

GLAECONOMICS

Living Wage Unit

A Fairer London:
The 2012 Living Wage in London



MAYOR OF LONDON

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Foreword

The economic challenges faced so resolutely by Londoners remain intense. I am determined to do all I can to create a platform for the strongest possible recovery in London, including building new homes, bringing down crime and improving transport.

I am confident that London will continue to lead the way for the national economy and that we will continue to show the world, as we did so memorably with this summer's Olympic and Paralympic Games, that despite being buffeted by recent recessions, London has remained a 'can-do city' – a city that can attract international investors, a city that is at ease with itself and socially cohesive, and a city that prides itself on its resolve, diversity and creativity.

The daily life of our great city depends on those who sustain it continuously, often working while the rest of us are still in our beds – those who clean London's workplaces and seats of learning, as well as those who work for London's charities and its shops. It is right that their skills and commitment to London's success are appropriately recognised and rewarded. A good place to start is by ensuring that all Londoners are reasonably paid and that means receiving at least the 'London Living Wage' which provides a minimum acceptable quality of life plus a bit more 'for a rainy day'.

That is why I am delighted to publish the Living Wage Unit's eighth annual report and to announce that the 2012 London Living Wage is £8.55 per hour.

The success of the Living Wage can only be measured by the number of employers who commit to it and the number of employees affected. A recent paper by authors at Queen Mary University estimated that some 11,500 London workers have benefited. I am delighted that together with Citizens UK, The Living Wage Foundation and other partners, we have persuaded more employers to sign up even in these difficult times and there are now close to 200 employers in London who are committed to paying the Living Wage. The GLA Group includes the London Living Wage as a requirement as contracts are let or renewed. There are now some 3,400 London Living Wage beneficiaries across the Group. It gave me particular pleasure to see that the vast majority of workers in the Olympic Park were paid at least the Living Wage.

Nevertheless there is still some way to go before all Londoners receive the London Living Wage. Ten per cent of full time workers and 44 per cent of part-time workers earn less than the Living Wage – a total approaching 700,000. I will be putting as much pressure as I can on businesses that haven't yet agreed to pay the London Living Wage.

Paying the London Living Wage is the right thing to do – it can make all the difference for low income families. But it also makes sound business sense. There is increasing evidence that organisations that pay the Living Wage experience lower staff turnover and higher staff morale, health and productivity as well as being seen as good places to work and acquiring reputational benefits.

This report explains the calculation of the London Living Wage. As before we use a combination of two calculations to compute the "poverty threshold wage" of £7.45 per hour but we then add a margin of 15 per cent to protect against unforeseen events.

This summer showed beyond anyone's doubt the superlatives that London is capable of achieving. As the economy grows I want everyone to have a share in it. The London Living Wage is fundamental to that goal.



Boris Johnson
Mayor of London

Executive summary

This is the eighth London Living Wage report from the GLA. It unveils the update of the Living Wage in London, calculated (as previously) by combining an assessment of the cost of achieving an adequate standard of living with a threshold (60 per cent) of the median London income of representative London households.

This year the timing of the updating and the publication of the report has been changed from spring to autumn. This decision was based on representations from many employers who wanted an autumn release to fit into their budgetary cycles, ahead of their pay reviews early in the new financial year.

Since 2006 the GLA Group has been implementing the London Living Wage (LLW) provisions. The Group continues to include the LLW as a requirement as contracts are let or renewed. There are now some 3,400 LLW beneficiaries on various support services contracts across the GLA Group estate. Good progress has been made this year through our engagement with the private sector with 12 major London employers newly signed up to pay the LLW. A number of Higher Education institutions and London boroughs have also strengthened their commitment to the LLW. In total there are now nearly 200 London-based employers committed to the London Living Wage.

As previously we calculate the Living Wage by a combination of two approaches. The first, developed by the Family Budget Unit (FBU),¹ estimates the costs of a 'Low Cost but Acceptable' (LCA) budget for a selection of households and calculates the wage required to meet these costs. This is termed the "Basic Living Costs" approach. The second – the "Income Distribution" approach – simply identifies the median income for London (appropriately weighted for 11 household types) and then takes 60 per cent of it.

The Basic Living Costs approach yields an hourly wage of £7.10 per hour and the Income Distribution approach one of £7.80.

The average of these two wages (called the "poverty threshold wage") is £7.45 per hour.

In order to protect against unforeseen events a margin of 15 per cent is added to the poverty threshold wage. This gives a figure of £8.55 per hour (when rounded to the nearest five pence) as the London Living Wage.

If means-tested benefits were not taken into account (that is, tax credits, housing benefits and council tax benefits) the Living Wage would be approximately £10.70 per hour. However we believe that in-work benefits and tax credits must be taken into account, as the tax and benefit system is redistributive.

Data from the Annual Survey of Hours and Earnings suggests that 88.6 per cent of full-time employees in London earn more than the Living Wage of £8.55 per hour. 4.6 per cent earn less than the Living Wage but more than the poverty threshold wage of £7.45. The remaining 6.8 per cent earn a wage below £7.45.

53.8 per cent of part-time employees in London earn more than the Living Wage. 12.6 per cent are paid less than the Living Wage but more than the poverty threshold wage. The remaining 33.6 per cent earn a wage below £7.45.

Adding full-time and part-time workers together, 81.3 per cent earn more than the Living Wage and 12.5 per cent earn below the poverty threshold wage.

Perhaps surprisingly (in view of the gender gap for pay for full-time employees) a significantly higher proportion of part-time men (51.5 per cent) in London earns below the Living Wage compared with part-time women (43.7 per cent). There are two likely reasons for this: first, women are more likely than men to have longevity within their part-time job and second, part-time women are better distributed within sectors and occupations than men. These conclusions follow from the data: A higher proportion of women work part-time throughout their careers than men and there are more than twice as many women as men working part-time in London.

1. Introduction

The 2012 edition of the annual Living Wage report for London unveils the update of the Living Wage in London, calculated (as previously) by combining an assessment of the cost of achieving an adequate standard of living with a threshold (60 per cent) of the median London income. We also review progress in implementation of the Living Wage. This year the timing of the updating and the publication of the report has been changed from spring to autumn.

1.1 Structure of the paper

Chapter 2 outlines the Basic Living Costs approach and presents the resulting calculation. Chapter 3 does the same for the Income Distribution approach. Chapter 4 compares the two results and calculates the London Living Wage. In Chapter 5 we review progress in the adoption of the Living Wage. This is followed by Chapter 6, the concluding chapter, with technical appendices at the end of the report.



2. Basic Living Costs approach

This section explains the Basic Living Costs approach that was developed by the Family Budget Unit (FBU). The FBU calculated the expenditure required to achieve a *Low Cost but Acceptable* (LCA) standard of living, for a range of 'typical' families.² Depending on the working patterns of a family, the wage rate needed to finance this expenditure is then calculated.

This wage level is not the same as the Minimum Wage.³ It is defined by the FBU as a wage that achieves an adequate level of warmth and shelter, a healthy palatable diet, social integration and avoidance of chronic stress for earners and their dependents.⁴

In this section we assess changes in the various items that contribute to Basic Living Costs over the past 18 months, since the publication of the 2011 report.

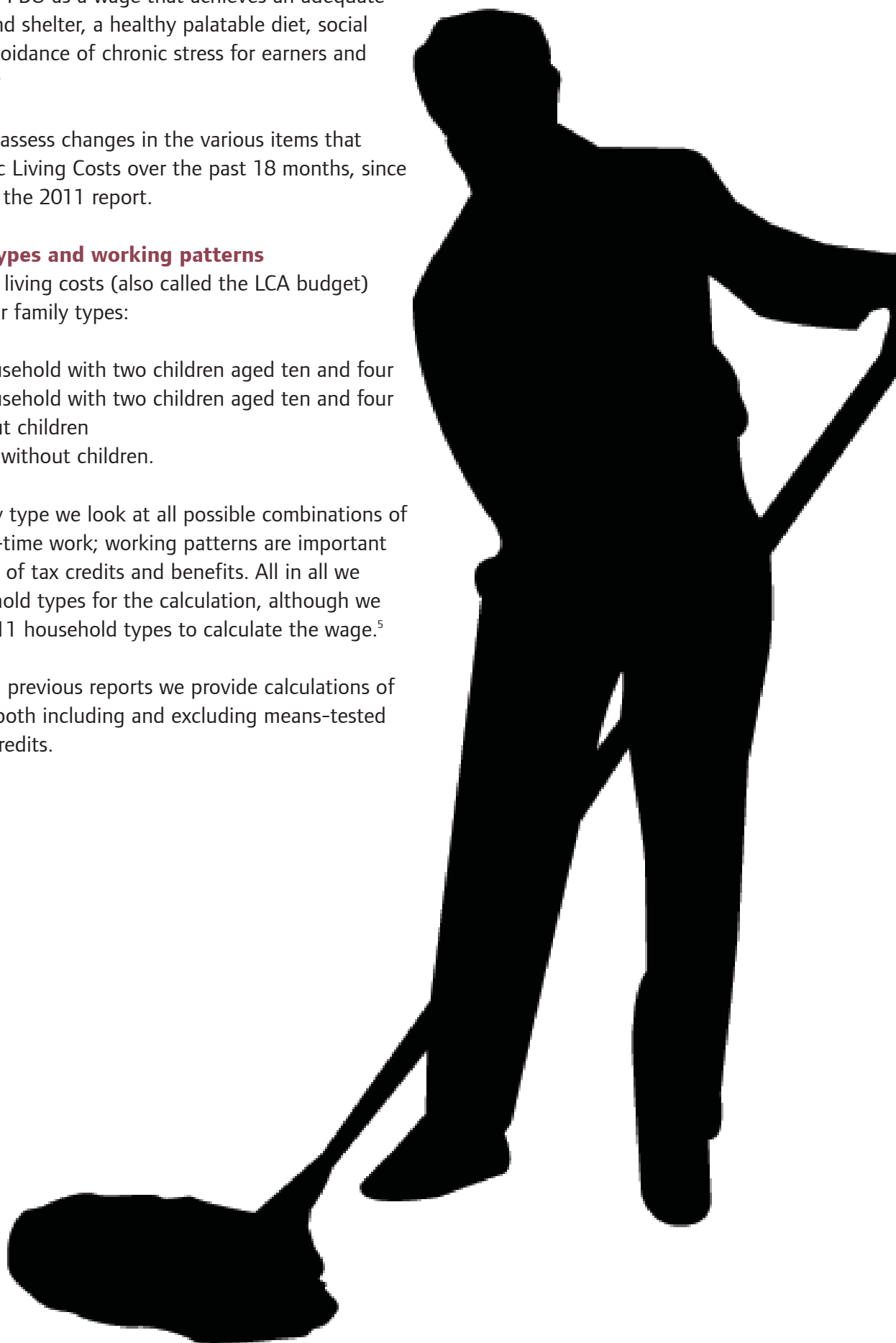
2.1 Household types and working patterns

Estimates of basic living costs (also called the LCA budget) were made for four family types:

- a two adult household with two children aged ten and four
- a one adult household with two children aged ten and four
- a couple without children
- a single person without children.

Within each family type we look at all possible combinations of full-time and part-time work; working patterns are important for the calculation of tax credits and benefits. All in all we analyse 14 household types for the calculation, although we only use data for 11 household types to calculate the wage.⁵

In this report as in previous reports we provide calculations of the Living Wage, both including and excluding means-tested benefits and tax credits.



Box 1 – The impact of Universal Credit on low income households in London

The Government intends to introduce significant changes to the way means-tested benefits are awarded. The main change will be the introduction of the “Universal Credit” (UC), replacing all means-tested benefits. Pathfinders⁶ of the UC are due to launch in April 2013, with the national launch date set for October 2013. The aim is for UC to replace most of the existing means-tested benefits and tax credits for working-age individuals. This includes income support, income-based Job Seekers’ Allowance, income-related employment and support allowance, housing benefit, child tax credit and working tax credit. However, there are some benefits which will not be rolled into UC: these include contribution-based employment and support allowance, contribution-based Job Seekers’ Allowance, disability living allowance and child benefit. Some specific non-means tested benefits will also not be affected by Universal Credit, including maternity allowance, statutory maternity pay, statutory sick pay, industrial injuries, disablement benefit and bereavement benefits.

