



Department
for Work &
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Benefit Cap: Analysis of outcomes of capped claimants

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Executive summary

Background

The benefit cap is one of a number of policies introduced by the Government as part of its strategy to reform the system of benefits for people of working age. Intended as a work incentive, it limits the amount of benefits a household can receive to £500 per week for couples with or without children and lone parents; and £350 per week in the case of single people without children, or whose children do not live with them. The latest official statistics, published in November 2014¹, showed over 51,000 households have been capped since the introduction of the cap in April 2013; 46 per cent were in London². In August 2014, over 27,000 households were affected by the cap.

Historical caseload

A historical estimate of the number of households who would have been capped had the policy been in place from July 2008 has been made. The estimated caseload increased until around March 2010 after which it started to decline. This decline accelerated from around March 2012. The estimated number of households in scope for the cap has fallen by over 40 per cent since March 2012.

Proportion of households in scope for the cap after 12 months

Cohort analysis has been undertaken, taking the benefit caseload in May of each year from 2010 to 2013. Within each cohort, two main groups have been analysed: those in scope for the cap and a similar group of those with a benefit income just under the cap (by £50 per week or less). A comparison of outcomes between these groups and across cohorts has been made.

More households have had a change in circumstance that takes them out of scope of the cap post-implementation compared to pre-implementation. Over 50 per cent of the May 2013 cohort in scope for the cap were no longer in scope one year later. A similar result is found for the May 2012 cohort who received some support prior to implementation. This compares to around one-third for the May 2010 and May 2011 cohorts.

¹ <https://www.gov.uk/government/statistics/benefit-cap-number-of-households-capped-to-august-2014>

² The cap was introduced in 4 London boroughs in April 2013 and rolled out nationally over the summer of that year to be in place nationally by the end of September 2013.

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Amounts lost through capping

The mean average loss for the November 2013 cohort was around £70 (a median of £46). The loss was greater in London at £80 (£54) compared to the rest of Great Britain at £62 (£42). Discretionary Housing Payments, where awards have been made, have reduced the loss for households.

Support and awareness of the cap

Over two-thirds of households in scope for the cap in May 2013 were sent at least one letter by the Department for Work and Pensions to inform them of the impending implementation of the benefit cap. In addition, around three-quarters had been identified on DWP's Labour Market System in the year leading up to implementation; of which nearly a half were identified a year before the policy was introduced.

Impact on employment

Movement into work, defined as a household having an open Working Tax Credit claim³, has been the main focus of this report.

Post-implementation analysis shows that capped households were more likely to move into employment than similar uncapped households. 19 per cent of capped households were in work after a year compared to 11 per cent for a similar uncapped group – a difference of over seven percentage points (May 2013 cohort). Even after controlling for a range of observable characteristics (for example, number of children), capped households were 4.7 percentage points (41 per cent) more likely to flow into employment after a year compared to similar uncapped households.

Historical estimates (for May cohorts 2010 and 2011) show that the rate at which those in scope for the benefit cap moved into work was very similar to the rate at which those just under the cap did so. This suggests that factors other than the benefit cap were affecting the rate at which these groups' flow into employment in a similar way pre-implementation. In turn, this suggests that the differences that emerged post-implementation provide a reasonable sense of the likely effect of the benefit cap.

The greater the amount by which benefit receipt was reduced by the cap, the greater the proportion moving into employment. Over 30 per cent of those in the May 2013 cohort who were capped by more than £200 moved into work after a year.

Further sub-groups have been examined including by region, Lone Parents and Carers. Historical estimates for May 2010 and May 2011 cohorts show the rate at which those households flowed into work was very similar to the rates at which those just under the cap did.

Nearly a quarter of capped households in the May 2013 cohort in London entered work after a year. This compares with around 13 per cent for those households just

³ Entitlement to WTC provides an exemption from the benefit cap.

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under the cap level – a difference of 12 percentage points. After controlling for a range of observable characteristics, capped households were 9.5 percentage points (70 per cent) more likely to flow into employment after a year compared to similar uncapped households in London.

For Lone Parents in scope for the cap in May 2013, the proportion moving into employment was over 16 per cent compared to less than ten per cent for those just under the cap – a difference of around seven percentage points after a year. When controlling for a range of observable factors, Lone Parents were 4.9 percentage points (51 per cent) more likely to flow into work after a year. When looking at Lone Parents in London, those in scope for the cap were 8.4 percentage points (70 per cent) more likely to enter work compared to uncapped Lone Parent households in London.

Households in which someone was claiming Carers Allowance in May 2013 showed 15 per cent moved into work after a year compared to five per cent for those just under the cap – a difference of ten percentage points.

