

A Minimum Income Standard for London 2017

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Minimum Income Standard for London

This report and previous MIS research is available at: www.trustforlondon.org.uk/research/minimum-income-standard-for-london

The Minimum Income Calculator allows people to find out how much income they need, so they can buy things that members of the public think that everyone in London should be able to afford.

Available at:
www.minimumincome.org.uk/london

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Key findings

The Minimum Income Standard (MIS) is based on detailed discussions with members of the public about goods and services households need to reach a socially acceptable standard of living, which covers essentials and enables participation in society. This report provides an update of the cost of a minimum budget, needed for a minimum standard of living, for four core households in Inner and Outer London comparing these with the rest of the UK. The update is based on price increases between 2016 and 2017, along with available data concerning childcare, transport and housing costs in the capital.

- 39% of Londoners have an income below MIS, significantly higher than 30% in the UK as a whole. This is 3.3 million Londoners with incomes below that needed for a minimum decent standard of living. However, this has reduced from 2014/15 when the number was 3.5 million (41%).
- Many costs in London are similar to those in other urban areas in the UK. However, higher living costs, such as housing and childcare, mean that reaching a minimum decent standard of living in the capital costs between 16% and 53% more than in the rest of the UK.
- The largest difference in costs is between single working-age adults living in London and those outside of London. Private rents make up half of a minimum weekly budget for single adults in Inner London and 40% in Outer London, compared to 30% in the rest of the UK.
- Non-working Londoners face an increasing risk of having incomes well below MIS. For working-age single Londoners, out-of-work benefits provide just a quarter of the minimum needed (after rent and council tax); in the rest of the UK, the same benefits cover just over a third of the minimum needed by single working-age adults.
- In spite of a 4% increase in the National Living Wage (NLW) in April 2017, few households are able to reach the income needed for a minimum standard of living, working full-time on the NLW. It provides around half of the income needed by single working-age Londoners, but over three-quarters of the income needed to live in the rest of the UK.
- Londoners need to earn between 42% and 68% more than households outside of the capital in order to reach MIS. This is even higher if families with children rent in the private rented sector.
- Pensioner couples in receipt of pension credit receive nearly enough to reach MIS in the UK outside London and in Outer London. However, in Inner London pensioner couples fall 21% short of meeting these minimum needs.
- Children are most likely to be below the MIS threshold, with 52% below this threshold in 2015/16, well above the 44% of children below MIS in the UK as a whole. 1 million children live below MIS in London.

- While the proportion of working-age adults below MIS in London has fallen between 2010/11 and 2015/16, the number remains the same at around 2 million. The proportion of pensioners below this level has increased from 23% to nearly a third over the same period, numbering around 300,000.
- In London in 2015/16, more than a third of women (38%) are living in households with insufficient income, compared to 31% of men.
- Over three-quarters of all Londoners below MIS are in rented accommodation: 1.3 million renting privately and 1.2 million renting from a social landlord.

1. Introduction

What do people living in London need for a minimum socially acceptable standard of living? Previous research in the capital (Padley et al, 2015, 2017), building on an established programme of research in the UK (Padley and Hirsch, 2017; Davis et al, 2017), has looked in detail at what Londoners' agree is needed for a minimum socially acceptable standard of living. Groups of members of the public in London discussed the needs and costs which are different and/or additional to those described by people living in urban areas of the UK outside London. This provided the basis for calculating the income needed by a range of different household types in order for them to be able to afford an acceptable living standard.

In order for MIS London to remain current and rooted in the lived experience of people living in London, it is crucial that it explores both what is happening to the cost of living and any social changes that may affect what the public think needs to be included in a socially acceptable, minimum budget. In late 2016 and early 2017, new research with London families looked at what households in Inner and Outer London need for a minimum acceptable standard of living (Padley et al, 2017), making it possible to calculate the difference in minimum costs between London and the rest of the UK.

This latest report, updating minimum budgets for Inner and Outer London, is based on price increases between 2016 and 2017, and available data concerning childcare, transport and housing costs. London budgets have been updated by applying changes in the components of RPI to their related categories of goods and services within budgets.

Box 1: **Minimum Income Standard – Summary**

What is MIS?

A Minimum Income Standard (MIS) for the United Kingdom is the income that people need in order to reach a minimum socially acceptable standard of living in the UK today, based on what members of the public think. It is calculated by specifying baskets of goods and services required by different types of household in order to meet these needs and to participate in society.

How is it arrived at?

A sequence of groups has detailed negotiations about the things a household would need in order to achieve an acceptable living standard. They go through all aspects of the budget in terms of what goods and services would be needed, of what quality, how long they would last and where they would be bought. Experts check that these specifications meet basic criteria such as nutritional adequacy and, in some cases, feedback information to subsequent negotiation groups who check and amend the budget lists, which are then priced at various stores and suppliers by the research team. Groups typically comprise six to

eight people from a mixture of socio-economic backgrounds, but all participants within each group are from the category under discussion. So parents with dependent children discuss the needs of parents and children, working age adults without children discuss the needs of single and couple adults without children and pensioner groups decide the minimum for pensioners.

