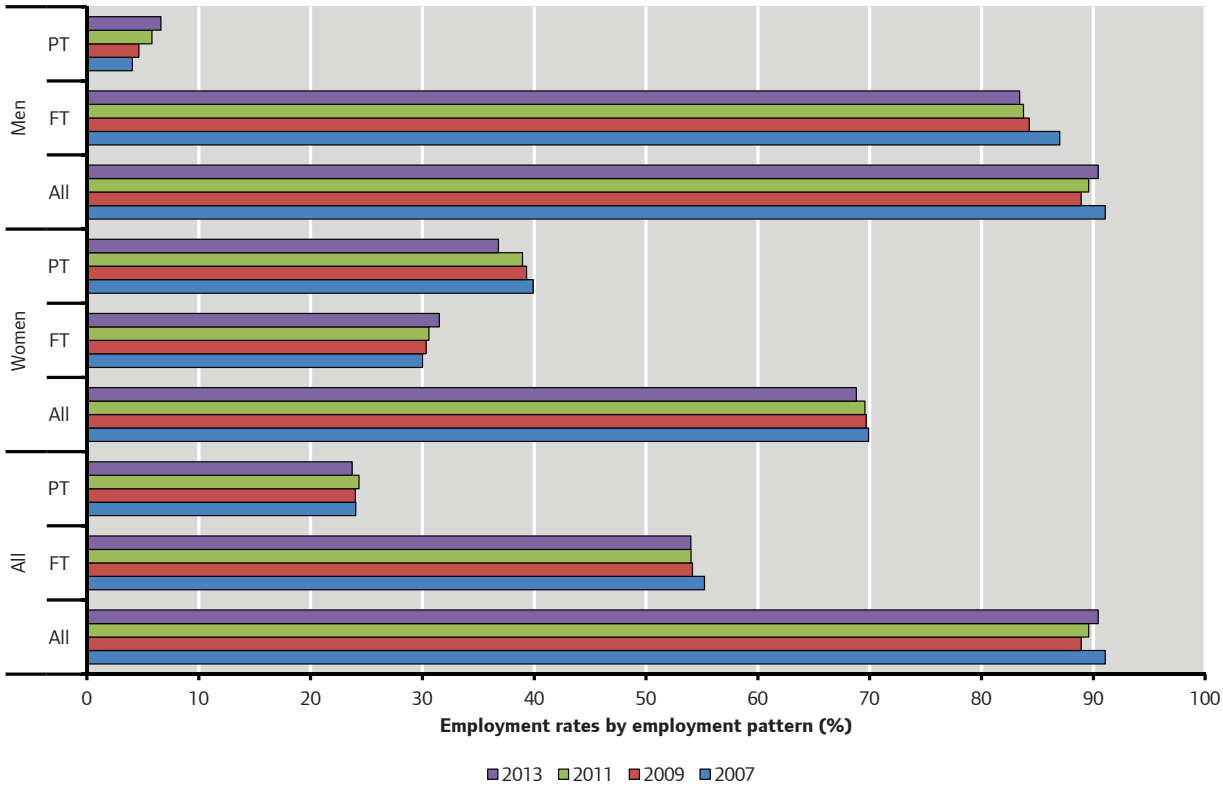
In comparison, Table 7, and Figures 31 to 34 provide insight into how employment rates by gender and employment pattern differ for parents and non-parents for individuals both in London and the rest of the UK. Observations for Q4 of 2007, 2009, 2011 and 2013 suggest that overall employment rates amongst parents, for both male and female, are higher outside London, whilst for non-parents the results are more mixed from period to period.

Figure 31: Parents' employment rates in London by gender and by employment patterns (2007-13)



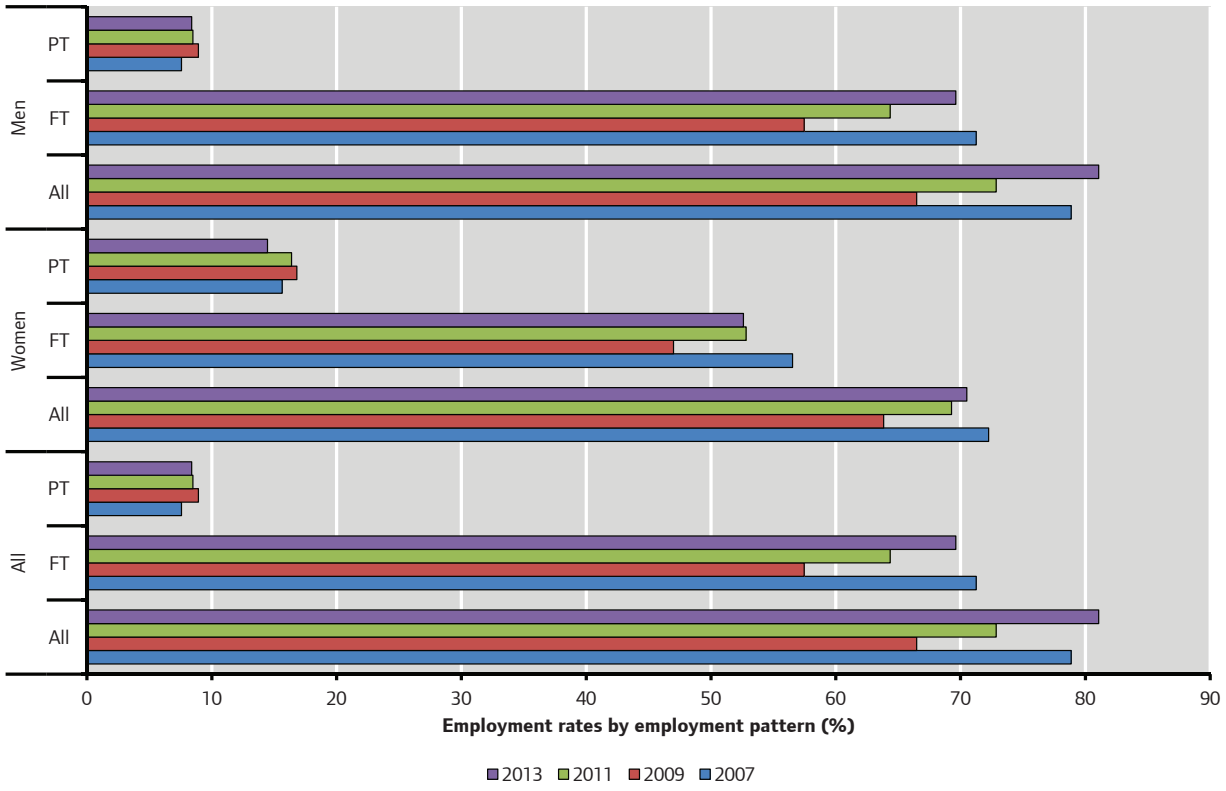
Source: Annual Population Survey, Office for National Statistics
Note ii Source: GLA Economics calculations using ONS Quarterly Labour Force Survey (LFS) data, October-December
Note: PT and FT employment rates do not add up to the overall employment rate because the latter is calculated irrespectively of employment patterns (i.e. FT or PT), hence including people who, although in employment, did not provide an answer with respect to their current employment pattern. It should be noted that the figures populating the tables above are calculated using survey data (ONS LFS and APS).

Figure 32: Parents' employment rates in the rest of the UK by gender and by employment patterns (2007-13)



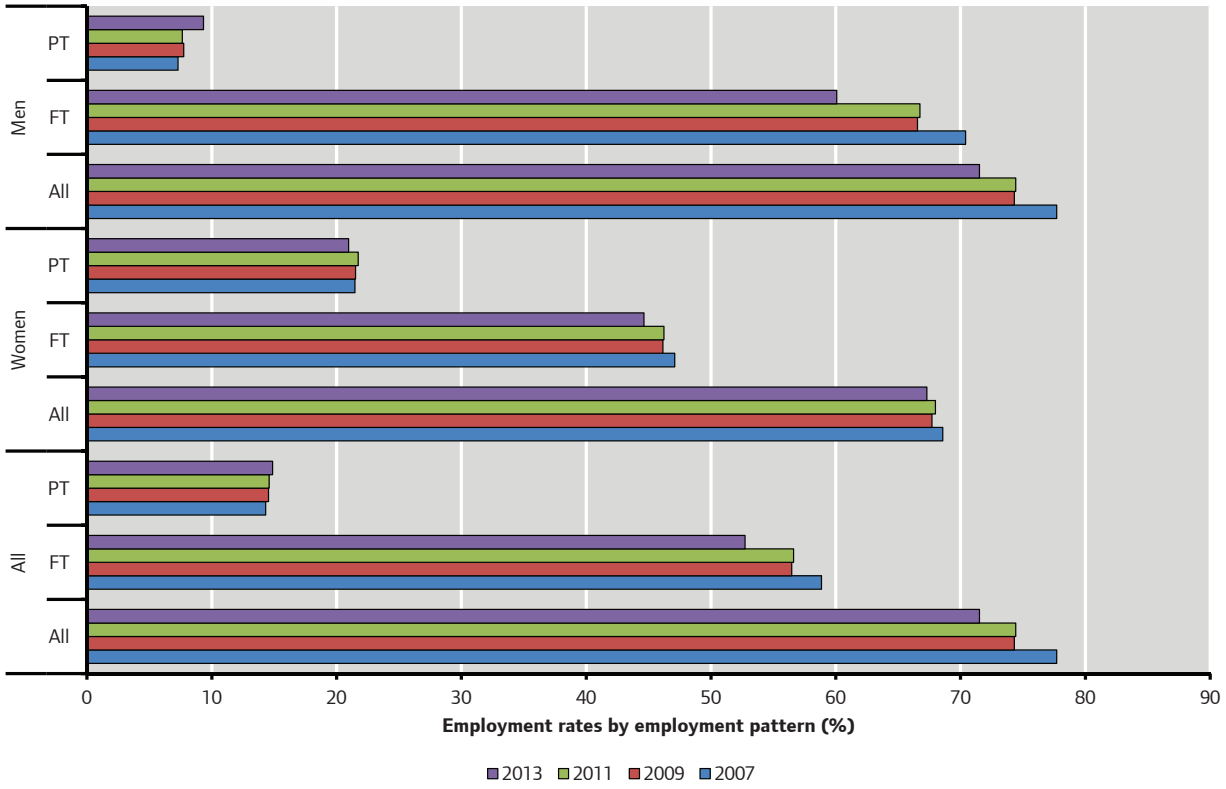
Source: Annual Population Survey, Office for National Statistics
Note ii Source: GLA Economics calculations using ONS Quarterly Labour Force Survey (LFS) data, October-December
Note: PT and FT employment rates do not add up to the overall employment rate because the latter is calculated irrespectively of employment patterns (i.e. FT or PT), hence including people who, although in employment, did not provide an answer with respect to their current employment pattern. It should be noted that the figures populating the tables above are calculated using survey data (ONS LFS and APS).

Figure 33: Non-parents' employment rates in London by gender and by employment patterns (2007-13)



Source: Annual Population Survey, Office for National Statistics
Note ii Source: GLA Economics calculations using ONS Quarterly Labour Force Survey (LFS) data, October-December
Note: PT and FT employment rates do not add up to the overall employment rate because the latter is calculated irrespectively of employment patterns (i.e. FT or PT), hence including people who, although in employment, did not provide an answer with respect to their current employment pattern. It should be noted that the figures populating the tables above are calculated using survey data (ONS LFS and APS).

Figure 34: Non-parents' employment rates in the rest of the UK by gender and by employment patterns (2007-13)



Source: Annual Population Survey, Office for National Statistics
Note ii Source: GLA Economics calculations using ONS Quarterly Labour Force Survey (LFS) data, October-December
Note: PT and FT employment rates do not add up to the overall employment rate because the latter is calculated irrespectively of employment patterns (i.e. FT or PT), hence including people who, although in employment, did not provide an answer with respect to their current employment pattern. It should be noted that the figures populating the tables above are calculated using survey data (ONS LFS and APS).

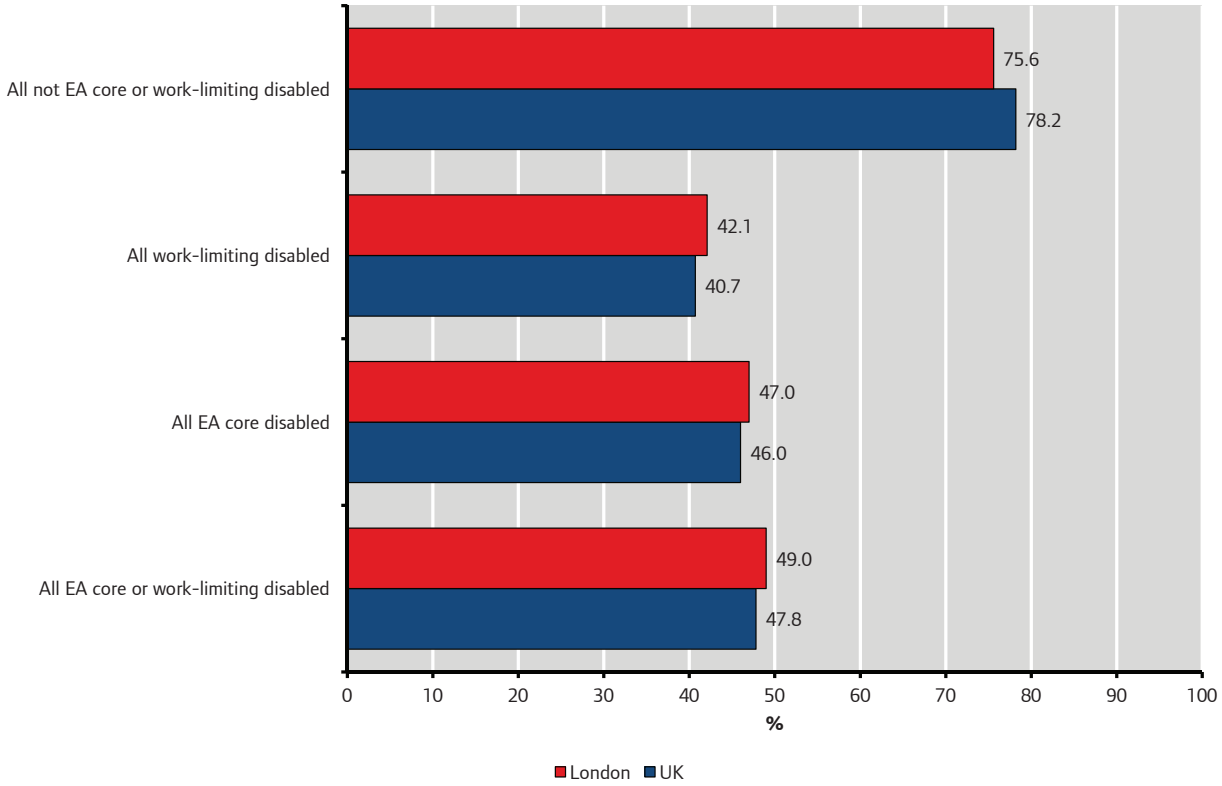
Table 7: Employment rates in London and in the rest of the UK by gender and by employment patterns (2007-13)[40]

Parents' employment rates by gender and by employment pattern ii												
London												
	Q4 2007			**Q4 2009**			**Q4 2011**			**Q4 2013**		
	Employment rate*	FT	PT	Employment rate*	FT	PT	Employment rate*	FT	PT	Employment rate*	FT	PT
Men	87.3%	80.1%	7.2%	85.7%	76.0%	9.7%	85.8%	77.6%	8.2%	90.4%	80.7%	9.1%
Women	53.3%	29.3%	23.9%	55.9%	27.5%	28.5%	56.9%	27.1%	29.7%	59.9%	31.5%	27.1%
All	67.4%	50.4%	17.0%	68.5%	47.9%	20.6%	69.0%	48.3%	20.7%	73.0%	52.4%	19.4%
Rest of the UK												
	Q4 2007			**Q4 2009**			**Q4 2011**			**Q4 2013**		
	Employment rate*	FT	PT	Employment rate*	FT	PT	Employment rate*	FT	PT	Employment rate*	FT	PT
Men	91.1%	87.0%	4.1%	88.9%	84.3%	4.6%	89.6%	83.8%	5.8%	90.4%	83.4%	6.6%
Women	69.9%	30.0%	39.9%	69.7%	30.3%	39.3%	69.6%	30.6%	39.0%	68.8%	31.5%	36.8%
All	79.3%	55.2%	24.0%	78.2%	54.2%	24.0%	78.4%	54.0%	24.3%	78.3%	54.0%	23.7%
Parents' employment rates by gender and by employment pattern ii												
London												
	Q4 2007			**Q4 2009**			**Q4 2011**			**Q4 2013**		
	Employment rate*	FT	PT	Employment rate*	FT	PT	Employment rate*	FT	PT	Employment rate*	FT	PT
Men	78.9%	71.3%	7.6%	66.5%	57.5%	8.9%	72.8%	64.4%	8.5%	81.1%	69.6%	8.4%
Women	72.2%	56.5%	15.6%	63.8%	47.0%	16.8%	69.3%	52.8%	16.4%	70.5%	52.6%	14.5%
All	75.7%	64.1%	11.5%	65.2%	52.5%	12.6%	71.1%	58.7%	12.3%	76.0%	61.4%	11.3%
Rest of the UK												
	Q4 2007			**Q4 2009**			**Q4 2011**			**Q4 2013**		
	Employment rate*	FT	PT	Employment rate*	FT	PT	Employment rate*	FT	PT	Employment rate*	FT	PT
Men	77.7%	70.4%	7.3%	74.3%	66.5%	7.7%	74.4%	66.7%	7.6%	71.5%	60.1%	9.3%
Women	68.6%	47.1%	21.5%	67.7%	46.2%	21.5%	68.0%	46.2%	21.7%	67.3%	44.6%	21.0%
All	73.2%	58.9%	14.3%	71.0%	56.5%	14.6%	71.2%	56.6%	14.6%	69.5%	52.7%	14.9%

** Note: People aged 16-64*
Source: Annual Population Survey, Office for National Statistics
Note ii Source: GLA Economics calculations using ONS Quarterly Labour Force Survey (LFS) data, October-December
Note: PT and FT employment rates do not add up to the overall employment rate because the latter is calculated irrespectively of employment patterns (i.e. FT or PT), hence including people who, although in employment, did not provide an answer with respect to their current employment pattern. It should be noted that the figures populating the tables above are calculated using survey data (ONS LFS and APS).

Labour market participation is also likely to be influenced by disability, and differences in employment rates by disability for London and the UK are demonstrated in Figure 35. Figure 35 suggests that in 2014, individuals living with a disability in London had marginally higher employment rates compared to the UK as a whole.

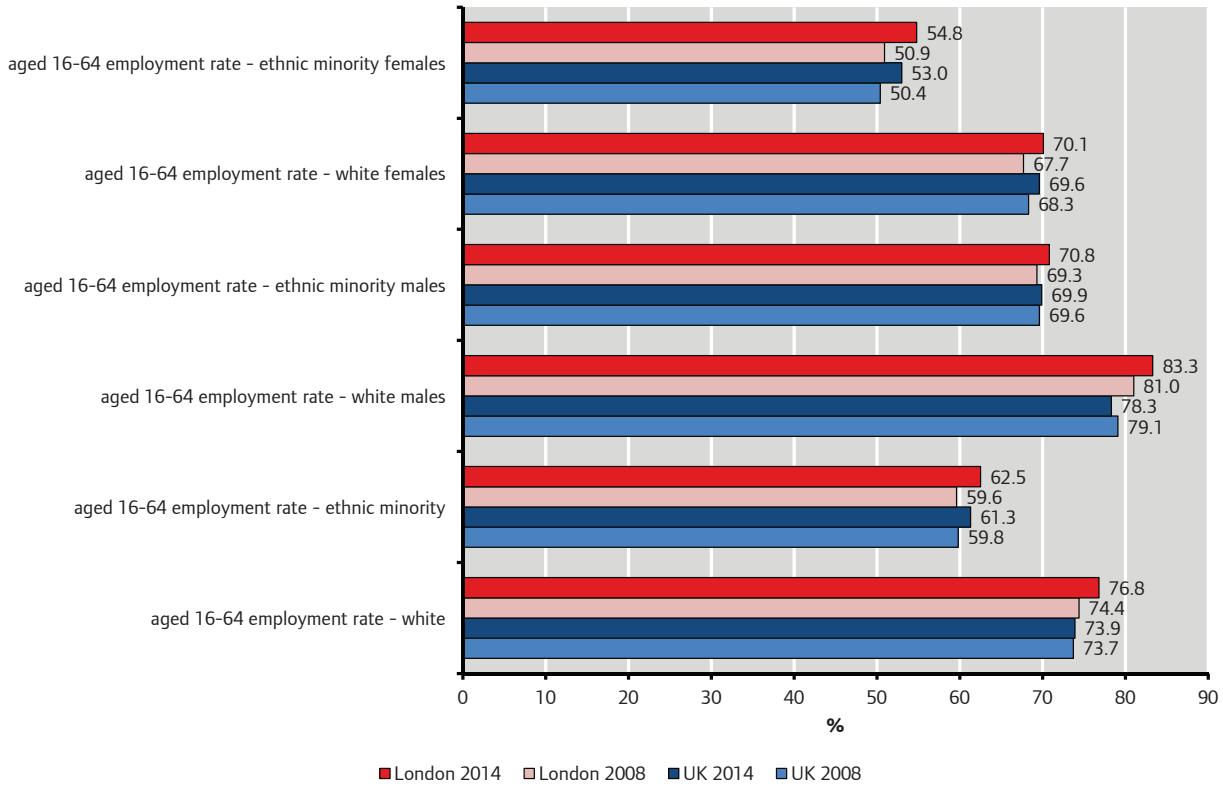
Figure 35: Employment rate by disability[41] in London and the UK in 2014



Source: Annual Population Survey, Office for National Statistics

Employment rates amongst ethnic minorities tend to be lower in both London and the UK compared to individuals with white ethnic backgrounds (Figure 36). However, in London employment rates amongst ethnic minorities have been marginally higher than in the UK as a whole[42]. The data would suggest that employment rates in London amongst ethnic minority groups in London have increased by more than in the UK as a whole since 2008. However, due to sampling variability, breakdowns by gender in particular should be treated with caution.

