

# Child Poverty in Tower Hamlets



Over the last ten years, child poverty rates in Tower Hamlets have been falling, and many parents have moved into work. However, the borough still has the highest child poverty rate in the Country, and the need for in-work welfare support has been rising.



According to the HMRC's Children in Low Income Families Local Measure, around 18,875 children in Tower Hamlets were living below the national poverty line in 2015 - this represents **31 per cent of children** in the borough - the highest rate in Great Britain.



At ward level, the poverty rate ranges from 19 per cent in St Katharine's & Wapping up to 34 per cent in Bow East and Weavers. **Lansbury ward has the highest number** of children in poverty (1,800 children).



These poverty rates take no account of the housing costs families pay, so understate poverty levels. Indeed, **35,900 children in Tower Hamlets live in families who rely on Housing Benefit** to pay their rent - this represents 58 per cent of children - the highest rate in Great Britain (2016).



In 2015/16, 48,700 children lived in Tax Credit families, representing 79 per cent of children in Tower Hamlets, and the highest rate nationally. **Almost two thirds (63 per cent) of these children live in in-work families.**



In 2011, just 50 per cent of borough parents were in work, this was the lowest parental employment rate in England. Fathers were twice as likely as mothers to be in work (70 vs. 35 per cent). **Employment rates were lowest among Bangladeshi and Pakistani mothers (19 and 20 per cent).**



Over the last decade, the borough's **child poverty rate has halved from 60 to 31 per cent during 2006-15**. This reflects falls in worklessness: the percentage of children living in families receiving out-of-work benefits has halved over the decade from 45 to 22 per cent.



However, while parents have been moving into work, and the poverty rate has been falling, the **number of families requiring in-work welfare support has been rising**: over the last decade, the number of children living in working families receiving Tax Credits rose by 58 per cent.

## Measuring child poverty: overview

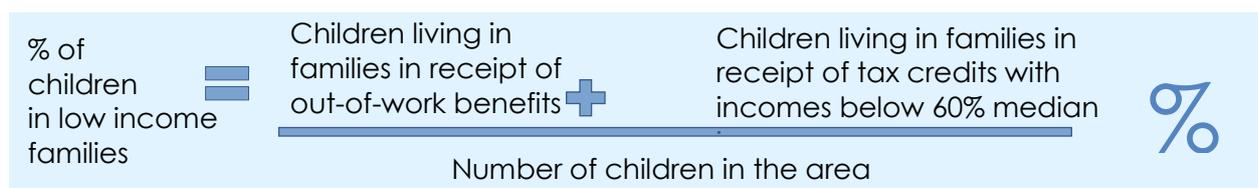
This briefing summarises the latest data about child poverty according to the HMRC's *Children in Low-income Families Local Measure*. The report also considers welfare data about Tax Credits and Housing Benefit which provide useful insight about in-work poverty trends in Tower Hamlets.

### The HMRC Children in Low-income Families Local Measure

The HMRC's *Children in Low-income Families Local Measure* estimates the percentage of children living below the poverty line (60 per cent of national median income). This is a measure of relative poverty that considers the incomes of families locally against typical income levels in the UK. The indicator is designed to produce local proxy data to mirror the national child poverty statistics which come from survey data<sup>1</sup>.

The HMRC measure is defined as: *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*<sup>2</sup>. 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?

The figures used to calculate incomes are adjusted or 'equivalised' for differences in family 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 £280 per week, whereas a couple family with two children would be in poverty if their income was less than £356 per week.

**Table 1 Low-income thresholds used in HMRC low income families measure for 2015**

Single no children	£156
Couple with no children	£233
Lone parent, 2 children (age 5 & 14)	£280
Couple, 2 children (aged 5 & 14)	£356
Source: HMRC	

### 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 fairly accurate measure of those families receiving particular benefits and Tax Credits who live on relatively low incomes. It also provides detailed data for small areas within local authorities. However, it does have limitations:

- The figures take no account of housing costs, and how these vary across the country, so tends to understate poverty levels in inner city areas;

- The measure will not capture children in poverty whose families are not in receipt of relevant benefits;
- Coverage of in-work poverty is limited, and as the measure is a relative poverty measure, trend data are open to interpretation (discussed later);
- Child Benefit data are used as a proxy for the number of dependent children in an area but will not count all children. While the Child Benefit counts include those in receipt of Child Benefit and those higher income households who have opted out of receiving Child Benefit (but still registered), numbers are still likely to fall slightly short of the total number of children in an area.

Despite these limitations, the measure provides valuable insight into differences in poverty levels across, and within, areas and remains the only local measure of income poverty (among families) that is published annually.

### Child poverty rates for London Boroughs

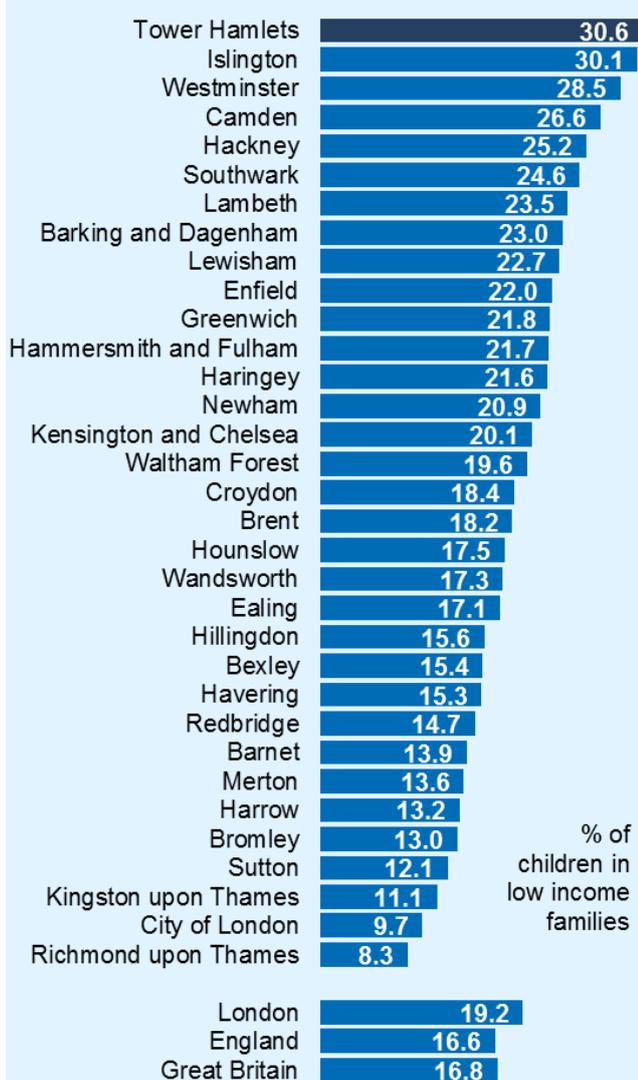
The HMRC data for August 2015 show that 18,875 children in Tower Hamlets live in poverty – this represents **31 per cent** of all children in the borough and is the highest child poverty rate in Great Britain<sup>3</sup>.

