

AN INEQUALITY COMMISSIONER FOR LONDON

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**EVEN
IT UP**



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INTRODUCTION

London, the UK's richest city and a driver of its economy, is also home to the country's greatest extremes of poverty and wealth. The proportion of households in the UK classed as either 'wealthy' or 'poor' has grown considerably since the economic crisis of 2008—a trend that is most pronounced in London.¹

The mayoralty of London is one of the most important public positions in the UK. It has the potential to tackle inequality, and thereby change the lives of the 2.3m people living in poverty in the capital, as well as to set an example for other parts of the country. Oxfam is calling on the next Mayor of London to be at the forefront of efforts to address poverty and inequality. Specifically, we want the new mayor to:

- Appoint an Inequality Commissioner for London with a remit to:
 - Develop a strategy for addressing economic inequalities and poverty in the capital;
 - Develop a 'decent work standard' based on participatory research with employees and employers;
 - Consider the role of London's financial sector in relation to global inequalities; and
 - Assess the potential of any new devolved powers to address inequality and poverty in the capital.
- Champion the widespread adoption of the voluntary Living Wage², and monitor and publish gender pay gaps and pay ratios

The London Mayor acts as a spokesperson to government for Londoners, and can be an authoritative voice about policies that the national government should apply specifically to London. In the UK, the issue of economic inequality is most crystallised at a London-wide level, and the Mayor should work with the newly created Inequality Commissioner, the Treasury and other departments to develop policies and strategies tailored to the capital's specific circumstances.

INEQUALITY AND POVERTY IN LONDON

Around 2.3m people live below the poverty line in London, representing 27 percent of its population. This compares with a poverty rate of 20 percent in the rest of England.³ The wealth of the richest ten percent of London's population is 173 times that of the poorest ten percent (the same ratio for the rest of Britain stands at 60).⁴ The richest tenth of London's households account

for £260bn of financial wealth. The poorest tenth hold more debt than financial assets, so have financial wealth amounting to negative £1.3bn.⁵

The composition of poverty in London has changed considerably over recent decades. While pensioner poverty has fallen (as it has elsewhere in the UK), poverty among those of working age has increased. Child poverty rates in London remain considerably higher than the national average.⁶ The unequal distribution of caring responsibilities, the gender pay gap and the disproportionate impact of spending cuts⁷ risks pushing more women into poverty. The geographic distribution of poverty is uneven, with some boroughs having some of the highest concentrations of poverty and deprivation in the country. Seven of the ten local authority areas with the highest rates of child poverty in the UK are in London.⁸ It is often these areas that have experienced the largest cuts to local government spending.⁹

Over twenty years, unemployment in inner London has moved closer to the national average,¹⁰ but moving into work has not been enough to lift many households over the poverty line. Some 1.2m Londoners in poverty live in a working family, an increase of 70 percent over a ten-year period.¹¹ Around 19 percent of jobs in London pay less than the voluntary London Wage of £9.15 per hour.¹² It is Oxfam's view that the nature of poverty in London requires a focused approach to improving the quality of employment opportunities available to those operating towards the bottom of the labour market.

WHY TACKLING ECONOMIC INEQUALITY MATTERS

Oxfam calculates that just 62 people own as much wealth as half of the world's population (3.6bn people) put together.¹³ Evidence shows that extremes of inequality are bad for growth and diminish the latter's poverty-reducing impact.¹⁴

Economic inequality impacts and intersects with a range of social and political factors to make society as a whole worse-off. There is a 25-year life expectancy gap between the poorest and richest wards in London.¹⁵ High levels of child poverty have been estimated to cost the UK around £29bn per annum through lower tax receipts and additional spending on services and benefits to address its consequences.¹⁶ Economic inequality can reinforce poverty and limit social mobility, as those with wealth can 'hoard' opportunities for themselves and their children.¹⁷

Given the wealth that exists in London, we should all be angry that it isn't spread more evenly across the capital, and that such high levels of poverty exist there. Our

economic and social model is clearly not meeting the needs of all Londoners: over a 100,000 people in the city were provided with three days' emergency food (i.e. used a food bank) in 2014–15.¹⁸

This is not just a moral issue. High levels of inequality are a problem for London's economy. Soaring wealth at the top increases risky speculation in London's financial sector, while low wages depress demand in London's economy, as those with a higher propensity to consume—those on lower wages—have limited resources to do so.¹⁹

The rest of this briefing sets out a number of steps that Oxfam wants the next London Mayor to take in order to ensure economic inequalities in London are tackled.