A crucial aspect of MIS is its method of developing a negotiated consensus among these socially mixed groups. It uses a method of projection, whereby group members are asked not to think of their own needs and tastes but of those of hypothetical individuals (or 'case studies'). Participants are asked to imagine walking round the home of the individuals under discussion, to develop a picture of how they would live, in order to reach the living standard defined below. While participants do not always start with identical ideas about what is needed for a minimum socially acceptable standard of living, through detailed discussion and negotiation they commonly converge on answers that the group as a whole can agree on. Where this does not appear to be possible, for example where there are two distinct arguments for and against the inclusion or exclusion of an item, or where a group does not seem able to reach a satisfactory conclusion, subsequent groups help to resolve differences.

What does it include?

Groups in the initial research defined MIS as: 'A minimum standard of living in the UK today includes, but is more than just, food, clothes and shelter. It is about having what you need in order to have the opportunities and choices necessary to participate in society.'

Thus, a minimum is about more than survival alone. However, it covers needs, not wants, necessities, not luxuries: items that the public think people need in order to be part of society. In identifying things that everyone should be able to afford, it does not attempt to specify extra requirements for particular individuals and groups – for example, those resulting from living in a remote location or having a disability. So, not everybody who has more than the minimum income can be guaranteed to achieve an acceptable living standard. However, someone falling below the minimum is unlikely to achieve such a standard.

Who does it apply to?

MIS applies to households that comprise a single adult or a couple, with or without dependent children. It covers most households, with its level adjusted to reflect their make-up. The needs of over a hundred different family combinations (according to numbers and ages of family members) can be calculated. It does not cover families living with other adults, such as households with grown-up children.

2. The additional costs of living in London

This section sets out the minimum budgets required by particular households in Inner and Outer London, looks at how these have changed since 2016 and compares these to the budgets for the same households in UK MIS. The discussion centres, for the most part, on the four core households focused on in the UK MIS (see Padley and Hirsch, 2017). A focus on these households enables a range of different lived experiences across demographic groups in the capital to be reflected. A greater range of results for both Inner and Outer London are available in the online [Minimum Income Calculator](#) (CRSP, 2017). The calculator also allows items such as housing costs and childcare to be adapted to individual circumstances, an important tool given the significant variation in these costs within and outside of London.

Changes in budgets in 2017

The cost of a minimum budget for each of the four core households considered here has increased since 2016, in both Inner and Outer London. This is a consequence of the return to inflation seen over the last year, following a prolonged period of stability in prices. Between April 2016 and 2017, the Consumer Prices Index (CPI) rose by 2.7% and the Retail Prices Index (RPI) by 3.5%. Table 1 sets out the total ‘headline’ budgets (excluding rent and childcare) for Inner and Outer London, in 2016 and 2017.

Table 1:
Changes in weekly London ‘headline’ budgets (excluding rent and childcare)

Household type	London weekly ‘headline’ budget					
	Inner London			Outer London		
	2016	2017	% change	2016	2017	% change
Single, working age	£222.71	£228.10	2.4%	£236.56	£242.61	2.6%
Couple, pensioner	£328.33	£337.73	2.9%	£282.77	£290.45	2.7%
Lone parent, one child (aged 0-1)	£285.62	£293.63	2.8%	£296.35	£304.59	2.8%
Couple parents, two children (one aged 2-4; one primary age)	£485.09	£495.65	2.2%	£504.95	£515.92	2.2%

Since 2016, the 'headline budget' for a single person has increased by 2.4% in Inner London and 2.6% in Outer, below both CPI and RPI. Increases in the cost of clothing, household insurance and council tax have largely driven this change. For pensioners, the weekly budget has increased by 2.9% and 2.7% in Inner and Outer London respectively, below overall RPI inflation. This increase is driven most clearly by the rising price of clothing, household insurance and other travel costs, all of which are increasing at a rate above overall inflation.

Households with children have seen budget increases broadly in line with overall inflation since April 2016. For a lone parent with a baby, there has been a small fall in the cost of childcare, while this cost has increased for couples with preschool and primary school aged children. This is principally because the cost of nursery care has remained relatively stable, while the cost of after-school care for primary school aged children has increased more significantly. Households with children, along with pensioners, have also seen social rents decrease by 1% between April 2016 and April 2017, in line with government policy of reducing social rents each year until 2020.