The borough's child poverty rate is almost double the rate nationally (17 per cent), and well above the London average of 19 per cent.

Within London, there is considerable variation in levels of child poverty: the rate in Tower Hamlets is more than three times higher than the rate in Richmond upon Thames (31 vs. 8 per cent).

Across Britain, Tower Hamlets, Islington and Middlesborough have the highest rates, closely followed by Nottingham, Manchester and Westminster (28-30 per cent).

**Figure 2: Child poverty rates, London boroughs and the City, August 2015**



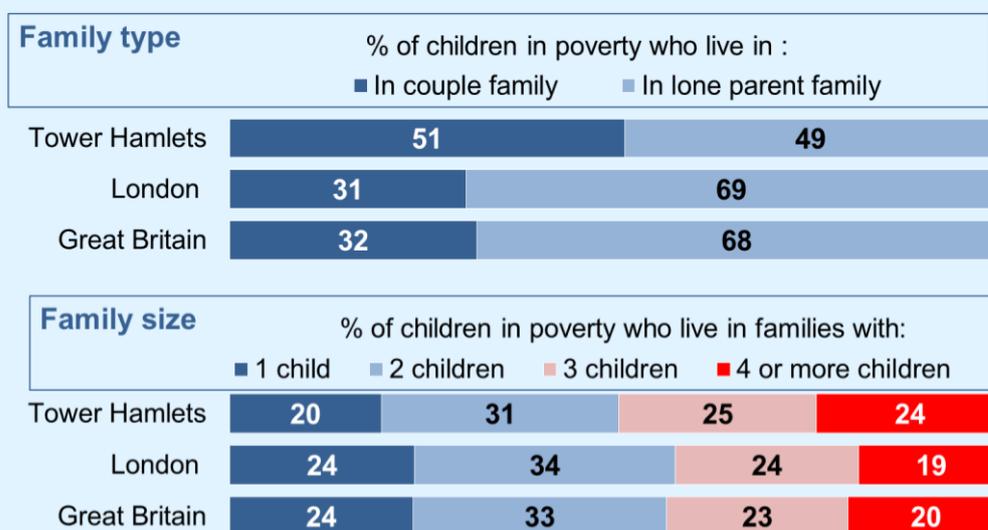
Source: HMRC, Children in low-income families local measure 2015

### Child poverty by family type and size

In Tower Hamlets, 51 per cent of all children in poverty live in couple families and the remaining 49 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 live in lone parent families. In both London and Great Britain, more than two thirds of children in poverty live in lone parent households (Figure 3).

In Tower Hamlets, children in larger families with four or more children comprise 24 per cent of all children in poverty, above the proportion in London and Britain (19-20 per cent). This is consistent with the fact that average family size is larger in Tower Hamlets<sup>4</sup>.

**Figure 3:**  
Children in poverty by family type and size, 2015



Source: HMRC (Children in low-income families local measure 2015).

### Child poverty by benefit/work status

HMRC data provide some proxy information on the likely employment status of the families in poverty though the data are somewhat limited. These show that, in Tower Hamlets, 71 per cent of children in poverty live in out-of-work benefit households while just over one in ten (11 per cent) are known to be in working households. The work status of the remaining 18 per cent is not known. When compared to national survey based poverty estimates, HMRC local data are thought to overstate the number of children who live in out-of-work families and to understate the proportion of children in poverty who live in working families<sup>5</sup>. Alternative measures of in-work poverty are explored later.

### Child poverty data for wards and small areas

Most wards in Tower Hamlets have child poverty rates well above the national average: the poverty rate ranges from 19 per cent in St Katharine's & Wapping ward up to 34 per cent in the wards of Bow East and Weavers. In two thirds of wards - around one in three children are in poverty (Figure 4).

It is important to also consider the number of children in poverty, given the size of the child population across wards varies significantly (Figure 5). Lansbury emerges with the highest number of children living in poverty - 1,800 children - more than seven times higher than the number in Limehouse (240).

Figures 6 and 7 map child poverty rates and numbers at Lower layer 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.

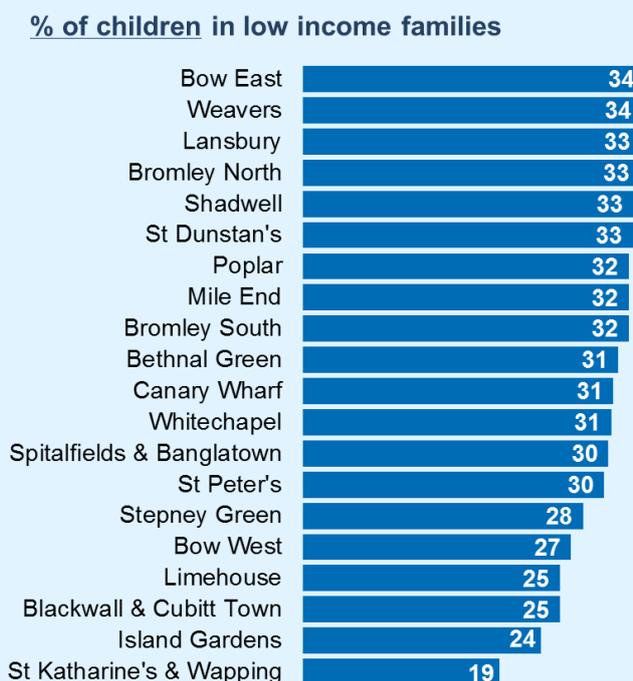
The LSOA with the largest number of children in poverty is in part of Bromley South: here, 430 children were in poverty, representing 37 per cent of children in that area.

