



Department
for Work &
Pensions

Post-implementation effects of the benefit cap: headline findings

April 2014

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Background and Methodology

In 2013, the Government introduced a cap on the total amount of benefit that most working-age households (between 16 and the female state pension age¹) can receive so that, broadly, households on out-of-work benefits will no longer receive more in welfare payments than the average weekly wage after tax for working households. The cap limits the combined sum that a household² may receive in benefits to £500 per week for families/couples and £350 per week for single people without dependent children. Details of the benefits to which the cap applies and exemptions can be found at the end of this document.

The Department for Work and Pensions commissioned Ipsos MORI, an independent research organisation, to conduct a longitudinal survey to look at the impacts of the benefit cap on those who are or have at some point been affected, and their responses. A follow-up survey will be conducted later in 2014 with the same group of respondents to identify medium to longer term impacts and responses. This publication presents findings from the first of these two surveys and uses analysis by Ipsos MORI.

Ipsos MORI conducted a telephone survey among 1,200 people known to be affected by the benefit cap identified from the October 2013 Single Housing Benefit Extract (SHBE)³. A random sample of claimants known to be affected by the benefit cap at the time of the extract was selected, providing representative coverage of affected claimants across Great Britain and rented tenures.

¹ 61.5 in April 2013

² In relation to the application of the benefit cap, the term household represents the basic family unit for the purposes of administering out-of-work benefits, which can be made up of a single adult or a couple, and any dependent children or qualifying young person for whom that adult or couple are responsible. These households are termed benefit units. Any individuals, such as adult children, grandparents etc. living in the same house, who may claim benefits independently, are not included in the same benefit cap calculation.

³ Housing Benefit and Council Tax Benefit statistics published by DWP are based on the Single Housing Benefit Extract (SHBE) data source. SHBE is a monthly electronic scan of claimant level data direct from Local Authority computer systems. It has been designed to provide sufficient information for all current and future statistical purposes and is now the single source of Housing Benefit data.

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Results are based on a sample size of 1,060 respondents self-identified to be currently affected by the changes at the time of interview, and 140 respondents who said they are no longer affected. Results were weighted to the profile of affected claimants as per the October SHBE extract in relation to age, gender, number of dependents, size of property (number of bedrooms) and amount by which claimants have been capped. Fieldwork for the survey was conducted between Friday 7th and Wednesday 26th February 2014 inclusive.

It is worth noting that as a result of the methodological approach, results are based on a cohort of claimants affected by the benefit cap at the time of the October SHBE extract and who were interviewed in February. As such, it is important to keep in mind that results are based on this specific group of claimants and reflect the characteristics of this group at a specific point in time rather than necessarily being representative of the currently affected claimant population.

At the 95% confidence interval, a respondent base of this size gives a sampling tolerance (or predicted range of responses) of no greater than $\pm 3\%$. Further information on statistical reliability can be found at the end of this document.

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The survey covered a number of key themes, including the characteristics of those currently affected and no longer affected by the benefit cap, their awareness of the policy and recollection of being notified, initial responses to the policy and future plans, as well as the effects of the policy in relation to employment, housing and financial circumstances.

Characteristics of survey respondents

The majority (88%) of those surveyed are still affected by the benefit cap, while the remaining 12% said they were previously affected by the benefit cap but are no longer. Those who did not believe they had ever been capped or who were unsure of their current status were not included in the survey.

The amount by which respondents are capped varies significantly. Among those still affected by the benefit cap, around three in ten (29%) are capped by up to £25 per week, 20% by £25 per week or more but less than £50 per week, 28% by £50 or more but less than £100 per week, and 23% by £100 per week or more. Those capped by £100 per week or more are significantly more likely to live in London than average (60% vs. 46%), likely a reflection of the higher housing costs (and therefore higher amount of housing benefit which they receive).

