

# Debt and economic resilience in the London Borough of Newham

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*LSE Housing and Communities, over the last 18 months, interviewed 122 Newham households on low incomes, struggling to survive financially. [Anne Power](#) summarises the findings from this two-stage survey, underlining Newham's assets and problems, its dramatic developments around the Olympic site, its scarcely parallel diversity and its sheer poverty.*



The London Borough of Newham is deep in the East End, now famous across the globe for its hosting of the Olympic Games at Stratford but also still London's poorest area with the highest share of ethnic minority residents. There is a constant inflow of immigrant workers from all over the world and the private rented sector in Newham is booming. Newham's people are poor because many jobs are precarious, low paid, part-time and uncertain. Part of London's economic maelstrom, it underpins the superstructure of the City, of property speculators and of global capital.

Many of Newham's residents are under huge pressure. We set out to discover what financial skills people had in surviving under these pressures, how so many got into debt, how they got out of it, what the impact of welfare reform was and why they were struggling. The vast majority of the residents we spoke to are resourceful and extremely economical, but three factors make managing hard:

- insecure tenancies in the private rented sector;
- insecure jobs with low pay; and,
- benefit changes.

People are desperate to avoid debt and pay their own way. Thus, all had bank accounts, but almost no savings or reserves; though half do save, they are constantly depleted by fuel bills and the next rent deposit. The most common cut-back is in food, closely followed by fuel. Most are on pre-paid meters – expensive but the best way to manage. One cost that is inescapable is rent.

Almost all people are working or have worked and they do not fit the stereotype of the feckless poor – even some graduates struggle to find jobs and are in debt. The factors leading to debt are often shaped by personal experience:

- getting into debt as a young person;
- being tempted by credit card offers to bail out of pressing debt;
- turning to pay-day lenders in order to scrape by;
- an emergency demand for the council tax they now have to pay;
- failing to pay back debts at a fast enough rate.

People get into debt easily because of casual jobs, temporary jobs, zero hours jobs, irregular work, falling wages and cuts to in-work as well as out-of-work benefit. Childcare is another cost and unforeseen events often tip the balance. Most people often turn to family or friends for help, not the benefit system, and just get by. When help is not to hand, trouble ensues. Cuts have caused a loss of face-to-face support at all levels and this compounds people's problems further. It also increases their sense of powerlessness.

Welfare reform has pushed up insecurity and hardship, caused a loss of confidence, and put local public services under pressure. The increased demands on the voluntary sector cannot always make up for the cuts in child and working tax credits, reduction in disability support and changes in emergency funds. Payment demands for Council

Tax have made this situation worse. But errors, sanctions and mistaken payments compound people's problems when they have no margin.

Our conclusions are: Newham is a good place to live, it's friendly and changing for the better, but community divisions and poverty can isolate people and ill-health also undermines lots of older, working age people being pushed into work. The need for bridging support to help people into work and out of trouble is growing, but multiple small cuts in support undermines this.

The council plays a strong leadership role and is launching a private renting company, as well as a debt service. But building on its strong civic voice, it could bring together in a unique way the voluntary organisations that can offer face-to-face support and do want to help. The overarching role of the local council has never been greater. Will it persuade landlords and employers to be more responsible?

*Note: This article gives the views of the author, and not the position of the British Politics and Policy blog, nor of the London School of Economics. Please read our [comments policy](#) before posting. Featured image credit: [Gordon Joly](#) CC BY-SA 2.0*

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