In contrast, the LSOA with the highest child poverty rate was in part of Blackwall & Cubitt Town: in this LSOA the child poverty rate was 51 per cent but this represented just 40 children in poverty, reflecting the fact the size of the child population in this area is relatively small.

The LSOA with lowest child poverty rate (4 per cent) was in Canary Wharf - this was also the LSOA with the fewest number of children in poverty (five children).

The figures 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 4: Child poverty rates by ward, Tower Hamlets, 2015**



Source: HMRC, Children in low-income families local measure, 2015

**Figure 5: Number of children in poverty by ward, Tower Hamlets, 2015**

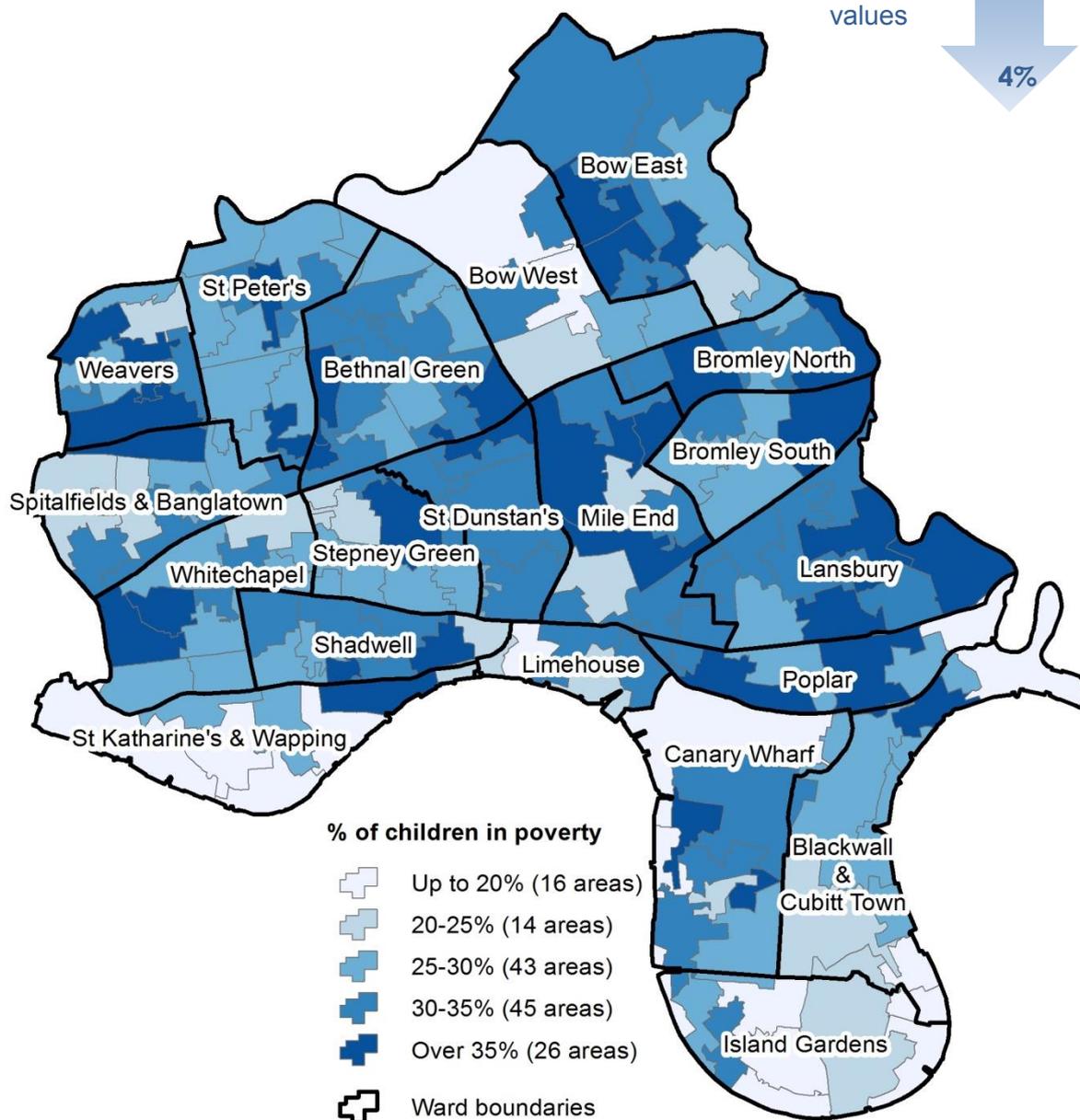


Source: HMRC, Children in low-income families local measure, 2015

**Figure 6: Child poverty rates**  
 Lower Super Output Areas Tower Hamlets, 2015

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

Range of LSOA values  
 51%  
 4%

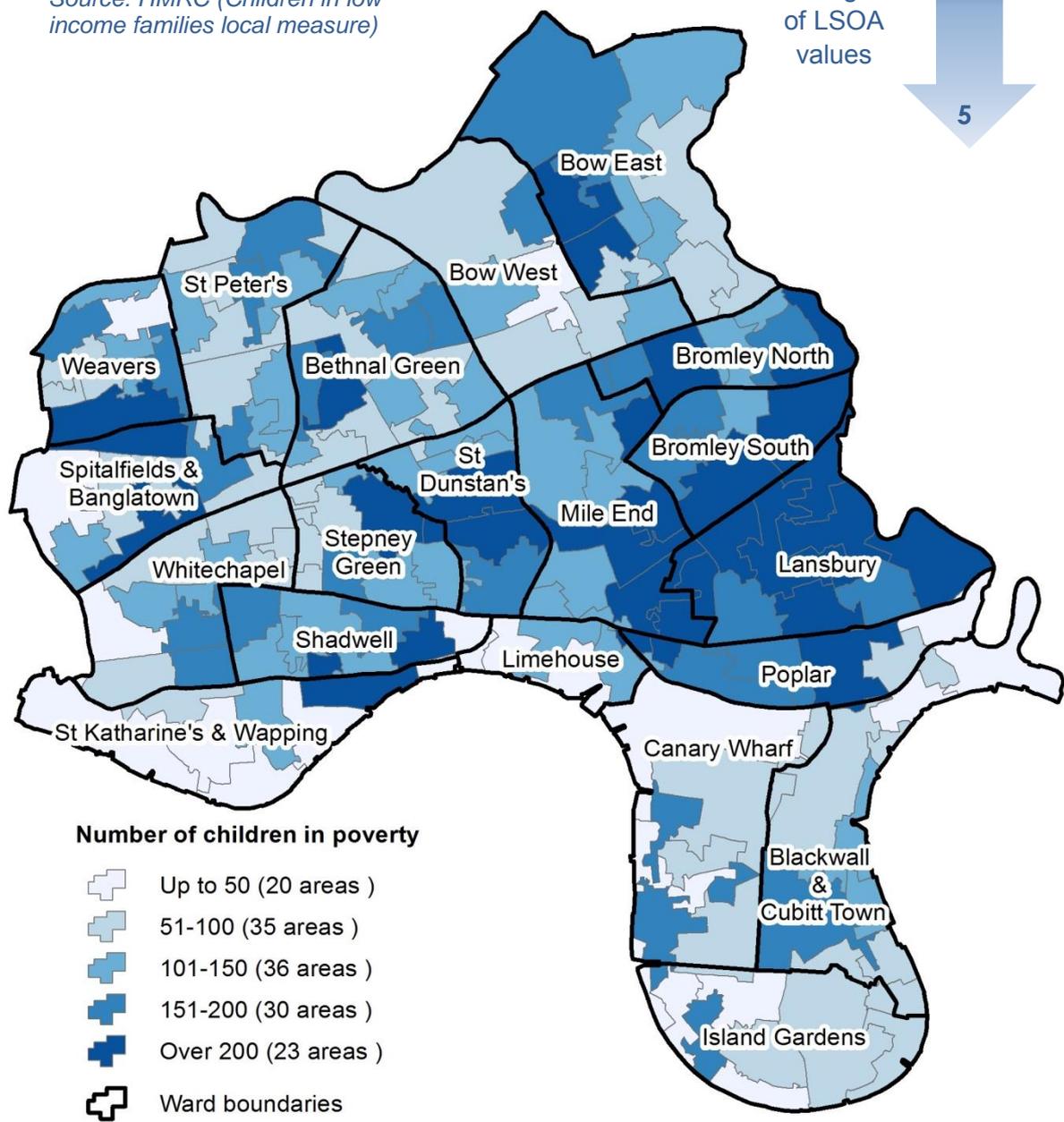


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**Figure 7: Number of children in poverty,  
Lower Super Output Areas  
Tower Hamlets, 2015**

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

Range of LSOA values  
430  
5



**Number of children in poverty**

- Up to 50 (20 areas )
- 51-100 (35 areas )
- 101-150 (36 areas )
- 151-200 (30 areas )
- Over 200 (23 areas )
- Ward boundaries

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### The importance of housing costs

HMRC poverty estimates take no account of housing costs and their impact on the disposable incomes of families. This means the HMRC estimates understate poverty levels in areas like Tower Hamlets relative to areas where housing costs are cheaper.

