

Children in Low-Income Families Local Measure - definition

There are different ways to measure child poverty, but at a borough level, the measure published is the HM Revenue & Customs (HMRC) *Children in Low-Income Families Local Measure*. In effect, this is a proxy indicator which attempts to recreate a local indicator to mirror the national measure of relative child poverty - as set out in the Child Poverty Act 2010. The local indicator measures: **the proportion of dependent children¹ living in families in receipt of out-of-work (means tested) benefits² or those in receipt of tax credits where their reported income is less than 60 per cent of the national median income (ie the poverty line)**. Data are a snapshot in time relating to August each year.

This measure is also one of the Council's strategic monitoring indicators.

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 £262 per week, whereas a couple family with three children would be in poverty if their income was less than £377 per week (Table 1).

Table 1 Poverty line thresholds used by HMRC for different family types (thresholds used for 2011 child poverty measure)

Couple with no children	£218
Lone parent with 2 children (aged 5 & 14)	£262
Couple with two children (aged 5 & 14)	£334
Couple with three children (aged 5, 9 & 14)	£377

Source: LBTH calculations based on OECD equivalence scales & HMRC poverty line data.

Strengths and limitations of the local measure

The main strength of the local indicator is that it is entirely based on administrative benefit counts so it is a precise measure of those on particular benefits and tax credits living under the poverty line. It also provides data for local 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. This is a particular issue in Tower Hamlets where housing costs have a big impact 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 changes to the benefits system in the future;
- 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 are open to interpretation.

¹ Child Benefit data are used as a proxy for the number of children (the data relate to 2011 when Child Benefit was still a universal benefit). The definition of 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).

² Out-of-work benefits include: Income Support, Jobseeker's Allowance, Employment and Support Allowance / Incapacity Benefit and Pension Credit.

