

LOW INCOME LONDONERS AND WELFARE REFORM

A DATA LED INVESTIGATION INTO THE CAUSES AND CONSEQUENCES OF POVERTY



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Foreword by Jane Mansour

In May of this year, London Mayor, Sadiq Khan, launched a recruitment drive for the city's first ever Chief Digital Officer.

This is part of his plan to make London the world's leading 'smart city'. The idea of 'smart cities' that use big data and digital tech to improve life for residents and workers is a growing global movement. However, my experience in the UK, the United States and across the globe has found that in the main, initiatives to date have focused very much on logistics, from traffic flows to street lighting, from rubbish collection to online form filling apps.

There has been far less focus on how data already collected and held can be used to understand the impact of current social policy, and support the design of interventions that better meet the needs of people living and working in cities.

These interim findings are interesting in and of themselves, but the project serves a wider strategic purpose. Firstly, 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.



20% of the success of this project lies in the data, 80% is in the collaboration

Andrew Collinge, Assistant Director of Intelligence, GLA.

Secondly, traditional approaches to measurement often present a snapshot, or series of snapshots at fixed points. This project has both the data and the analytical capability to pull data across geographies, over time. This has a number of advantages. It enables us to see 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. Viewing policy impact at a household level through data routinely collected enables us to ask different questions of policymakers.

I welcome the insight this interim report offers, and hope as the project goes on it serves to support London's challenge in becoming a smart city that uses digital transformation to benefit all public services for all residents.

*Jane Mansour,
Independent Policy Consultant*

Executive Summary

This project tracks the income, employment and housing circumstances of close to one million Londoners over the course of 2 years, on a monthly basis.

This report combines data from **14 London boroughs** 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. This 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 over two years** to understand the drivers of positive and negative changes in household circumstances over time, and the causal drivers of poverty and prosperity on a systematic basis.

The analysis builds on a longitudinal data model, policy simulation engine and visualization platform to make this information accessible to policymakers, for a deeper understanding of poverty. This report presents the preliminary findings of the first round of analysis.

Outer London boroughs 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.

Overall, 62% of households captured in the analysis have been affected by at least one of the four main welfare reforms introduced since 2010, with an average reduction of £16.10 per week.

An effective measure of living standards should take needs into account

Policy in Practice has developed an approach 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 arguably a better assessment of the financial resilience faced by each household.

Taking needs into account is essential to identifying those households who are living day to day. This measure of 'financial resilience' captures a greater number of households at risk than the relative income measure, including a larger proportion of families in work and in the private rented sector. Households at with low financial resilience are three times more likely to have been highly impacted by these reforms than households living in relative income poverty.

Tracking employment patterns shows disability to be the greatest barrier to work

Comparing January 2016 to 2017, the percentage of households in work remained largely unchanged with 43% of low income working age households in London 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 (with four in five households in work earning below the London Living Wage) have 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.

The benefit cap disproportionately affects households in temporary accommodation

Our analysis can identify the characteristics of families moving into high cost temporary accommodation, and drill down to show that 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, seeing their Housing Benefit entitlement fall and incurring additional costs to local authorities. Future analysis will examine the extent to which this policy is supporting households into work, or is driving them into high cost temporary accommodation.

Conclusions

The ability to track half a million families over the course of 13 months finds 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 on large number of families with low financial resilience. The needs of individual families should be taken fully into account in any living standard measure.
- 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.

Policy in Practice will collect additional data throughout the summer. Other London boroughs who have not yet shared the data with us are welcome to participate. To find out more about this project and our services, write to us at hello@policyinpractice.co.uk.

Tracking living standards for low-income households

This report presents the findings of phase one of the project *Low income Londoners and Welfare Reform*, which sets out to track the changes in living standards of nearly half a million low income households across London over two years.

It combines data from **14 London boroughs**¹ 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.

Approach and objectives

Policy in Practice has worked with local authorities since 2013 to show the cumulative impact of tax and benefit changes on individual households, both now and in the future, by combining a comprehensive policy modelling engine with household level data. We do this by combining Housing Benefit and Council Tax data sets with personally identifiable information redacted, which capture the vast majority of low-income families living in these areas. We then model their income and expenditure through to 2020, based on planned changes to the tax and benefit systems and inflation projections for rents and other living costs.

