Fiona Twycross AM (Chair): That brings us to today’s main item on welfare reform and London’s changing poverty profile. Can I please welcome our guests: Hannah Aldridge, Senior Researcher from the New Policy Institute (NPI); Megan Jarvie, London Poverty Project Coordinator from the Child Poverty Action Group (CPAG); and Joanna Kennedy, Chief Executive of Z2K. We have a couple of other guests who will be arriving, hopefully, shortly.

We are going to start this session with a presentation from the NPI based on its poverty profile report from last year. After this, we will open up the discussion between Members and guests on any matters arising.

Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI): I am the author of this report, along with my colleagues: it is called London’s Poverty Profile. It was funded by Trust for London. Essentially, it brings together a lot of official data published by the Government about London and poverty and different aspects of that. We bring it all together and try to tell that story. I am going to sum up [the report] here. I am going to be talking through graphs because that is the only way I know how to communicate, really.

The first thing that is worth talking about is London’s long-term poverty trend and how that has changed. When I am talking about ‘poverty’, I am using the official measure that was in the Child Poverty Act [2010], which is not liked by everybody but it was the standard measure. There are two ways of looking at it: you can look at income before housing costs or after housing costs. We look at income after housing costs because we think that that is what reflects disposable income. Someone is defined as ‘in poverty’ if their household income is under 60% of the median: are you substantially below what most people are able to enjoy in society?

This first graph [Slide 1] shows you the poverty rate in London and how that has changed over the decade. Clearly, London has a higher poverty rate than the rest of England, but overall over the last decade it looks like very little has changed and it looks like quite a dull story. However, if you actually look at the characteristics of people in poverty, there has been a much bigger change than one might think.

This next graph [Slide 2] looks OK. We know that the number of people in poverty has not really changed and has moved in line with population growth, but the types of people in poverty are very different. We have 2.2 million people in poverty in London in 2013/14, which is the most recent data that we have. Here, we have split those people by different characteristics and compared them to what they were ten years ago. These first bars on the left look at the work status of people in poverty. Within each pair, the one on the left is ten years ago and the one on the right is the most recent data. We can see that there has been a big increase in the number of working families in poverty and a slight decrease in the number of workless families in poverty. It also means that ten years ago we would have said that the typical person in poverty was in a workless family because that bar was higher, whereas now we would say that the typical person in poverty is in a working family because that bar is much higher now.

You can see similar sorts of transitions in tenure. It would not surprise anyone that there has been a massive increase in the number of people in poverty in the private rented sector. There has also been a slight fall in [the number of people in poverty accessing] social rent and [the number of people in poverty in]

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1 The presentation is attached at Appendix 1 to the Minutes.
owner-occupation has not really changed. We can see that a decade ago by far the biggest bar there was the social rented sector; now the private rented sector is actually slightly higher. Then, in terms of inner and outer London, we can see that given the size of the population growth in inner London the number of people in poverty has hardly changed, whereas in outer London it has gone up a lot. They are the main headline findings.

[Slide 3] We can now say in theory that the typical person in London in poverty is in a working family, is in the private rented sector and lives in outer London. It is not a sort of workless ‘sink estate’ story.

[Slide 4] I am just going to unpick these transitions. Why is this happening? The rise in in-work poverty is partly a good news story. It is not because being workless is now really easy and benefits are so generous that they lift people above the poverty line. That is not the case. It is just that there are far fewer workless households in London than there were. Jobs growth in London has been really quite impressive. However, for a lot of people, moving from a workless family to a working family is not lifting them above the poverty line. That is because the income that they get from work is not covering the costs that they have. That could be because they are not able to find enough work and are working part-time, it could be that they are low paid or it could be that they have higher housing costs. All three of these things are what combine to causing in-work poverty. We have seen increases in low pay and in the number of part-working families and the number of families with high housing costs.

[Slide 5] The other thing I want to draw your attention to is the rise in poverty in the private rented sector. I initially did not think it was that surprising, but also I did not think it was going to be this interesting or this important because, a lot of the time when we talk about the growth in the private rented sector, we think about working-age adults and young adults who are quite dynamic; they increase their income and it is only a temporary phase that they are in. However, actually, there has been a massive growth in the number of children in the private rented sector in poverty. That is what this graph is: the number of children in poverty in London by tenure. There has been a big fall in social rent - which is to do with improvements for lone parents through working Tax Credits and subsidised rent - but a big increase in the private rented sector. Now there are as many children in poverty in the private rented sector as in the social rented sector.

This next slide [Slide 6] is just about why that is problematic, particularly when you have children in this tenure. It is much more likely to be non-decent than social rented housing; so the quality is poorer. It is quite insecure; there is a high level of churn. If you are accessing services, it is difficult to know how long you are going to be able to access those services for because you may be evicted and you are going to have to renew your lease quite often. You might find when you come to renew it that you cannot afford it anymore. Also, landlord evictions are on the rise in London and are remarkably high compared to the rest of England.

The other thing is that when you have such a large range of households living in the private rented sector, you have a mismatch of needs and means. You have the young professional couple who only need a studio flat. They have two full-time salaries and can afford to spend quite a lot on their one-bedroom place. Then you have the lone parent who has one child who needs a two-bedroom flat. They can only work part-time because of their childcare arrangements. They need double the space but they have a quarter of the income. How do these people operate in the same market? We do not have that issue in the owner-occupier sector because a young professional couple would buy somewhere with a spare room because it is an investment. This is the problem that we have in the private rented sector and it is driving up costs. It is the children and the families with children that are losing out here.

[Slide 7] Then I have a very quick note on the rise in poverty in outer London. What is going on there? It is partly because there have been massive falls in unemployment in particular in inner London. We have seen real
improvements in inner London and that is a good news story, but people ask me, “Is it because people are moving from inner London? Are you picking up the low-income people and just putting them in outer London?” We have tried to find data that would suggest that that is happening and cannot. The improvements in inner London have been widespread. It is not just gentrifying it. It is longstanding residents who are benefiting from London’s growth as well.

However, London also has a lot of churn. When someone moved to London 20 years ago, they would have thought, “I need somewhere cheap to live: I am going to live in Tower Hamlets”. Now they think, “I need somewhere cheap to live. I am going to live in Barking and Dagenham”. That is the main reason why we have seen a rise in outer London poverty. Welfare reforms have not helped that at all but, with the scale that London has changed, welfare reforms cannot take full responsibility for that. It is just the changing churn in the city.

[Slide 8] That is my summary of poverty in London. The traditional view of poverty in London is the ‘sink estate’ in inner London and workless families. That is not the case anymore. A typical person in poverty is in a working family, in the private rented sector and in outer London. Poverty overall has just become much more diffuse. It is not as concentrated in small areas anymore. That is it.

Fiona Twycross AM (Chair): Thank you very much and thank you for being so succinct. I said to colleagues earlier that I thought we could probably have a two-hour presentation on the report and so I really appreciate you --

Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI): It [The London Poverty Profile] is 100 pages long!

Fiona Twycross AM (Chair): Yes. We appreciate you making it so succinct. Before I open it up to colleagues to put any questions they might have to you, I just want to welcome Dr Kristian Niemietz: welcome and thank you for coming along to today’s meeting.

Tony Arbour AM: I have a single question, which relates to a breakdown of these people who are in welfare need. You have not broken it down in any way between long-term residents of London and newcomers. By newcomers I mean --

Jenny Jones AM: Immigrants?

Tony Arbour AM: I was going to say “asylum seekers”.

Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI): Yes, it has not been broken down in that way because it is just not something that is recorded systematically. Certainly are lot of things that we use are based on survey data and the number of asylum seekers is relatively too small to be able to crunch those numbers meaningfully.