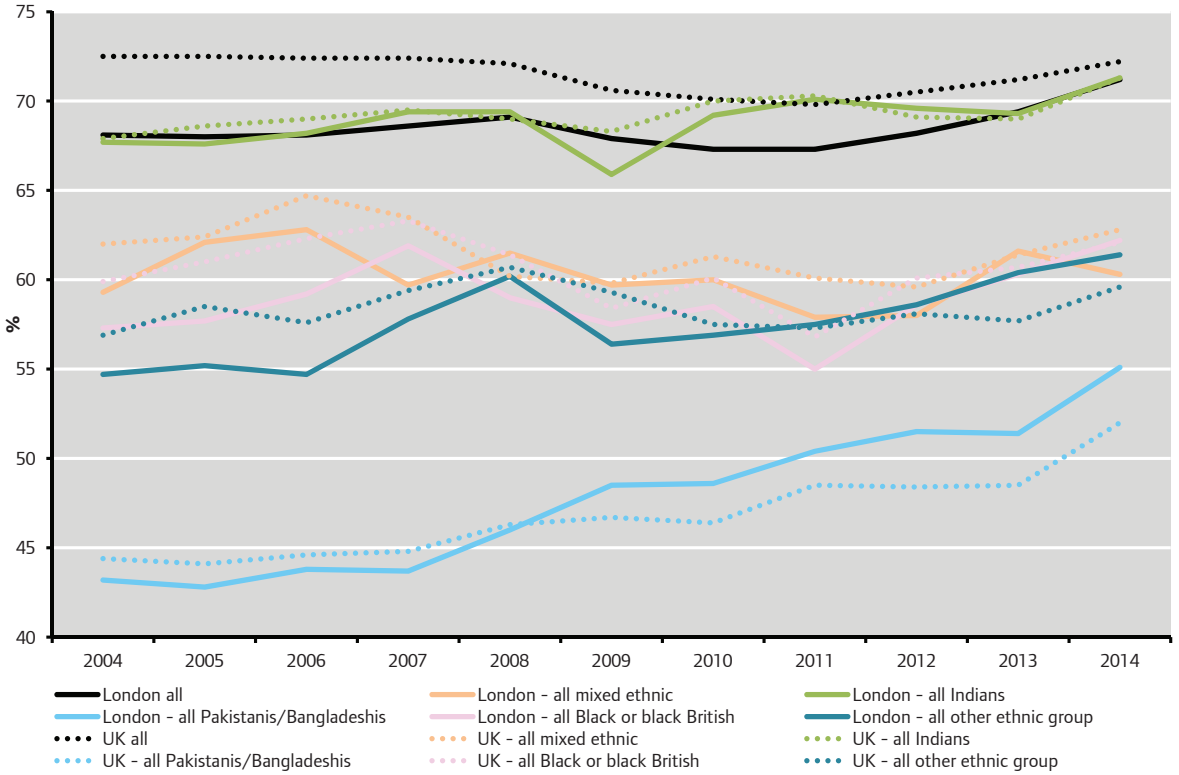
Figure 36: Employment rates by ethnic minority and gender in London and the UK in 2014[43]



Source: Annual Population Survey, Office for National Statistics

Historically, employment rates amongst individuals from a Pakistani or Bangladeshi background have tended to be lower than the average (in 2014 the discrepancy between this group and the average was around 16.1 percentage points in London) both in London and the UK (Figure 37). However, there has been a substantial shift in employment rates since 2004 from 43.2 per cent for London and by 2014 the employment rate across this group in the capital had increased to 55.1 per cent. In contrast, individuals from an Indian background have had broadly similar or higher employment rates over time than the average in London[44]. In 2014, the employment rate amongst all individuals from an Indian background was 71.3 per cent with only marginal differences in rates between London and the UK as a whole.

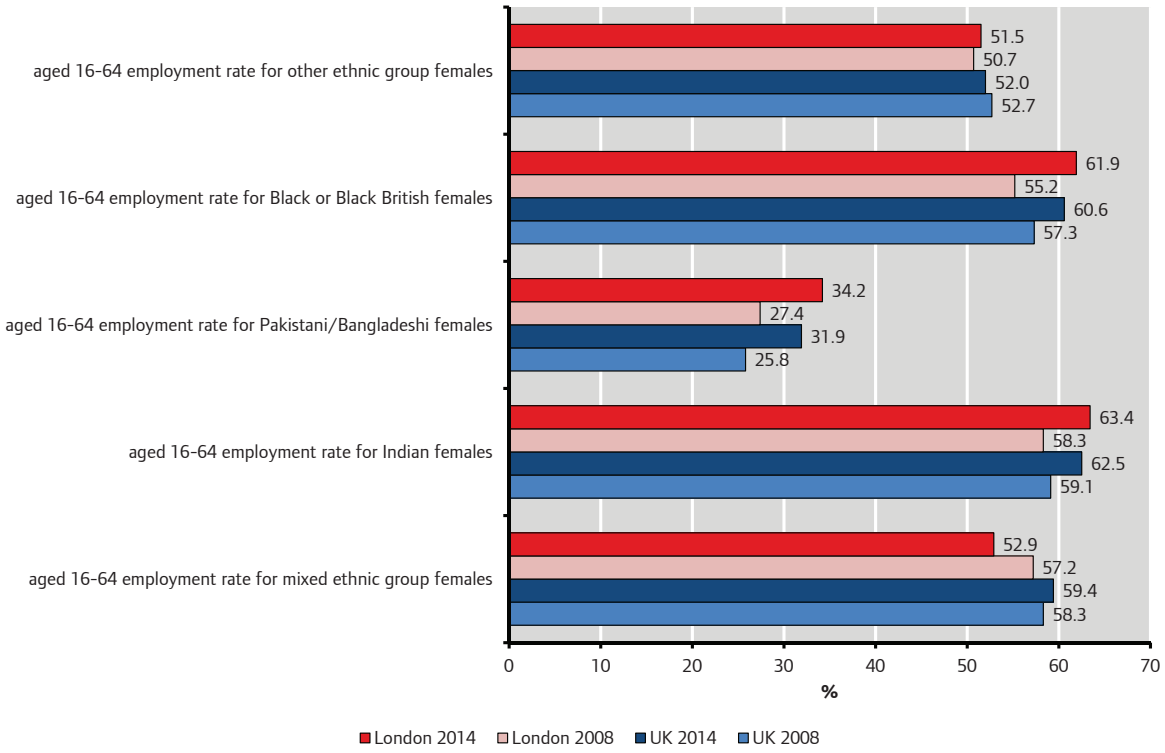
Figure 37: Employment rates by ethnicity in London



Source: Annual Population Survey, Office for National Statistics

A closer look at employment rates by gender across ethnic minorities (Figure 38) suggests that female employment rates amongst other ethnic, Black or Black British, Pakistani/ Bangladeshi and Indian minority groups in London were higher in 2014 than in 2008. In contrast, female employment rates amongst mixed ethnic group females in the capital declined over time[45]. However, due to relatively high sampling variability the confidence intervals for these estimates are considerably wider for London than the UK as a whole[46]. Therefore, there is a fair degree of uncertainty around these estimates and this implies that differences in the change in employment rates between 2008 and 2014 amongst the different ethnic groups may in fact be very small.

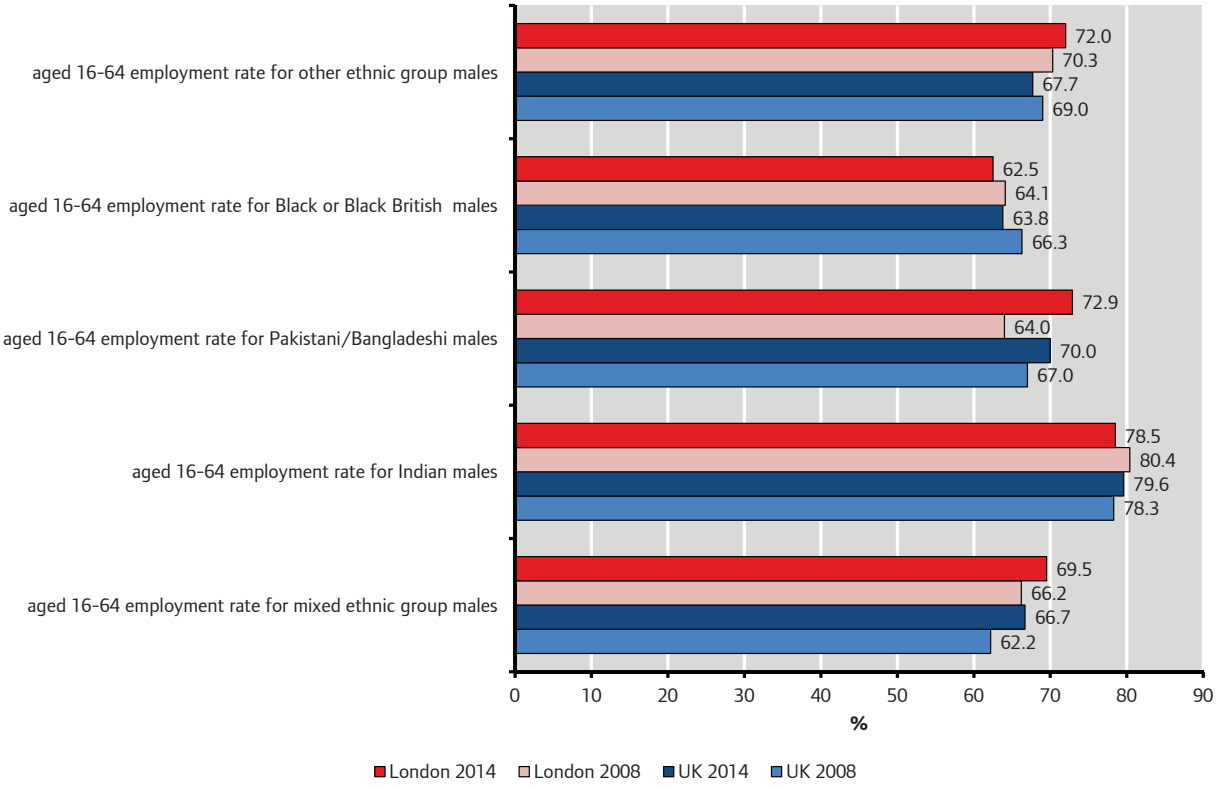
Figure 38: Employment rates by ethnic minority females in London and the UK in 2014 and 2008



Source: Annual Population Survey, Office for National Statistics

In contrast, male employment rates amongst ethnic minorities in London was more mixed (Figure 39); other ethnic group and mixed ethnic group males employment rates were higher in 2014 than in 2008, whilst employment rates of Black or Black British and Indian males fell between 2014 and 2008.

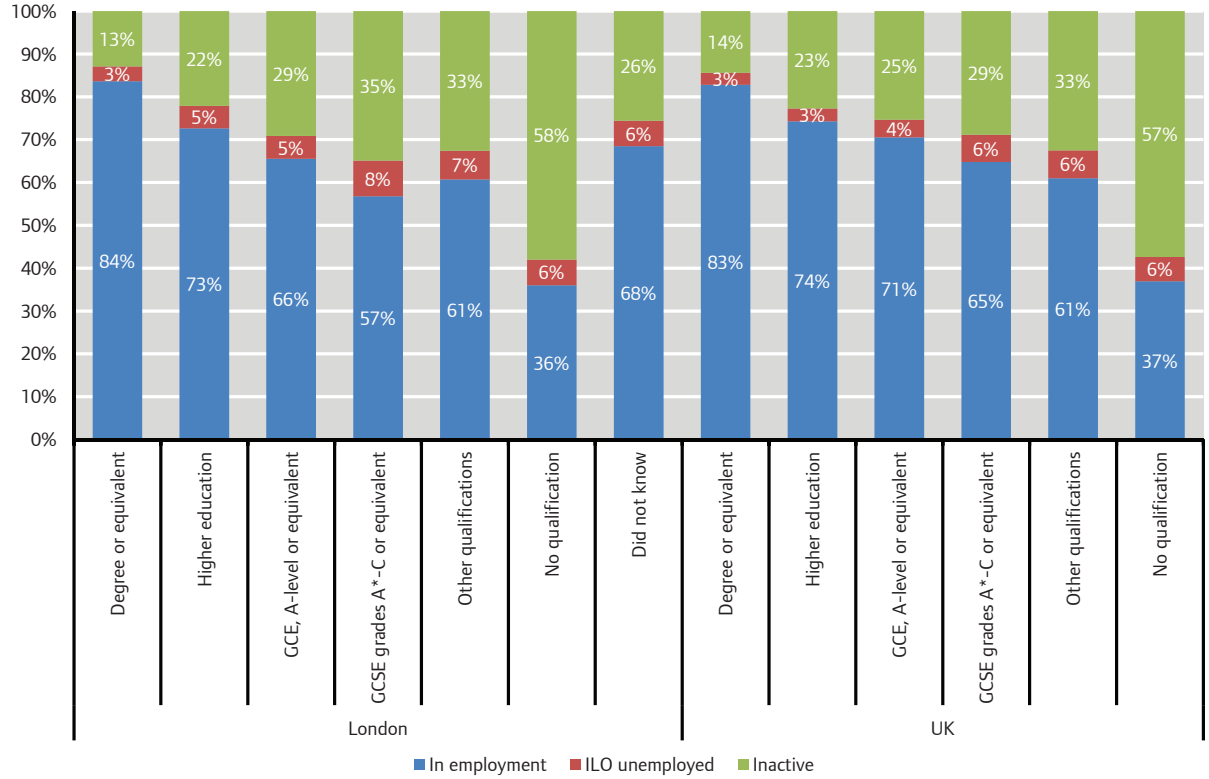
Figure 39: Employment rates by ethnic minority males in London and the UK in 2014 and 2008



Source: Annual Population Survey, Office for National Statistics

Looking at labour market status by qualification suggests that individuals with higher qualifications are more commonly in employment than individuals with low or no qualifications both in London and the UK as a whole (Figure 40). Differences in labour market participation across qualifications between London and the UK aren't substantial.

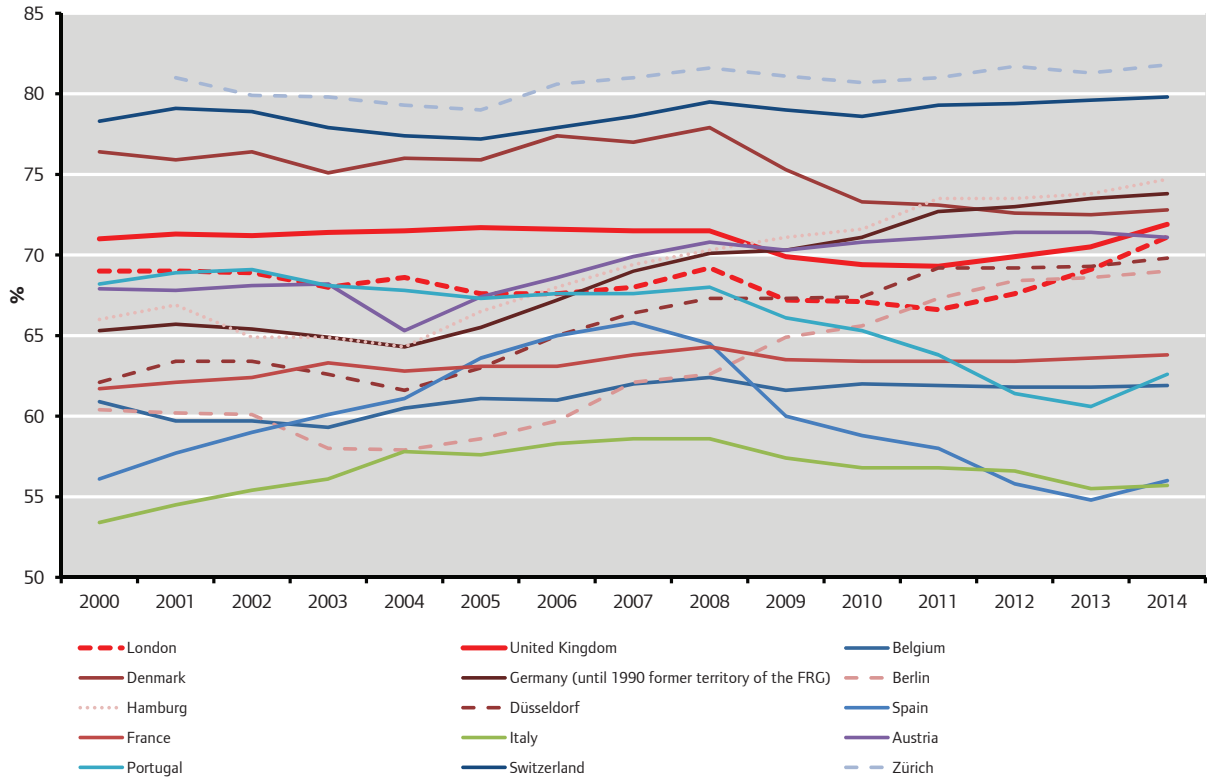
Figure 40: Labour market status by qualification in London and the UK in 2014



Source: Annual Population Survey, Office for National Statistics
Note: Individuals that did not know their qualifications aren't included in this figure

International comparisons of employment rates from Eurostat suggest that London compares favourably to some large European cities (Figure 41). In 2014, the employment rate in London was 71.1 per cent, compared to 69.0 per cent in Berlin or 69.8 per cent in Düsseldorf in Germany. However, in contrast the employment rate in Zürich in Switzerland was 81.8 per cent in 2014 and 74.7 per cent in Hamburg in Germany.

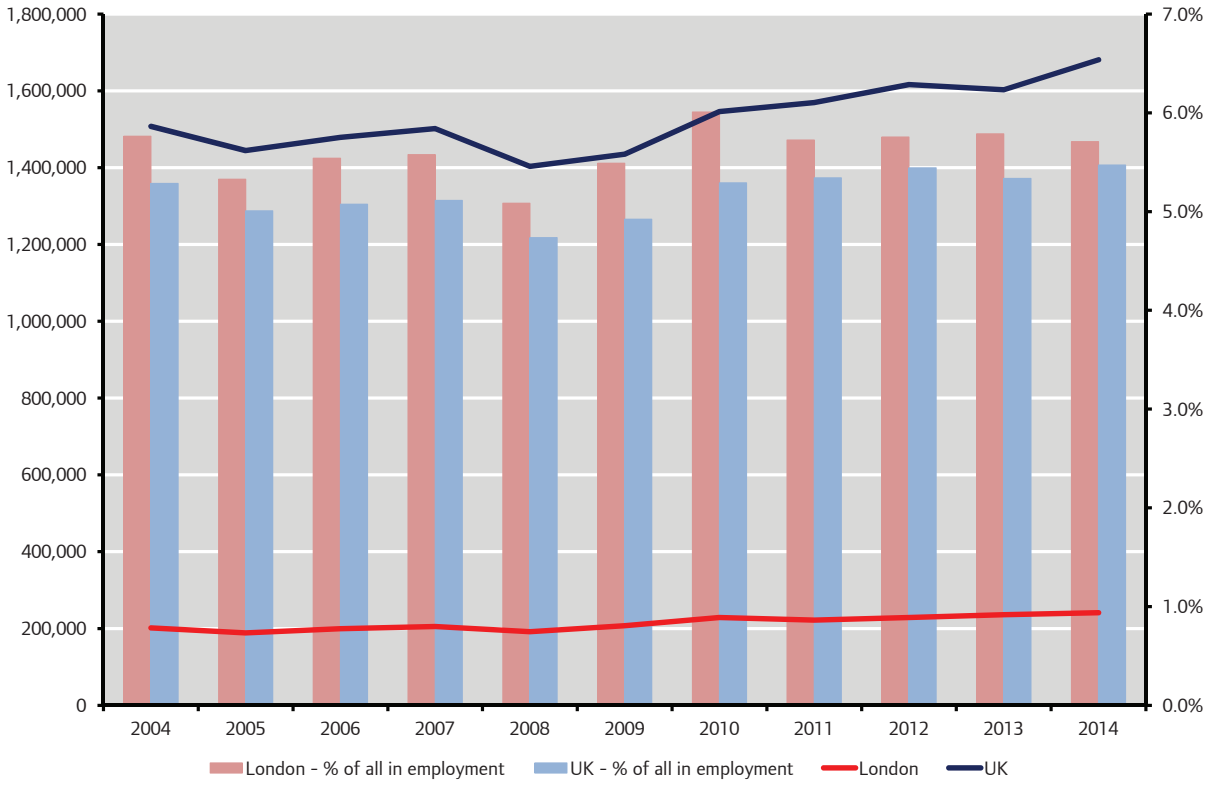
Figure 41: International comparisons of employment rates (15-64 years)



Source: Eurostat

Whilst the labour market performance in London and the UK has been strong since the financial crisis, with both employment rates and the number of jobs rising, the prevalence of temporary jobs has been raised as an issue. Figure 42 demonstrates changes in temporary workers in London and the UK.

Figure 42: Temporary workers in London and the UK over time[47]



Source: Annual Population Survey (APS) and Labour Force Survey (LFS), Office for National Statistics
Note: UK figures of temporary employee are based on GLA Economics estimates of 4-quarter averages of temporary employees (all and part-time) from the LFS, whilst London-level temporary employee estimates are provided by the Office for National Statistics. Temporary employees in the

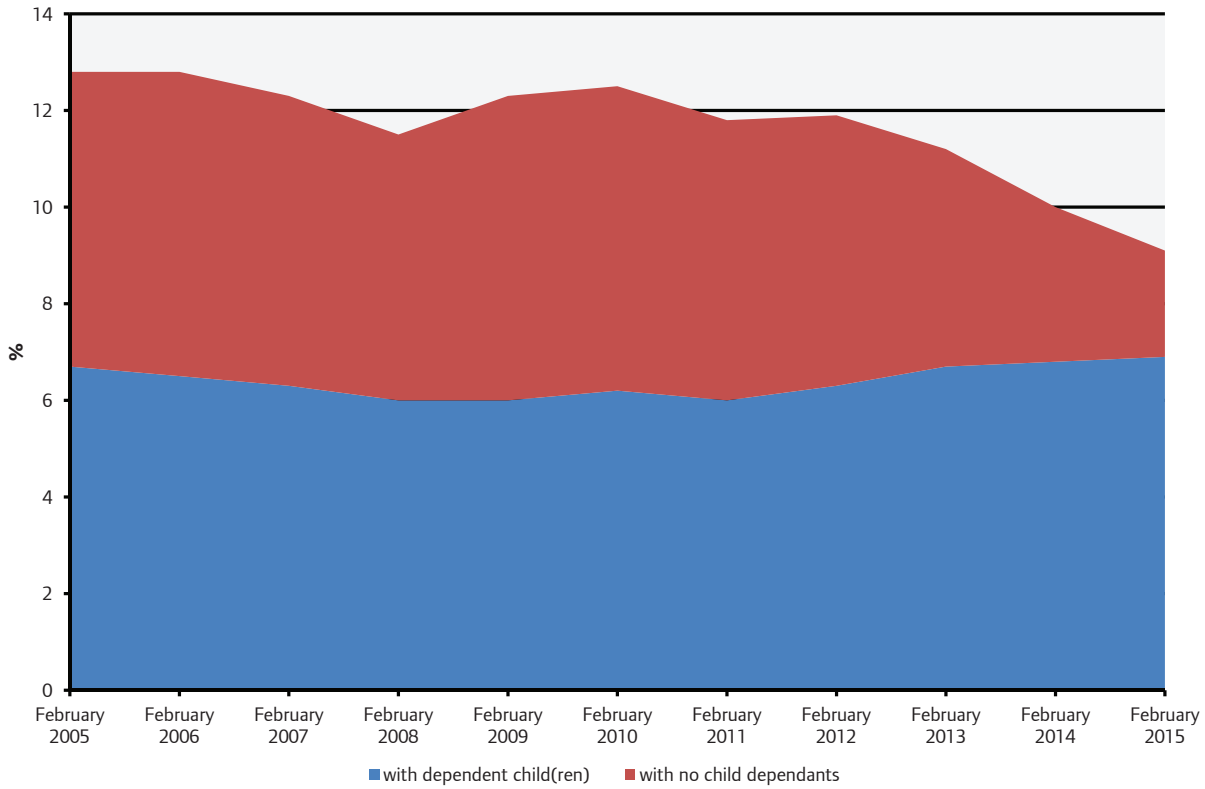
Data on temporary workers for 2014 suggest that there has been a rise in the number of temporary workers in London and the UK since the financial crisis. In 2014, there were around 241,300 temporary employees in London and around 1,680,900 temporary employees in the UK. This is around a 26 per cent and 20 per cent increase compared to 2008 for London and the UK respectively. However, in the context of total jobs, the importance of temporary workers hasn't changed substantially over time. In 2014, temporary workers accounted only for around 5.7 per cent of all jobs in London (and 5.5 per cent in the UK), compared to around 5.1 per cent in 2008 (and 4.7 per cent in the UK). A recent GLA Economics publication[48] noted that there are currently around 70,000 people on zero-hours contracts in London. However, the latest estimates from the ONS suggest that in April to June 2015 there were around 96,000 individuals on zero-hours contracts in London, whilst in the UK there were a round 744,000 individuals on zero-hours contracts in total[49]. This implies that in London around 2.2 per cent of people in employment were on a zero-hours contract, compared to 2.4 per cent in the UK. According to the ONS estimates, West Midlands had the highest proportion of employed individuals on a zero-hours contract, around 3.1 per cent, whilst in Scotland this proportion was 1.9 per cent, the lowest across the UK[50].

