Summary
This briefing summarises the latest data on child poverty for Tower Hamlets, according to the HMRC’s *children in low income families local measure*. This indicator is a measure of relative poverty which captures the percentage of children falling below the national poverty line (below 60 per cent of median income).

- The latest data, for August 2014, indicate that 25,620 children in Tower Hamlets live in poverty – this represents 42 per cent of all children in the borough. This is the highest rate nationally, and is more than double the rate for England (20 per cent), and well above the London average (24 per cent).

- The risk of child poverty rises with family size: in Tower Hamlets, 47 per cent of children who live in families with 3 or more children live in poverty, compared with 34 per cent of those families with just one child. Larger families in Tower Hamlets have a higher risk of poverty than larger families nationally (47 vs. 29 per cent).

- In Tower Hamlets, 60 per cent of all children in poverty live in couple families and the remaining 40 per cent live in lone parent families. Tower Hamlets is unusual in this respect; across England, almost two thirds live in lone parent families (63 per cent).

- Of all children in poverty, well over half (58 per cent) live in families reliant on out-of-work benefits and one quarter (26 per cent) are known to be in work. The work status of the remaining 16 per cent is unknown (this group includes in and out of work families).

- All wards in Tower Hamlets have child poverty rates well above the national average of 20 per cent: the rate ranges from 33 per cent in St Katharine’s & Wapping ward up to 48 per cent in the ward of Bow East.

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- Rates are more polarised at *Lower Super Output Area level*, ranging from 9 per cent in the Canary Wharf area up to 58 per cent in part of Blackwall and Cubitt Town. Only ten of the borough’s 144 LSOAs have rates below the national average of 20 per cent.

- The borough’s child poverty rate fell strongly between 2007 and 2013 – falling from 64 per cent down to 36 per cent. However, in 2014, the rate rose by 6 points, up to 42 per cent. This recent rise reflects an increase in the number of in-work families now in poverty – this rose over the year, while the number of children living in out-of-work benefit families has continued to fall.

- In-work poverty numbers are heavily influenced by the position of the poverty line itself. Indeed, after years of little movement, the level of the poverty line rose sharply in 2014, so inevitably, more families are now falling below it. This does not necessarily mean their material circumstances have worsened, but it does mean these families are now faring less well relative to the income of others.
Children in poverty – how it is measured?
There are different ways to measure child poverty, but at a borough level, the measure published is the Children in Low-Income Families Local Measure which is produced by HM Revenue & Customs (HMRC). In effect, this is a proxy indicator which attempts to recreate a local indicator to mirror the national measure of relative child poverty which is a survey-based measure.

The local indicator measures: the proportion of dependent children living in families in receipt of out-of-work (means tested) benefits or those in receipt of tax credits where their reported income is less than 60 per cent of the national median income. In other words, the measure captures the percentage of children living below the poverty line. Data are a snapshot in time relating to August each year.

Figure 1: How the child poverty measure is calculated

What exactly is the poverty line in cash terms?
The figures used to calculate the poverty line are adjusted or ‘equivalised’ for differences in family size and composition. This means they take into account the fact, that smaller households need less to live on than larger families, to achieve the same standard of living. So the poverty line varies for different family types.

For example, a lone parent family with 2 children would be counted as being in poverty if their income was less than £304 per week, whereas a couple family with two children would be in poverty if their income was less than £387 per week (Table 1).

<table>
<thead>
<tr>
<th>Family Type</th>
<th>Low-income threshold (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single no children</td>
<td>£170</td>
</tr>
<tr>
<td>Couple with no children</td>
<td>£253</td>
</tr>
<tr>
<td>Lone parent with 2 children (aged 5 &amp; 14)</td>
<td>£304</td>
</tr>
<tr>
<td>Couple with two children (aged 5 &amp; 14)</td>
<td>£387</td>
</tr>
</tbody>
</table>

Source: HMRC

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1 Nationally, the DWP’s Households Below Average Income series is used to measure child poverty.
2 Child Benefit data are used as a proxy for the number of children, and include higher income households who have opted out of receiving Child Benefit. Children refers to all those under 16 and dependent children aged 16-19 (i.e. children still in full-time education who live with their parents).
3 Out-of-work benefits include: Income Support, Income-related Jobseeker’s Allowance, Employment and Support Allowance / Incapacity Benefit and Pension Credit.
**Strengths and limitations of the local measure**
The main strength of the local indicator is that it is entirely based on administrative data so is a precise measure of those on particular benefits and tax credits living under the poverty line. It also provides detailed data for small areas within local authority areas.