Households moving house

After 12 months, around 14 per cent of those in scope for the cap had moved house, relative to around 11 per cent for the group just under the cap – a difference of three percentage points (May 2013 cohort). However a two or three percentage point difference was also present prior to implementation (within the May 2010 and May 2011 cohorts), suggesting that the benefit cap has not led to significant increases in the proportion of capped households moving. It may, however have led to an increase in the probability of moving amongst a small subset of capped households who lost a relatively large amount of benefit income as a result of the cap (who were disproportionately in London).

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1 Introduction

The benefit cap is one of a number of policies introduced by the Government as part of its strategy to reform the system of benefits for people of working age. Intended as a work incentive, it limits the amount of benefits a household can receive to £500 per week for couples with or without children and lone parents; and £350 per week in the case of single people without children, or whose children do not live with them. The benefit cap seeks to ensure that workless households⁴ do not receive more in benefits than the average working household earns. Further details on the benefit cap policy can be found in Annex A. This report is part of a suite of evaluation material that supports the benefit cap review, details of the other publications can be found in Annex B.

This report presents the following quantitative analysis of the benefit cap:

- The historical trends in the benefit cap caseload, had the cap been in place since July 2008.
- The historical series of on-flows and off-flows of the benefit cap caseload.
- The historical trends of the proportion of households in scope for the cap after 12 months.
- The average loss for households from the benefit cap.
- The historical series of moves into work for capped households compared to a similar group of households with benefit income just under the cap level.
- The historical series of the probability of moving house for capped households compared to a similar group of households with benefit income just under the cap level.

The latest official statistics, published in November 2014⁵, showed over 51,000 households have been capped since the introduction of the cap; 46 per cent of these were in London. In August 2014, over 27,000 households were currently capped. It should be noted, however, that figures in this paper differ from those used in the Benefit Cap Official Statistical Series available on Stat-Xplore⁶. A different methodology is applied in this publication, which draws from snapshot monthly datasets built from benefit payment system scans created specifically for historical comparisons of capped households and for comparisons with households who are similar to capped households, but who are not capped. This provides a comparison

⁴ In relation to the cap, “household” means the claimant, claimant’s partner and any child or young person for whom either of them has responsibility.

⁵ <https://www.gov.uk/government/statistics/benefit-cap-number-of-households-capped-to-august-2014>

⁶ <https://stat-xplore.dwp.gov.uk/>

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over time that spans both pre and post implementation. For consistency the estimates in this report use households in scope for the cap, rather than those who have gone on to be recorded as actually capped (as per the official statistics), since actually capped cases didn't, by nature, exist prior to the policy being introduced. Differences may exist from those actually capped to those in scope for the cap. This may be, for example, from a delay in processing the benefit cap. However, as we demonstrate in the next section, the two series are very similar to each other. Further detail on this can be found in Annex E.

There are two ways in which we look at the data:

- **Caseload analysis:** This shows the numbers of households in scope for the cap each month. This does not link between a specific household in scope in one month to the next, but looks at overall numbers.
- **Cohort analysis:** This takes a group of households who are receiving benefits at a particular point in time and follows that group's outcomes over time. It is this methodology that provides a guide to movements of capped households. A small proportion of these households in the 2013 cohorts may not have been actually capped, for example due to time lags in the data, however switching to use actually capped numbers rather than these estimates creates a break in the time-series that results in the pre and post implementation groups not being comparable, therefore we have continued to use in scope numbers even after the policy is live.

2 Historical time-series

Using the snapshot monthly data, Chart 2.1 estimates the number of households who would have been capped in each month between July 2008 and July 2014 had the benefit cap been in place. This is estimated in two ways. Firstly by assuming the cap level has remained constant in nominal terms over time (£500 for lone parents or couples, £350 for single-member households). Using this approach, the cap will often tend to apply to increasing numbers of households over time as more households are brought into scope through annual inflation uprating of benefits. Therefore the cap level has been re-estimated by deflating its level according to the prevailing measure of inflation used for benefit uprating at that time (either the Consumer Price Index or Retail Price Index (CPI/RPI)). This retains a more comparable caseload over the whole time period. All further analysis presented uses this deflated cap methodology to estimate the caseload. Further information on the methodology can be found in Annex E.

The estimated caseload, using the constant cap level, increased from 2008 to April 2012, after which it started to decline. The inflation-adjusted cap level peaked in March 2010, and in July 2014 is nearly 50 per cent lower than this peak and over 40 per cent lower than March 2012 where the decline in the caseload accelerated. Changes in caseload level can be seen at points of uprating (around April each year) as households are brought into scope of the cap. The estimated levels converge closely with the actually capped caseload (as shown in official statistics) providing confidence in the reliability of the estimates of those in scope for the cap.