This project builds on this capability, in three ways. It:

- **Combines data across London** to benchmark changes and give us a large enough sample to understand niche areas such as self-employment or temporary housing
- **Tracks households over two years** to understand the drivers of positive and negative changes in household circumstances over time, and identify the causal drivers of poverty and prosperity on a systematic basis
- **Data modelling and visualisation tools** make this information accessible to policymakers, building a platform that enables a deeper understand of poverty

The scope of work

At the first steering group meeting in December 2016, participating local authorities agreed the central scope of the project, based on the key issues that were affecting their low-income residents. The aim of this project is to use their pooled data intelligently to help understand the causes and consequences of poverty, and to deliver better support. The key issues were:

- fluctuations in employment patterns
- the impact of ever-rising housing costs on residents, and on council finances
- the impact of the benefit cap
- how barriers to work, namely childcare, stop low-income households escaping poverty

¹ The list of participating boroughs includes: Brent, Camden, Croydon, Enfield, Hackney, Hammersmith and Fulham, Haringey, Harrow, Islington, Lambeth, Lewisham, Southwark, Sutton, Tower Hamlets

The analysis carried out for phase one of the project touches on all of these points to portray a unique picture of the challenges facing almost half a million low-income Londoners.

Headline findings: The current situation in January 2017

Level of employment among low-income Londoners

- 43% of low income working age households in London are in work, a quarter of whom are self-employed
- 80% of households in work earn below the London Living Wage (£9.75 per hour)
- 83% of in-work families work less than 35 hours per week, averaging 25 hours per week
- Harrow, Brent, and Croydon are the three boroughs with the highest proportion of low-income households in work

Differences in tenure composition between inner and outer boroughs

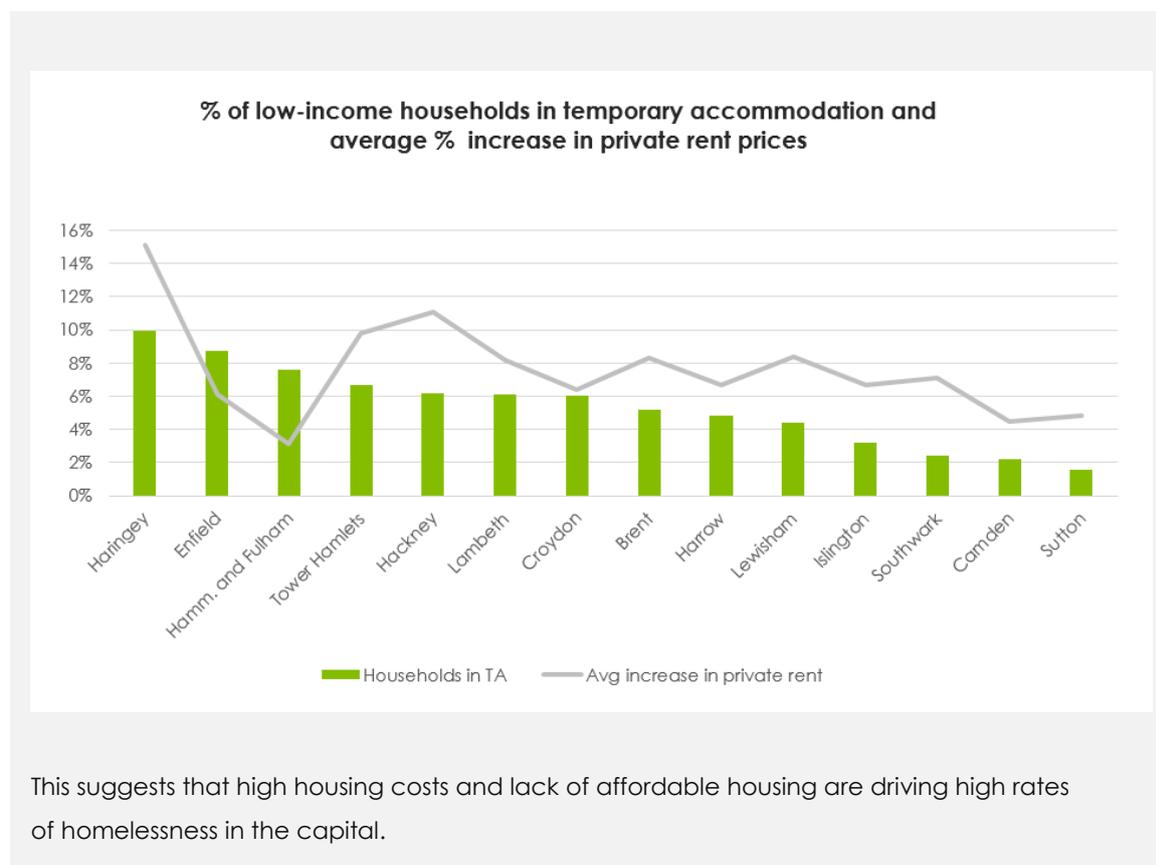
- 61% of households live in social housing. The percentage living in social housing in inner London is much greater at 75% compared to 41% in outer London
- 25% of households live in the private rented sector, 40% in outer boroughs,
- 46% of private tenants pay rent above the LHA rate
- 6% of households live in temporary accommodation and pay an average rent of £1,174 per month, over £1,000 more a year than private sector renters
- Haringey, Enfield and Hammersmith and Fulham have the highest proportion of households living in temporary housing