Overall differences in minimum household budgets

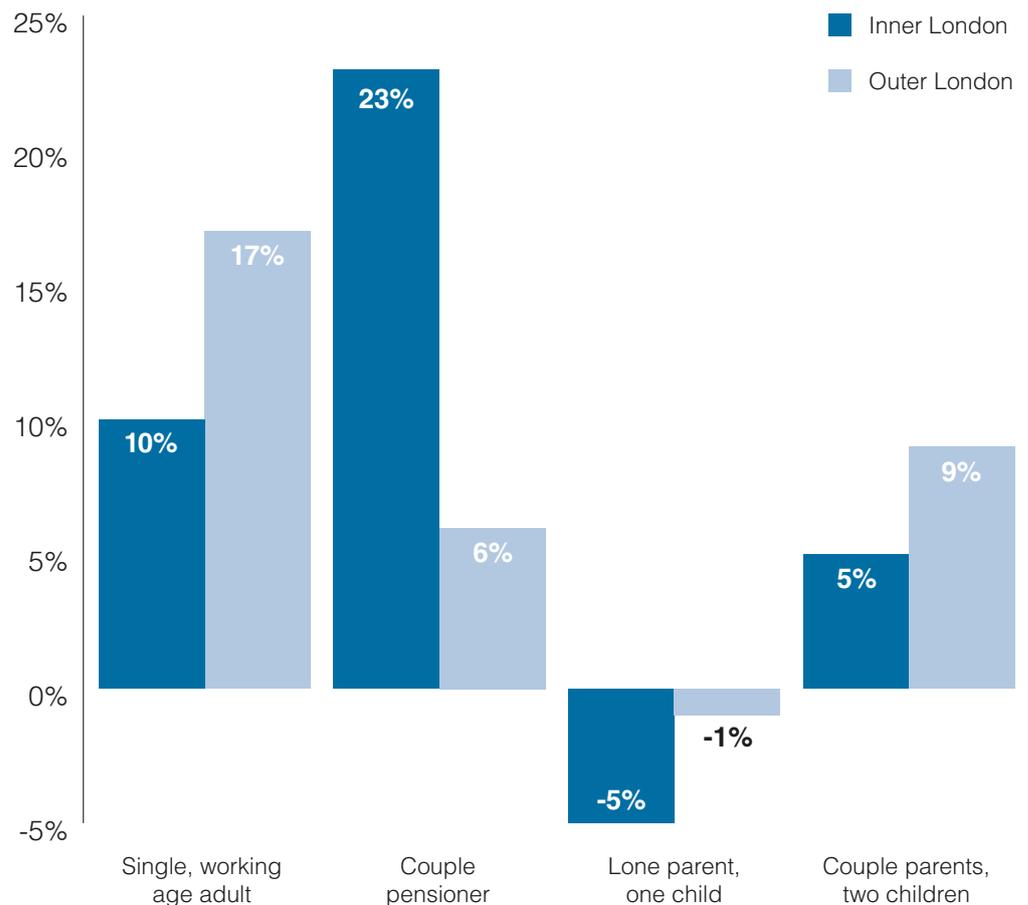
In previous MIS London research, the budgets needed by many households in Inner and Outer London to have an acceptable standard of living were reported to be higher than that needed in urban locations elsewhere in the UK. While across household types, there is variation in the additional cost of a minimum standard of living, in general the needs of Londoners have a higher weekly cost than in urban UK. Figure 1 and Table 2 set out the differences in weekly budgets for four core households in the capital, excluding the cost of rent and childcare.

Table 2:
Comparison of weekly MIS budgets for urban UK households and London households (April 2017 prices, excluding rent and childcare)

Household type	Weekly budget outside London (UK MIS)	London weekly budget (£ and % difference)	
		Inner London	Outer London
Single, working age	£207.13	£228.10 (10%)	£242.61 (17%)
Couple, pensioner	£274.99	£337.73 (23%)	£290.45 (6%)
Lone parent, one child (aged 0-1)	£308.85	£293.63 (-5%)	£304.59 (-1%)
Couple parents, two children (one aged 2-4; one primary age)	£474.57	£495.65 (4%)	£515.92 (9%)

When rent and childcare are excluded, the additional costs of a minimum budget are highest in Inner London for pensioners. In Outer London, couple parent households and single, working-age adults face the most significant additional costs. There is little difference between the weekly budgets for lone parent households in UK MIS and in Inner and Outer London.

Figure 1:
Additional weekly budgets compared to urban UK households (April 2017 prices, excluding rent and childcare)



As reported previously, the differences in the weekly budgets needed to reach a minimum socially acceptable standard of living are significantly increased when the cost of both housing and childcare are included. Housing and childcare continue to be the principal source of difference between London and urban UK outside of London (Figure 2 and Table 3). Including these costs, it is single working-age adults, living on their own in Inner London who face proportionally the greatest additional costs, needing over 50% more than their counterparts living in urban UK outside of London.

Since 2016, there has been a small reduction in the difference between the weekly MIS budget needed in London and urban UK. This reduced 'gap' can be explained through the different rate of increases in particular budget areas in London and outside London, principally in travel costs and rent. While, for example, travel costs for single working-age adults have increased by 2% in Inner and 2.5% in Outer London between

2016 and 2017, travel costs for single working-age adults living in urban areas outside London have increased by 13% over the same period. Travel costs for a lone parent with a toddler have increased by 2% in both Inner and Outer London, while outside London travel costs, including the cost of owning and running a car, have increased by around 7%. The costs of renting in the private sector has also increased at a slower rate in London than in urban UK outside London: single working-age rents have increased by 1.4% in Inner and Outer London compared to 2.3% outside London. For pensioners the gap between the cost of a minimum budget in London and outside the capital remains the same in 2017 as it was in 2016: pensioners both in and outside of the capital benefit from free travel and therefore have not been as exposed to increases in the cost of public transport as working-age households.