The maximum entitlement under Universal Credit = personal amount⁷ + child additions + disability additions + housing element

We do not expect Universal Credit to have a significant impact on the incomes of low pay households, since the structure of Universal Credit is likely to be very similar to existing means-tested benefits. Individuals will still receive a personal credit and top-ups depending on their specific circumstance based on differences in basic living costs. The Government has indicated that the personal amount will be higher for couples than for single people and – as in income support – it will be lower for some young people. The personal amount will be topped up by additions for disability, housing costs and for children. The greatest change as a result of the introduction of UC will be those to the housing component. Under UC, the housing component will be similar to housing benefit for social sector tenants and local housing allowance. There is also likely to be a significant impact from the changes to income disregards and withdrawal rates. The basic structure of UC ensures that most out of work benefit claimants will see their entitlements unaffected. Research by the Institute of Fiscal Studies (IFS) suggests that the combination of earnings disregards and the 65 per cent rate of withdrawal against earned income in Universal Credit means that it will benefit those further up the income distribution and that working tax credit can be scrapped. This withdrawal rate of 65 per cent under UC equates to about 76p for someone earning enough to be liable for income tax and National Insurance. This compares to almost 73 per cent withdrawal rates under current withdrawal and tax credits which came into effect in April 2011. Consider someone earning enough to pay income tax and National Insurance. Under the current regime, an additional £1 of income will result in the loss of 41p of tax credits, 12p of National Insurance and 20p for income tax (73p). Under Universal Credit, this individual will lose 20p and 12p from tax and National Insurance deductions respectively and 65 per cent of the remaining 68p (44.2p). This leads to a marginal effective tax rate of 76.2p under Universal Credit. It should be noted that an individual will be better off under Universal Credit if s/he works less than 30 hours per week due to the lower withdrawal rate under Universal Credit than under the existing system. This is because under the current system, working tax credit kicks in when the number of working hours reaches 30 for someone without children.

As previously, households with only one earner and who is working part time, are excluded from the wage calculation but information on lone parents working part-time is included in this report.

2.2 Costs

Basic living costs are divided into the following sub-categories:

- Housing
- Council tax
- Transport
- Childcare
- All other costs (a 'regular shopping basket').

For the first four sub-categories, cost estimates are based on direct data for London. For the fifth item, we used a comparison of regional price differences produced by the Office for National Statistics (ONS).⁸ The ONS has not published an update so we did this by assuming that the price increase for each element in the shopping basket is the same as for the UK as a whole.⁹

We used the methodology outlined in the 2005 Living Wage Report to derive housing costs for the different types of families.

Tables 2.1a and 2.1b show our calculation of basic living costs. Details of the calculations can be found in Appendix A.

Table 2.1: Basic Living Costs (LCA budget) for typical families living in London (£ per week)

2.1a: Households with children

	Couple with children					Lone parent	
	2ft	1ft 1pt	2pt	1ft	1pt	ft	pt
Shopping basket costs	213.95	213.95	213.95	213.95	213.95	162.21	162.21
Housing	106.27	106.27	106.27	106.27	106.27	106.27	106.27
Council Tax	25.08	25.08	25.08	25.08	25.08	18.81	18.81
Total Transport Costs	60.65	60.65	60.65	30.32	30.32	30.32	30.32
Childcare Costs	257.06	123.77	123.77	0.00	0.00	257.06	123.77
Total Costs	663.01	529.72	529.72	375.63	375.63	574.67	441.38

2.1b: Households without children

	Couple with no children					Single no children	
	2ft	1ft 1pt	2pt	1ft	1pt	ft	pt
Shopping basket costs	128.37	128.37	128.37	128.37	128.37	100.09	100.09
Housing	175.00	175.00	175.00	175.00	175.00	99.00	99.00
Council Tax	25.08	25.08	25.08	25.08	25.08	18.81	18.81
Total Transport Costs	60.65	60.65	60.65	30.32	30.32	30.32	30.32
Childcare Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Costs	389.10	389.10	389.10	358.78	358.78	248.22	248.22

Notes: ft= full-time and pt= part-time

Source: GLA Economics based on various data sources: see Appendix A

Tables 2.2a and 2.2b show that Basic Living Costs rose over the period for all the different model household types. Households with children experienced a cost increase of between 2.9 and 4.8 per cent, compared to increases of between 3.5 and 3.7 per cent for households without children.

The average of annual inflation from June 2012 to August 2012 was used to update the shopping basket costs. These rose by between 2.0 and 2.3 per cent. Some of the highest increases in costs were: +4.6 per cent for energy/fuel, +3.3 per cent for NHS charges and around +3.2 per cent for insurance/pension contributions. Only two items experienced falls in price: clothing and leisure goods, which fell by 0.5 and 1.3 per cent respectively (see Appendix A, Table A4).

Housing costs for households with children – on our assumption that they have access to social housing – have risen by 4.7 per cent since last year's report. Households without children are assumed to be in the private rented sector. For single people housing costs rose by 5.3 per cent, while for couples the increase was 4.8 per cent. However, council tax for all groups has fallen by 0.3 per cent.

Transport costs have again increased, rising by 6.2 per cent since the last Living Wage uplift, and childcare costs are also up – by 6.8 per cent.

Table 2.2: Annual percentage change in LCA costs between 2011 and 2012 Living Wage reports
2.2a: Households with children

	Couple with children					Lone parent	
	2ft	1ft 1pt	2pt	1ft	1pt	ft	pt
Shopping basket costs	2.0	2.0	2.0	2.0	2.0	2.1	2.1
Housing	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Council Tax	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
Total Transport Costs	6.2	6.2	6.2	6.2	6.2	6.2	6.2
Childcare Costs	6.8	6.8	6.8			6.8	6.8
Total LCA Costs	4.5	4.0	4.0	2.9	2.9	4.8	4.2

2.2b: Households without children

	Couple with no children					Single no children	
	2ft	1ft 1pt	2pt	1ft	1pt	ft	pt
Shopping basket costs	2.0	2.0	2.0	2.0	2.0	2.3	2.3
Housing	4.8	4.8	4.8	4.8	4.8	5.3	5.3
Council Tax	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
Total Transport Costs	6.2	6.2	6.2	6.2	6.2	6.2	6.2
Childcare Costs							
Total LCA Costs	3.7	3.7	3.7	3.5	3.5	3.7	3.7

Notes: ft= full-time and pt= part-time

Source: GLA Economics based on various data sources: see Appendix A

2.3 Earnings and household incomes

The benefits that households can access and applicable tax credits depend on the level of earnings and household circumstances. For our analysis we consider the impacts of working tax credit, child tax credit, child benefit, housing benefit and council tax benefit. Of these, only child benefit is not means-tested (although this is set to change from 2013). Some benefits depend on childcare and housing rental costs.¹⁰

Table 2.3 illustrates the disposable income of 11 different household types, assuming different working patterns, with earnings at the level of the NMW (£6.19).¹¹ In all calculations that follow, a full-time worker is assumed to work 38.5 hours a week and a part-time worker 17 hours.¹²

Table 2.3: Incomes of different households, including and excluding means-tested benefits (£ weekly figures), at the National Minimum Wage (NMW)**2.3a: Households with children**

	Couple with two children				Lone parent	
	2ft	1ft 1pt	2pt	1ft	ft	pt
Joint earnings at £6.19 per hour	476.63	343.55	210.46	238.32	238.32	105.23
Taxes	63.80	31.90	0.00	31.90	31.90	0.00
Earnings net of taxes	412.83	311.65	210.46	206.42	206.42	105.23
All relevant benefits						
All relevant benefits	267.21	228.47	283.03	237.49	364.91	310.85
Total income	680.04	540.11	493.49	443.91	571.33	416.08
Excluding means-tested benefit						
Child benefit	33.70	33.70	33.70	33.70	33.70	33.70
Total income	446.50	345.30	244.20	240.10	240.10	138.90

2.3b: Households without children

	Couple with no children				Single no children
	2ft	1ft 1pt	2pt	1ft	ft ¹³
Joint earnings at £6.19 per hour	476.63	343.55	210.46	238.32	238.32
Taxes	63.80	31.90	0.00	31.90	31.90
Earnings net of taxes	412.83	311.65	210.46	206.42	206.42
Including all relevant benefits					
All relevant benefits	0.00	23.08	107.73	106.36	8.52
Total income	412.83	334.73	318.19	312.78	214.93
Excluding means-tested benefits					
Child benefit	0.00	0.00	0.00	0.00	0.00
Total income	412.8	311.6	210.5	206.4	206.4

Notes: ft= full-time and pt= full-time

All figures rounded to nearest 10 pence

Source: GLA Economics

Table 2.4 shows the basic living costs for the various household types together with the weekly income derived at the National Minimum Wage (NMW) level (from Table 2.3). Appendix C illustrates the difference between income and basic living costs (the LCA budget standard) at £6, £6.19, £7, £8 and £9 per hour.

Table 2.4: Weekly incomes (£), costs and incomes after costs, at the NMW hourly rate**2.4a: Households with children**

	Couple with two children				Lone parent	
	2ft	1ft 1pt	2pt	1ft	ft	pt
Including all relevant benefits						
Total income	680.04	540.11	493.49	443.91	571.33	416.08
Basic living costs	663.02	529.73	529.73	375.64	574.67	441.38
Income minus costs	17.0	10.4	-36.2	68.3	-3.3	-25.3
Excluding means tested benefits						
Total income	446.5	345.3	244.2	240.1	240.1	138.9
Basic living costs	663.02	529.73	529.73	375.64	574.67	441.38
Income minus costs	-216.5	-184.4	-285.6	-135.5	-334.6	-302.4

2.4b: Households without children

	Couple with no children				Single no children
	2ft	1ft 1pt	2pt	1ft	ft
Including all relevant benefits					
Total income	412.83	334.73	318.19	312.78	214.93
Basic living costs	389.10	389.10	389.10	358.78	248.22
Income minus costs	23.7	-54.4	-70.9	-46.0	-33.3
Excluding means-tested benefits					
Total income	412.8	311.6	210.5	206.4	206.4
Basic living costs	389.10	389.10	389.10	358.78	248.22
Income minus costs	23.7	-77.5	-178.6	-152.4	-41.8

Notes: ft=full-time and pt=part-time

All figures rounded to nearest 10 pence

Source: GLA Economics

For some household types, the NMW together with the assumed working patterns are sufficient to cover their weekly basic living costs assuming all relevant tax credits and benefits are claimed.¹⁴ However, as Table 2.5 also shows, for other household groups the NMW is not sufficient to cover basic living costs.

Using basic living costs as a target income level, it is possible (through iteration of the tax and benefit model established for this exercise) to calculate the wage required for each household to cover its basic living costs. Table 2.5 shows the hourly wage required for each household type to meet its basic living costs.

Table 2.5: Hourly wages required to meet basic living costs for different households**2.5a: Households with children**

	Couple with two children				Lone parent	
Earners	2ft	1ft 1pt	2pt	1ft	ft	pt
Number of people	213,096	273,058	14,518	138,820	51,858	30,662
Wage level including all the relevant benefits	6.19	6.19	8.40	6.19	6.50	9.35
Wage level excluding means-tested benefits	10.35	10.80	15.00	11.40	>15	>15

2.5b: Households without children

	Couple with no children				Single no children	Weighted Average**
Earners	2ft	1ft 1pt	2pt	1ft	ft	
Number of people	424,346	108,864	14,368	79,751	416,037	1,765,378
Wage level including all the relevant benefits	6.19	8.05	13.00	12.00	7.80	7.10
Wage level excluding means-tested benefits	6.19	8.05	13.00	12.00	7.80	9.10

Notes: ft=full-time and pt=part-time

* NMW sufficient to meet basic living costs (LCA budget standard)

The number of people in different household groups was derived from Census 2001 and rounded to nearest 100.