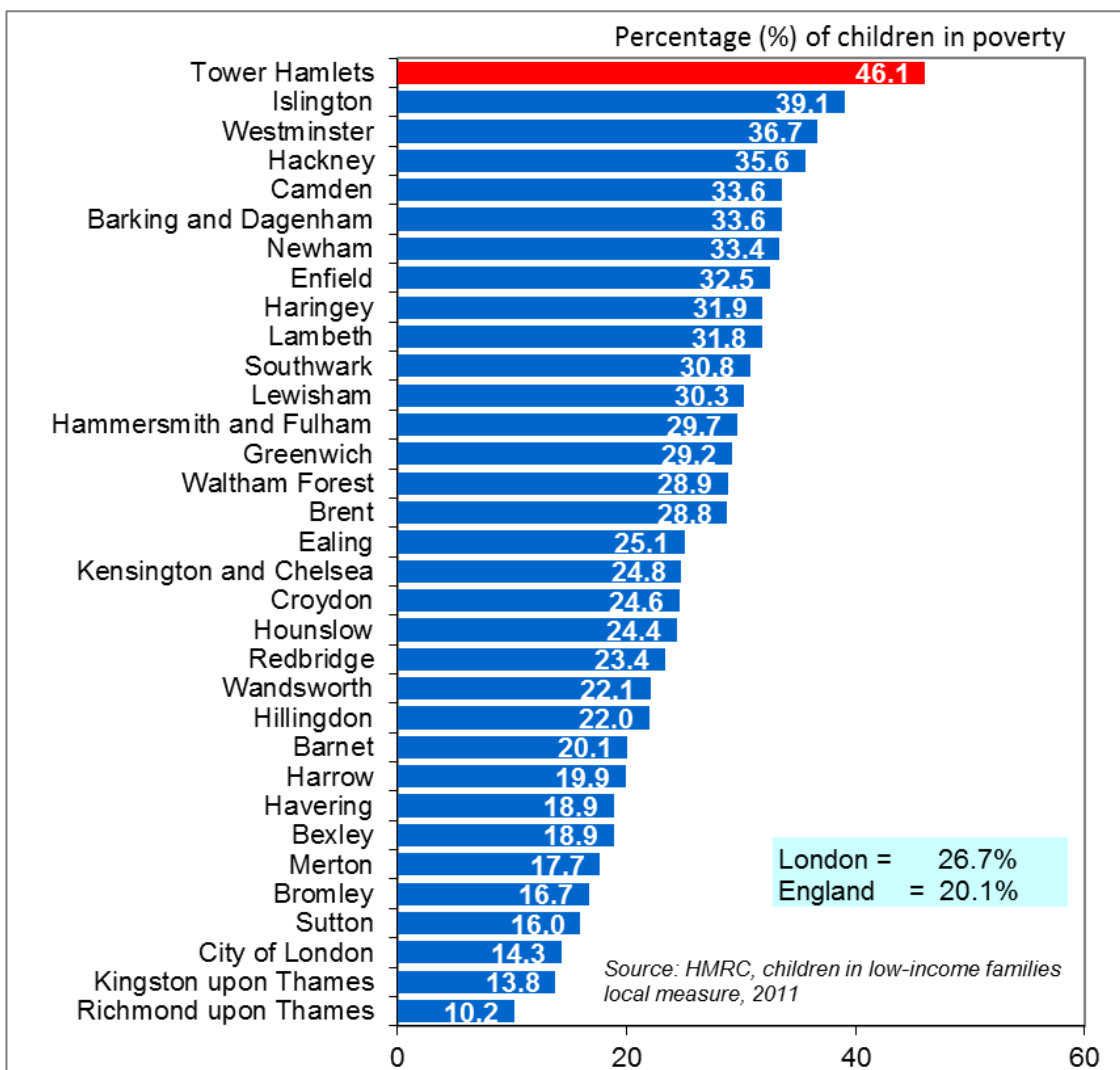
Child poverty rates for London Boroughs

The HMRC data for August 2011 show that **26,845** children in Tower Hamlets live in poverty – this represents **46 per cent**³ 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 27 per cent. Tower Hamlets is the only local authority area in the UK where the percentage of children in poverty is almost half and it is the highest rate by some way - the second highest rate is Islington at 39 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 the UK, Tower Hamlets, Islington, Westminster have the highest rates, closely followed by Manchester and Hackney⁴.

Figure 1: Child poverty rates by London Borough, August 2011



³ All figures in the narrative have been rounded to the nearest percentage point.

⁴ GLA research on [Measures of Child Poverty](#) has suggested that in some areas (eg Westminster), it is possible that the rate may be slightly inflated. While nationally, Child Benefit offers almost a full count of children (for the year 2011), in particular areas coverage can fall short of the actual number of resident children. As Child Benefit is the base for the rates this may affect comparisons.

Child poverty by benefit type/work status

The child poverty data 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 status⁵.

These show that, of all children in poverty in Tower Hamlets, **the majority (78 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 broadly similar to the London and national average (78 per cent vs. 79 per cent).

One in eight families (12 per cent) 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 10 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 60 per cent median income, the work status of the family is unknown –so this group could potentially include in-work and out-of-work families.

Table 2 Children in poverty by benefits/work status of family, 2011

	Tower Hamlets	London	England % totals
All Children in poverty:	100	100	100
Out of work benefit families	78	79	79
In work benefit family	12	8	8
Not known*	10	13	14
<i>Base (number of children)</i>	<i>26,845</i>	<i>495,625</i>	<i>2,319,450</i>

Source: HMRC (rates rounded to nearest percentage point – so may not sum to 100)
* While it is known that this group of families are in poverty, the work status is not known.

Child poverty by family type

In Tower Hamlets, 53 per cent of all children in poverty live in couple families and the remaining 47 per cent live in lone parent families. Tower Hamlets is unusual in this respect as in all other areas, the majority of children in poverty are in lone parent families: in both London and the UK, more than two thirds of children in poverty live in lone parent families (Table 3). Tower Hamlets is the only area in the UK where children in poverty were more likely to be in couple families than lone parent families.

Table 3 Children in poverty by family type (percentage composition), 2011

	Number of children in poverty	% of children in poverty by family type		<i>All children = 100%</i>
		Couple	Lone parent	
Tower Hamlets	26,845	53	47	100
London	495,625	29	71	100
England	2,319,450	32	68	100

Source: HMRC Children in low income families, Poverty Statistics, 2011

⁵ The HMRC definitions relate to benefits not work status. For example, 'out-of-work' families could potentially include a small number of families who have an adult working part-time.

Children in poverty by family size

Figure 2 charts child poverty rates by family size. The analysis illustrates that children in larger families tend to face a much higher risk of poverty. In Tower Hamlets, the percentage of children in poverty rises from 37 per cent for those in one child families up to 57 per cent of those living in families with four or more children. In London and the UK, there are similar patterns by family size, though child poverty rates are significantly lower than rates in Tower Hamlets – across all sizes of families.

In Tower Hamlets, children in larger families (with four or more children) comprise just over one third (32 per cent) of all children in poverty (Table 4). This is far higher than the proportion in London and UK (23 and 21 per cent respectively) and is the highest percentage of all UK local authorities. This reflects the fact that the average family size is larger in Tower Hamlets⁶, as well as the fact that, the borough’s larger families have higher poverty rates than large families elsewhere (as shown in Figure 2).

