

## Written evidence from Policy in Practice (BEC0006)

### Written evidence submitted for The Benefit cap inquiry ([BNC0041](#))

Policy in Practice has conducted a longitudinal study of the impact of welfare reform in London. Funded by Trust for London, the project pools Housing Benefit and Council Tax Support data from 19 London Boroughs to track how the income, employment and housing circumstances of over half a million low-income Londoners has change over the past two years.

Shared data from 19 London boroughs has allowed us to track over 574,000 households over the course of 19 months. Published in March 2018, the Phase Two findings assessed the impact of the benefit cap on the employment outcomes of households affected. The scale of the study allows this in depth analysis: a sample of 574,000 households means that subsets are large enough to yield meaningful conclusions. Neither survey data, such as the Family Resources survey, nor each local authority acting alone, can yield the detailed insights made possible by combining multiple household level data sets.

The analysis looks at the causal relationship linking the effects of government policies to the behavioural responses of households affected. The longitudinal nature of the dataset allows us to differentiate between causation and correlation. We track each household on a monthly basis to see how one change, for example the benefit cap, may impact on another, for example employment.

### HOW HAS THE BENEFIT CAP AFFECTED LONDONERS?

In November 2016 the benefit cap was lowered to £23,000 per year for families, and to £15,410 for single households living in Greater London, with the intention of reducing welfare expenditure and incentivise people into work. The 10 week roll-out was concluded in February 2017.

#### Demography: households most impacted

By July 2017 the impact of the cap meant:

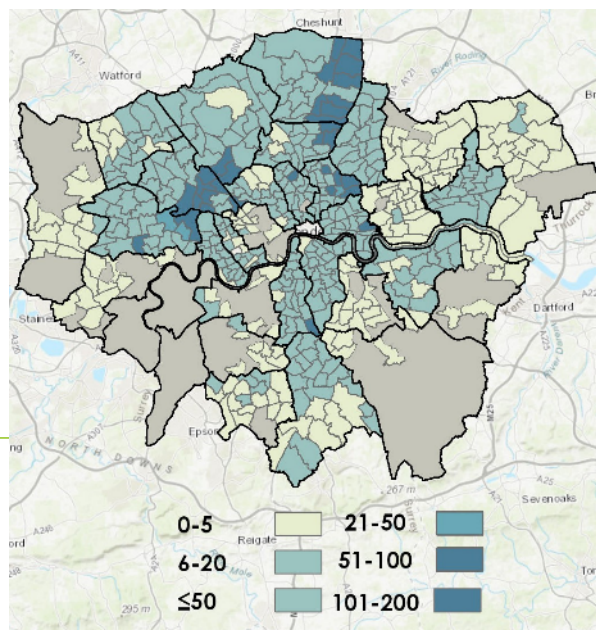
- 8,828 households see an average reduction in Housing Benefit entitlements of £60 per week
- 24% (2,083) of affected households are single-person households
- 79% (7,000) are households with children
- 18,362 children live in households affected by the cap

The majority of households affected are lone parents (62%), and a significant proportion are employed (13%). Over half of all families affected live in the private rented sector (52%), and a further 18% are housed either in temporary or emergency accommodation.

#### Geography: places most impacted

Brent, Hackney and Ealing are the most heavily impacted boroughs both in terms of absolute number of capped households and the proportion of the overall population affected by the policy (1% ca). The wards with the highest number of households capped are Harlesden, East Acton, Stonebridge, Dollis Hill, all counting over 90 families affected.

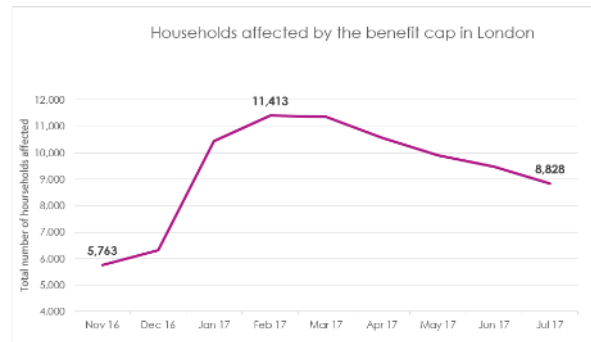
Regional and local policy-makers should note how the wards and neighbourhoods most heavily impacted by



the benefit cap tend to cluster around areas crossing borough boundaries. These areas can be defined as sub regional areas of deprivation, as shown on the map opposite.

