

The parenthood penalty?

Exploring gender, family and pay in London

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SMF

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Scott was voted one of the top three forecasters of UK GDP by Focus Economics in 2016.

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EXECUTIVE SUMMARY

This report, commissioned by Peabody, provides new insights into the lives of London's residents. It draws on data from a wide range of official sources to track and analyse developments in incomes, savings and living costs.

This is the fourth of a series of Peabody Index reports. The Peabody publication "Work-life imbalance: Solving London's childcare challenge" explores the tension between employment and childcare among Peabody tenants. It considers ways in which this tension might contribute to the gender pay gap. In this report, we focus in particular on the gender pay gap, and how London differs from the rest of the country. We also explore how childbirth and parenthood impacts labour market outcomes.

The key findings of the report are:

- **The gender pay gap is substantial across the UK, though London performs better on some measures.** Across the UK, the median weekly pay of women in work is about a third (32.2%) lower than is the case for men. In cash terms, this amounts to £173 per week.

London has a weekly gender pay gap of 27.7%, the lowest among UK regions. In cash terms, the weekly pay gap is higher in London than the UK as a whole, at £192 compared with £173. This reflects higher average salaries in London. Even in cash terms however, London's gender pay gap is lower than is the case in the neighbouring South East and East of England.

- One reason why London has the joint lowest weekly gender pay gap in the UK, despite having a relatively high gap in hourly pay, is that men and women work more comparable hours in the capital. The median hours worked by women in London is higher than in any other part of the country.
- **The gender pay gap is also a feature among those on lower incomes.** Among those receiving some form of government benefits, median weekly pay among women is 26.5% lower than it is for men across the UK. London has a much lower gender pay gap among benefits recipients in work, at just 9.2% - the lowest of all UK regions.
- In addition to differences hours worked, variations in weekly pay between men and women can be explained by the industries and occupations in which they work. In both London and the UK as a whole, women are much more likely than men to be employed in public service industries, such as health, care and education. They are less likely than men to be employed in relatively well-paying private sector industries such as professional services and finance.
- With women much more likely than men to be carers – looking after children and other family members – they are also much more likely to be out of work and not seeking employment (that is, economically inactive). About a quarter (24.5%) of women in the UK aged between 16 and 65 are economically inactive, compared to just 15.1% of men. London has an economic inactivity rate of 27.1% - the third

highest after Northern Ireland and the North East of England. In absolute numbers, this amounts to about 800,000 economically inactive women in London.

- For men in the UK aged 35-45, having one or two children is associated with higher median weekly earnings. In contrast, having children has a clear negative impact on the median earnings of women. For women across the UK aged 35-45, median weekly pay of those with two children in the household is 26.1% lower than among women with no children. In contrast, men with two children have a median weekly pay 21.8% higher than men with no children. In London, this “motherhood penalty” is even higher at 30.0%. At the same time, the “fatherhood premium” is much lower in the capital at just 2.3%.
- **The key driver of the “motherhood penalty” for weekly pay is a sharp decline in hours worked among women.** While male median working hours are the same among men with no children, one child or two children, female working hours decline dramatically following childbirth. Median weekly hours worked among women with two children in the UK are 12 hours lower than those with no children. In London they are 13 hours lower.
- Women are much more likely to be economically inactive the more children they have. Among those with no children aged 35-45, 84% were in employment in the UK. This compared with 80% among those with two children and 60% among those with three or more children. In London, employment rates of women with children are even lower, at 76% for two child households and 47% for households with three or more children.
- The ethnic make-up of London is likely to explain a significant proportion of the variation in female employment rates, with some groups more likely to have an embedded culture of stay-at-home mothers, or face challenges such as discrimination that limit labour market opportunities. Among women aged 35 to 45, 8.8% of white women in the UK reported being economically inactive because they were looking after family/the home. This rises to 15.8% among black women, 16.8% among Indian women, 24.3% among Chinese women, 45.5% among Pakistani women, 52.7% among Bangladeshi women.
- **Childcare costs in London are higher than any other part of the country.** Conceivably, this might be a contributing factor to higher levels of female non-participation in the labour market in London. In Inner London, full-time nursery care costs on average £343 per week. This compares with £269 in Outer London and £233 in Great Britain.

With respect to our regular Peabody Index, which tracks the real incomes of London’s social housing tenants:

- The real incomes of social housing tenants in London ended 2019 slightly lower than the previous year. Real incomes in December 2019 fell 0.4% compared with the same month of 2018. While 2019 saw an acceleration in employee wage

growth, for lower income households in London, these gains from employment income were offset by freezes in working age benefits.

- **Going forward, 2020 presents some opportunities for rising incomes.** The government freeze which has kept most working age benefits at the same level for the past four years is due to come to an end in April 2020.
- Analysis of data in the ONS Labour Force Survey suggests that the proportion of economically active¹ social housing tenants in paid employment in London stood at 88% in Q3 2019 – broadly unchanged from the start of the year. The proportion of tenants that were unemployed stood at 11.1%, slightly up from 10.0% in the previous quarter, with the remaining balance of economically active tenants either undertaking unpaid family work (such as care) or in government employment or training schemes.

Summary of key data for social housing tenants in London

	Latest data	Level/rate	Change compared with six months/two quarters ago	Change compared with a year ago
Real household disposable income of London social housing tenants, December 2019 prices	Dec-19	£22,050 per year	↓ (-£49)	↓ (-£82)
Household income shortfall of social housing tenants compared with other London households	Dec-19	£27,908	↓ (-£385)	↓ (-£575)
Inflation for social housing tenants in London	Dec-19	0.8%	↓ (-0.8 percentage points)	↓ (-0.5 percentage points)
Unemployment rate*	Q3 2019	11.1%	↑ (+0.6 percentage points)	↑ (+0.1 percentage points)

* % of economically active social housing tenants in London. Excludes economically inactive tenants such as retired individuals and those that are unable to work due to disability.

i. That is, those that are either working or looking for work. Economically inactive tenants, such as those with some disabilities, the retired and those below working age are excluded from the analysis.

CHAPTER 1: INTRODUCTION

The gender pay gap has rocketed up the policy agenda in recent years, with politicians in all major parties committed to reducing and eventually eliminating the income disparities between men and women. Since April 2017, employers in the UK with more than 250 staff have been required, by law, to publish the following four types of figures annually, on their own website and on a government website:

- The gender pay gap (mean and median averages)
- The gender bonus gap (mean and median averages)
- The proportion of men and women receiving bonuses
- The proportion of men and women in each quartile of the organisation's pay structure

These new gender pay gap reporting requirements have contributed to a growing public debate around wage differences between men and women, and how best to tackle these differences.

This report, commissioned by Peabody, provides new insights into the gender pay gap, with a particular focus on London and those on lower incomes. Furthermore, the report focuses on the interlinkages between the gender pay gap and parenthood. To what extent is the gender pay gap explained by motherhood, and is London different to the rest of the country in this regard?

This publication is part of a series of Peabody Index reports, which aim to shed light into the lives of residents in London, especially those on lower incomes. As well as presenting our analysis of London's gender pay gap and its drivers, we also provide updated figures from the Peabody Index – which measures the incomes of the capital's social housing tenants. The latest Index shows that 2019 was another challenging year for the household incomes of social tenants in London, driven by the continued freeze in most working age benefits last year. The ending of this freeze in 2020, combined with lower inflation, provides some hope of a more positive picture for tenant incomes this year.

The structure of this report is as follows:

- **Chapter 2** examines the gender pay gap in London and how this differs to the rest of the country
- **Chapter 3** explores the drivers of the gender pay gap, with a particularly focus on the role of parenthood
- **Chapter 4** examines trends in disposable incomes in London, presenting data from the latest 'Peabody Index' which tracks incomes among social housing tenants.

CHAPTER 2: LONDON'S GENDER PAY GAP

This chapter explores regional variations in the gender pay gap. It pays particular attention to the gender pay gap in London and how this compares with the rest of the UK. Furthermore, in addition to looking at wage differences between men and women, this chapter examines differences in hours worked and labour force participation. In each of these areas, we find that London differs markedly from the rest of the country.

This analysis is based on data from the Labour Force Survey. To ensure a robust sample size, we examine data from the last four available waves of the Labour Force Survey, covering Q4 2018 to Q3 2019 inclusive.

