

The Peabody Index

Understanding the employment and disability pay gap in London

September 2019



Background

As the UK capital and one of the world's most vibrant cities, London leads progress in many areas. However, its dynamism can make it a challenging place for low-income Londoners to meet the demands of a changing labour market and rising costs of living. In order to better understand these issues and make our tenants' voices heard, Peabody began publishing the Peabody Index twice a year in partnership with the Social Market Foundation (SMF). Our analysis draws on data from a wide range of official sources up until June 2019 as well as a survey¹ of tenants. The objective is to track and analyse developments in incomes, employment and living costs for those living on a low-income to provide an evidence base to inform relevant policy debates.

In our last report we found work does not necessarily deliver a significant, secure route to higher living standards in the capital. For this report we have continued to provide insights into the lives of low-income Londoners, and have focussed on the labour market experiences of Londoners who have a disability or long term illness.

Our headline Peabody Index (Table 1) tracks the average real (inflation-adjusted) household disposable incomes of the capital's social housing tenants, and the extent to which they are changing in response to developments in the labour market, cost of living and welfare policy.

Overview and summary of key findings

Table 1: Index of key data for social housing tenants in London

	Level/rate	Change compared with six months ago	Change compared with a year ago
Real household disposable income of London social housing tenants, June 2019 prices	£21,858 per year	−£79 annualised	−£237 annualised
Household income gap: shortfall of social housing tenants compared with other London households	£28,178	gap increased £843	gap increased £1,542
Unemployment rate ²	10.5%	−0.5 percentage points	−0.4 percentage points
Net financial perception score ³	−18 (net) 18% better off 47% about the same 36% worse off	−2	−10

¹ Our survey for this edition reflects findings from a survey of over 1,400 of Peabody's social tenants in July-August 2019, including 630 social tenants who live with a long-term illness or disability.

² Excludes economically inactive tenants such as retired individuals and those who are unable to work due to disability.

³ Net financial perception: percentage of Peabody tenants surveyed who said they felt significantly or slightly better off than a year ago, minus the percentage who said they felt worse off.

Our research finds that:

Real incomes for social housing tenants in London have decreased over the past 12 months

- Real incomes among social housing tenants in London have declined 1.1% in the past year, despite a historically high level of economically active⁴ social housing tenants in paid work.
- While wage growth in the UK economy has increased since mid-2018, cost of living inflation has also increased for social housing tenants in London since the start of 2019. In part, this reflects rising gas and electricity prices.
- Over the past year of measuring financial wellbeing among Peabody tenants, their confidence in their ability to pay bills has consistently declined. Table 1 illustrates that the net financial perception score has dropped from -8 to -18 since the 2018 Peabody Index published 12 months ago, indicating an increasing number of Peabody tenants feel worse off financially.

The income gap has widened and work still isn't paying

- In the first half of 2019, the income gap between social housing households and other London households increased by over £800. This reflects the continued impact of welfare restraint on benefits' income such as the freeze on working age benefits for lower earning households. This, along with accelerating wage growth among higher earners, has led to a widening of the income gap between social housing tenants and other households in the capital.
- Social housing tenants had an average income 56.3% lower than other London households in June 2019, the biggest percentage gap since May 2008. This is despite consistently low levels of unemployment.
- In the last Index we underlined how those on low incomes appear to find themselves in poor quality and insecure work. Our latest survey re-affirms these findings. Fifty-six percent of our tenants who work earn below the London Living Wage of £10.55 per hour, a result similar to that which was reported in the February 2019 Peabody Index. Furthermore, 51% of those who work either work part-time hours or on unstable zero- and minimum-hours contracts.

Those living and working with a disability face more challenges in London than elsewhere in the UK

- Among the economically active i.e. those working or looking for work, those with a disability in London are more than twice as likely to be unemployed (out of working and seeking a job) compared to those without a disability.

- Those on a low income with a disability appear more disadvantaged, especially social tenants and those living in London, compared with the UK as a whole. This disadvantage has worsened in recent years.
- Those with disabilities looking for work in London face limited opportunities compared with those without disabilities. This suggests there are significant structural issues in London that need to be addressed in order to enable greater access to employment for those with a disability. Our tenant survey revealed major barriers including a lack of mental health support among employers and a lack of suitable transport options in London.
- Those with disabilities in work also face a substantial pay gap compared to those without a disability. Across the UK in 2018, median gross weekly pay among those with a disability was 21% lower than those without a disability. In London, this pay gap was slightly larger at 23%, and among social housing tenants in London the pay gap was also 23%. This pay gap has widened over the past ten years and is driven by a range of factors including lack of accessibility to job openings, low paying jobs and insecure minimum- and zero-hours contracts.
- The pay gap can also be attributed in part to working hours. Across the UK, median usual hours worked are 3% lower among individuals with a disability compared to those without a disability. This gap is over twice as wide in London and is accompanied by higher unemployment, lower rates of pay and less stable job contracts, as identified by our tenant survey.