5: Income, poverty and wealth in London

This section explores the profile of earnings, wealth and poverty in London and how this has changed since the recession. The first section looks at the proportions of London's population in receipt of benefits and how this has changed over time. It must be remembered that since 2008, eligibility and government legislation on benefits have changed as a result of different government formations and policy.

i) Population in receipt of benefits

Figure 43: Percentage of London's working age population dependent on certain benefits*



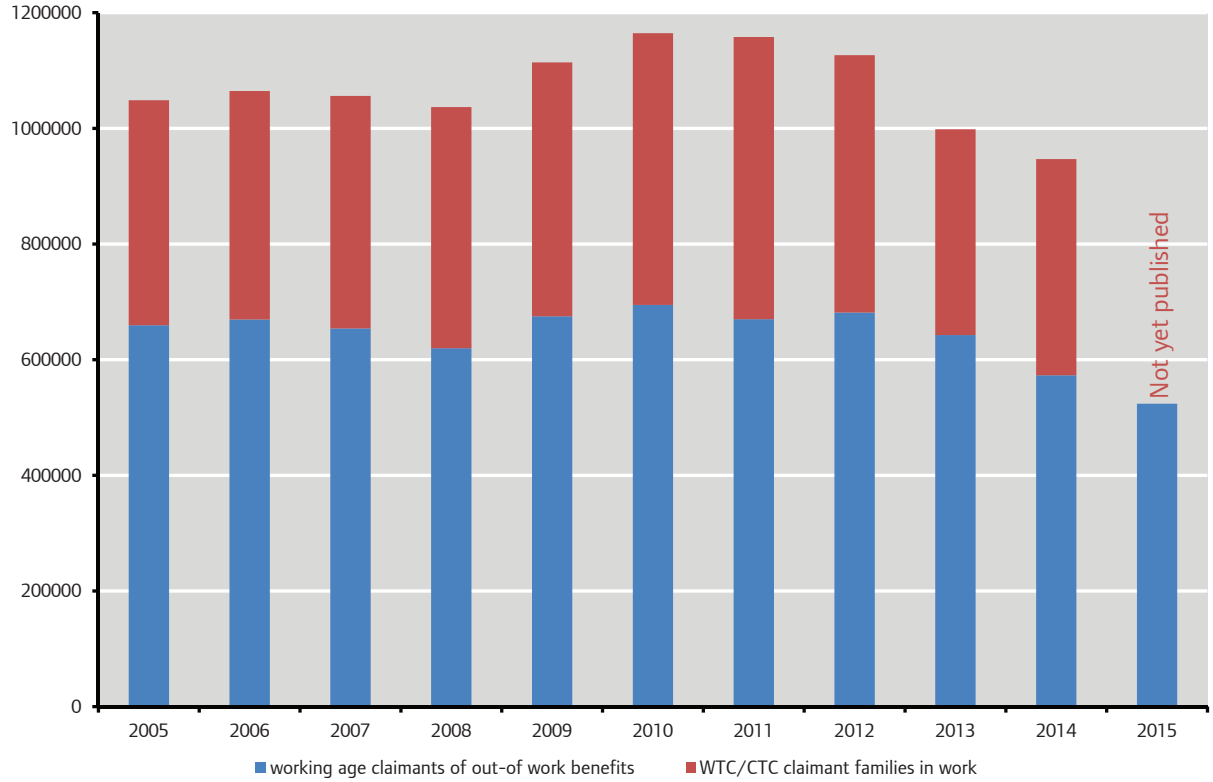
Source: Department for Work and Pensions (DWP) Longitudinal Study (aggregate statistics published via NOMIS)
*Note: * The benefits are primarily for those not in employment, though some people working limited hours are included. Individuals may be receiving more than one benefit and other benefits. They are: job seekers, ESA and incapacity benefits, lone parents and others on income related benefits.*

The overall decrease in the number of working age residents in families receiving these mainly out-of-work benefits is a product of a small increase in the proportion with dependent children and a clear reduction in the number with no dependent children over the last few years (Figure 43). This overall picture masks decreases in the numbers of those receiving benefits because of job seeking and because of being a lone parent, while the overall numbers receiving a benefit because of a health issue or disability have remained fairly stable.

These data provide only a partial picture of the working age population receiving welfare assistance from the state. Figure 44 shows, alongside those receiving the main out-of-work benefits (in blue), families in low paid work receiving tax credits (in red). This provides a crude approximation of numbers of benefit claimants in the working age group (aged 16-pensionable age) based on the available data.

The welfare system is complicated and administered by two government departments as well as local authorities, therefore it is not possible to simply combine data from the different sources. Strictly, these figures should not be added, as the out of work benefits indicator can include more than one adult in a family, whereas the in work indicator counts only a single representative of each family group. Nor is this a comprehensive count, since some people claiming benefits may not be included, including some individuals in work receiving non-means tested support for costs associated with a disability and it does not include individuals receiving Housing Benefit or Council Tax Benefit (now called Council Tax Reduction) who are not also receiving another benefit or tax credit. The published statistics do not allow this to be derived.

Figure 44: Working age benefit claimants in London

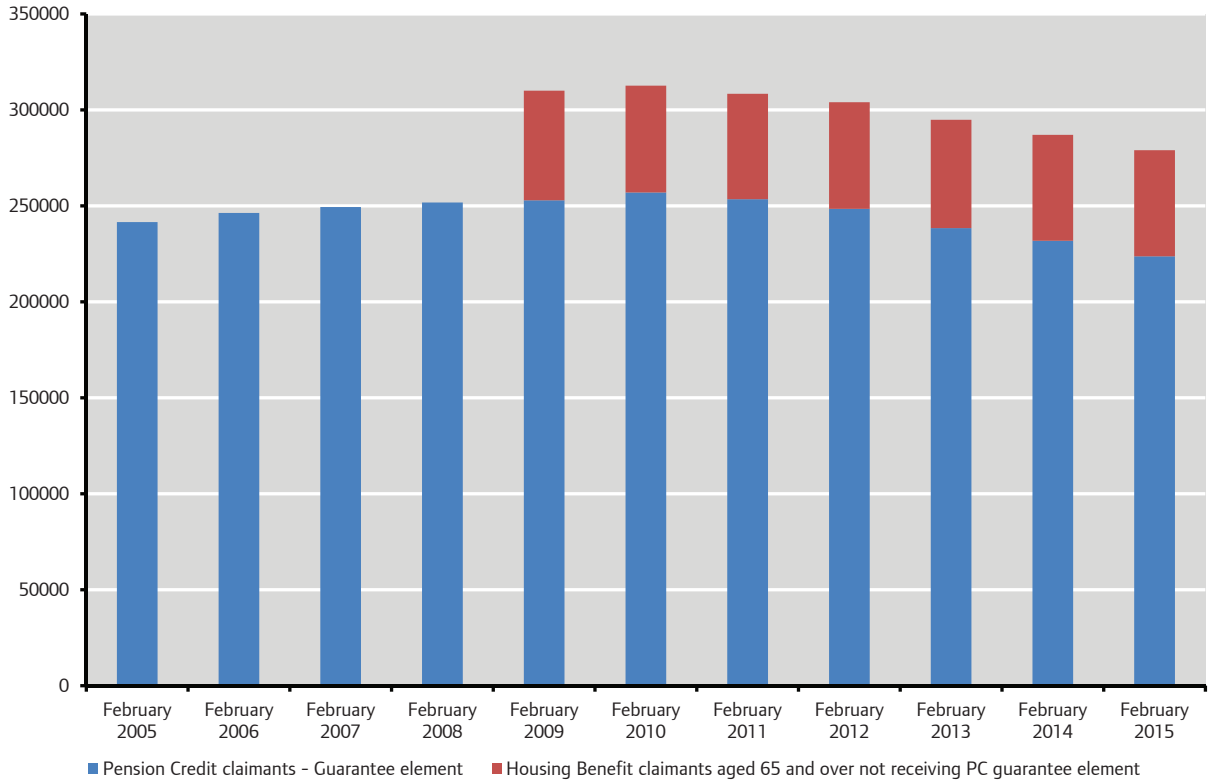


Sources: DWP Longitudinal Study (aggregate statistics published via NOMIS); HRMC Personal Tax Credit Statistics

The reduction in the number of in-work families claiming tax credits between 2011 and 2012 and the even sharper decrease the following year are at least in part due to changes in the benefit entitlement rules rather than a significant improvement in the levels of earnings. The reduction in the numbers claiming out of work benefits is also at least partially due to changes in the eligibility criteria, particularly around disability benefits and lone parent support. Some of these claimants became in-work claimants of tax credits.

Note that these figures may include people of pensionable age where one partner is below pensionable age or in the case of Child Tax Credit, the adult(s) claiming maybe of pensionable age.

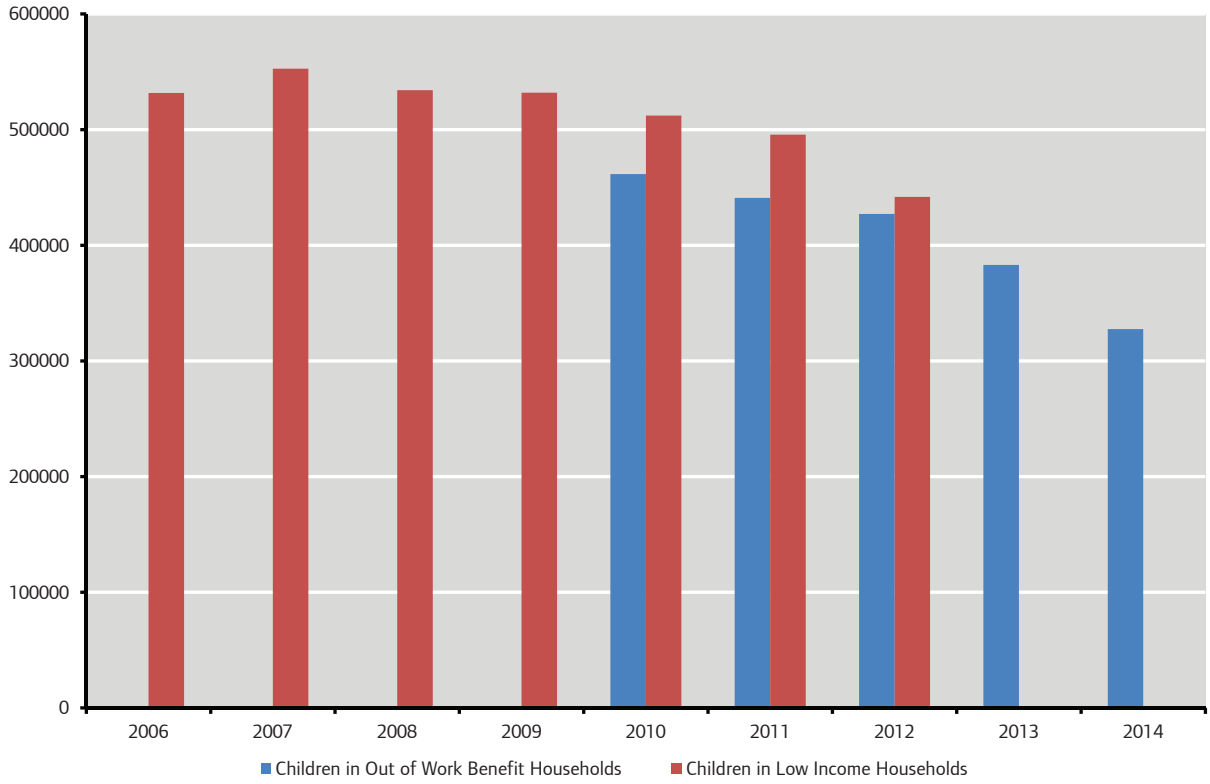
Figure 45: Pension age benefit claimants: Claimants of Pension Credit and Housing Benefit



Sources: DWP Longitudinal Study (aggregate statistics published via NOMIS); DWP Housing Benefit Statistics (available through Stat-Xplore)

Caution is required in interpreting these statistics, since they are "minimum figures" of pension age residents in means tested benefit households (Figure 45). These are figures for claimants, not for all pensioners living in those households, so couples count as one. Around 18 per cent of Pension Credit claimants have a partner. Pension Credit has two forms, the Guarantee Credit, which is for people on very low incomes and a Savings Credit, which is an additional amount payable to those with low incomes and a certain level of savings. This may be paid with or without the Guarantee Credit. Some of those receiving only the Savings Credit element are not included in these figures if they do not also receive Housing Benefit. It is not possible from the published statistics to derive figures for those above pensionable age receiving Housing Benefit on a consistent basis. Some pensioners aged under 65 are therefore not counted in the above figures. The Housing Benefit data is not produced on a comparable basis for previous years.

Figure 46: Children in families receiving benefits

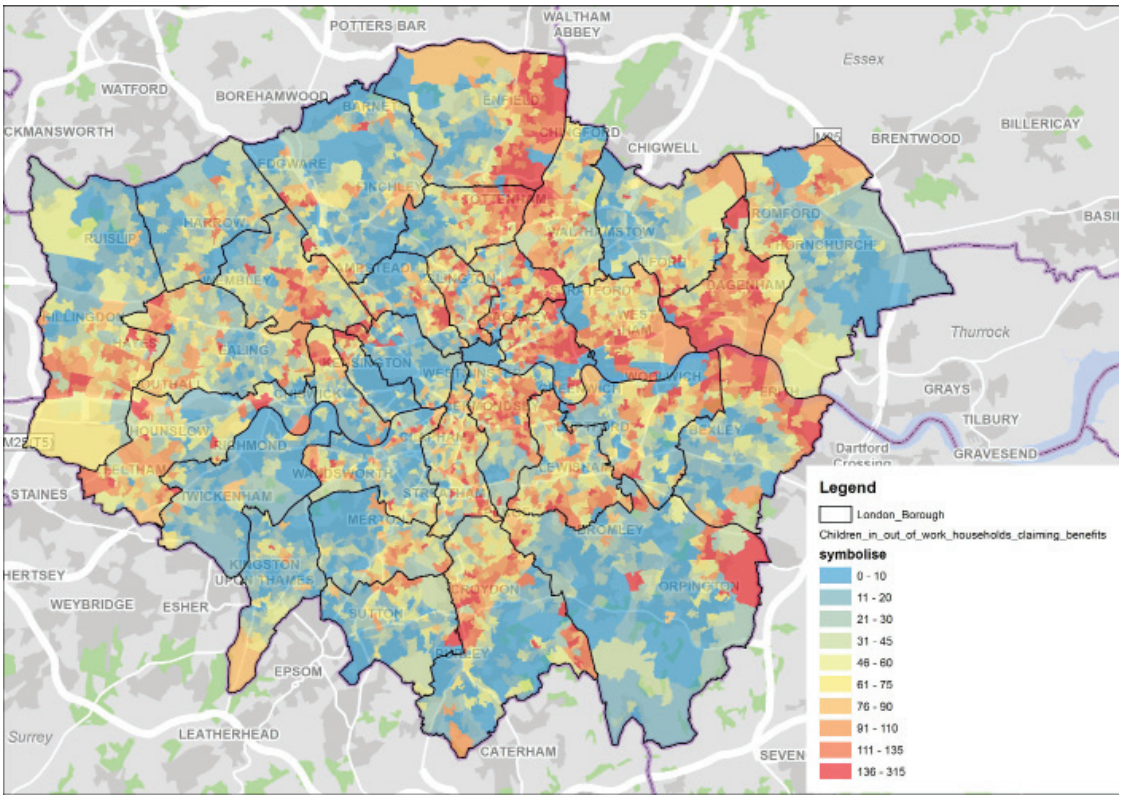


Sources: DWP Longitudinal Study and HMRC Child Benefit Statistics, published as data series: Children in Out of Work Benefit Household, DWP; DWP Longitudinal Study and Family Resources Survey, published as data series: Child Poverty Statistics (formerly known as National Indicator 116), DWP

The difference between these two data series are mainly around the inclusion of children in households receiving Child Tax Credit (with or without Working Tax Credit) where the household income falls below a threshold calculated to represent a 60 per cent median figure nationally defined to match the specific information in the benefit system, excluding both Housing Benefit income and housing costs, rather than the usual published 60 per cent median statistics (Figure 46). Figures for 2013 onwards are not yet available. However, some children in families not receiving Child Tax Credit may have incomes below this threshold and be excluded and some children in households receiving out of work benefits may have incomes above this threshold. Changes in the benefit system are not really reflected in these figures, as Universal Credit had yet to impact on families with children by 2014 and the benefit cap affects only Housing Benefit which is excluded from these statistics. In earlier years, rates were produced for using the total number of children receiving child benefit as the denominator. In most areas, with a few notable exceptions in Central London, this was a good proxy for the total number of children in families receiving benefits. However, with the changes to the Child Benefit system, this is no longer possible.

Figure 47 shows the distribution of the latest figures (2014) for children in out of work benefit households. Note they are absolute numbers, as producing rates is complex for the reasons outlined above.

Figure 47: Children (aged under 16) in out of work benefit households

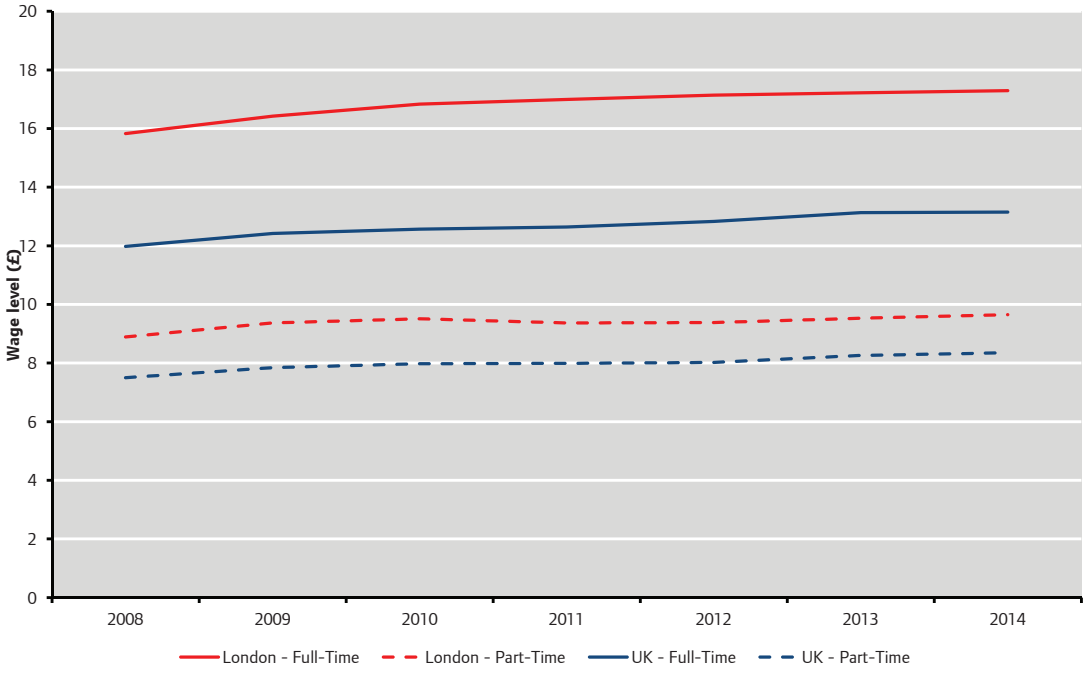


Source: Children in Out of Work Benefit Households 2014, DWP

ii) Pay in London

Whilst the costs of living in London are higher than for the rest of the UK as a whole (as a function of a number of factors such as the costs of land, transport costs and increased demand for goods and services), so too are wages in London. Figure 48 looks at nominal wages for full-time and part-time jobs in London and the UK as a whole, and shows that in 2014, the median hourly wage for a full-time job in London stood at £17.29 compared to £13.15 for the UK as whole; or 31.5 per cent higher. For part-time jobs, the difference between London and the UK is not as great at 15.6 per cent.

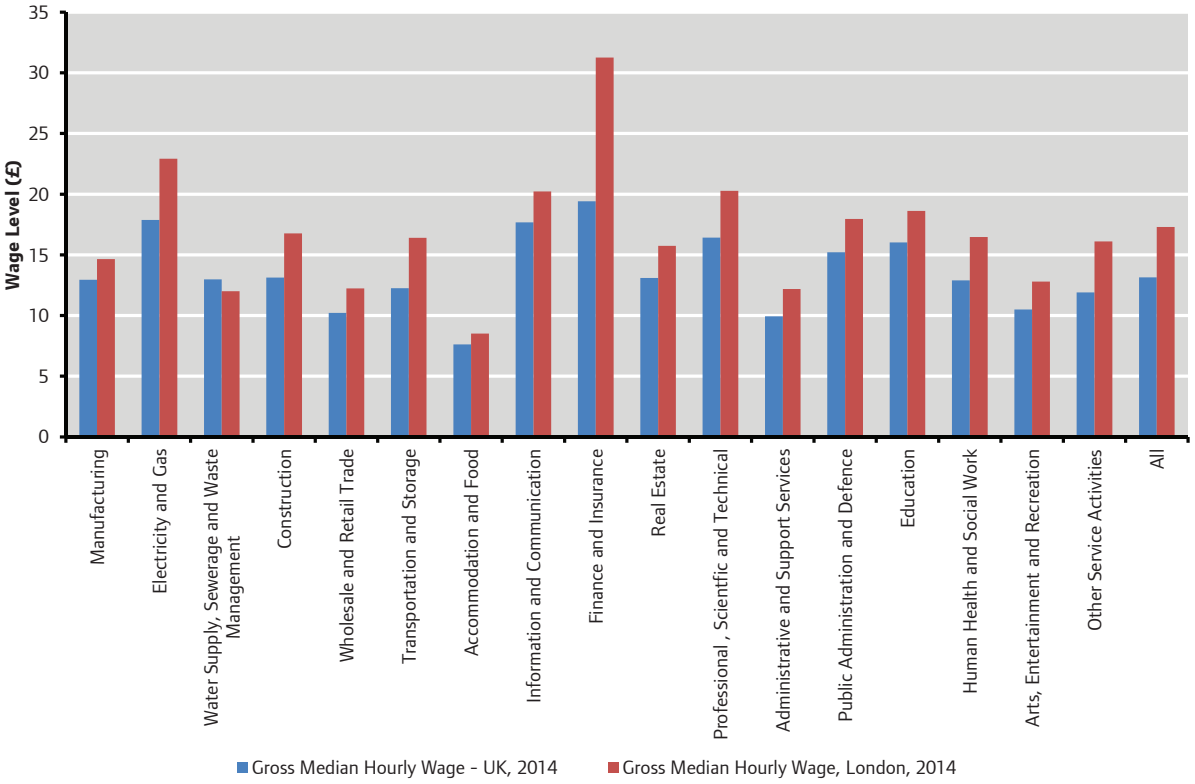
Figure 48: Gross mean hourly earnings in London and the UK



Source: Annual Survey of Hours and Earnings, GLA Economics calculations

For the labour market as a whole, mean and median earnings are in excess of 30 per cent higher in London compared to the UK as a whole, however this masks significant disparities between industrial sectors, which is shown in Figure 49. This is partly a reflection of the structure of London's economy, where there are significant specialisations in certain industries. In particular, in financial and insurance activities, the mean hourly wage is 61.0 per cent higher in London compared to the UK (£31.26 compared to £19.42); this is followed by Other Service Activities (35.4 per cent higher in London), and Transportation and Storage (34.0 per cent higher in London). However for some other industries, the differences are much smaller, with the data showing that in the Water Supply, Sewerage and Waste Management sector, mean hourly wages are lower in London (£12.01 compared to £12.98; 7.5 per cent lower), but this is the only sector where this is the case. The difference between London and the UK is lower than average in the Accommodation and Food Services sector (11.7 per cent higher in London), Manufacturing (13.1 per cent higher), and Information and Communication (14.4 per cent higher).