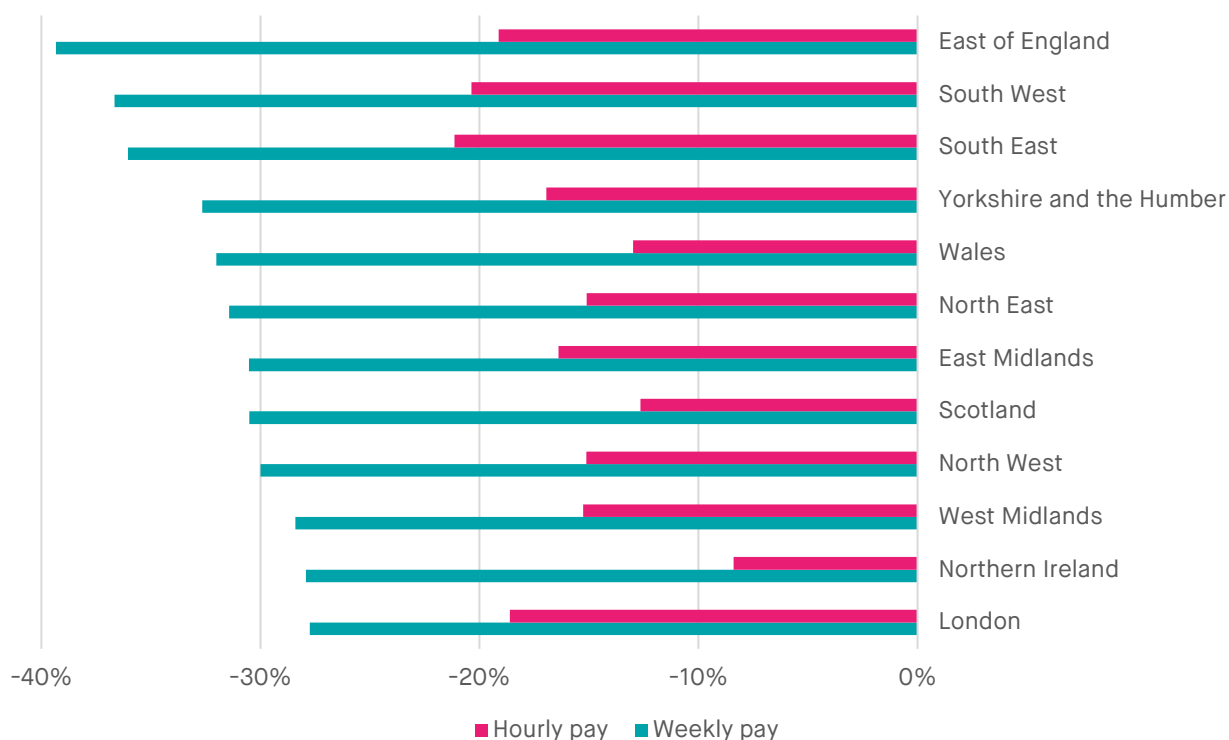
Regional variations in the gender pay gap

Across the UK, the median weekly pay of women in work is about a third (32.2%) lower than is the case for men. In cash terms this amounts to £173 per week.

London has a weekly gender pay gap of 27.7%, the lowest among UK regions. In cash terms, the weekly pay gap is higher in London than the UK as a whole, at £192 compared with £173. This reflects higher average salaries in London. Even in cash terms, however, London's gender pay gap is lower than is the case in the neighbouring South East and East of England.

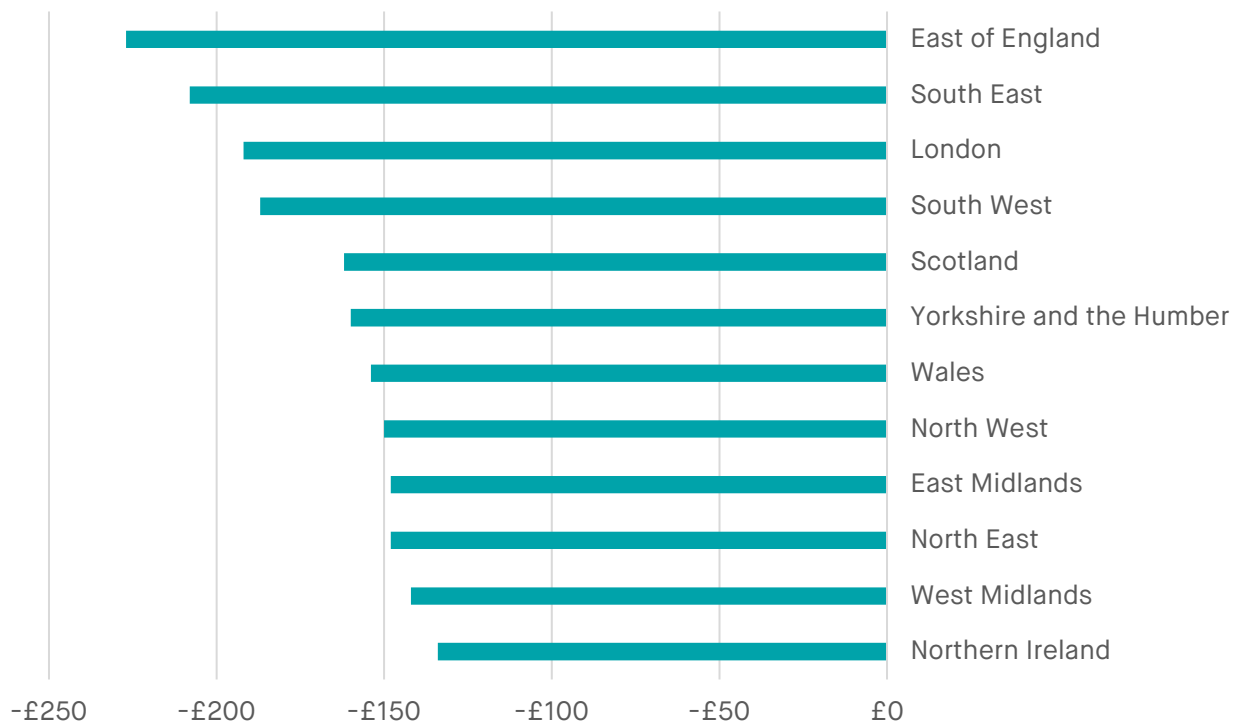
Although London has the lowest *weekly* gender pay gap in the UK, in percentage terms, it has the fourth highest percentage gap in *hourly pay*. The median hourly pay of women in the capital is 18.6% lower than that for men. This compares with a pay gap of 16.8% for the UK as a whole.