Private rent increases drive temporary accommodation

The chart below highlights the relationship between the average percentage increase in private sector rents in recent years and the proportion of families in temporary accommodation².

With the exception of Hammersmith and Fulham, the London boroughs with the largest proportion of households in temporary accommodation have also faced the highest increase in rents.

² Averages of rent prices increase based on changes to the bottom quartile from 2011 to 2016, as reported in the VOA Private Rental Market Statistics, available at <https://www.gov.uk/government/collections/private-rental-market-statistics#2016>

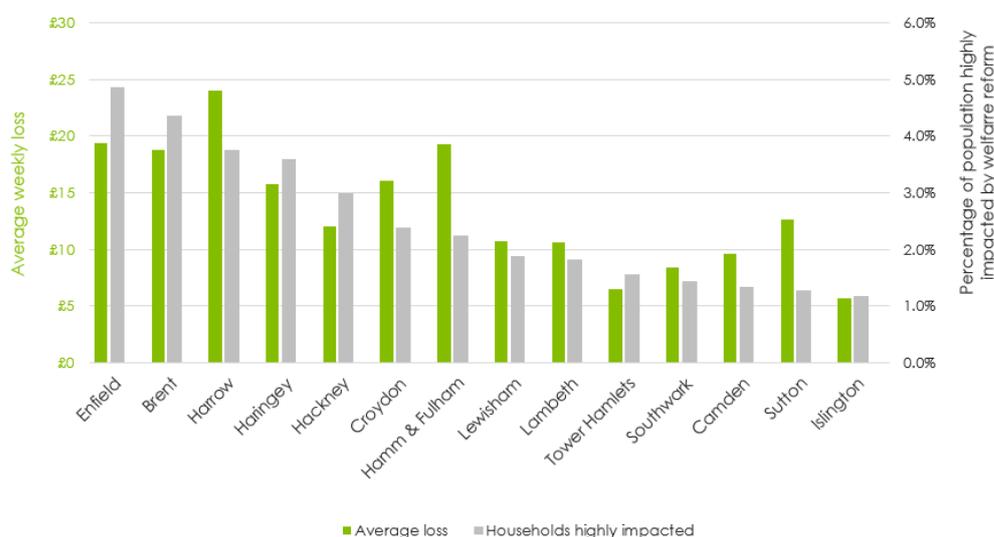


Outer London boroughs are hardest hit by welfare reforms

Our analysis assesses the cumulative impact that four different welfare reforms, namely the under-occupation charge, the LHA cap, the benefit cap, and reduction in council tax support, have had on the pockets of low income Londoners. This first phase of the project captures information across all participating boroughs up to January 2017, when the roll out of the lower benefit cap at £23,000 was completed across in 12 of the 14 participating London boroughs. When roll out of the benefit cap is complete more households will be impacted and these findings are likely to worsen.

- 62% of households have been affected by one or more of these reforms. The average loss per working age household is £16.10 per week
- The under-occupation charge affects 5% of households by £21.68 per week, on average
- The Local Housing Allowance cap affects 12% of households, by £47.30 per week
- The benefit cap affects 2% of households by an average of £72.84
- 58% of households are facing some reduction to their council tax support

Impact of pre-2017 welfare reform, by borough



Outer London boroughs are more heavily impacted by welfare reforms than those in inner London, with greater proportions of households 'highly impacted', i.e. households losing more than £30 per week. They also have the highest average losses. The larger private rented sector in outer London boroughs is an important driver behind this trend.

Living standards should take needs into account

Understanding how families are impacted by welfare reform is important information for organisations responsible for delivering support on the front-line. However, while useful, this analysis does not in itself give a complete picture of a households' financial circumstances.

