



3. Poverty

Despite an improvement in the borough's deprivation rankings over time, levels of poverty remain high, particularly among pensioners and children, and the need for in-work welfare support is rising.

Summary

- The Borough is the 10th most deprived local authority in England, in terms of its average deprivation score. However, while deprivation remains widespread in Tower Hamlets, the borough now contains fewer of the most highly deprived areas in England than before.
- Tower Hamlets has the highest rate of pensioner poverty in England: half of all residents aged 60 and over are living below the poverty line, more than three times the rate nationally (50 vs. 16 per cent).
- Tower Hamlets also has the highest rate of child poverty in Great Britain: 31 per cent of children live in families below the poverty line, almost double the rate nationally (17 per cent).
- Almost four in five children in the borough live in families reliant on tax credits, which provide means-tested support for in-work and out-of-work families. This is the highest rate in Great Britain and is almost double the proportion who are technically below the poverty line. Six in ten tax credit families are in work.
- It is estimated that around four in ten households in Tower Hamlets are living below the poverty line, after housing costs are taken into account. This is the highest poverty rate across all local authorities in England and Wales, and almost double the national average (39 vs. 21 per cent).
- While levels of worklessness have fallen in recent years, trends in welfare support show a marked move towards more in-work claimants. The percentage of (working age) Housing Benefit claimants who are in employment rose from 21 to 45 per cent between 2009 and 2016. Similar trends are evident in the tax credit population.
- Future challenges for residents include the continued roll out of Universal Credit and further cuts to welfare support. The Institute of Fiscal Studies predicts that poverty rates will rise in coming years, particularly among families with children.

What do we mean by poverty?

How best to define and measure poverty is the subject of much debate, and numerous measures exist which provide different perspectives on the issue. Here, data on deprivation, relative poverty and welfare, are considered together to provide insight into the scale and nature of poverty in the borough.

In his pivotal analysis of poverty and deprivation (Poverty in the United Kingdom, 1979)¹, Peter Townsend argued that poverty and deprivation are relative concepts, where people's circumstances need to be viewed in relation to what is customary in society. He also explains that while poverty focuses on lack of financial resources and means, deprivation is a much wider concept:

'People can be said to be deprived if they lack the types of diet, clothing, housing, household facilities and fuel and environmental, educational, working and social conditions, activities and facilities which are customary ...'

Deprivation in Tower Hamlets

This concept underpins the Index of Multiple Deprivation (IMD) which provides a relative measure of deprivation for small areas across England.² The index is designed to reflect the nature of multiple disadvantage that deprived households face and is constructed using 38 different indicators across seven key themes: income, employment, education, health, crime, housing and the environment.

The latest IMD data confirm that deprivation is widespread in Tower Hamlets: more than half (58 per cent) of the borough's 144 Lower layer Super Output Areas (LSOAs) are in the most deprived 20 per cent of areas in England and one quarter are in the most deprived ten per cent of LSOAs in England. Within the borough, the most highly deprived areas are mainly clustered in the East of the borough in the Lansbury and Mile End area. The least deprived areas are in the riverside areas of St. Katharine's Dock, Wapping, and the Isle of Dogs ([Map 3.1](#)).

Deprivation rankings

At local authority level, the IMD is summarised using five key measures which are designed to profile the level and patterns of deprivation across LSOAs within an area ([Table 3.1](#)).

On the average IMD score measure – which reflects the average level of deprivation across all LSOAs in an area – Tower Hamlets is the 10th most deprived area in England out of 326 local authority areas. This is a slight improvement since the 2010 IMD which ranked Tower Hamlets as 7th most deprived on this measure.