Figure 1: Gender pay gap by region - median weekly pay and median hourly pay, %



Source: Labour Force Survey, SMF analysis

Figure 2: Gender pay gap by region - median weekly pay, £

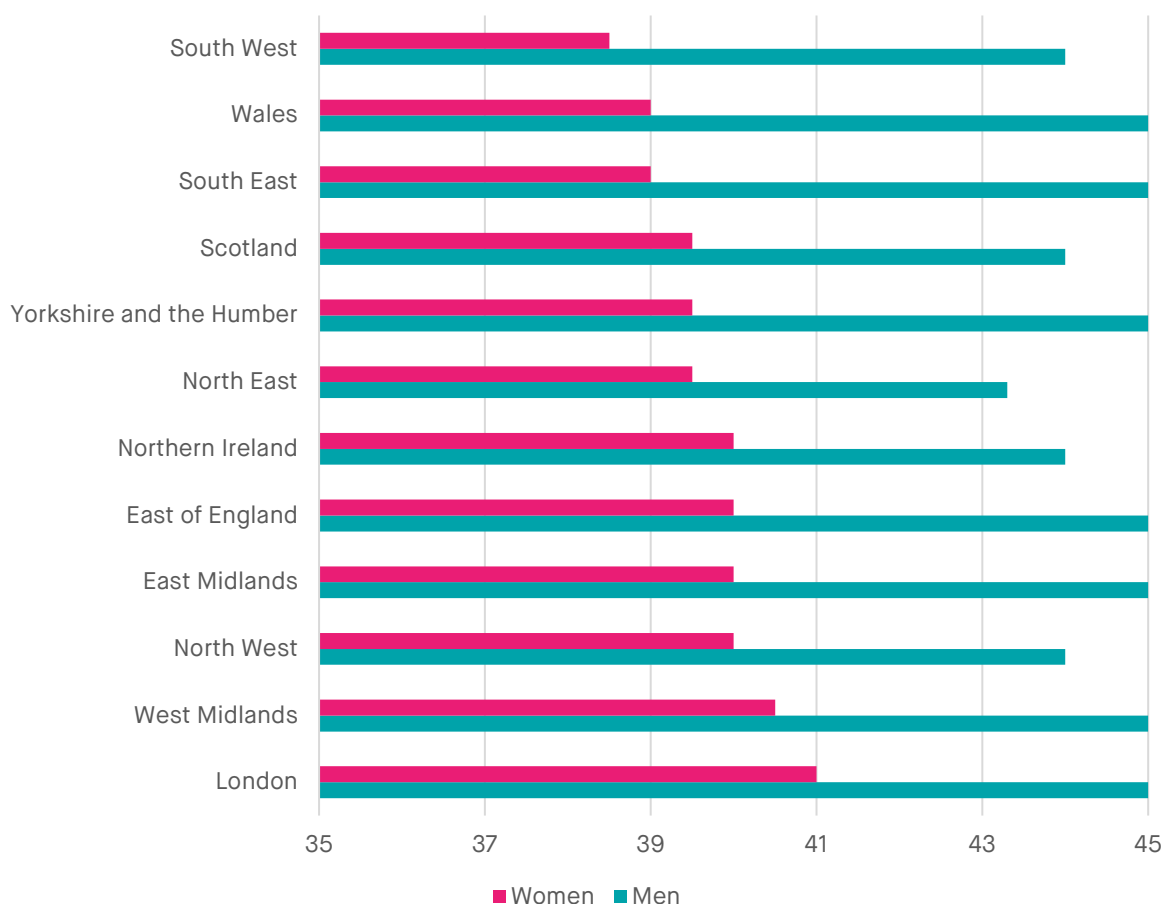


Source: Labour Force Survey, SMF analysis

Hours worked

One reason why London has the joint lowest weekly gender pay gap in the UK, despite having a relatively high gap in hourly pay, is that men and women work more comparable hours in the capital. Across the UK, median hours worked by women are five hours lower than the median hours worked by men, including overtime (40 hours versus 45 hours). In London, this gap in median hours worked is four hours, with women working an average of 41 hours including overtime and men working 45 hours. The median hours worked by women in London is higher than in any other part of the country.

Figure 3: Median hours worked per week (including overtime) by gender and region



Source: Labour Force Survey, SMF analysis

The gender pay gap among lower income households

Some of the most extensive discussion of the gender pay gap in the media has focused on those at the upper end of the income distribution – for example, recent coverage of significant differences in pay among senior BBC staff.¹ However, the gender pay gap is also a feature among those on lower incomes. Among those receiving some form of government benefits, median weekly pay among women is 26.5% lower than it is for men across the UK. London has a much lower gender pay gap among benefits recipients in work, at just 9.2% - the lowest of all UK regions.

Figure 4: Gender pay gap by region among benefits recipients- median weekly pay, % terms and £ terms

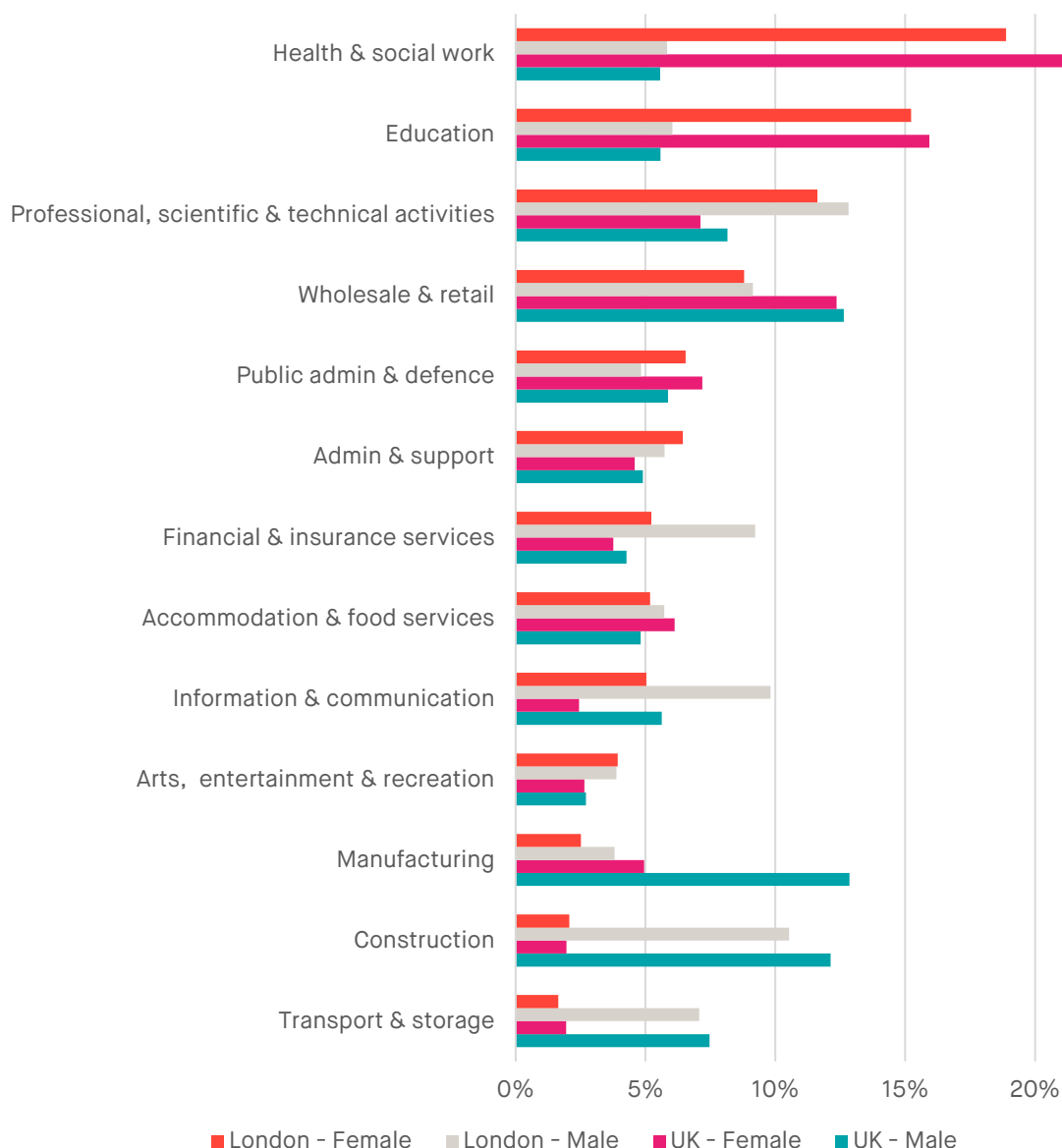


Source: Labour Force Survey, SMF analysis

Industries and occupations of women

In addition to differences hours worked, variations in weekly pay between men and women can be explained by the industries and occupations in which they work. In both London and the UK as a whole, women are much more likely than men to be employed in public service industries, such as health, care and education. They are less likely than men to be employed in relatively well-paying private sector industries such as professional services and finance. This is shown in the chart below.

Figure 5: Percentage of men and women employed in different industries, UK and London



Source: Labour Force Survey, SMF analysis

Labour market participation

The preceding analysis has focused on the wages, hours worked and type of employment of those in work – and the differences between men and women. However, this only tells part of the story of how female outcomes in the labour market differ from those of men.

Not only do women have lower rates of pay in work, but they are also less likely to be in employment in the first place.

Although the headline unemployment rate of women across the UK is lower for women than men, this gives an incomplete picture. The unemployment rate is just based on the *economically active population* – that is, it only includes those that are out of work and

actively seeking a job. Headline unemployment rate figures exclude those that are not looking for work – for example due to sickness, disability, or caring responsibilities.