However, it does have limitations which need to be borne in mind when interpreting the data:

- The measure is not very timely (almost a two year time lag);
- The figures take no account of housing costs, and how these vary across the country, and the impact these can have on the disposable incomes of families;
- The reliance on benefits data means the measure fails to capture children in poverty whose families are not in receipt of relevant benefits. Also, the indicator will be significantly affected by any changes to the welfare system;
- Child Benefit data are used as a proxy for the number of dependent children in an area but may not count all children. While the HMRC counts include both those in receipt of Child Benefit, and those higher income households who have opted out of receiving Child Benefit, numbers are still likely to fall slightly short of the total number of children in an area. If the shortfall is more pronounced in particular areas, then child poverty rates may be slightly inflated in such areas;
- Last, the relative nature of this measure means its coverage of in-work poverty is heavily influenced by the volatility of incomes nationally, so changes in trend data, for in-work families, need very careful interpretation and presentation (this issue is explored later).

Despite these limitations, the measure remains the only local measure of income poverty (among families) published regularly, and as a result the figures are widely reported.

**Report structure**
The sections that follow explore the data for Tower Hamlets and cover the following topics:

- Child poverty rates for London Borough;
- Child poverty by benefits/work status of families;
- Child poverty by family type and family size;
- Child poverty rates (and numbers) for wards and small areas;
- Trend in poverty rates.

All percentage figures in the narrative have been rounded to the nearest percentage point.
Child poverty in Tower Hamlets

Child poverty rates for London Boroughs

The HMRC data for August 2014 show that 25,620 children in Tower Hamlets live in poverty – this represents 42 per cent of all children in the borough and is the highest child poverty rate in England (and the UK).

The borough’s child poverty rate is more than double the rate in England (20 per cent), and well above the London average of 24 per cent. Within London, there is considerable variation in the child poverty rate - the rate in Tower Hamlets is more than four times higher than the rate in Richmond (Figure 1).

Across England, Tower Hamlets, Manchester and Islington have the highest rates, closely followed by Westminster, Nottingham, and Birmingham. In all these areas, more than one third of children are in poverty.

Figure 2: Child poverty rates, London boroughs and the City, August 2014

Source: HMRC, Children in low-income families local measure, 2014

London = 23.9%
England = 19.9%
Child poverty by benefit/work status

The child poverty statistics provide some proxy information on the likely employment status of the families in poverty – though the figures are limited because the data relate to benefits received as opposed to work status.\(^4\)

These show that, of all children in poverty in Tower Hamlets, more than half (58 per cent) were known to be in families who were receiving out-of-work benefits. The percentage of children in poverty living in workless families in Tower Hamlets is lower than the London and national average (62 per cent vs. 67 per cent).

One in four children (26 per cent) in poverty were known to be in families with someone in work (as indicated by the fact they were in receipt of Working Tax Credit).

The work status of the remaining 16 per cent is not specified, though they are known to be in receipt of Child Tax Credit. HMRC advises that, while it is known that this group are on incomes below the poverty line (60 per cent median income), the work status of the family is unknown (ie this group includes both in-work and out-of-work families).

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**Table 2: Children in poverty by benefits/work status of family, 2014**

<table>
<thead>
<tr>
<th></th>
<th>Tower Hamlets</th>
<th>London</th>
<th>England</th>
<th>% totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>All children in poverty</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>In out of work benefit families</td>
<td>58</td>
<td>62</td>
<td>67</td>
<td></td>
</tr>
<tr>
<td>In families receiving WTC &amp; CTC (&lt; 60% median income)</td>
<td>26</td>
<td>19</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>In families receiving CTC only (&lt; 60% median income)*</td>
<td>16</td>
<td>19</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td><strong>Base (number of children)</strong></td>
<td><strong>25,620</strong></td>
<td><strong>452,185</strong></td>
<td><strong>2,315,760</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** HMRC (*Children in low-income families local measure 2014*).

