

IS LONDON A FAIR CITY?



Executive Summary 2015

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

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

FOREWORD

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

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

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

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

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

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

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

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

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

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

Your city needs you!

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

EXECUTIVE SUMMARY

About the London Fairness Commission

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

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

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

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

We have also commissioned a poll of Londoners¹ to enable the views of London residents on fairness in their city to be shared more widely and have a central influence on the direction that the London Fairness Commission follows.

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

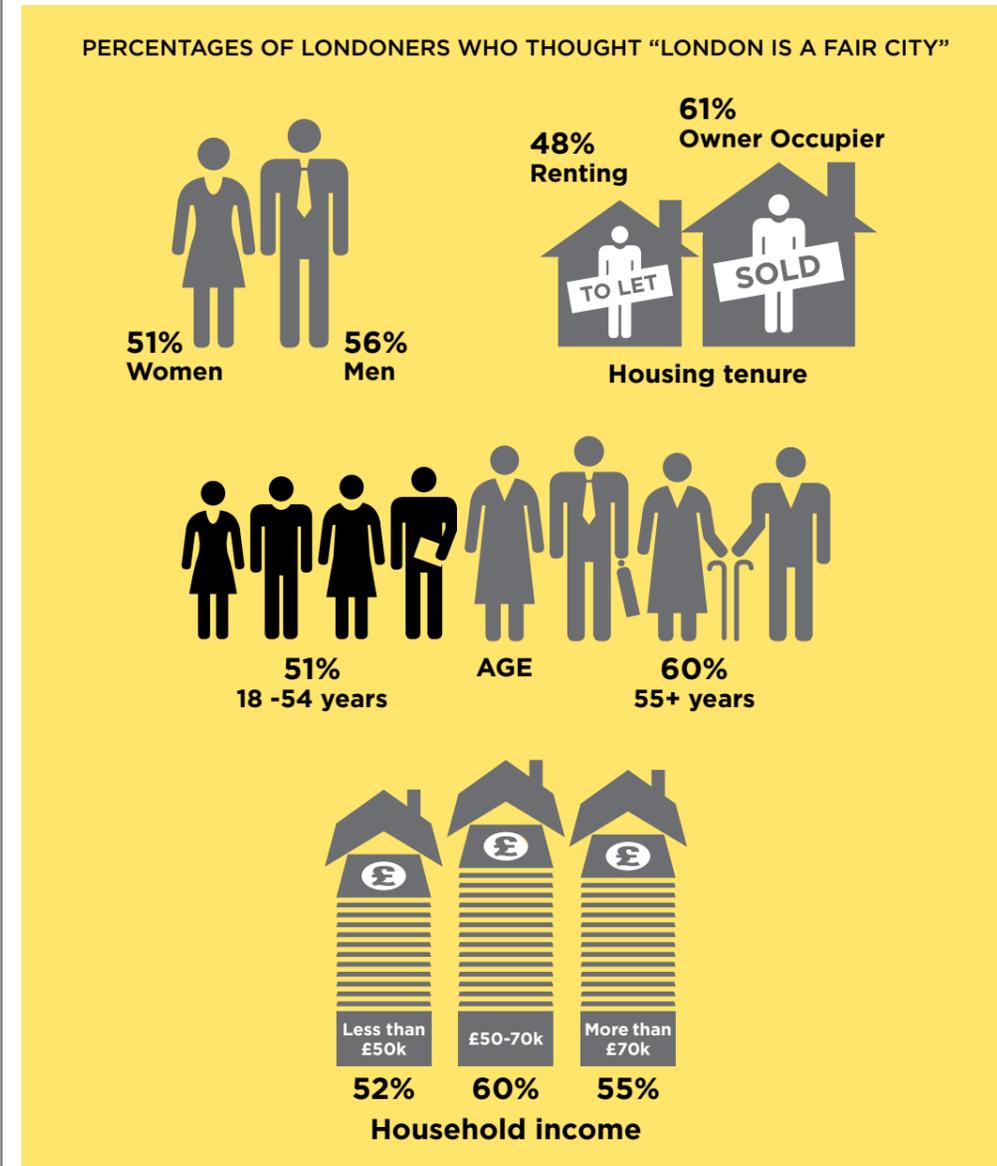
Our findings need to be considered in the context of London as a dynamic, growing, successful city attracting skilled labour, innovation and investment from all over the world. There are record numbers of jobs in the city, generating wealth for citizens and government. Yet 2.2 million Londoners still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

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

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

Is London fair?

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



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

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

Is London’s income distribution fair?

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

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

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

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

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

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

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

Is London’s wealth distribution fair?