Figure 2:
Additional weekly budgets compared to urban UK households, 2016 and 2017, including rent and childcare

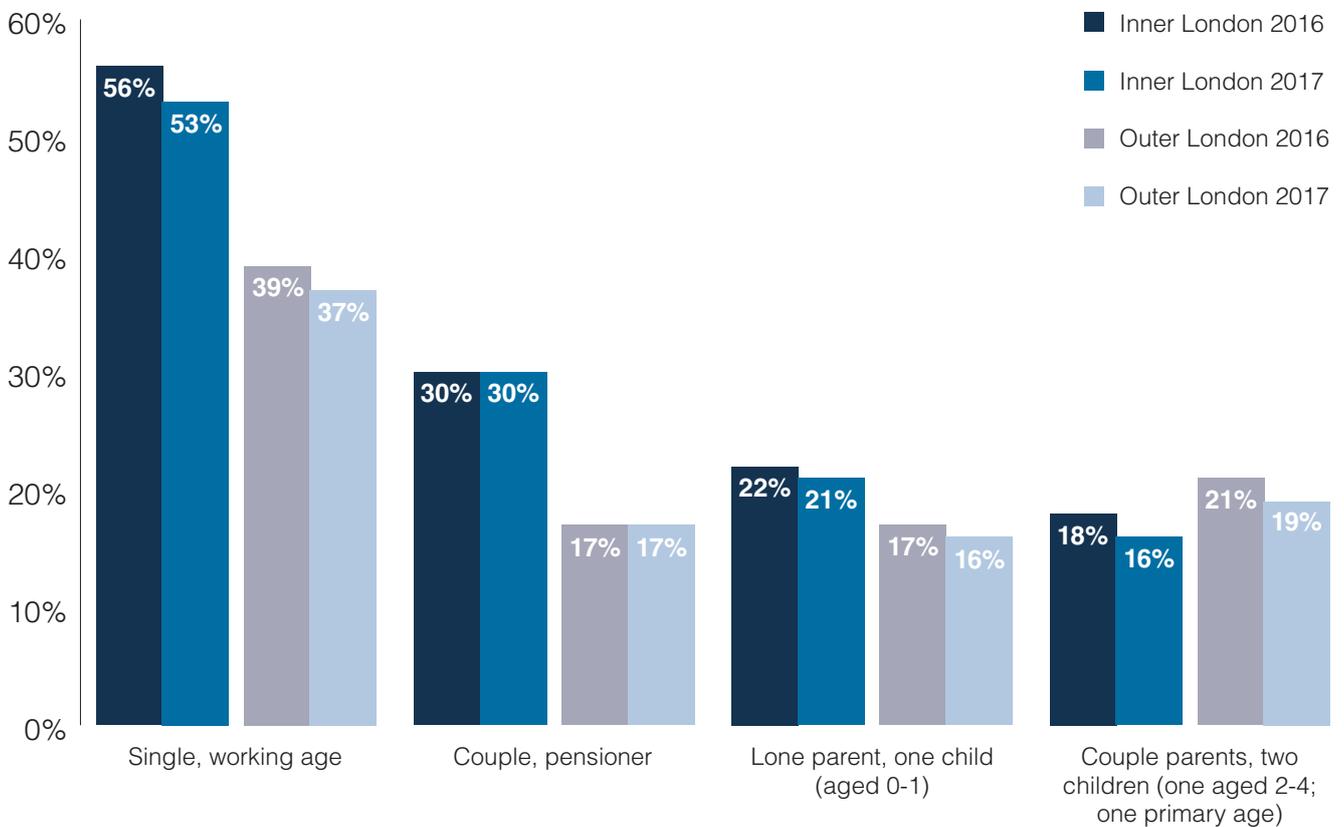


Table 3:
Comparison of weekly MIS budgets for urban UK households and London households (April 2017 prices, including rent and childcare)

Household type	Weekly budget outside London (UK MIS)	London weekly budget (£ and % difference)	
		Inner London	Outer London
Single, working age	£296.82	£455.77 (53%)	£407.68 (37%)
Couple, pensioner	£359.96	£467.70 (30%)	£420.42 (17%)
Lone parent, one child (aged 0-1)	£603.91	£730.82 (21%)	£698.58 (16%)
Couple parents, two children (one aged 2-4; one primary age)	£800.17	£927.59 (16%)	£953.17 (19%)

The significant difference in costs for working-age adults without children in London compared to urban UK outside London can be accounted for through continued higher cost of renting privately in London. In 2017, a lower quartile rent for a studio flat in Inner London was £227.67 a week, substantially higher than a single person renting outside of London (£89.70 a week). As Table 4 shows, the cost of renting in the private sector has increased at a far higher rate in London compared to the rest of the UK.