**Notes:**
- Out of work benefits include Income Support, Income-Based Jobseekers Allowance, Employment and Support Allowance and Pension Credit.
- Tax credits: CTC = Child Tax Credits; WTC = Working Tax Credit.
- *While it is known that this group of families are in poverty, the work status is not known.*

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\(^4\) For example, ‘out-of-work’ families could potentially include a small number of families who have an adult working part-time. Also, families receiving ‘CTC only’ may include both in and out of work households.
Child poverty by family type and size

In Tower Hamlets, 60 per cent of all children in poverty live in couple families and the remaining 40 per cent live in lone parent families. Tower Hamlets is unusual in this respect as in most other areas, the majority of children in poverty are in lone parent families. In both London and England, 63 per cent of children in poverty live in lone parent families (figure 4).

In Tower Hamlets, children in larger families with four or more children comprise 28 per cent of all children in poverty (figure 5), one of the highest rates in the country, and well above the proportion in London and England (both 21 per cent respectively). This reflects the fact that the average family size is larger in Tower Hamlets, and that, the borough’s larger families have higher poverty rates than large families elsewhere.

| Figure 4: Children in poverty by family type, 2014 |
| % of children in poverty who live in: |
| Tower Hamlets | 60 | 40 |
| London | 37 | 63 |
| England | 37 | 63 |

Source: HMRC (Children in low-income families local measure 2014).

| Figure 5: Children in poverty by family size 2014 |
| % of children in poverty who live in families with: |
| Tower Hamlets | 17 | 28 | 26 | 28 |
| London | 22 | 33 | 24 | 21 |
| England | 23 | 32 | 24 | 21 |

Source: HMRC (Children in low-income families local measure 2014).

Child poverty rates by family size

Figure 6 charts child poverty rates by family size, these express the number of children in poverty as a percentage of all children, for both large and small families. This shows that larger families tend to face a much higher risk of poverty than smaller families.

In Tower Hamlets, the percentage of children in poverty rises from 34 per cent for those in one child families up to 47 per cent of those living in families with three or more children. In London and England, there are similar patterns by family size, though child poverty rates are significantly lower regionally and nationally compared with rates in Tower Hamlets – across all sizes of families.

5 The average number of children in Child Benefit households in Tower Hamlets is higher than the England average (2.0 vs. 1.7); HMRC Child Benefit Statistics, 2014.
Child poverty rates: wards and small areas

Note: Ward boundaries in Tower Hamlets changed in 2014 but published child poverty data for 2014 relate to the boundaries in place before this change (17 wards).

All wards in Tower Hamlets have child poverty rates well above the national average of 20 per cent: the rate ranges from 33 per cent in St Katharine’s & Wapping ward up to 48 per cent in the ward of Bow East. Figure 7 maps child poverty rates at Lower Super Output area (LSOA) level. LSOAs are smaller than wards and typically cover a population of 1,000-3,000 – these provide valuable detail about differences within wards. Only ten of the borough’s 144 LSOAs have child poverty rates below the national average of 20 per cent.

At LSOA level, rates are particularly polarised: indeed the Isle of Dogs includes the LSOAs with both the highest and lowest rates: the child poverty rate ranges from 9 per cent in part of Millwall ward (Canary Wharf) up to 58 per cent in part of Blackwall and Cubitt Town ward.

Numbers in child poverty: wards and small areas

However, to put these rates in context, we also need to consider the number of children in poverty (mapped in Figure 8). Numbers are highest in the East of the borough. The LSOA with the largest number of children in poverty is in Bromley by Bow: here, 555 children are in poverty, representing 49 per cent of all children in area. In contrast, in the LSOA (in Blackwall and Cubitt Town) with the highest child poverty rate (of 58 per cent), the number of children in poverty is just 85 – reflecting the fact the size of the child population in this area is relatively small.