AN INEQUALITY COMMISSIONER FOR LONDON

Oxfam is calling on the next Mayor of London to appoint an Inequality Commissioner. The Commissioner would be tasked with ensuring that efforts to address economic inequalities, and therefore poverty, are at the heart of the Mayor's agenda.

The Inequality Commissioner should have a broad remit to explore policies and ideas across a range of areas that have the potential to address inequality and poverty. These include fair pay and decent work, economic development, growth strategies that align with key social justice goals, and considering the role of London with regards to global inequalities.

While the Inequality Commissioner would support the Mayor in developing strategic approaches to tackling inequalities and poverty over the medium to long term, Oxfam expects the new Mayor to address some aspects of inequality and poverty as soon as they are elected. Given the rise of in-work poverty in London and the prevalence of low-paid and insecure employment, Oxfam wants the Mayor to:

- Champion widespread adoption of the voluntary Living Wage in the capital.

The voluntary Living Wage is higher than the National Living Wage of £7.20 per hour being introduced from April 2016, and the voluntary London Living Wage of £9.15 recognises the higher living costs people face in London. The Mayor should work with local authorities to build payment of the voluntary Living Wage into procurement contracts, so that both direct and indirect public sector employees receive a decent hourly rate.

ADDRESSING PAY INEQUALITIES AND DEVELOPING A 'DECENT WORK STANDARD'

The challenge of in-work poverty goes beyond low pay. Pay disparities in the capital between rich and poor, and men and women, are too great. Too many employment opportunities are short term, and do not provide the hours, flexibility, security and opportunities for progression that many people need. The Inequality Commissioner should:

- Monitor and publish information on various pay gaps, including pay ratios, gender pay gaps and the pay gap between full- and part-time workers; and
- Develop a 'decent work standard' based on participatory research with employees and employers.

In addition, the Mayor should task the London Enterprise Panel, working with the Inequality Commissioner, with ensuring that economic development and growth strategies are aligned with efforts to tackle inequality and poverty. Greater consideration needs to be given to ensuring that jobs being created in London are of good quality. This should build on approaches such as that developed by Oxfam in Scotland, in which low-paid workers identified aspects of employment—from pay to job security and training—that they believed constitute good-quality employment or 'decent work'. If implemented, decent work approaches should lead to lower levels of in-work poverty and higher levels of wellbeing among employees. Employers should benefit from a happier and more productive workforce, as well as higher levels of staff retention.

DEVELOPING A STRATEGY FOR ADDRESSING ECONOMIC INEQUALITIES AND POVERTY IN LONDON

The Mayor's pan-London role allows their office to identify policies and measures that can be adopted at a Greater London level, and those that can be implemented by other key stakeholders, such as London's boroughs. As part of this, we would expect the Mayor and the Inequality Commissioner to engage with those experiencing poverty, building on approaches such as Oxfam's HumanKind Index.²⁰ We expect the Inequality Commissioner to:

- Build on the work of the London Fairness Commission²¹ and local fairness commissions, and work with London boroughs and other stakeholders including residents, to develop a strategy, signed off by the Mayor, for addressing economic inequalities and poverty in London.

THE ROLE OF LONDON'S FINANCIAL SECTOR

Oxfam works globally to address the structural causes of economic inequality. Our campaign to bring an end to tax havens recognises the central role the UK plays in allowing wealthy individuals and corporations to avoid paying their fair share of tax.²² Oxfam also recognises that London, as one of the world's most important financial centres, plays a role in shaping inequalities globally as well as nationally and locally.