With women much more likely than men to be carers – looking after children and other family members – they are also much more likely to be out of work and not seeking employment (that is, economically inactive). About a quarter (24.5%) of women in the UK aged between 16 and 65 are economically inactive, compared to just 15.1% of men. London has an economic inactivity rate of 27.1% – the third highest after Northern Ireland and the North East of England. In absolute numbers, this amounts to about 800,000 economically inactive women in London.

Figure 6 Economic inactivity rates, by region and gender, among those aged 16-65



Source: Labour Force Survey, SMF analysis

CHAPTER 3: THE PARENT TRAP – PARENTHOOD AND THE GENDER PAY GAP

A number of factors are behind the gender pay gap in the UK. This includes:

- Women taking more time out of the labour market, to care for children or elderly relatives for example.
- Women being more likely to work part-time.
- Choices of industry and occupation of employment among women, i.e. women being more likely to choose careers in occupations that pay less well.
- Differences in “typical” personality traits between men and women which lead to differences in pay rates. For example, a study by Carnegie Mellon University found that men are four times more likely than women to ask for a pay rise.²
- Discrimination against women in the labour market – for example in interview processes, and internal promotions.

Studies have attempted to understand the relative importance of these factors. A 2018 report for the Government Equalities Office found that the biggest driver of the gender pay gap is differentials in labour market history – that is, women taking more time out of the labour market and being more likely to work part-time. This research estimated that this factor accounts for over half (56%) of the gender pay gap in the UK. The next biggest factor was unobserved characteristics systematically associated with being female, including likelihood of being a victim of discrimination. Pay differentials arising from industrial sector and occupational segregation are the next biggest drivers.

Given that time spent out of the labour market accounts for the majority of the gender pay gap in the UK, and that this is closely linked to childcare, this chapter explores the impact of parenthood on female labour market outcomes.

The analysis in this chapter focuses on data from the Labour Force Survey from Q4 2018 to Q3 2019 inclusive. It hones in on women aged between 35 and 45, to help ensure more relevant comparisons between those with and without children. When we refer to the “number of children” a woman has, we mean the number of dependent children aged under 16 within the household.

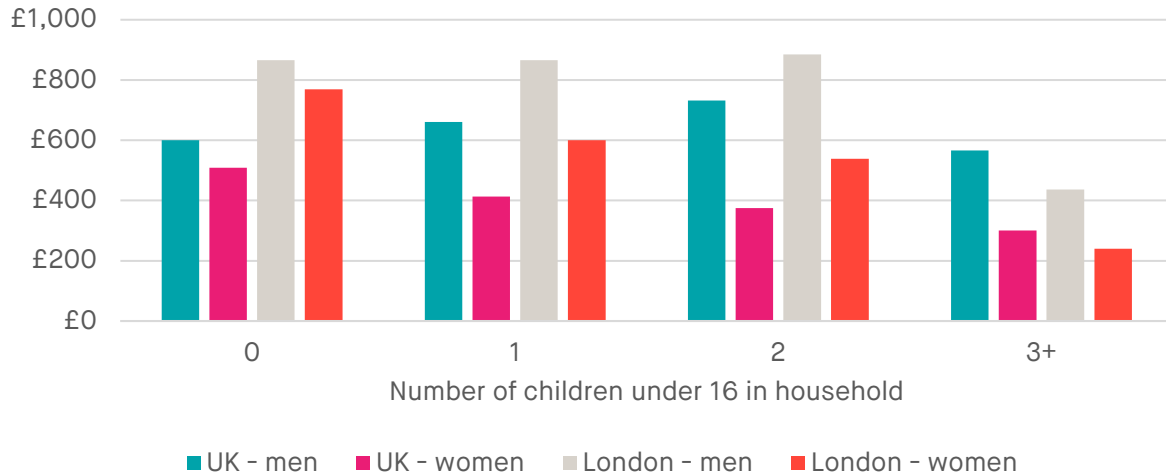
The fatherhood premium and the motherhood penalty

Our analysis of the Labour Force Survey shows that, for men in the UK aged 35-45, having one or two children is associated with higher median weekly earnings. In contrast, having children has a clear negative impact on the median earnings of women. The more children a woman has in the household, the lower median earnings from work are – a trend seen in both London and the UK as a whole. The weekly gender pay gap is much lower when comparing men and women with no children – highlighting the strong role parenthood plays in driving the gender pay gap.

For women across the UK aged 35-45, median weekly pay of those with two children in the household is 26.1% lower than among women with no children. In contrast, men with two children have a median weekly pay 21.8% higher than men with no children. In London, this “motherhood penalty” is even higher at 30.0%. At the same time, the “fatherhood premium” is much lower in the capital at just 2.3%.

Men and women with three or more children both face a pay penalty compared with those with fewer than three or no children in the household. This might reflect differences in the underlying average characteristics of those with larger families – such as educational attainment.

Figure 7: Median gross weekly pay by number of children and gender, UK and London



Source: Labour Force Survey, SMF analysis

The key driver of the “motherhood penalty” for weekly pay is a sharp decline in hours worked among women. While male median working hours are the same among men with no children, one child or two children, female working hours decline dramatically following childbirth. Median weekly hours worked among women with two children in the UK are 12 hours lower than those with no children. In London they are 13 hours lower.

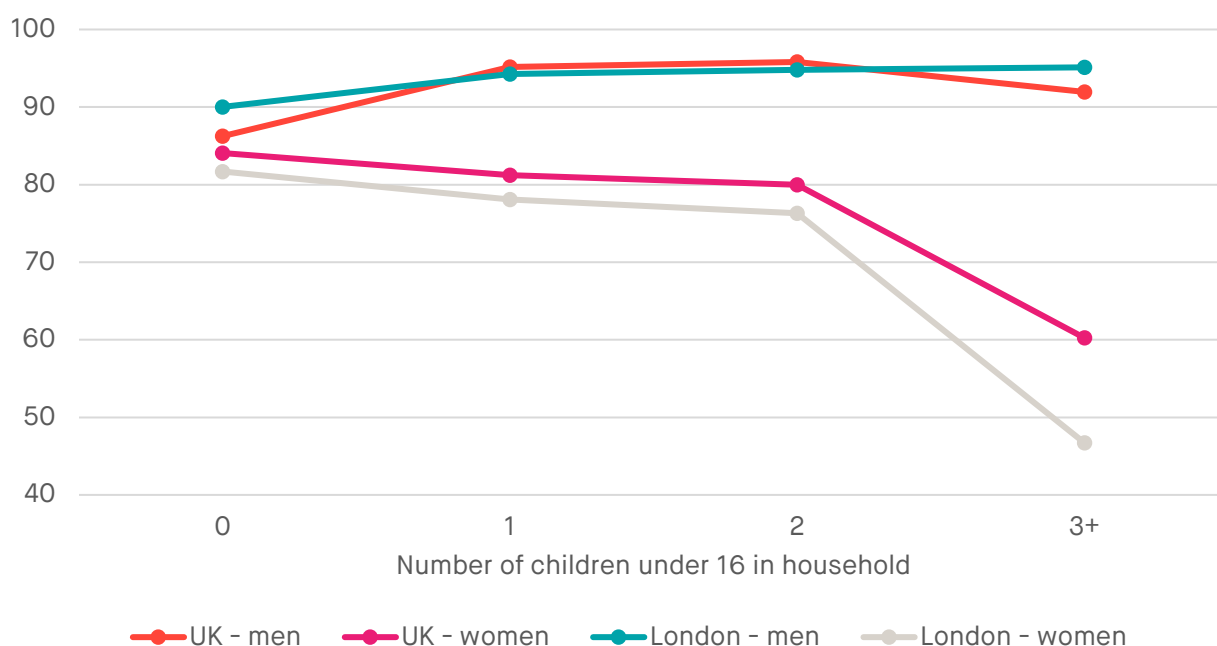
Figure 8: Median hours worked by number of children and gender, UK and London



Source: Labour Force Survey, SMF analysis

Further, women are much more likely to be economically inactive the more children they have. Among those with no children aged 35-45, 84% were in employment in the UK. This compared with 80% among those with two children and 60% among those with three or more children. In London, employment rates of women with children are even lower, at 76% for two child households and 47% for households with three or more children.

Figure 9: Percentage of men and women in employment by number of children, UK and London



Source: Labour Force Survey, SMF analysis

Why is London different?