The NMW (£6.19) has been used as a lower limit for the wage when calculating the weighted average wage as it is generally illegal to pay wages below the NMW.

**This weighted average covers both households with, and without children and has been rounded to the nearest 5 pence.

From Table 2.5, **the weighted average wage across the different household types required to meet basic living costs is £7.10** assuming all benefits are included, compared to £9.10 if means-tested benefits are ignored.

Assuming all relevant benefits and tax credits are claimed, about 59 per cent of the working households considered in this analysis would achieve their basic living costs, or LCA standard of living, at the £6.19 National Minimum Wage (NMW).



3. The Income Distribution approach

The Income Distribution approach calculates the wage required to place a household on the 60th percentile of median income.

The Department for Work and Pensions (DWP) provides indicators on the average income of households.¹⁵ This measure uses household disposable incomes, adjusted for household size and composition, as a proxy for material living standards or, more precisely, for the level of consumption of goods and services that people could attain given the disposable income of the household in which they live.¹⁶

DWP provides two measures of disposable income: before and after housing costs. This report only considers the disposable income after housing costs. Disposable income after housing costs consists of earnings, all social security benefits (including housing and council tax benefits), pensions, maintenance payments, educational grants, and cash value of payments in kind such as free school meals for all members of the household, less income tax (including national insurance, pension contributions) and maintenance or support payments made to people outside the household. Rent, mortgage interest payments, water charges and structural insurance premiums, are deducted from income on this measure.¹⁷

Based on this measure, the household median income in 2010/11 was £359 per week for a couple with no children. This translates into £506.19 for a couple with children. DWP provide details of the process by which to calculate equivalent incomes for other household types.¹⁸

Using the equivalisation process, incomes for the various household types considered earlier have been calculated. Table 3.1 illustrates the median income and different percentages of median income for the different household types.

Given these income levels and using the same tax and benefit model as in the previous section, wages that achieve the different households' disposable income can be approximated.

Table 3.1: Disposable income thresholds for different types of households (£ per week, 2010/11,)

	Couple with children	Lone parents with children	Couple with no children	Single person with no children
Median	506.20	344.60	359.00	197.50
70% of median	354.30	241.20	251.30	138.20
65% of median	329.00	224.00	233.40	128.30
60% of median	303.70	206.80	215.40	118.50

All figures rounded to nearest 10 pence

Source: GLA Economics based on DWP data for 2010/11).

Table 3.2 shows the approximate hourly wage required to achieve the level of disposable income that would place each household at 60, 65 and 70 per cent of median income (both including and excluding benefits). The Government's poverty threshold is 60 per cent of median income. Hence, we focus on the wage required to meet this income level.

Table 3.2: Approximate hourly wages required to reach a certain percentage of median income for different households**3.2a: Households with children**

	Couple with two children				Lone parent	
Earners	2ft	1 ft 1pt	2pt	1ft	ft	pt
Including all relevant benefits						
60% of median income	6.80	7.20	11.00	10.40	7.90	12.45
65% of median income	8.00	8.55	13.75	12.85	9.55	>15.00
70% of median income	9.20	10.10	15.00	15.00	11.25	>15.00
Excluding means-tested benefits						
60% of median income	10.90	11.55	>15.00	13.65	>15.00	>15.00
65% of median income	11.35	12.25	>15.00	14.60	>15.00	>15.00
70% of median income	11.85	12.90	>15.00	>15.00	>15.00	>15.00

3.2b: Households without children

	Couple with no children				Single no children	Weighted Average
Earners	2ft	1ft 1pt	2pt	1ft	ft	
Including all relevant benefits						
60% of median income	6.25	8.70	14.15	14.20	7.35	7.80
65% of median income	6.60	9.15	15.00	14.85	7.70	8.70
70% of median income	6.95	9.65	>15.00	>15.00	8.10	9.55
Excluding means-tested benefits						
60% of median income	6.25	8.70	14.15	14.2	7.35	9.55
65% of median income	6.60	9.15	14.90	14.85	7.70	10.00
70% of median income	6.95	9.60	>15.00	>15.00	8.10	10.40

3.2c: Memo: Numbers of people in London that would attain 60% of median income at various wage levels

	Couple with two children				Lone parent	
Earners	2ft	1 ft 1pt	2pt	1ft	ft	pt
Total number of people of this family type	213,100	273,100	14,500	138,900	51,900	30,600
Number which would attain 60% of median income at a wage of:						
£6.19	0	0	0	0	0	0
£7.80	213,100	273,100	0	0	0	0

	Couple with no children				Single no children	Total number of people in all households considered
Earners	2ft	1ft 1pt	2pt	1ft	ft	
Total number of people of this family type	424,300	108,900	14,400	79,800	416,000	1,765,500
Number which would attain 60% of median income at a wage of:						
£6.19	0	0	0	0	0	265,000
£7.80	424,300	0	0	0	416,000	1,326,500

Notes: ft=full-time and pt=part-time

*The NMW (£6.19) is sufficient to meet the 60 per cent of median income threshold.

The NMW has been used as a lower limit for the wage when calculating the weighted average wage. The weighted averages are calculated using £15 per hour as an upper limit.

All money figures rounded to the nearest five pence. All population figures rounded to the nearest 100.

Source: GLA Economics and Census 2001

Data from Table 3.2 indicates that none of the working households considered here would attain 60 per cent of median income at the £6.19 NMW (even assuming all relevant benefits were claimed). **The weighted average wage (assuming all relevant benefits are claimed) required to achieve 60 per cent of median income is £7.80.** At this wage, three quarters of the households considered would achieve the 60 per cent median income threshold. Note that in contrast to the LCA approach (see Chapter 2), relatively high wages are required for families with children to attain the target income required to avoid poverty.

4. Comparison of the two approaches and the wage distribution

This section compares the results of the two approaches and then looks at the wage distribution to see what proportion of the working population in London would be affected by a Living Wage if adopted London-wide.

Under the Basic Living Costs approach, around 59 per cent of the households considered in this analysis would cover their basic living costs at the £6.19 NMW level. Under the Income Distribution approach none of the households considered would attain 60 per cent of median income at the £6.19 NMW level. We assume that all relevant benefits and tax credits are claimed.

Table 4.1 displays the weighted average hourly wages derived from the two approaches considered, including and excluding means-tested benefits. The weighted average wage (including benefits) from the Basic Living Costs approach is £7.10 per hour compared to £7.80 from the Income Distribution approach. **The poverty threshold wage of £7.45 is the mean of the figures given by the Basic Living Costs and Income Distribution approaches**, rounded to the nearest 5 pence.

Table 4.1: Weighted average poverty threshold wage (£ per hour)

Approach	Including benefits	Excluding benefits
Basic living costs (1)	7.10	9.10
Income distribution (60%) (2)	7.80	9.50
Average of (1) and (2)	7.45	9.30

Source: GLA Economics

Notes: Figures rounded to nearest five pence.

This indicates that a wage of around £7.45 allows most households (claiming all relevant benefits and tax credits), on average, to move to or above the poverty threshold. With a 15 per cent margin added to the (unrounded) poverty threshold wage, this yields a Living Wage, to the nearest five pence, of **£8.55** per hour. This will be implemented in the GLA Group as contracts allow.

The next section looks at the wage distribution in London to see what proportion of the working population would be affected at these wage levels (assuming the wage was adopted across London).

4.1 Wage distribution

We use the Annual Survey of Hours and Earnings (ASHE) from the ONS to estimate the earnings distribution of different hourly wage rates. It is based on a sample of employee jobs taken from HM Revenue and Customs PAYE records. Information on earnings and hours is obtained in confidence from employers. It does not include the self-employed. This year we have used ASHE workplace-based data as recommended by the ONS since it provides the most accurate estimates and is the data which most closely represents workplaces and employers.

Earnings Distribution Around The London Living Wage

Data from the Annual Survey of Hours and Earnings suggests that 88.6 per cent of full-time employees in London earn more than the Living Wage of £8.55 per hour. 4.6 per cent earn less than the Living Wage but more than the poverty threshold wage¹⁹ of £7.45. The remaining 6.8 per cent earn a wage below the poverty threshold wage.

53.8 per cent of part-time employees in London earn more than the Living Wage. 12.6 per cent are paid less than the Living Wage but more than the poverty threshold wage. The remaining 33.6 per cent earn a wage below the poverty threshold wage.

Adding full-time and part-time workers together, 81.3 per cent earn more than the Living Wage and 12.5 per cent earn below the poverty threshold wage.

Table 4.2: Proportion of employees¹ in London that earns less than specified threshold

	All		Full-time		Part-time	
All employees = 100%	100	CV ²	100	CV	100	CV
% earning less than:						
<£7.45 per hour ^c	12.5	1.6%	6.8	2.5%	33.6	1.9%
<£8.30 per hour ^d	17.5	1.3%	10.4	2.0%	43.9	1.5%
<£8.55 per hour ^e	18.7	1.3%	11.4	1.9%	46.2	1.5%
	Men All		Men Full-time		Men Part-time	
All employees = 100%	100	CV	100	CV	100	CV
% earning less than:						
<£7.45 per hour ^c	10.7	2.4%	6.5	3.4%	40.3	2.9%
<£8.30 per hour ^d	14.8	2.0%	9.8	2.7%	49.6	2.5%
<£8.55 per hour ^e	15.8	1.9%	10.7	2.6%	51.5	2.4%
	Women All		Women Full-time		Women Part-time	
All employees = 100%	100	CV	100	CV	100	CV
% earning less than:						
<£7.45 per hour ^c	14.5	2.2%	7.3	3.9%	30.4	2.4%
<£8.30 per hour ^d	20.7	1.8%	11.4	3.0%	41.2	1.9%
<£8.55 per hour ^e	22.2	1.7%	12.5	2.9%	43.7	1.8%

Source: Annual Survey of Hours and Earnings (2012), Office for National Statistics.

1 Employees on adult rates whose pay for the survey pay-period was not affected by absence.

2 The quality of an estimate is measured by its coefficient of variation (CV), which is the ratio of the standard error of an estimate to the estimate.

CV ≤ 5% (precise)

CV > 5% and ≤ 10% (reasonably precise)

CV > 10% and ≤ 20% (acceptable)

20% < CV (unreliable).

c: 2012 poverty threshold, £7.45

d: 2011 Living Wage

e: 2012 Living Wage

Note: The figures are for the work place-based 16+ population including full-time students. These data exclude the unemployed population, unpaid family workers and self-employed. The proportions are calculated using the number of employees earning less than the different earnings thresholds over the number of London employees (reporting earnings).

4.2 What has changed since our 2011 Report?

The 2012 Living Wage has increased by 3 per cent since the 2011 report (it has risen by 27.6 per cent since its introduction in 2005). Shopping basket costs (weighted across all the household types considered) have increased by 3.8 per cent and the 60 per cent median household income by 2.4 per cent.

There have been price increases in all but two of the items in the shopping basket used in the basic living costs approach. The largest increase was in energy costs (+4.6 per cent). Other items increased in price by between 2.0 and 3.3 per cent, while the price of leisure goods and clothing fell by 1.3 and 0.5 per cent respectively. Childcare costs have risen by a substantial 6.7 per cent to £6.35 per hour. Transport costs also increased substantially by 6.2 per cent. There is a marginal (0.3 per cent) fall in council tax this year, following a freeze last year. Housing costs continued their upward movement across the board. Social housing costs increased by 4.7 per cent, private rents for single people without children were up by 5.3 per cent, and private rents for couples without children increased by 4.8 per cent.