National and regional estimates of child poverty (DWP), are produced on both a before, and after, housing costs basis and these illustrate the significant effect housing costs can have on child poverty rates - especially in London, where housing is more expensive (Figure 8).

Across Inner London, the child poverty rate is 22 per cent before housing costs are taken into account, but this almost doubles to 42 per cent once incomes are considered net of housing costs. Whereas across England, the gap in rates is narrower (18 vs. 29 per cent). Across all regions, London has the highest rate of child poverty according to the after housing cost measure.

The End the Child Poverty Coalition (ECPC) has attempted to produce a local version of after housing cost poverty rates using modelled estimates - these suggest that in 2017, the borough's child poverty rate, after housing costs, was around 53 per cent - the highest rate in the Country<sup>6</sup>.

### Children in Housing Benefit families

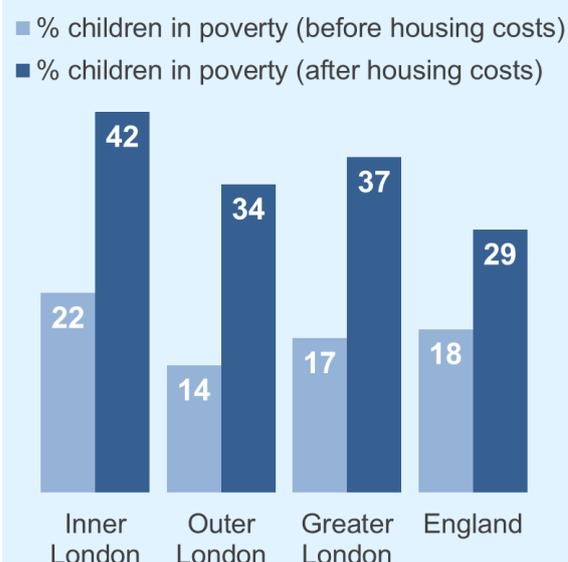
Housing Benefit data provide further insight on these issues. Housing Benefit is a means-tested benefit paid to families on low incomes to help with the cost of their rent.

In August 2016, 35,900 children in the borough lived in families who rely on Housing Benefit - this represents around 58 per cent of children in the borough, more than double the rate nationally (25 per cent) - and the highest rate in Great Britain<sup>7</sup> (Figure 9).

Around two thirds (65 per cent) of the children in Housing Benefit households in Tower Hamlets live in working families.

