

Definitions and notes for the Economic Fairness measures

January 2020

Gender Pay Gap

The gender pay gap is given for London and for the UK. Additionally, gender pay gap figures are provided for each organisation within the GLA group, that is Greater London Authority, London Fire Brigade, London Legacy Development Corporation, Mayor's Office for Policing and Crime, Metropolitan Police Service, Old Oak and Park Royal Development Corporation and Transport for London. While figures are broadly comparable, there are differences in the way that these are defined that means some caution is needed.

The measure of the gender pay gap for London and the UK is derived from the ONS Annual Survey of Hours and Earnings. It compares the pay of women to the pay of men as a proportion of men's pay. This is given for both the median (midpoint) of the pay distribution and for the arithmetic mean (average) of the pay distribution. The figures are calculated across all employee jobs. Employee jobs is a count of all jobs on a workplace basis, not including self-employed workers. An individual could be recorded twice if they were employed by two different organisations, while two people working in a job share arrangement would also be recorded separately. Therefore, the total count is more than the number of jobs and more than the number of employees. The earnings figure is based on the gross pay excluding overtime payments. Crucially, this measure does not consider equal pay for equal work. Further details are available in

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/understandingthegenderpaygapintheuk/2018-01-17>.

A new law required that organisations with more than 250 employees must publish their gender pay gap, which specified what was to be included as pay and for which employees. The GLA group figures for 2017 therefore adopted this definition. In summary, employees on reduced pay (eg due to sickness, parental leave or sabbatical) are excluded from this calculation. The pay figures include out of hours payments, honoraria, acting up allowances and recognition payments, but exclude salary sacrifices, such as reductions in pay in return for childcare vouchers. The GLA group had produced its gender pay gap figures for 2016 prior to this, so the details were different, in that all employees were counted at their basic pay rate, so those on reduced pay such as listed above were included and pay enhancements and reductions as listed above were excluded. Therefore, the figures for 2016 and 2017 are not prepared on the same basis and therefore not strictly comparable. These differences make little difference to the median gender pay gap but do have an impact on the mean gender pay gap. For the GLA, the mean pay gap would have reduced between 2016 and 2017 if the 2016 methodology had been used.

Ethnicity pay gap

Ethnicity pay gap figures are given for London and for the UK. As with the gender pay gap, the organisations within the GLA group have also published their ethnicity pay gaps. Again, there are clear differences in the way these figures are calculated.

The measure of the ethnicity pay gap for London and the UK is derived from the ONS Annual Population Survey. The main headline compares the hourly pay (median only) for employees from the combined BAME category to the hourly pay for the combined White groups as a proportion of the median pay of the White group.

Further detail for London and the Rest of England and Wales (not available for the UK as a whole, due to different questions in other parts of the UK) compares the median hourly pay for individual ethnic groups shown with the White British group (the largest single group). Some categories are combined due to small numbers – All the mixed groups are combined and Black Caribbean and other Black groups are combined for this purpose. The differences within these groups are smaller than the sample variability. There is a significant amount of missing earnings information in the Labour Force Survey, so ONS have devised a method of imputing the values based on individual and job characteristics. The data are for all employees working in London, based on their main job.

The ethnicity pay gaps provided for the GLA group are calculated in a similar way to the gender pay gaps, but comparing each broad ethnic group to the White group. There is some missing ethnicity information for employees of each organisation, which may introduce some error into the figures. This is generally more likely to have a greater impact on the mean pay gaps than the median pay gaps.

Disability pay gap

Disability pay gap figures are given for London and for the UK. The organisations within the GLA group are working towards publishing their disability pay gaps, but currently have significant amounts of missing information which could lead to significant error in the figures.

The measure of the disability pay gap for London and the UK is derived from the ONS Annual Population Survey. It compares the hourly pay (median only) for employees with disabilities, as defined under the Equalities Act, to the hourly pay for employees with no disability. Some pay levels are imputed (see under ethnicity pay gap above). The data are for all employees working in London and are broken down by gender and full-time/part-time split.