Figure 2: Child poverty rates by family size, 2011

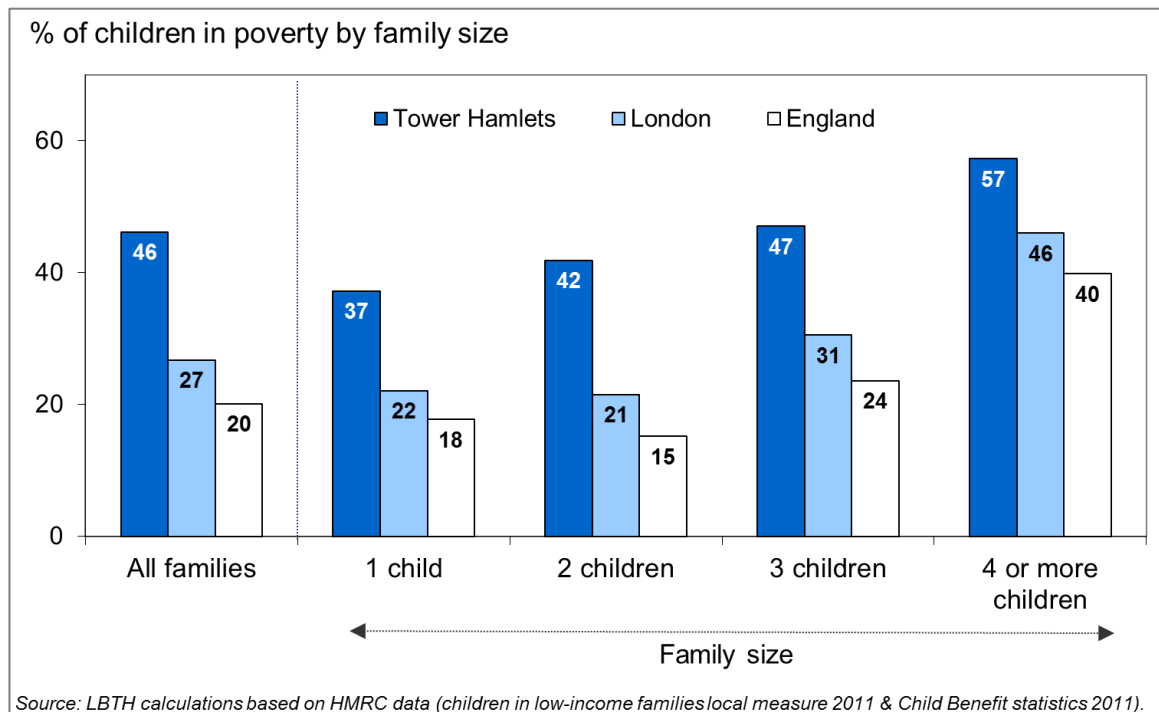


Table 4 Children in poverty by family size, August 2011

	Number of children in poverty	By size of family (% totals)				
		All children (100%)	1 child	2 children	3 children	4 or more children
Tower Hamlets	26,845	100	17	26	25	32
London	495,625	100	22	32	24	23
England	2,319,450	100	24	32	23	21

Source: HMRC (Children in low income families local measure, 2011)

⁶ The average number of children in Child Benefit households in Tower Hamlets is higher than the UK average (2.03 vs. 1.74); HMRC Child Benefit Statistics, 2011.

Child poverty rates for wards in Tower Hamlets

All wards in Tower Hamlets have child poverty rates well above the national average of 20 per cent: the rate ranges from 34 per cent in St Katharine's & Wapping ward up to 51 per cent in the wards of Bow East and East India & Lansbury.

Table 5 Children in poverty by ward, Tower Hamlets, 2011

Ward (ranked in order of highest to lowest rate)	Children in poverty Number	% rate
Bow East	1,510	51
East India & Lansbury	2,495	51
Shadwell	2,010	50
Bethnal Green South	1,645	50
Bromley-by-Bow	2,240	49
Mile End East	1,875	49
Weavers	1,270	48
Bethnal Green North	1,430	48
St Dunstan's & Stepney Gn.	2,130	48
Mile End & Globe Town	1,545	47
Limehouse	1,865	46
Whitechapel	1,340	45
Spitalfields & Banglatown	755	42
Millwall	1,545	41
Blackwall & Cubitt Town	1,550	41
Bow West	990	36
St Katharine's & Wapping	655	34
Tower Hamlets	26,845	46