Oxfam is concerned that rising economic inequality, driven by the deregulation of the financial sector (which in the UK is predominantly based in London), was a major factor behind the financial crisis of 2008. Financialisation has led to a major shift in wealth from labour to capital and encouraged short-termist profiteering. We want to see a properly regulated and more responsible financial sector in London. The Inequality Commissioner therefore should have a remit for exploring the impact of London's financial centre on inequalities globally and nationally, as well as locally. As a first step, they should:

- Chair a commission on how to improve regulation of the finance sector; and
- Work with others to review the role of the financial sector in destabilising financial flows across borders and the hiding of wealth in tax havens, and make recommendations to the government on how to reform this.

LOOKING TO THE FUTURE: ENSURING ANY NEW DEVOLVED POWERS ARE USED TO ADDRESS INEQUALITY AND POVERTY

As devolution from Westminster to the regions of England develops, it is likely that the London Mayor will be given new and greater powers. The Inequality Commissioner would be expected to:

- Assess the potential of any new powers to address inequalities and poverty in the capital, and make recommendations to the Mayor as to how these powers should be used.

NOTES

- 1 Aldridge, Born, Tinson and MacInnes. (2015). *London's Poverty Profile 2015*. London: Trust for London
- 2 'Voluntary' Living Wage refers to the Living Wage as advocated for by campaigners and based on research by the Centre for Research in Social Policy (see: <http://www.lboro.ac.uk/research/crsp/mis/>) with a higher rate set for London. This is distinct from the lower 'National Living Wage' being introduced by central government from 1st April.
- 3 *ibid.*
- 4 *ibid.*
- 5 *ibid.*
- 6 Department for Work and Pensions. (2015). *Households Below Average Income: An analysis of the income distribution 1994/95 – 2013/14*. London: Department for Work and Pensions.
- 7 See for example: Women's Budget Group (2015). http://wbg.org.uk/wp-content/uploads/2015/12/WBG_CSR_FullResponse_final_8Dec15.pdf
- 8 End Child Poverty. (2014). *Child Poverty Map of the UK* http://www.endchildpoverty.org.uk/images/ecp/Report_on_child_poverty_map_2014.pdf
- 9 Joseph Rowntree Foundation. (2015). *The cost of cuts: the impact on local government and poorest communities*. <https://www.irf.org.uk/report/cost-cuts-impact-local-government-and-poorer-communities>
- 10 For further details, see: Office for National Statistics, 2015 <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/november-2015/statistical-bulletin.html>
- 11 Aldridge, Born, Tinson and MacInnes, 2015, *London's Poverty Profile 2015* Trust for London
- 12 See: <http://www.livingwage.org.uk/>
- 13 See: D. Hardoon (2016) 'Fortunes for the fortunate – all 62 of them', from Policy & Practice Blog: <http://policy-practice.oxfam.org.uk/blog/2016/01/fortunes-for-the-fortunate>
- 14 IMF. (2015). *Causes and consequences of Income Inequality: A Global Perspective*. <https://www.imf.org/external/pubs/cat/longres.aspx?sk=42986.0>
- 15 See: London Health Observatory. Retrieved from <http://www.lho.org.uk>
- 16 D. Hirsch. (2013). *An estimate of the cost of child poverty in 2013*. London: CPAG.
- 17 A. Milburn, G. Shepherd, T. Attwood, P. Cleal, P. Gregg, C. Guy and C. Williams. (2015). *Downward mobility, opportunity hoarding and the 'glass floor'*. <https://www.gov.uk/government/publications/downward-mobility-and-opportunity-hoarding>
- 18 The Trussell Trust. (2015). *Latest Stats*. Retrieved 6 January, 2016 from www.trusselltrust.org/news-and-blog/latest-stats/
- 19 New Economics Foundation. (2014). *Inequality and financialisation: a dangerous mix*. <http://www.neweconomics.org/publications/entry/inequality-and-financialisation>
- 20 Oxfam. *Humankind Index*. Retrieved 9 February, 2016 from <http://policy-practice.oxfam.org.uk/our-work/poverty-in-the-uk/humankind-index>
- 21 London Fairness Commission. Retrieved from <http://www.londonfairnesscommission.co.uk>
- 22 See: Oxfam. *Get Involved*. Retrieved 9 February, 2016 from <http://www.oxfam.org.uk/get-involved>

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