Overall we have identified that there is a need to create quality work that delivers decent incomes, and this is especially true for those living with a disability in the capital. Our findings suggest more needs to be done to ensure Londoners with disabilities have equal access to the job application process and more support once in work to undertake the number of hours and type of work they need.

⁴ That is, those that are either working or looking for work. Economically inactive tenants, such as those unemployed and not looking for work, the retired and those below working age are excluded from the analysis.

Low-income Londoners face declining incomes and rising living costs

The latest data shows that real incomes are lower than a year ago (Figure 1). In June 2019, the average household income of social housing tenants in London was £21,858, down from £22,096 twelve months earlier (expressed in June 2019 prices) – a decline in real incomes of 1.1%. This is despite wage growth increases in the overall UK economy since mid-2018.

The decline in real incomes can be partly explained by the continued impact of the freeze in working age benefits, but is also related to the increase in cost of living for social housing tenants in London since the start of 2019. In June 2019, cost of living inflation for social housing tenants in London stood at 1.7% year-on-year, up from 1.1% at the start of 2019. One key driver of this increase has been rising electricity and gas prices. About 7% of spending by social housing tenants in London goes towards utilities, compared with 4% among other London households. In June 2019, electricity prices were 11.5% higher than the same month a year ago, and gas prices were 4.4% higher. This compares with January 2019, when electricity and gas price inflation were 3.7% and -1.7% respectively over one year prior.

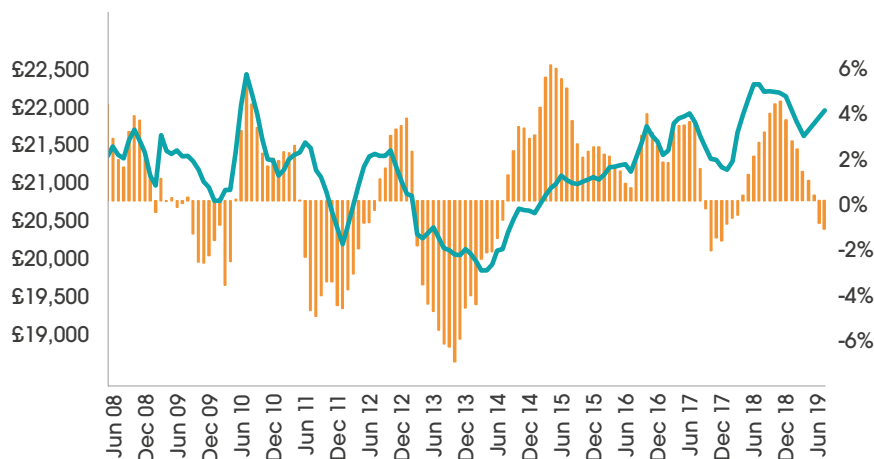
Our survey of Peabody's social tenants found that 51% experienced higher utilities costs in the past year, with 4.5% of our tenants taking out a loan to help pay. This has contributed to the 50% of our tenants who either ran out of money each pay period or were just able to afford the essentials. Over 15% of our tenants went without food at some point in the past year because they could not afford it, and 5% have visited a foodbank in the past year.

“Everything is increasing but... my pension doesn't go up”

“Prices of food, rent is going up and general costs across the board, utilities have gone up tremendously and sundries. Nothing really goes down does it?”

Figure 1 Peabody Index - average real annual disposable income of social housing households in London (October 2018 prices)

Year-on-year % change (right-hand axis)
Annual real disposable income (left-hand axis)



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.

Lower unemployment but widening inequality

Analysis of data in the ONS Labour Force Survey shows that the proportion of economically active social housing tenants in paid employment in London stood at 89% in Q1 2019. This is a historically high level and is broadly unchanged from the summer of 2018.