Source: HMRC (Children in low income families local measure, 2011)

Child poverty rates across small areas in the borough

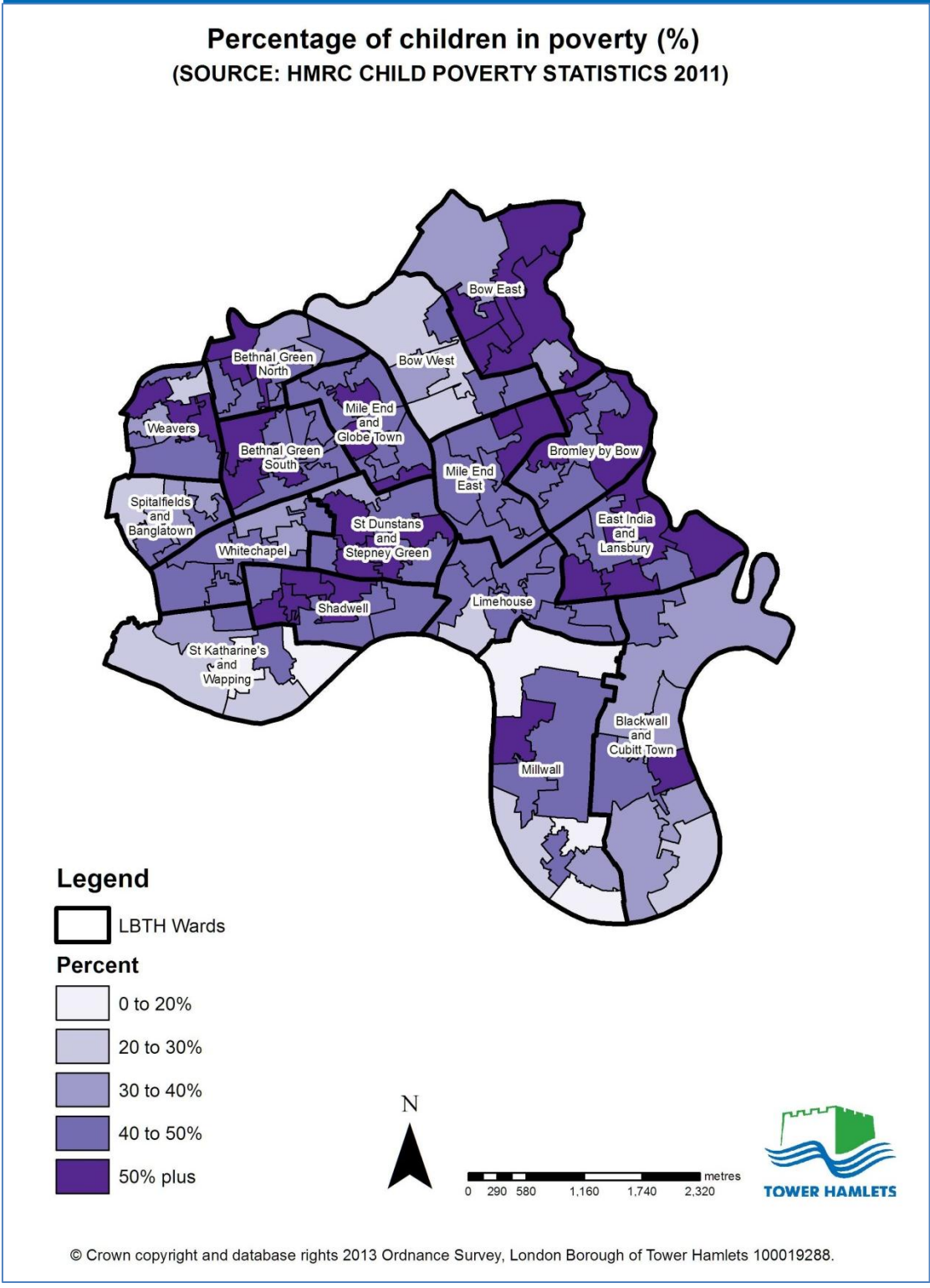
Figure 3 maps child poverty rates at Lower Super Output area (LSOA) level⁷. LSOAs are smaller than wards and provide valuable detail about differences within wards.