The estimated caseload is split by benefit type in Chart 2.2 showing the proportions of the caseload in receipt for each key benefit type. The proportion of households on Income Support (IS) has been falling over time, which reflects the overall change in eligibility for this benefit including both Lone Parent Obligations and the movement from Incapacity Benefit, which could be claimed in conjunction with IS, to Employment Support Allowance (ESA), which can not. Increases are initially seen for those on Jobseeker's Allowance (JSA), whereas they are now falling, possibly as a result of additional moves into employment. Other benefit types, accounting for less than ten per cent, are mainly made of those claiming Bereavement Allowance, Carers Allowance, Child Tax Credit and/or Child Benefit. The number of households in scope for the cap containing individuals in receipt of benefits other than the three main out-of-work benefits is small. There are around 1,400 capped households in receipt of Carers Allowance; the majority of these also claim an out-of-work benefit. A small number of cases report just receiving a Housing Benefit claim.

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Chart 2.1 Historical time-series of estimated capped caseload (July 2008 to July 2014)

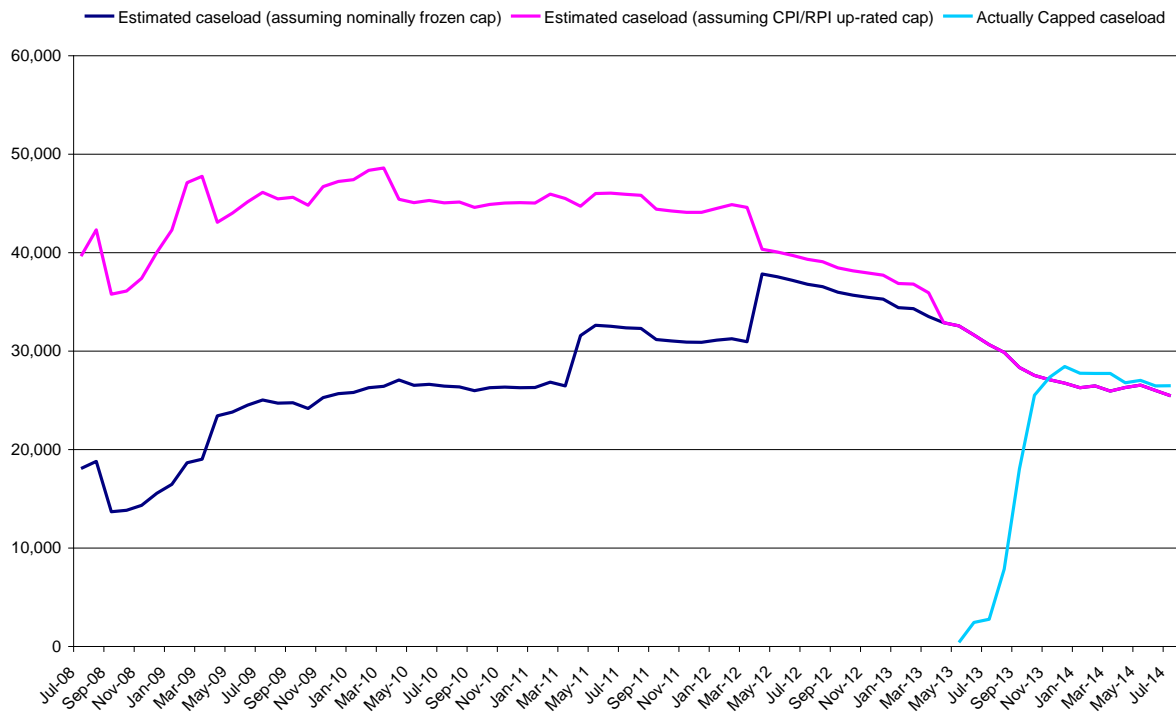
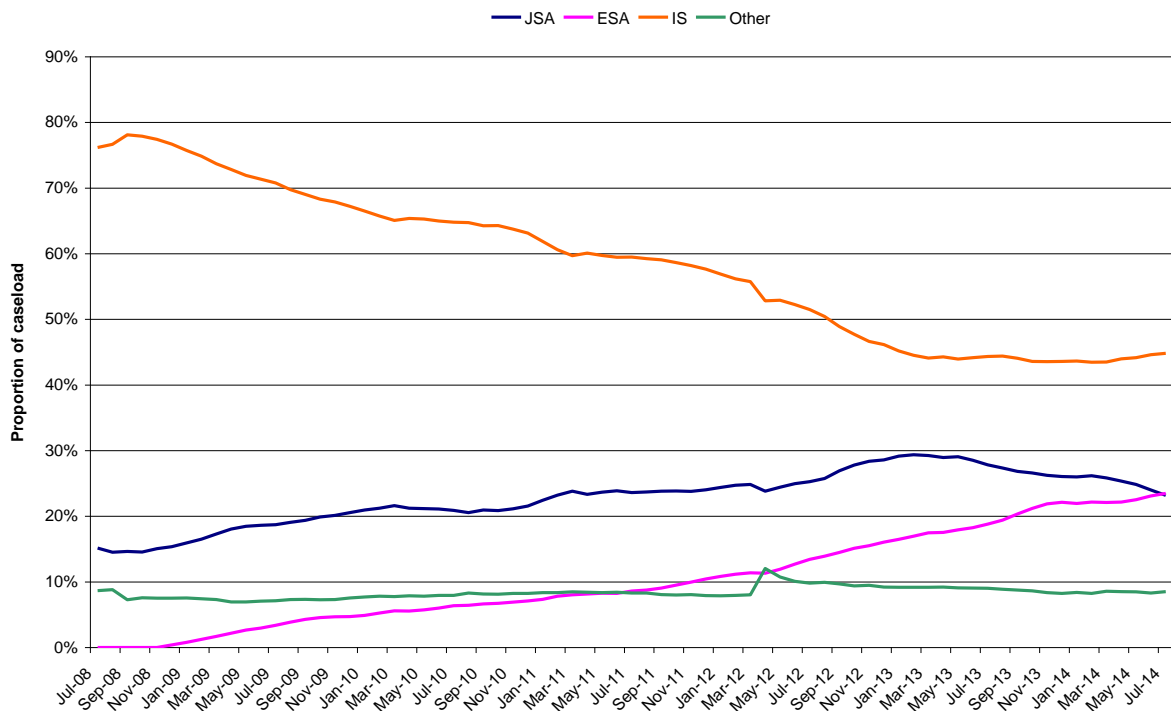