Table 3.1 Tower Hamlets IMD rankings
Local authority summary measures

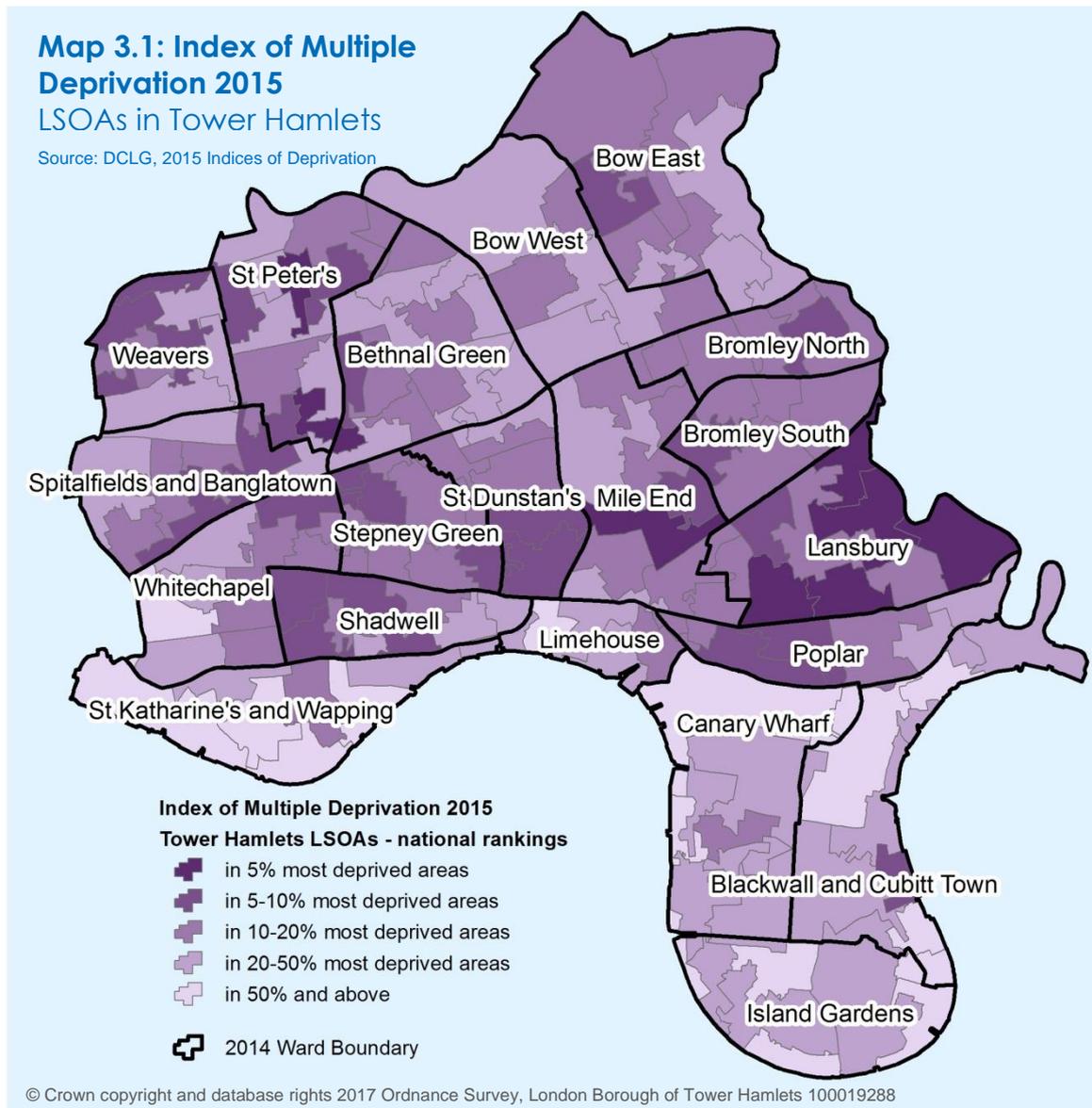
	2010 2015		Change
	Rankings		
Average IMD score (across LSOAs)	7	10	+3
Average IMD rank (across LSOAs)	3	6	+3
Extent (most deprived 30%)	3	3	0
Local concentration (profiles worst 10%)	38	81	+43
Proportion of areas in most deprived 10%	7	24	+17

Source: DCLG, Indices of Deprivation 2010,2015

Map 3.1: Index of Multiple Deprivation 2015

LSOAs in Tower Hamlets

Source: DCLG, 2015 Indices of Deprivation



The *average IMD rank* is a similar measure, which is less affected by extreme scores in an area. On this measure, Tower Hamlets is ranked as the 6th most deprived area in England, again a slight improvement on the 2010 ranking (3rd).

On the *extent* measure, which considers those living in the 30 per cent most deprived areas, Tower Hamlets is the 3rd most deprived area, the same as in 2010.

On the *local concentration* measure – which compares the severity of deprivation in the most deprived parts of each area – Tower Hamlets is ranked 81st most deprived in England, a significant improvement, since the 2010 IMD, when it was ranked 38th.

On the *most deprived ten per cent* measure – which is the proportion of small areas that are in the most deprived ten per cent of areas in England - Tower Hamlets is ranked 24th most deprived, also a marked improvement on its 2010 ranking (7th).

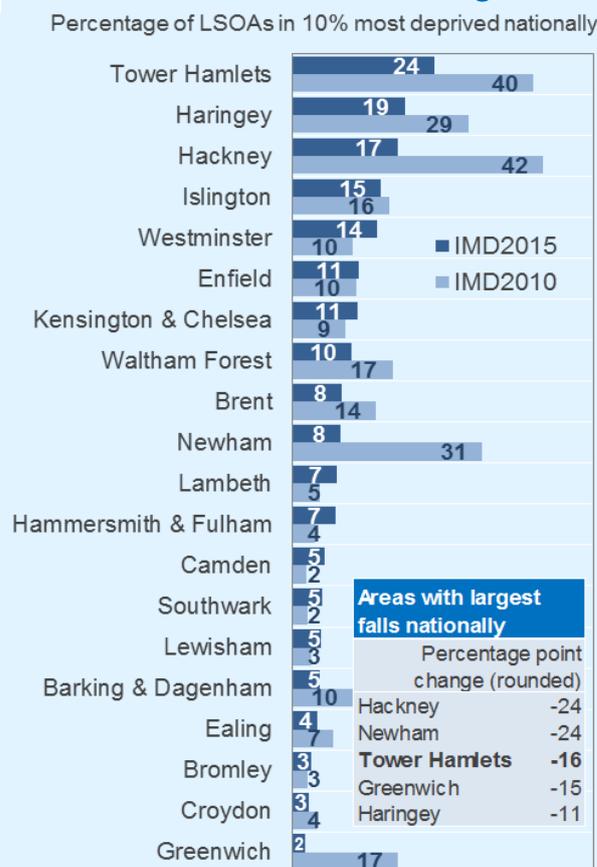
Considered together, what the rankings show is that while deprivation remains widespread in the borough, Tower Hamlets now contains fewer of the most highly deprived areas in England. Indeed, the percentage of the borough's LSOAs that were in the most deprived ten per cent nationally has fallen from 40 to 24 per cent between the last two indices - the third highest fall nationally (Figure 3.1). Similar changes have also been observed in other parts of East London.³