For the 2012/13 financial year, the personal allowance is set at £8,105. This is 8.4 per cent higher than last year. Much of the working tax credits, the childcare element of the working tax credits and child benefit have been frozen, except for the disability elements and the 50 plus elements, the latter of which have been completely removed. The first income thresholds and withdrawal rates for credits also remain unchanged although the second income threshold has been removed. However, the child, disabled and severely disabled child elements of the child tax credits will increase by 5.3 per cent (although the family element remains fixed).

4.3 Comparison with the National Minimum Wage, inflation and earnings growth

Table 4.3 shows how the London Living Wage (LLW) and the National Minimum Wage (NMW) have increased since 2005, along with inflation and average weekly earnings.

Table 4.3: LLW, NMW, CPI inflation and earnings growth since 2005

	LLW			NMW		Ratio (LLW/NMW)	Average Weekly growth % Change Year on Year	CPI
	LLW	Change Year on Year (£)	Change Year on Year (%)	NMW	Change Year on Year (%)			
2005	£6.70			£5.05		1.33	4.2	2.1
2006	£7.05	£0.35	5.2%	£5.35	5.9%	1.32	3.9	2.3
2007	£7.20	£0.15	2.1%	£5.52	3.2%	1.30	4.4	2.3
2008	£7.45	£0.25	3.5%	£5.73	3.8%	1.30	4.0	3.6
2009	£7.60	£0.15	2.0%	£5.80	1.2%	1.31	2.0	2.2
2010	£7.85	£0.25	3.3%	£5.93	2.2%	1.32	2.2	3.3
2011	£8.30	£0.45	5.7%	£6.08	2.5%	1.37	2.3	4.5
2012	£8.55	£0.25	3.0%	£6.19 ^a	1.8%	1.38	1.6 ^b	3.0 ^c

Source: Low Pay Commission, ONS and GLA Economics calculations

a From October 2012

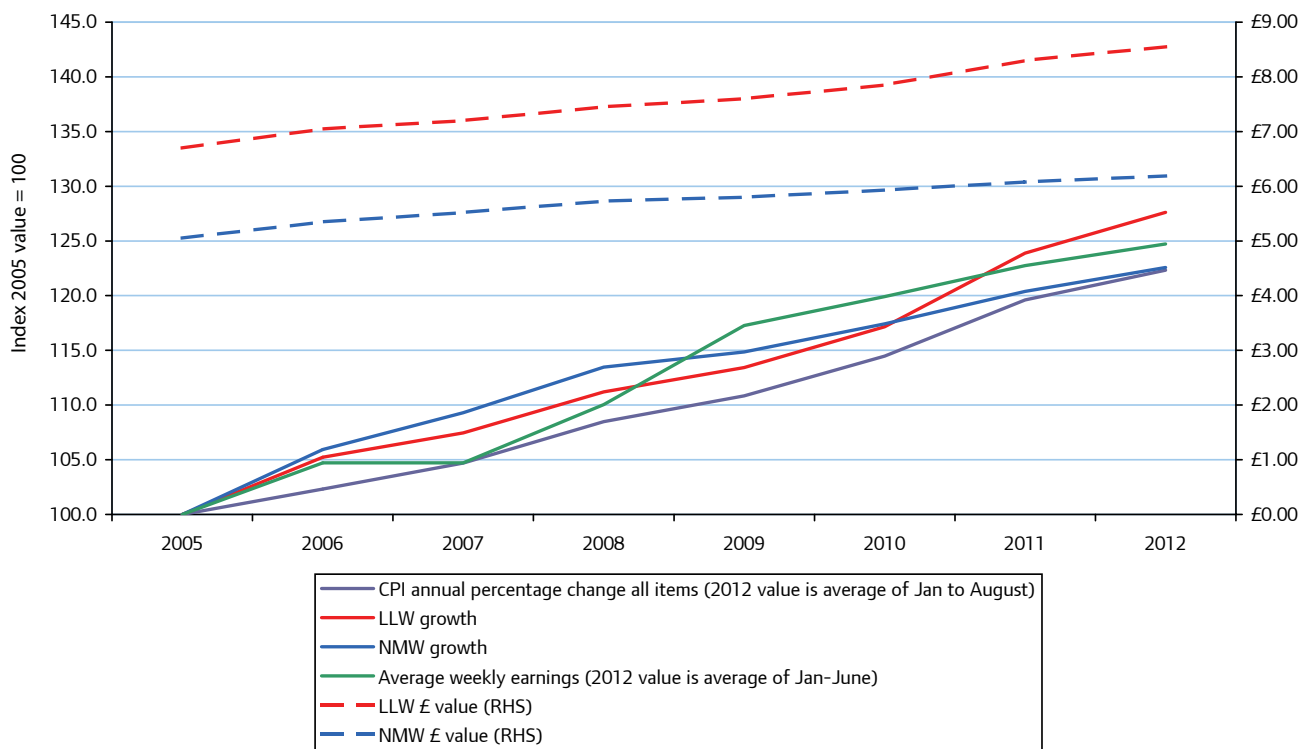
b 2012 value taken as the average of weekly earnings from January 2012 to June 2012

c 2012 value taken as the average of CPI from January 2012 to August 2012

In 2005 the London Living Wage was 33 per cent above the NMW of £5.05.²⁰ Since then the differential has risen in absolute terms from £1.65 to £2.36. The 2012 LLW is 38 per cent above the NMW.

Figure 4.1 compares the growth in the London Living Wage to the NMW, average weekly earnings²¹ and the Consumer Prices Index. It demonstrates that the LLW has kept pace with the growth in both prices and earnings.

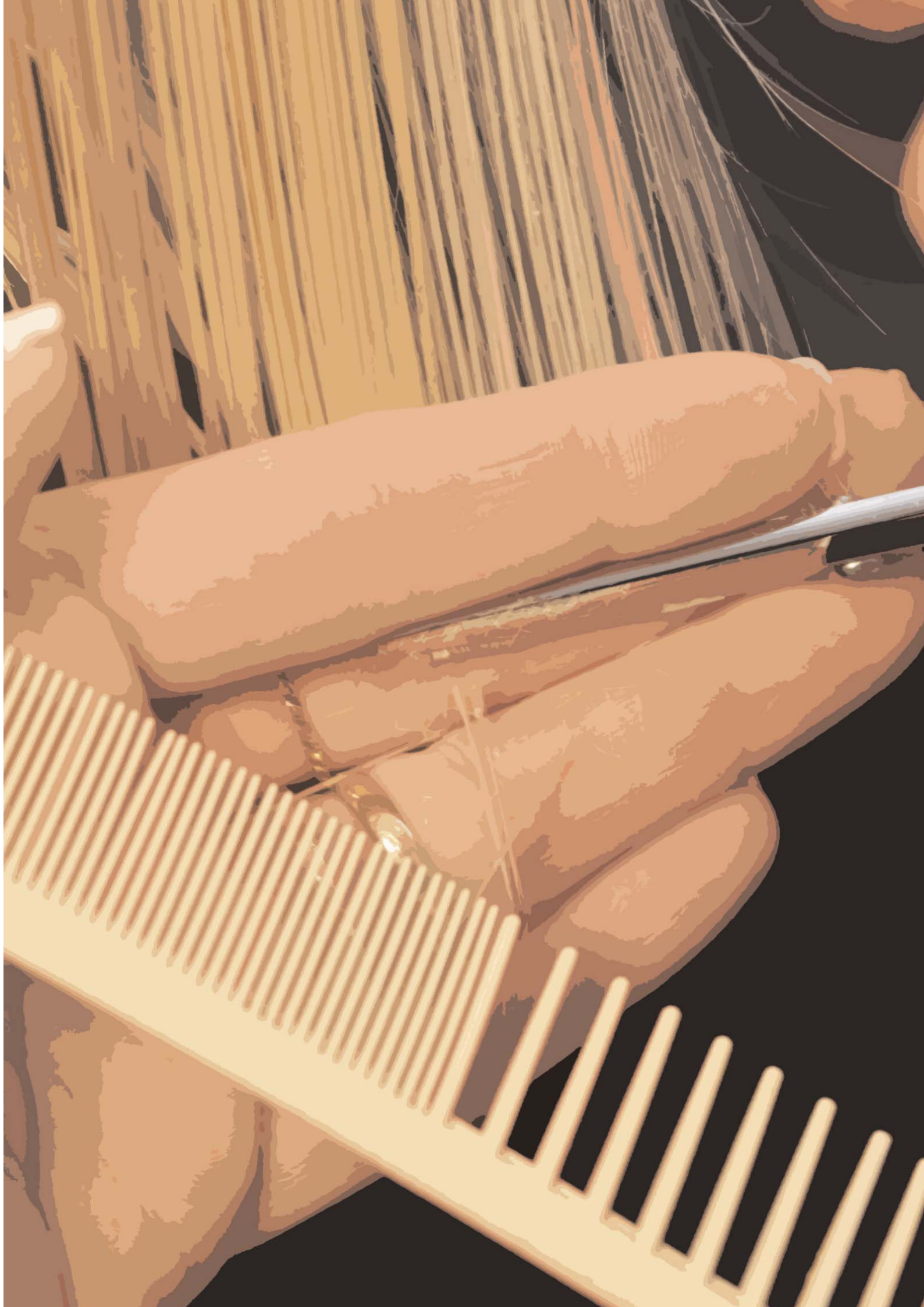
Figure 4.1 Growth in the LLW, NMW, Average Earnings and Consumer Price Indices



Source: Low Pay Commission, ONS and GLA calculations

Average Weekly Earnings Index (K54L) is seasonally adjusted and excludes bonuses and arrears

Base year for both is 2005 (2005=100).



The Mayor continues to provide the annual calculation of the Living Wage and to support the campaign in many other ways. During the campaign in the run up to the May 2012 election he made several manifesto commitments and public commitments that demonstrated his support.

Indeed the Greater London Authority (GLA), one of London's largest employers, continues to lead the way on the implementation of the London Living Wage. There are now some 3,400 LLW beneficiaries on various support services contracts across the GLA Group estate.

5.1 Accreditation

In 2011 London Citizens and the Living Wage Foundation²² established an accreditation process to recognise and celebrate Living Wage employers. Prior to this there was no validation process, in other words no way of ensuring that an employer continued to pay the Living Wage to directly paid staff or to contracted workers. Also levels of implementation varied across different employers.

It is intended that the accreditation process will also assist in the development and promotion of the Living Wage so that it becomes a recognised and familiar household 'brand' – akin to the "Fair Trade Mark". The Mayor supports this development and has made a commitment to ensure full compliance and accreditation across the GLA group.

Living Wage employer accreditation is managed by the Living Wage Foundation and Citizens UK, and provides employers with a licence to the Living Wage employer mark. The accreditation process is simple and is open to employers already paying the Living Wage, or those committed to an agreed timetable of implementation. Accredited Living Wage employers are recognised annually during Living Wage Week.

5.2 New announcement date and Living Wage Week

The Mayor and the Living Wage Foundation continue to work together to ensure that the Living Wage is easy to implement for all employers. Henceforth the date for the annual uprating (due to inflation) of the London Living Wage will be preannounced. Previously the annual uprating has been announced in the spring, but in response to business representations the announcement date has been moved to October/November. The Mayor, the Living Wage Foundation and other stakeholders hope that moving the announcement date to the autumn will help employers to implement the new figure within their financial cycle. It should thus shorten the implementation time lag. Accredited Living Wage employers will have six months to implement the new figure.

It is also intended that henceforth the announcement of the annual figure will take place as part of Living Wage Week – a new initiative whose aim is to inform about both the London Living Wage and the National Living Wage, as well as promoting the Living Wage to under-represented sectors such as retail and hotels. The Mayor has committed to supporting Living Wage Week.

5.3 The Mayor has ensured that increases in the Living Wage have more than matched those in earnings and prices

Since its introduction in 2005, the increase in the London Living Wage has kept pace with increases in average earnings and prices in order to set a wage that achieves an adequate level of warmth and shelter, a healthy palatable diet, social integration and avoidance of chronic stress.