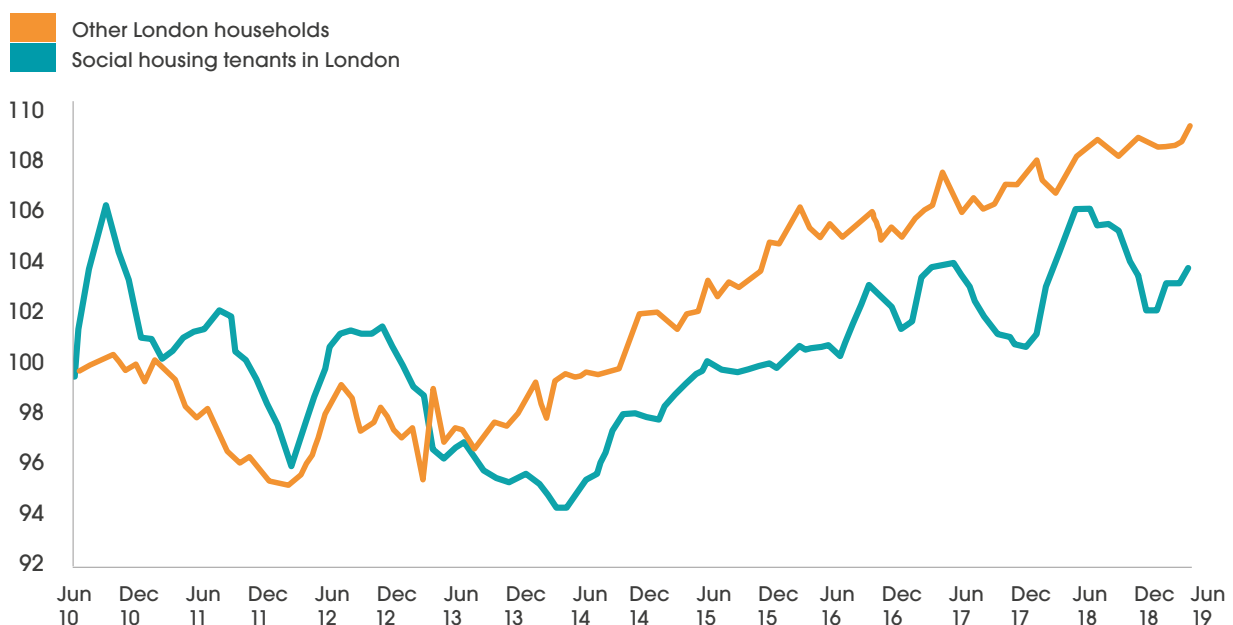
“Welfare, budget cuts and the increase in the basic utilities. I have to pay a greater percentage of bills now. They put me on Universal Credit. So now I get less money over a longer period of time and at the same time I now have to pay a higher percentage for things like rent, water, electric and gas.”

The decline in unemployment among low-income Londoners in recent years may have positive implications for household incomes. However, as we discussed in the previous Peabody Index report, working age poverty in London is a significant issue, in part driven by relatively subdued wage growth for lower earners in the capital. Among Peabody’s social tenants, over half of those who work earn below the Real London Living Wage, showing that work still is not paying in the capital.

In addition, our latest data has revealed an income gap between social housing residents and other London households of about £28,200 in June 2019, up 3.3% from about £27,300 in January. This reflects the continued impact of welfare restraint on benefits income for lower earning households in the capital. Accelerating employee wage growth among higher earners has led to a widening of the income gap between social housing tenants and other households in the capital.

In Figure 2, we see an overall rise in real household income growth since 2014, after social tenants experienced the impact of major welfare cuts in the early part of the decade. Social housing tenants now have an average income growth 56.3% lower than other London households in June 2019, the biggest percentage gap since the global financial crash in 2008.

Figure 2: Index of real household disposable incomes, January 2010 = 100



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.

Growing disability gaps: employment, pay and opportunity

We have identified that Londoners on a low-income living with a disability face a significant pay and employment gap compared with other groups, that the gaps are wider for those on lower incomes, and that the gaps have gotten worse over the past ten years.

Employment trends

Analysis of the Labour Force Survey highlights how those with disabilities⁵ are much more likely to be unable to work and therefore economically inactive. Furthermore, in London people with a disability are two and a half times more likely to be economically inactive compared with those without a disability. This is often due to severe illnesses or disabilities that leave people unable to work, rather than not wanting to work.

Forty-one percent of all Peabody's social tenants and 29% of those of working age live with a disability which has a substantial and long-term adverse impact on their ability to carry out day-to-day tasks. Among social housing tenants, over three in five with a disability are economically inactive, making them 50% more likely to be unable to work than those living in other tenures. Those with a disability are also more likely to lose a job⁶ - forty percent of Peabody's social tenants living with a disability have had to leave a job due to their disability.