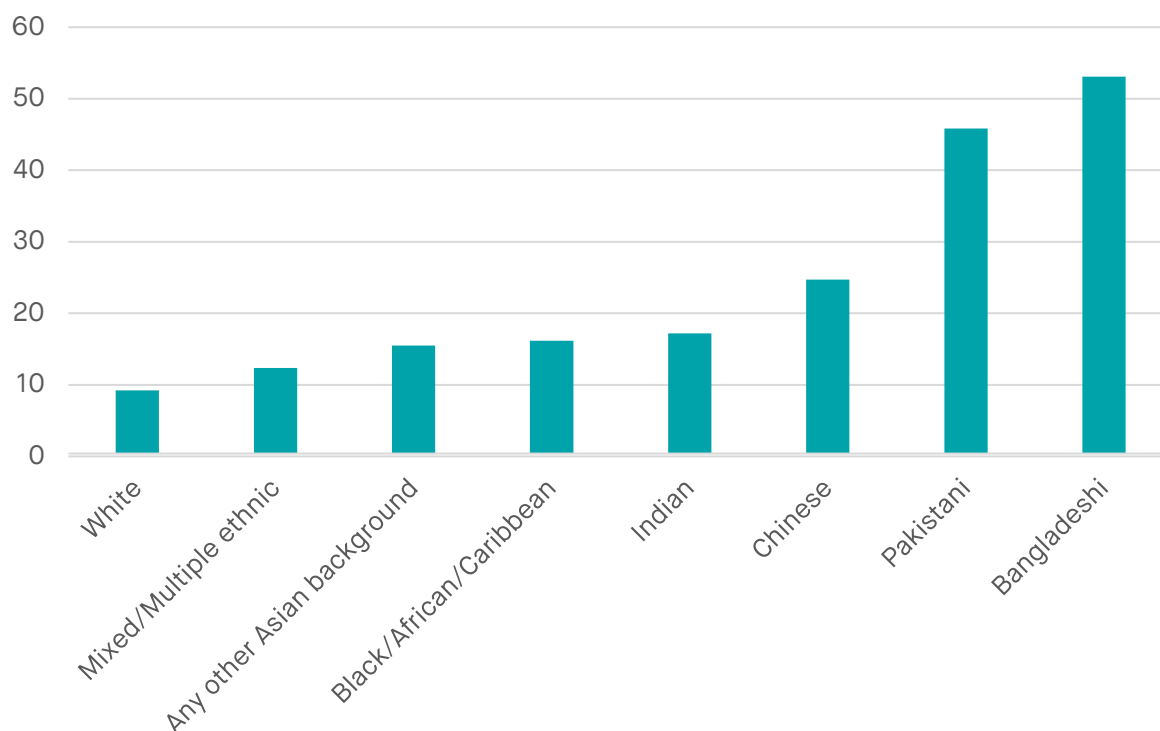
The relatively low employment rate of mothers in London raises a number of questions over contributing factors. What is driving these differences? Below we explore several hypotheses.

Ethnicity and cultural factors

The ethnic make-up of London is likely to explain a significant proportion of the variation in female employment rates, with some groups more likely to have an embedded culture of stay-at-home mothers, or face challenges such as discrimination that limit labour market opportunities. Indeed, this is borne out in the data. Among women aged 35 to 45, 8.8% of white women in the UK reported being economically inactive because they were looking after family/the home. This rises to 15.8% among black women, 16.8% among Indian women, 24.3% among Chinese women, 45.5% among Pakistani women, 52.7% among Bangladeshi women.

Some research has discussed the drivers of this variation across groups. A 2013 report by the Young Foundation exploring British Muslim women in the labour market, noted a number of factors for higher rates of economic inactivity among this group. This includes barriers to finding work due to religious and racial discrimination. But it also includes Muslim women being more likely to choose to take time out of the labour market to care for children. The study found that sixty per cent of Muslim women not in work had worked previously and 47% of these women left work to have children. Their appeared to be a strong cultural preference for “taking time out” of work to have children.³

Figure 10: Percentage of women aged 35-45 that are economically inactive because they are looking after family/home



Source: Labour Force Survey, SMF analysis

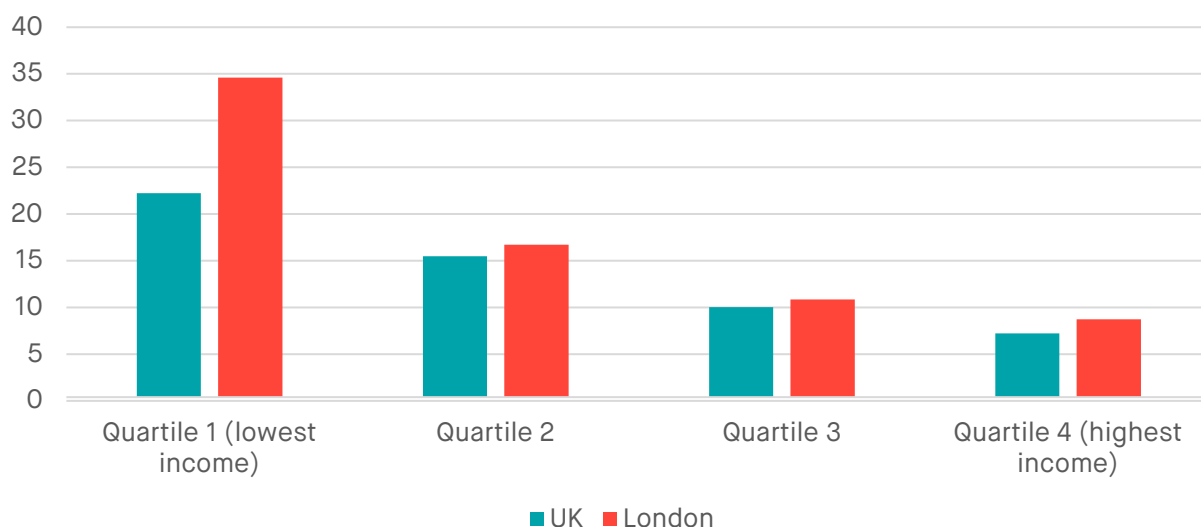
Rich partners – “bankers’ wives”

One hypothesis for London’s differential rate of female labour force participation might be the presence of very high salaries in the capital. If one partner can earn a substantial salary, this might reduce the need and willingness of another partner to also participate in the labour market. Such individuals might be making an active, positive choice to be a stay-at-home parent.

We have explored this hypothesis by looking at the Understanding Society survey, which captures data on household as well as individual income. For women aged 35-45 in London and the UK as a whole, we have explored the proportion staying at home to look after the home/family, and segmented this by household income quartile.

While women in this age group in London, in every income quartile, are more likely to be staying at home to look after family, this is particularly true among those in the lowest household income quartile, as the chart below shows. As such, the “rich partners” hypothesis is less likely to be a driver of London’s differences than other factors.

Figure 11: Percentage of women aged 35-45 that are economically inactive because they are looking after family/home, London and the UK, by household income quartile



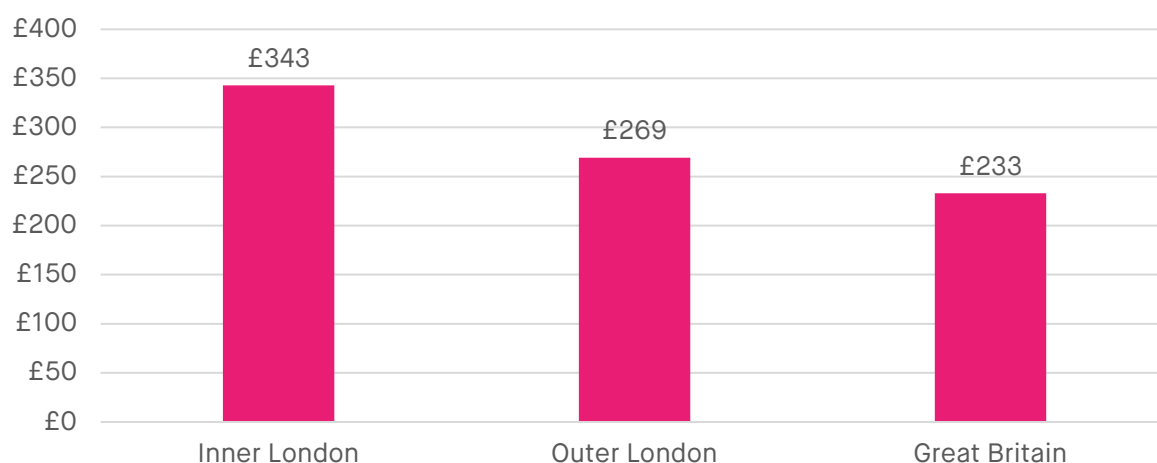
Source: Understanding Society, SMF analysis

Expensive childcare combined with lengthy commutes

Childcare costs in London are higher than any other part of the country. Conceivably, this might be a contributing factor to higher levels of female non-participation in the labour market in London. If childcare costs are high, this diminishes the financial return of parents returning to work.