At LSOA level, rates are particularly polarised: the percentage of children in poverty ranges from 6 per cent in part of Millwall (Canary Wharf area) up to 61 per cent in part of Mile End East - which is the highest LSOA child poverty rate in London. Only five of the borough's 130 LSOAs have child poverty rates below the national average of 20 per cent. (Figure 3)

Areas in Tower Hamlets dominate the list of London LSOAs with the highest levels of poverty: the top percentile (ie the highest one per cent) of London's LSOAs have child poverty rates of between 53-61 per cent and areas in Tower Hamlets comprise almost one third of these areas (14 out of the top 47 LSOAs).

⁷ LSOA boundaries presented here relate to those in place as at 2001 Census when there were 130 LSOAs in Tower Hamlets (these have superseded by new 2011 Census geographies, but child poverty data are only available on the old geographies). These areas are smaller than wards and they typically cover a population size of 1,000-3,000.

Figure 3: Child poverty rates for Lower Super Output Areas in Tower Hamlets, 2011



Trends over time 2006-2011

Figure 4 charts changes in the child poverty rate from 2006-2011 (the period that comparable data are available for). This shows that, since 2007, rates in Tower Hamlets have fallen considerably from 64 to 46 per cent - a fall of 18 percentage points. The falling rate reflects a significant fall in the number of children in relative poverty against a backdrop of a steadily growing child population (Table 6). London also saw a fall over the same period, though less pronounced, from 33 to 27 per cent - a fall of 6 points. Nationally rates have shown less change, falling by only 2 percentage points since 2007.

Figure 4: Child poverty rates 2006-2011, Tower Hamlets, London & England

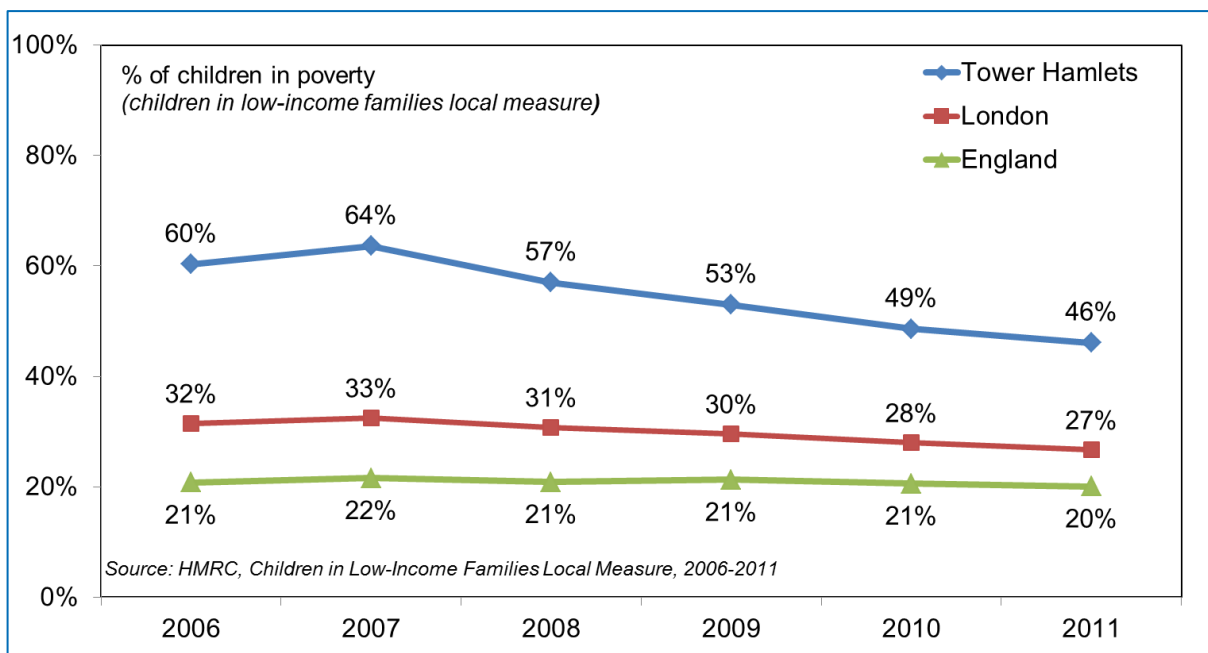


Table 6: Child poverty rates for Tower Hamlets, 2006-2011

	Year (august)					
	2006	2007	2008	2009	2010	2011
Children in poverty (local measure)	32,570	33,880	30,745	29,680	27,915	26,845
All children (child benefit families)	54,005	53,250	53,895	55,955	57,470	58,190
Child poverty rate (%)	60.3	63.6	57.0	53.0	48.6	46.1

Source: HMRC, Children in low income families local measure & Child Benefit Statistics, 2006-11

Trends in child poverty by benefits/work status

Table 7 assesses changes in child poverty by the benefits/work status of families. Over the period 2006-2011, the number of children in poverty fell by almost 6,000 – a drop of 18 per cent. The size of the fall was more dramatic for in-work benefit families – who almost halved in number over the six years – a fall of 44 per cent, compared with a fall of 14 per cent for those in out-of-work benefit families.