Pay Ratio

Pay ratios, comparing the highest with middle earnings are given for London, England outside London and the UK as a whole and for the organisations within the GLA group. The definitions for these measures are quite different.

The pay ratios for employee jobs in London, the rest of England and the UK are derived from the ONS Annual Survey of Hours and Earnings. It is a sample survey, so the figures for the very highest earners are potentially subject to significant error. Therefore, the measure compares the pay at the 95th percentile of the gross annual earnings distribution to the midpoint of the distribution.

Pay ratios for the GLA group compare the annual earnings or salary of the employee with the highest annual pay in the organisation to the median of all employees. The pay structures vary between organisations, with shift pay, unsocial hours, overtime, bonuses paid in some cases and not others, so the definitions of pay are slightly different between the different GLA group organisations.

Employees Earning Below LLW

This measure is derived from the ONS Annual Survey of Hours and Earnings. The survey records, for a particular week in April, hours normally worked and total pay, for each employee job, so hourly earnings is derived from these figures. The calculation then uses the London Living Wage (LLW) or UK Living Wage (UKLW) as appropriate that is in force at that date in calculating the number paid below the LLW/UKLW. The measure therefore does not include

any backdating of pay that may occur. The measure is given as a percentage of employee jobs (see under gender pay gap above for details of “employee jobs”).

Employment gaps

This measure is derived from the ONS Annual Population Survey. It provides the percentage point difference between employment rates for residents aged 16–64 from different groups, so the difference between the employment rate of men and women, Non-disabled and disabled, White and other ethnic groupings. BAME is all residents with ethnicity other than one of the White groups.

Employment profiles

Employment profiles are given for employers within the GLA group, showing the gender, ethnicity and disability status of all direct employees, ie not including sub-contracted workers or agency staff of each organisation as at 31 March for each year given.

Overemployment

This measure is derived from the ONS Annual Population Survey. It gives a count of everyone working in London who states that they want to work fewer hours and are willing to do so for less pay, either in their current job or in a different job. It does not include those who want to work fewer hours but not with less pay (which might include those who are working unpaid overtime, for example) and it does not include those who want to work fewer hours but don't know whether they would do so for less pay. It does include both full-time and part-time workers. The measure is given as a percentage of all people working in London.

Flexible working

This measure is derived from the ONS Labour Force Survey. It is a count of everyone working in London who stated that they have any of: flexitime (flexible working hours); annualised hours contract; term-time working; job sharing; nine-day fortnight or four and a half day week as a proportion of all people working in London.

Insecure Employment

This measure is derived from the ONS Annual Population Survey. This is a proxy measure constructed by counting everyone employed in a job that is not permanent, everyone employed through an employment agency and everyone who is self-employed in specific occupational sectors, that is SOC2010 occupational groups 6, 8 or 9. These are taken as a percentage of everyone in employment with a workplace in London. SOC2010 Occupational Groups 6, 8 & 9 are as follows:

- 6 - Caring, leisure and other service occupations
- 8 - Process, plant and machine operatives
- 9 - Elementary occupations

Zero Hours Contracts

This measure is derived from the ONS Labour Force Survey. It is a count of all residents stating they are employed on a contract with no minimum number of hours and are only paid for the hours that they actually work as a percentage of all residents in employment. Awareness of this issue may have impacted on the numbers.

Unemployment Rate

This measure is derived from the ONS Annual Population Survey. It is a count of residents aged 16 and over not in employment but looking and available for work as a percentage of all economically active residents (in employment or unemployed) aged 16 and over. This is shown by ethnicity, gender and disability status.

Underemployment

This measure of underused time is derived from the ONS Annual Population Survey. It is a count of London residents working part-time who want to work full-time but could not find a full-time job as a percentage of all residents in employment.