Policy in Practice worked with Croydon Council to capture how each individual household is coping financially in light of recent policy changes. We have scaled this analysis across London to assess household income against the costs each household is expected to face, adjusted for household size and location. This is based on the 30th percentile from the ONS family spending figures³. Compared to other measures, including relative poverty (based on 60% of national median income), this approach takes the needs of the household into account, and is arguably a better assessment of the financial resilience of each household. From the perspective of local welfare provision, this indicator can help to drive operational decisions by pinpointing those families in financial crisis, likely to fall into arrears or face eviction.

³ Office for National Statistics, "Family spending in the UK: financial year ending March 2016", Available at: <https://www.ons.gov.uk/releases/familyspendingintheuk2016>

A comparison of this approach with the standard measure of poverty applied to the London cohort is shown below, and highlights some interesting findings.

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%	1. Social rent, 59%
	2. Owner-occupiers, 26%	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%

Compared with the relative poverty measure, those with low financial resilience represent a greater number of households potentially in need of support. The proportion of private tenants is higher among households with low financial resilience, as is the average rent they face, because this measure takes the cost of living more fully into account.

Financial resilience captures a greater proportion of households in work, supporting the view that many families are living from paycheck to paycheck.

The proportion of households highly impacted by welfare reform is three times greater among households identified as having low financial resilience than it is among those living in relative poverty. This implies that families who see their income fall as the result of changes to benefits may struggle to meet their monthly outgoings, undermining their financial resilience, even if they are not officially classified as poor. These findings support the case for poverty measures to take into account household needs alongside income in their measure of living standards.

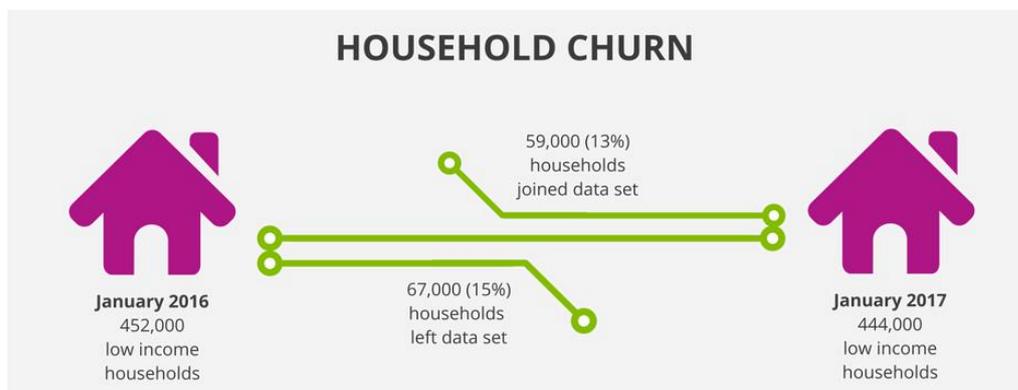
The changing situation: tracking households

By collecting this data on a monthly basis since January 2016, we have been able to track how the circumstances of each low income household within the dataset have changed over time.

Household churn

In January 2016 there were 452,101 households on Housing Benefit or Council Tax support, while in

January 2017 this had fallen to 443,619 households. This is a net reduction of 8,000 households. During this period, 58,915 (13%) households joined the dataset, while 67,397 (15%) households left.



Four of the participating local authorities are on Universal Credit full service, which is likely to have driven some of the drop-off in Housing Benefit. Families may also leave the dataset if they earn enough to no longer qualify for Housing Benefit, or they may leave the borough. Conversely, households entering the dataset may have lost their job, or may have moved into the borough from other local authorities.

Fluctuating employment patterns

During the period of analysis, the percentage of working-age households in employment, as a share of the overall low-income cohort, remained largely unchanged at around 42%. Similarly, the average number of hours worked as well as the average earnings have not changed substantively from January 2016 to January 2017.

This seems to suggest an overall static picture of employment. However, by shifting the focus from the aggregate figures to movement on a household-by-household basis, a picture of constantly changing employment patterns emerges.

The data indicates a steady inflow and outflow of working-age households in and out of work.

- 12% of all working age households moved into or out of work in the last 12 months
- Of the 243,865 families first observed in the model as unemployed, 8% moved into employment in the last 12 months

This data can be used to 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. Within this group, lone parents were most likely to move into employment (14%). Conversely, just 2% of workless households claiming either ESA or DLA moved into employment in twelve months.