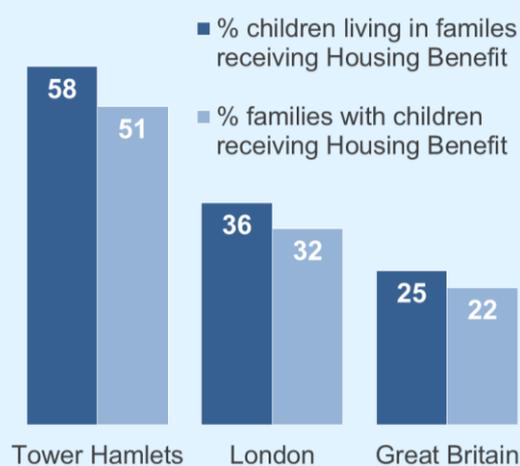
**Figure 8: Child poverty rates, before and after housing costs, London and England**

2013/14 to 2015/16, 3 year average



Source: DWP Households Below Average Income, 1994/95 to 2015/16 (table 4.6db)

**Figure 9: Children and families in Housing Benefit households, August 2016**



Source: DWP Stat-Xplore (Housing Benefit data) and HMRC (Child Benefit Statistics), August 2016

## Children in families receiving tax credits

Tax Credits provide another measure of the number of low income families in the borough. Tax Credits provide means-tested support to families both in and out of work.

Typically, more families qualify for Tax Credits than Housing Benefit. For example, families who work but are in lower cost social housing for instance may not qualify for Housing Benefit, but would still qualify for help through Tax Credits. Similarly, families on low incomes who are owner occupiers cannot get support via Housing Benefit (which is for renters) but can claim Tax Credits.

In Tower Hamlets, the majority of families qualify for Tax Credits (Figure 10). In 2015-16, 48,700 children in Tower Hamlets lived in families reliant on either Working Tax Credit and/or Child Tax Credit. This represents around 79 per cent of all dependent children in the borough, far higher than the proportion in London or Great Britain (56 and 53 per cent), and the highest rate across all local authorities in Great Britain.<sup>8</sup>

Of all the children living in Tax Credit families in Tower Hamlets, almost two thirds (63 per cent) live in families who are in work.

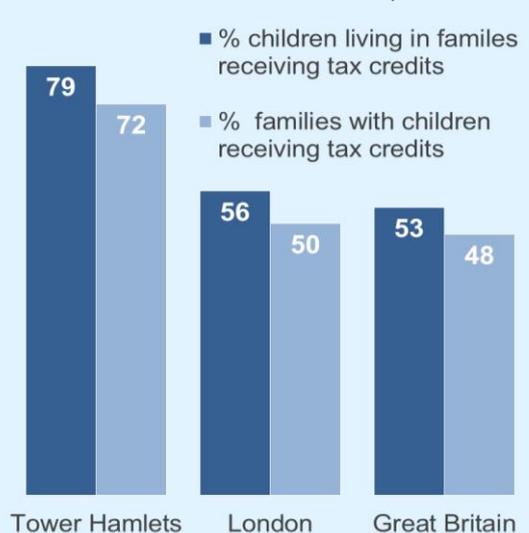
## Measures compared

Inevitably, different poverty measures provide different perspectives about the scale of poverty in the borough. How many children are in poverty very much depends on how we define and measure poverty or low income.

The HMRC poverty line measure gives the narrowest measure, while welfare data provide broader measures of the number of children who live in low income families and require means-tested support. Measures based on welfare claimants provide numbers in poverty that are considerably higher than the number who are technically below the poverty line (Figure 11).

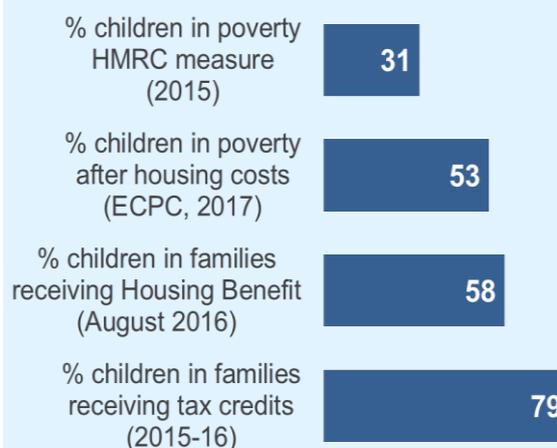
However, on all measures, Tower Hamlets consistently ranks highest in the Country.

**Figure 10: Children and families in Tax Credit households, 2015-16**



Source: HMRC (Chjild & Working Tax Credit Statistics, final awards, 2015-16; Child Benefit Statistics, August 2015)

**Figure 11: Child poverty indicators compared, Tower Hamlets**



Source: HMRC and DWP

### Employment rates of parents<sup>9</sup>

The borough's high child poverty rate is inextricably linked with the employment patterns of parents in the borough.

In 2011, just 50 per cent of borough parents (with dependent children), were in work, far lower than the rates in London or England (70 and 77 per cent), and the lowest parental employment rate across all local authority areas in England.

### Parental employment rates and ethnicity

Employment rates for parents show considerable variation by ethnicity and gender. Typically, rates are lowest for women, particularly Black and Minority Ethnic (BME) women.

By ethnicity, just over two thirds of White parents were in work compared with under half of BME parents (68 vs. 44 per cent).

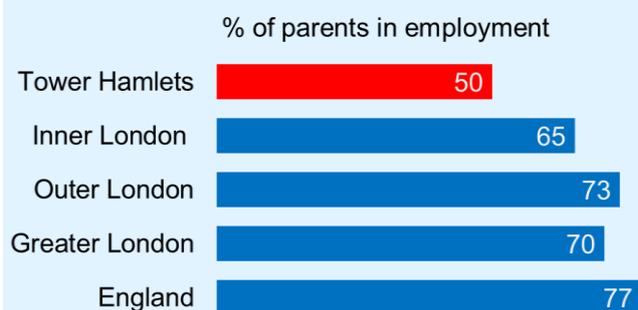
By gender, male parents were twice as likely as female parents to be in employment (70 vs. 35 per cent).

The gender gap in rates was particularly pronounced among BME parents: around two thirds of BME men with families were in work compared with just 27 per cent of their female counterparts.

Parental employment rates were very low for Bangladeshi and Pakistani women - just one in five women with children from these groups were in work. Women from the Black Other group (which includes Somali women), and women from Arab/Other group also had relatively low employment rates (32 and 30 per cent).