The data behind the two indices span the period 2008 to 2012/13 - a period covering the last recession. However, in East London, this period also saw the run up to the 2012 Olympics, as well as significant levels of population growth, bringing new residents to the East End. Indeed, recent analysis has established that new residents moving in to the borough are far more likely, than long-established households, to be social grade AB households (typically higher income households).⁴ Such factors could perhaps explain why East London has fared better relative to other areas.

What is the poverty line?

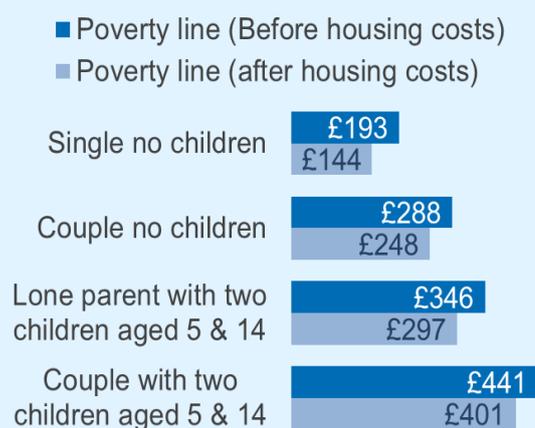
The borough's deprivation rankings are driven, in part, by high levels of income poverty in the borough. Those in poverty are defined here as those who live on incomes below 60 per cent of the average (median) UK income - the national 'poverty line'. This is a measure of relative poverty, which considers poverty among residents in relation to 'typical' levels of income in society. Income data are adjusted for differences in family size and type. 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. For example, a lone parent with 2 children would be counted as being in poverty if their income was less than £346 per week, whereas for a single person, the poverty line would be £193 per week.

Figure 3.1: Percentage of LSOAs in 10% most deprived nationally, 2010 and 2015, selected London boroughs



Source: DCLG, Indices of Deprivation 2010, 2015
 Note: Boroughs with relatively few (<2%) deprived LSOAs are not shown on the chart

Figure 3.2: Cash value of the poverty line by family types, 2015-16

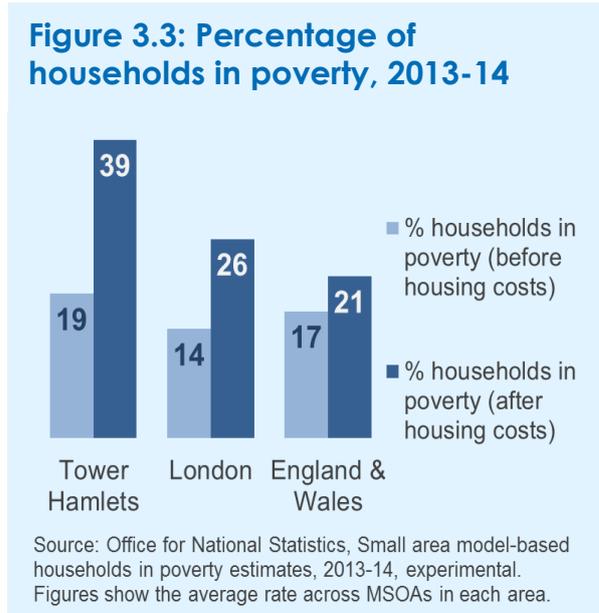


Source: DWP, Households Below Average Income dataset 2015-16. Figures relate to equivalised income in 2015-16 prices.