Table 4:
Increases in rents 2014 to 2017 (£ per week, based on lower quartile private rents)

	2014	2015	2016	2017	Percentage increase 2014 to 2017
<i>Single working-age adults (living alone)</i>					
UK MIS	£84.06	£86.13	£87.68	£89.70	6.7%
Inner London	£190.77	£205.25	£224.53	£227.67	19.3%
Outer London	£143.38	£147.29	£162.79	£165.07	15.1%
<i>Couple working-age adults (living alone)</i>					
UK MIS	£92.78	£94.28	£96.63	£98.86	6.6%
Inner London	£257.70	£280.31	£295.23	£299.37	16.1%
Outer London	£182.28	£193.94	£208.20	£211.21	15.9%

While housing costs in London for families with children within the MIS budgets are based on social rents, in practice access to social housing for families is becoming increasingly problematic. This means a growing proportion of families will be exposed to the often substantial additional housing costs that come with renting accommodation in the private sector. If families with children are unable to access social housing and were instead in the PRS paying a lower quartile rent, a family with one child in Inner London would need around 55% more than a family living in similar accommodation in the UK outside London. In Outer London a one child family would need around a third more than the same family living in the PRS in urban UK outside London. The challenge for families living in the private rather than the social rented is not only the increased budget needed for a minimum standard of living, but the significantly higher earnings that would be needed to provide this budget.

The 2017 MIS London budgets: income requirements and comparison with benefits, the poverty line and wages

As well as detailing the minimum budgets required by households, the Minimum Income Standard makes it possible to compare a minimum budget with income from benefits and the National Living Wage. It is also possible to compare MIS budgets to the official poverty line – 60% of median equivalised income – and to set out how much working households need to earn in Inner and Outer London in order to have the disposable income needed to provide an acceptable standard of living.

Table 5 shows the extent to which safety-net benefits fall short of providing for the minimum needs of Londoners. For working-age singles in the UK outside London, out-of-work benefits provide just over a third of the minimum budget (net of rent and council tax); in both Inner and Outer London, the same benefits cover only around a quarter of a minimum budget. While out-of-work households are in receipt of housing benefit, for working-age singles, renting in the private sector, there is a significant and growing gap between actual rents and the amount of housing benefit received, which contributes to the substantial shortfall in the amount of a minimum budget covered by out-of-work benefits. Housing Benefit entitlement is capped at maximum Local Housing Allowance rates for each area, originally set at the 30th percentile rent for appropriate properties in each area, but uprated by the Consumer Prices Index since 2013 and frozen since 2016. This means that in 2017 in Inner London there is a shortfall of £22.77 a week between Housing Benefit and rent, while in Outer London the shortfall is £16.51.

Pensioner couples, in receipt of pension credit, receive nearly enough to reach MIS in the UK outside London and in Outer London, but in Inner London fall 21% short of meeting these needs, principally because of the additional cost of social participation described by pensioners living in these areas.

Table 5:
Londoners' income compared to MIS: safety-net benefits 2017

Safety-net benefits* as % of MIS budget			
Household type	UK outside London <i>(2016 in italics)</i>	Inner London <i>(2016 in italics)</i>	Outer London <i>(2016 in italics)</i>
Single, working age	36% <i>(39%)</i>	23% <i>(25%)</i>	25% <i>(26%)</i>
Pensioner couple	97% <i>(98%)</i>	79% <i>(79%)</i>	93% <i>(93%)</i>
Lone parent, one child, aged 0-1	50% <i>(54%)</i>	53% <i>(56%)</i>	51% <i>(54%)</i>
Couple, two children, primary and preschool age	59% <i>(61%)</i>	56% <i>(57%)</i>	54% <i>(55%)</i>

*Post-rent income on Income Support or Pension Credit, including Child Benefit, Child Tax Credit and Winter Fuel Payment.

Table 6 looks at how the minimum needed for a socially acceptable standard of living compares to median household income, and shows the proportion of median income represented by MIS budgets. This enables comparison with the official 'poverty line' of 60% of median household income. The comparison makes use of the most recent available data, for 2015/16, from the Households Below Average Income (HBAI) series (Department for Work and Pensions, 2017) and compares this to an average of minimum budgets in London and in urban UK for 2015 and 2016. This shows clearly that all minimum household budgets in London are above the poverty line, and that many are significantly above this level. The most significant differences between London and the UK outside London are for single working-age adults; in Outer London the budget needed for a minimum socially acceptable standard of living for singles is 90% of median household income.

Table 6:
MIS compared with median income (2015/16)

MIS as % of median income, after housing costs (poverty line is 60%)*			
Household type	UK outside London	Inner London	Outer London
Single, working age	74%	84%	90%
Couple, pensioner	58%	72%	61%
Lone parent, one child	83%	84%	82%
Couple parents, two children	76%	81%	84%

*Based on MIS and income distribution in 2015/16.