Four in five (80%) currently affected respondents are women, and the majority (73%) of respondents are under the age of 40. Respondents are almost exclusively families with dependents living at home: 83% of respondents reported that they have three or more dependents living in their household.

When asked about their current work status, 9% of currently affected respondents said they are currently in work. Most of those are working part-time (fewer than 30 hours per week) or are self-employed. A significant proportion of currently affected respondents (43%) said they are unemployed but looking for work. Respondents were also asked about their employment history since leaving school. Close to two in five (38%) said they have always or mostly been in paid employment, 29% said they

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have sometimes been in paid employment, and 32% said they have rarely or never been in paid employment since leaving school.

Those who said they are no longer affected by the benefit cap were asked why this was the case. The most common response, mentioned by 41%, was that they or someone in their household had found a job. A further 28% said that they had started to receive other benefits that meant the benefit cap does not apply, while 9% said their household composition had changed (for example through a partner moving in) that meant they were no longer subject to the benefit cap. Other less frequently mentioned reasons included people moving to another property in the social rented sector (6%) or private rented sector (2%), or increasing working hours (4%). When asked about their current work status, 40% of those no longer affected described their current status as in work. Most of those in work said they are working part-time between 16 and 29 hours (64%), while 25% said they are self-employed and 11% are working full-time.

Awareness and recollection

Half (50%) of currently affected respondents said they knew either a great deal or a fair amount about the benefit cap before being interviewed. Almost two in five (38%) said they knew just a little about the policy, while 10% said they had either heard of the policy but knew nothing about it or had never heard of it.

However, the vast majority (85%) of those currently affected by the benefit cap remembered receiving notification that they would be affected. Just 13% did not recall receiving such notification, while 2% were unsure. Those no longer affected by the benefit cap were no more likely to recall receiving notification (84%) than those still affected.

Very few currently affected respondents had heard of the 'grace period'⁴ before being interviewed: just 11% said they had. By comparison, a majority (57%) said they had heard of Discretionary Housing Payments (DHPs)⁵ before being interviewed. Of this group, 55% applied for DHPs and got them (40% are still receiving DHPs, while 15% are no longer receiving DHPs). Smaller groups were either unsuccessful with their

⁴ In the questions asked in the survey, the grace period was described as 'when the Benefit Cap is not applied for 39 weeks if a claimant or their partner has been in employment for 50 out of the previous 52 weeks before claiming benefit'.

⁵ In the questions asked in the survey, Discretionary Housing Payments were described as 'top-up payments from local authorities to help some Housing Benefit claimants afford their housing costs'.

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application (11%) or are still waiting to hear (9%), while 24% did not apply. Overall, this means that 23% of the total sample currently affected by the benefit cap indicated they were in receipt of DHPs at the time of interview.