It has consistently been higher than the National Minimum Wage. But the “raison d'être” of the two rates differs substantially. Perhaps the biggest difference is that the National Minimum Wage is compulsory whereas the London Living Wage is of course voluntary. But the philosophy behind the two is also very different. The National Minimum Wage is intended to define a compulsory floor to wages that helps as many low paid workers as possible without any significant adverse impacts on inflation or employment. To that end it may not rise even if the cost of living has risen, if in the judgment of the Low Pay Commission (which sets the National Minimum Wage each year) a rise would be inflationary or adverse for employment. The London Living Wage however will reflect the cost of living, at least in part, and its annual recalculation is not subject to a judgmental ‘filter’ like the National Minimum Wage.

The need for the Living Wage in London is clear. Including housing costs, 26 per cent of London households fall into the lowest income quartile. This is by far the highest share of any English region and compares to an average of 20 per cent in England. Londoners also face significantly higher living costs than those living in other regions, especially for housing and childcare. The National Minimum Wage (which is the same throughout the UK) therefore has significantly less impact in the capital. Data from the Annual Survey of Hours and Earnings suggests that 11 per cent of full time employees and 46 per cent of part time employees in London earn less than the Living Wage.

5.4 Manifesto pledges

The Mayor has made both manifesto pledges and public commitments which clearly demonstrate his commitment to the Living Wage and show his determination that everyone in work in London should be paid at least the Living Wage rate.

The Mayor made two pledges in his manifesto for the election in May 2012:

- Work constructively with the private sector to increase to 250 the number of companies offering the London Living Wage.
- Lobby Government to adopt the London Living Wage across Whitehall.

5.5 Public commitments

The Mayor attended the 2012 London Citizens Mayoral Accountability Assembly and made the following public commitments on the London Living Wage:

- Announce the London Living Wage figure annually in person and ensure full compliance and Living Wage employer accreditation across the GLA family.
- Work with the Living Wage Foundation to develop a multi-stakeholder Advisory Council that includes GLA Economics and Living Wage employers, in order to guide and support on matters relating to Living Wage policy.
- Work with London Citizens to sign up 100 new large (>250 employees) London employers, including at least five in the retail sector, five in hospitality and 16 Local Authorities, to become Living Wage employers through the course of the Mayoral term.
- Ensure that the Living Wage Olympic Legacy continues by negotiating Living Wage commitments with all developers on the Olympic Park.
- Work with London Citizens to make Living Wage Week the greatest possible success by contributing Transport for London hoardings for promotion, having the Living Wage logo projected onto City Hall, “and any other creative ideas you have”.

5.6 Living Wage - other achievements

The Mayor appreciates that while employers can see that in the long run it makes economic sense to pay the London Living Wage (eg, through improved staff retention rates), in the short run there is a cost. He is very aware that particularly in the current economic climate, paying the London Living Wage poses a major challenge for many employers. He is therefore encouraged to see employers actively working with the Living Wage Foundation to pay the Living Wage, or to implement plans that will enable them to become Living Wage employers in the future.

There have been some notable achievements for the Living Wage campaign over the last year:

Intercontinental Hotels Group

The Intercontinental Hotels Group is the first hotel group in the UK to support the London Living Wage. IHG has committed to phased pay rises in each of its eight London hotels that will bring the wages of all staff - including agency staff – up to the Living Wage level. Some 850 workers currently earning less than the Living Wage will benefit.

London Boroughs of Islington and Lewisham

Islington and Lewisham have become the first Councils in the UK to earn Living Wage Employer accreditation, with all directly employed staff receiving the London Living Wage and timetables in place to implement the London Living Wage through their contracts.

Living Wage at the Olympics

The Mayor has supported payment of the Living Wage by employers within the Olympic Park. This initiative was also supported by London Citizens and the Living Wage Foundation. Working together with the London Organising Committee of the Olympic Games and with the Olympic Delivery Authority, this ensured that thousands of people who worked on the Olympics were paid at least the Living Wage. In July 2011, 81.2 per cent of the workforce in the Olympics Park self-declared in response to a survey that they were earning the Living Wage or above at the point of their enrolment.²³ The London Legacy Development Corporation (LLDC) has included in its contracts a requirement for contractors and sub-contractors to pay the London Living Wage.

5.7 Living Wage employers

i) Accredited

Name of Institution	Sector
Bethnal Green Technology College	Education
Samuel Rhodes School	Education
St Charles Sixth Form College	Education
London Business School	Higher Education
LSE Students Union	Higher Education
Queen Mary University of London	Higher Education
11 KBW	Private Sector
Bates Wells and Braithwaite	Private Sector
CCLA Investment Management	Private Sector
Clifford Chance	Private Sector
Deloitte	Private Sector
Fellowes Associates	Private Sector
Hermes	Private Sector
ICAEW	Private Sector
Insight Public Affairs	Private Sector
Institute of Chartered Accountants	Private Sector
Isla Bikes	Private Sector
Joiner's Arms Shoreditch	Private Sector

Name of Institution	Sector
Kayleigh Plant Hire	Private Sector
Kingsmith Care Ltd	Private Sector
KPMG	Private Sector
Lewis Silkin	Private Sector
Linklaters	Private Sector
Lloyd's London	Private Sector
Lush	Private Sector
Match Solicitors	Private Sector
O'Donovan Waste Disposal	Private Sector
Olswang	Private Sector
Pathway Intermediates	Private Sector
Penrose Care	Private Sector
PwC	Private Sector
Rathbones	Private Sector
Resolution Operations LLP	Private Sector
Sarasin	Private Sector
Schools Offices Services Ltd	Private Sector
SCOR	Private Sector
Syd Bishop and Sons Demolition	Private Sector
Barts and the Royal London	Public Sector
London Borough of Camden	Public Sector
London Borough of Hounslow	Public Sector
London Borough of Islington	Public Sector
London Borough of Lambeth	Public Sector
London Borough of Lewisham	Public Sector
Women Like Us	Social Enterprise
Action Aid	Third Sector
Age Concern Kensington & Chelsea	Third Sector
Amnesty UK	Third Sector
Bromley by Bow Centre	Third Sector
CAFOD	Third Sector
Capacity Global	Third Sector
Church Action on Poverty	Third Sector
Church Army	Third Sector
CIFAS	Third Sector
Citizens UK	Third Sector
CPAG	Third Sector
Cripplegate Foundation	Third Sector
Crisis	Third Sector
Dyslexia Action	Third Sector
Fabian Society	Third Sector
Fair Pensions	Third Sector
IPPR	Third Sector
Jigsaw Support Services	Third Sector
Labour Party	Third Sector
Lasa	Third Sector
London Community Foundation	Third Sector
London Funders	Third Sector
LVSC	Third Sector
National Literary Trust	Third Sector
NCVO	Third Sector
New Economics Foundation	Third Sector
Poplar Harca	Third Sector
Resolution Foundation	Third Sector
Save the Children	Third Sector
Toynbee Hall	Third Sector
Trust for London	Third Sector
UNICEF	Third Sector
Unltd*	Third Sector
Voluntary Action Islington	Third Sector

ii) In process of accreditation

Name of Institution	Sector
LSE	Higher Education
University of East London	Higher Education
Aviva	Private Sector
Barclays	Private Sector
BLP Law	Private Sector
BNP Paribas	Private Sector
DLA Piper	Private Sector
Ernst and Young	Private Sector
Ethical Property	Private Sector
Freshfields	Private Sector
Friends Life	Private Sector
Grant Thornton	Private Sector
HFW (Holman Fenwick LLP)	Private Sector
HSBC	Private Sector
JP Morgan	Private Sector
Kingsley Napley	Private Sector
Old Mutual	Private Sector
PHB (Payne Hicks Beach)	Private Sector
Prudential	Private Sector
RSA	Private Sector
Russell Cooke	Private Sector
Standard Life	Private Sector
Taylor Wessing	Private Sector
Weightmans	Private Sector
Westfield	Private Sector
Wragge and Co	Private Sector
Greater London Authority	Public Sector
London Borough of Ealing	Public Sector
London Borough of Enfield	Public Sector
London Borough of Haringey	Public Sector
London Borough of Southwark	Public Sector
London Borough of Tower Hamlets	Public Sector
London Fire Brigade	Public Sector
Transport for London	Public Sector
Westway Development Trust	Public Sector
Barnados	Third Sector
Central Hall Westminster	Third Sector
Church Urban Fund	Third Sector
Law Society	Third Sector
Oxfam	Third Sector
Peabody Trust	Third Sector
The Young Foundation	Third Sector
Tower Hamlets Homes	Third Sector
UNISON	Third Sector

iii) Other committed employers

Name of Institution	Sector
City and Islington College	Education
Birkbeck	Higher Education
Goldsmiths	Higher Education
Institute of Education	Higher Education
King's College London	Higher Education
School of Oriental and African Studies	Higher Education
University College London	Higher Education
University of London Students Union	Higher Education
Allen & Overy LLP	Private Sector
Arena BLM	Private Sector
Argus Media	Private Sector
Aspen Oil	Private Sector
Bank of America Merrill Lynch	Private Sector
Business to Business Exhibitions Ltd	Private Sector
Citigroup	Private Sector
Clownfish Marketing	Private Sector
Connect Public Affairs	Private Sector
Credit Suisse	Private Sector
Deutsche Bank	Private Sector
Eversheds	Private Sector
Food Commission	Private Sector
Goldman Sachs	Private Sector
Intercontinental Hotels group	Private Sector
Jobs Go Public Ltd	Private Sector
Kite Clinic Ltd	Private Sector
L'Oreal	Private Sector
Lovells	Private Sector
Macquarie	Private Sector
Morgan Stanley	Private Sector
Nomura	Private Sector
Norton Rose LLP	Private Sector
Quiet Revolution	Private Sector
R H Evans Architects	Private Sector
Renegade Pictures	Private Sector
Rengen Energy	Private Sector
School of Hygiene	Private Sector
Slaughter and May	Private Sector
Standard Chartered	Private Sector
Stanton Williams	Private Sector
Sustainable Development Capital	Private Sector
Tate & Tate Enterprises	Private Sector
Thames McGurk Ltd	Private Sector
Tindelmanor	Private Sector
Two Tomorrows	Private Sector
UBS	Private Sector
London Borough of Hackney	Public Sector
Department for Children, Schools and Families	Public Sector
Homerton Hospital	Public Sector
Whipps Cross Hospital	Public Sector
BioRegional	Social Enterprise
Association of Chief Executives of Voluntary Organisations	Third Sector
Big Issue	Third Sector
Can Mezzanine	Third Sector
Children of the Andes	Third Sector
Childrens Rights Alliance for England	Third Sector
Climate Change Group	Third Sector
Crisis UK	Third Sector
Ecologist	Third Sector
Execution Charitable Trust	Third Sector