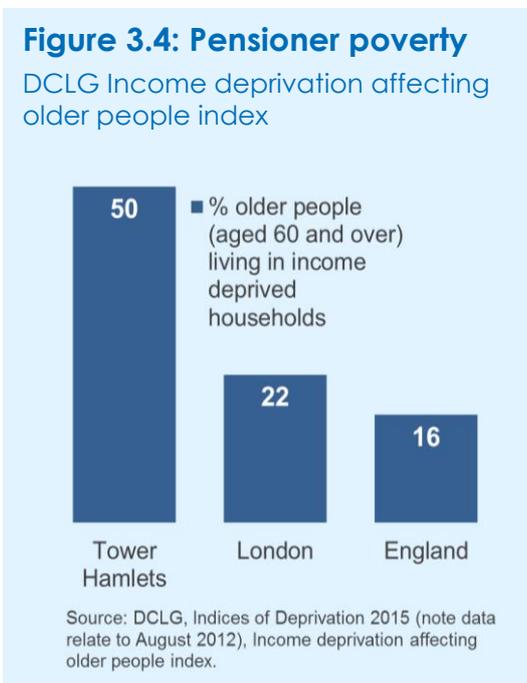
Households below the poverty line

How many people fall below the poverty line depends on whether income is considered net of housing costs or not. This is particularly important in London, where housing costs are high, and have a significant impact on the disposable income people have left to live on.

In Tower Hamlets, it is estimated that 19 per cent of households live in poverty before housing costs are considered, just above the national average (17 per cent)⁵. However, the picture changes entirely once incomes are considered net of housing costs⁶: on this measure, almost four in ten households are living below the national poverty line, after housing costs are considered. This is the highest rate of all local authorities in England and Wales⁷, and is almost double the national average (39 vs. 21 per cent).



Applying this rate to the current number of households in the borough suggests that around 48,000 Tower Hamlets households are in poverty, after housing costs across areas are considered.⁸



Pensioner poverty⁹

Tower Hamlets has the highest rate of pensioner poverty in the England. It is estimated that around half of the borough's older residents, aged 60 and over, live in 'income deprived' households - three times the national rate (50 vs. 16 per cent). In numbers, this means around 12,500 older residents are living below the poverty line.¹⁰

Hackney and Newham are ranked second and third highest in England with rates of 43 and 41 per cent respectively. Tower Hamlets, Hackney and Newham are the only areas with rates over forty per cent.

Local statistics about pensioner poverty take no account of housing costs so may understate the level of financial stress faced by those locally, relative to those living elsewhere.

Child poverty¹¹

Tower Hamlets also has the highest rate of child poverty in the country. According to the HMRC's *children in low income families local measure*, 18,875 children in Tower Hamlets live in families below the poverty line - this represents 31 per cent of children in the borough (as at August 2015). This is the highest rate nationally, and almost double the rate for Great Britain (17 per cent), and well above the London average (19 per cent).

While widely used, the HMRC's child poverty measure fails to provide robust estimates of in-work families in poverty and also takes no account of housing costs.¹²

Indeed, data relating to means-tested benefits, indicate the number of children in the borough who live in low-income families is considerably higher than the number who are technically under the poverty line on the HMRC's measure. Tax credit data, presented below, provide another perspective on child poverty, and provide insight into in-work poverty among families.

Children living in families who receive tax credits

Tax credits provide means-tested support to families in and out of work. The vast majority of claimants are families with children. 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 380 local authorities nationally.¹³

Figure 3.5: Child poverty, 2015

HMRC children in low-income families local measure

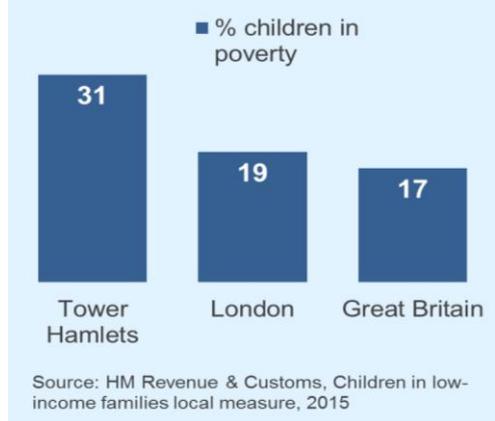
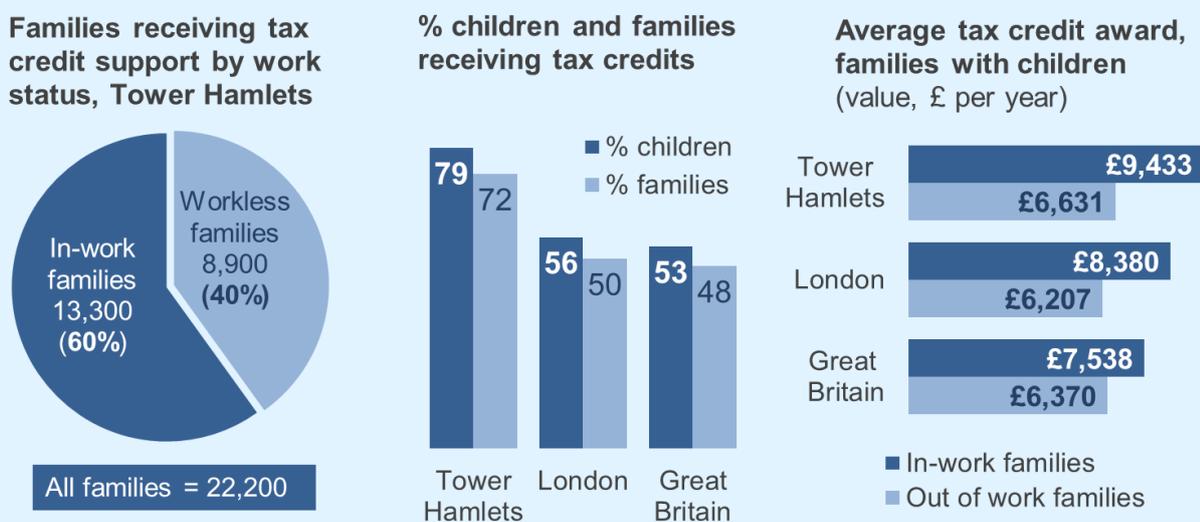