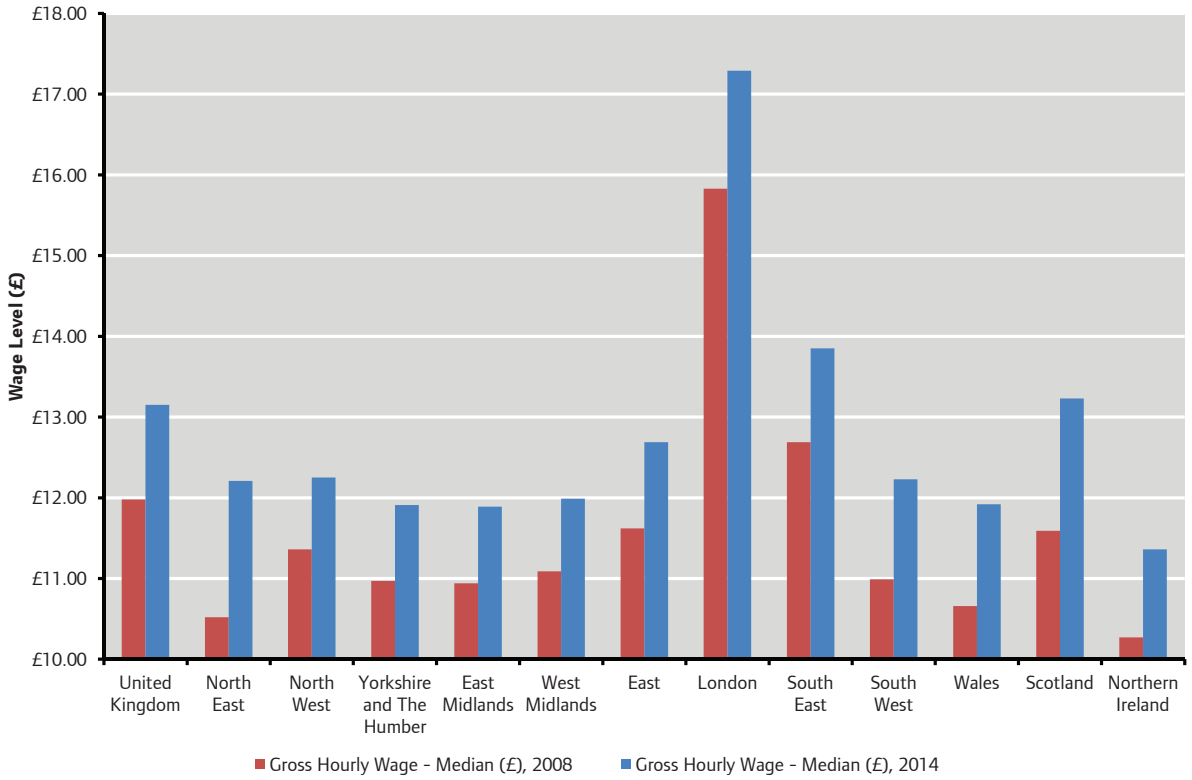
Figure 49: Mean full-time hourly earnings, London and the UK, by SIC07 section



Source: Annual Survey of Hours and Earnings, GLA Economics calculations

Wages in London are higher than all other regions, as shown in Figure 50, which outlines gross median hourly wages by region and how this compares to 2008. Data are in nominal prices, meaning that changes in price levels are not taken into account, however this does show growth in nominal wages since 2008.

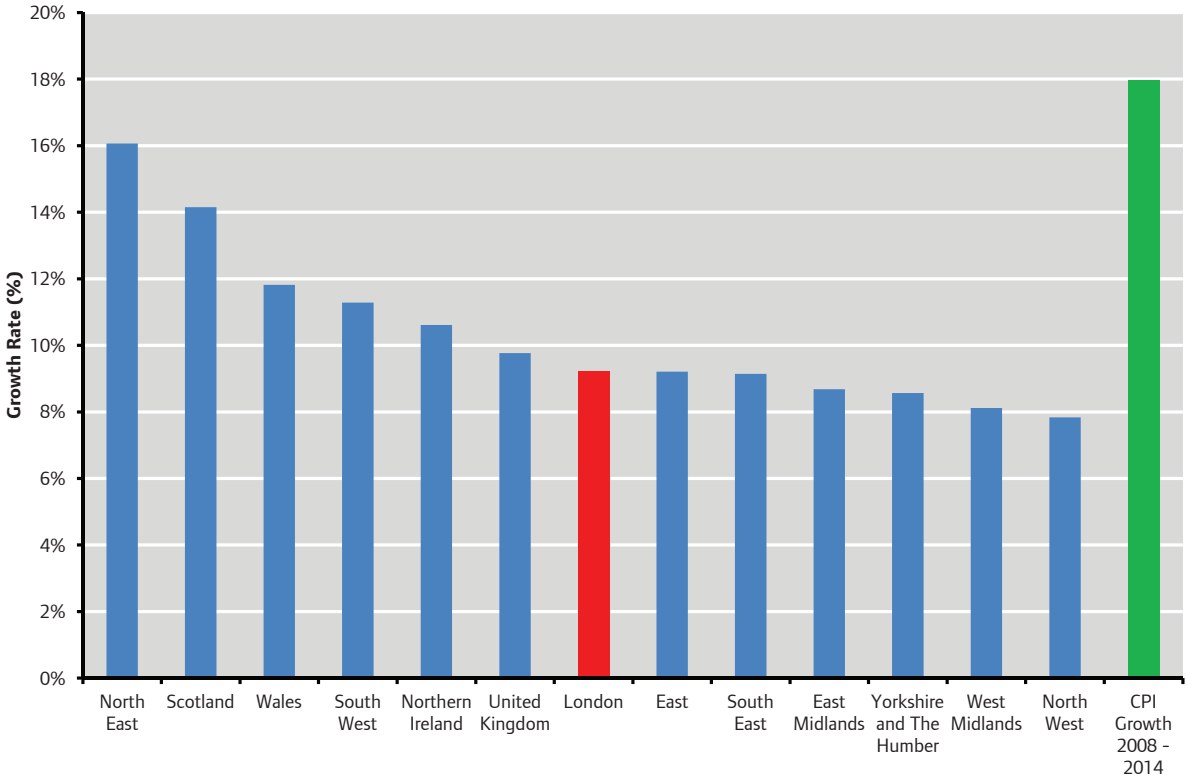
Figure 50: Gross median full-time hourly earnings, by region



Source: Annual Survey of Hours and Earnings, GLA Economics calculations

To show how earnings have changed over time, Figure 51 shows how nominal wages have changed since 2008, and finds that wage growth in London was 9.2 per cent between 2008 and 2014. The regions with the lowest growth in the period were the West Midlands and the North West (8.1 per cent and 7.8 per cent respectively). Wages in the North East and Scotland have growth at considerably higher rates (at 16.1 per cent and 14.2 per cent respectively). However, no region has seen mean wage growth at the same levels as price inflation. CPI data for 2008 and 2014, show an increase of 18.0 per cent.

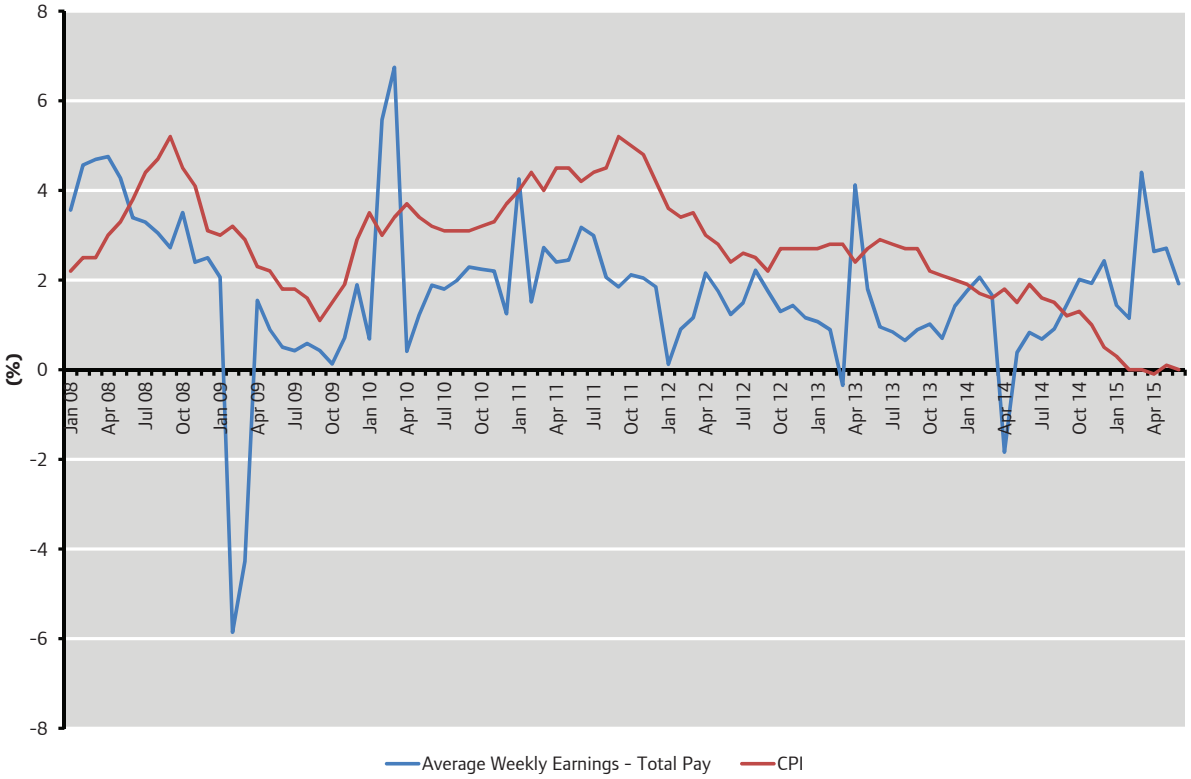
Figure 51: Growth in nominal gross median hourly earnings between 2008 and 2014, by region; comparison with CPI index growth



Source: Annual Survey of Hours and Earnings, GLA Economics calculations

Figure 52 shows the progression of average weekly earnings and consumer prices, for the UK as a whole. This shows that for the vast majority of the period between 2008 and the most recent data, prices have grown faster than wages. However, since the second half of 2014, annual average weekly earnings inflation has consistently stood above price inflation; it must be recognised that CPI inflation has been at very low levels for the majority of 2015, as a result of factors such as falling oil prices.

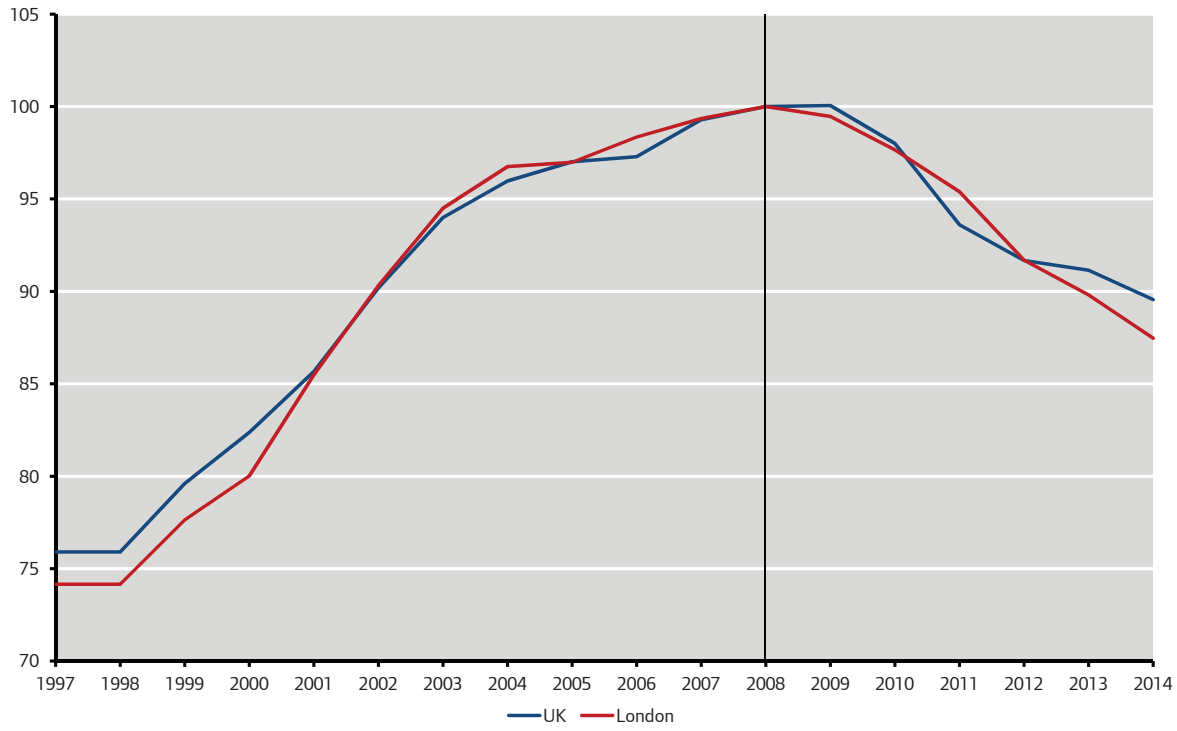
Figure 52: Average weekly earnings inflation and CPI inflation for the UK



Source: Annual Survey of Hours and Earnings, GLA Economics calculations

Indexed to 2008, Figure 53 shows the progression in real earnings from 1997 to 2014. Real earnings reached their peak in London in 2008 (for the UK as a whole in 2009), however since then real earnings have not reached the pre-recession peak, indicating that price rises have outstripped wage growth since this time.

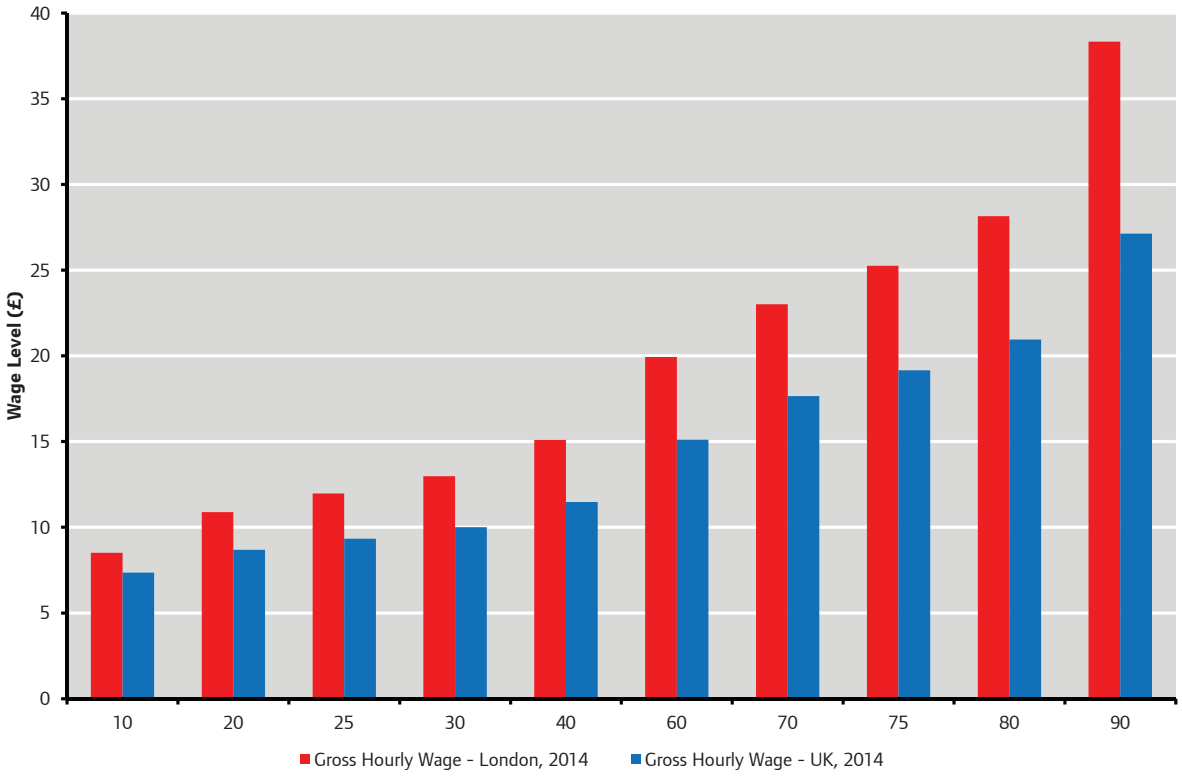
Figure 53: Changes in real earnings from 1997 to 2014 (index 2008=100)



Source: ONS, Annual Survey of Hours and Earnings (ASHE), 1997 to 2014 (provisional)

Figures 54 to 56 show how the distribution of wages have changed since 2008 in London and the UK, by wage percentile (i.e. 75th percentile earnings show the wage earned by the person who sits three quarters along the wage distribution, only a quarter of workers earn higher than the wage earned by this worker). Figure 54 shows that in 2014, across the wage distribution, there is a growing disparity between London and the UK the higher along the distribution; this asserts that higher earners in London earn comparatively more than those in the rest of the UK. At the 10th percentile, earnings in London are 15.8 per cent higher than the UK as a whole; this grows the higher along the wage distribution, with the differences at the 25th, 75th and 90th percentiles being 28.3 per cent, 31.8 per cent and 41.3 per cent respectively.

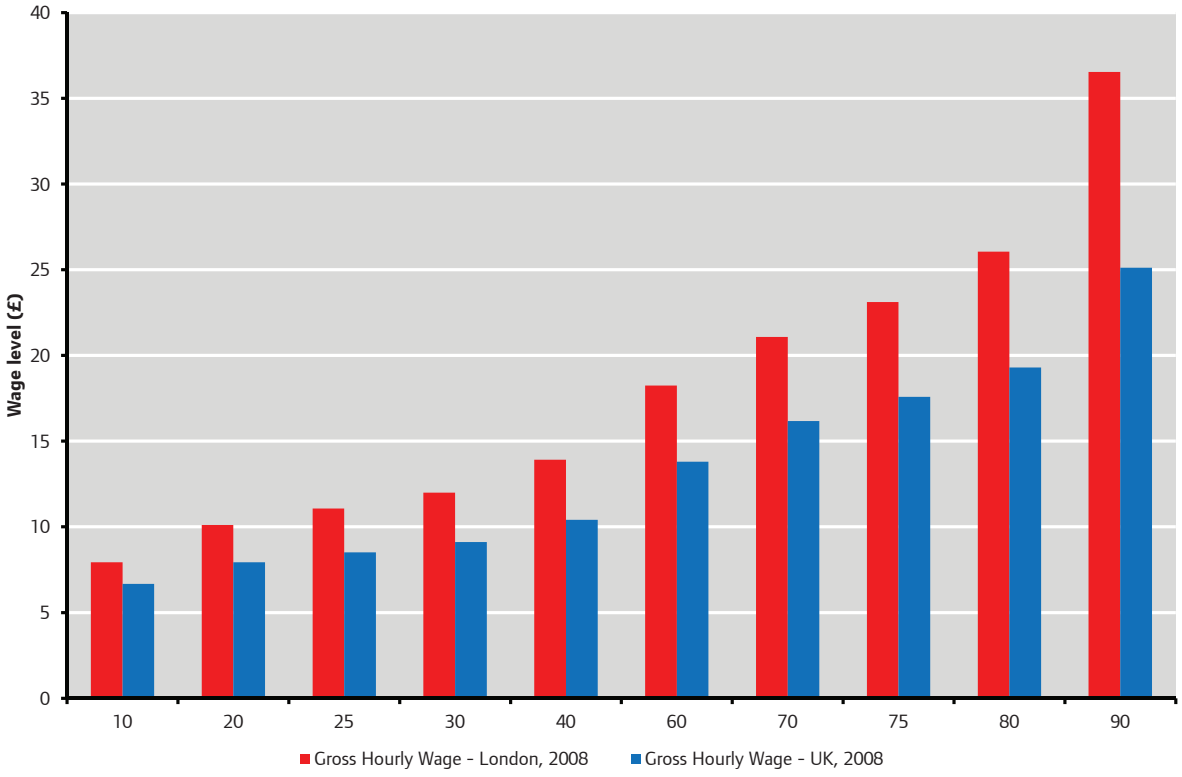
Figure 54: Gross hourly full-time wages, by wage percentile, London and the UK, 2014



Source: Annual Survey of Hours and Earnings, GLA Economics calculations

Figure 55 shows the same trends in hourly wages in 2008, with similar increases in wage disparity between London and the UK along the wage distribution.

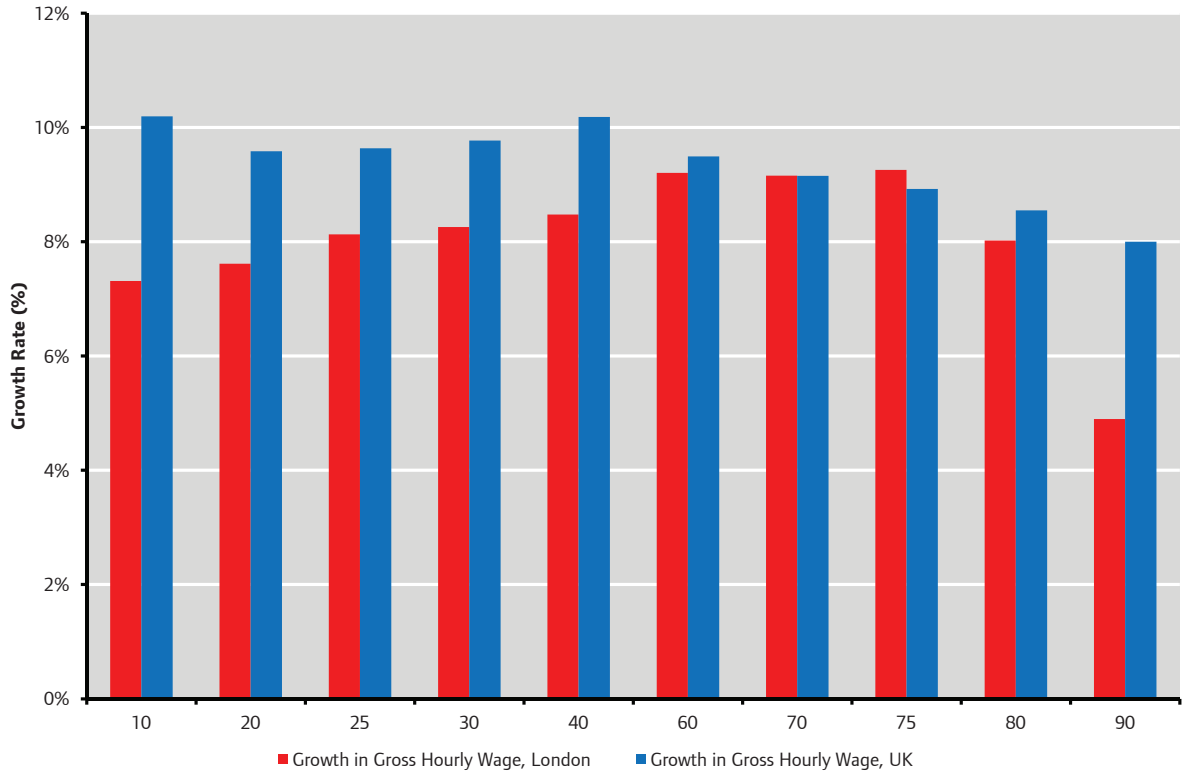
Figure 55: Gross hourly full-time wages, by wage percentile, London and the UK, 2008



Source: Annual Survey of Hours and Earnings, GLA Economics calculations

However, when looking at the growth in wages across the wage distribution between 2008 and 2014 (Figure 56), it is noticeable that at lower wage percentiles, the growth in wages for the UK as a whole has been higher than for London; which narrows the higher along the wage distribution. At the 10th percentile, nominal wages have grown by 7.3 per cent in London compared with 10.2 per cent for the UK as a whole, a difference of 2.9 percentage points; by the 75th percentile, this has reversed such that wage growth in London is 0.3 percentage points higher than for the UK as a whole. However, at the 80th and 90th percentiles, wage growth in the UK has been stronger, especially at the 90th percentile.