Tony Arbour AM: I take your point about asylum seekers, but you must have a view. You told us what your view was when you were looking for data. You were unable to find the data but you had a view nevertheless. Do you have a view as to the breakdown, if you like, between relatively new Londoners and long-established Londoners?

Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI): Only that it is more nuanced. There is an inclination to say, “The reason there has been a rise in low pay in London is that we have had loads
of people move in from the European Union (EU)“, but we have also had some really good things happening in London. We have had a massive fall in unemployment. No one is blaming that on EU migrants. I am very cautious about picking and choosing when a trend starts and who you want to blame it on.

The other point is about when people move to London. I said that if people are looking for somewhere cheaper to live, they will move to outer London. I am not referring only to people moving from abroad. I am referring to people moving from the north and from all over and anywhere. London is a high-churn city.

**Tony Arbour AM:** OK. Thank you.

**Fiona Twycross AM (Chair):** I wonder if other guests could comment on Hannah’s presentation and maybe also on how, in your view, London’s poverty profile has changed over the past ten years.

**Megan Jarvie (London Poverty Project Coordinator, CPAG):** I would say that that was a very good brief introduction. It is worth delving into the report because it is fascinating. There is so much good stuff there.

I am from CPAG and so I am mainly thinking about families in poverty. The biggest trend that we have seen there is a decrease in children growing up in workless families and a real rise in parental employment. Most of that has come through a rise in lone parent employment. That is a good news story, but the concerning part is that we are yet to see a reduction in child poverty rates. In fact, what we have seen with the Housing Benefit data - which Hannah [Aldridge] looked at for us - is reductions in workless claimants and increases in working claimants. We are seeing a picture of parents moving into work but still really struggling to meet their costs and not necessarily moving out of poverty. It is a good news story but not altogether good news.

In couple households, we have seen very little change in terms of working status and poverty status. Particularly for mothers in couples, employment rates in London are far behind the rest of the country. There is a real missed opportunity there and something that is worth thinking about as a way of reducing some of the child poverty rates in London.

It is also worth bearing in mind the context when we are talking about this, which is - thinking about what happening coming forward - that we have had projections about a child poverty ‘time bomb’ coming over the next few years. By 2020 we are going to see about 1.5 million more children falling into poverty and about 200,000 of those are going to be in London, unless the context changes. That is something that would be useful to think about today: what we can do try to diminish that.

**Joanna Kennedy (Chief Executive, Z2K):** Z2K is an advice agency. For the last few years we have been particularly running a project to help people affected by the benefit caps – no-one else was doing that - and so we have seen a lot of people in that category.

It has been very interesting to see that fewer people affected by the caps have moved than was expected and this comes out of the report. Of course, what they are doing instead is paying the difference in rent out of their other benefits and this is a really big aspect of poverty. People affected by the benefit caps are amongst the people who are having to go to foodbanks because they do not have enough to live on. People are so concerned about moving away from where they have community links and where they have jobs. We have seen a lot of people affected by the benefit caps have to lose their jobs because they have to move to areas where there is no work. Also, their schools: they are very concerned about moving children out of schools. People put themselves into even substantially greater poverty as a response to the benefit cap.
Also, for other people, the effect of the benefit cap has been cushioned by discretionary housing payments (DHPs), but that is about to get much worse because of course the benefit cap is about to be reduced to an amount which is going to affect, at the very least, 20,000 and probably 30,000 more families in London. Funds for DHPs to local authorities have not been increased. The effect on where people live as a result of the benefit cap has been deferred by these transitional measures, but that is going to come to an end because authorities are not going to be able to pay DHPs.

The other big aspect of housing costs is Local Housing Allowance (LHA) rates. The amount of rent that you are entitled to get Housing Benefit for has been frozen and continues to be frozen. As rents go up and up and up - as they do in London - the numbers of rents available for people available on Housing Benefit is an ever-smaller proportion. Soon, in the next few years, there will be for some kinds of households just no rents available at all at Housing Benefit rates. Again, people have the choice of paying their rent out of their other benefits because they cannot get Housing Benefit or having to move.

Basically, the fundamental problem of poverty in London is high housing costs. It is low wages and high housing costs, but high housing costs is a really serious factor. It is masked by things like calling 80% of the market rent an ‘affordable’ rent, which of course is absolute nonsense. It is not in any way affordable to anybody. Because of all of this, there are more and more homeless households in temporary accommodation. They are going to eventually have to go somewhere because that is an enormous burden on local authorities with the costs of temporary accommodation. Housing costs is really the fundamental problem in London.

**Jenny Jones AM:** Just on the 80% figure, where is the 80% figure from? I thought the Mayor’s new ‘affordable’ figure was 60%.

**Joanna Kennedy (Chief Executive, Z2K):** Yes, it is now, but it was 80%. Even 60% is not affordable.

**Jenny Jones AM:** No, of course not.

**Joanna Kennedy (Chief Executive, Z2K):** I am sorry. The Government uses 80% all the time.

**Jenny Jones AM:** The previous Mayor [Ken Livingstone] had it at 40%, which sounds more reasonable.

**Joanna Kennedy (Chief Executive, Z2K):** Yes, just about.

**Dr Kristian Niemietz (Head of Health and Welfare, Institute of Economic Affairs):** It is neither. You have to express it as a multiple of incomes, not relative to some sort of fictional value.

**Joanna Kennedy (Chief Executive, Z2K):** Exactly.

**Dr Kristian Niemietz (Head of Health and Welfare, Institute of Economic Affairs):** I have a question on this in-work poverty idea. Maybe I just missed that bit because I was late, but are there any trends in upward mobility? How likely are these people who were in low paid or insecure work to be in more stable full-time employment after a couple of years relative to somebody who would have been in that situation ten years ago?

**Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI):** It is very difficult to say because we are confined by the data that we have. Most of the data is not longitudinal; it does not go back to the same people. When we say that low-income people have moved from not working to working, we do not know if it is the same household that is in poverty. Likewise, with the inner to outer London transition, we do not if
it is the same household. We just know that there are fewer workless households in poverty and more working ones.

**Fiona Twycross AM (Chair):** Would you like to comment more generally on your view on how London’s poverty profile has changed over the last few years as well or do you want to wait to comment on further questions later?

**Dr Kristian Niemietz (Head of Health and Welfare, Institute of Economic Affairs):** It has been a couple of years since I have looked at this. I am not up-to-date with what has happened in the meantime.

I would just say on the housing costs issue that I agree with that. That is the big limiting factor. Getting people into work is all well and good but, if housing costs increase and always eat up those increases in incomes, then it does not count for much.

The elephant in the room here is the planning system. There is a paper from the London School of Economics and Political Science that shows quite clearly that over a third of the price of a house in the United Kingdom (UK) is directly attributable to planning restrictions. They say that this is a lower bound in London and the southeast, where the problem is most pronounced. It is more than that. Therefore, unless something happens on that front, nothing substantial will happen on the poverty front.

**Joanna Kennedy (Chief Executive, Z2K):** One could equally say that whilst you continue to sell off social housing and not replace it, that also is not going to improve the situation. The lack of genuinely affordable social housing in London - and there are issues in the planning law that apply out of London - is the fundamental problem.

**Dr Kristian Niemietz (Head of Health and Welfare, Institute of Economic Affairs):** If we had a functioning competitive land market, we would not need social housing because --

**Jenny Jones AM:** We do!

**Fiona Twycross AM (Chair):** We are straying into the remit of other Committees. If I might change the order of the questions, we are waiting for [Councillor] Roxanne Mashari and she was coming specifically to talk about the experience of Brent and outer London. I wonder, Tony, whether I could bring you in for your question first.

**Tony Arbour AM:** My question relates to temporary contracts, particularly involuntary temporary contracts. Are there going to be more temporary contracts and, even if there are, is it really a problem? I suppose that is pretty much open to everybody but, Hannah, do you think that the existence of involuntary temporary contracts is bad?

**Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI):** I find the zero-hours contract thing in particular quite interesting statistically because it was something no one had heard of for a very long time and then suddenly became a real buzzword. The Office for National Statistics (ONS) has reported a big increase in zero-hours contract but part of that it attributes to people realising that that was what they were on. They were always on a zero-hours contract; they just did not tick that box in the survey because they did not know it was a thing. There is also another problem here. Employers now know that zero-hours contracts are a thing and think, “That would really work for us. Let us put some people on zero-hours contracts because that works for us”. I find the growth in them quite interesting from that perspective. There has been a growth because people realised they were on them but also an actual growth in the number that there are. I do not
have a perspective on whether or not they are good, but logic would say, surely, that you would like a zero-hours contract to be demand-driven. You would like there to be lots of zero-hours contracts because people want flexible working hours, not because people want more hours and are unable to do that. There is quite a large number of people who work part-time in London and who want full-time work.

**Tony Arbour AM:** Do you think there was a euphemism beforehand like ‘flexible’?

**Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI):** Yes, precisely. There has nonetheless been an increase, but perhaps not quite as sharply as the data would suggest.

**Tony Arbour AM:** Do you have a view on that, Megan?

**Megan Jarvie (London Poverty Project Coordinator, CPAG):** Quite often when we have focus groups the parents will start to talk about flexible working, their initial reaction being, “That is a really bad thing”, because they have often seen ‘flexibility’ as being where the employer has the control to decide what hours you work and when. Then we discuss, “What about other types of flexibility where you can do hours that work around childcare and things like that?” Then it is a positive thing. ‘Flexibility’ gets talked about and means lots of different things.

In terms of zero-hours contracts, where the power lies with the employer and you have a disempowered employee, it is almost impossible to make it work for a parent. I do not know of any childcare providers that would willingly change the hours that they are providing childcare each week. It does not work. If you think about the amount of planning that has to go into a parent starting work and all of the different ducks that you have to get in a row, if you are having to do different ducks each week, it is impossible.

The other side of that is you have a fluctuating income, which means that you have more contact with the benefit system and more opportunities for things to go wrong. When we did research on what was driving people to the foodbank, one of the biggest causes was things going wrong with benefit claims. What you ideally want is to have quite a stable claim for your in-work support.

Zero-hours as they are discussed very rarely work for parents, but there are flexible contracts that work for parents, not necessary zero-hours.

**Joanna Kennedy (Chief Executive, Z2K):** I would say that in some ways zero-hours contracts are neither here nor there. The problem is the lack of good quality jobs in London that make work pay in the sense of, after you have paid your transport costs and your childcare costs, you are still better off. Those are the kinds of jobs that are needed. Flexible is good sometimes and so on, but what we should focus on is that characteristic of jobs because that is what is needed to get people back into work if that is the objective.

**Tony Arbour AM:** Kristian, do you think of these involuntary temporary contracts as a sort of oil that makes the economy work smoothly?

**Dr Kristian Niemietz (Head of Health and Welfare, Institute of Economic Affairs):** That is a slightly loaded question.

**Tony Arbour AM:** You are from the Institute of Economic Affairs (IEA) and so I would have thought you would agree with me.

**Jenny Jones AM:** In that case, you do not need to lead the witness, Tony!
**Dr Kristian Niemietz (Head of Health and Welfare, Institute of Economic Affairs):** We have built up a nice storm in here, but from the surveys that I have seen most of the people who are in those sorts of jobs say that they are for the time being fine with it. In that sense, it is not involuntary. That would not explain the increase. If there is an increase in zero-hours contracts, it clearly does show that that would still be a legacy of the recession. Generally, there will always be a demand for flexible work.

**Tony Arbour AM:** Thank you.

**Murad Qureshi AM:** The best example of an involuntary temporary contract that I can think of in London is drivers who register to become private hire vehicle drivers with Transport for London (TfL). We know the numbers have gone up astronomically. If you talk to many of them, it is usually their second or third job, very much like in the United States with a lot of immigrant communities.

I am just wondering along with the involuntary temporary contracts whether there is an indicator of the number of jobs people are having to do to get a decent living wage. It strikes me that it seems very similar to when I used to travel to the east coast of the United States where many people seemed to be always doing two or three things. Hannah, has that been something that was picked up?

**Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI):** Unfortunately, there is not an indicator in this report on the number of jobs that people have. A lot of the data comes from counting the number of jobs rather than the number of people and if they are employed. It goes in that way rather than that way and so it is quite difficult to unpick all of that.

**Murad Qureshi AM:** OK, there no way of picking that up. I just put this anecdotally --

**Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI):** I am sure it is something that we can find out, but it is not something I know offhand.

**Murad Qureshi AM:** OK.

**Fiona Twycross AM (Chair):** Do we have anybody who has done that research? It is actually a very interesting point.

**Megan Jarvie (London Poverty Project Coordinator, CPAG):** I am not sure. One of the things that we have done research on and that we have become aware of is the increasing pressure on parents to work their way out of poverty and to work more hours, and to actually take that back to what our expectations are for parents in terms of their job as a parent first and foremost and their job to work. How many hours is it reasonable to expect a family to work in order not to be in poverty? It is a really complex question. We did not come back with a single-number answer. However, it is worth bearing in mind when we are talking about parents that it is not simply, “Just work more hours, work more hours, work more hours”. There is family life there as well.

**Joanna Kennedy (Chief Executive, Z2K):** We have a lot of clients who do several jobs, mostly cleaning jobs. What is really important to factor into this question of ours is travel time if you have two or three jobs and you have to travel somewhere different to each of those in the course of the day. We have lots of clients who never see their children and they are still not earning a decent income from this. They often have to travel two hours a day at 6.00am in the morning to a cleaning job and then in the course of the day they have another journey to another cleaning job and they are lucky if they get home at 8.00pm at night.
Fiona Twycross AM (Chair): At the launch of the report, Kitty Ussher [former Member of Parliament and Managing Director, Tooley Street Research] said that the only way people generally on low pay could increase their incomes was to increase their hours. That is the main way that it is possible for people to increase their pay.

Murad Qureshi AM: Can I just make a suggestion for the Committee? It may be worth, if it is possible and I think it is possible from TfL’s database, looking at a sample of drivers who find themselves in this situation with private hire vehicles and establishing how many jobs they are doing.

Fiona Twycross AM (Chair): The multi-job aspect of in-work poverty is something that we could potentially pick up on next year as well. It is quite interesting.

Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI): I would really rate the Greater London Authority (GLA) Datastore. I am sure that there is someone in this building who could easily fish out that statistic for you.

Fiona Twycross AM (Chair): Yes, we will have a look at that.

Jenny Jones AM: I wanted to ask about benefit sanctions and that issue. I just wondered if that had come up very much.

Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI): Benefit sanctions rose quite dramatically. They hit a big peak, though. They have peaked and have come down, but they are still much higher than they were before. You can also say that benefit sanctions are much higher among young adults, which is something that we look at here. This is a graph of benefit sanctions over time and you can see that it is a big upward trend. That is what I can say from my data perspective, but I imagine that you guys have something more heartfelt to say about what it is like to get a sanction.

Megan Jarvie (London Poverty Project Coordinator, CPAG): It links as well with what we were saying about inappropriate jobs and about involuntary temporary work as well. There is a real lack of security about not working around benefit sanctions that can drive parents to take jobs that are not necessarily the best for their kids.

Joanna Kennedy (Chief Executive, Z2K): Benefit sanctions are enormously high amongst the homeless. I cannot remember the numbers but it is a very high proportion because, obviously, it is difficult to comply with some aspects of the work commitment when you are homeless.