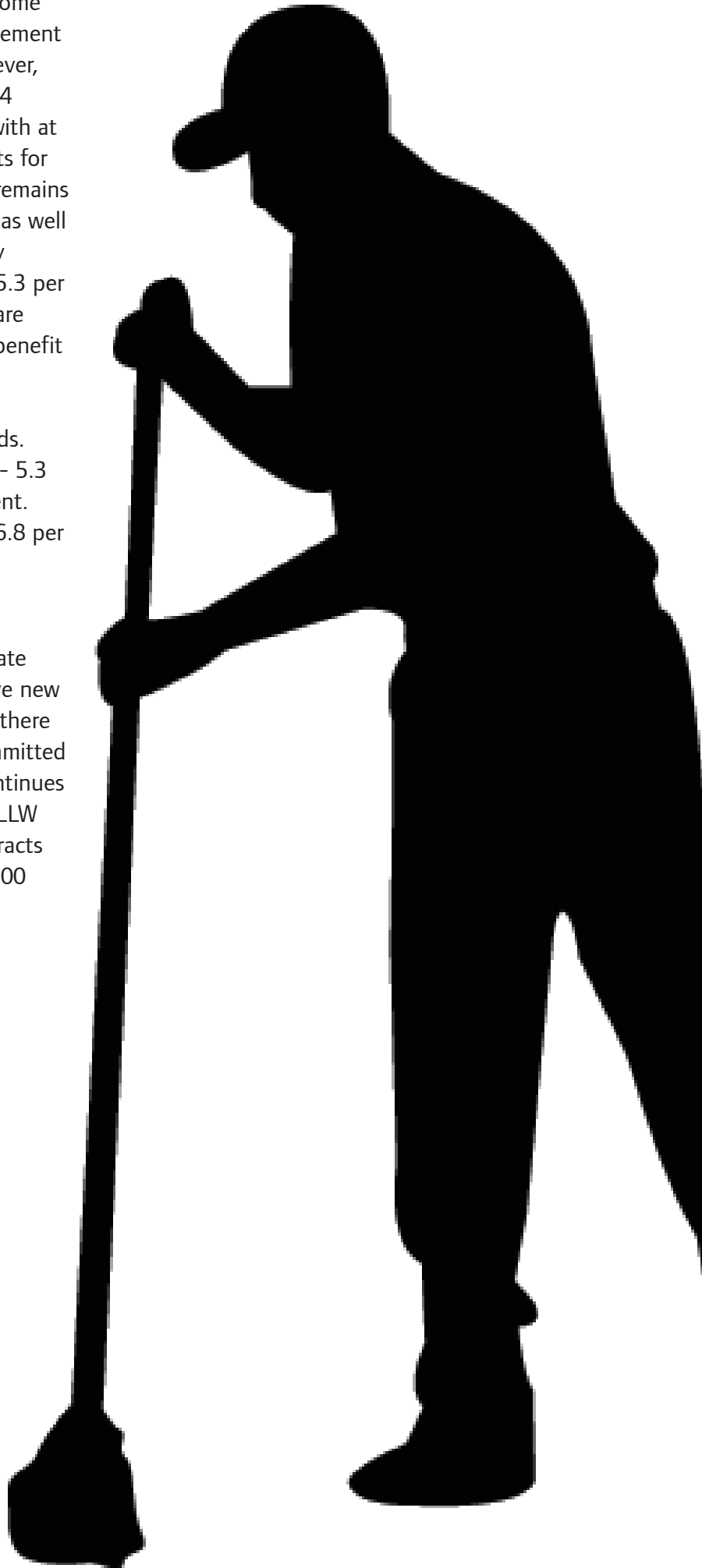
Name of Institution	Sector
Forum For the Future Ltd	Third Sector
Free Tibet Campaign	Third Sector
Friends Of The Earth	Third Sector
Greenpeace	Third Sector
Groundwork UK	Third Sector
IANSA (International Action Network on Small Arms)	Third Sector
Islington Ecology Centre	Third Sector
Lifeline Project	Third Sector
Oxford Research Group	Third Sector
Peace Direct	Third Sector
Rainforest Foundation	Third Sector
Rethink	Third Sector
Safer World	Third Sector
St Lukes Centre	Third Sector
Zaccheaus 2000 Trust	Third Sector



Since our last report, household median income has increased by 2.4 per cent. The basic element of working tax credits has not changed. However, couples with children will now have to work 24 hours a week to qualify (up from 16 hours), with at least one working 16 hours a week. The credits for those working 30 hours or more a week also remains fixed at its 2011/12 values. Child tax credits, as well as the disabled child element and the severely disabled child element, have all increased by 5.3 per cent, although the family element, the childcare element of the working tax credits and child benefit payments are unchanged.

There has been inflation in the basket of goods. Housing costs have risen substantially by 4.7 - 5.3 per cent and transport costs are up 6.2 per cent. Childcare costs have also seen a large rise of 6.8 per cent.

Good progress has been made this year in implementing the LLW particularly in the private company and Higher Education sectors. Twelve new major London employers have signed up and there are now 14 Higher Education institutions committed to implementing the LLW. The GLA Group continues to implement and there are now some 3,400 LLW beneficiaries on various support services contracts across the GLA Group estate. In total nearly 200 employers have committed to the LLW.



Appendix A: Details of cost calculations

This appendix provides more information about the calculation (see Section 2) of the five subcategories of Basic Living Costs.

A.1 Housing costs

Social housing rent

Housing costs in London were updated using the same methodology as in previous Living Wage reports. With some minor adjustments to data sources, the assumptions about what type of accommodation different family types are most likely to occupy are unchanged. We have maintained the assumption that couples and lone parents with two children live in a three-bedroom property. This is based once more on the FBU method, which attempts to estimate the rent that a model family needs to pay, in order to obtain access to affordable but adequate housing.

As in previous reports we used data from the Chartered Institute of Public Finance and Accountancy (CIPFA) which provides for each London borough, the average council rent on a three-bedroom property and the number of such dwellings in the council stock. The current report has been updated using the most recent data from CIPFA on net rents for three bedroom properties in London. Table A.1 shows the median, weighted mean²⁴ and un-weighted mean of these rents, covering the majority of London boroughs for 2011 and for comparison the 2010 data has also been included.

Table A.1: Median, weighted and un-weighted mean weekly rents for three-bedroom council houses in London in 2010 and 2011

	2010	2011
Median	96.28	102.36
Weighted Mean	98.00	104.39
Unweighted Mean	98.31	105.86

Source: CIPFA

We are aware that Council housing does not represent the only source of affordable housing available to such families and therefore, in this report as in the previous reports, other social housing is also taken into account. This year as last year, we have used data from the new Tenant Services Authority (TSA), which was established after the closure of the Housing Corporation in November 2008.²⁵ The average weekly net rent for three-bedroom other social housing in London was £108.36 per week in 2011.

To derive our estimate of the social rent for three-bedroom houses in London, we used the average (weighted by dwellings in each borough) of rent for council houses at £104.39 per week and rent for other social housing at £108.36 per week. This was weighted by 417,715 council houses in London and 376,799 units of other social housing in 2011 (using DCLG dwelling stock data).

The calculation was:

$$£104.39 \times (417,715/794,514) + £108.36 \times (376,799/794,514) = £106.27$$

This gives an average social housing rent for affordable three-bedroom dwellings in London of £106.27 per week, a rise of 4.7 per cent from £101.54 in the 2011 report. This figure is used for the housing costs of couples and lone parents with children.

Private rent

As in previous reports it was assumed that single people and couples without children are more likely to live in private accommodation, since they have less access to social housing than families with children.

We assume that single people will require a single room or studio to attain an acceptable living standard whilst a couple will require a single bedroom self-contained dwelling. The range of dwelling types includes maisonettes, one-bedroom houses and cottages in the range of accommodation available to a couple. Similarly, our estimate of rents for single people includes rooms, shared rooms, bed-sits and studios.

As with the 2011 report, we obtained this data through the GLA's London rents map.²⁶

In each case the first quartile of the rent distribution has been used as an estimate of the typical cost of private rented accommodation. This yields a typical rental of £99 per week for a single person (a 5.3 per cent increase since last year) and £175 per week for a couple (an increase of 4.8 per cent from last year's report²⁷).

A.2 Council tax

According to the Department for Communities and Local Government (DCLG) the majority of London houses are band D or above.²⁸ This report assumes a band D council tax and calculates the average council tax band D using DCLG data. This yielded a figure of £25.17 per week for 2011-12. This year (2012-13) council tax in London has been frozen at the same level as last year and therefore remains at £25.17 per week. This figure represents the council tax for families with children. People living on their own or lone parents are entitled to a 25 per cent single person's discount (to £18.87).

A.3 Childcare

The Family Budget Unit assumes hours of childcare according to family type (this is an average over the year, taking into account school and other holidays).

As in previous reports, we have assumed that all households with children, where the only parent or both parents work, incur childcare costs. It was also assumed that earners working full-time and part-time require 40.5 and 19.5 hours of childminding respectively, paid at the same rate of £6.35 per hour. However, there is some evidence that part-time costs per hour are higher.

Derivation of childcare costs

The Daycare Trust published its most recent figures on childcare costs in January 2012.²⁹ In this publication, as well as their 2011 publication, the data was not immediately comparable to the original information used in our calculations (and derived from their 2010 publication). Hence to estimate childcare costs for the 2012 London Living Wage report, we obtained data from the Daycare Trust that was on a comparable basis to the 2010 report. We derive the childcare cost for the Living Wage report by averaging weekly childcare costs for:

- nursery provision (children under 2 years old);
- nursery provision (children 2 years old and over);
- childminder provision (children under 2 years old); and,
- childminder provision (children 2 years old and over)

In its 2012 survey, the Daycare Trust found that London continues to have the most expensive childcare costs in Britain, and that these costs have risen over the past year. Nursery costs for a child under two rose by 7.0 per cent to £233 per week whilst for a child two and over they have fallen by 0.6 per cent to £192 per week. Weekly childminding costs have risen significantly both for children under two and for children two and over by 9.1 per cent (£231) and 11.1 per cent (£232) respectively

Table A.2: Childcare costs in London 2011 based on 50 hours a week (£)

	Nursery (under 2)	Nursery (2 and over)	Childminder (under 2)	Childminder (2 and over)	Average
London	233	192	231	232	222

Source: Daycare Trust 2012 and GLA Economics calculations

In 2012, the London average weekly childcare cost was £222, up 6.8 per cent from average 2011 levels.

To convert average London weekly childcare costs to an hourly figure, it was assumed that on average parents need 35 hours of childminding a week. This is consistent with the FBU methodology applied throughout, which attempts to establish the actual requirement that a typical family would have if earnings were adequate, rather than the actual use of childcare, which may reflect an inability to afford sufficient hours of child care. Therefore a weekly expenditure of £222 implies an hourly equivalent of £6.25.

A.4 Transport

We used the weekly equivalent cost of a monthly Zone 1-3 Oyster Travel Card (see Table A.3). This year the cost of travel has risen by 6.2 per cent

Table A.3: Transport costs (£ weekly)

Type of households	£ per week
Couples with children	60.65
Lone parents	30.32
Couples without children	60.65
Single individuals without children	30.32

Source: Based on Transport for London fares 2012

A.5 Regional price differentials for the standard shopping basket

Since 2004, ONS has not published updated regional price estimates. After 2004 we therefore update the 2004 estimates applying the growth in national prices to the subcomponents of London's shopping basket.

Rising costs since last year's report

Over the past year most prices of goods and services have risen while very few have fallen. Table A.4 provides details.

Table A.4: Annual percentage growth in prices of items in the CPI shopping basket

Item	Average annual % growth in prices (June-August 2012)
Price rises	
Food	2.0
Personal care	3.0
Household goods	3.1
Household services	2.9
Leisure services	3.0
Energy/Fuel	4.6
NHS charges	3.3
Insurance/pension contributions	3.2
Pets	2.2
Charitable donations	2.5
Price fall	
Clothing	-0.5
Leisure goods	-1.3
Total shopping basket	
	2.5

Source: Office for National Statistics (ONS) and GLA Economics calculations

Notes: To uprate the cost of each item of the shopping basket we used the average of the annual price inflators for the months between June and August.



Appendix B: Benefits and tax credits

This section describes how we incorporate tax credits and benefits in our estimate of Basic Living Costs. The methodology is explained in more detail in Appendix C of the 2005 Living Wage report.

B.1 Earnings and benefits

The majority of benefits are means-tested (the main exception is child benefit).³⁰

The main means-tested benefits available to households with someone in work are:

- Working tax credit
- Child tax credit
- Housing benefit
- Council tax benefit

The amount a household receives depends on various factors including household income, hours worked, type of household (couple or lone parent) and number and age of children.

To calculate main benefits for different family types, we follow the same methodology as outlined in Appendix B of the 2005 Living Wage report.

The working tax credit has several elements that are applied based on the circumstances of households, as outlined in Table B.1.