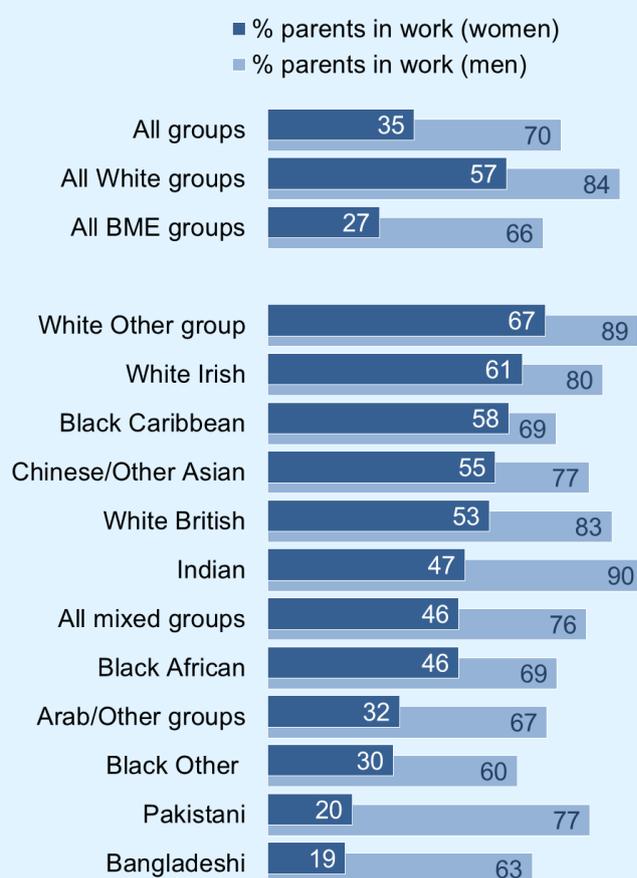
Within the female population, women from the White Other and White Irish groups had the highest parental employment rates (67 and 61 per cent).

**Figure 12: Employment rates, parents with dependent children, 2011**



Source: Office for National Statistics, 2011 Census, (Table LC1601EW)

**Figure 13: Employment rates of parents by ethnicity, Tower Hamlets, 2011**



Source: Office for National Statistics, 2011 Census, Table CT0730

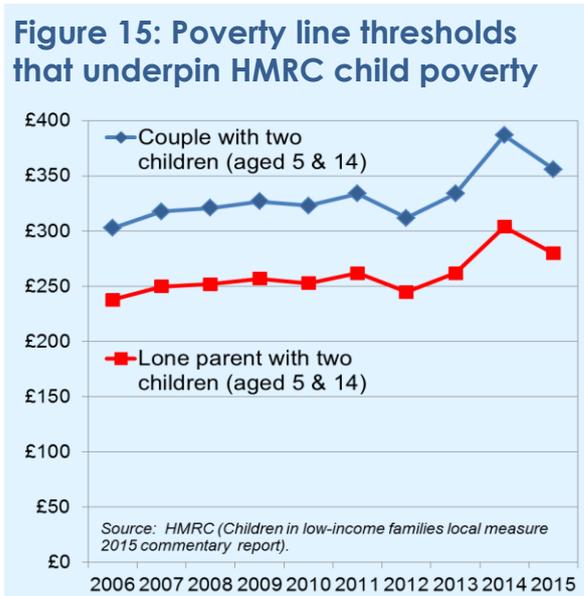
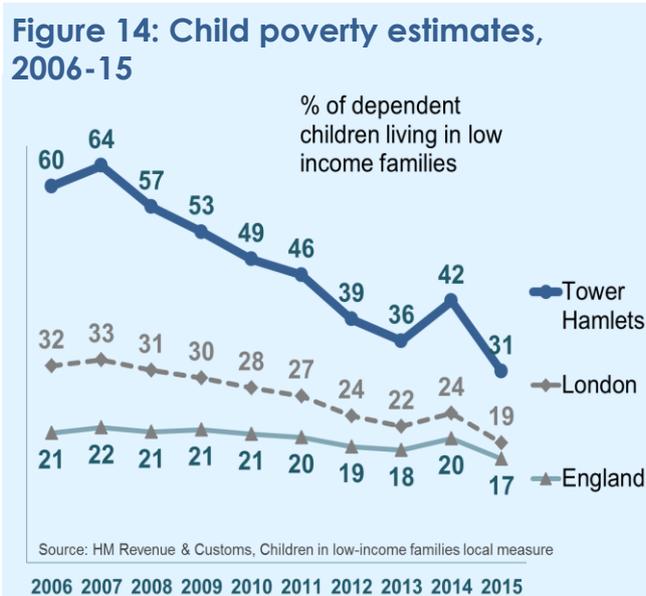
Male parental employment rates were highest among Indian men and men from the White Other group (90 and 89 per cent).

Similar ethnic differentials are reflected in national figures on child poverty rates by ethnicity. During the period 2013-2016, child poverty rates (after housing costs) were highest for Bangladeshi and Pakistani families (57 and 50 per cent) and lowest for White and Indian families (both 26 per cent)<sup>10</sup>.

The next section explores child poverty trends over time according to the HMRC and welfare measures.

### Child poverty trends (HMRC measure)

While Tower Hamlets continues to have the highest child poverty rate in Britain, its position relative to other areas has been improving. Over the last ten years, the borough's child poverty rate has halved - falling from 60 to 31 per cent between 2006 and 2015. Rates have also been falling nationally and regionally, but the fall is more pronounced in Tower Hamlets (Figure 14).