Responses to the benefit cap and future plans

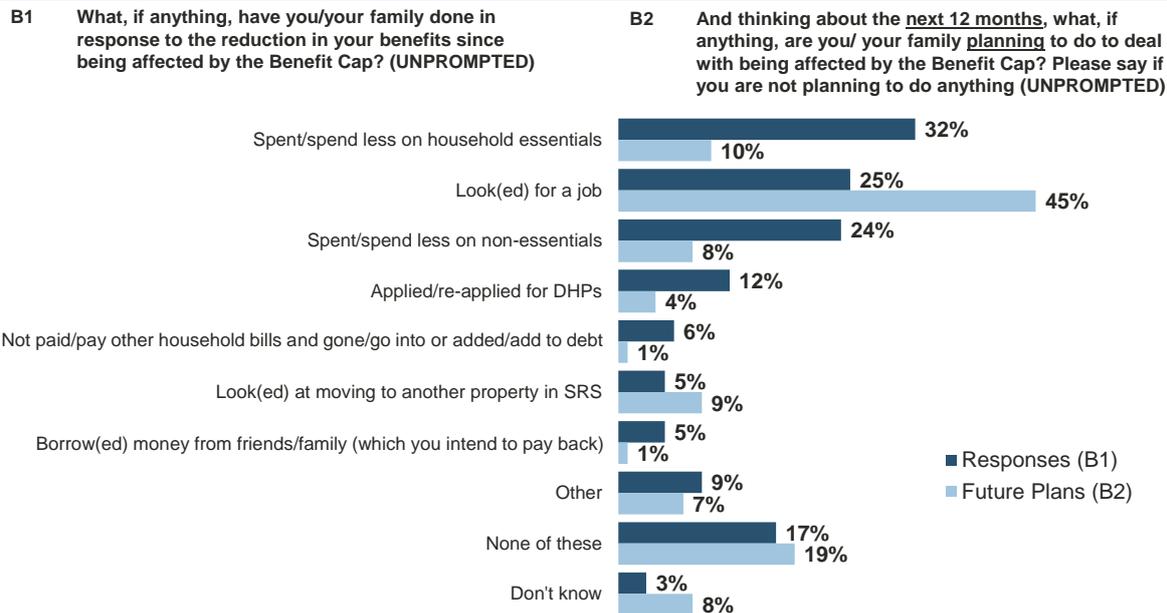
The survey asked respondents about their initial response to being affected by the benefit cap as well as their planned responses in the future.

Respondents were asked on an unprompted basis what, if anything, they or their family have done in response to the reduction in benefits since becoming affected by the benefit cap. Those currently affected were most likely to say they have *spent less on household essentials* (as defined by the respondent) (32%) and *looked for a job* (25%). Almost a quarter said they *spent less on non-essentials* (as defined by the respondent) in response to the benefit cap (24%), with other actions recording lower responses⁶. Fewer than one in five (17%) of those currently affected said they had not taken any action in response to the benefit cap.

Respondents currently affected by the benefit cap were then asked about their future plans: *'And thinking about the next 12 months, what, if anything, are you/your family planning to do to deal with being affected by the benefit cap? Please say if you are not planning to do anything'*. There were some marked differences between previous responses and future plans, with respondents much more likely to say they plan to *look for a job* to deal with the benefit cap (45%). A much smaller proportion, 10%, said they plan to *spend less on household essentials*, while 9% said they plan to *look to move to another property in the social rented sector*, with lower percentages for various other actions. Close to one in five (19%) said they do not plan to take any action in the next 12 months, as the following chart shows:

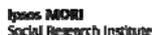
⁶ Please note that the difference between those who spontaneously report applying for DHPs *in response to the policy* (12%) and those who say they applied for DHPs (43%) is because the former question was unprompted and asked specifically in relation to the Benefit Cap, while the latter was asked on a prompted basis and asked in general terms.

Responses to the Benefit Cap and future plans



Base: All respondents currently affected by the Benefit Cap (1,060); Fieldwork dates 7 – 26 February 2014. Only top 7 responses at B1 shown.

Source: Ipsos MORI / DWP



Currently affected respondents affected to a lesser degree financially by the cap (up to £25 per week) were significantly less likely to say they looked for a job in response to the cap than those affected to a greater degree (£100 per week or more): 17% of the former compared with 36% of the latter. Similarly, they were significantly more likely to say they have done nothing in response (21% and 14% respectively). However, the results do not differ significantly with regard to future plans: similar proportions said they plan to find a job in the future (43% and 47% respectively). Also, while there is a difference with regard to those who said they plan to do nothing, this isn't statistically significant (22% vs. 16%).

Currently affected claimants who are unemployed and seeking work (72%) and those paying a high rent amount (54%) are among the most likely groups to have said they plan to look for work in the next 12 months. Those less frequently in work (who said they have *rarely* or *never* been in paid employment since leaving school) were as likely as those more frequently in work (*always* or *mostly* in paid employment since leaving school) to say they plan to look for a job in the next 12 months (46%).

Those *currently* receiving Discretionary Housing Payments (DHPs) are more likely than affected claimants overall to plan to look for work (51% vs. 45%), which could suggest that these claimants see DHPs as an interim response to the policy.