In Inner London, full-time nursery care costs on average £343 per week. This compares with £269 in Outer London and £233 in Great Britain.

Figure 12: Weekly costs of full-time nursery childcare (50 hours), 2018



Source: GLA data, SMF analysis

Childcare might also be problematic for some Londoners beyond reasons of cost. The capital has the longest average commute times in the country, making it more difficult to balance work and family life. Lengthy travel times can make it more difficult to find appropriate childcare. Delays on commutes also leave parents having to face “late fees” for not picking children up from nursery on time.

Figure 13: Average commute length (both ways) in minutes, by region where worker lives

Source: TUC analysis

Concluding remarks

Parenthood is a strong driver of the gender pay gap in the UK, as analysis presented here has shown. Among those aged 35-45, the gender pay gap is much greater among those with children, than those without children.

In London, this impact might be even greater, with analysis in this report showing that women in the capital are more likely than those elsewhere to be taking time out of the labour market to look after family.

The drivers of London's divergence from the rest of the country are likely to be numerous. Cultural reasons appear to be a strong driver, with marked differences across in female labour market participation among ethnic groups in the capital. London's high childcare costs and commuting times might also have a bearing on women's' decisions about whether or not to work.

To what extent should we care about the "motherhood penalty" in the labour market? From a pure financial perspective, the evidence is clear. Compared with fathers, mothers lose out financially through working fewer hours, or not being employed at all. Even if a woman decides to return to full-time work, financial losses are likely to be sustained. The loss of "employment track record" during motherhood limits the ability to women to realise promotions. As Government Equalities Office research shows, this is a key driver of the gender pay gap across all age groups.

At the same time, one should be careful in assuming that stay-at-home parenthood, or working fewer hours, is in all cases a negative experience. Some and perhaps even many women might make a positive choice to take time out of the labour market, valuing the

ability to spend more time with children and wider family. For some, the financial costs of not working are likely to be a price worth paying.

Ultimately, the role of policymakers should be to help ensure that women that want to work, are able to work. In practice, this means taking steps to ensure childcare is affordable, and that employers are willing to adopt “family friendly” policies – such as being able to work from home. Policymakers should also consider the role of policy in spreading childcare responsibilities more evenly between men and women, to reduce the extent to which women feel compelled to work fewer hours or leave the labour market altogether. This includes exploring the role of maternity and paternity leave policy in determining how much time men and women take off work to look after children.

CHAPTER 4: THE PEABODY INDEX

Finally, this chapter presents the findings of analysis of household incomes in London, particularly with respect to relatively lower income residents living in social housing.

The Peabody Index tracks the average real (inflation-adjusted) household disposable incomes of the capital's social housing tenants, exploring the extent to which they are changing in response to developments in welfare policy, the labour market and the cost of living. By disposable income, we mean income net of taxes. "Income" includes earnings from employment, investment, pensions & annuities, and social security benefits.

To provide a point of comparison, we also explore trends in household incomes across London as a whole, to explore the extent to which the incomes of social housing tenants are catching up with or falling further behind others living in the capital.

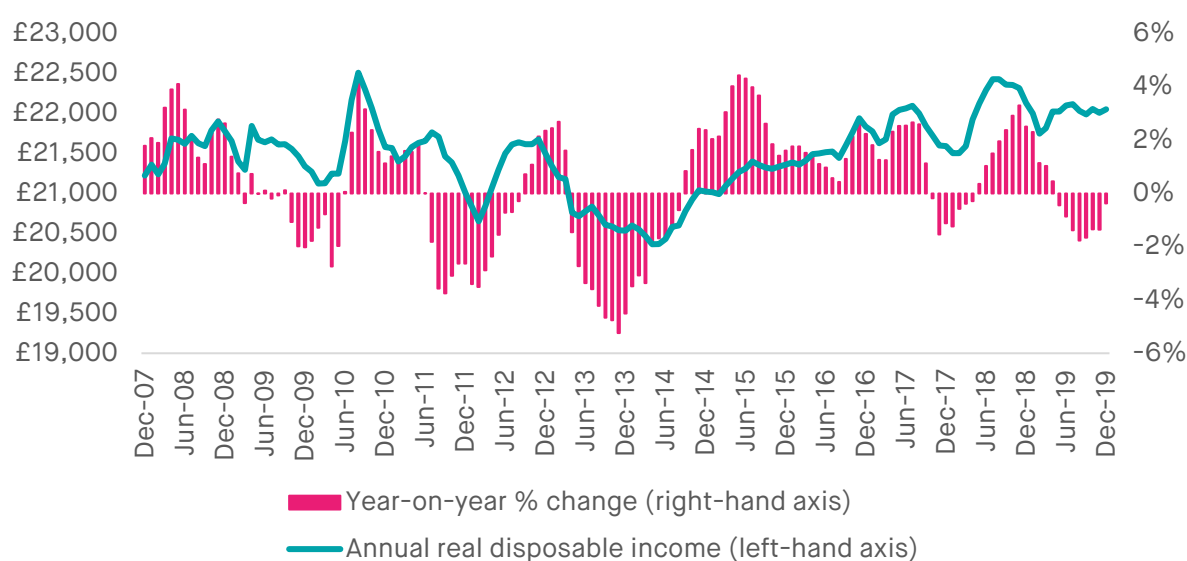
The Index is based on analysis of a wide range of datasets, including the ONS Living Costs and Food Survey, ONS Family Resources Survey, ONS labour market and inflation statistics, DWP benefits caseload statistics and rental data from the Greater London Authority. A methodological note is included in the appendix of this report.

Latest movements of the Peabody Index

The real incomes of social housing tenants in London ended 2019 slightly lower than the previous year. Real incomes in December 2019 fell 0.4% compared with the same month of 2018. While 2019 saw an acceleration in employee wage growth, for lower income households in London, these gains from employment income were offset by freezes in working age benefits.

Going forward, 2020 presents some opportunities for rising incomes. The government freeze which has kept most working age benefits at the same level for the past four years is due to come to an end in April 2020.

Figure 14: Peabody Index – average real annual disposable income of social housing households in London (December 2019 prices)



Source: SMF analysis based on data from the ONS Living Costs and Food Survey, ONS inflation bulletins. ONS Labour Force Survey and GLA data on social housing rents.