The other big problem about benefit sanctions that has been noticed widely throughout the advice agency is that people who are sanctioned are not taking advice. We and other agencies - and CPAG as well - are now giving advice in foodbanks because that is the only way that people who have been sanctioned can get advice because that is where they have to go. The success rate of challenges to sanctions is enormously high because the process of awarding is so poor. It is really dreadful. If people were taking more advice, (a) there would be more information and (b) we might be able to deal with it better, but they do not.

Dr Kristian Niemietz (Head of Health and Welfare, Institute of Economic Affairs): I will just go back for a second to this working hour question. I am sure that cases like you have described of people who put in a lot of hours and still cannot pay their bills exist, but overall the focus on work hours is not wrong. The last time I looked at this, I do not know the London figure but the nationwide figure was one in four children live in
a household where no adult works full-time. In a lot of cases, in-work poverty really is a problem of insufficient working hours.

**Megan Jarvie (London Poverty Project Coordinator, CPAG):** If you are in a lone-parent household and the parent is working part-time, as a lone parent, working full-time is possible but is difficult. That is all I would say.

**Dr Kristian Niemietz (Head of Health and Welfare, Institute of Economic Affairs):** Yes, I know there can be lots of reasons why that is that nobody works full-time. I am just saying that on the whole you would expect that if somebody works only two days a week it would be very difficult for them to get to the poverty line, however defined.

**Megan Jarvie (London Poverty Project Coordinator, CPAG):** Yes, absolutely. It is one of the things that we see very clearly. The groups with the lowest risk of poverty are where there are two parents working full-time. For lone parents even working full-time there is a high poverty risk. It is not necessarily that there are no more hours for them to work and yet they are still at quite a high risk of poverty. I think it is one in five or one in three.

However, as I said at the beginning, the opportunity in London is around second earners. That would be a real way to bring up working hours and increase within a household. Currently, childcare costs are so high and the benefit withdrawal rate is so high that it often does not pay for second earners to work and that is concerning.

**Stephen Knight AM (Deputy Chair):** Joanna Kennedy said that poverty in London is driven by two things: high housing costs and low wages. If you like, I am leading off on questions around low wages.

I wonder if I can start off by asking Hannah how far the increase in in-work poverty is a trend. Can we expect to see that continuing in London in years to come? In a sense, we have seen an increase. On current trends, is that increase going to get worse?

**Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI):** If unemployment does not go up, then certainly we would expect in-work poverty to stay at the level that it is, yes. If unemployment goes up, then all of a sudden you have a bottoming-out of the income distribution.

In terms of in-work poverty, it is not necessarily the low-wage economy that drives it. It is all of these different things to do with your earnings not bringing in enough money to cover yourself, your dependants and your housing costs. There is a real opportunity because so many people now live in the private rented sector that increasing salaries is only going to work if you increase them at a faster rate than rents.

From that perspective, you can also get a lot of employer bite when you are talking about poverty now because, if you think about it, if you like your staff and you want to reward them with a salary increase, they may not be any better off. They are probably becoming worse off. Your employees are going to need more money from you the longer you cultivate their expertise because their rents have gone up and up.

**Stephen Knight AM (Deputy Chair):** Yes. Certainly when we talk to employers, housing costs are important to them because, apart from anything else, they cannot recruit and retain good staff. Of course, that puts pressure on wage bills.

I was interested in what you said when looking at your figures on the absolute level of poverty not necessarily having gone up. I was wondering because I have seen figures for median wages in London that showed that
we have seen a bigger fall in median wages in London since 2008 than any other region in the UK. I am just wondering if there is a group of people who are perhaps above the poverty threshold but still struggling, if you like, the next wave of people who will fall beneath the poverty threshold when housing costs rise a bit more and wages do not rise at the same rate. Sorry, that is a rather broad question but do you see what I am trying to get at?

**Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI):** Yes. I would definitely agree that in-work poverty will continue to increase as long as you have housing costs rising faster than wages, which has been the case in London certainly in the last five years. In terms of what has happened to pay levels, in this report we refer to the London Living Wage. It does not necessarily look at what has happened to pay over time because the Living Wage changes according to the cost of living.

**Stephen Knight AM (Deputy Chair):** We have seen two things, have we not? At one end, for those earning less than the Living Wage, those figures are published by the GLA each year and we have seen the figure go from about 250,000 in 2008 to more like one million today --

**Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI):** Yes.

**Stephen Knight AM (Deputy Chair):** -- and so we are seeing more people at that absolute level of poverty. However, we are also seeing that median wages have fallen in real terms by almost £4,500 in London or 12.5% compared with nationally falling by only 9%. There was a big London premium to wages that reflected housing costs, but that premium is falling. In other words, the amount that Londoners earn more than the rest of the UK is a lot less than it used to be, despite the fact that rents are higher.

**Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI):** Yes.

**Stephen Knight AM (Deputy Chair):** My question is: are we going to see this gap between poverty in London and poverty in the rest of the UK widen in future as a result of this trend, which seems to be pushing in that direction?

**Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI):** I would say that you will see that gap widen. There is one graph here that looks at what your risk of being in poverty is if you are in work and, in London, it is much higher. Work does not lift you out of poverty in London in the way that it does elsewhere in the country, but that gap has become bigger. Overall, the gap between London and the rest of the country will stay the same because that includes workless people. Because you have had the jobs growth in London, that is what has kept that gap sort of at the same level. However, if you just looked at working poverty, the gap has become bigger.

**Stephen Knight AM (Deputy Chair):** Because you have two groups of people - in-work and out-of-work people - driving the overall figures, at some point am I right in saying that the in-work poverty growth will start to be a bigger weight than the reduction in out-of-work poverty and one will start to drive an overall trend?

**Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI):** Yes, absolutely, certainly in London, but it is very dependent on what happens in the rest of the country as well.

**Stephen Knight AM (Deputy Chair):** Thank you. Megan, turning to you, how should policymakers respond to this rise in particularly working households with children living in poverty? What should we do about it?
Megan Jarvie (London Poverty Project Coordinator, CPAG): We have already talked about how poverty is caused by both incomes and costs and so policymakers need to look at both sides of that.

In terms of costs, it is housing, which we have talked about already. We are starting to see a real difference between families who are in the private rented sector and those who are in the social rented sector. Within the private rented sector, it is so challenging to work your way out of poverty by getting higher earnings because, for every £1 you earn, you keep 20 or 30 pence of it - that will be the same under Universal Credit - and it is all going on that rent, which is different although still challenging for households in the social rented sector. Therefore, more housing and more social housing as well.

The other cost that really needs consideration is childcare costs, which I know that you have already been looking at in-depth and so I will not say too much about that. Yesterday the Family and Childcare Trust survey on costs came out, which showed that London’s costs are still far above the rest of the country. Most concerning, there are nine London boroughs where a part-time nursery place is above the maximum amount you can claim back through the Working Tax Credit, which will be transferred to Universal Credit. It is childcare costs that you will not be able to get any state support for and that is only part-time for one child, which is not the situation that a lot of families are in.

In terms of incomes, as we have said, there is a need for higher pay particularly for part-time jobs. You were talking earlier about the London premium. For the lowest-paid part-time jobs, there is no London premium. The London premium, even as you up the income spectrum for part-time work, is far less than it is for full-time work. Part-time workers, who are often mothers, are being underpaid compared to full-time workers.

Stephen Knight AM (Deputy Chair): What is the answer to that? Is the answer to have a higher minimum wage in London than the rest of the country? Is that an answer, would you say --

Tony Arbour AM: We just did.

Stephen Knight AM (Deputy Chair): -- to drive up the premium at the bottom end?

Megan Jarvie (London Poverty Project Coordinator, CPAG): There is a solution; there is uptake of the London Living Wage. There is also work with businesses around encouraging flexible working and part-time working as something that can exist right across the income spectrum, which is currently not necessarily something that businesses really think about as an option. If you want a high-paid job, you do it full-time. There is a lot of work with businesses about part-time work.