### The dynamic effects of the benefit cap

Pooling monthly benefit data allows us to track the impact that this policy has had longitudinally. Five months after the roll out of the lower cap, completed in February 2017, we observe a considerable drop in the caseload of impacted households. From a maximum of 11,413 households affected by this policy, the data show a decreasing trend, falling to a total of 8,828 households, equivalent to a 23% drop in caseload.



This trend is in stark contrast with the national picture, where, within the same time period, the total number of households affected by the benefit cap has actually increased slightly, starting to drop only after August 2017. Below we explore the potential drivers behind this.

Because the data is at a household-level we can track how the circumstances of individual families have changed since the policy came into effect. In other words, by analysing how people who were affected by the cap responded we can provide an assessment of the dynamic effects of this policy.

Since the lower benefit cap was introduced in London in November 2016 our data model shows that 5,211 households have been able to move off the cap and are no longer affected. Of this group we have identified three main sub-groups:

- 37% moved off the cap by taking up a job, or by increasing their hours worked
- 29% avoided a reduction in their benefit entitlement by moving property
- 28% are no longer present in the data-set

### PEOPLE WHO MOVED INTO WORK

A closer look at the first sub-group shows that the vast majority of households who have moved into work are lone parents with school-age children, while single people are significantly less likely to move into work once affected by the cap. This is most likely due to the large proportion (48%) of single capped households in receipt of ESA.

Such findings are aligned with previous research conducted by Policy in Practice and others, highlighting how childcare represents less of a barrier to employment than the presence of illness, poor mental health and disability.

What this analysis doesn't capture, but our work with local authorities affected by the benefit cap clearly shows, is the critical work that goes into supporting families affected by the policy into work, and in helping them to sustain a tenancy, which plays such an important role in these findings.

### The human costs of the benefit cap

Alongside the positive impact the policy has had on employment outcomes, our analysis also highlights significant associated human costs. The introduction of the cap risks bringing a considerable deterioration in the living standards of affected households.

For many people affected by this policy, such as those in receipt of ESA or single parents with children below the age of three, work may not be a feasible option.

In London, the findings are unequivocal:

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- 293 households affected by the cap moved into temporary accommodation
- 1,825 children and 737 families have fallen into relative poverty due to reduced benefits
- 417 households saw income fall below expenses, putting them at financial risk

Local authorities are often left plugging the gap created by changes to the benefits rules and necessarily provide a safety net for their most vulnerable and disadvantaged residents, albeit with ever shrinking budgets and limited resources.

In order for the policy to continue to meet its objective of improving work incentives while limiting the collateral damage on the pockets and prospects of low-income households, the DWP may need to consider applying the cap only to those households subject to active conditionality regime.

## A UNIQUE APPROACH TO THE STUDY OF SOCIAL POLICY OUTCOMES

The findings outlined here follow the second round of analysis from our [Low-income Londoners and Welfare Reform](#) project. Together with the analysis on the impact of the benefit cap in London we have demonstrated the power of using administrative data has to understand social policy outcomes and better support people.

- Firstly, the sheer scale of the data collected has allowed us to analyse very specific sub-sets of households whilst also maintaining a large enough sample size for our findings to be statistically significant.
- Secondly, benchmarking data across different geographies allows regional and local policy-makers to recognise similarities in the challenges they face and to co-ordinate activities and efforts to successfully tackle them.
- Thirdly, the longitudinal nature of the data not only provides a way to track how income, employment, and living standards of households on low incomes vary over time, but also enables us to draw the causal link between the effect of a policy and the behavioural responses of households affected.

*September 2018*

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