Under Utility

This measure of graduate under utility is derived from the ONS Annual Population Survey. Researchers at the University of Warwick and the University of the West of England have defined a non-graduate role as one which is associated with tasks that do not normally require knowledge and skills developed through higher education to enable them to perform these tasks in a competent manner. Examples of non-graduate jobs include receptionists, sales assistants, many types of factory workers, care workers and home carers. It is recognised that there will be exceptions to this. A graduate is anyone aged between 21 and 59/64 not enrolled on an educational course who has a level of higher education above A level standard. The measure is all London residents who are graduates working in a non-graduate role as a percentage of all graduate residents in employment.

Parental employment

Parents are defined as head of family or their partner living with dependent children. This means that non-dependent children and other adults living in the household are not included as parents in this dataset. This is a change to definitions used previously and some definitions used elsewhere which count all adults living in a household with dependent children as "parents". This measure is derived from the Household datasets from the Annual Population Survey, which enables this more detailed analysis of family relationships to be exploited. Employment rates (percentage of the total number that are classified as either employee or self-employed) of parents and non-parents are given by sex and ethnicity and family type.

School Readiness at Age 5

This measure is derived from records of the teacher assessments of pupils of whether each child has achieved the expected standard in each of the 17 early learning goals (ELGs) by the end of their reception year. The ELGs fall into seven areas of learning – communication and language; physical development; personal, social and emotional development; literacy; mathematics; understanding the world; expressive arts and design. The dataset covers children in all state-funded early years education and gives the percentage achieving the expected standard across all ELGs.

KS4 Achievement

Key Stage 4 Achievement is at GCSE level. The measure is derived from DfE attainment records and reports the new average Attainment 8 score. Attainment 8 is a score that adds pupil's grades across 8 subjects, including English and Maths (both double weighted) a further three subjects covering sciences, computer science, geography, history and languages and up to a further three subjects taken from these or any other GCSE subject or equivalent arts or vocational qualification. The higher the score the higher a pupil's attainment.

Population with no/low qualifications

This measure is derived from the ONS Annual Population Survey. It includes all those aged 18-65 with no qualifications or with limited qualifications, equivalent to between one and four GCSEs as a percentage of all residents aged 18-65.

18-24 NEET

This measure is derived from the ONS Labour Force Survey. It includes both those who are unemployed and actively looking for work and those who are economically inactive, excluding students as a percentage of all 18-24 year olds living in the area.

Receiving training in last 3 months

There are two sources giving information on job-related training. The first is the ONS Annual Population Survey which asks all economically active residents (in employment or unemployed and looking for a job, but excluding full-time students and apprentices) whether they received job-related training in the three months prior to completing the survey. This is given as a percentage of economically active 16-64 year old residents (excluding students and apprentices).

The second is the DfE Employer Skills Survey which asks employers about training they have funded or arranged over a twelve month period. The difference in time period as well as the perspective of individuals versus employers, which may include different elements (such as self-funded training or disregarding certain types of training) means that the figures are in no way comparable.

Apprenticeships

This measure is derived from apprenticeships data collected by DfE on formal apprenticeship under the government scheme. Achievements in a given year may or may not relate to the same individuals that start apprenticeships in a given year – many apprenticeships last more than a year. Reasons for not completing an apprenticeship could include taking up a full-time post within the same organisation or elsewhere.

Income Inequality

This measure is derived from the DWP Family Resources Survey. It gives the ratio of equivalised income at the 90th percentile to income at the 10th percentile. This calculation therefore eliminates the extreme income values but provides a good indication of the level of inequality in income. Figures are given on two bases – Before and After taking Housing Costs into account. See below for further details of how these are defined. Figures are equivalised to adjust for differences in household size and composition.

Before Housing Costs Income

The Before Housing Costs measure of net income is taken as the total income from all sources (including earnings, all social security benefits, pensions, income from investments, 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, national insurance, pension contributions and maintenance or support payments made to people outside the household.