This emphasises the importance of considering both numbers and rates, particularly if using the data to inform service planning purposes, or to target particular initiatives.
Figure 7: Child poverty rates for Lower Super Output Areas and wards in Tower Hamlets, 2014 (pre-2014 ward boundaries).

Percentage of children in poverty by ward (pre-2014 wards)
- Bow East: 48%
- Bethnal Green South: 46%
- Bethnal Green North: 45%
- St Dunstan's & Stepney Grn.: 45%
- Mile End East: 44%
- Weavers: 44%
- Mile End & Globe Town: 44%
- East India & Lansbury: 44%
- Bromley-by-Bow: 44%
- Limehouse: 44%
- Spitalfields & Banglatown: 42%
- Shadwell: 42%
- Millwall: 37%
- Whitechapel: 36%
- Blackwall & Cubitt Town: 36%
- Bow West: 35%
- St Katharine's & Wapping: 33%

Figure 8: Number of children in poverty by Lower Super Output Areas and wards, Tower Hamlets, 2014 (pre-2014 ward boundaries).
Trends over time 2006-2014

Figure 9 charts trends in the child poverty rate from 2006-2014 - the period that comparable data are available for. The data show a strong and steady downward trend in rates during 2007-2013; over this period, rates in Tower Hamlets fell considerably from 64 to 36 per cent - a fall of 28 percentage points. However, the most recent data show a rise in child poverty between 2013 and 2014 – a jump of 6 points up to 42 per cent. Rates also rose regionally and nationally over the last year, though less sharply.

The most recent rise in the child poverty rate needs careful interpretation. As the indicator is a relative poverty measure, in the case of in-work families, the proportion who fall below the poverty line is heavily influenced by volatility of incomes nationally. Indeed, the poverty line rose quite sharply in 2014 (figure 10), hence more families are now falling below the line.

Figure 9: Child poverty rates 2006-2014, Tower Hamlets, London & England

Figure 10: Poverty line thresholds used by HMRC that underpin child poverty calculations (2014 local child poverty measure thresholds)
Child poverty in Tower Hamlets

So while it is true to say that more families in Tower Hamlets are in relative poverty this year compared with last year, this does not necessarily mean that the material circumstances of those families have changed. What it does mean is that more families are falling behind the incomes of those generally.

**Trends by benefits/work status**

Indeed, closer analysis of these changes by benefits/work status shows that the most recent rise in child poverty reflects a rise in numbers of in-work families in poverty. The number, and proportion, of children living in out-of-work benefit families has continued to fall, continuing its long-term downward trend (figure 11).

During the period when child poverty rates were falling (2007-2013), the proportion living in in-work families reduced considerably, from 13 per cent of children down to 2 per cent – a fall of 11 points. This fall was over a period were incomes were fairly depressed nationally. Indeed, in 2010 and in 2012, the poverty line actually fell marginally (figure 10).

The trend data illustrate just how sensitive in-work poverty numbers are to movements in the national poverty line (which means trends are open to interpretation). That is, they don’t necessarily tell us whether the material circumstances of these families are changing from year to year in absolute terms. Instead, they tell us is how these families are faring relative to income levels generally. Indeed, the government has acknowledged that when incomes are depressed, apparent falls in child poverty can be largely due to the fall in the poverty line, rather than any improvement in the circumstances of families.\(^6\)

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\(^6\) Measuring Child Poverty: A consultation on better measures of child poverty HM Government, November 2012 (Cm 8483).
The opposite is true when the poverty line rises and the number of in-work families in poverty rises – this doesn’t necessarily mean that the material circumstances of those families have in fact deteriorated in absolute terms.

However, the trend data are less ambiguous on the issue of out of work benefit families – which is a straightforward count of those who are on particular benefits, and in no way influenced by the position of the poverty line. Since 2006, the number of children living on families reliant on out-of-work benefits has fallen considerably and this has been the main driver of the overall fall in the borough’s child poverty rate. During 2006-2014, the number of children living in out of work families has fallen from 24,260 down to 14,930 – a fall of 9,330. Similarly, the proportion of children who live in out-of-work benefit families has fallen from 45 to 24 per cent over the period (figure 11).