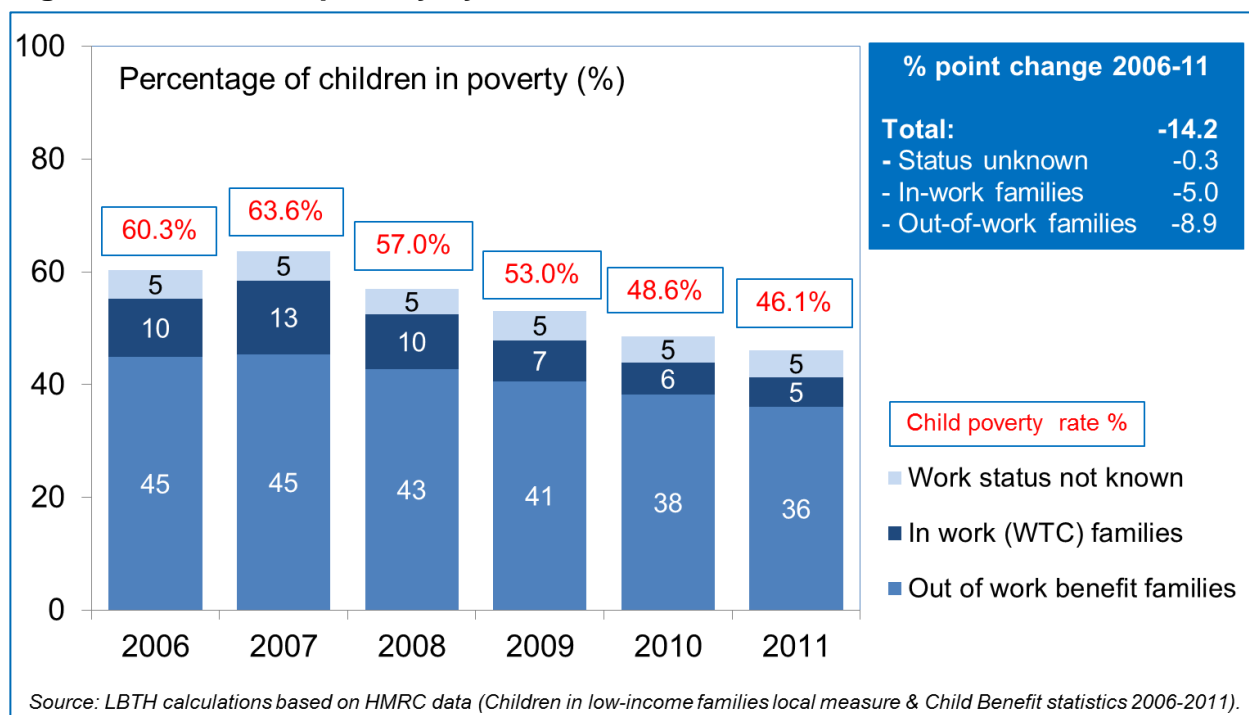
Overall, the proportion of children in poverty who live in working families in Tower Hamlets has reduced from 17 per cent to 12 per cent over the six years. Similar patterns are evident regionally and nationally.

Figure 5 quantifies how these various changes filter through to, and impact on the final child poverty rate (which expresses numbers as a percentage of children in child benefit families). During 2006-2011, the child poverty rate fell from 60.3 to 46.1 - a fall of around 14 percentage points – which was made up by a fall of 9 points among out-of work families and a fall of 5 points among in-work families.