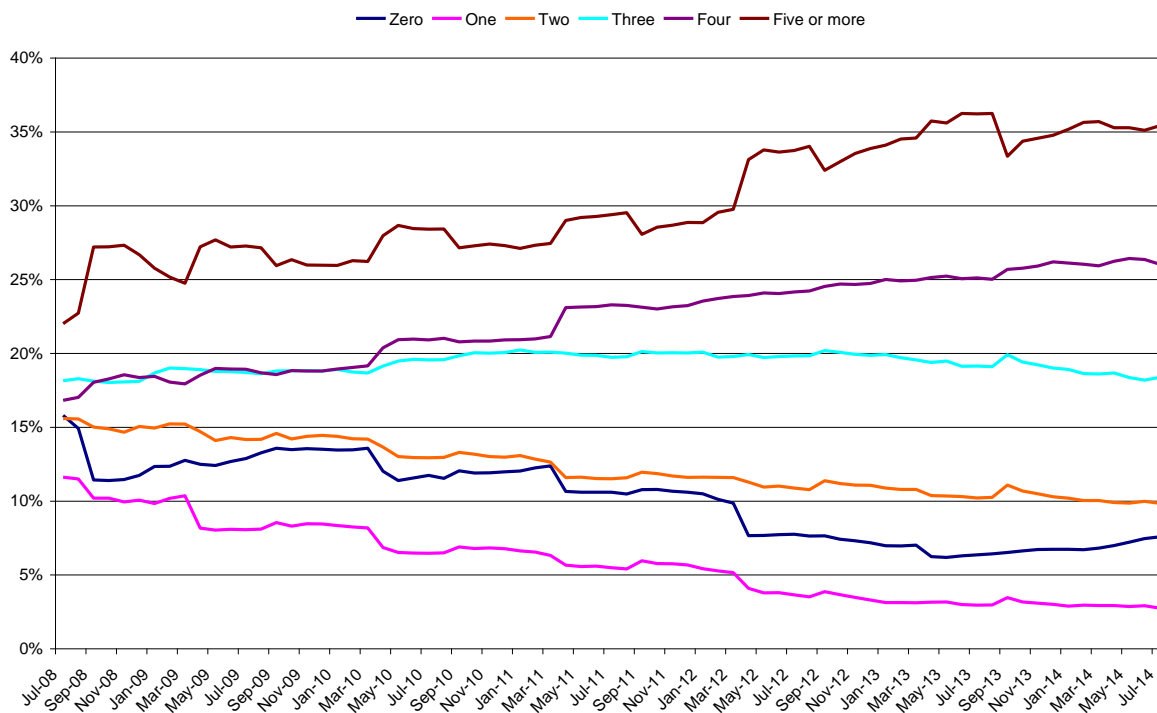
Chart 2.2 Historical time-series of estimated capped caseload split by benefit type (July 2008 to July 2014, assuming CPI/RPI uprated cap)



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As Chart 2.3 illustrates, there has been a steady decline in the proportion of the caseload with none, one or two children, whereas an increase has been seen for those with four or more children. The increases shown in April months are a reflection of the uprating of child related benefits above the rate of inflation.