Figure 56: Growth in gross full time hourly earnings by wage percentile between 2008 and 2014, London and the UK

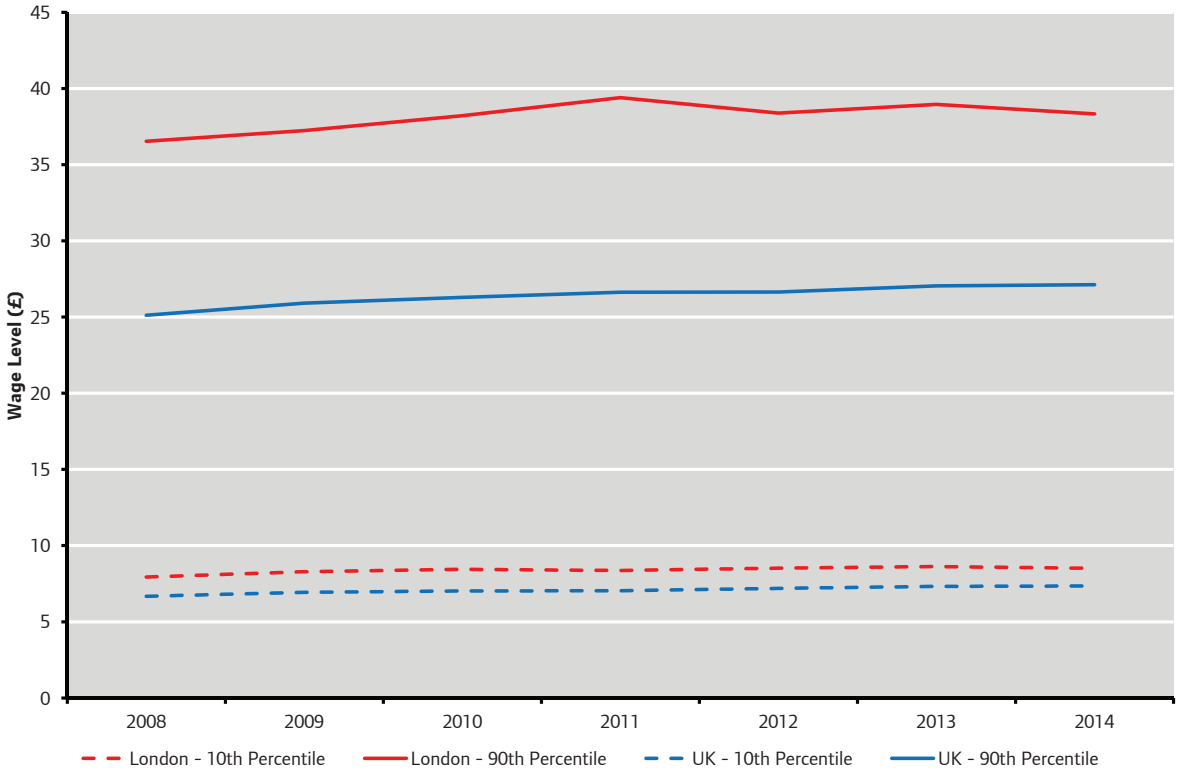


Source: Annual Survey of Hours and Earnings, GLA Economics calculations

Movement in wage levels at ends of the wage distribution

The previous charts looked at the changes in wages across the wage distribution, however this section focusses specifically on how wages have changed for the bottom and top deciles. Figure 57 shows the movement in full-time hourly wages for those at the 10th and 90th percentile, from 2008 – 2014.

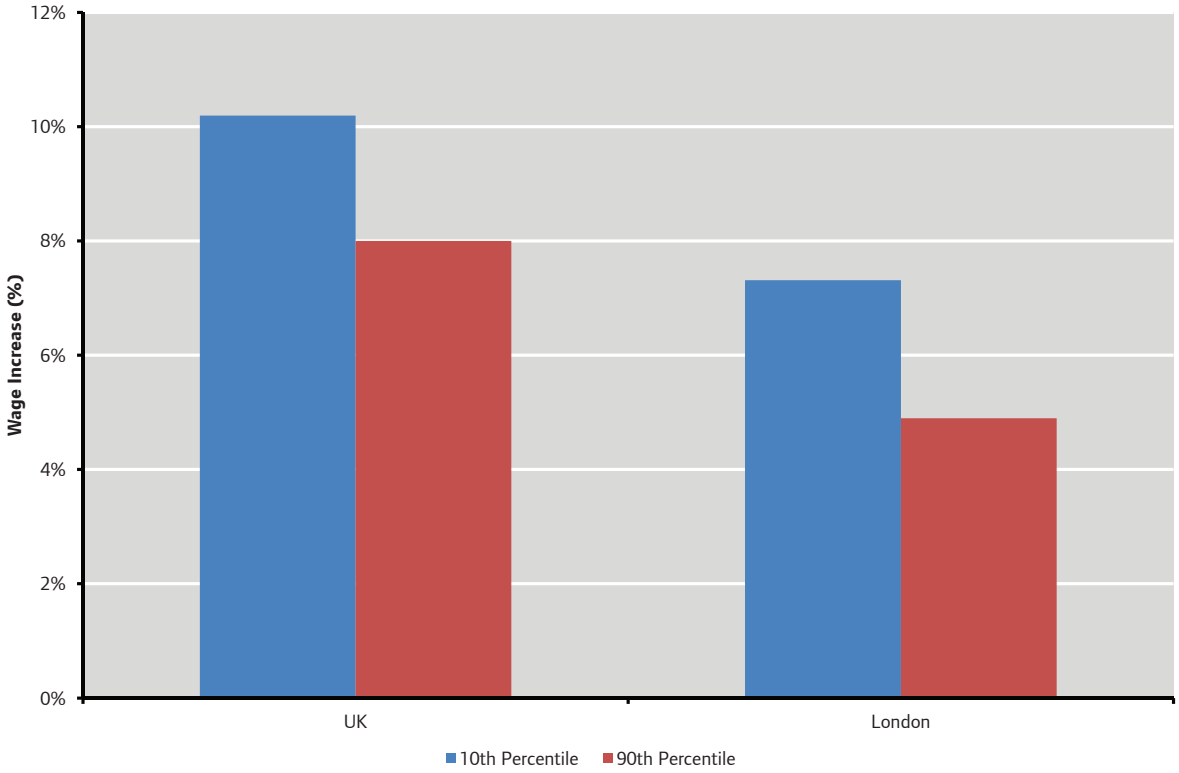
Figure 57: Gross full-time hourly wages, London and the UK, 10th and 90th percentiles, 2008 – 2014



Source: Annual Survey of Hours and Earnings, GLA Economics calculations

While Figure 57 shows the large difference in wage levels between these groups, Figure 58 shows the percentage change in wage levels for London and the UK between 2008 and 2014, finding that wages have grown faster in the UK as a whole compared to London.

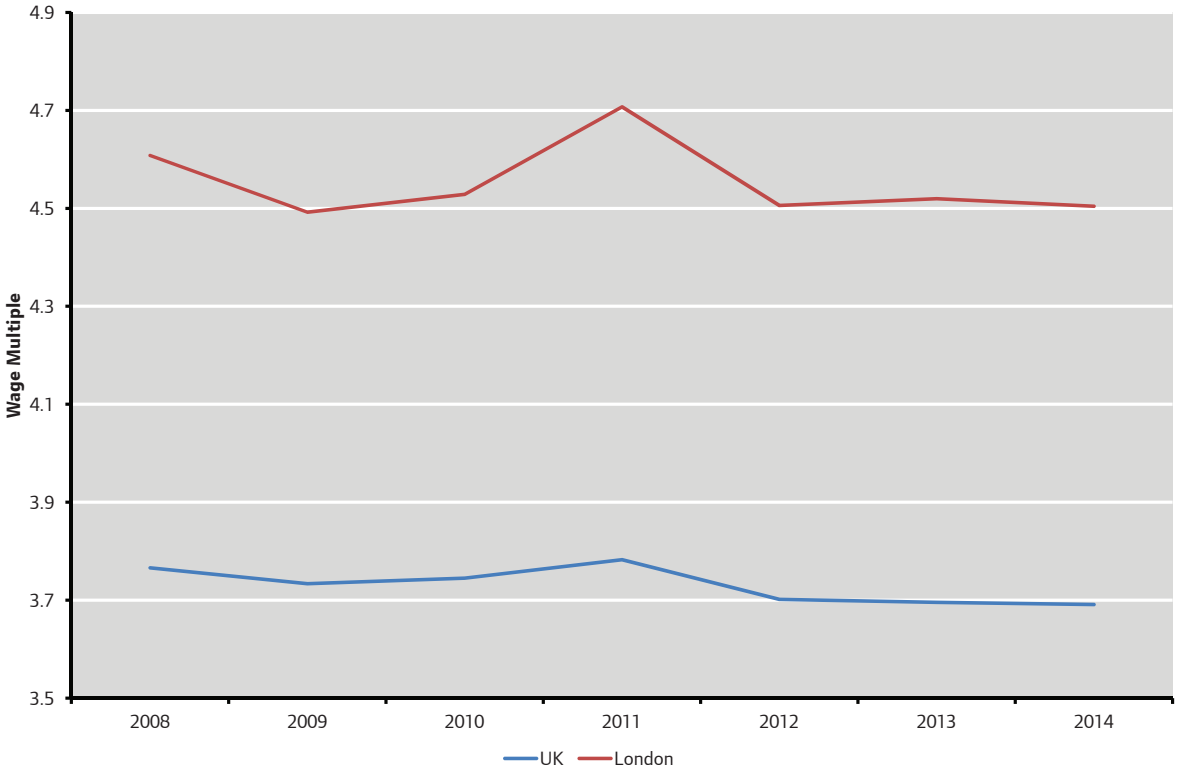
Figure 58: Percentage change in gross full-time hourly wages between 2008 and 2014, London and the UK, 10th and 90th percentiles



Source: Annual Survey of Hours and Earnings, GLA Economics calculations

There is a greater variance of wages between these two percentiles in London compared to the UK as a whole which can be seen in Figure 59 showing the wage multiple between the 10th and 90th percentile (i.e. the number of times greater wages are at the 90th percentile when compared to the 10th percentile). However there has been a slight reduction over time in the disparity of wages at the top and bottom of the wage distribution when looking at this measure.

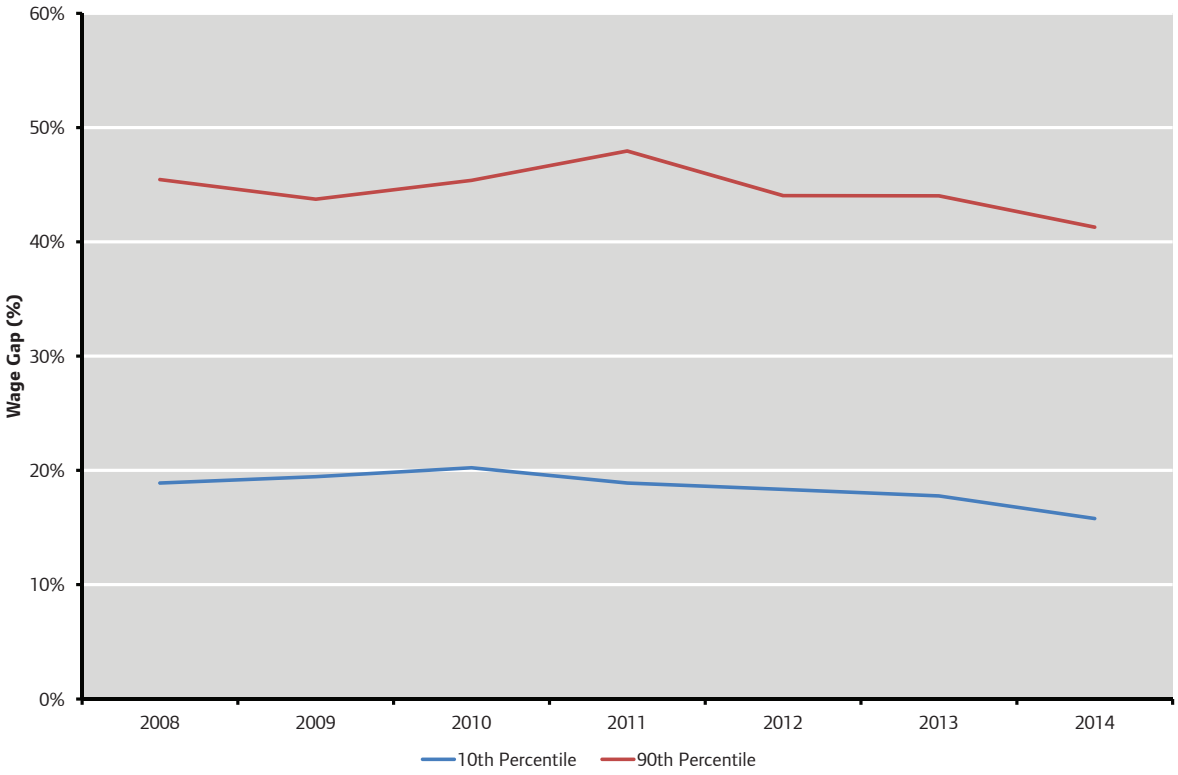
Figure 59: Wage multiple between the 10th and 90th percentile, London and the UK, 2008 – 2014



Source: Annual Survey of Hours and Earnings, GLA Economics calculations

As shown in Figure 60, there has been a small reduction over time in the pay gap between London and the UK at both the 10th and 90th percentiles.

Figure 60: Movement in the London and UK pay gap by percentile, 2008 – 2014



Source: Annual Survey of Hours and Earnings, GLA Economics calculations

Poverty in London

The following section on poverty in London is drawn from the recently published Intelligence Update 'Poverty in London: 2013/14'. Data from the DWP's Family Resources Survey are used to provide an overview of the proportion of Londoners in poverty. The data referred to here are presented in two ways – before housing costs (BHC) and after housing costs (AHC). This is because the costs of housing do not always reflect the standard of housing; for example, in London, a three bedroom house costs considerably more than a similar property in other regions of the UK (a similar correlation exists for rental costs).[51]

The figures published recently by DWP are for the financial year 2013/14. The average measures of the national income distribution - mean and median - rose again, both before and after housing costs, but whereas the median increased only in line with inflation, the mean increased in real terms. This reflects a larger increase in incomes for people at the higher end of the income distribution than for the middle. Incomes at the lower end of the scale have not increased at all, with only a marginal increase (below the level of inflation) using the before housing costs measure and no increase (so a real terms decrease) in incomes for people at the 10th percentile in the income distribution. The UK average equivalised household income figures for all individuals are presented in Table 8.

Table 8: National average equivalised weekly household income for all individuals 2013/14

	UK	
	Before Housing Costs	After Housing Costs
Mean	£561	£487
Median	£453	£386
60 per cent of median (the "poverty line")	£272	£232
10th percentile	Approx. £240	Approx. £160
90th percentile	Approx. £910	Approx. £830

Source: Households Below Average Income 2013/14, DWP

The median of the latest equivalised household income figure before housing costs calculated across all individuals in London is £500 (based on a 3-year average 2011/12-2013/14) and is the lowest in real terms since the turn of the century, falling from a high of £528 just before the recession, in 2005/6-2007/8 (at 2013/14 prices). The pattern for the London median income after housing costs is similar, standing at £386 for 2011/12-2013/14. While the South East is the only region with a higher median income BHC, the East of England, South West and Scotland also have higher median incomes AHC than London. That is because the differential in the medians calculated before and after housing costs for London is so much greater – over £100 in London, which is more than double the difference for most regions.

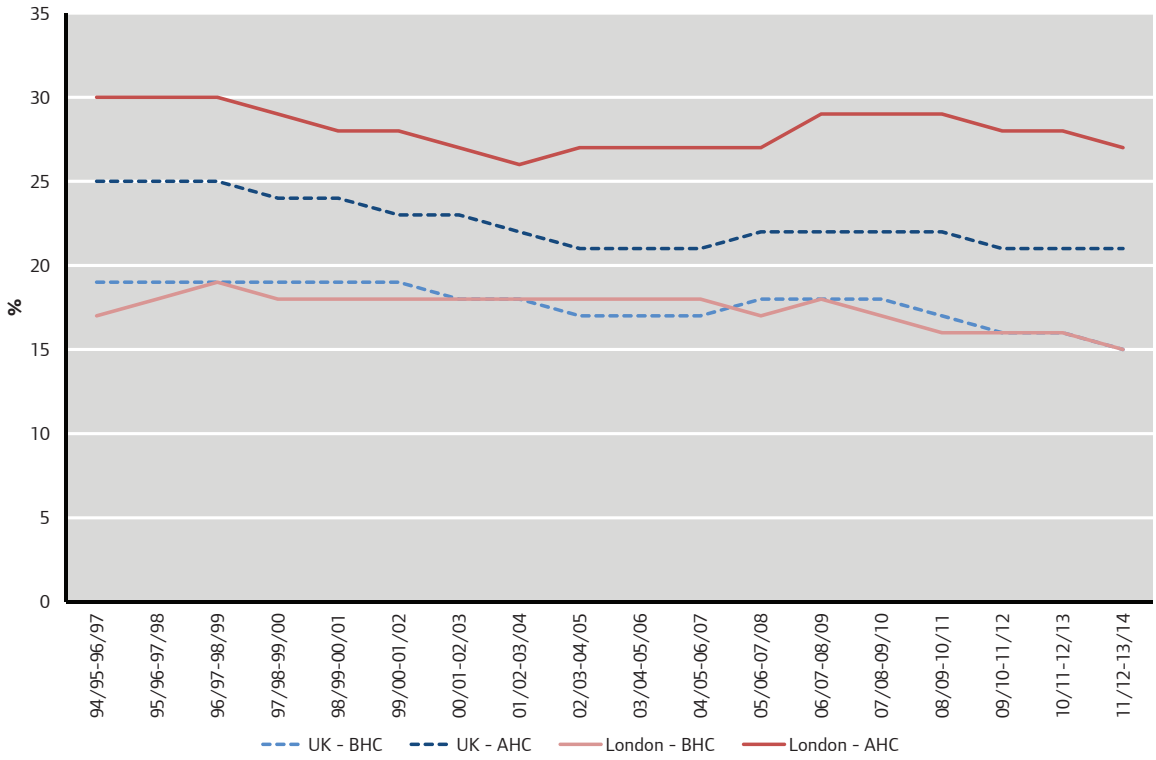
The mean equivalised household income of individuals in London is now £676 BHC and £550 AHC – on a par with or lower than the South East, whereas from the turn of the century to the beginning of the recession, London levels both before and after housing costs were higher. This is because the mean income for the South East rose in the latest estimates whereas the mean for individuals in London has been falling using both before and after housing costs measures.

Poverty measures

The main measure of poverty, the percentage of people in households with incomes below 60 per cent of the national contemporary median, is known as "relative poverty". Due to sample size restrictions, at regional level, these are presented as a three-year rolling average to improve the robustness of the figures. The time series for all individuals in poverty in London and the UK[52], both before and after housing costs, are illustrated in Figure 61. The latest figures of 15 per cent BHC and 27 per cent AHC (2011/12-2013/14) in London show a slight decrease over the previous figures (2010/11-2012/13), and the levels of poverty measured BHC for London follow those of the UK very closely over the whole period since 1996/97-1998/99. However, it is clear that London has higher levels of poverty taking housing costs into account than the UK, with higher levels and differential during the years of the recession. The 60 per cent median level is fairly arbitrary and other income levels can be used alongside to give a wider picture. One quarter of London's children live in households with less than half of national median income, and nearly half are in households with less than 70 per cent of the median.

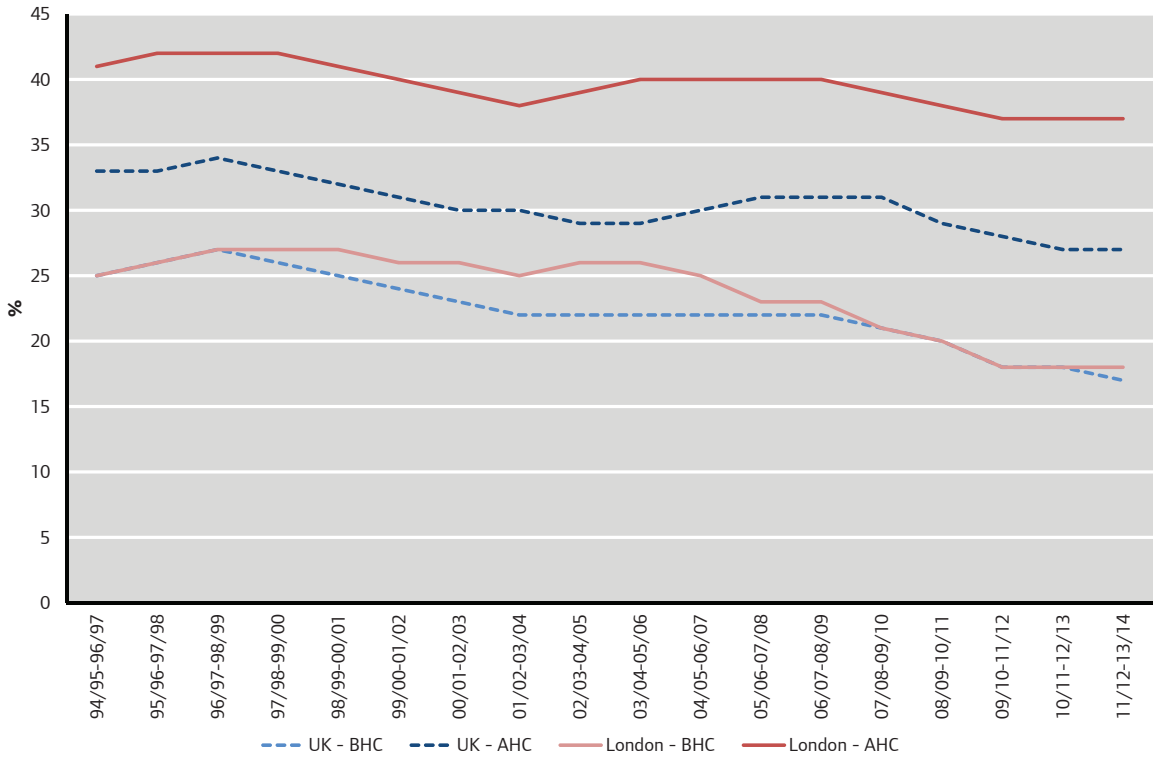
Figure 62 gives both national and London time series for the percentage of children living in households with income below 60 per cent of the contemporary national median. Comparison with Figure 61 shows that on each measure, children are more likely than the general population to be in poverty. The London and UK figures have remained stable, at their lowest level since the series began on both before and after housing costs bases. While the percentage of London's children in poverty before housing costs is now very close to the UK-wide figure, after housing costs are taken into account, there is still a greater proportion of children living in poverty compared to the UK as a whole.