Table 7 Child poverty by benefits/work status, Tower Hamlets, 2006-2011				
	All children in poverty	In out-of-work benefit families	In-work families (receiving WTC)	Work status not known
Number of children in poverty				
2006	32,570	24,260	5,580	2,735
2007	33,880	24,165	6,950	2,765
2008	30,745	23,070	5,225	2,450
2009	29,680	22,700	4,075	2,900
2010	27,915	21,980	3,260	2,675
2011	26,845	20,965	3,110	2,765
Change 2006-11	-5,725	-3,295	-2,470	30
% change	-18	-14	-44	1
% totals (composition of count by status)				
2006	100	74.5	17.1	8.4
2007	100	71.3	20.5	8.2
2008	100	75.0	17.0	8.0
2009	100	76.5	13.7	9.8
2010	100	78.7	11.7	9.6
2011	100	78.1	11.6	10.3
<i>P. point change 2006-11</i>		3.6	-5.5	1.9

Source: HMRC (Children in low income families local measure, 2006-11)

Figure 5 Children in poverty by benefits/work status, Tower Hamlets, 2006-11

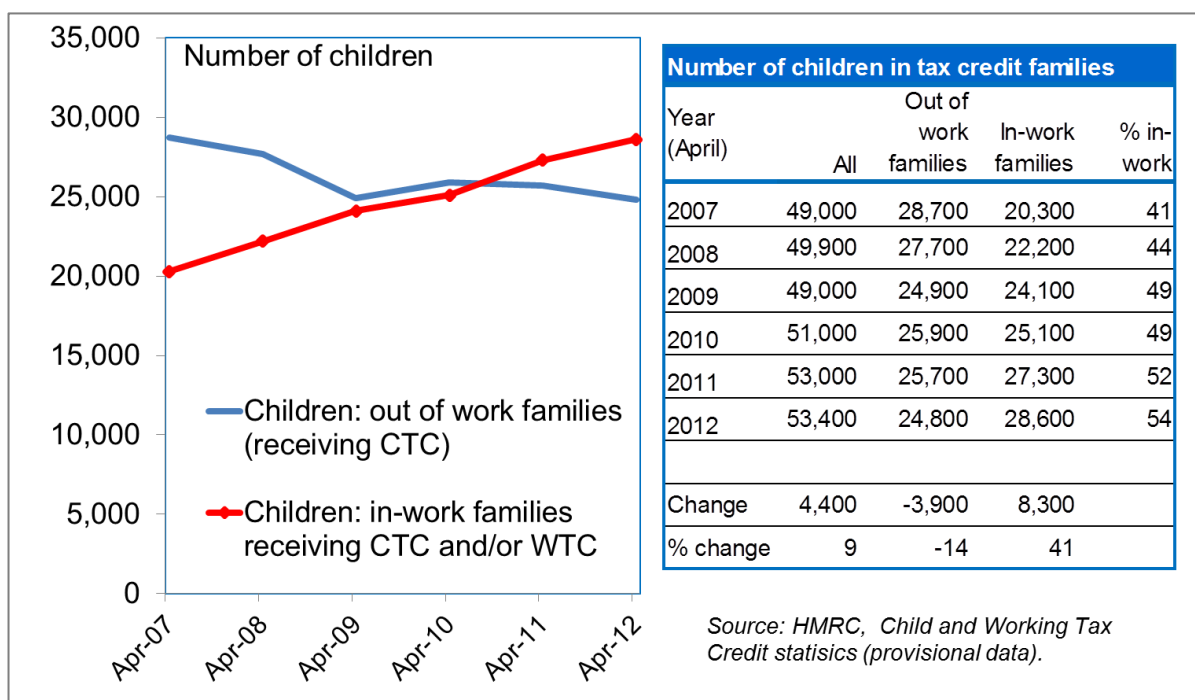


Interpreting trend data on relative poverty

The fact that the child poverty rate is a relative poverty measure makes interpretation of trend data relating to in-work poverty difficult. The in-work component of the measure is heavily influenced by the volatility of incomes generally across the UK, so for some families, moving out of poverty (according to this measure) may not necessarily mean that their material circumstances have improved.

To explore this issue further, trends in tax credits data have been reviewed to provide additional insight on the financial circumstances of the borough’s families in recent years. In Tower Hamlets, the majority of families (with children) receive some sort of means-tested support through tax credits – either in or out-of-work support. **Figure 6** shows the number of children living in these families in Tower Hamlets between 2007 and 2012. The figures show a marked change in tax credit caseload towards in-work support: the number of children in working families (receiving tax credits) has risen by 41 per cent between 2007 and 2012. Over the same period the number of children in out-of-work tax credit families has fallen by 14 per cent. Overall, caseload has risen by 9 per cent – consistent with the general growth in the child population over the same period.