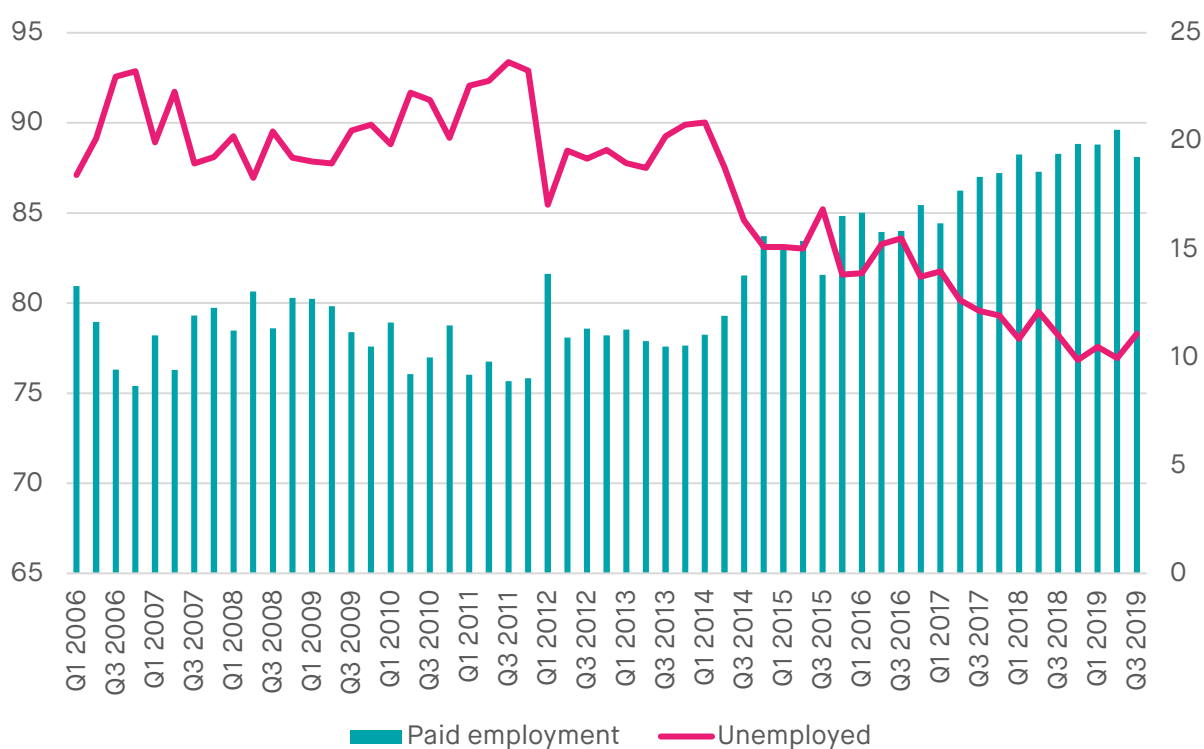
Trends in employment and unemployment

Analysis of data in the ONS Labour Force Survey suggests that the proportion of economically active² social housing tenants in paid employment in London stood at 88% in Q3 2019 – broadly unchanged from the start of the year. The proportion of tenants that were unemployed stood at 11.1%, slightly up from 10.0% in the previous quarter, with the remaining balance of economically active tenants either undertaking unpaid family work (such as care) or in government employment or training schemes.

Despite the recent uptick in the unemployment rate, worklessness remains much lower than the recent past. At the start of 2014, the unemployment rate for social housing tenants in London stood at over 20%.

Critically, it remains to be seen whether the recent uptick in unemployment is a blip rather than the start of a worsening in labour market conditions. Data from the ONS showed job vacancy numbers across the UK picking up in the final quarter of 2019, suggesting an improvement in labour market conditions as the year drew to a close.⁴

Figure 15: Proportion of economically active social housing tenants in London in paid employment (left-hand axis) and proportion unemployed (right-hand axis), %



Source: ONS, SMF analysis

ii. That is, those that are either working or looking for work. Economically inactive tenants, such as those with some disabilities, the retired and those below working age are excluded from the analysis.

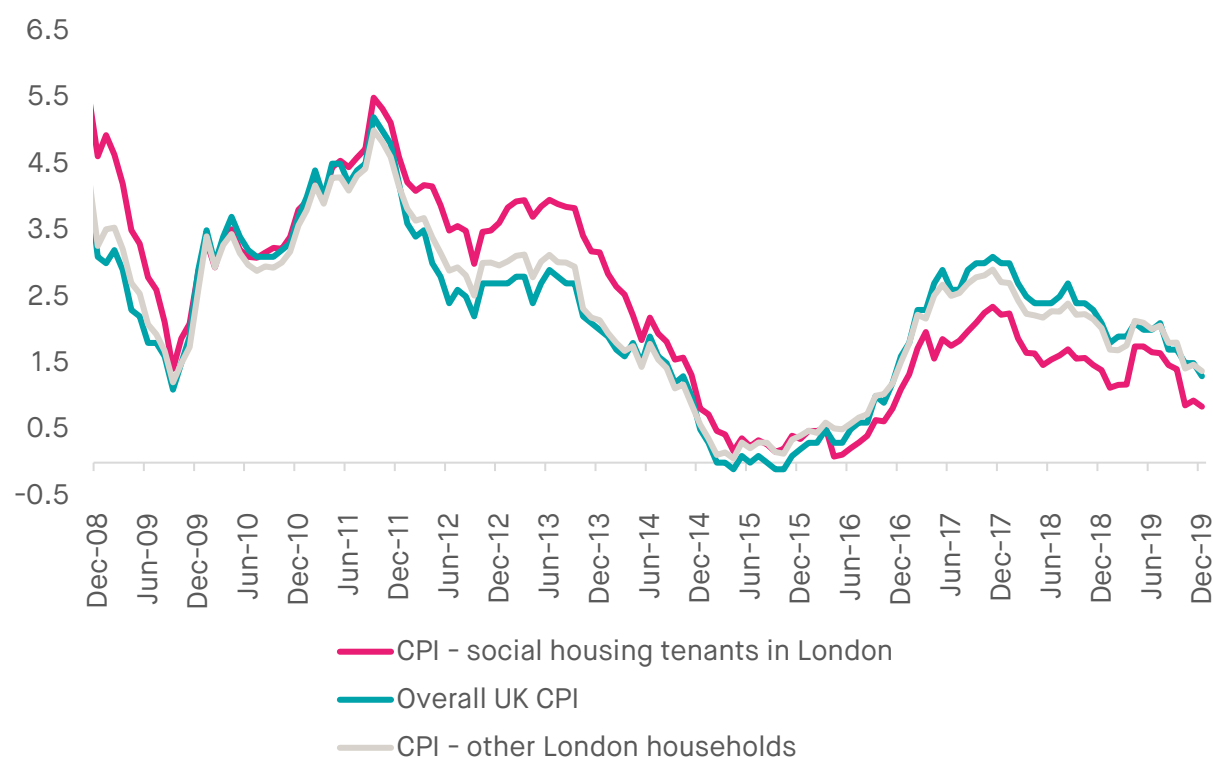
Cost of living inflation

Cost of living inflation for London's social housing tenants remains below that experienced across the UK as a whole. In part, this reflects the impact of the July 2015 Budget, during which the then-Chancellor George Osborne announced a 1% per year reduction in social housing rents for a four-year period. This has curtailed cost of living inflation for social housing tenants who do not have all of their rent covered by housing benefit.

The figure below shows our estimate of cost of living inflation for social housing tenants in London - the year-on-year percentage change in the cost of living for this group, based on typical spending patterns for these households. To provide a point of comparison, the graph also includes headline consumer price index (CPI) inflation for the UK as a whole, as well as for other London households (not in social housing).