There is also a substantial employment gap for those living with a disability and looking for work in the capital. SMF analysis found that the London unemployment rate among economically active individuals (i.e. those able to work and looking for work) with a disability stood at 9.3% in 2018, more than double the rate of 3.7% for those without a disability. This employment gap was similar for the UK as a whole (Figure 3).

Those living with a disability on a low income in London, such as those living in social housing, are more likely to face this employment gap compared to elsewhere in the UK. As shown in Figure 3, over 20% of economically active social housing tenants living with a disability in London are unemployed, compared to 19.2% in the UK as a whole. From our survey of Peabody tenants we found 24.6% of disabled respondents were unemployed compared to 9.8% for those without a disability.

“I had to leave because they wanted someone who was more active because it was working with children and I couldn't do it. They made the decision for me to leave, I loved my job. I was nervous after leaving.”

Figure 3: Unemployment rates, 2018



Source: SMF analysis of Labour Force Survey

⁵ Defined throughout here as being DDA disabled or work-limiting disabled

⁶ <https://blog.scope.org.uk/2016/11/16/whats-behind-the-disability-employment-gap/>

**GROWING DISABILITY GAPS:
EMPLOYMENT, PAY AND OPPORTUNITY
CONTINUED**

The disability employment gap raises a number of questions around the barriers faced by people with disabilities in looking for and accessing work in the capital. This includes the potential discrimination they face and the extent to which workplaces may be failing to adapt to the needs of those with particular disabilities, including with respect to recruitment processes. Longitudinal data suggests that these issues are getting worse, with Figure 4 showing how the disability employment gap has grown over time.

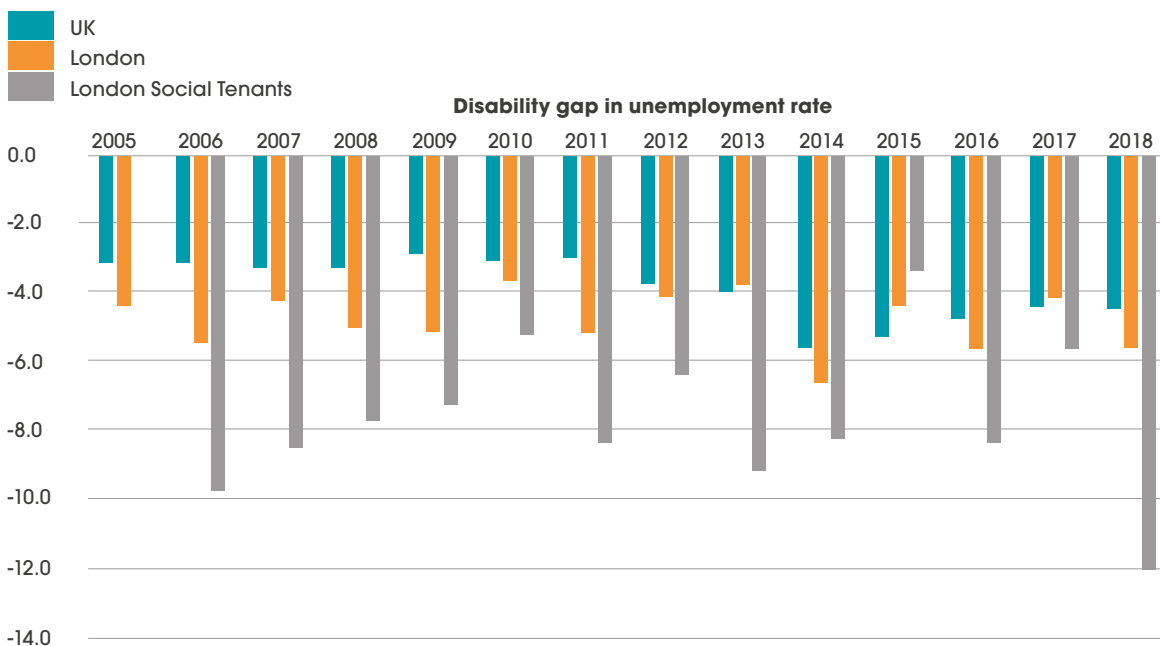
Our tenant survey found that 38% of those living with a disability experienced barriers looking for work and 28% of those working with a disability found it difficult to find their current job. The most common barriers to finding suitable work were lack of suitable roles given their disability, lack of financial support and difficulty getting motivated. This suggests more should be done to create roles that work for those with disabilities as well as addressing structural issues such as discrimination and accessibility to transportation. In London, the extent to which the transport network is “disability friendly” varies significantly. While all bus routes are served by low-floor vehicles, with a dedicated space for a wheelchair user, just one quarter of Underground stations have step-free access⁷.

