

LOW INCOME LONDONERS AND WELFARE REFORM

A DATA-LED INVESTIGATION INTO THE CAUSES AND CONSEQUENCES OF POVERTY

Policy in Practice has embarked on an ambitious project to track changing living standards for almost one million Londoners over the course of two years, on a monthly basis.



This report combines data from 14 London boroughs¹ to track changes across 444,000 low income households made up of 550,000 adults and 350,000 children, representing 27% of the overall population living in the participating boroughs.

Collaborating on data sharing allows us to:

- Combine data across London in order to benchmark changes, offering a large enough sample to understand niche areas such as self-employment or temporary housing.
- Track households to understand the causal drivers of poverty and prosperity on a systematic basis.

Policy in Practice works with local authorities to show the cumulative impact of tax and benefit changes on individual households, both now and in the future. This project builds on this with a longitudinal data model, simulation engine and visualisation platform to make this information accessible to policymakers and offer a deeper understanding of poverty.

This report reveals findings from Phase one of the project. We look forward to welcoming even more local authorities to the project as we progress to Phase two.

HEADLINE FINDINGS

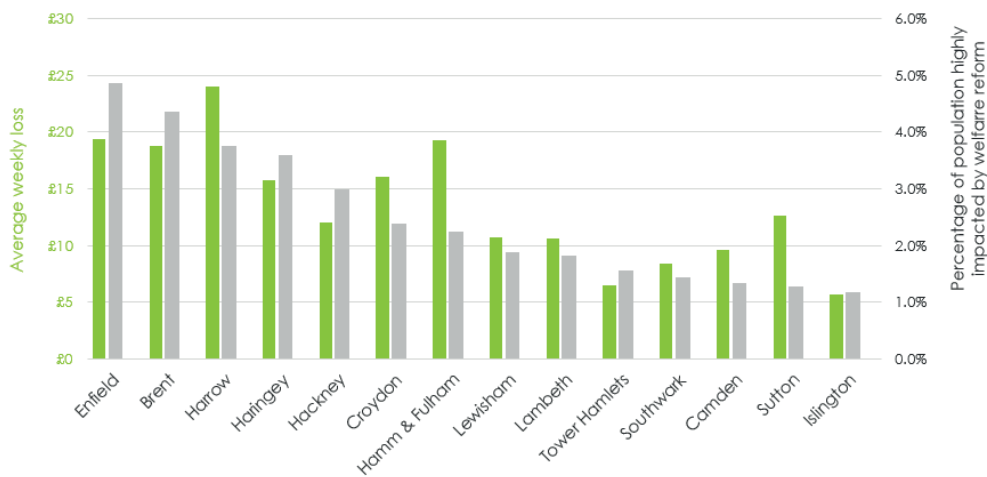
OUTER LONDON BOROUGHES ARE MORE HEAVILY IMPACTED BY WELFARE REFORM

The cohort presents significant differences between inner and outer London boroughs. Compared with inner London, outer boroughs have more low-income residents living in the private rented sector (40% vs 15%), and a higher proportion of working-age households in work (51% vs 38%). The larger proportion of private tenants affected by the LHA cap leaves outer London boroughs more heavily

impacted by the recent changes to Housing Benefit rules.

As a result, outer boroughs are more heavily impacted by welfare reform. Overall, 62% of households have been affected by at least one of the four main welfare reforms² introduced since 2010, with an average reduction of £16.10 per week.

Impact of pre-2017 welfare reform, by borough



AN EFFECTIVE MEASURE OF LIVING STANDARDS SHOULD TAKE NEEDS INTO ACCOUNT

Policy in Practice has developed a measure of living standards that takes the needs of the household into account, based on family size and location. Compared to the relative income measure of poverty, this is a better assessment of the financial risk faced by each household.

Taking needs into account is essential to identifying those households that live day to day. The analysis finds that this approach, compared to the relative poverty measure, captures a greater number of households that lack financial resilience. This includes a larger proportion of families in work and living in the private rented sector.

In addition, households at financial risk are three times more likely to face a high impact from welfare reform than households living below the poverty line.

**Living standards of low income Londoners
January 2017**

	Households in relative poverty	Households at financial risk
Total number of households	79,252	93,042
Total number of children	71,856	87,671
Tenure types most affected	1. Social rent, 60% 2. Owner-occupiers, 26%	1. Social rent, 59% 2. Private rent, 28%
Percentage of households in work	17%	25%
Average rent paid	£547.70	£822.49
Percentage of households highly impacted by welfare reform	7%	20%

²The welfare reforms taken into account by this analysis are the removal of the spare room subsidy, the LHA cap, the benefit cap and the localisation of council tax support

TRACKING EMPLOYMENT PATTERNS SHOWS DISABILITY TO BE THE GREATEST BARRIER

Comparing January 2016 to 2017, the percentage of households in work remained largely unchanged. 43% of low-income working age households in London are in work, a quarter of whom are self-employed. Similarly, the average number of hours worked, on average 25 hours per week, as well as the average earnings, four in five households in work earning below the London Living Wage of £9.75 p/h, has not changed substantively since January 2016.

These figures suggest a static picture of employment. However, by shifting the focus from the aggregate figures to movement on a household-by-household basis, a constantly changing picture of employment patterns emerges. 12% of all working age households have moved either in or out of work at least once over the course of 13 months. 11% of all households in work have seen their hours drop, while 12% have reported an increase in their hours.