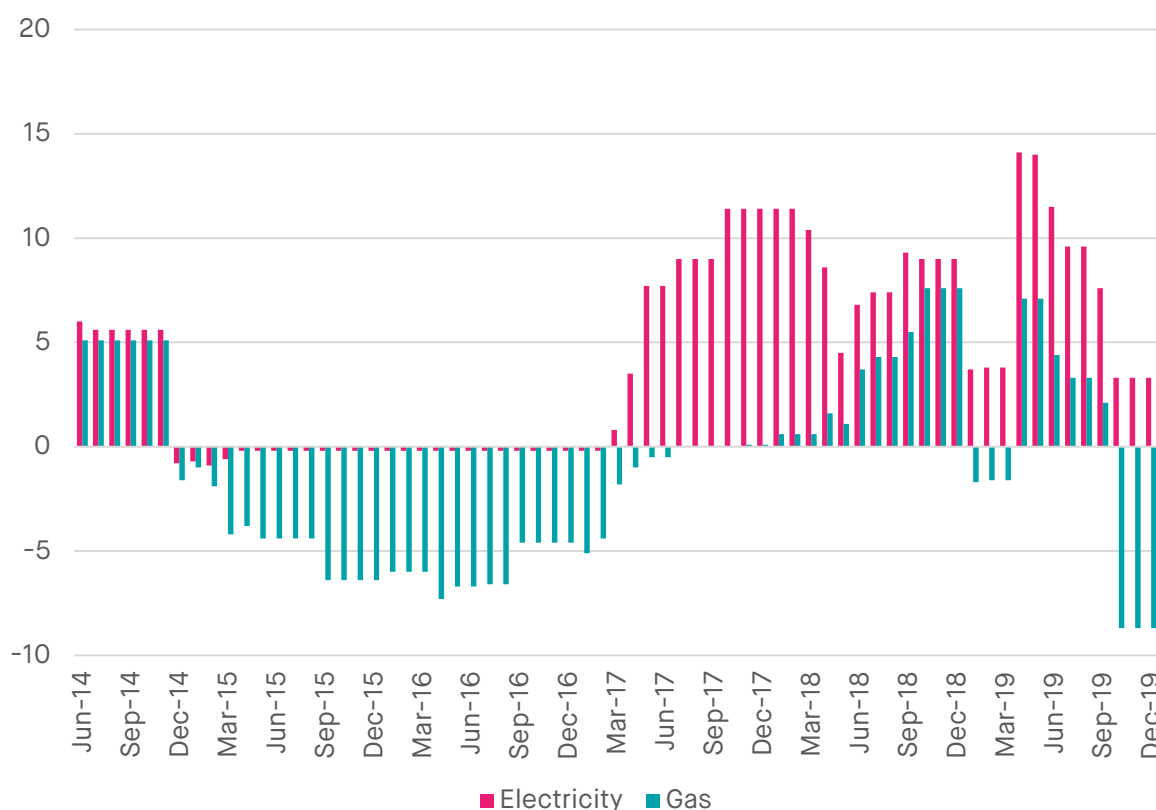
In December 2019, the cost of living inflation for social housing tenants in London stood at 0.8% year-on-year. Inflation has generally fallen back since summer 2019 – supporting living standards in the capital. This includes a fall in gas prices over the 12 months to December 2019, as well as an easing in electricity price inflation. Falling utility prices are particularly beneficial to lower income households, as they spend a greater proportion of their incomes on energy.

Figure 16 Estimated cost of living inflation, London social housing tenants versus UK CPI, %



Source: ONS, SMF analysis

Figure 17: Annual change in consumer gas and electricity prices in the UK, %



Source: ONS, SMF analysis

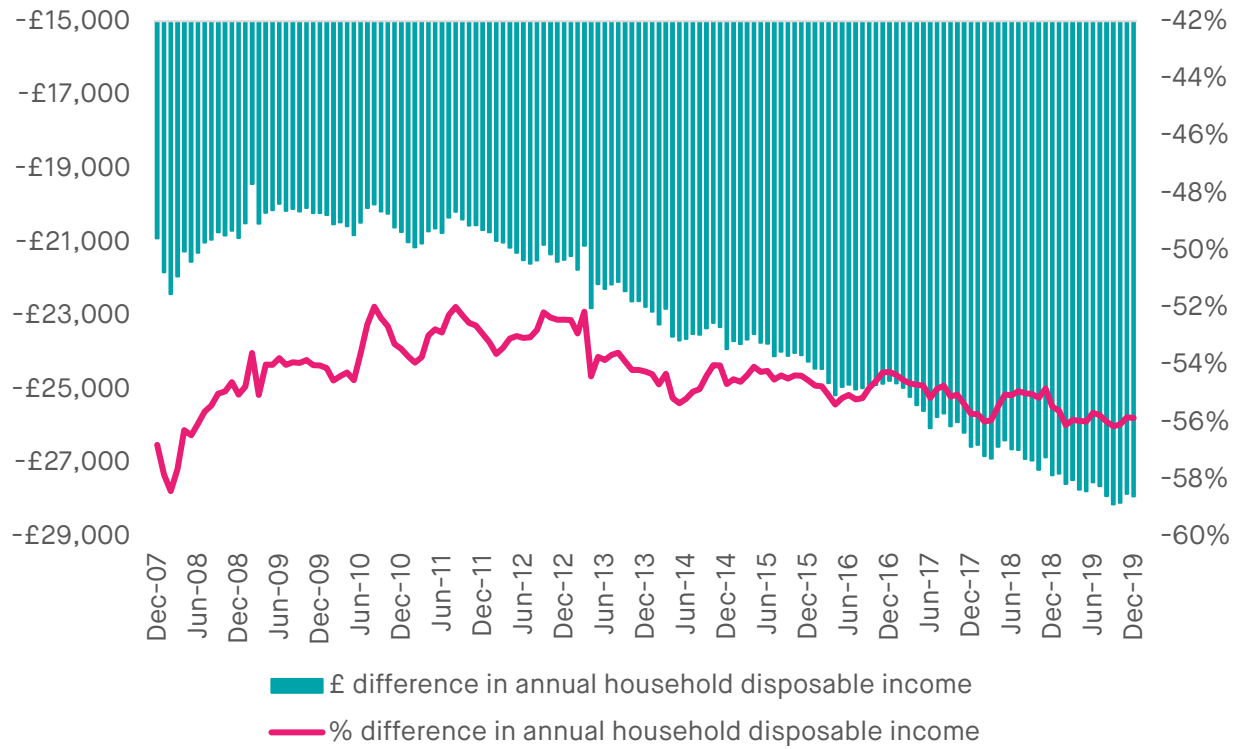
Comparisons across groups – are social housing tenants catching up or falling behind?

Another area of interest is the extent to which income differences across households in London are changing over time – is the income gap between social housing residents and other London households widening or narrowing?

In our latest data, covering December 2019, the income gap stood at about £27,900, up from about £27,300 in December 2018. This reflects the continued impact of welfare restraint on benefits income for lower earning households in the capital. Accelerating employee wage growth has led to a widening of the income gap between social housing tenants and other households in the capital – both in £ terms and in percentage terms. Social housing tenants had an average income 55.9% lower than other London households in December 2019 – a percentage that was relatively constant over the course of the year.

The disparity in incomes between social housing tenants and other London households has potentially significant implications for equity and social cohesion in the capital. Critically, despite the rising proportion of social housing tenants that are now in work, rather than unemployed, the income gap compared with other households in the capital remains substantial and has generally been widening in pound terms in recent years.

Figure 18: Difference between average annual disposable income for London social housing tenants, and average household disposable incomes for other London households.



Source: SMF analysis

APPENDIX: RESEARCH METHODOLOGY

The Peabody Index

The Peabody index measures the disposable (net of tax) income of social housing households in London. It is adjusted for inflation – that is, it is expressed in real terms.

We use data in the 2015/16 ONS Living Costs and Food Survey as a basepoint for incomes of social housing households in London. This provides information on the sources of income for households, including income from:

- Wages
- Self-employment
- Investments
- Annuities and pensions
- Social security benefits

We have then backcast and forecast disposable incomes using a range of more timely datasets:

- Income from wages and self-employment are assumed to grow in line with the ONS “average weekly earnings” series published in its monthly labour market statistics. We account for variation in employment levels using data in the quarterly Labour Force Survey – that is, we adjust for social housing tenants moving in and out of the labour market.
- Income from investments accounts for a very small proportion of total gross income for social housing households in London – just £3 per week in 2015/16. Given the prolonged period of very low interest rates and the economic downturn preceding this, we assume that investment income has not changed significantly over the past ten years.
- Income from annuities and pensions is assumed to grow in line with the retail price index measure of inflation.
- Income from social security benefits is determined by benefits projections and regional caseload data produced by the Department for Work and Pensions.

To produce an inflation-adjusted measure of disposable incomes, we have produced a “consumer price index” measure which reflects the spending patterns of social housing households in London. That is, we have produced a reweighted CPI based on expenditure data contained in the ONS Living Costs and Food Survey. While we assume the price of most goods and services, such as food and energy, grows in line with the UK as a whole, we have used Greater London Authority (GLA) data on social housing rents to adjust the “housing costs” element of the CPI. That is, we adjust for the fact that growth in rental prices is likely to be significantly different to the UK as a whole, for social housing tenants in London.

ENDNOTES

¹ <https://www.theguardian.com/media/2020/jan/20/sarah-montague-wins-400000-settlement-from-bbc-for-unequal-treatment>

² <https://www.weforum.org/agenda/2018/04/women-are-still-not-asking-for-pay-rises-here-s-why/>

³ <https://youngfoundation.org/wp-content/uploads/2013/01/Valuing-Family-Valuing-Work-British-Muslim-Women-and-the-Labour-Market-October-2008.pdf>

⁴ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/timeseries/ap2y/lms?referrer=search&searchTerm=ap2y>