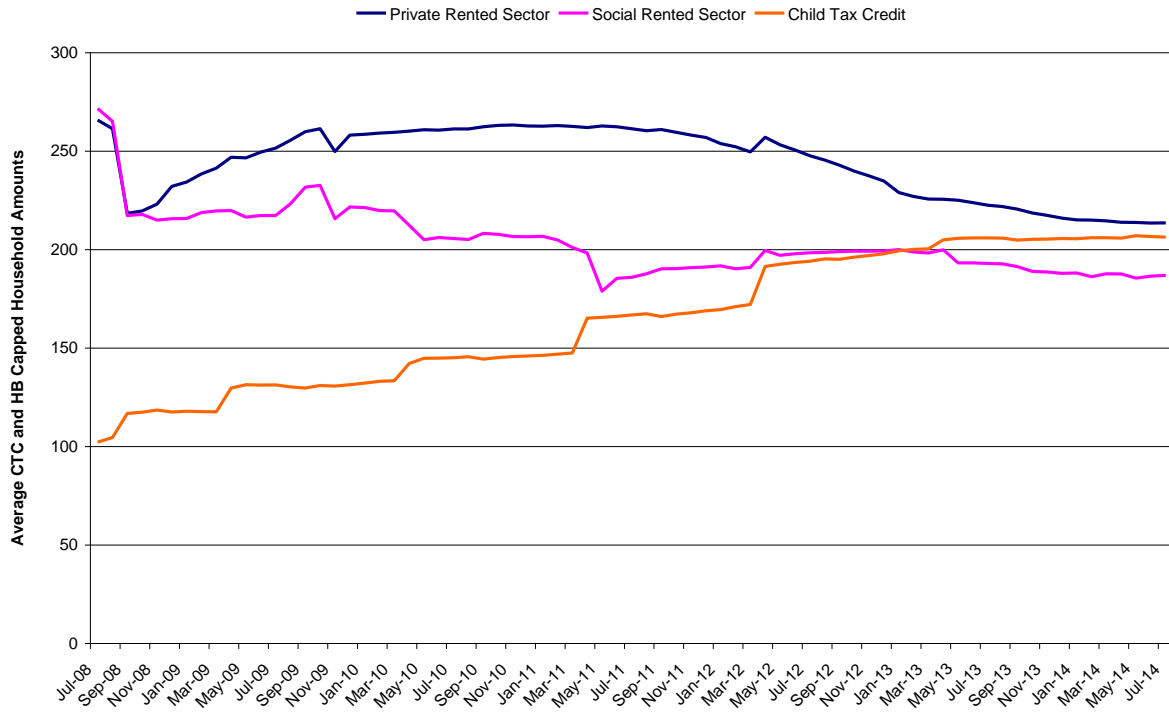
Chart 2.3 Historical time-series of estimated capped caseload split by number of children (July 2008 to July 2014, assuming CPI/RPI uprated cap)



Housing Benefit changes as a result of the Local Housing Allowance (LHA) reforms reduce the amount of Housing Benefit payable to most of the caseload in the Private Rented Sector. As Chart 2.4 highlights, this is seen with a decline starting from Mid-2011. However, the effect of the LHA reduction is seen alongside rising Child Tax Credit payments. A decrease in Housing Benefit can also be seen in the Social Rented Sector, reflecting the fact that the increase in caseload pre-April 2012 is likely, at least in part, to be due to the uprating of child related benefits bringing households in lower rent areas into the cap caseload. Amounts shown in the chart are in nominal prices.