This is entirely consistent with a strong increase in the borough’s employment rate over the same period.

### Table 3: Number of children in poverty by benefits/work status, Tower Hamlets, 2006-14

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of children in poverty</th>
<th>Out of work benefit families</th>
<th>In-work families receiving WTC &amp; CTC (&lt;60% median income)</th>
<th>Families receiving CTC, (&lt;60% median income), work status unknown*</th>
<th>% in out of work benefit families</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>32,570</td>
<td>24,260</td>
<td>5,580</td>
<td>2,735</td>
<td>74.5</td>
</tr>
<tr>
<td>2007</td>
<td>33,880</td>
<td>24,165</td>
<td>6,950</td>
<td>2,765</td>
<td>71.3</td>
</tr>
<tr>
<td>2008</td>
<td>30,745</td>
<td>23,070</td>
<td>5,225</td>
<td>2,450</td>
<td>75.0</td>
</tr>
<tr>
<td>2009</td>
<td>29,680</td>
<td>22,700</td>
<td>4,075</td>
<td>2,900</td>
<td>76.5</td>
</tr>
<tr>
<td>2010</td>
<td>27,915</td>
<td>21,980</td>
<td>3,260</td>
<td>2,675</td>
<td>78.7</td>
</tr>
<tr>
<td>2011</td>
<td>26,845</td>
<td>20,965</td>
<td>3,110</td>
<td>2,765</td>
<td>78.1</td>
</tr>
<tr>
<td>2012</td>
<td>23,195</td>
<td>19,975</td>
<td>500</td>
<td>2,720</td>
<td>86.1</td>
</tr>
<tr>
<td>2013</td>
<td>21,585</td>
<td>17,835</td>
<td>980</td>
<td>2,770</td>
<td>82.6</td>
</tr>
<tr>
<td>2014</td>
<td>25,620</td>
<td>14,930</td>
<td>6,635</td>
<td>4,050</td>
<td>58.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change</th>
<th>2006-2014</th>
<th>-6,950</th>
<th>-9,330</th>
<th>1,055</th>
<th>1,315</th>
<th>-16</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013-2014</td>
<td>4,035</td>
<td>-2,905</td>
<td>5,655</td>
<td>1,280</td>
<td>-24</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Percentage change</th>
<th>2006-2014</th>
<th>-21</th>
<th>-38</th>
<th>19</th>
<th>48</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007-2014</td>
<td>-24</td>
<td>-38</td>
<td>-5</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td>2013-2014</td>
<td>19</td>
<td>-16</td>
<td>577</td>
<td>46</td>
</tr>
</tbody>
</table>

* HMRC advises that this group includes a mix of in-work and out of work families.

Source: HMRC (Children in low-income families local measure)

Notes: Out of work benefits include Income Support, Income-Based Jobseekers Allowance, Employment and Support Allowance and Pension Credit. CTC = Child Tax Credits; WTC = Working Tax Credit.
Conclusion
The HMRC child poverty measure is the only local measure of income poverty available, that is published annually - as a result, it is widely reported.

However, as this analysis shows, the relative nature of the indicator means trend data on in-work poverty are limited. The in-work component of the measure is heavily influenced by the volatility of incomes generally, so changes will not necessarily reflect local trends in poverty. Additionally, the measure takes no account of housing costs and their impact on families’ disposable incomes.

The figures relating to out-of-work poverty are more useful, as they are a direct measure based on families on out-of-work benefits. These figures indicate a significant fall in the number of children in poverty who live in workless families in the borough between 2007 and 2014. However, it remains unclear whether those who have moved into work are, in fact, materially better off – on the basis of this indicator alone.

Further information
For access to the data which underpin this report, please see the government’s website, which provides all data files in spreadsheet form and a technical commentary:


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More information about the Borough
This Briefing was produced by the Council’s Corporate Research Unit which is based within the Corporate Strategy and Equality Service. For access to the team’s previous research publications, please see the Borough Statistics part of the Council’s website. The team publishes all its research briefings here by theme. Topics include: population, diversity, economy, labour market, poverty, health, housing and lots more.