Figure 6 Children living in families receiving tax credits, by work status of the family, Tower Hamlets, 2007-2012

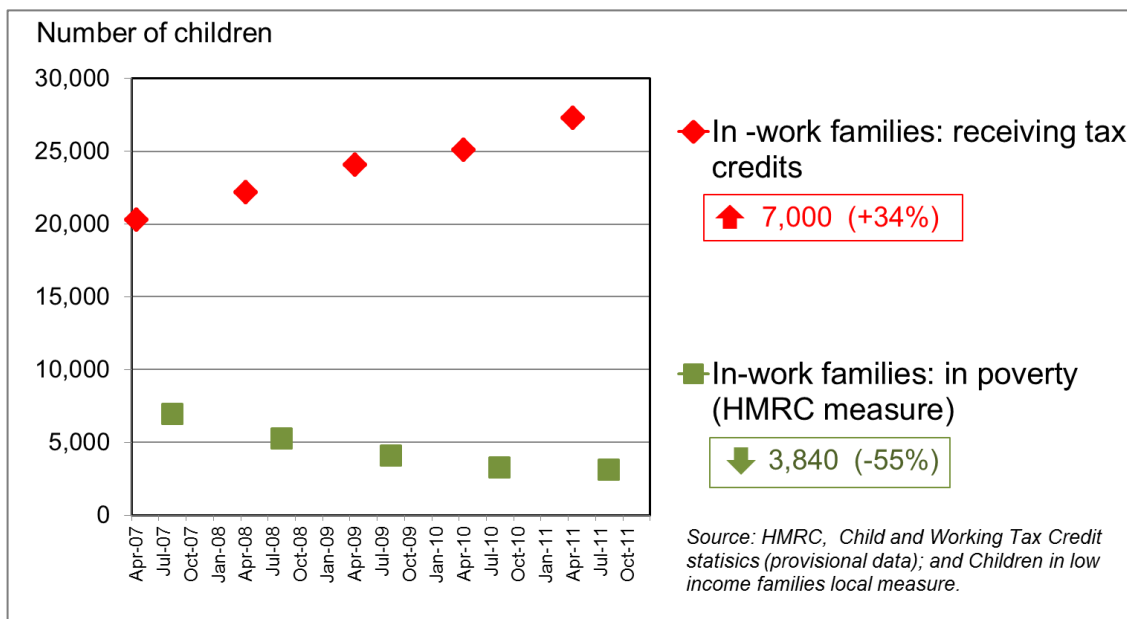


In the case of out-of-work families – tax credits data and child poverty data both point in the same direction and show significant falls in the number in out-of-work families. While for children in-work families, the two measures are moving in entirely different directions: in-work tax credit figures have been rising sharply while child poverty numbers among in-work families have almost halved over the same period. **Figure 7** illustrates the increasing divergence of the two measures for children in in-work families.

While it is not surprising that the in-work tax credit figures are higher than in-work child poverty numbers, as many in-work families receiving tax credit support are classed as being above the poverty line, the fact the two measures are moving in completely opposite

directions is worth noting. So over time, the HMRC measure is becoming less likely to classify families receiving in-work tax credits as poor.

Figure 7 Tax credits and child poverty data compared for in-work families



Part of the explanation for this might be, the position of the poverty line, and how it is changing relative to the incomes of the poorest. Certainly, between 2009 and 2010, the national poverty line actually fell as incomes were generally depressed, and the government concluded⁸ that the fall in child poverty that year, was largely due to the fall in the poverty line, rather than any improvement in the circumstances of families.

Conclusion

The HMRC child poverty measure is the only local measure of income poverty (among families) available and is widely reported. However, as this analysis shows, the relative nature of the indicator means that its ability to profile in-work poverty remains limited. The in-work component of the measure is influenced by the volatility of incomes generally and does 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 2011. However, it remains unclear whether those who have moved into work are, in fact, materially better off.

Given the limitations of the local child poverty measure, it has the potential to mislead if presented in isolation or without context. For this reason, it is best considered and viewed alongside other measures of child poverty. The Government currently produces a local child poverty basket of indicators⁹ for local authorities in England which provides complimentary data.

⁸ Measuring Child Poverty: A consultation on better measures of child poverty HM Government, November 2012 (Cm 8483).

⁹ [Child Poverty Unit: Child Poverty Basket of Indicators](#)

The future of the local child poverty measure as a monitoring indicator

As part of the Government's welfare reform agenda, the eligibility rules have been changing for various benefits and tax credits. These changes are going to significantly affect the data that underpin the child poverty indicator, particularly from next year onwards (when 2012 child poverty data will be released). As yet, it is unclear, whether the indicator will continue in its current form or whether alternatives will be proposed.

Further information

A full set of child poverty data for local authorities and small areas can be downloaded directly from the HMRC web-site:

<http://www.hmrc.gov.uk/statistics/child-poverty-stats.htm>

The Corporate Research Unit

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