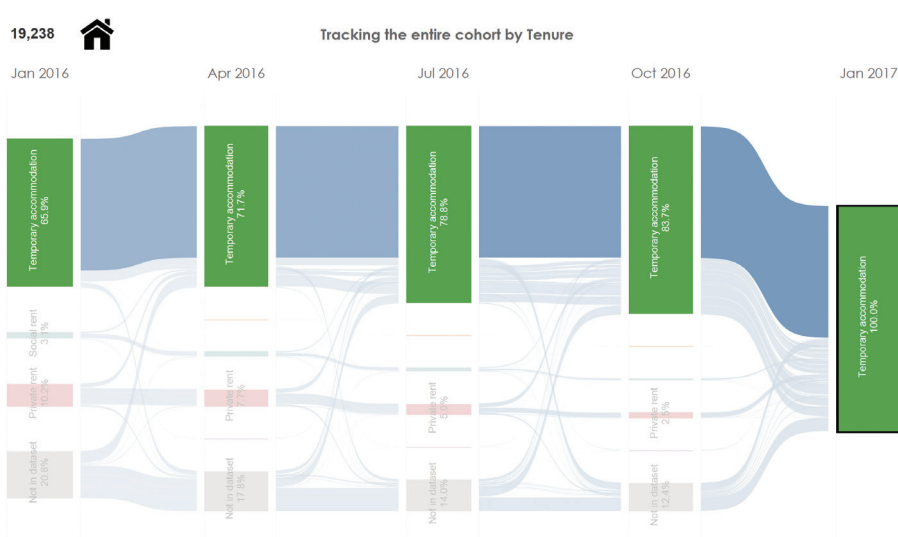
The data can identify the link between different barriers to work, and the likelihood of households moving into employment. For example, 75% of all workless households face some sort of barrier to work, such as disability, parenting or caring responsibilities. Of these, lone parents are most likely to move into employment, while just 2% of workless households claiming either ESA or DLA moved into employment. Households not claiming an out-of-work benefit are more likely to move into work than households claiming Jobseekers Allowance, despite the strict conditionality rules under JSA.

Movement into work, by barriers to work

	Households initially out of work	Households moving into work over 12 months	% households who moved into work, January 2016 - January 2017
Total	243,865	19,928	8%
Barriers to work			
Lone parent	67,662 (28%)	9,234	14%
No barriers	67,289 (28%)	8,815	13%
Carer	9,334 (4%)	337	4%
Disabled	99,580 (41%)	1,542	2%

THE BENEFIT CAP DISPROPORTIONALLY AFFECTS TEMPORARY ACCOMMODATION

Our analysis can identify the characteristics of families moving into high cost temporary accommodation, and drill down to show that two thirds of households have been in Temporary Accommodation for a full year lone parents and families in employment are the largest groups, 49% and 45% respectively, in this type of unstable accommodation.



Households in temporary accommodation are three times more likely to have been hit by the benefit cap. This reduces their ability to pay their rent and incurs additional costs for local authorities.

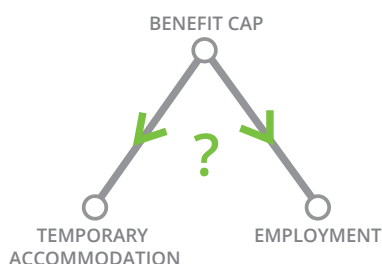
Future analysis will examine the extent to which the benefit cap is supporting households into work, or driving them into high cost temporary accommodation.

CONCLUSIONS

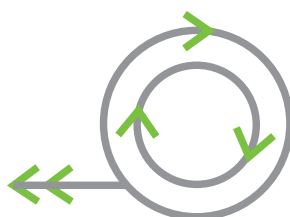
Tracking half a million families over the course of 13 months has found that:

- A clear divide exists in the demographic and economic characteristics of low-income households between inner and outer London boroughs.
- Traditional measures of poverty are likely to miss out large numbers of families with low financial resilience. The needs of individual families should be taken fully into account in any measure of living standards.
- Aggregate statistics and KPIs overshadow the complex dynamics affecting the pockets and prospects of low-income households.
- The longitudinal analysis of household-level data enables policymakers to assess the extent to which different policy interventions achieve their stated objective.

PHASE TWO WILL INCLUDE ANALYSIS ON:



1. Causal links between the benefit cap and employment, or temporary accommodation.



2. Drivers of living standards, why some people can escape poverty and others cannot.



3. Predictive analysis showing the outlook in 2020, taking into account the impact of planned policy changes on family's living standards.

A WIDER STRATEGIC PURPOSE

Pooling data on low income residents across 14 London boroughs is no small achievement. It shows that legal and technical barriers around data-sharing can be overcome, laying the foundations for future collaborations among the main actors involved in the provision of local welfare services in the capital.

Pulling data and the analytical capability across geographies and over time has a number of advantages. It enables policymakers to see the causal links between policy, living standards and employment. It presents a dynamic picture in which local and national policies interact, complement, duplicate or detract from one another.

This approach allows policymakers to ask a different set of questions. We hope this research contributes to the ability to act proactively, systematically benchmark performance across neighbourhoods, and understand the causal links between policy, intervention and outcomes.



Policy in Practice hopes to extend this approach beyond Greater London to learn how living standards are changing across different regions and cities. To find out more, and to request the full report, please email hello@policyinpractice.co.uk. We look forward to hearing from you.