Figure 61: Change in overall poverty for London and UK: (three year rolling averages) 1994/95 to 2013/14



Source: Family Resources Survey 1994/95 – 2013/14

Figure 62: Percentage of children living in households with less than 60 per cent of contemporary median household income, for London and UK 1994/95 –2013/14



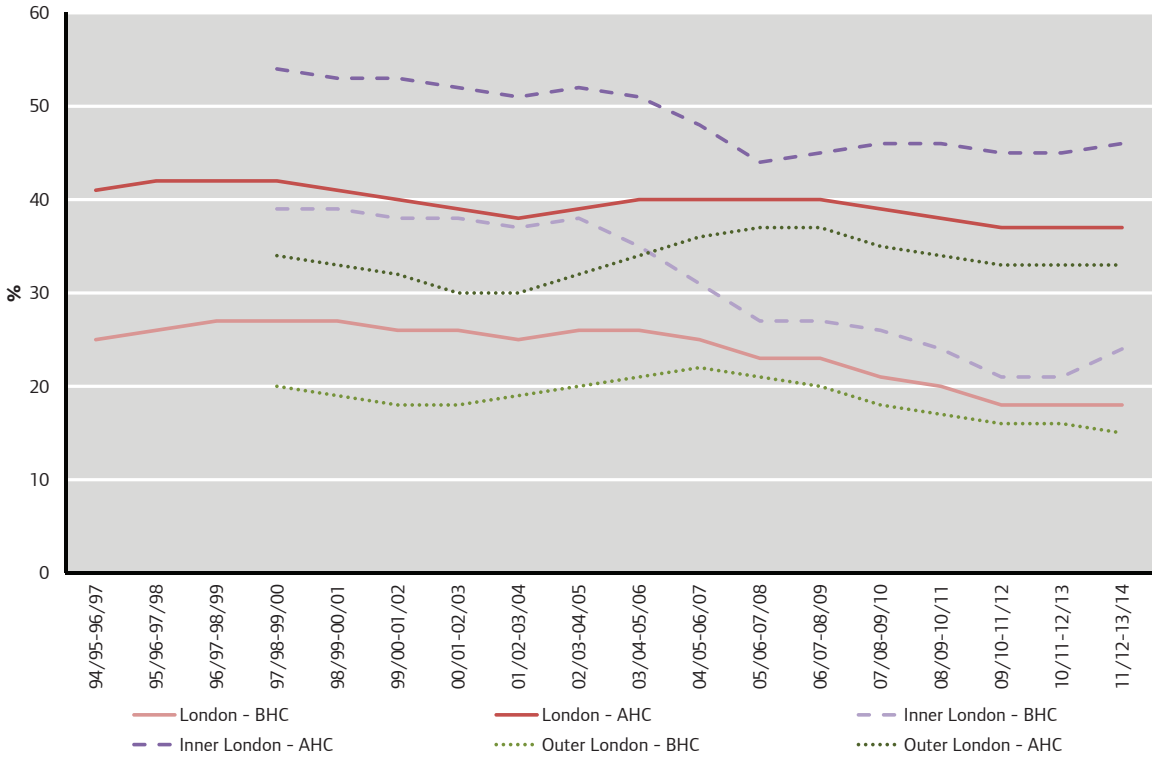
Source: Family Resources Survey 1994/95 – 2013/14

London's child poverty level remains very high – still ten percentage points above those seen at any point in the last 16 years nationally. This is due to the high costs of housing impacting in two ways. First, the cost

of the housing itself is so much higher in London than the UK, but second, a large proportion of people at lower levels of income receive support in the form of various welfare benefits, but particularly Housing Benefit which is set at a level determined by the costs of housing in the local area. This therefore artificially boosts the total income for those on low incomes living in areas of high housing costs. State support makes up half of all income for households with children in the lowest fifth of the total income distribution nationally. Figures are not published for London.

Figure 63 shows how the levels of child poverty within Inner and Outer London have shown quite different patterns over the period. BHC poverty rates had almost halved in Inner London, though the latest figures show a marked increase, whereas child poverty has continued to fall slowly in Outer London. In contrast, AHC rates fell in Inner London until around 2006, changing little since then whereas the proportion of children in poverty AHC in Outer London had been rising from its lowest level in 2002 to 2006 and has decreased since the start of the recession back to its original level, where it has been stable over the last few years. The decreasing rates have been mostly offset by rising numbers of children living in the capital, so the number of children in AHC poverty in Inner London has remained at around 300,000 children throughout the 15 years for which data has been available. The number in Outer London has risen from 300,000 to 400,000 over the same period. The only number that has fallen is the number of children in poverty in Inner London without taking into account the rising costs of housing, but including any support towards those costs. On this basis, the number of children in poverty in Inner London has fallen in the last few years from 200,000 to closer to 100,000.

Figure 63: Change in child poverty for London: (three year rolling averages) 1994/95 to 2013/14



Source: Family Resources Survey 1994/95 – 2013/14

As well as the relative poverty measure, an "absolute" poverty measure is given, which adjusts only for inflation, rather than keeping pace with changing living standards. This is now calculated to 2010 living standards (to coincide with the first child poverty target set by the Government), and the figures show that in London, using the before housing costs measure, just over half the proportion of children are in poverty in the latest figures compared with the number that would have been in poverty if the same living standard had been applied in 1998/9. The fall was particularly dramatic for Inner London, although the increase in the latest figures is apparent, whereas the decrease in Outer London was less than for most regions. However, the difference after rising costs of housing have been taken into account is far less and

has barely changed for London and its neighbouring regions over the last decade, with the increasing costs of housing (excluding any capital repayment costs for mortgage holders) meaning that most regions have seen an increase in the last two years, as shown in Table 9. There is a clear divergence in the change between Inner and Outer London, with a decrease in child poverty levels in these terms in Inner London prior to the recession, but a stark increase in recent years, whereas the Outer London figures have been quite volatile, with the latest figures only a little below those around the turn of the century. The gap between these figures decreased from more than 20 percentage points to around six before the recession and has since increased again to around 12 percentage points.

Table 9: Percentage of children living in households with less than 60 per cent of 2010/11 real terms median household income, by region, 1994/95 –2013/14, Before Housing Costs and After Housing Costs

Before Housing Costs												
	94/95-96/97	97/98-99/00	00/01-02/03	03/04-05/06	04/05-06/07	05/06-07/08	06/07-08/09	07/08-09/10	08/09-10/11	09/10-11/12	10/11-12/13	11/12-13/14
England	38	34	25	21	21	21	21	20	18	18	19	19
North East	47	44	36	29	28	27	26	24	23	21	23	21
North West	42	41	29	24	23	25	24	23	21	21	22	23
Yorkshire and the Humber	44	41	30	25	24	25	25	24	24	24	25	24
East Midlands	40	34	27	22	23	24	23	21	18	17	17	19
West Midlands	40	37	30	27	26	27	28	27	26	23	22	22
East of England	31	27	16	15	15	15	15	15	15	14	14	16
London	**39**	**36**	**28**	**26**	**24**	**22**	**22**	**20**	**19**	**18**	**18**	**19**
Inner	**..**	**49**	**42**	**35**	**30**	**26**	**26**	**25**	**23**	**22**	**22**	**25**
Outer	**..**	**28**	**21**	**21**	**21**	**20**	**19**	**17**	**16**	**16**	**17**	**16**
South East	28	23	15	13	15	15	14	13	12	12	14	14
South West	36	32	21	17	16	16	16	15	15	15	16	17
Wales	44	39	31	23	24	26	25	23	21	24	24	25
Scotland	40	36	29	22	21	20	20	19	18	17	18	17
Northern Ireland	..	..	28	25	23	22	22	23	22	24	23	24
United Kingdom	38	35	26	22	21	21	21	20	19	18	19	19

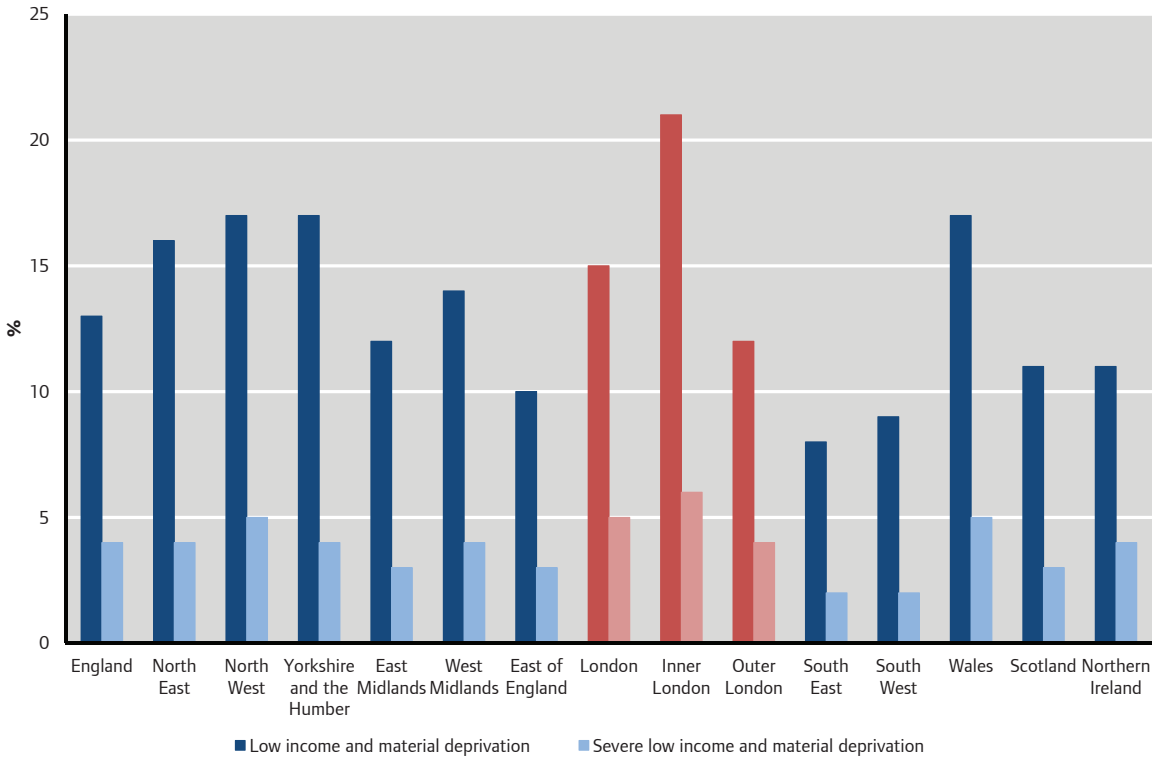
After Housing Costs												
	94/95-96/97	97/98-99/00	00/01-02/03	03/04-05/06	04/05-06/07	05/06-07/08	06/07-08/09	07/08-09/10	08/09-10/11	09/10-11/12	10/11-12/13	11/12-13/14
England	45	41	32	28	28	29	29	29	28	28	30	31
North East	52	48	39	31	31	31	31	29	28	28	31	30
North West	48	46	35	30	29	31	31	31	30	31	32	33
Yorkshire and the Humber	47	45	34	28	28	29	30	30	30	31	32	32
East Midlands	45	38	31	26	27	28	27	26	23	25	25	26
West Midlands	45	42	36	31	31	32	33	33	32	32	32	32
East of England	39	34	25	23	23	24	25	24	24	24	25	26
London	**51**	**48**	**40**	**39**	**39**	**38**	**38**	**37**	**37**	**37**	**39**	**41**
Inner	**..**	**61**	**54**	**50**	**46**	**42**	**42**	**43**	**43**	**44**	**47**	**49**
Outer	**..**	**40**	**32**	**33**	**35**	**35**	**36**	**33**	**33**	**33**	**35**	**37**
South East	37	32	25	21	23	24	24	22	22	22	24	25
South West	45	41	30	25	23	24	23	24	24	25	26	26
Wales	50	43	36	27	28	30	29	31	30	33	33	34
Scotland	45	40	32	24	23	22	23	23	22	22	23	24
Northern Ireland	..	..	29	25	23	23	23	24	25	26	26	28
United Kingdom	45	41	32	28	28	28	28	28	28	28	29	30

Source: FRS 1994/95 – 2013/14
Note: Figures are for the United Kingdom from 1998/99-2000/01 onwards. Earlier years are for Great Britain only. Data for Northern Ireland has been imputed for 1998/99 to 2001/02.
Figures for interim years are available but have not been included for clarity of the table.

A further measure of poor living standards for families with children is the percentage living in low income and material deprivation. Two measures are produced: low income (below 70 per cent of median BHC) and material deprivation and severe low income (below 50 per cent of median BHC) and material deprivation. Nationally, 13 per cent of children were in material deprivation and low income in 2013/14, with 4 per cent in severe low income. For London overall the latest figures are 15 per cent and 5 per cent (for 2011/12-2013/14). There is, however, a clear difference between Inner and Outer London, with Outer London figures close to the national levels, whereas more than one in five children living in Inner London (21 per cent, or in the region of 100,000-150,000 children and down slightly on the previous year) lived in low income households that could not afford the basic norms of society. The other parts of the UK with the next highest

levels, as shown in Figure 64, were North West England, Yorkshire and the Humber and Wales, where 17 per cent of children fell into this category. Six per cent of Inner London children lived in severe low income households and material deprivation, again higher than for anywhere else in the UK, and the same as for the previous year.

Chart 64: Low income and material deprivation levels among children by region: (three year average) 2011/12 to 2013/14



Source: Family Resources Survey 2011/12 – 2013/14

Working age poverty

The proportions of people of working age in households with incomes below 60 per cent of the national median, after adjusting for household composition, are lower than for children, which is not surprising, given that some live with children (decreasing living standards for the same level of income) and some without. The latest figures for the London proportion of working age adults living in poverty using both the Before and After Housing Costs measures, given in Table 10, are down marginally from those for the previous year but have barely changed since the data series began for 1994/5-1996/7. The number of working age adults in London has increased with the growing population, so that the latest estimates for the number of working age adults living in poverty are 0.7 million BHC (down by 0.1 million) and 1.4 million AHC, which is the same as for the previous year, split almost equally between Inner and Outer London.

Within London, there are differing patterns in the changing number of working age adults living in low income households. Using the BHC measure, the number of this group has stayed broadly consistent in Inner London, so this represents a decrease in proportion over 15 years (from the first date when Inner and Outer London figures are available) as the population has increased. Over the same time, Outer London saw a slight increase in both the number and proportion of poor working age residents, while nationally a ten per cent increase in the number of working age poor meant no change in the poverty rate using this measure. After housing costs, the poverty rates and numbers are higher in the midlands, South East and East of England as well as Outer London than 15 years ago, and only the North East has a lower poverty rate for this age group, so in all, there has been only a marginal increase in the proportion of working age people in the UK below the poverty line, but this reflects 1.4 million more people in poverty. Overall, this means the gap between the child and working age poverty rate has narrowed, and all but disappeared, both before and

after housing costs are taken into account at London level and below as well as nationally. This does not mean that all those in poverty live with dependent children. The rates are higher for those that have children – particularly for lone parents, but, for example more than a quarter of single adults without children have incomes below the 60 per cent median level AHC, both nationally and in London. For lone parents, the comparable figures are over 40 per cent nationally and over 50 per cent in London.

Table 10: Working age poverty figures: 2011/12-2013/14

Percentage of people of working age in households with income below 60 per cent of national median				
	UK	London	Inner London	Outer London
Before Housing Costs	15	13	16	12
After Housing Costs	21	26	31	23

Source: FRS 2011/12 - 2013/14

Poverty of Londoners of pensionable age

Around 200,000, or more than one in six Londoners of pensionable age[53] are living in poverty in London, with the poverty rate a little higher than among children or people of working age on a before housing costs basis but significantly lower than for others using the AHC measure (Table 11). There is little difference between the rates for Inner and Outer London, and they are also quite close to the UK level BHC, but again differences are larger AHC.

Table 11: Pensionable age poverty figures: 2011/12-2013/14

Percentage of people of pensionable age in households with income below 60 per cent of national median				
	UK	London	Inner London	Outer London
Before Housing Costs	16	17	16	17
After Housing Costs	13	18	23	16

Source: FRS 2011/12 - 2013/14

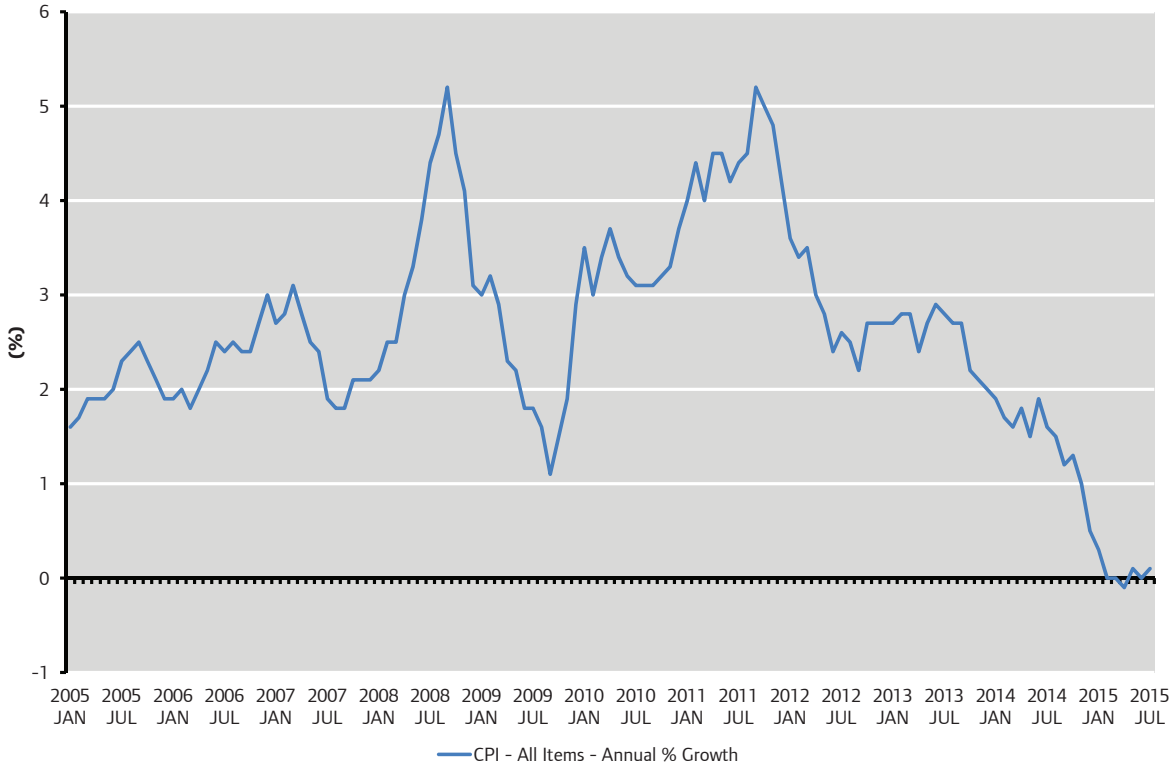
6: The cost of living in London

As was seen in the earlier section, wage growth in London has, for most of the period since 2008, not kept up with price inflation, meaning that costs of living have increased comparatively over time. This chapter looks at prices in greater detail, first looking at how component data within the Consumer Prices Index (CPI) have changed over time, then exploring available data on regional prices, and then expanding to look at elements within household expenditure, notably childcare costs, transport costs, and housing costs.

i) Consumer prices over time

Figure 65 shows the path of consumer price index growth over the last ten years, showing that, for the most part, CPI inflation has been levels above the Bank of England's 2 per cent inflation target, and between 2010 and 2012, was above 3 per cent. Only over the course of the last year, in part due to the falls in oil and utility prices, has inflation fallen below the 2 per cent target level, and has held at levels close to zero for the first half of 2015. Between Q1 2008 and Q2 2015, the CPI index shows that prices in the UK have grown by 20.6 per cent.

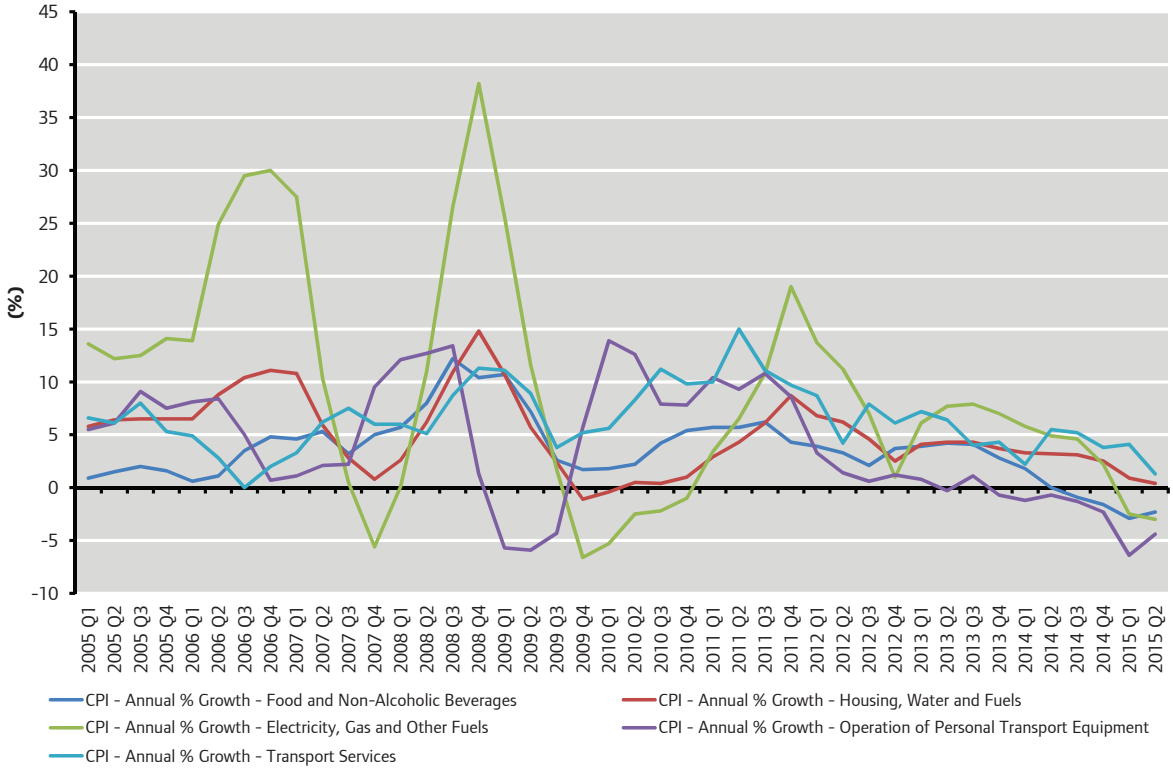
Figure 65: Annual Consumer Price Index inflation



Source: Office for National Statistics

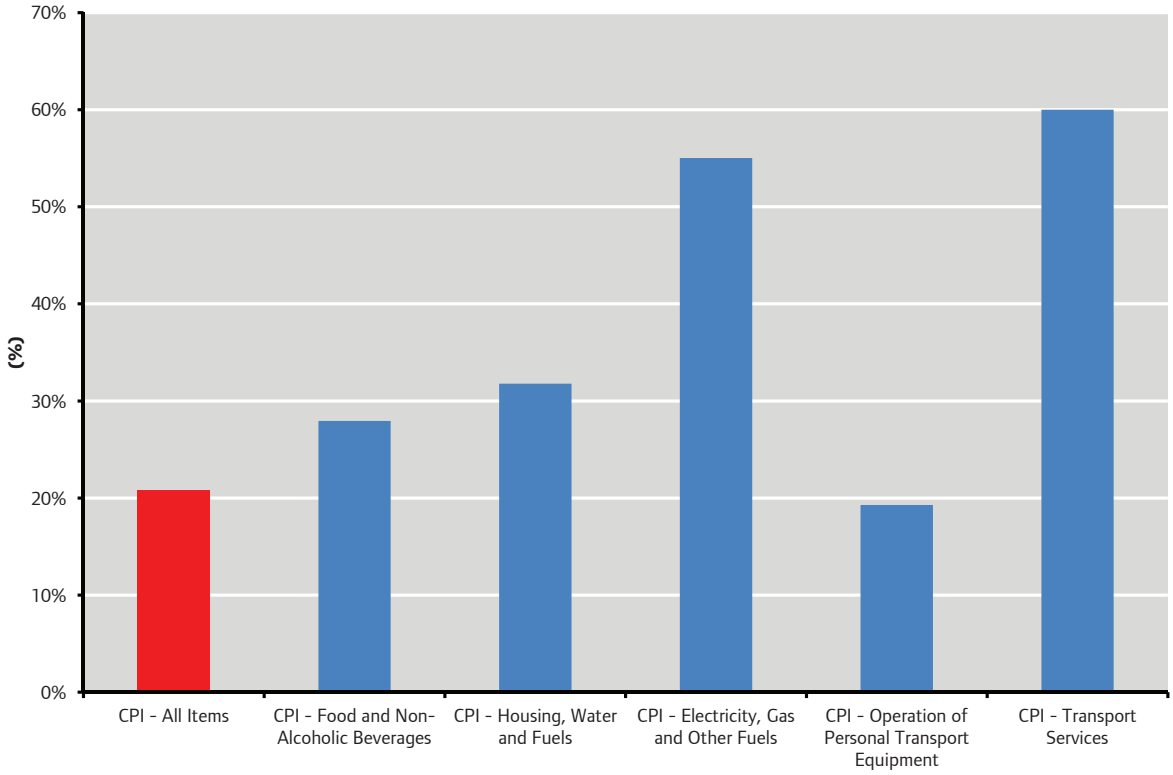
However when we drill down further into the components of the CPI there is significant variation over time in the growth of prices and this is shown in Figure 66 which outlines annual CPI growth across five different components of the CPI; those being Food and Non-Alcoholic Beverages; Housing, Water and Fuels; Electricity, Gas and Other Fuels; Operation of Personal Transport Equipment; and Transport Services. The component with the greatest level of volatility has been the Electricity, Gas and other Fuels component which would be witnessed in households' utility bills. Over the period Q1 2008 to Q4 2014, there has been a growth of 55.0 per cent, significantly above the growth in all prices (Figure 67); for other components, the growth in prices has been smaller, for Food and non-alcoholic beverages, prices grew by 27.9 per cent; for Housing, Water and Fuels the growth was 31.8 per cent; for Operation of Personal Transport Equipment, prices grew by 19.3 per cent. The largest growth in prices however was in Transport Services, which grew by 60.0 per cent over the period.