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Those who had already looked for a job in response to the benefit cap were significantly more likely than the currently affected population overall to say they also plan to do this in the future (72%). However, many of those who had cut back by spending less on household essentials or non-essentials in response to the benefit cap also said they planned to look for work in the next 12 months (43% for both groups). As demonstrated in the following table, for all three groups this was by far the most mentioned planned future action when asked (unprompted):

Table 1.1 – future planned actions by those who have looked for a job and spent less on household essentials in response to the benefit cap

Action respondent <u>plans</u> to take in response to benefit cap in next 12 months (B2)	Looked for a job in response to benefit cap (n=263) (B1)	Spent less on household essentials in response to benefit cap (n=340) (B1)	Spent less on non-essentials in response to benefit cap (n=252) (B1)
Look for a job	72%	43%	43%
Look to move to social rented sector	7%	7%	9%
Look to move to private rented sector	7%	6%	6%
Spend less on household essentials	7%	26%	25%
Spend less on non-essentials	6%	21%	26%
Nothing	10%	15%	13%

Overall these findings suggest that claimants who are currently affected were more likely at present to take short-term actions, such as reducing spending or using DHPs, to deal with becoming affected by the benefit cap, but plan to take longer-term actions in the future, particularly with regard to finding a job. The follow-up survey will further investigate the degree to which claimants carry out these plans and the degree to which they are successful.

Effects of the benefit cap

Employment-related

Respondents who are currently affected were asked about a number of work-related activities and how much of each of them they had been doing in the 12 months prior to becoming affected. Many said they had been doing 'a great deal' or 'a fair amount' of *trying to find paid work* (44%) and/or *using any employment services (like JobCentre Plus, local careers centre or recruitment agency etc)* (45%). A similar proportion had been doing 'a great deal' or 'a fair amount' of *submitting applications to find paid work* (40%), with fewer than one in four (24%) *going to job interviews* either a 'great deal' or 'fair amount'.

Respondents were subsequently asked whether they have been doing more, less or the same amount of each work-related activity since becoming affected. Close to two in five (38%) of those currently affected said they spent more time *trying to find paid work*, while 27% had spent more time *using any employment services (like JobCentre Plus, local careers centre or recruitment agency etc)*. More than a quarter said they had spent more time *submitting applications to find paid work* (28%), while comparatively fewer had spent more time *going to job interviews* (14%).

Those who had described their current work status as unemployed but looking for work were significantly more likely to be doing more of each of these work related actions, as the following table shows:

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Table 1.2 – level of work-related activity before being affected and change in level of activity after becoming affected among respondents currently affected by the benefit cap

Activity	C1 (Activity before being affected)	C2 (Change in activity after becoming affected)			
	% great deal/fair amount	% More	% Same amount	% Less	% more (filtered on those 'unemployed and looking for work')
<i>Trying to find paid work - whether a new job or extra work</i>	44%	38%	52%	10%	58%
<i>Using any employment services (like JobCentre Plus, local careers centre or recruitment agency etc)</i>	45%	27%	59%	12%	43%
<i>Submitting applications to find paid work</i>	40%	28%	59%	11%	46%
<i>Going to job interviews</i>	24%	14%	67%	17%	22%

C1. Of the following, how much, if anything, were you doing in the 12 months BEFORE being affected by the benefit cap?

C2. And SINCE being affected by the benefit cap have you done more, or less, or the same amount of the following?

Those affected to a lesser degree financially by the benefit cap (less than £25 per week) were just as likely to have been more encouraged to find paid work, as well as take other work-related actions, since becoming affected, as currently affected claimants overall. Those affected more substantially (more than £100 per week), however, were significantly more likely than currently affected claimants overall to say they have done more of these things since becoming affected by the benefit cap.