In all honestly, low-to-middle-income households are always going to be getting in-work support or in-work benefits because the cost of raising a child is so high. You will not be keeping all of your earnings. They will be taken from your benefit entitlement. What we are seeing is that the benefit entitlement that helps with the cost of a child is not quite enough. That is why children in London are more likely to be in poverty than adults, which to me seems scandalous. Why are children the biggest losers in terms of the poverty ratings?

We did some modelling on Universal Credit and on changes that could be made to Universal Credit to tackle child poverty. The biggest wins came from investing more in the child element of Universal Credit. That had a real effect on reducing child poverty levels. I know that this is beyond the scope of what you can do but it is a thing that is worth knowing about.

Other things that could be done are around the taper rate that Universal Credit is withdrawn at when you start earning more. If that was reduced, it would also have an impact on reducing child poverty, looking at a static
group, and also there would be a behavioural change in that. If they are keeping more of their earnings, people are likely to try to work more hours and to earn more, and so there will be an impact in that way as well.

**Stephen Knight AM (Deputy Chair):** Good. Thank you.

**Dr Onkar Sahota AM:** Hannah, you referred to the fact that poverty has increased in the outer boroughs and in the inner boroughs has remained almost static. What are the factors that you think have been pushing up poverty in the outer boroughs?

**Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI):** That is a very good question.

**Dr Onkar Sahota AM:** Thank you.

**Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI):** Part of the reason poverty has come down in inner London is because that is where a lot of London’s economic growth has been concerned and so there is a lot of opportunities in London that were not there before. Also, the tradition is to think of inner London as the poverty hotspot and so that is where we have been looking and that is where we have been targeting. We have not been thinking about the suburbs so much. That is why I would say that poverty has fallen slightly in inner London.

In terms of outer London, it is do with the churn of London. I do not think people are being forced to move, but when people decide, “You know what? It is getting too expensive here. I cannot afford this. I am going to move”, they are looking for where they can afford and that is now the suburbs. If you have a sufficient salary and you are in the private rented sector, you will probably choose to live in inner London because you can access all of the local services and so that drives up the costs in inner London. However, if you have money and you live in outer London, the chances are that you would try to find owner-occupied housing. The rented sector in outer London is much more heavily concentrated with low-income households, whereas in inner London you have both low-income and high-income renters. In outer London, it is largely low-income renters because, if you have money and you want to rent, you will be moving into the centre. The rise in outer London is a much more gradual change and it is do with the churn and how people are responding and how people are managing the costs of living in London.

**Joanna Kennedy (Chief Executive, Z2K):** Can I say something?

**Dr Onkar Sahota AM:** Yes, certainly.

**Joanna Kennedy (Chief Executive, Z2K):** Inner London boroughs place their homeless households in outer London boroughs because they cannot afford to do it in inner London. With the rise in numbers in temporary accommodation, which is going through the roof because of the rise in evictions and homelessness, all of those people are being placed in outer London boroughs. You have that set of homeless people being placed in those boroughs and the effect of that is that they are low-income people and also it is driving up rents in those outer boroughs. The inner London boroughs pay more for their temporary accommodation than the outer London boroughs can afford and that is driving rents up. Of course, the intention of the benefit cap is to move people from inner London to outer London. There have not been huge numbers affected yet but there have been some and that is another effect that drives rents up in the outer boroughs as well.

**Dr Onkar Sahota AM:** Basically, it is the cost of housing that is driving up because houses are cheaper there?
Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI): Certainly in outer London, it is just the fact that you have more people in the private rented sector in poverty and there is much more churn there. They are going to move naturally at the end of a lease. Social rented housing is concentrated where there is housing and any home could be private rented. It has become more dispersed. It has been a slow transition and I do not think that welfare reforms have helped. They have given much more incentive to that transition to accelerate. Yes, it is longstanding and quite slow and has happened over the last decade, really.

Dr Onkar Sahota AM: It is a pity that we do not have the person from Brent here. Ealing and Brent have done much worse than the rest of London. It would be interesting to see what is happening specifically in Ealing and Brent and why that was.

Fiona Twycross AM (Chair): Is anybody else able to comment particularly on Brent and Ealing as the worst-performing boroughs?

Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI): I have been to both local authorities in the last fortnight or so. They are both good examples of a real magnification of what we have seen in London.

I find that when you are looking at local levels of poverty the best thing to do is to look at Housing Benefit claimants because you are looking at people who cannot afford to pay their rent. It means that you can capture working and workless households. There has been a big increase in the number of working claimants on Housing Benefit in both of these boroughs. In Brent, if you break them into four groups, social renting workless, social renting working, private renting workless and private renting working, the biggest group of Housing Benefit claimants is private renters working.

The thing is just that inner London is better designed to accommodate low-income households because that is where the social housing is, but there is not any more social housing and so people are having to live in private rented housing. When they go out to Brent, there just is not the stock to accommodate them and so they end up living in the private rented sector. Yes, outer London boroughs just are not as structurally equipped to deal with low-income households and put them somewhere where they can live in a long-term secure tenure.

Murad Qureshi AM: It is funny. In the neighbourhood I grew up in, Paddington, during the 1970s and 1980s, we used to have all of the bed-and-breakfasts (B&Bs) used for homeless families. Now that does not exist practically because most of those B&Bs have become bijou hotels for a different clientele, but those families have not disappeared. They have ended up in outer London suburbs, Hayes, West Drayton and places like that. Surely, materially, they must be better off than being in the B&Bs of the 1970s and 1980s that I saw? Many people have campaigned against them. I am sure, Joanna [Kennedy], you campaigned on that front when there was a huge scandal. I am just playing devil’s advocate here.

Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI): No, I do not want things to get worse, certainly. It is not like Poplar after the war: we do not have loads of people with rickets or anything like that in London anymore. The standards have improved. The point is that there are still a large number of people who see what the typical person in society has and a big group of people just have nothing like that. That is how we measure poverty now. In terms of the last ten years people are materially better off, but because of the recession the poverty threshold has not changed in real terms. The poverty threshold in theory changes with the median income. Because the median income is pretty much where it was ten years ago, we are talking about the same amount of money. People are much better off than they were in the 1970s but they are not necessarily any better off than they were ten years ago.
Stephen Knight AM (Deputy Chair): The median income has changed in the last ten years in real terms, has it not? It has gone down.

Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI): It went down and then it went up and so we are about back to where we were.

Stephen Knight AM (Deputy Chair): It is still significantly lower than it was in 2008.

Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI): Yes, it is lower than it was in 2008.

Stephen Knight AM (Deputy Chair): It is almost 10% lower.

Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI): Yes.

Megan Jarvie (London Poverty Project Coordinator, CPAG): I just wanted to make a quick comment about comparisons with the 1970s that --

Murad Qureshi AM: It was the 1980s and 1990s. I am not that old!

Megan Jarvie (London Poverty Project Coordinator, CPAG): Sorry, I thought somebody said the 1970s. I know that the poverty measure is controversial, but one of the things that is really valuable about it is that it measures the drift away from the mainstream. We know that one of the really damaging effects for kids growing up in poverty is when they are going without the things that their peers are getting. That is why sometimes comparing with a decade or 20 years ago can be a bit misleading. For example, schools will expect kids to have space at home where they can do their home and some will expect internet access. Educations can be damaged because of kids drifting away from the mainstream. That is just the point that I would like to make on that.

Joanna Kennedy (Chief Executive, Z2K): Also on that point, I would say that although those B&Bs on the whole have gone - not completely; they are still there and in Croydon, for example, they have 117 families illegally in B&Bs over six weeks at the moment - the standards of accommodation in the private rented sector are still dreadful. Almost every family we see has somebody with asthma because of the quality of the accommodation that they live in and the overcrowding. Yes, things have become better but not that much better.