“...I couldn’t do my job anymore because of the accident and then it took me a while to find me an employer. It is still difficult trying to find an employer who will employ someone who is disabled.”

“If I had some assistance doing the simple tasks in a job application that would address the biggest issues.”

Figure 4: Unemployment rate gaps, percentage points, 2005 - 2018

Source: SMF analysis of Labour Force Survey



⁷ <https://tfl.gov.uk/transport-accessibility/wheelchair-access-and-avoiding-stairs>

“It’s just painful... When I sit down for too long or stand up for too long it hurts. Working 6 hours a day was too much for me to cope with.”

Pay gap

Once in work, those with disabilities face a substantial pay gap compared to those without a disability. Across the UK as a whole in 2018, median gross weekly pay among those with a disability was 21% lower than those without a disability. In London, this pay gap was slightly higher at 23%, and among low-income Londoners such as social housing tenants the pay gap was also 23%.

As Figure 5 shows, disability pay gaps for median hourly earnings are lower than pay gaps for weekly earnings. This indicates that a key driver of variations in pay is differences in number of hours worked. Across the UK, median usual hours worked are 3% lower among disabled individuals compared to those without a disability. However, this gap in hours worked is over double in London at 8%.

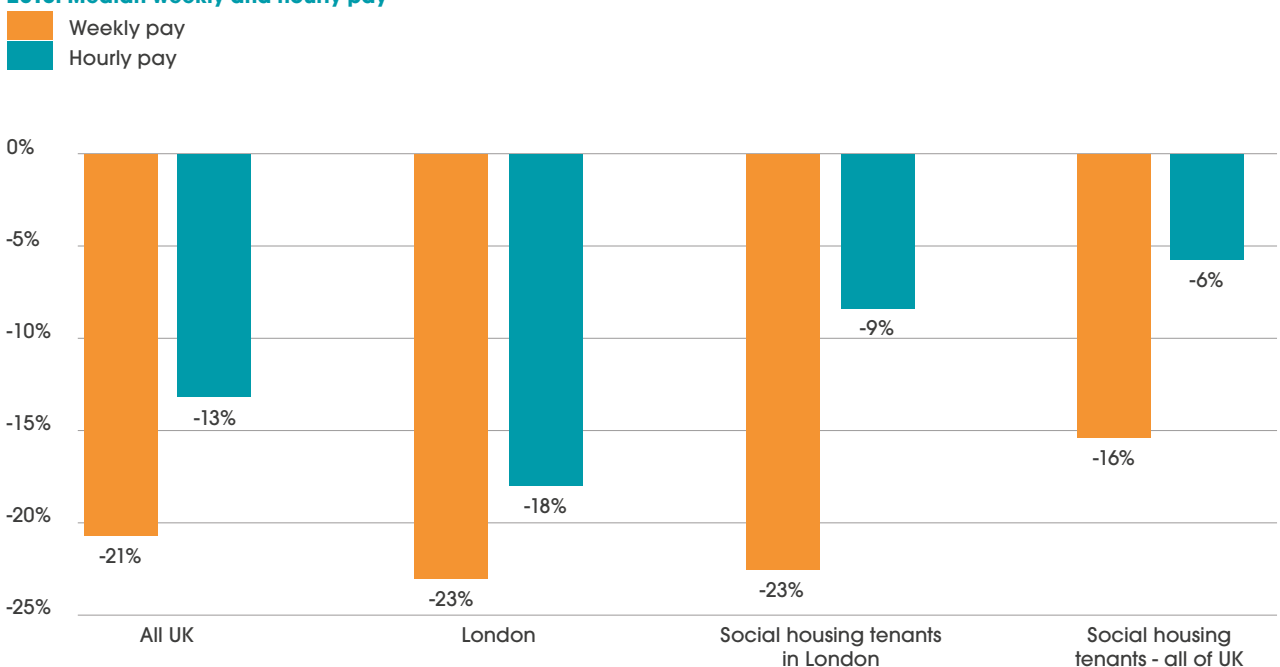
Among social housing tenants in London, disabled individuals work 22% fewer hours than those without a disability. Our survey revealed that 14.5% of those working with a disability work less than 15 hours per week, making them twice as likely to work less than 15 hours per week than those without a disability.