Figure 3.6: Families receiving Working and/or Child Tax Credits, 2015-16



Source: HMRC, Child & Working Tax Credits Statistics, Finalised annual awards, 2015-16 (geographical analysis); Child Benefit Counts for August 2015 (these include higher income households who have formally opted out of receiving Child Benefit).

At a family level, 22,200 families with children received tax credit support, representing 72 per cent of the borough's families. Again, this was considerably higher than the rate for London or Great Britain (50 and 48 per cent), and the highest rate across all local authorities. Of the 22,200 families receiving support, 60 per cent were in-work families.

Families in Tower Hamlets, especially those in work, typically receive higher levels of tax credit support than average. During 2015-16, in-work families in Tower Hamlets received an average of £9,433 per year in tax credit support, far higher than both the London and national average (£8,380 and £7,538), and the second highest across all local authorities, after Hackney.

The high award levels in Tower Hamlets may partly reflect the borough's larger family size. In 2015-16, 48,700 children lived in 22,200 families receiving tax credits - an average of 2.19 per family, the highest level in Great Britain (where the average is 1.92).¹⁴

Ethnicity and poverty

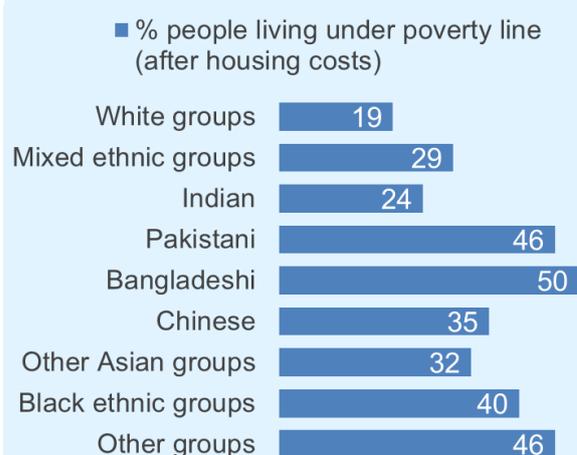
Poverty rates vary considerably by ethnic group. National estimates suggest that the Bangladeshi population has the highest rate of poverty across all groups, more than twice as high as the rate for the White population (50 vs. 19 per cent, UK). Other ethnic groups with high poverty rates include those from Pakistani, Black and Other BME groups (40-46 per cent).

These national trends are also evident in Tower Hamlets with Bangladeshi residents being far more likely than other groups to live in low income households.

In 2011, research for the Council¹⁵ found that 78 per cent of Bangladeshi residents lived in households receiving Council Tax Benefit, compared with 33 per cent of other (non-Bangladeshi) residents. Council Tax Benefit (now 'Council Tax Reduction Scheme') provides means-tested support to help low income households pay for Council Tax.

Chapter 5 of the Borough Profile explores employment patterns by ethnic group - this found that Bangladeshi residents in Tower Hamlets have the lowest employment rates of all ethnic groups, and once in work, ten to be over-represented in part-time and lower paid occupations.

Figure 3.7: Poverty rates by ethnicity, UK, 2013/14-2015/16



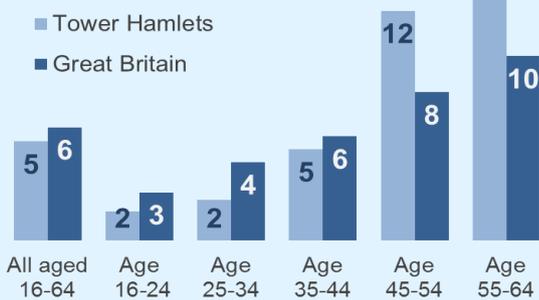
Source: DWP, Households Below Average Income dataset (2013/14-2015/16, three year average, table 3.5db)

Disability, health and poverty

Disabled people are more likely to be in poverty compared with non-disabled people. Research by the Joseph Rowntree Foundation, has found that once account is taken of the higher costs faced by disabled people, half of all people living in poverty in the UK are either themselves disabled or are living with a disabled person in their household.¹⁶

Figure 3.8: ESA/IB claim rates by age, Tower Hamlets & Great Britain, November 2016

% of the population who are in receipt of Employment and Support Allowance or Incapacity Benefit



Source: Department for Work and Pensions (claimant data); Office for National Statistics, 2016 mid-year population estimates.