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

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

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

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

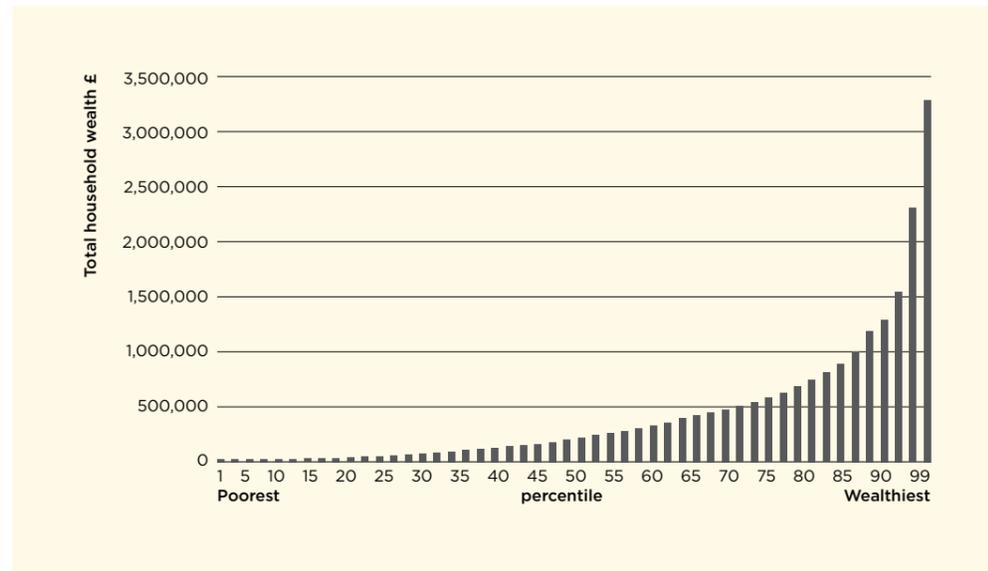
5. Polly Vizard, Eleni Karagiannaki, Jack Cunliffe, Amanda Fitzgerald, Polina Obolenskaya, Stephanie Thompson, Chris Grollman and Ruth Lupton, The changing anatomy of economic inequality (2007 to 2013), Centre for Analysis of Social Exclusion, London School of Economics and the University of Manchester,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

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

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

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

Distribution of wealth in London



Source: ONS, Wealth and Assets Survey 2010/12

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

Types of wealth held by London households

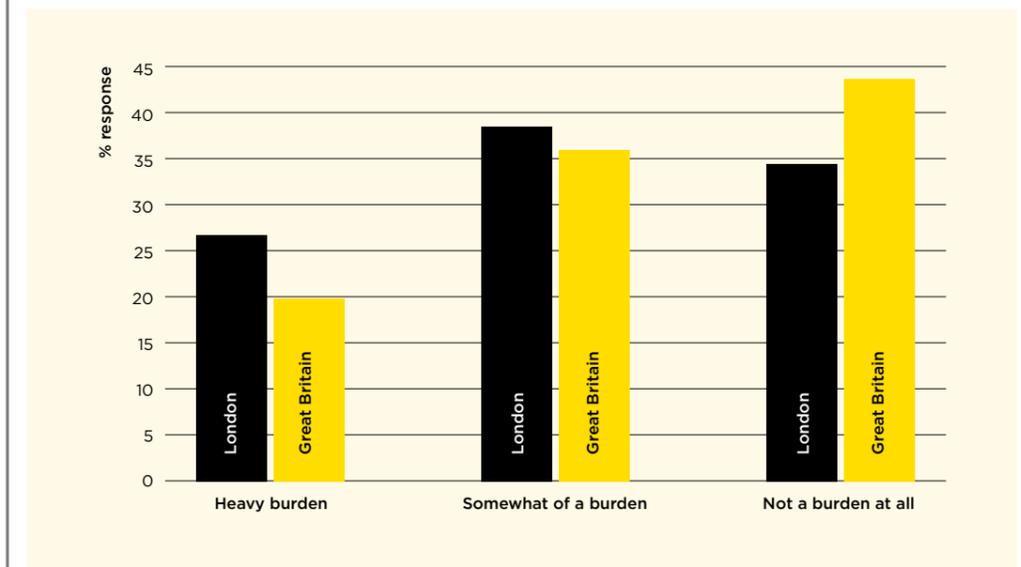
	Income Decile				
	10th	30th	Median	70th	90th
Financial and physical	3,100	16,300	40,300	79,600	246,500
Property	1,400	9,800	110,700	254,900	503,400
Pension	1,800	20,700	62,500	137,500	339,000
Total	6,300	46,800	213,500	472,700	1,088,900

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

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

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

London and British Households' perception of their financial debts



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

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

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

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

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

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

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

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

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

Is access to housing in London fair?

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

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

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

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

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

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

Next steps for the commission

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

Income

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

Wealth

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

Housing

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

How can you make your voice heard?

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

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

HOW CAN YOU MAKE YOUR VOICE HEARD?

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

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