Our survey further revealed that among Peabody’s social tenants with disabilities, 38% saw their disability as a reason for not working as many hours as they would like. This is reflected in national-level data as well. Analysis of Labour Force Survey data suggests those with a disability are slightly more likely to report wanting to work more hours than they currently do. Social housing tenants as a whole are also more likely to report that they would like to work longer hours, indicating that low-income Londoners lack access to jobs that suit their needs.

This poor quality work is often characteristic of low-paid work, and the combination of the two is likely driving the disability pay gap further. Among social housing tenants who work, our survey found tenants living with a disability were 48% more likely to earn below £9/hr, suggesting that below-living wage jobs might be the only employment available to many social tenants living with a disability. The gap in hours worked is related to the differences in working styles and contract types. Peabody’s social tenants without a disability are 53% more likely to be employed on a permanent contract.

“I wish employers would be more understanding towards people with disabilities nowadays...they want to get young people and train them up and not pay them a lot.”

Figure 5: Disability pay gap among those in employment, 2018. Median weekly and hourly pay



Source: SMF analysis of Labour Force Survey

GROWING DISABILITY GAPS: EMPLOYMENT, PAY AND OPPORTUNITY

CONTINUED

Concerningly, over the past 10 years, the disability pay gap has widened across the UK as a whole, as well as in London and among social housing tenants in the capital. Our tenant survey reflected this trend, as respondents with a disability were 76% more likely than those without a disability to report being much worse off financially compared with 12 months ago. While this relates to the gap in pay and number of hours worked, the higher rates of unemployment add to the potential implications for household incomes.

One driver of pay differences between those with and without a disability is the industries and occupations in which these individuals work. Those with a disability in London are much more likely to be working in the relatively low wage retail sector. Further, those with a disability are less likely to be employed in managerial and professional roles and more likely to be employed in lower paid elementary occupations. Our survey of Peabody's social tenants with disabilities largely aligns with broader London trends. Those without a disability were 85% more likely to work in a "professional occupation" such as accounting, healthcare work or educational work. Those with a disability were 64% more likely to work in "administrative and secretarial support". This distribution of work is not the result of differences in training, as over 30% of those with a disability reported working beneath their abilities.

The fact that those with a disability are much less likely to be in work that pays well or fits their skills raises questions around the extent to which those with disabilities benefit from career progression once in work, as well as the recruitment practices for such roles. Among Peabody's social tenants with a disability, there was little optimism about in-work progression. One third were unconfident in the prospect of promotion in their current role, 77% of whom were "very unconfident". Only 18% were very confident in the prospect of promotion. This lack of optimism may be founded in recent experience. Only 47% have received any pay rise in the past three years, a rate consistent with all social tenants surveyed for the February 2019 Peabody Index. Eighty-nine percent of those working with a disability have not received a promotion in the past five years, making them 29% less likely to have been promoted compared with social tenants surveyed for the February 2019 Peabody Index.

Conclusion

This edition of the Peabody Index has extended the reporting from the previous editions in February 2019 and June 2018. It further highlights the need to address growing inequality in quality of work, pay and living standards. Critically, these gaps have widened despite the rising proportion of social housing tenants that have moved from unemployment into work. The disparity in incomes between social housing tenants and other London households has potentially significant implications for equity and social cohesion in the capital.

New analysis in this report shows that low-income Londoners, including those with disabilities, suffer from substantially worse labour market outcomes compared with other households. This gap is wider for London than the UK as a whole. Those with disabilities are more likely to be unemployed and, when they do find work, they tend to be paid less. Additionally, they are more likely to work fewer hours than they would like.

Peabody is doing its part through its Employment and Training services, which has teams based in disability-friendly community centres across London. They work closely with employers and local partners to help low-income Londoners living with a disability into work. This includes a weekly collaboration with the Deaf Information Services and referrals to the Westminster Disability Services, specialised Disability Employment Advisors and NHS Mental Health Services.

While London has a narrower pay gap than the UK as a whole for some areas such as gender (in percentage terms), its disability pay gap is worse than elsewhere, raising questions around the extent to which those with disabilities are benefitting from the wide range of well-paid, high-quality job opportunities in the capital. Much more can be done, by policymakers and businesses, to ensure that the disability pay gap is reduced.

This research was conducted in partnership
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