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%

Households not claiming an out-of-work benefit were more likely to move into work than households claiming Jobseekers Allowance, despite its strict conditionality rules. These figures use a different data source to traditional benefit off-flow statistics, and traditional measures often include people moving onto another benefit, being sanctioned, or other routes off benefit other than sustained employment.

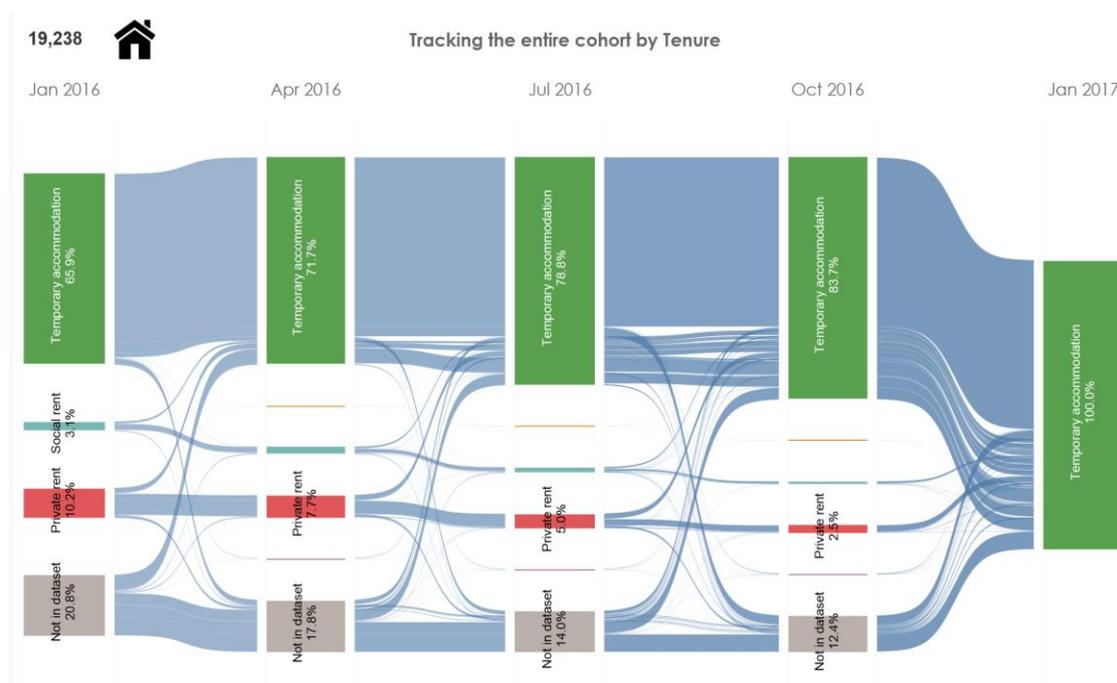
Fluctuating employment patterns among households in work show the precarious nature of the job market for low-skilled workers in the capital.

- 16% of all working-age households in work at any point during the period captured in the analysis have lost their job at least once
- 9% have completed a full employment cycle within 13 months, that is, they have either moved into work and then back out of work, or vice versa
- 11% of all households in work have seen their hours drop, while 12% saw theirs increase

We will look more closely at employment patterns in Phase Two and identify the implications for employment strategies both at the national and at the local level.

Understanding the movement into temporary accommodation

Homelessness is a growing concern for local authorities across the country. This is especially true in London, where the numbers impacted and the cost of accommodation is highest. The diagram below tracks movement into temporary accommodation for 19,238 households. We are able to use it to drill-down and better understand the characteristics of these families and identify some of the key factors pushing them into high-cost temporary accommodation.



- 66% of these households have been living in temporary accommodation for at least 13 months. They are likely to be families housed in private properties by the council at above average rents

Of the remaining one-third of households (6,553) that moved into temporary accommodation since January 2016:

- 45% (2,956) are in work
- 49% (3,220) are lone parents
- 5% (308) are affected by the benefit cap, a proportion three times larger than among the working-age cohort

The higher proportion of households affected by the benefit cap in temporary housing begs the question of causation between the two. The relationship isn't straightforward; the cap may contribute to an inability to sustain a tenancy, driving homelessness, or alternatively the high cost of temporary accommodation may mean more households are capped. These dynamics will be explored in Phase Two, highlighting how powerful large scale longitudinal analysis can be to understand the causes and consequences on a systematic basis.