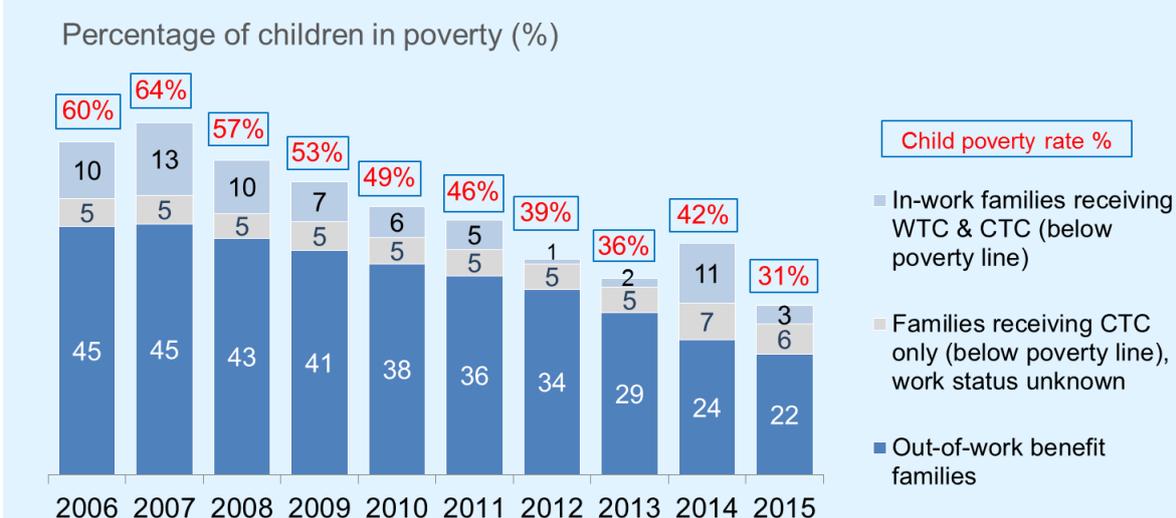
However, as these figures capture the concept of relative poverty, annual trend data need interpreted with some care. Changes in poverty rates are sensitive to changes in the level of the poverty line itself (which is set at 60 per cent of UK median income). If the poverty line falls sharply, fewer families are likely to fall below it, and vice versa. This phenomena particularly affects areas like Tower Hamlets where a large proportion of low income families are clustered around the poverty line level.

Indeed, child poverty rates in Tower Hamlets had been on a fairly steady downward trajectory until 2014, when the rate jumped up to 42 per cent, only to fall back down to 31 per cent in 2015. This corresponded with a sharp rise and fall in the poverty line over the same period (Figure 15). So, while it is true to say that fewer families in Tower Hamlets are in relative poverty in 2015 compared with 2014, this does not necessarily mean the families that have moved above the poverty line are now better materially off.

HMRC acknowledges that the income data it uses to estimate the national poverty line is prone to 'volatility' and highlights this as a limitation of the analysis. **For this reason, trend data are best viewed over the long term.**

This volatility particularly undermines estimates of in-work poverty that are particularly sensitive to changes in the poverty line. This issue is illustrated in Figure 16 which breaks down the overall trend in child poverty rate by the benefits/work status of families. The chart shows a very strong and steady fall in the proportion of children living in out-of-work families from 45 per cent of children in 2006 down to just 22 per cent in 2015. This fall is what has driven the borough's child poverty rate down over the last ten years. This is consistent with a strong increase in the borough's employment rate over the same period.

**Figure 16: Child poverty rates broken down by benefits/work status, Tower Hamlets, 2006-2015**



Source: Calculations based on HMRC data (Children in low-income families local measure & Child Benefit statistics 2006-2015)  
 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.

In contrast, estimates of the proportion of children in poverty who are in working families are far lower, and have been more volatile in recent years, in line with the movements in the national poverty line. As explained earlier, the HMRC measure is known to under-estimate levels of in-work poverty compared to the national survey based poverty measure. Also, the measure also takes no account of housing costs, and how rising housing costs have eroded the disposable income of families.

In summary, while the analysis shows that out-of-work families have been moving into work, it remains unclear from these data alone, whether those who have moved into work are, in fact, materially better off. Welfare data provide better intelligence in this area and are explored below.

## Tax Credit trends

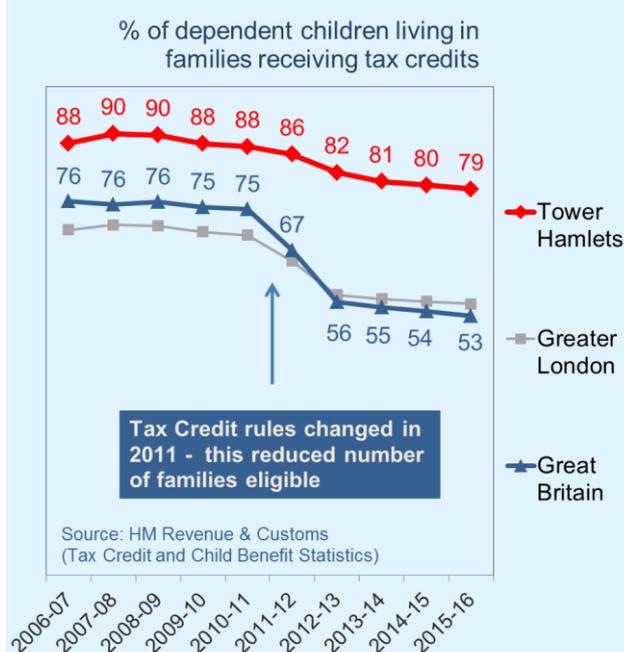
Over the last ten years, the total number of children living in Tax Credit families has been fairly stable - remaining around the 48-50,000 mark.

However, over the same period, the borough's population has been growing, so when expressed as a percentage of the population, there has been a fall in the proportion of children living in tax credit families from 88 to 79 per cent (between 2006/07 and 2015/16). Nationally and regionally, the fall in rates was far more pronounced: in Great Britain, the percentage of children in Tax Credit families fell from 76 to 53 per cent (Figure 17).

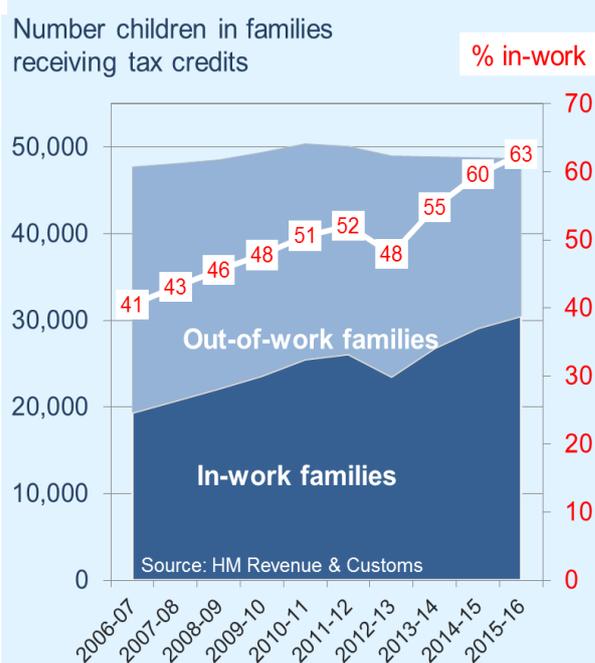
In 2011, a number of changes were made to Tax Credits which, in effect, reduced the number of in-work families eligible for support, and targeted support more on those with the lowest incomes. As Figure 17 shows, Tower Hamlets appears to have been less affected by this change than other areas. This may reflect the fact that, at that time, the borough's Tax Credit population was less likely to be in work compared with families elsewhere, so the benefit change which reduced in-work support had less impact.