Just on the question of Brent and Ealing, particularly Ealing, we have done a lot of work in Ealing recently because we do work on council tax support, which is a big and increasing driver of poverty. Ealing has a very high minimum payment of council tax support and that is really damaging to the income of the poorest residents. That is a big factor there. In Brent it is not so bad but in Ealing it is dreadful.

Jenny Jones AM: On this issue of poverty, I grew up in the 1950s. I was born in the 1940s, like my esteemed colleague, Tony [Arbour AM], here. Was it the 1930s, Tony? It is not only about having space for homework. It is also about having a heated room: we could only afford to heat one room and so I had to do my homework with the television on. It is not only about space, although that is a big issue in London. I did not realise we were poor until I went to secondary school because at primary school nobody had anything, whereas at secondary school it was a mix of people and you suddenly realise what you do not have.

To go back to London, I wanted to ask about the high rate of evictions in outer London, but I am assuming that it is all part of this churn. If we have people moving from inner London to outer London, rents will go up
and then landlords, particularly in the private rented sector, want to get rid of their tenants. Is that all part of the same pattern?

**Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI):** For the rate of evictions, we are looking at the number of people who are evicted as a share of all private renters. I suspect that it is higher in outer London because private renters in outer London tend to be slightly poorer and are more likely to fall behind with their arrears. It is lower in inner London because you have a lot of people who do not fall behind with their arrears because they are better off. That is an informed hypothesis.

**Jenny Jones AM:** Did anybody else want to come in on that? You are happy with that answer?

**Joanna Kennedy (Chief Executive, Z2K):** I would just reiterate how many inner London boroughs place people in temporary accommodation in the outer boroughs. Landlords would rather accept contracts with Westminster because they pay more and so they will evict their existing tenants in order to do that.

**Jenny Jones AM:** There is also an increase in landlord possession orders and that is, presumably, all part of the same thing.

**Joanna Kennedy (Chief Executive, Z2K):** Yes.

**Megan Jarvie (London Poverty Project Coordinator, CPAG):** We have an overheated market and so a landlord will know that they will be able to get another tenant in quite easily, perhaps one who will pay more, and so might be more likely to evict rather than try to improve the situation.

**Jenny Jones AM:** That has been true for quite a long time, though, has it not?

**Megan Jarvie (London Poverty Project Coordinator, CPAG):** Yes.

**Jenny Jones AM:** It is not a recent --

**Joanna Kennedy (Chief Executive, Z2K):** It is getting worse generally because of Universal Credit. Landlords are terrified of Universal Credit. They do not want it. Landlords increasingly do not want to let to people on Housing Benefit. With the benefit cap, there is an enormous risk to landlords of tenants not being able to pay their rent.

There are very bad processes in local authorities in dealing with Housing Benefit and also in the Department for Work and Pensions (DWP). The delivery of benefits is so bad that landlords even with the best will in the world just do not want to bear the risk of not getting paid because of the terrible performance of delivery of benefits.

That is about to get infinitely worse under Universal Credit, partly with direct payments to tenants. Landlords do not want to take the risk with that. There is the fact that people are not going to be paid under Universal Credit for a minimum of 42 days after they first make a claim and so no rent is going to be paid in that period. Landlords have really good reasons not to want to take Housing Benefit tenants. Those reasons are getting ever greater and so more of them are moving out of that market.

**Jenny Jones AM:** Four in ten losses of homes are at the end of tenancies and so there is an issue here about more secure tenancies, presumably?
Joanna Kennedy (Chief Executive, Z2K): Absolutely, yes.

Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI): In a way, poverty was something easier to handle a decade ago when it was workless and when it was social tenants because you knew where they were. They were living on the housing estates and they were in the Job Centres. You also knew that they had to access services. They had a stable landlord and so you could access them through that. Also, the landlord was obliged to provide certain services and there has been a massive improvement in housing standards in the social rented sector. That was quite an intentional target of previous governments. The social rented sector is now the best quality housing that we have, but the problem is that the poor are not living there anymore. They are living in a market where they cannot afford what they have and they have very few rights. Because they cannot afford to pay, they have to compromise on standards to reduce the costs and so they are living in overcrowded housing or they are living in damp conditions. It is a real shame that the standards in the social rented sector have improved so much but actually so few low-income households are now able to access that.

Jenny Jones AM: I was at the Housing Committee yesterday filling in for Darren [Johnson AM] and one thing that came up were the new Housing Bill that is coming in and that is going to make quite a big difference in London. I did not know if you wanted to comment on that at all in terms of your research because, presumably, that is going to make your report out of date very quickly in a way.

Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI): Yes, absolutely. The thing that I really find entertaining about the Housing Bill is this pay-to-stay thing that people want social tenants to pay if they have a higher income. If that is how people feel that is fine, but I find it entertaining that people are angry that people in social housing have a higher income. It is a great story because we used to have these long-term tenancies. A long time ago, we were like, “OK, you guys really need affordable housing. You are in a really difficult situation”, and now they are doing really well. That is a great story. That is what social housing can do. That idea, for me, is an advocate for social housing.

Megan Jarvie (London Poverty Project Coordinator, CPAG): Just on “Pay to Stay”: the group that will be hit is the potential second-earners that I keep going on about. It will really affect whether they will be better off working.

Jenny Jones AM: The other issue that came up at the Housing Committee was the ‘hidden homeless’, the people who are sofa-surfing and so on. It is incalculable, quite honestly, that figure. There is nothing in your report about that.

Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI): There is the homelessness monitor that the Joseph Rowntree Foundation (JRF) and Crisis fund. It is done by Heriot-Watt University and is a very good publication. It is for England but you might as well be reading it about London because so much homelessness is in London. I recommend that. It will be updated. It is published next month, maybe.

Jenny Jones AM: Thank you.

Fiona Twycross AM (Chair): In the next section of the meeting we are going to specifically look at the impact of changes to the welfare system.
Murad Qureshi AM: On the back of the Summer Budget we saw a number of changes: the introduction of a National Living Wage, a freezing of working-age benefits and a benefit cap reduction. I will begin with the first. Do you welcome the introduction of a new Living Wage and what do you think its impact is going to be?

Joanna Kennedy (Chief Executive, Z2K): Yes, but it is not high enough. It is should be at the level of the London Living Wage. That is all I can say, really. Obviously, as we have identified, low incomes are a big problem and anything that will increase incomes is a good thing. However, as I said, the London Living Wage is the absolute minimum that needs to be paid in order to achieve any improvement in poverty.

Murad Qureshi AM: I understand that the measure will be introduced from April 2016 at £7.20, rising to about £9.00 by 2020, and so that gives us the figures.

Megan Jarvie (London Poverty Project Coordinator, CPAG): It is absolutely a good thing. Again, as Joanna said, anything that raises wages is a good thing.

Our only caveat with it is that the biggest group of people who will gain from that are people without children or families that are already on a middle-to-high income with perhaps a second earner with a lower income. For middle-to-low-income households, most of the gains that will come from higher earnings will be clawed back through benefits tapering off.

What that means with the benefit tapering off is that there are huge gains to the Treasury. If a lone parent is earning an extra £10.00 a week and keeps £2.50 of it, £7.50 is going back to the public purse. There is a huge opportunity for that money to be reinvested particularly in measures that could tackle child poverty. I talked earlier about the child element of Universal Credit. That is where the real opportunity is.

Murad Qureshi AM: Hannah, do you have any observations?

Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI): It is inconveniently named because we already have a Living Wage that is quite established and so it is very confusing. It will have less of an effect in London than it will in the rest of the country because low wage rates are higher than in the rest of the country, but that does not necessarily mean costs are lower. It brings in more income.