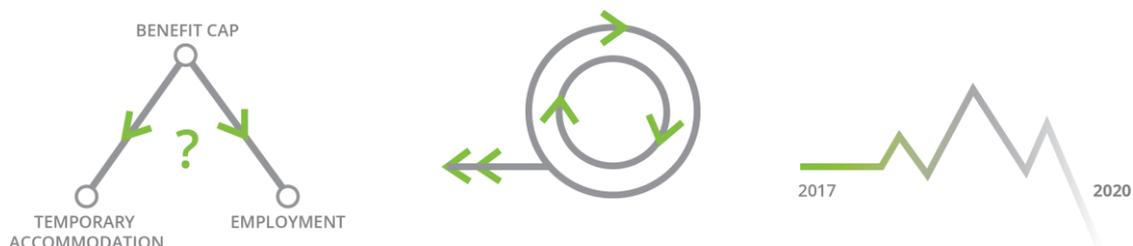
With this information we will be able to show how many people the benefit cap is supporting into work, and how many are being driven into high cost temporary accommodation. Ultimately, we can demonstrate the implications of the policy on residents, taxpayers and local authorities.

Conclusions and next steps

Tracking half a million families over 13 months has highlighted a number of key considerations.

- **A clear divide exists between inner and outer London boroughs.** This relates to differences in tenure composition and employment figures and shapes the way welfare reforms are impacting families in these areas.
- **Traditional measures of poverty are likely to miss large number of families with low financial resilience.** When measuring living standards, central and local government bodies should take into full account the needs of individual families, with the aim of better targeting support.
- **Aggregate statistics and KPIs mask the complex dynamics affecting the pockets and prospects of low-income households.** This is reflected in the frequently changing employment circumstances for thousands of low-income families.
- The longitudinal analysis of household-level data allows us to assess the extent to which different policy interventions achieve their stated objective. **This approach, applied at scale and in a systematic way, should be embedded in the way policies are delivered and monitored at the national and local level.**

Policy in Practice will collect additional data throughout the summer. In Phase Two we will ask:



- Is the benefit cap pushing affected households into work or driving up the demand for high cost temporary accommodation?
- How have the living standards of families in the capital varied over the past two years? What are the drivers behind people falling into poverty / low financial resilience?
- What are the prospects of low-income Londoners in the near future? What effects will planned policy changes, such as the roll out of Universal Credit, higher costs of living and rent prices, have on the living standards of families in the capital?

We welcome other London boroughs who haven't yet done so to join the project, please contact us to get involved.

Policy in Practice would be delighted to extend this approach to collaborative data sharing and analysis beyond Greater London in order to learn how living standards are changing within different regions and cities across the country.

About Policy in Practice

Policy in Practice believes the welfare system can work better

Policy in Practice was founded to help people towards independence by making the welfare system simple for people and organisations to understand.

The benefit system is complicated, with different government departments administering a range of different benefits, each of which have their own rules.

We're a policy-led software and consulting business and we've developed three core services to make the welfare system simpler to understand.

Software	Analytics	Modelling
<p>Our Benefit and Budgeting Calculator software is so comprehensive, fast and easy to use that advisors and customers don't have to be experts to explain the welfare system.</p> <p>We model over 4,000 pieces of legislation across four government departments to show how policy affects people on low incomes.</p> <p>Our clean user interface, visual charts and use of plain English empowers your advisors to help your residents to achieve outcomes.</p>	<p>We help organisations see how individual households are impacted by each change in policy, and all changes combined, both now and in the future.</p> <p>Our Low Income Family Tracker (LIFT) combines local authority data with our powerful modelling engine to help you to proactively get the right support to the right people at the right time.</p> <p>Choose a one off impact assessment, or access self service analytics that allow you to see trends, track the impact of interventions and reach people in danger of crisis.</p>	<p>Local priorities differ and local council support schemes must too.</p> <p>We help councils model different council tax support options, taking into account uprating and future changes in policy.</p> <p>Our experience working with over forty local authorities, and modelling the impact on each household helps to inform your ideas, to develop policy that best meet local needs.</p> <p>This service is stand-alone but is more detailed when done together alongside our Policy Impact Analysis.</p>
<p>Learn more</p>	<p>Learn more</p>	<p>Learn more</p>

To learn more about Policy in Practice's Low Income Londoners project please email hello@policyinpractice.co.uk, call 0330 088 9242 or visit policyinpractice.co.uk. We look forward to hearing from you.