However, this has been changing and there has been a very significant rise in the number of Tax Credit families moving into work. In 2006-07, 41 per cent of children who lived in tax credit families lived in working families - by 2015-16, this had risen to 63 per cent of children. The number of children living in in-work families rose from 19,300 up to 30,500 over the same period - a rise of 11,200 per cent. Conversely, the number living in out-of-work families fell by a similar number (10,200) over the same period (Figure 18).

**Figure 17: Percentage of children in tax credit families, Tower Hamlets, London and Great Britain, 2006-2016**



**Figure 18: Children in tax credit families, Tower Hamlets, 2006-2016**



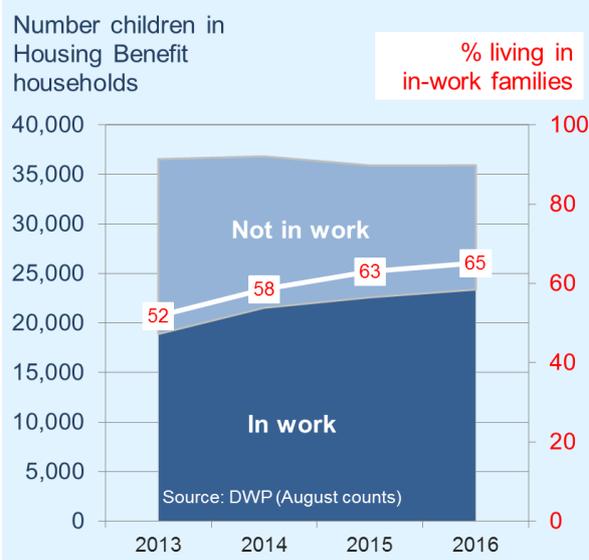
## Housing Benefit trends

Recent trends in Housing Benefit caseload show a similar picture. In August 2016, around 35,900 children in Tower Hamlets were living in families who received Housing Benefit<sup>11</sup>. Of these, almost two thirds lived in families that were in work (65 per cent of children), up from 52 per cent of children in 2013.

The number of children living in working Housing Benefit families rose from 18,900 to 23,400 during 2013-2016 (up 4,500), while the number in out-of-work families fell by 5,100 over the same period.

Overall, the number of children living in Housing Benefit families has seen little change over the period, though as a percentage of the child population, the percentage has reduced slightly from 60 to 58 per cent.

**Figure 16: Children in Housing Benefit families, Tower Hamlets,**



## Conclusion

How many children are in poverty very much depends on what measure you use and how you define poverty. However, on each of the measures considered here, Tower Hamlets consistently ranks as the highest in the Country. Trend data show that child poverty rates are falling and that this is due to families moving off out-of-work benefits and into work. However, welfare data illustrate that, for many, moving into work has not necessarily led to a move away from financial hardship, and many continue to rely on means-tested welfare support. In fact, the numbers requiring in-work welfare support has risen significantly in recent years, despite changes to the benefits system that have reduced welfare support in these areas.



## Further information

The HMRC's children in low income families local measure data is published on the government's [website](#). HMRC also regularly publish [Tax credits](#) statistics. Housing Benefit data is available on the [DWP's Stat-Xplore website](#).

For more information about this briefing, please contact Lorna Spence (Research Officer): [lorna.spence@towerhamlets.gov.uk](mailto:lorna.spence@towerhamlets.gov.uk)

This Briefing was produced by the Council's Corporate Research Unit. For access to the team's previous research publications, please see the [Borough Statistics](#) part of the Council's website.

## Endnotes

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<sup>1</sup> Nationally, the DWP's [Households Below Average Income](#) series is used to measure child poverty.

<sup>2</sup> Child Benefit data are used as a proxy for the number of dependent children, and include high income households who have opted out of receiving Child Benefit (but who remain registered for Child Benefit). Children refers to all those under 16 and dependent children aged 16-19 (ie children still in full-time education who live with their parents).

<sup>3</sup> Within the UK, Tower Hamlets ranks as third highest after Derry and Belfast in Northern Ireland with rates of 32 per cent.

<sup>4</sup> The average number of children in Child Benefit households in Tower Hamlets is higher than the Great Britain average (2.0 vs. 1.73); HMRC Child Benefit Statistics, 2015.

<sup>5</sup> House of Commons Library, [Poverty in the UK: Statistics](#) (briefing paper 7096, June 2016)

<sup>6</sup> The ECPC poverty rate estimates and the full methodology used can be accessed directly on the ECPC [website](#).

<sup>7</sup> LBTH calculations based on DWP data on [Housing Benefit](#) and [Child Benefit](#). Child Benefit counts are used as a proxy here for the number of dependent children and include those higher income households who have opted out of receiving Child Benefit. Dependent children refers to those under 16 and those 16-19 (ie children still in full-time education who live with their parents).

<sup>8</sup> LBTH calculations based on HMRC data on [Tax credits](#) and [Child Benefit](#). Child Benefit counts are used as a proxy here for the number of dependent children and include those higher income households who have opted out of receiving Child Benefit. Dependent children refers to those under 16 and those 16-19 (ie children still in full-time education who live with their parents).

<sup>9</sup> In the Census context, the term 'parents' includes parents, step-parents or grandparents who, on census night, had a dependent child living with them. Grandparents are only included if the child's parents are not present in the household.

<sup>10</sup> DWP Households Below Average Income, 1994/95 to 2015/16 (Table 4.5db)

<sup>11</sup> Housing Benefit data have been rounded to the nearest hundred.