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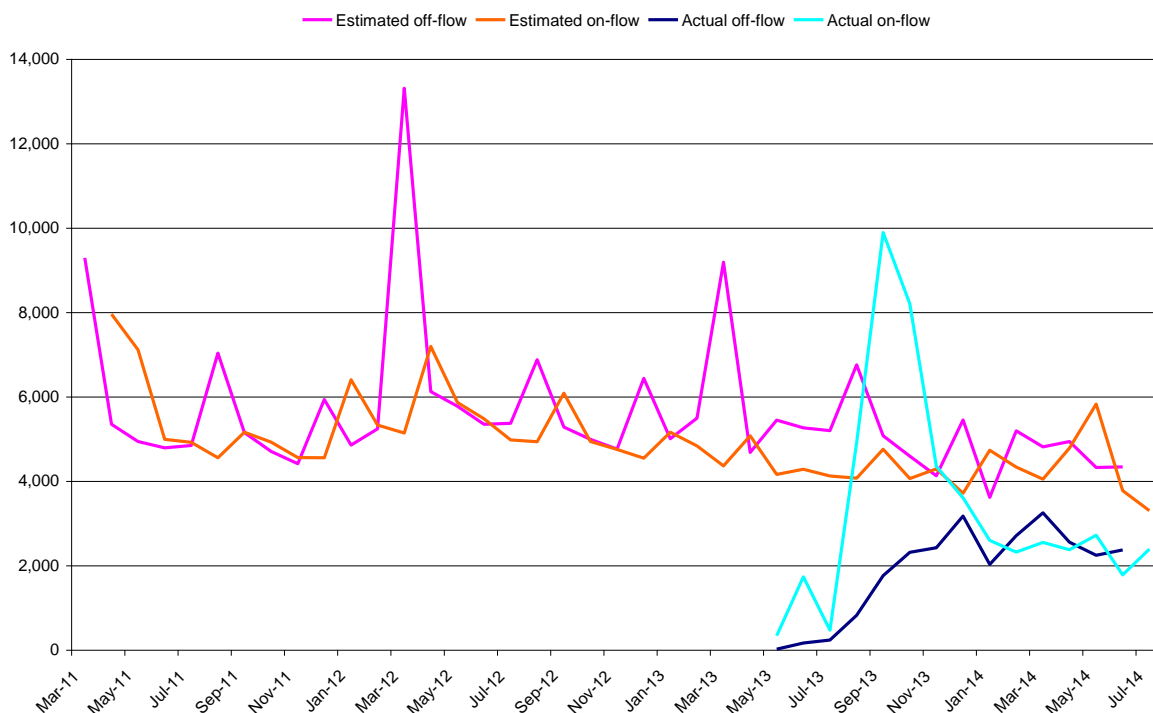
Chart 2.4: Average Child Tax Credit amounts and Housing Benefit of households in scope for the cap (July 2008 to July 2014, assuming CPI/RPI uprated cap)



3 Estimated historical on-flows and off-flows

The data on households in scope for the cap, assuming a CPI/RPI uprated cap, have been used to examine the last three years of on-flows and off-flows. There are two noticeable points from Chart 3.1. Firstly, large off-flows can be seen in March (those households capped in March but who off-flowed by April). This is linked with the uprating of working-age benefits in April each year. The greater than normal spike in the off-flow rates for March 2012 is partly a combination of factors including: certain benefits (such as Child Benefit) not being uprated; changes in eligibility for Working Tax Credits; and lags in the data to pick-up the new uprated benefit payments (in April 2012 most working-age benefits increased by 5.2 per cent). Secondly, following the introduction of the cap in April 2013, off-flows remain higher than on-flows for over six months where previously they closely followed each other. This could reflect an effect of the benefit cap during implementation, where the off-flow is additional to the usual churn, eroding the stock of households who were in scope for the cap over the longer term.

Chart 3.1 Historical on-flows and off-flows (April 2011 to April 2014, assuming CPI/RPI uprated cap)