Few households are able to reach the income needed for a minimum standard of living, working full-time on the National Living Wage (NLW). Table 7 shows that for single working-age adults in both Inner and Outer London, working full-time on the NLW provides just over half of what they need for a minimum standard of living. This is a very different situation to that for single adults in the UK outside of London, where full-time work on the NLW provides more than three-quarters of a minimum budget. The increase of 4% in the NLW has enabled income to increase slightly more than what is needed to keep up with rising costs for single working-age adults in the UK outside London, narrowing the shortfall compared to MIS. However, in London, where rents make up such a substantial proportion of single working-age adult budgets, even increases in the NLW above the cost of living leaves individuals well short of MIS.

Working full-time on the NLW also leaves households with children short of MIS, although there has been little change in the shortfall between 2016 and 2017. For couples with children living in social housing in the capital the introduction of a higher minimum wage in 2016 has helped to very slightly reduce the gap between income and the cost of a minimum budget where those families are receiving Universal Credit. The increase in the minimum wage above the cost of living, in combination with Universal Credit covering a greater proportion of childcare costs than the tax credit system, means that the shortfall for a couple with two children is 11% in Inner and 15% in Outer London in 2017. While this shortfall is significantly less than for working-age singles, there remains a gap between the proportion of a minimum budget covered working full-time on the NLW in and outside of London.

For lone parents with a young child (0-1 year old) needing full-time nursery provision, the increase in the NLW has had little impact on the shortfall between income and a minimum budget. These families, living in Inner London, have only around a third of what they need for a minimum socially acceptable standard of living in 2017, very similar to the proportion of MIS provided by full-time work on the NLW in 2016. Working full-time covers such a small proportion of what is needed to reach MIS, principally because of the substantial gap between childcare costs and support for childcare through both the tax credit and Universal Credit systems. In Outer London, the lower cost of childcare means a lone parent with a young child working full-time on the NLW has around half of what is needed for a minimum standard of living. The gap between income and a minimum budget for these families is exacerbated further by the loss of the family element of Child Tax Credit – which these families would receive working full-time at NLW – because these are ‘new’ families (i.e. the oldest child was born post-April 2017). This is worth £10.50 a week, equivalent to 3.6% of a minimum budget (after rent, childcare and council tax) for a lone parent with one child.

Table 7:
Londoners' income compared to MIS: National Living Wage (2017)

Disposable income working full-time on National Living Wage, as % of MIS budget*			
Household type	UK outside London <i>(2016 in italics)</i>	Inner London <i>(2016 in italics)</i>	Outer London <i>(2016 in italics)</i>
Single, working age	78% (77%)	53% (55%)	56% (54%)
Lone parent, one child, aged 0-1, supported by tax credits	63% (66%)	32% (33%)	48% (47%)
Lone parent, one child supported by Universal Credit*	65% (69%)	34% (35%)	49% (50%)
Couple two children, primary and preschool age, supported by tax credits	87% (88%)	75% (76%)	72% (73%)
Couple two children supported by Universal Credit*	95% (96%)	89% (88%)	85% (84%)

*After rent, council tax and childcare costs

It is worth highlighting that the situation for lone parents with very young children is a relatively extreme case. While a lone parent with a 0-1 year old in Inner London, working full-time on the NLW has only around a third of what they need, in 2017 a lone parent with a child aged 3 or 4, receiving the government-funded 15 hours of childcare each week has just under two-thirds of what is needed in Inner and 70% in Outer London.

Households in London on out-of-work benefits and the NLW continue to fall further short of reaching a minimum acceptable living standard than similar households living in urban areas of the UK outside London. The high costs of housing and childcare in particular mean that the wages required by households in London to cover a minimum budget are substantially higher than elsewhere in the UK.

For a couple with two children – one pre-school and one primary age – where both are working full-time and paying for full-time childcare, each parent needs to earn £20,381 outside London (under the tax credit system), £30,398 in Outer London (49% more than the UK rate) and £28,932 in Inner London (42% more), in order to cover minimum costs. If this household were unable to access social housing and were instead renting in the PRS, paying an average lower quartile rent, each would need to earn £37,567 in Outer London and £36,530 in Inner London. A lone parent, with a toddler in need of full-time childcare, would need to earn £37,000 outside London: in both Inner and Outer London, a lone parent's earnings need to be more than £47,000 a year. These

earnings requirements in London are substantially above what the overwhelming majority of workers in low-paid jobs could hope to earn, and this continues to pose a real challenge for households with children in meeting their minimum needs.

Table 8:
Earnings needed to reach MIS

Household type	UK outside London	Inner London Earnings needed	% difference compared to UK	Outer London Earnings needed	% difference compared to UK
Single, working age (2017)	£17,900	£30,000	68%	£26,400	47%
Single, working age (2016)	£17,300	£29,600	71%	£25,700	49%
Couple two children, primary and preschool age, (each parent) (2017)	£20,400	£28,900	42%	£30,400	49%
Couple two children, primary and preschool age, (each parent) (2016)	£18,900	£28,400	50%	£29,900	58%

A single person living on their own in urban areas in the UK outside London, needs to earn £17,934 a year in order to achieve a minimum socially acceptable standard of living. In Outer London, this requirement increases to £26,394 (47% more) and in Inner London to £30,043 (68% more). These earnings calculations are based on a working-age individual living on their own in a studio flat, but many single adults in London live in shared accommodation. Someone renting a room in a shared house would need to earn around £21,000 a year in Outer London and £22,100 a year in Inner London in order to reach MIS.