After Housing Costs Income

The After Housing Costs measure is derived by deducting certain housing costs from the Before Housing Costs measure. The housing costs include rent, mortgage interest payments, water charges and structural insurance premiums.

Wealth Inequality

This measure is derived from the ONS Wealth and Assets Survey. Total wealth is the sum of financial, property, pension and physical (assets such as home contents, cars and other physical assets) less any outstanding debts, including mortgages and unsecured loans. Some households may therefore have negative total wealth. Deciles are calculated on total wealth of all individuals in the household across Great Britain as a whole.

Disposable Income

This measure is derived from the DWP Family Resources Survey. It gives the median (midpoint) of the equivalised (differences in household size and composition) income After Housing Costs indexed to 2016 prices using a specifically calculated version of the Consumer Prices Index. See above under income inequality for more detail of income components.

Childcare Costs

This measure is derived from the Childcare Survey carried out by the Family and Childcare Trust. There is considerable variation in the hourly rates within London and what may be included in that rate, for example it may or may not include meals. Hourly rates are averaged within type of provider and by age group. The figures are published separately for Inner and Outer London. The headline figure included in these economic fairness measures is an unweighted average for London calculated across provider type and Inner and Outer London, since no information was available to provide robust weights.

Energy Efficiency

This measure is derived from the MHCLG English Housing Survey. As part of the survey, a physical survey of dwellings is carried out by building surveyors, including an assessment of energy efficiency.

Fuel Poverty

Fuel poverty in England is measured using the BEIS Low Income High Costs (LIHC) indicator. Under the LIHC indicator, a household is considered to be fuel poor if they have required fuel costs that are above average (the national median level) and were they to spend that amount, they would be left with a residual income below the official poverty line. The data are derived from the MHCLG English Housing Survey.

Relative poverty

Relative poverty is defined as those people living in households with disposable income below 60 per cent of the contemporary median (midpoint) of the national income distribution after equivalisation (taking account of differences in household size and composition). The measures are derived from the DWP Family Resources Survey and are given on two bases – Before and After taking Housing Costs into account. (See above under income inequality for more detail of income components.) The main measure used by the GLA is After Housing Costs, since this takes the high cost of housing in London relative to other parts of the country into account.

Persistent Poverty

The measure of persistent poverty comes from a DWP data series called Low Income Dynamics, based on the Understanding Society dataset. The survey is a very large longitudinal study funded by the Economic and Social Research Council which covers a wide range of topics, including income. While the measure does not exactly replicate the income definition used in the Family Resources Survey, (see above under income inequality for more detail of income components.) it provides a good proxy. The Low Income Dynamics analysis is intended to investigate the extent to which people move in and out of poverty. Persistent poverty is defined as being in a low income household (defined as having equivalised income below 60 per cent of median) in the last year and in at least two of the last three years. Because each wave of the study is conducted over a two year period, the years of analysis cover two separate, but overlapping four year periods. The characteristics of relevance, that is, age and place of residence, are those recorded in the first of the four years.

Absolute poverty

“Absolute” poverty is a term used to distinguish this measure from the purely relative measure described above. It is derived from the Family Resources Survey and calculates income adjusted for inflation to compare households’ income with the poverty level set at a fixed point in time, so relative to the poverty line calculated for 2010/11. The purpose of this is to eliminate changes in the general living standard in the UK from the definition. See above under income inequality for more detail of income components.

Material deprivation for children

Material deprivation is derived from the DWP Family Resources Survey. Respondents are asked about a set of 21 goods and services, including child, adult and household items that are typical in Britain. If they do not have a good or service, they are asked whether this is because they do not want them or because they cannot afford them. The items are various and include being able to afford birthday and other celebrations for children, a warm winter coat, managing to pay bills/debt repayments, having household contents insurance and having a week’s holiday each year. The set of questions changes periodically in order to stay current and changed in 2010/11, so the 2012/13 publication was the first to include regional figures using these new questions. The material deprivation score is a weighted score calculated on a range of 0 to 100. The data are given for children in households with a material deprivation score of at least 25 and at different thresholds of net equivalised income calculated before housing costs.