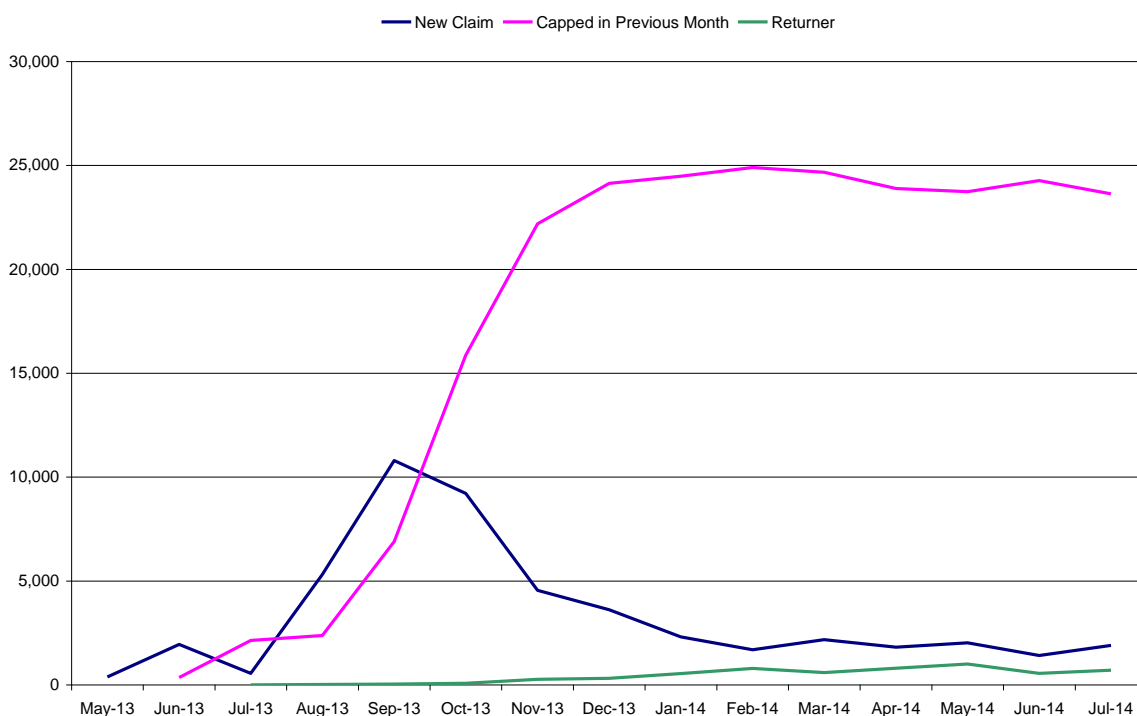


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To understand the caseload churn further, the actual capped caseload, as captured in this data, has been examined to assess caseload churn. This is whether claimants had been: a) capped in the previous month; b) whether they had previously been capped, moved out of scope and then returned; or c) whether the cap was a new first-time claim.

Chart 3.2 shows very few households leaving the cap later return, on average, less than 500 per month over the time period. New claims have also stabilised with around 2,000 claims a month being made over 2014. This is corroborated by official statistics that show only a small difference between the cumulative off-flow statistics and the latest point-in-time picture. The rapid build up of new claims in summer 2013 reflected full national implementation of the policy and a subsequent refresh of data (i.e. where more up-to-date information on caseload was processed after the roll out completed)⁷.

Chart 3.2 Capped caseload by type of claim (May 2013 to July 2014)



There are also only small numbers of households in scope for the cap who become exempt from the cap due to claiming an exempt benefit⁸ each quarter (not including a Working Tax Credit). Analysis, in Chart 3.3, looked at movements of capped claimants from the first month of the quarter (for example, June 2011) and assessed

⁷ The implementation was completed using a single set of records. Anyone who experienced a change in circumstances, such that they would have been capped but the change in circumstance occurred after the single extract, would then only be capped after the post-implementation refresh.

⁸ Exempt benefits include: Working Tax Credit, Disability Living Allowance, Personal Independence Payment, Attendance Allowance, Industrial Injuries Benefit (and equivalent payments made as part of the war disablement pension or Armed Forces Compensation Scheme) and the Support Component of Employment Support Allowance.

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whether the household subsequently moved to an exempt benefit by the end of the quarter for a three month measure and a year later for a 12-month measure. There has been a very small increase over time for those moving to an exempt benefit over a three month period and a slight increase in the proportion, which has now levelled off, over a 12-month period. The main exempt benefits being claimed are Disability Living Allowance (DLA), DLA for a dependent, and Employment Support Allowance (ESA) with the support component. Recent months have shown some movement onto Personal Independence Payments (PIP). However the figures flowing to an exempt benefit over a three month period represent around two per cent of the caseload (around 750 households); a very small number of households.

Chart 3.3 Off-flows to exempt benefits for those in scope for the cap (June 2011 to May 2014)