In Tower Hamlets, in November 2016, 5 per cent of working age residents were out of work and in receipt of disability related benefits ie Employment and Support Allowance (ESA) or its predecessor, Incapacity Benefit (IB). ESA and IB are benefits for people whose illness or disability limits their ability to work. ESA/IB claimants make up 61 per cent of all residents who are in receipt of 'out of work' benefits.¹⁷ The ESA/IB claim rate rises with age and is highest for those aged 55 to 64. Claim rates among this age group are far higher in Tower Hamlets than nationally (18 per cent vs. 10 per cent).¹⁸

Fuel poverty

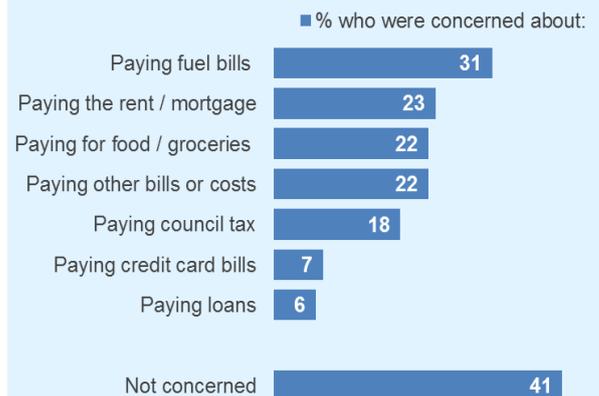
It is estimated that, in 2015, around one in ten Tower Hamlets households were 'fuel poor' (11 per cent), just above the London average (10 per cent). A fuel poor household is one who faces higher than average energy costs and who would be left with a disposable income below the poverty line if it spent the required money to meet those costs.¹⁹

In 2012, the Council's Tower Hamlets' Residents' Survey found that almost one in three residents (31 per cent) were concerned about paying their fuel bills - this emerged as the top area of financial concerns, outranking both housing costs and food bills at that time (Figure 3.9).

Groups who were more likely than average to worry about fuel bills included: disabled people (44 per cent); those in social housing (39 per cent); Bangladeshi residents (37 per cent) and those from social class DE households, who were twice as likely as those in AB households to worry about fuel bills (37 vs. 19 per cent).

Figure 3.9: Worries about finances, Tower Hamlets, 2012

Thinking about your finances, which, if any, of the following issues are you concerned about at the moment:



Source: Tower Hamlets Annual Residents' Survey 2012 (TNS-BMRB)

Trends in worklessness

Over the last decade, the borough's employment rate has been rising and levels of worklessness have been falling (Figure 3.10).

Over the period 2006-2016, the proportion of the borough's households that are workless (those that have no adult in work) has almost halved from 28 to 15 per cent, a far sharper fall than that nationally. Rates in Tower Hamlets are now on a par with those nationally, whereas ten years ago the borough had one of the highest rates of worklessness in the country.

In-work poverty and welfare

However, at the same time, key indicators suggest that in-work poverty is on the rise - both nationally and locally. So, for some, moving into work, has not necessarily led to a move out of poverty. DWP estimates that, in 2015/16, more than half (53 per cent) of those living under the poverty line in the UK, lived in in-work households, up from 40 per cent in 2000/01²⁰.

Locally, trends in welfare support also show a marked change towards more in-work claimants. Figures 3.11 and 3.12 show the changing make-up of the borough's Housing Benefit and Tax Credit claimant populations.

Housing Benefit (HB) is a means-tested benefit which helps those on low incomes pay their rent. In 2016, there were around 27,500 working age households in Tower Hamlets were receiving HB. Of these, almost half were in work in 2016 - more than double the proportion in 2009 (45 vs. 21 per cent). The number of in-work HB claimants has risen from 5,626 to 12,358 between 2009 and 2016.

There is a similar picture among the tax credit population. The proportion of families with children receiving tax credits, who are in work, has risen from 43 to 60 per cent over the last ten years (2006/7-2015/16). The number of in-work families receiving tax credits has risen from 9,280