Currently affected respondents were also asked whether they feel they have been more encouraged or less encouraged to find paid work as a result of being affected

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by the benefit cap (or has it made no difference). Two in five (40%) of those currently affected said they have been more encouraged to find paid work, 47% said it has made no difference, while 9% said they feel less encouraged to find paid work. On this measure there is little difference between those affected to a greater or lesser degree financially by the benefit cap.

Respondents still affected by the benefit cap did, however, identify a number of main barriers to them finding work. The most mentioned barrier was the availability and/or cost of childcare. This was mentioned by 38% of respondents, rising to 52% of one-parent families with two or more children. Caring for a family member was mentioned by 21% of respondents, closely followed by poor health (20%), a lack of qualifications or experience (15%), lack of appropriate jobs (13%) and a lack of available jobs (12%). Other mentioned barriers recorded responses of 9% or below.

Housing-related

Just over two in five (42%) currently affected respondents said they are currently looking to move from their accommodation. Of this group, just over half (52%) said the reason they want to move is mainly because of the changes to benefits resulting from the benefit cap.

Those looking to move were asked what, if any, are the main barriers to moving to different accommodation. Close to half (48%) cite cost as the main barrier (including a lack of affordable properties or prices being too high in general), and a further 17% said that there are not enough properties of suitable size.

Respondents were asked about the frequency with which they had been in arrears both before and after they became affected by the benefit cap. Close to half (48%) of those currently affected had not seen any change in frequency since becoming affected by the Benefit Cap. A similar proportion (46%) reported that they were in arrears more often, while 4% said they were in arrears less often since becoming affected.

When asked about their current status with regard to arrears, 57% of respondents currently affected by the benefit cap said they are up to date with their rent, while 41% said they are in arrears. Among those currently in arrears, two-thirds (67%) reported that their rent arrears have increased since they started to be affected by the benefit cap. Just over a fifth (23%) reported that arrears remained the same, 8% that they decreased, and 2% said they did not know or could not remember.

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Financial-related

Respondents still affected by the cap were asked if, since being affected, they had ever run out of money at the end of the week or month, and what actions they had taken in response. One in seven (14%) said they have never run out of money since being affected, while 6% said they don't know. The most common action to cover the shortfall (mentioned on an unprompted basis) was to *borrow money from family or friends* (45%). The next most mentioned action was to *go without meals* (12%), followed by *reduce heating/energy costs* (9%) and *delay paying other bills* (8%). Other actions mentioned recorded responses lower than this. Responses from those no longer affected by the policy were broadly in line with those still affected.

Summary

Findings from the first wave of this survey suggest that a significant minority of claimants say they have been more encouraged to find work since being affected by the policy. Although many indicate their initial response to the benefit cap has been to reduce their expenditure on essential and non-essential items, many also plan to find work in the future to deal with the changes. This is particularly notable among those who say they are currently unemployed and seeking work, while those who said they have been less frequently in employment since leaving school are as likely to say they plan to look for work as those more frequently in employment. Common barriers to employment identified by currently affected claimants (in particular availability and/or cost of childcare) suggest why looking for work may feature as a longer-term response to the benefit cap.

The survey also highlights a number of other impacts on those affected. Some respondents reported financial difficulties, and a significant minority said they have spent less to cover reductions or borrowed from family or friends to make up the shortfall. Many claimants also reported being in arrears more frequently since becoming affected. Two in five said they are currently looking to move from their current accommodation, half of whom said they are doing so mainly because of the benefit cap.

This initial survey provides an indication of the early responses by claimants affected by the benefit cap. A follow-up survey planned for later this year will seek to establish how these responses develop in the longer term.