Material deprivation for pensioners

Pensioner material deprivation is similar in concept to that described above but covers different items, such as having a damp-free home, access to a telephone when needed, having hair done or cut regularly. As well as not being able to afford them, reasons for not having these things can include too much trouble/too tiring, no one to do this with or help me, my health/disability prevents me. All these are considered deprived. Only those who don’t want something or say it is not relevant are not considered deprived. A pensioner achieving a score of 20 or more is said to be in material deprivation. There are no criteria relating to income level in reporting these figures.

Homelessness

Homelessness is measured using two distinct pointers.

Rough Sleepers – this is a count of individuals seen sleeping rough on at least one night during the year. The data are collected through the rough sleeper services provided by third sector organisations supported by the GLA. Source: St Mungo’s and GLA, ‘Street to home’ and CHAIN reports. Since this covers only London, comparable data are not available for the rest of the UK.

Homeless Households – legislation around local authorities duties and responsibilities with regard to homeless households changed in 2018 and so the statistics collected altered too. Prior to April 2018, local authorities had a duty to provide accommodation for priority need families and individuals who were homeless, so the statistics cover **Households in temporary accommodation** – this is derived from data supplied by local authorities to MHCLG (previously DCLG) and gives a count of the number of households whom London boroughs have accepted as homeless under the Housing Act 1996 (as amended by the Homelessness Act 2002 and the Homelessness Reduction Act 2017) and provided with temporary accommodation.

From April 2018 local authorities have different duties around **prevention** for those at risk of becoming homeless and **relief** for those that become homeless and a **main duty** for those in priority need and still homeless at the end of the period of relief duty. The statistics are presented for each of these duties and for the total number of households being housed by the local authority. These data are published as Live Tables by MHCLG, including breakdowns by various characteristics. Due to the very different processes and responsibilities, it is not possible to present a time series of data that covers both before and after April 2018, so the figures are presented separately.

Problem debt

Arrears on household bills. This measure is derived from the DWP Family Resources Survey. Respondents are asked whether they are behind on various household bills, including housing and utilities, but also insurance policies, HP payments, credit cards and other unsecured loans.

Savings

This measure is derived from the DWP Family Resources Survey. Respondents are asked detailed questions about whether they have a comprehensive range of savings accounts and investments. Similar questions are asked about children in the family. They are then asked about the level of savings they have, including the balance at the end of the last month in current accounts. The measure is provided for benefit units.

Ability to meet unexpected bill

This is a subjective measure is derived questions asked for the EU Survey of Income and Living Conditions (EU-SILC) alongside the DWP Family Resources Survey (FRS), in response to the question: Would your household be able to pay an unexpected, but necessary expense of £800? The measure is provided for benefit units. From April 2018 these questions were no longer asked alongside the FRS, so the data are no longer available at London level.

Access to bank accounts

This measure is derived from the DWP Family Resources Survey, in response to the question: Do you have now, or have you had at any time in the last 12 months any accounts? This could be in your own name only, or held jointly with someone else. This covers accounts with banks, building societies, the post office, supermarkets, or other organisations. These could also be internet or telephone banking facilities. The measure is for all adults.

Insolvencies

Insolvencies are recorded through the court system. The measure is of individual insolvencies, made up of bankruptcy orders, individual voluntary arrangements and debt relief orders, It is given as counts and rate per 10,000 adults aged 18+.

Abbreviations used above:

CHAIN – Combined Homelessness and Information Network

BEIS – Department for Business, Energy and Industrial Strategy

DfE – Department for Education

DWP – Department for Work and Pensions

MHCLG (previously DCLG) – Ministry of Housing, Communities and Local Government

ONS – Office for National Statistics