Figure 3.10: Percentage of workless households, 2006-16

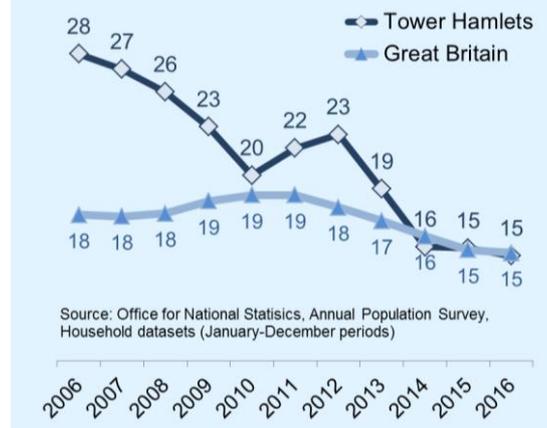


Figure 3.11: Housing Benefit trends Tower Hamlets, 2009-16

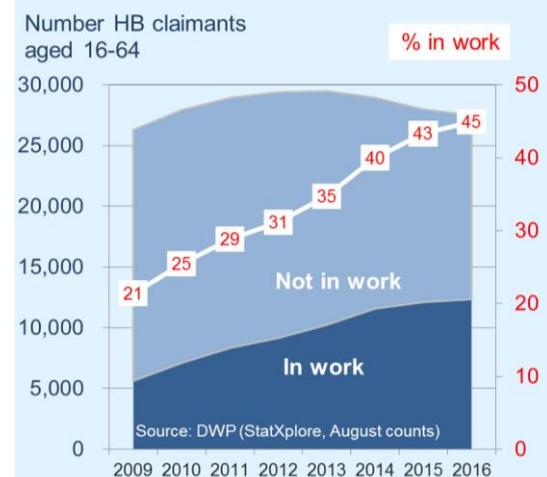
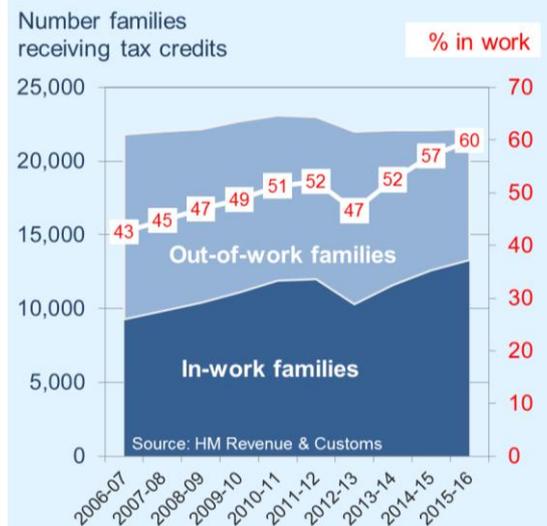


Figure 3.12: Tax credit families, Tower Hamlets, 2006-2016



to 13,300. There was a brief fall in numbers in 2012-13 which is likely to reflect changes to tax credits introduced in 2011 - these, in effect, reduced the number of in-work claimants eligible for support.

Welfare reform

Indeed, such trends need to be viewed in the context of welfare reforms. The 2012 Welfare Act introduced the Government's first tranche of reforms which were designed to radically reduce the size of the welfare budget. For example, the Benefit Cap limited the total amount of benefits a household could receive and the Bedroom Tax (also known as the Removal of the Spare Room Subsidy) reduced Housing Benefit payments for people deemed to have one or more 'spare' rooms in their home.

These reforms were targeted mainly at working age claimants and their families, and have impacted on both those in and out of work. The reforms led to considerable reductions in both tax credit and housing benefit support, as well as less generous up-rating of benefits to account for inflation. Research commissioned by the Council, from the Centre for Economic and Social Inclusion in 2014, estimated that these reforms affected around 40,600 Tower Hamlets households, or 45 per cent of all working age households in the borough. It was estimated that by 2015, those households were likely to have been, on average, £1,670 per year (£32 per week) worse off than would have been the case without the reforms.²¹

Food poverty and welfare reform

There is mounting evidence that welfare reforms are having an impact on food poverty and food bank use. Analysis in 2016, for the Trussell Trust evidenced a clear link between increased use of benefit sanctions and higher food bank use²². The Trust has also found that roll out of Universal Credit, and associated delays in paying benefits, is leading to increasing numbers of referrals.²³ In 2016-17, the Trust handed out a total of 1,182,954 emergency food supplies to people in crisis across the UK - a record high.²⁴

Crisis and Support Grants

Locally, the Council supports residents who are struggling financially with Crisis and Support Grants. These provide local welfare support for people who have experienced a sudden crisis or who are at risk of one, and to those who need support to make a longer term changes to improve their circumstances.

In 2016/17, the council awarded 2,204 grants and the average award was £257. Grants were provided for daily living expenses as well as help with the costs of setting up home (eg purchases of White goods and furniture). The majority of claimants who received awards were either single people with no children (60 per cent) or lone parents (31 per cent).²⁵

Future challenges

Welfare reform continues, and the 2015 Summer Budget revealed a further set of reforms, designed to reduce the budget further. These are being introduced in the context of the continued roll out of Universal Credit (UC)²⁶. In Tower Hamlets, the UC roll out began in 2015, though progress has been slow and was focused initially on single claimants. The latest data show that in July 2017, 5,417 residents were receiving Universal Credit²⁷. Of these, around one third were in employment. The full roll out will take some years as tens of thousands of residents are still on 'predecessor' benefits. For example, there were still 27,000 working age Housing Benefit claimants as at February 2017.

The Universal Credit regime, and the latest package of welfare reforms, will lead to significant changes in benefit entitlement for future claimants. Key reforms include:

- Cuts to the level of in-work support families will receive in the future via Universal Credit²⁸;
- Restriction of benefits for families to the first two children only (where third or subsequent children are born after April 2017), thereby further weakening the link between need and entitlement in the benefit system.
- A four year freeze in most working age benefits, including Housing Benefit allowances, from 2016-2020. This means benefits will increasingly fail to keep pace with rising prices and rents.