3. Households below the Minimum Income Standard in London

The Minimum Income Standard for London provides the basis for an analysis of the proportion of individuals living in London whose incomes mean that they do not have everything they need to reach a minimum socially acceptable standard of living. Using the approach used to calculate indicators of income adequacy for the whole of the UK (Padley, Hirsch and Valadez, 2017, Padley, Valadez Martinez and Hirsch, *forthcoming*), it is possible to estimate the proportion of individuals in London living in households with incomes below MIS, and to examine how this has changed over time. The data presented here provide single-year ‘snapshots’ of the adequacy of incomes within the capital, for three key demographic categories: working-age adults, pensioners and children. The figures use MIS London budgets for 2010/11 and 2015/16 and compare these to income data for London, from the Family Resources Survey, for corresponding years.

Table 9 shows that in 2015/16, 39% of all individuals in London were below MIS, significantly higher than the 30% of individuals below MIS in the UK as a whole. The total number of individuals below MIS in London increased from around 3.1 to 3.5 million between 2010/11 and 2014/15, falling back to 3.3 million in 2015/16. Between 2010/11 and 2015/16 the proportion of individuals with incomes below 75% MIS – the point at which individuals face a greatly increased risk of material deprivation or financial hardship compared with those whose incomes are above the MIS benchmark (Hirsch et al, 2016) – fell slightly from 27% to 26%. This means that more than a quarter of Londoners have incomes which mean they are unable to afford some things deemed essential by most people: from material essentials, such as a warm home, to those considered important for social inclusion, such as the ability to celebrate special occasions or eat out occasionally.

The likelihood of having an insufficient income varies across demographic groups. Children are the most likely to be below the MIS threshold, with 52% below this threshold in 2015/16, a slight increase since 2010/11 and a reduction since 2014/15. While the proportion of children below MIS has fallen back between 2014/15 and 2015/16, it remains well above the 44% of children below MIS in the UK as a whole in 2015/16 (Padley, Valadez Martinez and Hirsch, *forthcoming*).

There is significant variation in the likelihood of growing up in a household with an income below MIS related to household composition. This likelihood is substantially higher for children living in lone parent households (82% in 2015/16) compared to those living in couple parent households (41% in 2015/16). The likelihood of being in a household below MIS for children in couple parent households is lower in 2015/16 than it was in 2010/11, while for those in lone parent households the likelihood has increased. For children in lone parent households, 55% have an income below 75%

of MIS and this proportion has increased since 2010/11. In contrast, the proportion of children in couple parent households below 75% of MIS has fallen between 2010/11 and 2015/16. Around three quarters of children in London live in couple parent households with a quarter living in lone parent households.

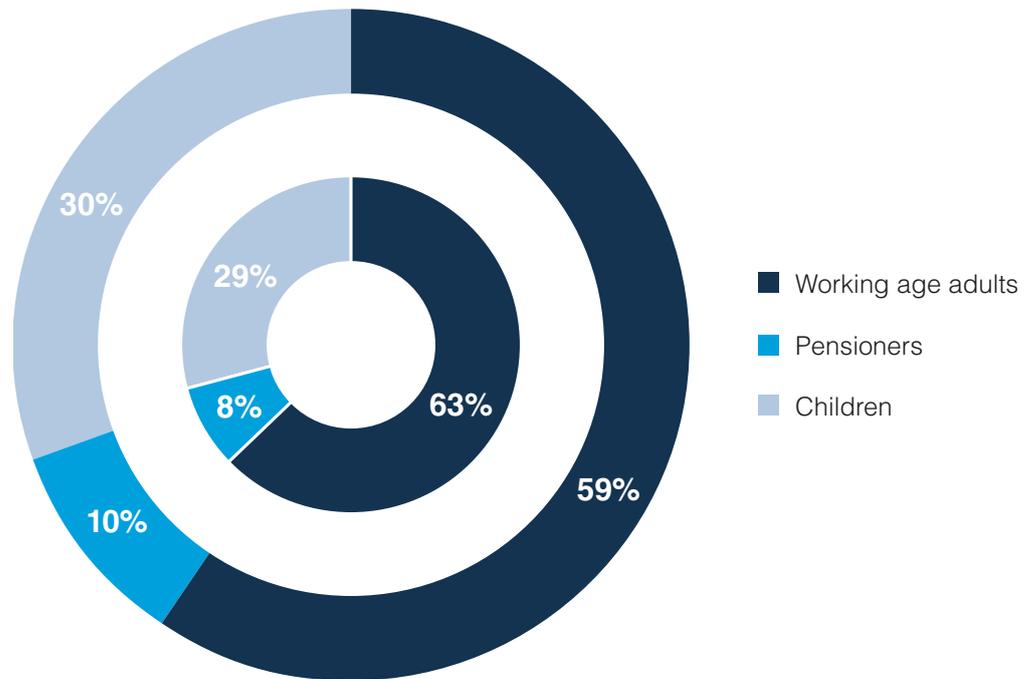
In 2015/16 pensioners in London face a much lower likelihood of having incomes below MIS than children, but there has been a convergence in the likelihood of low income between pensioners and working-age adults. The proportion of pensioners below MIS has increased from 23% in 2010/11 to nearly a third (32%) in 2015/16. A greater proportion of pensioners in London are below MIS than in the UK as a whole: 15% of pensioners in the UK as a whole are below this threshold compared with 32% in London (Padley, Valadez Martinez and Hirsch, *forthcoming*). There are a range of factors that could account for the increase in the proportion of pensioners below MIS. While pensioners have benefited from increases in pensions and pension credit being linked to the higher of earnings or price increases, this does not mean that pensioner incomes have kept pace with the rising cost of a minimum budget. It is also likely that many pensioners will face higher housing costs than those specified in MIS, reducing post-housing income through which to cover the cost of a minimum.