Contacts

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Technical details and Statistical reliability

- Ipsos MORI interviewed a sample of 1,200 benefit claimants known to be affected by the benefit cap identified from the October 2013 Single Housing Benefit Extract (SHBE).
- Interviews were carried out using Computer-Assisted Telephone Interviewing (CATI) with interviews lasting an average of 12 minutes.
- Fieldwork was conducted between 6 and 27 February 2014.
- Results are based on all respondents unless otherwise stated.
- Data is weighted to be representative of the profile of affected claimants as per the October SHBE extract in relation to age, gender, number of dependents, size of property (number of bedrooms) and amount by which claimants have been capped.
- An asterisk (*) denotes a finding of less than 0.5%, but greater than zero.
- Where results do not sum to 100 this may be due to multiple responses or rounding.

The respondents who took part in the survey are only a sample of the total "population" of those affected by the benefit cap. Therefore we cannot be certain that the figures obtained are exactly those we would have if everybody had responded (the "true" values).

We can, however, predict the variation between the sample results and the "true" values from knowledge of the size of the samples on which the results are based and the number of times a particular answer is given. The confidence with which we can make this prediction is usually chosen to be 95 per cent - that is, the chances are 95 in 100 that the "true" value will fall within a specified range.

The table below illustrates the predicted ranges for different sample sizes and percentage results at the "95 per cent confidence interval":

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Size of sample on which survey result is based	Approximate sampling tolerances applicable to percentages at or near these levels		
	10% or 90% ±	30% or 70% ±	50% ±
100 responses	6	9	10
200 responses	4	6	7
500 responses	3	4	4
1,200 responses	2	3	3

For example, with a sample size of 1,200 where 30 per cent give a particular answer, the chances are, 19 in 20, the "true" value (which would have been obtained if the whole population had been interviewed) will fall within the range of ± 3 percentage points from the survey result (i.e. between 27% and 33%).

When results are compared between separate groups within a sample, different results may be obtained. The difference may be "real," or it may occur by chance (because not everyone in the population has been surveyed).

To test if the difference is a real one, i.e. if it is "statistically significant", we again have to know the size of the samples, the percentage giving a certain answer and the degree of confidence chosen. If we assume "95 per cent confidence interval", the differences between the results of two separate groups must be greater than the values given in the table below:

Size of samples compared	Differences required for significance at or near these levels		
	10% or 90% ±	30% or 70% ±	50% ±
100 and 100	8	13	14
200 and 200	6	9	10
500 and 500	4	6	6
1,000 and 1,000	3	4	4

Policy information

The benefit cap limits the total amount of benefit that may be received by people in a single household from the following benefits:

- Bereavement Allowance
- Carer's Allowance
- Child Benefit
- Child Tax Credit
- Employment and Support Allowance (not including the support component)
- Guardian's Allowance
- Housing Benefit
- Incapacity Benefit
- Income Support
- Jobseeker's Allowance
- Maternity Allowance
- Severe Disablement Allowance
- Widowed Parent's Allowance (or Widowed Mother's Allowance or Widows Pension if received before 9 April 2001)

The amount of benefits a household can receive is restricted to £500 per week for couples (with or without children living with them), £500 for single parents whose children live at home, and £350 per week for single adults with no children or whose children live away from home.

Households are exempt from the benefit cap if anyone in the household receives Working Tax Credits or receives any of the following benefits:

- Disability Living Allowance
- Personal Independence Payment
- Attendance Allowance
- Industrial Injuries Benefits (and equivalent payments as part of a war disablement pension or the Armed Forces Compensation Scheme)
- Employment and Support Allowance (the support component)
- War Widow's or War Widower's Pension

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- War pensions
- Armed Forces Compensation Scheme
- Armed Forces Independence Payment

The benefit cap applied from 15 April 2013 in Bromley, Croydon, Enfield and Haringey Local Authorities. Remaining Local Authorities applied the cap between 15 July 2013 and the end of September. As such all households identified as being appropriate to be capped were capped by the end of September 2013. The benefit cap is currently administered through Housing Benefit, and as such a household which is not in receipt of Housing Benefit will not currently be in scope for the cap.

Further information and official statistics for the benefit cap can be found at <https://www.gov.uk/government/collections/benefit-cap-statistics>.