Table B.1: Working tax credit, 2012/13

Working tax credit elements	Maximum amount	
	£ per year	£ per week
1. Basic	1,920.00	36.92
2. Second adult/lone parent	1,950.00	37.50
3. 30 hour	790.00	15.19
4. Childcare (per cent of eligible cost covered) 80%		
Maximum eligible cost for one child		175
Maximum amount for two or more children		300
5. Disability	2,790.00	53.65
6. Severe disability	1,190.00	22.88
7. If over 50 and previously workless (see below for details)		
If working between 16 and 29 hours per week	0	0
If working over 30 hours per week	0	0

Source: HMRC

The working tax credit has a childcare element that is given to those households who are working and have children. Recent changes to the childcare element of the benefits system means that only 70 per cent (down from 80 per cent) of eligible childcare costs incurred are covered up to a maximum of £175 per week for one child. This means that a family with one child can get at most £122.50 per week from the childcare element. Similarly, families with two children can receive up to a maximum of £210 per week (70 per cent of £300).

Families with disabled members get extra help, in the form of additional disability or severe disability elements.

Households with a member over 50 years old will no longer receive additional benefits if they enter employment. Previously, benefits were provided for one year for those returning to work from the New Deal 50 Plus scheme.

A representative couple, therefore, working more than 30 hours per week, with two children and incurring childcare costs will be generally entitled to:

- the basic element;
- the second adult element;
- 30 hour element;
- 70 per cent of childcare costs incurred (or up to 70 per cent of the maximum £300).

However, the amount received depends on household income. The next section considers the child tax credit and then details how to calculate the working tax credit, given information on household income.

B.2 Child tax credit

Child tax credit is mainly for families on low (or middle) incomes who are responsible for one or more children, under 16 years old (or a child under 19 studying full-time up to A-level). Changes announced in the Budget 2010, mean that only those working at least 16 hours a week on average with a household income below £40,000 are eligible for the child tax credit.

Note that the child tax credit can be granted in addition to the childcare element of the working tax credit. The main elements of the child tax credit are the family element and the child element (see Table B.2). A family responsible for a child or children is entitled to receive the family element, which has been frozen at £545 since 2010/11. In addition, a family can get £51.73 per week for each additional child (over one year old).

Table B.2: Child tax credits, 2012/13

Child tax credit elements	Maximum amount	Maximum amount
	£ per year	£ per week (approx) *
Family	545	10.50
Child	2,690	51.73
Disabled child	2,950	56.73
Severe disabled child	1,190	22.88

Source: HMRC

* Weekly figures are only approximate as tax credits are based on rounded daily amounts

As with working tax credit, the amount received in child tax credits depends on the household's income.

Common thresholds of household income for working tax credit and child tax credit

Families with a household income below £123.46 per week are entitled to the maximum amount as shown in Tables B.1 and B.2. Families with a household income above this first income threshold will receive less with their award being reduced at the rate of 41p for every £1 of gross income over this threshold (see Table B.3). This award is calculated using the following formula:

Tax credit = maximum amount of child tax and working tax credits – 41% (gross household income – £123.46 per week)

Families with gross household income above £769.23 per week have their benefit reduced by 41p for every £1 of income over this threshold. These income thresholds and taper rates are unchanged from 2011/12.

Table B.3: Common features to derive child and working family credits, 2012/13

Common features	Maximum amount	Maximum amount
	£ per year	£ per week (approx)*
First income threshold	6,420	123.46
First withdrawal rate (%)	41%	
Second income threshold	40,000	769.23
Second withdrawal rate (%)	41%	
First threshold for those entitled to Child tax credit only	15,860	305.00

Source: HMRC

* Weekly figures are only approximate as tax credits are based on rounded daily amounts

Child benefit

Currently, child benefit remains a universal, non means-tested benefit and is also non-taxable. It is paid for children up to the age of 16 or up to 19 for those in full-time education (up to and including A level standard). Table B.4 shows the amount couples or lone parents are entitled to receive depending on the number of children they have. There is a higher rate of benefit for the first child of £20.30 per week. For each subsequent child, couples receive £13.40 per week. These rates have been frozen since 2010-2011.

Table B.4: Child Benefit, 2012/13

Number of children	Couple (£ per week)
1	20.30
2	33.70
3	47.10
Each extra child above 3	13.40

Source: HMRC

Note: Since April 2007, lone parents have received the same amount of child benefits as couples.

B.3 Housing benefits

We include a family specific amount of housing benefit calculated by the following formula:

$$\text{Housing benefits} = \text{eligible rent} - 65\%(\text{net income} - \text{applicable amount})$$

where:

$$\text{Net income} = (\text{gross income} - \text{tax} - \text{earnings disregard}) + \text{child tax and working tax credits} + \text{child benefits}$$

and

$$\text{Applicable amount} = \text{total personal allowances} + \text{total premiums}$$

The applicable amount represents the minimum income the government thinks a person under certain circumstances needs to live on. This is made up of two components: personal allowances and total premiums, depending on the particular circumstances of the household.

To calculate housing benefit it is necessary to take into account household income and any other benefits received. The amount of housing benefit that a household receives also depends on the eligible rent and council tax paid.

To derive the total applicable amount, information from Table B.5 is used and depends on the size of the family or type of household. For instance, if the family is a couple with two children then they are entitled to receive £111.50 per week in personal allowances, and £129.98 per week for both children under 16. In addition, families receive the family premium (for couples) of £17.40 per week.

Table B.5: Housing Benefits, 2012/13

	Maximum amount
	£ per week
Personal Allowance	
Single person (under 25)	56.25
Single person (25 or over)	71.00
Lone parent (18 or over)	71.00
Couple (one/both 18 or over)	111.50
Children	
Under 16	64.99
16-18	64.99
Premiums	
Family	17.40
Family (lone parent)	22.20

Source: HMRC

B.4 Council tax benefits

Single persons and certain other households qualify for a reduction in their council tax. On top of this some households qualify for council tax benefits.

Council tax benefit is calculated as follows:

$$\text{Council tax benefit} = \text{council tax} - 20\%(\text{net income} - \text{applicable amount})$$

where: net income and applicable amount are the same as that described above in the section on housing benefits.



Appendix C: LCA required income and actual income at different hourly wages

This appendix sets out the difference between basic living costs and income approaches at different hourly wages.

Table C.1 includes all relevant benefits and tax credits in the calculation for the first approach. Table C.2 excludes all means-tested benefits from the calculation.

Table C.1: Weekly earnings, taxes, benefits, disposable income and costs for different hourly wages including all applicable tax credits and means-tested benefits

C.1a: Households with children

Hourly wages	Couple with two children					Lone parent	
	2ft	1ft 1pt	1pt 1pt	1ft	1pt	ft	pt
£6.00							
Total disposable income	676.10	536.20	489.70	443.60	433.00	569.40	414.90
LCA Costs	663.00	529.70	529.70	375.60	375.60	574.70	441.40
Total disposable income minus LCA costs	13.10	6.50	-40.00	68.00	57.40	-5.30	-26.40
£6.19							
Total disposable income	680.00	540.10	493.50	443.90	433.50	571.30	416.10
LCA Costs	663.00	529.70	529.70	375.60	375.60	574.70	441.40
Total disposable income minus LCA costs	17.00	10.40	-36.20	68.30	57.90	-3.30	-25.30
£7.00							
Total disposable income	696.90	555.60	507.60	445.20	435.40	579.80	421.40
LCA Costs	663.00	529.70	529.70	375.60	375.60	574.70	441.40
Total disposable income minus LCA costs	33.90	25.80	-22.20	69.50	59.80	5.10	-20.00
£8.00							
Total disposable income	717.70	574.00	523.50	446.70	436.90	590.10	431.20
LCA Costs	663.00	529.70	529.70	375.60	375.60	574.70	441.40
Total disposable income minus LCA costs	54.70	44.20	-6.20	71.10	61.30	15.50	-10.10
£9.00							
Total disposable income	738.50	592.30	539.50	448.30	438.10	600.50	439.20
LCA Costs	663.00	529.70	529.70	375.60	375.60	574.70	441.40
Total disposable income minus LCA costs	75.40	62.60	9.80	72.70	62.50	25.90	-2.20

C.1b: Households without children

	Couple no children					Single Person	
Hourly wages	2ft	1ft 1pt	1pt 1pt	1ft	1pt	ft	pt
£6.00							
Total disposable income	402.90	333.20	316.90	312.10	287.90	214.60	192.20
LCA Costs	389.10	389.10	389.10	358.80	358.80	248.20	248.20
Total disposable income minus LCA costs	13.80	-56.00	-72.20	-46.70	-70.90	-33.60	-56.00
£6.19							
Total disposable income	412.80	334.70	318.20	312.80	288.30	214.90	192.70
LCA Costs	389.10	389.10	389.10	358.80	358.80	248.20	248.20
Total disposable income minus LCA costs	23.70	-54.40	-70.90	-46.00	-70.40	-33.30	-55.50
£7.00							
Total disposable income	455.20	346.60	323.10	315.70	290.20	227.60	197.10
LCA Costs	389.10	389.10	389.10	358.80	358.80	248.20	248.20
Total disposable income minus LCA costs	66.10	-42.50	-66.00	-43.10	-68.50	-20.60	-51.10
£8.00							
Total disposable income	507.60	386.70	328.70	319.40	291.70	253.80	196.90
LCA Costs	389.10	389.10	389.10	358.80	358.80	248.20	248.20
Total disposable income minus LCA costs	118.50	-2.40	-60.40	-39.40	-67.10	5.60	-51.30
£9.00							
Total disposable income	560.00	427.80	334.30	323.60	292.90	280.00	199.10
LCA Costs	389.10	389.10	389.10	358.80	358.80	248.20	248.20
Total disposable income minus LCA costs	170.90	38.70	-54.80	-35.10	-65.90	31.80	-49.10

Source: GLA Economics

All figures rounded to nearest 10 pence

Table C.2: Weekly earnings, benefits, disposable income and costs for different hourly wages, including only non-means -tested benefits**C.2a: Households with children**

Hourly wages	Couple with two children					Lone parent	
	2ft	1ft 1pt	1pt 1pt	1ft	1pt	ft	pt
£6.00							
Total disposable income	436.60	337.10	237.70	235.10	135.70	235.10	135.70
LCA Costs	663.00	529.70	529.70	375.60	375.60	574.70	441.40
Total disposable income minus LCA costs	-226.40	-192.60	-292.00	-140.50	-239.90	-339.50	-305.70
£6.19							
Total disposable income	446.50	345.30	244.20	240.10	138.90	240.10	138.90
LCA Costs	663.00	529.70	529.70	375.60	375.60	574.70	441.40
Total disposable income minus LCA costs	-216.50	-184.40	-285.60	-135.50	-236.70	-334.60	-302.40
£7.00							
Total disposable income	488.90	379.20	269.50	261.30	151.60	261.30	151.60
LCA Costs	663.00	529.70	529.70	375.60	375.60	574.70	441.40
Total disposable income minus LCA costs	-174.10	-150.50	-260.20	-114.30	-224.00	-313.30	-289.80
£8.00							
Total disposable income	541.30	420.40	299.40	287.50	166.60	287.50	166.60
LCA Costs	663.00	529.70	529.70	375.60	375.60	574.70	441.40
Total disposable income minus LCA costs	-121.70	-109.40	-230.30	-88.10	-209.10	-287.20	-274.80
£9.00							
Total disposable income	593.70	461.50	329.40	313.70	181.50	313.70	181.50
LCA Costs	663.00	529.70	529.70	375.60	375.60	574.70	441.40
Total disposable income minus LCA costs	-69.30	-68.20	-200.40	-61.90	-194.10	-261.00	-259.90

C.2b: Households without children

	Couple no children					Single Person	
Hourly wages	2ft	1ft 1pt	1pt 1pt	1ft	1pt	ft	pt
£6.00							
Total disposable income	402.90	303.40	204.00	201.40	102.00	201.40	102.00
LCA Costs	389.10	389.10	389.10	358.80	358.80	248.20	248.20
Total disposable income minus LCA costs	13.80	-85.70	-185.10	-157.30	-256.80	-46.80	-146.20
£6.19							
Total disposable income	412.80	311.60	210.50	206.40	105.20	206.40	105.20
LCA Costs	389.10	389.10	389.10	358.80	358.80	248.20	248.20
Total disposable income minus LCA costs	23.70	-77.50	-178.60	-152.40	-253.50	-41.80	-143.00
£7.00							
Total disposable income	455.20	345.50	235.80	227.60	117.90	227.60	117.90
LCA Costs	389.10	389.10	389.10	358.80	358.80	248.20	248.20
Total disposable income minus LCA costs	66.10	-43.60	-153.30	-131.20	-240.90	-20.60	-130.30
£8.00							
Total disposable income	507.60	386.70	265.70	253.80	132.90	253.80	132.90
LCA Costs	389.10	389.10	389.10	358.80	358.80	248.20	248.20
Total disposable income minus LCA costs	118.50	-2.40	-123.40	-105.00	-225.90	5.60	-115.40
£9.00							
Total disposable income	560.00	427.80	295.70	280.00	147.80	280.00	147.80
LCA Costs	389.10	389.10	389.10	358.80	358.80	248.20	248.20
Total disposable income minus LCA costs	170.90	38.70	-93.40	-78.80	-211.00	31.80	-100.40

Source: GLA Economics

All figures rounded to nearest 10 pence

Table C.3 presents the wage level that different types of families require to achieve 60 per cent of median income, 65 per cent of median income and 70 per cent of median income. These calculations include means-tested benefits and tax credits.