Figure 66: Annual Consumer Price Index inflation, by component



Source: Office for National Statistics

Figure 67: Cumulative change in Consumer Price Indices by component; 2008 Q1 – 2014 Q4

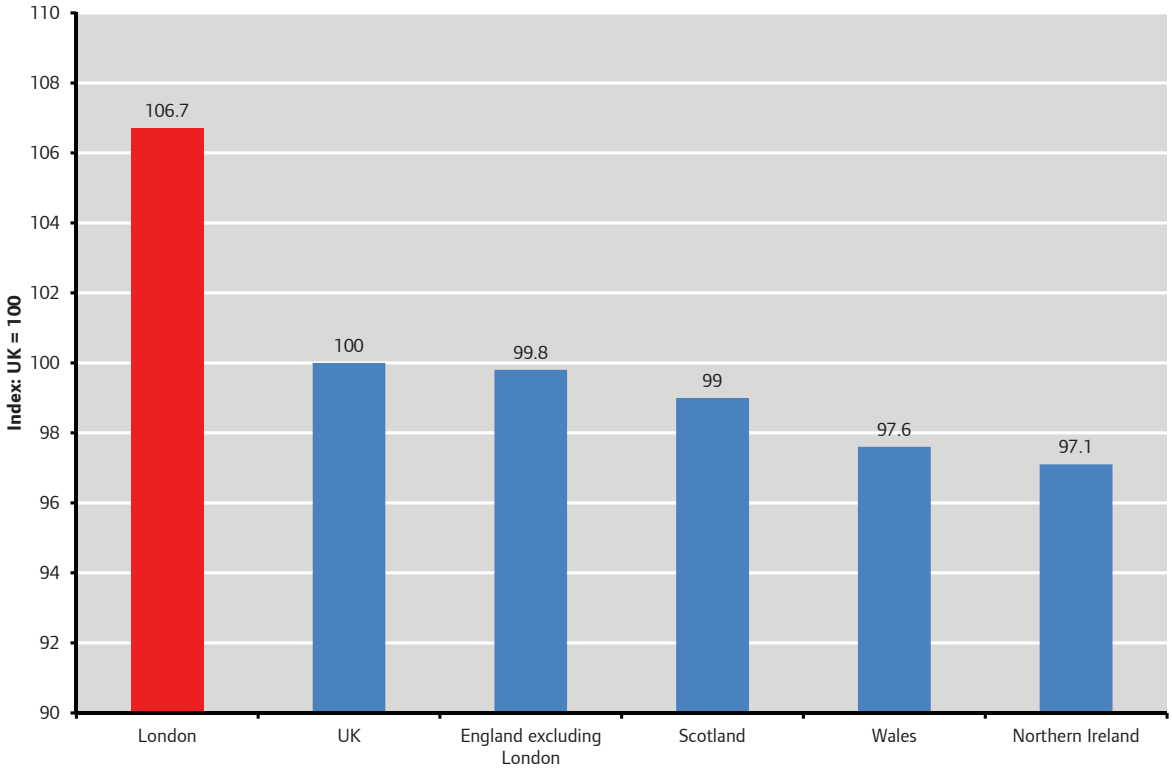


Source: Office for National Statistics

ii) Regional prices

Despite a vast amount of data on price inflation by product (as well as the variety of different indicators to measure inflation, such as RPI, RPIX, CPIH etc.), there exists little data on how prices change at a regional level. The most recent analysis from the ONS comes from 2010[54], which finds that compared to the UK as a whole, prices are higher in London than in other regions/nations of the UK as shown in Figure 68.

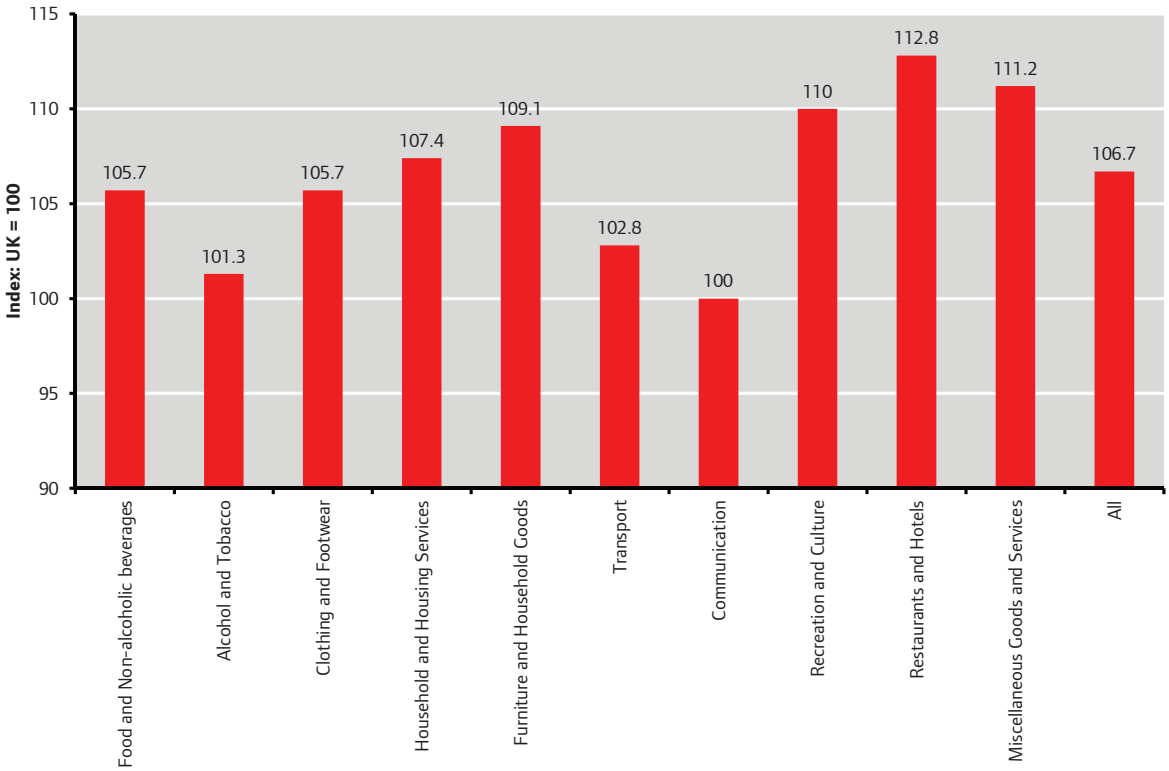
Figure 68: Regional price levels compared to national price levels, 2010



Source: Office for National Statistics

Data are also available for individual components of CPI, and the comparisons between London and the UK are shown in Figure 69. Across all components of CPI, it is estimated that prices are 6.7 per cent higher in London compared to the UK as a whole. However, when looking at individual components there are some elements which are more or less expensive compared to the average, which has implications as to the relative costs of living in London when compared to the UK as a whole. The component in which there is the biggest disparity is Restaurants and Hotels (12.8 per cent higher), followed by Miscellaneous goods and services (11.2 per cent higher), and Recreation and Culture (11.0 per cent higher). An important element of the cost of living is housing costs, and this was estimated to be 7.4 per cent higher (a larger increase than the all component estimate of 6.7 per cent).

Figure 69: London CPI index by component, 2010; (Index: UK = 100)



Source: Office for National Statistics

iii) Childcare costs

Data from the Childcare Costs Survey 2015, produced by the Family and Childcare Trust, finds that the cost of childcare is higher in London than in any other region. This finding is not a surprise given the previous analysis on regional prices (Figures 68 and 69), however the analysis shows that the variation between London and Great Britain is considerably larger than for prices in general. Table 12 shows the variation in weekly costs of childcare between London and Great Britain as a whole.

Table 12: Weekly costs of childcare, London and Great Britain, 2015

	Nursery 25 hours (Under 2 years)	Nursery 25 hours (Over 2 years)	Childminder 25 hours (Under 2 years)	Childminder 25 hours (Over 2 years)	After School Club 15 hours	Childminder After School Pick-up
London	£152.06	£140.64	£146.31	£144.27	£53.65	£89.94
Great Britain	£115.45	£109.83	£104.06	£103.04	£48.18	£64.65
Difference	31.7%	28.1%	40.6%	40.0%	11.4%	39.1%

Source: Family and Childcare Trust

The survey also found that between 2010 and 2015, the increase in the weekly cost of a nursery place for children under the age of 2 increased by 38.0 per cent in London, compared to 32.8 per cent for Great Britain as a whole. This was however not the largest percentage increase for any one region, it was estimated that in the West Midlands, these costs increased by 51.9 per cent over the same period. However despite this, it is clear that increases in childcare costs have outstripped inflation in the past five years. It is also clear that childcare can represent a significant proportion of household income; with the survey estimating that the annual cost of a nursery place for a child under the age of two would be £7,907 in 2015.

iv) Rail costs

Travel costs are an important component of the costs of living. This section provides data on how regulated and unregulated fares have changed over time. Typically, the rate at which regulated fares (including season tickets) are allowed to increase year-on-year is based upon the level of annual Retail Price Index (RPI)

inflation recorded each July. With this RPI inflation value, train operators have been able to increase by a percentage level above that rate. Over time, average fare increases have fallen, as the amount above the RPI level on which average train fares can be increased has been reduced from RPI +2%, to RPI + 1%, to where it currently stands at simply an increase by level of RPI inflation. This does however mean that over time, rail fares have increased above the level of inflation (Table 13), especially when considering that CPI inflation typically reports lower levels than RPI (currently annual RPI inflation in August 2015 was 1.0 per cent, whereas CPI inflation was at 0.1 per cent).

Table 13: Average change in rail fares by ticket type, London and the South East (Index January 2004 = 100)

Ticket Type	2004	2008	2009	2010	2011	2012	2013	2014	2015
Season	100.0	120.5	128.0	128.0	137.4	145.6	151.6	156.2	160.4
All Tickets	100.0	121.8	130.1	130.6	139.3	147.8	154.4	158.7	162.4
RPI – UK	100.0	114.6	114.7	119.0	125.1	129.9	134.2	138.0	139.5

Source: Office for Rail Regulation

Compared to all operators in the UK as a whole, there are no significant difference in rail price indices between 2004 and 2015, with the index for season tickets in 2015 standing at 160.2 (Table 14), whereas for all ticket types, the index was 165.4. These data find that compared to 2004, rail fares have increased sharply over the last decade, the following table shows that, in real terms, rail fares have increased in London and South East, as well as across all operators across the UK.

Table 14: Rail fare indices, 2004 – 2015, compared to RPI inflation

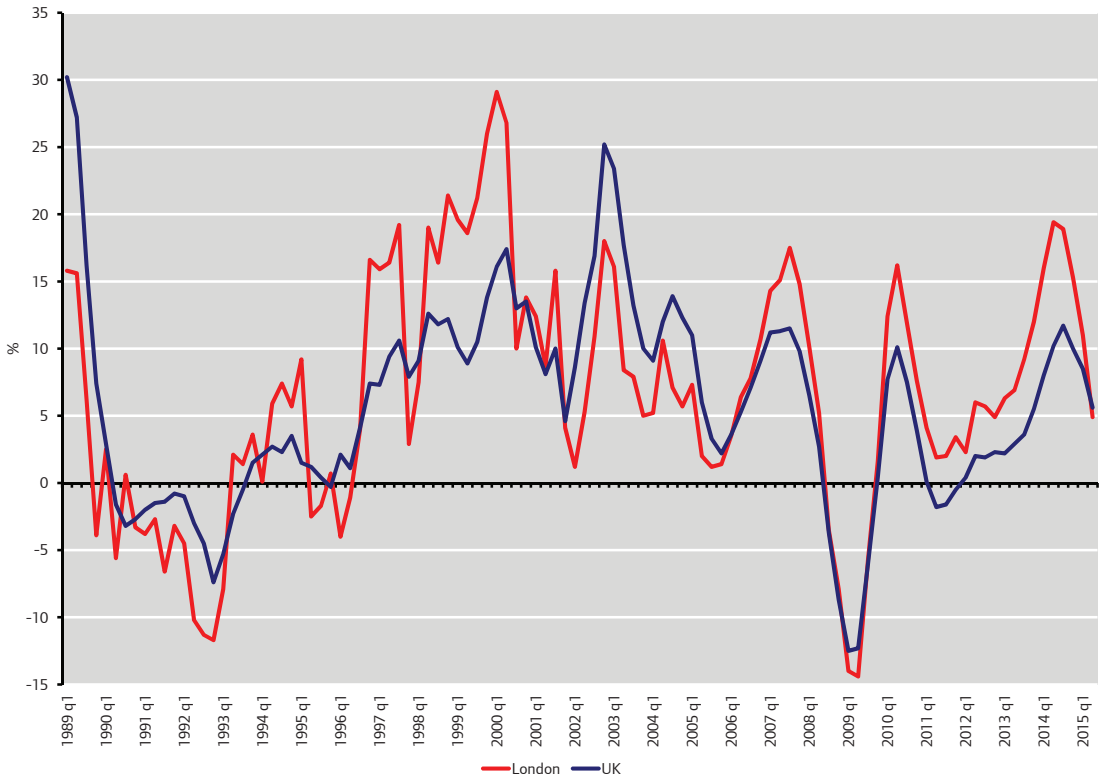
Ticket Type/Region	Index – 2004	Index – 2015	Annualised change in annual price	Real terms change in annual price, 2004 – 2015 (%)
London and South East – Season Tickets	100.0	160.4	4.4	15.0
London and South East – All tickets	100.0	162.4	4.5	16.4
All Operators – Season Tickets	100.0	160.2	4.4	14.9
All Operators – All Tickets	100.0	165.4	4.7	18.6

Source: Office for Rail Regulation, GLA Economics calculations

v) Housing

Housing costs take up a large proportion of a household's total outgoings. It is a topic which gathers much attention, with the affordability of rental and owner-occupied housing increasingly seen as a major issue for the capital. House price inflation has shown remarkable growth, with London growing at a considerably faster rate than for the UK as a whole. Figure 70 shows annual house price inflation for London and the UK, according to the ONS.

Figure 70: Annual house price inflation



Source: Office for National Statistics

In Quarter 2 2015, annual house price inflation in London stood at 4.9 per cent, compared to 5.6 per cent for the UK as a whole. Despite a sharp fall in house prices at the start of the recession, there has been strong house price growth in London, with growth rates in excess of the UK as a whole across almost the entire period since the first quarter of 2009.

Data from the Land Registry shows house prices by borough and this section provides detail on median, mean, and lower quartile house prices. Looking at median house prices, the data shows that all 33 boroughs have median prices higher than the England median house price (£198,000), however there is wide disparity across boroughs, and Inner and Outer London (Table 15). In addition, when comparing median prices since 2008, two conclusions can be drawn: firstly, that house price growth has strongly outpaced both the growth in prices and earnings; and second, that this growth is significantly above the England average in all but three boroughs (Newham, Havering, and Barking and Dagenham). Growth in median house prices in London was 40.4 per cent, 24 percentage points higher than the next highest region (South East) (Table 16). Median house prices in Inner London stood at £465,000, an increase of 48.1 per cent between 2008 and 2014; in Outer London, median house prices stood at £318,000, an increase of 28.2 per cent between 2008 and 2014.

Table 15: Median house prices by borough, London, 2008 and 2014

Borough	House Price, 2008, £	House Price 2014, £	Percentage Difference 2008 - 2014
Kensington and Chelsea	700,000	1,195,000	70.7%
Westminster	495,000	875,000	76.8%
City of London	366,250	765,000	108.9%
Camden	440,000	675,000	53.4%
Hammersmith and Fulham	435,000	661,000	52.0%
Richmond upon Thames	373,961	535,000	43.1%
Wandsworth	350,000	532,500	52.1%
Islington	350,000	530,000	51.4%
Hackney	265,000	433,000	63.4%
Lambeth	275,000	420,000	52.7%
Southwark	280,000	420,000	50.0%
Haringey	255,000	405,000	58.8%
Barnet	280,000	400,000	42.9%
Ealing	270,000	388,000	43.7%
Brent	277,500	385,000	38.7%
Kingston upon Thames	285,000	385,000	35.1%
Merton	264,000	385,000	45.8%
Tower Hamlets	291,000	383,000	31.6%
Harrow	275,000	370,000	34.5%
Bromley	250,000	335,000	34.0%
Waltham Forest	234,000	320,000	36.8%
Hounslow	249,000	319,950	28.5%
Greenwich	232,000	317,000	36.6%
Lewisham	227,000	315,000	38.8%
Hillingdon	246,000	307,000	24.8%
Redbridge	250,000	301,500	20.6%
Enfield	234,000	285,000	21.8%
Sutton	231,500	285,000	23.1%
Croydon	228,000	265,000	16.2%
Bexley	210,000	250,000	19.0%
Havering	222,000	250,000	12.6%
Newham	236,000	250,000	5.9%
Barking and Dagenham	190,000	215,000	13.2%

Source: Land Registry, GLA Economics calculations

Table 16: Median house prices, by region, 2008 – 2014

Region	House Price, 2008, £	House Price, 2014, £	Percentage Difference, 2008 – 2014
London	260,000	365,000	40.4%
South East	215,000	249,955	16.3%
East of England	186,000	215,000	15.6%
South West	185,000	200,000	8.1%
West Midlands	142,000	155,000	9.2%
East Midlands	138,000	150,000	8.7%
Yorkshire And The Humber	130,000	139,995	7.7%
North West	129,950	138,500	6.6%
North East	120,000	125,065	4.2%

Source: Land Registry, GLA Economics calculations

Instead of looking at median prices, that being the house price of the property half way along the price distribution; mean prices, that being the numeric average of all house prices in London, give an indication of the impact that house price growth at the top end of the property market has on the data. Tables 17 and 18 provide a similar analysis to those presented previously, showing mean house prices, rather than median house prices.

Table 17: Mean house prices by London borough, 2008 and 2014

Borough	House Price, 2008, £	House Price 2014, £	Percentage Difference 2008 - 2014
Kensington and Chelsea	1,181,803	1,949,306	64.9%
Westminster	779,563	1,461,017	87.4%
Camden	651,580	970,912	49.0%
City of London	423,916	887,711	109.4%
Hammersmith and Fulham	565,485	887,286	56.9%
Richmond upon Thames	508,883	730,536	43.6%
Wandsworth	445,953	680,937	52.7%
Islington	424,936	670,685	57.8%
Haringey	348,204	543,710	56.1%
Merton	370,453	538,639	45.4%
Lambeth	342,239	537,926	57.2%
Barnet	389,443	535,139	37.4%
Southwark	330,408	518,506	56.9%
Hackney	319,121	502,752	57.5%
Ealing	329,155	501,407	52.3%
Kingston upon Thames	354,247	475,464	34.2%
Brent	331,542	468,929	41.4%
Tower Hamlets	330,163	444,172	34.5%
Harrow	315,316	427,195	35.5%
Hounslow	313,063	425,762	36.0%
Bromley	305,493	397,572	30.1%
Greenwich	269,345	370,034	37.4%
Lewisham	250,685	361,705	44.3%
Enfield	270,096	349,991	29.6%
Hillingdon	268,738	348,702	29.8%
Redbridge	281,860	339,353	20.4%
Waltham Forest	239,500	334,502	39.7%
Sutton	259,738	322,674	24.2%
Croydon	254,643	300,737	18.1%
Havering	245,063	283,960	15.9%
Newham	242,351	269,583	11.2%
Bexley	219,712	267,372	21.7%
Barking and Dagenham	197,630	215,080	8.8%

Source: Land Registry, GLA Economics calculations

These data do though show the different analysis that can be drawn from presenting median or mean house price data. When looking at mean house prices, Barking and Dagenham have lower house prices than the England average (£265,560), with Newham and Bexley prices close to this (Table 17). London continues to have higher mean house prices, and house price growth well in excess of all other regions, as is shown in Table 18.

Table 18: Mean house prices, by region, 2008 – 2014

Region	House Price, 2008, £	House Price, 2014, £	Percentage Difference, 2008 – 2014
London	362,810	525,257	44.8%
South East	267,573	311,950	16.6%
East of England	225,967	260,791	15.4%
South West	222,704	239,651	7.6%
West Midlands	171,598	185,912	8.3%
East Midlands	163,293	176,412	8.0%
North West	156,811	166,043	5.9%
Yorkshire And The Humber	156,041	165,706	6.2%
North East	141,674	148,482	4.8%

Source: Land Registry, GLA Economics calculations

House price growth for London is larger when looking at mean prices rather than the median; it is also the case that the disparity between Inner and Outer London is greater as well. The mean house price in Inner London in 2014 was £713,178, an increase of 54.8 per cent on 2008. For Outer London the mean house price was £399,294, an increase of 32.7 per cent.

When looking at the lower end of the house price distribution, that of lower quartile house prices, the differences between the England average and all London boroughs is much larger. For England as a whole, the lower quartile house price was £135,000; whereas for London as a whole it was £250,000, and for the borough with the lowest lower quartile house price, Barking and Dagenham, it was £178,995, 32.6 per cent higher than the England value. This therefore gives an indication as to the affordability of housing in London when compared to England as a whole.

Table 19, from the Department for Communities and Local Government (DCLG), shows the ratio between lower quartile house prices to lower quartile earnings (larger numbers here represent an area being less affordable to live in). At the borough level, it provides similar analysis to that of the house price tables shown earlier.

