

The impact of welfare reform in London - using benefits data to track the effect of government policies on employment outcomes

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Background

The last three parliamentary terms have marked a period of unprecedented change for the UK welfare system. Alongside reducing public spending, boosting behavioural incentives has represented the overarching drive behind the majority of reforms introduced.

Objectives

Policy in Practice has pooled benefits data across nineteen of thirty-two London boroughs to track changes in living standards and the impact of welfare reforms on low-income Londoners over a period of two years. This paper models and assesses the impact of two flagship welfare reforms on households' behavioural responses. The policies analysed are the benefit cap and the impact of Universal Credit on self-employed households.

Methods

The project has gathered a sample of over 570,000 real households. Housing Benefit and Council Tax Support data has been collected from participating local authorities on a monthly basis for two years. The study combines complex policy modelling to forecast the future impact of Universal Credit on the living standards of self-employed households, with a Difference-in-Difference regression to understand the impact of the benefit cap on the employment outcomes of households affected.

Findings

The findings of the analysis indicate a positive impact of the benefit cap on employment outcomes, with a difference in employment rates of 3.5 percentage points in favour of households affected by the cap, compared to the control group. At the same time, the model forecasts significant income losses for self-employed households as the result of the application of a Minimum Income Floor under Universal Credit, with an average income reduction of £341 p/m.

Conclusion

The research highlights the potential of locally held administrative data in systematically tracking the impact of policies and the effectiveness of government interventions. This work fits within the broader mission of Policy in Practice to promote an outcome-based approach to the design and delivery of social policy.

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