Also, I will just flag that it does not apply if you are under 25 and so they will still be on the old minimum wage and they have the highest low-pay rates. It is partly that maybe they are students and they are in a transitional stage and so we are not so worried about them because when they stop being students they will be higher earners. However, they are not necessarily. There are plenty of people with children under 25. Why should they miss out?

Megan Jarvie (London Poverty Project Coordinator, CPAG): A lot of parents are concerned that they will be side-lined in preference to people under 25, who are cheaper.

Murad Qureshi AM: That was interesting. Kristian, what is the opinion of the Institute [of Economic Affairs] on Mr Osborne’s [Rt Hon George Osborne MP, Chancellor of the Exchequer] initiative to raise the National Living Wage from April?

Dr Kristian Niemietz (Head of Health and Welfare, Institute of Economic Affairs): I cannot speak for the Institute, but my own take is a negative one. Yes, it is true that when the National Minimum Wage was first introduced a lot of economists were a bit overcautious and said that this will cause unemployment, but that did not happen. People then took away the conclusion that minimum wages never have any negative
effects and any economist talking about them is just scaremongering, but that is an illogical fallacy. To put it this way, if I once drove a car after having a few pints and nothing happened, it does not mean that driving a car under the influence of alcohol is always harmless and that all the people who told me not to drive were all just scaremongering. Most of the empirical papers on minimum wages globally still find negative employment effects. They are quite small sometimes, but there are still some statistically significant effects. The conventional ECON 101 position is still broadly backed by the empirical evidence, even if it is no longer as clear-cut as it once was.

Just on the point that the Living Wage in London particularly should be higher because of living costs, wages are determined by supply and demand in the labour market, not people’s personal costs that they face. You can tell your employer, “I have more experience now than I had a couple of years ago. I am more productive now. I deserve a pay rise”. That is a reasonable argument. However, you cannot tell your employer, “I have a higher rent now and therefore you have to raise my salary”, because then your employer will say, “Sorry. That is not my fault”. The fact that you face higher bills does not make your labour more valuable to an employer.

Murad Qureshi AM: I do not want to go into this academic thing, but I do remember when it came in and the main concern about a lot of the empirical evidence was that it needed to be regionally variable because one National Minimum Wage across the whole country, certainly in London, did not have the impact that was intended. That is why we have always seen the need for a London Living Wage, which has been confirmed by our other experts here.

Can I just move on to the significance in the reduction of the benefit cap for Londoners? How significant is that? That is also happening at the same time.

Joanna Kennedy (Chief Executive, Z2K): Thirty thousand families are going to be affected. Although we think that, the Government is refusing to publish the statistics on how many families are going to be affected until after the Bill has passed. We have tried both Freedom of Information and Parliamentary questions and they will not provide the figures, but the best estimate is that it will be between 20,000 and 30,000 families in London affected. These are families many of whom have already been affected twice. They have been affected by the cut to the LHA rate and then they were affected by the benefit cap and now they are going to be affected again by this --

Murad Qureshi AM: Sorry, a lot of people who are watching us will not know what you mean by ‘LHA’. Could you explain that?

Joanna Kennedy (Chief Executive, Z2K): OK. It is the London Housing Allowance. The Housing Benefit is paid for rents that are in the 30th percentile of the rents in that area, but until 2011 it was the 50th percentile and so basically, in theory, 50% of properties in an area would be available at LHA rates. Now it is 30% and the rates are capped and have been frozen so that fewer and fewer rents are available at Housing Benefit rates. That was the first freeze on what the state would pay to subsidise rents.

Then there was the benefit cap, which capped overall benefits at £500 a week and any rent that was being paid within that was capped. Both of these things, particularly the benefit cap, are really radical introductions because they remove the calculation of what people get from their needs. They sever the link between the need and the payment. Now the benefit cap is being cut again and so there are fewer and fewer rents available in London for people within the cap.

Murad Qureshi AM: Thanks for explaining that. Megan, what do you think is going to be the impact on the future of social housing in London as a result of the benefit cap?
**Megan Jarvie (London Poverty Project Coordinator, CPAG):** The benefit cap will have a huge effect on the families that are hit. I am not sure about the future of social housing. What it will mean for the families that are hit is that there will be fewer options in terms of moving to somewhere at the cheaper end unless it is in the social rented sector, and so there will be increased demand on the social rented sector. It will also hit a lot of families already in the social rented sector because it is a low level for families. It is a measure that particularly targets children and is much more likely to hit children than adults.

Because of the new level, which will mean that there are very few options around moving house to a lower rent, it will be leave work as the only option. If we look at the benefit cap today, only 15% of households that have been capped are claiming Jobseeker’s Allowance (JSA). That means that that is the group that is expected to be looking for work. Of people who have been capped, 85% are not expected to work because they are too sick or they have caring responsibilities. Of capped households, 10% are lone parents with a baby under one, mums on maternity leave, and they are now going to be expected to work or to move house. For the people who are affected, it is devastating. There are huge losses. There is no longer enough money to meet subsistence needs.

However, compared to the other reforms that are hitting London over the coming years, they are smaller numbers. Things like the benefits freeze are going to hit far more children and far more adults.

Joanna [Kennedy] mentioned the LHA caps. London Councils has done some analysis on how that is going to play out to 2020. About 5% of properties in London will be affordable on Housing Benefit in the private rented sector by 2020. This is hugely concerning. We have rising poverty in the private rented sector. Where are they going to live and how are we going to manage that?

**Murad Qureshi AM:** Megan, that explains the impact certainly on families and those who are going to be disproportionately affected. It is the mismatch between the Housing Benefit available and the rent. I suspect that will cause a lot of people to do second and third jobs, which was what I suggested earlier.

Universal Credit: do we have anyone who has some thoughts on how that is going to be operational? Hannah, how do you think that is going to affect your observation? Will it further the typical person in poverty in London being from a working family private renting in outer London?

**Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI):** Yes. The typical person in poverty in London would probably benefit from Universal Credit or would have prior to the Summer Budget. The big Tax Credit changes that [the Right Honourable] George Osborne announced that were hugely unpopular and that he rowed back on --

**Jenny Jones AM:** He was defeated on them by the House of Lords.

**Murad Qureshi AM:** Yes, when the Labour Party got its head sorted out.

**Jenny Jones AM:** Yes, absolutely. Well done, Labour.

**Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI):** Yes. He has cancelled them in terms of vital Tax Credits, but there is still a Universal Credit there. Once everyone transitions to Universal Credit and they are all sorted again, people are going to be worse off.
Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI): Twelve months ago, Universal Credit probably would have made things better, but it will now make things worse. I would not say that that is disproportionately London’s problem. It is truly nationwide.

Murad Qureshi AM: Sorry, Jenny, for stepping on your toes. I will let you come in here.

Jenny Jones AM: We have covered it, actually. The Green Party has a slightly similar policy in that you reduce a lot of costs if you have an overall benefit that everybody can claim, but Universal Credit of course has all sorts of fundamental flaws.

Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI): One of the things that I am a bit uncomfortable with about the principle of Universal Credit is that it is like, “The benefit system is so complicated. It would be brilliant if we just made it simple and if we just had one benefit and we had this clear thing”. When you look into it, the reason the benefit system is complicated is because you are trying to support every household in the country and there are lots of different variations there. They have different numbers of children, different tenures, different amounts of savings and different disabilities, and you need to be able to accommodate all of these things. It feels like Universal Credit is just calling a very complicated system by one name but it is actually pretty much the same thing.

It is also makes me quite sceptical about the idea of a universal benefit that is so taxable and everyone has the same amount because there are really important considerations about the additional costs of disability, what you do about housing, how much you decide, “You were born in this area and so you should get more Housing Benefit because it is a higher-cost area”, what if you want to move and how that gets dealt with. It is a nice idea but certainly the lesson from Universal Credit is that it is really hard to do these things. I imagine that it would also be really hard to do.