Table 9:
Proportion of individuals below MIS in 2010/11 and 2015/16, by demographic group

Demographic group	Proportion below MIS		Number below MIS (millions)	
	2010/11	2015/16	2010/11	2015/16
Working-age adults	38%	35%	1.95	1.96
Pensioners	23%	32%	0.24	0.33
Children	51%	52%	0.89	0.99
London total	39%	39%	3.1	3.3

Figure 3 shows the composition of individuals with incomes below MIS in London in 2010/11 and 2015/16. There has been little significant change in the composition of those below MIS in London, although working-age adults account for a smaller proportion in 2015/16 than in 2010/11.

Figure 3:
Composition of individuals below MIS 2010/11 (inner circle) and 2015/16 (outer circle)



As well as looking at the differences between these three key demographic groups, it is also possible to look at how the likelihood of being below MIS varies for individuals according to gender. Within the UK as a whole, women are more likely to have incomes below MIS than men: 27% of women and 24% of men in 2015/16 have incomes below that needed for a minimum standard of living. In London, more than a third of women (38%) of women are living in households with insufficient income, compared to 31% of men.

The likelihood of having an income below MIS varies according to housing tenure type. Table 10 shows that those living in the social rented sector are the most likely to have an income below MIS with nearly three-quarters of individuals in social housing having insufficient income. The proportion of those in social housing with incomes below MIS has increased between 2010/11 and 2015/16. The risk of insufficient income in the private rented sector (PRS) has fallen slightly between 2010/11 and 2015/16, but still over half living in the PRS have incomes below MIS. Over three-quarters of all individuals with incomes below MIS are in some form of rented accommodation: of the 3.3 million individuals below MIS, 1.3 million are in the PRS and 1.2 in the social rented sector.

Table 10:
Changes in the likelihood of falling below MIS by housing type, and the composition of those below MIS by housing type

Housing type	2010/11		2015/16	
	Risk of being below MIS	Composition	Risk of being below MIS	Composition
Social rented sector	71%	35%	74%	38%
Private rented sector	57%	38%	52%	40%
Owned outright	19%	10%	19%	9%
Owned with mortgage	19%	17%	16%	13%

Conclusion

This update to the Minimum Income Standard for London has shown that, in general, the cost of a minimum socially acceptable standard of living in the capital continues to exceed that for households in the UK outside London. Many costs in London are similar to those in the UK outside of London: excluding rent and childcare. However, the gap between London and urban areas outside the capital has reduced slightly between 2016 and 2017. Yet there still remain significant differences between the cost of a minimum in London and outside the capital. Rent in the private rented sector takes up half of a minimum budget for working-age singles in Inner London, compared to less than a third in urban areas outside London. The cost of childcare for households with children in London, means that even working full-time on the National Living Wage, these families are falling further short of a minimum than their counterparts in the UK outside London.

The key policy challenges facing London remain those relating to the availability and provision of genuinely affordable housing, and the provision of adequate support for housing and childcare costs for working households. Significant (re)investment in social housing or linking rent levels to average local earnings may help to ease the burden of housing costs for some households. Yet even with increases in private rents slowing slightly, this update has shown that gains from increased earnings for those on the NLW are all too easily wiped out by rent increases. Childcare costs within London are substantially higher than in urban areas of the UK outside London, and support for working families in some circumstances covers only a fraction of the cost of childcare. The level of support for childcare costs is higher under Universal Credit than under the tax credit system, but many working families will still have a large shortfall to make up, once again potentially reducing any gains from increases in earnings. Housing and childcare are, therefore, two areas where both increased state support and measures to address and reduce costs could have a significant positive impact on the ability of many households in London to make ends meet.

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