Prospects for future poverty rates

The Institute of Fiscal Studies has estimated that these reforms, along with other changes, will increase poverty rates, particularly among claimant families with children. It is projecting that the national child poverty rate (relative poverty measure, after housing costs), will rise from 29 to 36 per cent during the period 2014/15 to 2021/22.²⁹ In Tower Hamlets, families are larger, and more reliant on means-tested benefits, so are likely to be hit hard by these changes.



Find out more

This report was produced by the council's Corporate Research Unit as part of the [Borough Profile 2018](#). For more in-depth analysis about Tower Hamlets, please visit the [Borough Statistics](#) page on the council's website or get in touch with the team at cru@towerhamlets.gov.uk.

You can also find out more about poverty in Tower Hamlets in our more in depth research briefings:

- [Deprivation in Tower Hamlets](#)
- [Housing Benefit in Tower Hamlets](#)
- [Child poverty in Tower Hamlets](#)

Endnotes

- ¹ Peter Townsend, [Poverty in the United Kingdom](#), 1979
- ² Department of Communities and Local Government, [2015 Indices of Deprivation](#)
- ³ Tower Hamlets Council, [Deprivation in Tower Hamlets](#), January 2016.
- ⁴ Tower Hamlets [Annual Residents' Survey 2017](#)
- ⁵ Office for National Statistics, [Small area model-based households in poverty estimates](#), England & Wales, financial year ending 2014, experimental estimates. For this analysis, data for Middle Layer Super Output Areas (MSOAs) have been averaged to produce local authority level estimates.
- ⁶ In HBAI datasets, housing costs include rent, water charges, mortgage interest, structural insurance premiums, ground rent, and service charges.
- ⁷ Out of 347 local authority areas (excludes City of London and Isles of Scilly).
- ⁸ The household estimate for 2017 (123,700) used here is drawn from the Greater London Authority's demographic projections, 2015 Round (SHLAA Capped scenario)
- ⁹ DCLG, [2015 Indices of Deprivation](#), Income Deprivation Affecting Older People Index. The index measures the proportion of all those aged 60 or over who live in income deprived households (ie below the national poverty line).
- ¹⁰ The population estimate of the number of older residents for 2017 (around 25,178) is drawn from the Greater London Authority's demographic projections, 2015 Round (SHLAA Capped scenario).
- ¹¹ HM Revenue & Customs, [Children in low-income families local measure 2015](#). HMRC uses data on means-tested benefits and tax credits to estimate the percentage below the national poverty line.
- ¹² House of Commons Library, [Poverty in the UK: Statistics](#) (briefing paper 7096, June 2016),
- ¹³ 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).
- ¹⁴ HM Revenue & Customs, Personal tax credits: [Finalised award statistics, geographical statistics](#)
- ¹⁵ Mayhew Harpers Associates, Tower Hamlets population study, March 2011
- ¹⁶ Joseph Rowntree Foundation, [Monitoring Poverty and Social Inclusion 2016](#) (page 22)
- ¹⁷ Universal Credit claimants (not in work) are included in out of work benefits total.
- ¹⁸ Calculations based on DWP data for November 2016: Working age client group data (via nomis); Universal Credit claimant data (via DWP Stat-Xplore).
- ¹⁹ Department for Business, Energy & Industrial Strategy, [Sub-regional fuel poverty, 2017 \(2015 data\)](#), June 2017.
- ²⁰ DWP, [HBAI 2015-16](#), (table 3.5ts). UK poverty rates (60 per cent median, after housing costs.
- ²¹ Centre for Economic and Social Inclusion, [The impacts of welfare reform on residents in Tower Hamlets](#), 2014
- ²² University of Oxford, [Benefit Sanctions and Foodbank Use](#), October 2016
- ²³ UC is replacing means-tested benefits for working age residents on low incomes with a single benefit. The benefits being replaced include Child and Working Tax Credits, Housing Benefit, Income-related Jobseeker's Allowance, income-related Employment and Support Allowance, and Income Support.
- ²⁴ Trussell Trust, [Early Warnings, Universal Credit and Foodbanks](#), 2017
- ²⁵ Tower Hamlets Council, Crisis and Support Grant Administrative data, 2016/17.
- ²⁶ UC is replacing means-tested benefits for working age residents on low incomes with a single benefit. The benefits being replaced include Child and Working Tax Credits, Housing Benefit, Income-related Jobseeker's Allowance, income-related Employment and Support Allowance, and Income Support.
- ²⁷ DWP [Stat-Xplore](#), the figure for July 2017 is a provisional figure that may be subject to change.
- ²⁸ CPAG, Universal Credit: [Cuts to Work Allowances](#), Briefing, May 2016
- ²⁹ IFS, [Living Standards, poverty and inequality in the UK: 2016-17 to 2021-22](#)