Table 19: Lower quartile house prices to lower quartile earnings, by borough, 2008 – 2014

Borough	2008	2009	2010	2011	2012	2013	2014
Kensington and Chelsea	21.4	19.6	22.2	24.0	25.7	26.8	32.4
Westminster	13.6	12.8	14.5	16.0	16.4	18.1	20.4
Wandsworth	13.0	12.3	12.4	11.9	13.5	14.4	18.4
Hammersmith and Fulham	12.9	10.8	13.1	12.7	14.2	14.8	18.3
Richmond upon Thames	12.8	11.8	11.8	14.0	14.6	14.5	17.2
Camden	12.2	10.6	12.4	12.7	13.4	13.6	17.1
City of London	10.3	8.2	9.8	10.6	11.6	13.4	16.2
Waltham Forest	11.5	9.3	9.7	8.8	10.0	10.7	15.1
Islington	11.0	9.4	11.2	11.0	11.6	12.1	14.5
Harrow	11.3	9.0	12.1	12.4	11.3	12.7	14.0
Haringey	10.6	9.6	10.6	11.1	11.2	11.2	14.0
Hackney	9.3	8.0	9.4	9.6	10.5	11.7	13.9
Merton	12.9	10.1	10.6	10.8	10.2	11.7	13.8
Ealing	11.2	9.8	10.3	11.5	12.3	11.6	13.8
Brent	11.9	10.0	10.6	11.8	11.8	11.8	13.7
Barnet	11.0	9.8	11.7	10.9	11.7	11.3	13.0
Kingston upon Thames	13.1	11.4	11.5	12.1	12.2	12.7	12.7
Bromley	10.8	9.6	11.0	10.4	10.4	10.1	12.4
Lambeth	9.6	8.0	9.2	9.0	9.6	10.2	12.3
Enfield	10.4	9.0	9.7	9.4	9.7	10.1	11.9
Lewisham	9.1	7.4	8.2	8.4	9.3	8.4	11.6
Southwark	9.4	8.8	9.1	9.3	9.3	9.7	11.6
Sutton	10.0	8.5	9.1	9.2	9.4	8.8	11.4
Greenwich	9.3	8.3	8.3	8.8	8.8	8.7	10.9
Hounslow	11.1	8.3	8.9	9.2	9.4	10.1	10.4
Redbridge	10.0	8.2	9.1	10.0	11.5	10.9	10.3
Newham	10.2	7.5	8.3	8.3	8.7	9.2	10.2
Hillingdon	9.0	8.2	8.5	8.9	9.0	8.5	10.0
Havering	9.2	8.1	8.9	8.7	8.6	8.0	9.7
Bexley	8.9	8.2	8.5	8.6	8.7	9.1	9.6
Croydon	9.5	8.0	8.0	8.3	8.5	8.3	9.6
Tower Hamlets	8.0	7.6	7.8	7.6	7.9	7.9	9.3
Barking and Dagenham	8.8	6.5	6.6	6.8	6.3	6.6	8.0

Source: DCLG

These data show that affordability of housing in London has worsened over the period 2008 to 2014. In 2008, 11 London boroughs had a house price to earnings ratio of less than 10; by 2014 only five boroughs had a ratio of under 10. Table 20 also shows that affordability in London is comparatively worse than for the other English regions.

Similar analysis can be seen when looking at the ratio of median house prices to median earnings, as can be seen in Tables 21 and 22.

Table 20: Lower quartile house prices to lower quartile earnings, by region, 2008 – 2014

Region	2008	2009	2010	2011	2012	2013	2014
London	9.32	8.04	8.96	8.96	9.08	10.16	10.07
South East	8.82	7.71	8.51	8.19	8.35	8.21	8.99
South West	8.75	7.63	8.17	7.87	7.86	7.78	8.26
East	8.25	7.23	7.70	7.61	7.68	7.30	8.14
West Midlands	6.61	5.82	5.56	5.98	5.99	6.05	6.41
East Midlands	6.57	5.68	5.83	5.72	5.88	5.84	6.33
Yorkshire and The Humber	6.04	5.17	5.43	5.15	5.22	5.25	5.53
North West	5.71	5.02	5.12	4.99	5.06	5.04	5.33
North East	5.39	4.86	4.90	4.60	4.50	4.58	4.77
England	6.97	6.28	6.69	6.57	6.58	6.45	6.96

Source: DCLG

Table 21: Median quartile house prices to median earnings, by borough, 2008 – 2014

Borough	2008	2009	2010	2011	2012	2013	2014
Kensington and Chelsea	24.83	22.56	24.94	27.04	29.00	32.39	39.85
Westminster	14.22	13.57	15.77	17.26	17.74	20.36	23.57
Hammersmith and Fulham	13.03	11.37	13.25	13.00	14.56	16.30	19.62
Camden	12.89	11.79	12.74	13.41	13.98	15.28	18.51
Wandsworth	12.06	10.82	11.89	12.17	13.87	14.44	17.04
Richmond upon Thames	12.48	11.49	12.19	13.60	14.17	15.01	16.97
Islington	10.42	9.42	11.03	11.28	11.46	12.27	14.30
Harrow	10.25	8.60	10.51	10.85	11.34	11.95	14.20
City of London	7.70	7.77	8.70	9.00	10.11	12.12	14.01
Merton	11.43	9.11	10.12	10.11	10.48	11.29	13.91
Ealing	10.06	8.83	9.65	10.07	10.44	11.12	13.49
Haringey	10.39	8.92	9.60	10.88	11.15	10.54	13.42
Hackney	8.58	7.85	8.69	9.11	10.03	11.30	13.08
Brent	10.97	9.69	9.94	10.84	11.59	11.63	13.06
Barnet	10.37	9.13	10.68	10.88	11.40	10.88	12.90
Kingston upon Thames	11.11	9.26	10.49	10.46	11.09	11.86	12.51
Lambeth	9.07	7.48	8.89	8.79	9.44	9.80	12.17
Southwark	8.79	8.58	8.98	9.11	9.33	9.67	12.09
Waltham Forest	8.98	7.39	7.98	7.96	8.87	8.73	11.99
Bromley	9.37	8.77	9.82	9.64	9.76	9.99	11.87
Enfield	9.44	8.39	8.43	8.86	8.67	9.37	11.06
Sutton	9.22	8.07	8.61	8.84	8.88	8.56	11.05
Greenwich	8.21	7.55	7.85	8.34	8.13	8.26	10.88
Lewisham	7.82	6.92	7.91	8.04	8.42	8.03	10.87
Redbridge	8.87	7.19	8.12	8.28	9.16	8.84	9.72
Hounslow	8.92	7.46	8.03	7.75	8.70	9.48	9.69
Hillingdon	7.94	6.96	7.57	7.68	7.80	7.57	9.03
Bexley	7.58	7.02	7.63	7.93	7.38	8.03	8.75
Newham	9.07	6.51	7.07	7.23	7.35	7.66	8.60
Croydon	8.53	7.36	7.62	7.41	7.70	7.57	8.49
Havering	7.81	7.11	7.77	7.66	7.76	7.40	8.33
Tower Hamlets	7.13	6.38	7.01	6.58	6.94	6.68	7.88
Barking and Dagenham	7.23	6.05	6.22	5.85	5.09	5.05	6.63

Source: DCLG

Table 22: Median quartile house prices to median earnings, by region, 2008 – 2014

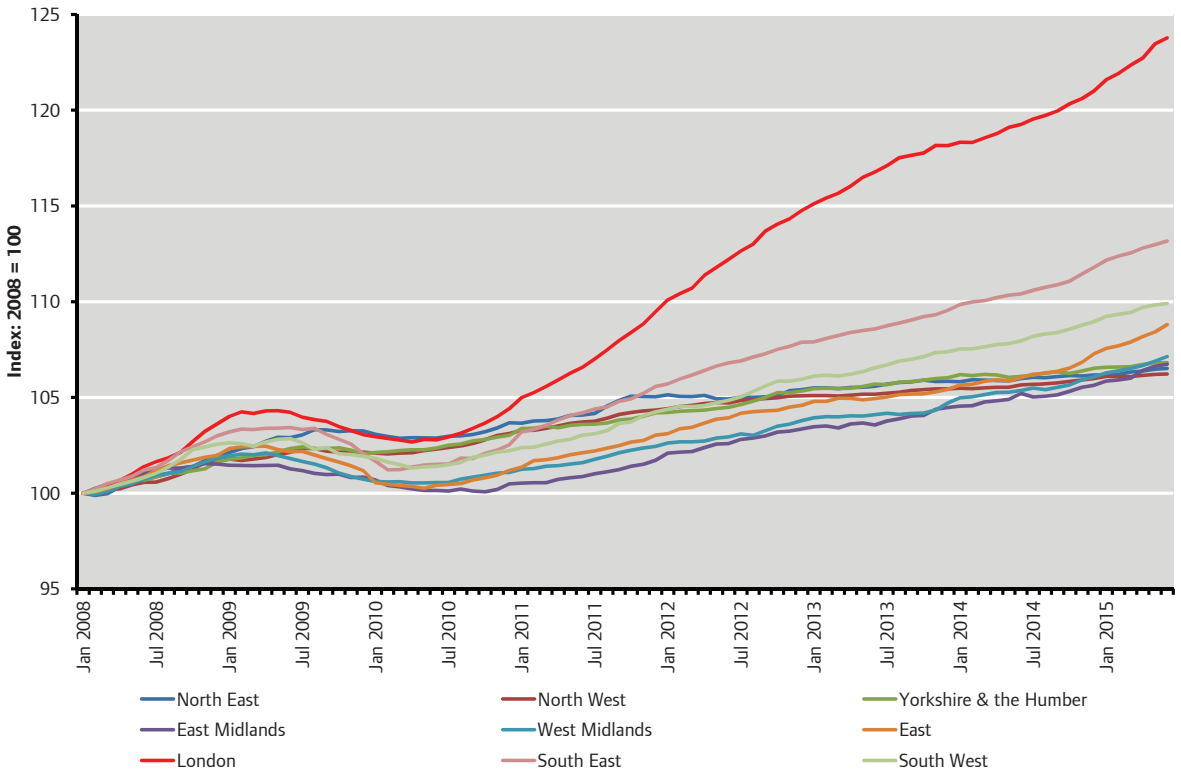
Region	2008	2009	2010	2011	2012	2013	2014
London	8.28	7.64	8.39	8.57	8.60	9.83	10.41
South East	8.42	7.28	8.23	7.97	8.13	7.93	8.73
East	7.76	6.80	7.49	7.25	7.38	7.05	8.01
South West	8.06	7.18	7.91	7.60	7.61	7.41	7.82
West Midlands	6.11	5.67	5.13	5.78	5.90	5.84	6.22
East Midlands	6.03	5.46	5.65	5.65	5.59	5.56	5.99
Yorkshire And The Humber	5.68	5.21	5.50	5.28	5.35	5.39	5.60
North West	5.54	5.17	5.23	5.21	5.28	5.18	5.49
North East	5.47	5.10	5.19	4.99	5.05	5.03	5.03
England	6.93	6.27	7.01	6.69	6.86	6.72	7.20

Source: DCLG

Private rental accommodation

Figure 71 provides experimental data from the Office for National Statistics, providing a quarterly index of private housing rental prices. These data, indexed to 100 for January 2008, show the significant difference in rental cost growth between London and the other English regions, with the rate of growth significantly larger in London.

Figure 71: Private housing rental price index, London and other English regions, 2008 – 2014



Source: Office for National Statistics

Data from the Valuation Office Agency show the differences in the magnitude of private rental costs across regions. Table 23 shows the average (mean), lower quartile, upper quartile and median private rent by region, for the year to Q2 2011, and the year to Q1 2015.

Table 23: Average, lower quartile, median and upper quartile private sector rents, by region, 2011 – 2015, £

Region	Year to Q2 2011				Year to Q1 2015			
	Average	Lower Quartile	Median	Upper Quartile	Average	Lower Quartile	Median	Upper Quartile
London	1,265	758	1,075	1,495	1,599	1,050	1,350	1,798
South East	808	565	700	895	891	625	779	995
East	655	480	595	750	727	545	650	825
South West	639	485	595	705	708	535	650	795
West Midlands	533	425	500	595	587	450	550	650
North West	520	400	495	595	554	425	510	625
East Midlands	509	400	495	575	550	425	525	625
Yorkshire and The Humber	496	385	455	550	554	400	495	595
North East	478	395	450	550	497	400	475	550

Source: Valuation Office Agency

Private rents across the four levels (mean, lower quartile, upper quartile and median) are significantly higher in London than for the other regions. Table 24 shows that over the course of the last four years, private rents have grown significantly faster in London compared to other English regions. Median rents increased by 25.6 per cent in London in the period, whereas the region with the next highest growth rate, the South East, only grew by 11.3 per cent in the same period. The single largest growth rate however was in the lower quartile, with 38.5 per cent growth in the period, which would suggest that housing affordability, when compared to price and wage increases, is worsening in London.

Table 24: Growth rates in private rental costs, Year to Q2 2011 – Year to Q1 2015

Region	Average	Lower Quartile	Median	Upper Quartile
London	26.4%	38.5%	25.6%	20.3%
South East	10.3%	10.6%	11.3%	11.2%
East	11.0%	13.5%	9.2%	10.0%
South West	10.9%	10.3%	9.2%	12.7%
West Midlands	10.1%	5.9%	10.0%	9.2%
North West	6.6%	6.3%	3.0%	5.0%
East Midlands	8.0%	6.3%	6.1%	8.7%
Yorkshire and The Humber	11.6%	3.9%	8.8%	8.2%
North East	4.1%	1.3%	5.6%	0.0%

Source: Valuation Office Agency, GLA Economics calculations

Social rental costs

The final area in housing which is examined is the social rental market. Data from DCLG on registered social landlord average weekly rents show, in nominal terms, the average weekly rent paid by social tenants by borough. Table 25 provides these data for 2008 – 2014.

Table 25: Average social housing weekly rents, by borough, 2008 – 2014, £

Borough	2008	2009	2010	2011	2012	2013	2014
Newham	86.72	90.83	95.83	96.79	104.34	110.00	128.89
Camden	91.21	96.16	102.56	104.29	111.48	121.61	127.14
Harrow	91.23	96.04	102.34	105.70	112.39	119.06	125.88
Redbridge	91.60	98.62	103.02	103.37	108.14	114.62	124.95
Kingston upon Thames	92.02	97.37	103.39	104.89	111.13	118.99	124.45
Barnet	90.09	95.10	101.56	103.17	109.79	117.53	123.29
Westminster	90.11	95.96	103.17	104.23	109.77	117.42	122.03
Wandsworth	89.70	94.90	102.29	103.76	110.84	119.12	121.88
Hammersmith and Fulham	87.27	92.03	99.15	101.78	107.68	115.31	121.13
Ealing	89.64	95.70	101.73	102.76	109.03	116.43	120.94
Barking and Dagenham	85.34	90.25	95.69	96.49	101.69	107.67	120.92
Enfield	88.83	92.90	99.87	100.97	108.47	115.78	120.11
Hillingdon	91.75	97.12	102.39	102.57	107.96	115.68	119.76
Islington	84.47	90.29	96.82	98.90	105.80	113.54	118.80
Croydon	91.19	96.61	101.32	101.90	107.26	114.39	118.44
Brent	89.14	94.08	100.36	101.46	106.78	113.71	118.15
Hounslow	89.01	93.83	99.53	100.04	106.55	113.46	118.07
Kensington and Chelsea	83.32	88.90	96.03	97.23	105.57	111.88	118.05
Waltham Forest	84.30	88.73	94.14	95.46	101.79	110.27	117.86
Southwark	85.01	90.42	97.01	98.37	103.93	110.52	116.32
Tower Hamlets	82.92	87.43	94.41	96.78	103.63	111.11	115.73
Hackney	83.09	89.43	94.42	96.49	105.39	110.95	115.58
City of London	82.51	88.98	95.88	96.45	104.55	112.93	115.56
Sutton	84.75	92.03	97.64	98.21	103.13	110.15	114.68
Richmond upon Thames	84.56	89.07	95.12	96.24	104.77	108.68	114.08
Haringey	83.80	88.16	94.36	96.07	101.91	109.14	113.88
Bromley	85.44	89.55	95.58	95.71	101.62	111.10	111.69
Lambeth	80.54	84.61	91.11	93.04	99.16	106.77	111.51
Greenwich	85.99	90.70	95.44	96.61	100.87	107.74	111.15
Havering	89.06	85.82	92.00	95.57	100.17	107.27	110.47
Merton	88.05	92.95	86.75	92.61	97.10	105.01	109.76
Bexley	82.31	85.91	90.42	90.60	96.58	100.56	106.35
Lewisham	79.54	82.60	87.76	87.92	92.75	100.63	103.94

Source: DCLG

These data do show that average weekly rents have grown significantly between 2008 and 2014, at levels beyond that seen of price and wage growth. Table 26 orders the growth rates between 2008 and 2014 by borough, and shows that all boroughs had growth significantly above that of prices in general. An arithmetic mean of all 33 London boroughs shows that between 2008 and 2014, average weekly social rents grew by 35.5 per cent.

Table 26: Growth in average social weekly rent, 2008 – 2014, by borough

Borough	Growth Rate, 2008 – 2014, %
Newham	48.6%
Barking and Dagenham	41.7%
Kensington and Chelsea	41.7%
Islington	40.6%
City of London	40.1%
Waltham Forest	39.8%
Tower Hamlets	39.6%
Camden	39.4%
Hackney	39.1%
Hammersmith and Fulham	38.8%
Lambeth	38.5%
Harrow	38.0%
Barnet	36.9%
Southwark	36.8%
Redbridge	36.4%
Haringey	35.9%
Wandsworth	35.9%
Westminster	35.4%
Sutton	35.3%
Kingston upon Thames	35.2%
Enfield	35.2%
Ealing	34.9%
Richmond upon Thames	34.9%
Hounslow	32.6%
Brent	32.5%
Bromley	30.7%
Lewisham	30.7%
Hillingdon	30.5%
Croydon	29.9%
Greenwich	29.3%
Bexley	29.2%
Merton	24.7%
Havering	24.0%

Source: DCLG, GLA Economics calculations

Endnotes

1 Regional Gross Value Added (Income Approach), December 2014

2 Ibid.

3 UK includes Extra-Regio (which comprises compensation of employees and gross operating surplus which cannot be assigned to regions)

4 2013 data are provisional.

5 Note that sector level data is currently only available up to 2012.

6 Note data for Switzerland and Turkey was not available for 2013.

7 And therefore including some of the Greater South East.

8 Note that this database sets London's metropolitan area as having a population of around 11,800,000 in 2010 compared to the ONS which estimates that London's population stood at just under 8,100,000 in 2010.

9 Note that data on a number of regions is not available for 2008 and thus this year is not reported in this table

10 Regional Gross Value Added (Income Approach), December 2014

11 Adjusting for relative size is important as it provides a clearer understanding of the regions relative prosperity and is generally correlated with living standards. The importance of this can be observed when we compare national incomes. China, for example, has significantly higher output than Singapore; however the output per head and living standards of Singapore are higher.

12 Estimates are for workplace based GVA allocating incomes to the region in which the economic activity takes place.

13 2013 data are provisional.

14 Estimates are for workplace based GVA allocating incomes to the region in which the economic activity takes place.

15 2013 data are provisional.

16 Estimates are for workplace based GVA allocating incomes to the region in which the economic activity takes place.

17 2013 data are provisional.

18 Estimates are for workplace based GVA allocating incomes to the region in which the economic activity takes place.

19 Estimates are for workplace based GVA allocating incomes to the region in which the economic activity takes place.

20 Estimates are for workplace based GVA allocating incomes to the region in which the economic activity takes place.

21 Data drawn from ONS, 20 February 2015, 'International Comparisons of Productivity - Final Estimates, 2013'. Measures of labour productivity measured here are given in two forms, by total hours worked and by numbers of workers in employment. As mentioned in this article, "these two measures can yield different results, reflecting differences in working patterns across countries and compositional movements over time, such as a shift towards part-time working."

22 GVA per head is calculated by dividing headline GVA by population.

23 Calculated by dividing headline GVA by the average workforce jobs level per annum.

24 In this paper the analysis looks at GVA per workforce job. However, more detailed work on GVA per job, for potential use for appraisal and evaluation purposes for instance, was recently published by GLA Economics in Working Paper 63: Gross Value Added per Workforce Job in London and the UK.

25 Estimates are for workplace based GVA allocating incomes to the region in which the economic activity takes place.

26 2013 data are provisional.

27 See Reference tables for: ONS, February 2015, 'Subregional Productivity - February 2015'.

28 McCafferty, M., 19 June 2014, 'The UK productivity puzzle – a sectoral perspective'. Bank of England.

29 Smith, B., February 2015, 'Working Paper 63: Gross Value Added per Workforce Job in London and the UK'. GLA Economics; outlined within sections 2 and 3.

30 This is based on estimates of GVA per workforce job set out in: Smith, B., February 2015, 'Working Paper 63: Gross Value Added per Workforce Job in London and the UK'. GLA Economics.

31 Total workforce jobs are a sum of employee, self-employment, government-supported trainees and HM forces.

32 These figures are based on a 4-quarter average of data from Q1 to Q4 of each calendar year.

33 Data are based on four quarter averages for each calendar year; i.e. 2014 data refer to the average of jobs in 2014 Q1 to Q4.

34 With 95 per cent confidence the employment rate in London in 2014 was between 70.5 per cent and 71.9 per cent; for the UK as a whole the employment rate was between 72.0 per cent and 72.4 per cent.

35 The headline employment and inactivity rates are based on the population aged 16 to 64 but the headline unemployment rate is based on the economically active population aged 16 and over. The employment and inactivity rates for those aged 16 and over are affected by the inclusion of the retired population in the denominators and are therefore less meaningful than the rates for those aged from 16 to 64. However, for the unemployment rate for those aged 16 and over, no such effect occurs as the denominator for the unemployment rate is the economically active population which only includes people in work or actively seeking and able to work.

36 With 95 per cent confidence the unemployment rate of females in London in 2014 was between 6.9 per cent and 8.1 per cent; for the UK as a whole the unemployment rate of females was between 5.7 per cent and 6.1 per cent.

37 London's young demographic profile at least partially explains the lower proportion of Londoners giving retirement as a reason for inactivity.

38 With 95 per cent confidence the employment rate of males in London in 2014 was between 77.7 per cent and 79.5 per cent; for the UK as a whole the employment rate of males was between 76.9 per cent and 77.5 per cent.

39 This analysis is based on the Annual Population Survey (APS) household dataset with the latest estimates referring to 2013. These figures have not yet been reweighted in line with the latest ONS estimates.

40 This analysis is based on the Annual Population Survey (APS) household dataset with the latest estimates referring to 2013. These figures have not yet been reweighted in line with the latest ONS estimates.

41 Due to changes in the health questions on the Annual Population Survey (APS) there is quite a large discontinuity in the estimates from the Apr 2012 to Mar 2013 period onwards. These will become available again from the Apr 2013 to March 2014 period as new variables. Further information is available at http://www.nomisweb.co.uk/articles/783.aspx. For this reason it has not been possible to provide time series analysis of employment rates by disability.

42 With 95 per cent confidence the employment rate of ethnic minorities in London was between 60.7 per cent and 64.3 per cent, compared to 60.3 per cent and 62.3 per cent in the UK as a whole.

43 To bring Labour Force Survey (LFS) and Annual Population Survey (APS) in line with data collected on the 2011 Census some changes were made to the headline ethnicity questions in January 2011.

44 However, the sampling variability for individuals from an Indian ethnic background tends to also be higher than for the overall population suggesting that there is some uncertainty around these estimates.

45 However, according to the Office for National Statistics (ONS), due to changes in the ethnicity questions on the Annual Population Survey (APS) during 2011 these estimates should not be used as a time series. Therefore, some care should be taken when comparing employment rate estimates over time. These estimates, however, can be used to estimate the relative levels of economic activity of the different ethnic groupings. Further information is available in an ONS publication 'Changes made to ethnicity questions on the LFS during 2011 and effects on APS'.

46 For example, the greatest degree of uncertainty is around the female employment rates of the mixed ethnic group in London relative to the UK as a whole. With 95 per cent confidence the female employment rate of mixed ethnic group females in London in 2014 was between 43.4 per cent and 62.4 per cent, compared to 54.6 per cent and 64.2 per cent in the UK as a whole.

47 Temporary employees in the UK from the LFS are those who say that their main job is non-permanent in one of the following ways: Fixed period contract, agency temping, casual work, seasonal work or other.

48 GLA Economics, 'The extent and consequences of zero-hours contracts and labour market casualization in London', August 2015.

49 ONS, 'Contracts with No Guaranteed Hours, Employee contracts that do not guarantee a minimum number of hours: 2015 update', September 2015.

50 Estimates for Northern Ireland are considered too unreliable to be shown in the ONS release.

51 Further detail on the differences between BHC and AHC, as well as an explanation of key concepts relating to the data on which this section are drawn are available from "Poverty in London: 2013/14", Intelligence Update 10-2015.

52 The UK figures are also presented as three-year averages to give comparability with those for London.

53 Pensionable age is based on the state pensionable age at the time of data collection, so for women will be different ages for each of the three years' data. Material deprivation is calculated for all people aged 65 and over.

54 'UK Relative Regional Consumer Price levels for Goods and Services for 2010', the Office for National Statistics (ONS), July 2011.

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