Fiona Twycross AM (Chair): Kristian, do you want to comment on the impact of Universal Credit?

Dr Kristian Niemietz (Head of Health and Welfare, Institute of Economic Affairs): Not particularly but, just on that point, the benefit system has also become more complex over time even though the underlying differentiation in household situation has not become more complex. It is not just complexity of the situation driving the complexity of the benefit. It is also that different Governments introduce different elements and layers, putting something on top and then something on top again, and so you have different benefit instruments trying to deal with the same thing. Rather than having one disability benefit, you have a disability element here and then a different disability taper or an addition to some other allowance. That is what makes it complicated. Cleaning up sometimes makes sense.

Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI): Part of that evolution is because our understanding has improved and we suddenly appreciate the additional costs of disability, which we did not appreciate before, and so that has to be tacked on. It is also that a lot of the changes are trying to make the benefit system better. They make it more complicated but the intention is to make it better.

Joanna Kennedy (Chief Executive, Z2K): One big problem with Universal Credit is that Council Tax Support is not included within it and so at the moment there is a whole different system operated by each local authority of tapers, incentives and so on, and incredibly wasteful work having to be done by local authorities on the same issues that are being dealt with under Universal Credit. In the past, when you dealt with Housing Benefit and Council Tax Benefit together, the local authority team dealt with that. Now that Housing Benefit is going to be within Universal Credit and Council Tax Support is not, then you will have a whole duplicating of
work and, as I said, potentially contradictory taper levels. In a lot of boroughs, the taper levels for Council Tax Support are different for those under Universal Credit. It is mad.

**Megan Jarvie (London Poverty Project Coordinator, CPAG):** There are two really positive things that I hope come out of Universal Credit. One is that it is all together and it will help with benefit uptake. At the moment a lot of families are not claiming everything they are entitled to. The other thing is making it easier to move in and out of work. I am sure a lot of your clients have frequent moves in and out of work that can often end up in overpayments or underpayments and ending up in rent arrears. Hopefully, it will tackle some of those. Also, the 85% of childcare costs increased from 70% under Tax Credits is really helpful as well.

However, it is worth remembering what Hannah [Aldridge] said: what we are looking at now with Universal Credit is very different to what was proposed in 2010, particularly around work incentives. Since 2010 they have been eroded repeatedly through different cuts to Universal Credit.

**Joanna Kennedy (Chief Executive, Z2K):** It is also going to be very difficult for the self-employed. So much of the reduction in unemployment has been because of people becoming self-employed. For people who are self-employed and on low incomes, Universal Credit is incredibly difficult to manage. There is an artificial amount that you are assumed to be earning whether you are or not and the information that you are going to have to produce and so on is going to be a nightmare. It is really problematic for the self-employed.

**Murad Qureshi AM:** The bureaucracy! Paper-filing is going to go up for --

**Joanna Kennedy (Chief Executive, Z2K):** Yes, for the self-employed. It is going to be dreadful.

**Murad Qureshi AM:** One of the most dreadful things that I have had as a councillor has been filling in people’s forms for Housing Benefit. It is enough to put you off the whole system, actually.

**Joanna Kennedy (Chief Executive, Z2K):** You ain’t seen nothing yet!

**Dr Kristian Niemietz (Head of Health and Welfare, Institute of Economic Affairs):** The self-employed aside, the big advantage, I will remind you, is that there is a single taper rate as opposed to this interaction of conflicting taper rates. Especially if somebody hits Tax Credits and Housing Benefit, it would be a nightmare. One is in relation to gross incomes, the other net incomes. It is almost impossible to work out. What if you take on another workday or another few hours of work? Would you be better off at all? Under Universal Credit, you will not be a lot better off and the high withdrawal rate will still be a disincentive, but at least you will know what the final impact on your disposable income will be. I wrote a paper about this years ago and it was a total nightmare. I thought it would just be a few back-of-the-envelope calculations and that is it. It took several months to work it out.

**Fiona Twycross AM (Chair):** Is there a role for the mayoralty in supporting families through transition from claiming benefit into work?

**Megan Jarvie (London Poverty Project Coordinator, CPAG):** I have a list of things.

**Jenny Jones AM:** Good.

**Megan Jarvie (London Poverty Project Coordinator, CPAG):** There is something around employment support for parents, particularly mothers who might have had a while out of the labour market, to build up their confidence, to know what jobs are out there, to support through that transition from out-of-work
benefits to in-work benefits as well and to help with childcare support. Particularly second-earners, again, will not be able to access support through Jobcentre Plus. Currently, they currently cannot access any statutory employment support. There is a real role for offering support to them.

On LHA rates, the rates for private sector tenants claiming Housing Benefit, there is something called Targeted Affordability Funding, which looks at the areas that have the highest pressure and where LHA rates are falling behind market prices most quickly. There is a really strong role for the Mayor in advocating for London on that and making sure that certain areas are getting Targeted Affordability Funding.

There is also something about sharing learning between boroughs. We are about to see huge changes and a lot of families losing a lot of money. Boroughs are going to be expected to support that. That is going to be most notable around the benefit cap. We have nine boroughs that are going to have over 1,000 families affected by the benefit cap. Convene best practice and learning.

I want to say also something around security of tenure and helping families to access the private rented sector and maintain tenancies in the private rented sector. We know that there are a lot of landlords that are very nervous and cautious about renting to families on Housing Benefit. Do some work with landlords to ensure that the private rented sector stays accessible to low-income families. Most of all, build social housing.

Joanna Kennedy (Chief Executive, Z2K): Yes. I would say funding advice. The welfare changes over the last five years have been incredibly complicated. If you find it difficult to fill out forms, we had a client recently who had a letter about Housing Benefit that was 83 pages. It is absolutely absurd. People cannot possibly manage their entitlements and their changes without help. Funding for the advice sector has been slashed partly from legal aid but also because local authorities cannot afford to pay for advice services. There is going to be a massive need for support for people applying for Universal Credit particularly with digital by default when 80% of people can cope with digital but that leaves 20% who cannot and who need support. The DWP is supposed to be working with local authorities to provide funding for them to help to provide support for this kind of thing, but of course the funding is woefully inadequate. In Brent, they worked out that in order to support the number of people who are affected and would need advice it would cost them £400,000 and the DWP funding that they had was £40,000. Funding for advice is really important.

Megan Jarvie (London Poverty Project Coordinator, CPAG): I would absolutely second that.

Hannah Aldridge (Senior Researcher, London Poverty Profile, NPI): When the welfare reforms come into force in April, it is going to be the local authorities that notice and it is going to be the local authorities that have people showing up saying, “What is going on?” They are going to have to deal with those clients. The Mayor could engage as much as possible and trying to help, maybe with additional funding for DHPs to help people with that transition.

Then, on a broader point on poverty, there needs to be much more engagement with the private rented sector and landlords. There was a lot of momentum in landlord registrations and a lot of London boroughs were looking into doing that. Then, with the Localism Bill, there was a little caveat that was added to the Bill at the last minute and meant that it was going to be much harder for local authorities to start landlord registration schemes without central Government approval. I am pretty sure that a Mayor who strongly advocated that would be able to convince central Government to allow local authorities that independence. There are pilots that got through before that change happened and so it is worth engaging with Newham, which is very active, and seeing if that has worked there.
Fiona Twycross AM (Chair): Great. Does anybody have any final questions for the panel? That was a fascinating --

Jenny Jones AM: Really interesting.

Fiona Twycross AM (Chair): -- discussion and I would like to thank you all for your contributions this morning. Please feel free to leave or remain in the public seating if you wish. We have a couple more items of business to get through.

Joanna Kennedy (Chief Executive, Z2K): Thank you very much for having us.

Fiona Twycross AM (Chair): That was a really interesting discussion and it leaves us with quite a lot of food for thought.