Table C.3: Weekly incomes (£) for different types of families including benefits in the measure of disposable income

Household type	Weekly income	Required hourly wage rate			
		2ft	1ft 1pt	2pt	1ft
60% of median (Relative poverty measure)					
With two children aged 2-4 and 8-10					
1) Couple parents	303.70	6.80	7.20	11.00	10.40
2) Lone parent	206.80	N/A	N/A	N/A	7.90
With no children					
1) Couple	215.40	6.25	8.70	14.15	14.20
2) Single person	118.50	N/A	N/A	N/A	7.35
65% of median					
With two children aged 2-4 and 8-10					
1) Couple parents	329.00	8.00	8.55	13.75	12.85
2) Lone parent	224.00	N/A	N/A	N/A	9.55
With no children					
1) Couple	233.40	6.60	9.15	>15	14.85
2) Single person	128.30	N/A	N/A	N/A	7.70
70% of median					
With two children aged 2-4 and 8-10					
1) Couple parents	354.30	9.20	10.10	>15	>15
2) Lone parent	241.20	N/A	N/A	N/A	11.25
With no children					
1) Couple	251.30	6.95	9.65	>15	>15
2) Single person	138.20	N/A	N/A	N/A	8.10

Source: GLA Economics

All figures rounded to nearest 5 pence except

Similarly, Table C.4 shows the wage levels in the income distribution approach as above, but including only non-means-tested benefits.

Table C.4: Weekly incomes (£) for different types of families including only non-means-tested benefits in the measure of disposable income

Household type	Weekly income	Required hourly wage rate			
		2ft	1ft 1pt	2pt	1ft
60% of median (Relative poverty measure)					
With two children aged 2-4 and 8-10					
1) Couple parents	303.70	10.90	11.55	>15	13.65
2) Lone parent	206.80	N/A	N/A	N/A	>15
With no children					
1) Couple	215.40	6.25	8.70	14.15	14.20
2) Single person	118.50	N/A	N/A	N/A	7.35
65% of median					
With two children aged 2-4 and 8-10					
1) Couple parents	329.00	11.35	12.25	>15	14.60
2) Lone parent	224.00	N/A	N/A	N/A	>15
With no children					
1) Couple	233.40	6.60	9.15	14.90	14.85
2) Single person	128.30	N/A	N/A	N/A	7.70
70% of median					
With two children aged 2-4 and 8-10					
1) Couple parents	354.30	11.85	12.90	>15	>15
2) Lone parent	241.20	N/A	N/A	N/A	>15
With no children					
1) Couple	251.30	6.95	9.60	>15	>15
2) Single person	138.20	N/A	N/A	N/A	8.10

Source: GLA Economics

All figures rounded to nearest 5 pence

Abbreviations and endnotes

Abbreviations

APS	Annual Population Survey
ASHE	Annual Survey of Hours and Earnings
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Price Index
DCLG	Department for Communities and Local Government
DWP	Department for Work and Pensions
FBU	Family Budget Unit
GLA	Greater London Authority
HEI	Higher Education Institute
LCA	Low Cost but Acceptable
LFS	Labour Force Survey
LLW	London Living Wage
NES	New Earnings Survey
ODA	Olympic Delivery Authority
ONS	Office for National Statistics
RPI	Retail Price Index

Endnotes

- 1 The Living Wage is defined by the Family Budget Unit as, “a wage that achieves an adequate level of warmth and shelter, a healthy palatable diet, social integration and avoidance of chronic stress for earners and their dependents”.
- 2 The LCA budget standard was produced following work in 1997/98 by the FBU, then based in the Department of Nutrition and Dietetics at King’s College London. The funding for the work was provided by the Zacchaeus 2000 Trust. The work was based on two model families – a two adult household with two children aged ten and four and a one adult household with two children aged ten and four. The first study was carried out in York with later studies being carried out in East London, Swansea and Brighton.
- 3 For a discussion of the minimum wage and its determinants see, for example, the Low Pay Commission (1998) 'The National Minimum Wage: First Report of the Low Pay Commission', p15. (<http://www.berr.gov.uk/files/file37987.pdf>)
- 4 Parker, H. (1998), *Low Cost but Acceptable. A minimum income standard for the UK: Families with young children*, London: Zacchaeus Trust. More details on this are provided in the first Living Wage report published in April 2005 by GLA Economics Living Wage Unit.
- 5 This is due to incomplete availability of data on the number of people in these household types.
- 6 The ‘pathfinder’ stage will introduce Universal Credit to claimants within certain areas of England, helping to ensure that Universal Credit is ready to go live across the rest of the country later in 2013.
- 7 According to DWP, the personal amount is the building block of Universal credit and is meant to provide for basic living costs. It is likely that the personal amount under UC will reflect existing personal allowances covered under income support, jobseeker’s allowance and the assessment phase of employment and support allowance. The personal amount will vary for single individuals and couples. <http://www.dwp.gov.uk/docs/universal-credit-full-document.pdf>
- 8 Wingfield, D., Fenwick, D. and Smith, K. (2005), ‘Relative Regional Consumer Price Levels in 2004’, Economic Trends 615. London: Office for National Statistics (ONS). www.statistics.gov.uk/articles/economic_trends/ET615Wingfield.pdf

- 9 Details of the calculation, including changes in the prices of items in the basket and their impact on living costs, are set out in Appendix A.
- 10 For an explanation of the methodology used to calculate entitlement to these benefits and tax credits, see the 2005 Living Wage report. Appendices B and C provide more information on the various tax credits and benefits and how they fit into these calculations.
- 11 Based on the Low Pay Commission's recommendations published in March 2012, the NMW (adult rate) for workers aged 22 years and older was increased to £6.19 from October 2012. The youth rate, for workers aged between 18 and 21 years, is £4.98, whilst 16 and 17 year olds receive £3.68.
- 12 This follows the assumptions used in the initial Family Budget Unit (FBU) work.
- 13 There is insufficient data to assess the weighted incomes of single individuals working part-time.
- 14 Note that using the income distribution approach, most families with children fall below the poverty threshold on the basis of the NMW.
- 15 See http://statistics.dwp.gov.uk/asd/hbai/hbai2011/pdf_files/full_hbai12.pdf
- 16 See http://statistics.dwp.gov.uk/asd/hbai/hbai2011/pdf_files/chapters/chapter_2_hbai12.pdf
- 17 It should be noted that this measure does not take into account childcare costs.
- 18 Details of this process (called 'equivalisation'), and the Income Distribution approach more generally are discussed in Appendix E of the 2005 Living Wage report.
- 19 To recap: The Living Wage equals 1.15 times the Poverty Threshold Wage. In turn the Poverty Threshold wage is an average of two calculations
- 20 The NMW was introduced in April 1999, and was set at the "deliberately cautious level of £3.60 an hour" – see National Minimum Wage, Low Pay Commission Report 2007
- 21 ONS - whole economy, seasonally adjusted (excluding bonuses and arrears) (K54L)
- 22 The Living Wage Foundation was created in 2011. It has three functions: Accreditation; Intelligence (the Foundation will provide advice and support to employers implementing the Living Wage); Influence (the Foundation will provide a forum for employers to publicly back the Living Wage). The Foundation is supported by seven Principal Partners: KPMG, Linklaters, Save the Children, Trust for London, Queen Mary, University of London and the Resolution Foundation.
- 23 10.4 per cent of those questioned chose not to respond
- 24 The weighted mean takes into account the different number of (three-bedroom) council houses in each borough, and weights the average by this number. The unweighted mean is a simple average of all boroughs for which data is available.
- 25 The Housing Corporation ceased operating on November 30th 2008. The Housing and Regeneration Act 2008 established two new agencies; The Tenant Services Authority (TSA) and The Homes and Communities Agency (HCA), which have both taken over the functions of the Housing Corporation.

26 <http://www.london.gov.uk/rents/>

27 As with the 2011 report, categories of housing thought to be available to couples without children include one bedroom houses and cottages.

28 Based on Valuation Office Agency data.

29 Childcare costs survey 2012, Daycare Trust

30 However, from January 2013 changes to the income tax system mean that families where one person is earning in excess of £50,000 per annum will see the financial benefits from child benefit reduced (and removed completely when the earning is in excess of £60,000)



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Greek

Αν θέλετε να αποκτήσετε αντίγραφο του παρόντος εγγράφου στη δική σας γλώσσα, παρακαλείστε να επικοινωνήσετε τηλεφωνικά στον αριθμό αυτό ή ταχυδρομικά στην παρακάτω διεύθυνση.

Turkish

Bu belgenin kendi dilinizde hazırlanmış bir nüshasını edinmek için, lütfen aşağıdaki telefon numarasını arayınız veya adrese başvurunuz.

Punjabi

ਜੇ ਤੁਹਾਨੂੰ ਇਸ ਦਸਤਾਵੇਜ਼ ਦੀ ਕਾਪੀ ਤੁਹਾਡੀ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਚਾਹੀਦੀ ਹੈ, ਤਾਂ ਹੇਠ ਲਿਖੇ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਹੇਠ ਲਿਖੇ ਪਤੇ 'ਤੇ ਰਾਖਤਾ ਕਰੋ.

Hindi

यदि आप इस दस्तावेज़ की प्रति अपनी भाषा में चाहते हैं, तो कृपया निम्नलिखित नंबर पर फोन करें अथवा नीचे दिये गये पते पर संपर्क करें

Bengali

আপনি যদি আপনার ভাষায় এই দলিলের প্রতিলিপি (কপি) চান, তা হলে নীচের ফোন নম্বরে বা ঠিকানায় অনুগ্রহ করে যোগাযোগ করুন।

Urdu

اگر آپ اس دستاویز کی نقل اپنی زبان میں چاہتے ہیں، تو براہ کرم نیچے دئے گئے نمبر پر فون کریں یا دیتے گئے پتے پر رابطہ کریں

Arabic

إذا أردت نسخة من هذه الوثيقة بلغتك، يرجى الاتصال برقم الهاتف أو مراسلة العنوان أدناه

Gujarati

જો તમને આ દસ્તાવેજની નકલ તમારી ભાષામાં જોઈતી હોય તો, કૃપા કરી આપેલ નંબર ઉપર ફોન કરો અથવા નીચેના સરનામે સંપર્ક સાધો.

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