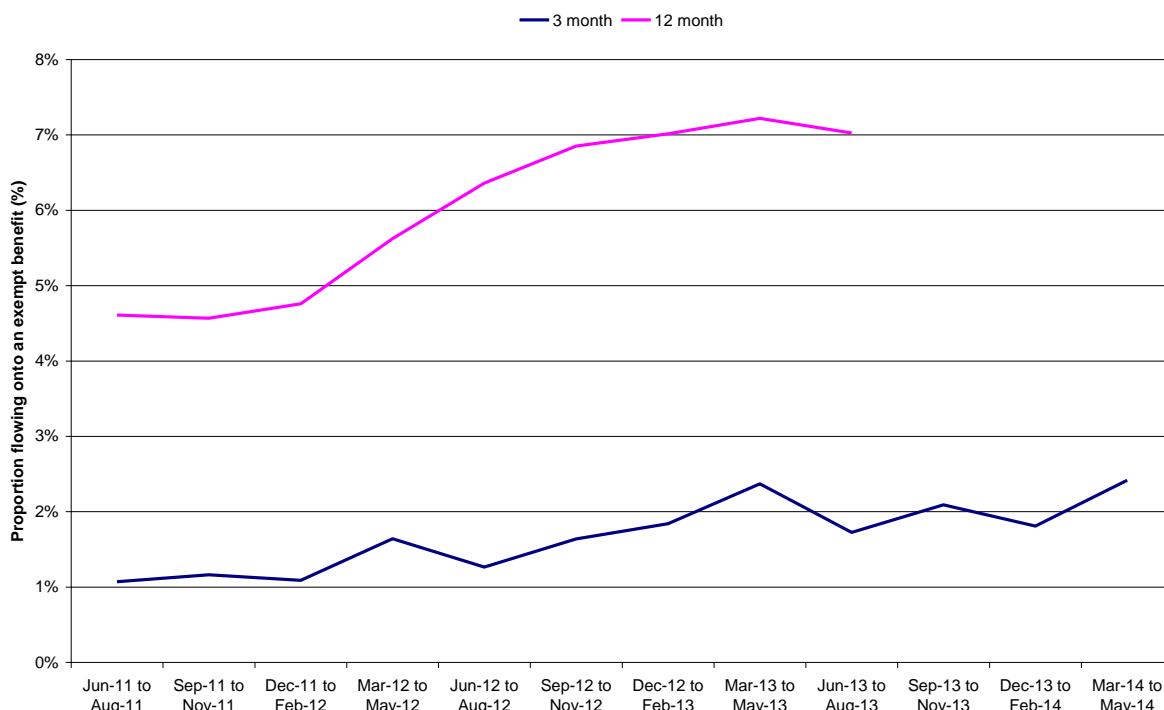
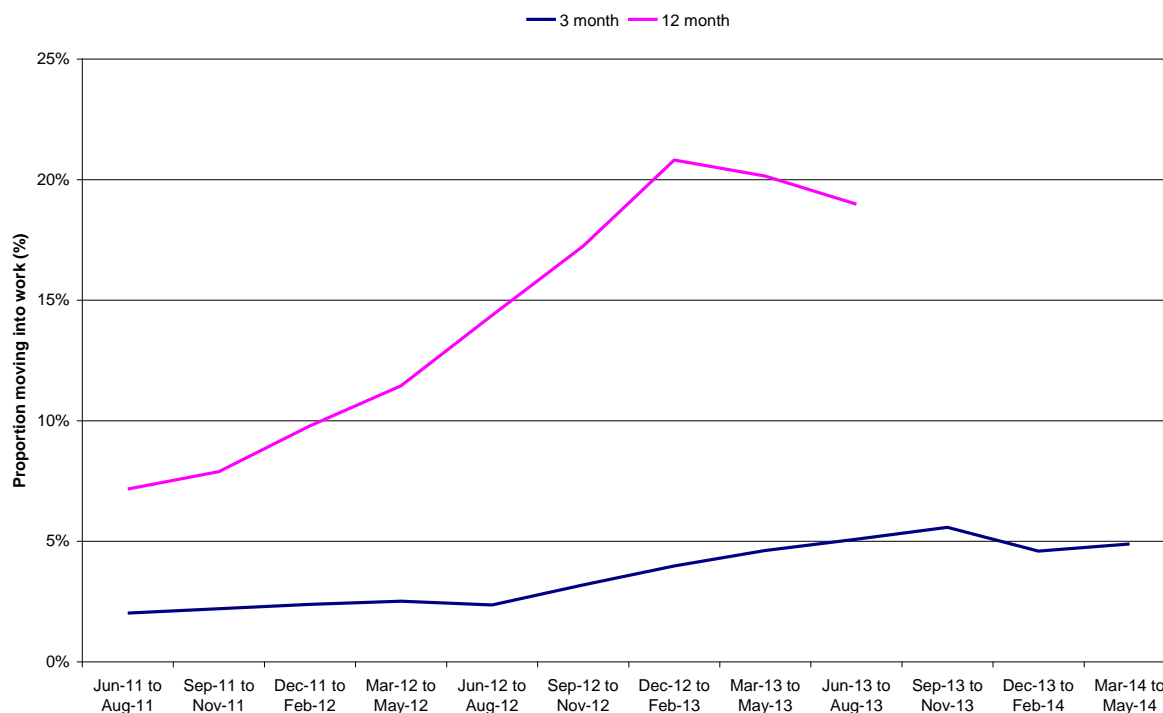


Chart 3.4 highlights the proportion of capped cases moving into work, proxied by new Working Tax Credit claims, has been increasing over time. Potential explanations include a recovering economy and the implementation of the benefit cap, and this is examined and discussed in more detail later. Around one-in-five of those in scope in December 2012 to February 2013 had moved into work a year later. Households in scope for the cap may not actually be capped as they avoid the cap through quicker returns to work.

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Chart 3.4 Off-flows into work for those in scope for the cap (June 2011 to May 2014)



The data has also been examined to see whether spatial movement of households occurs over time. In order to examine this, changes in postcode sector (the first three, or where applicable, four digits) between the first month of the quarter (for example, June 2012) and the end of the quarter (in previous example August 2012), and also after a year, were considered. This may not identify all moves such as, very short-distance moves, where the claimant stays within the same postcode sector, moves occurring after Housing Benefits are no longer claimed or if the postcode provided is incorrect or missing. A very small number do not have a postcode in the cohort month and therefore have also been excluded from the analysis.

Chart 3.5 shows that the proportion of moves has stayed relatively stable, at around two per cent, including after the introduction of the benefit cap and less than one per cent of all households move Local Authority (or less than 25 per cent of all movers). Table 3.1 shows, for those moving, where these moves occurred. The levels have remained stable over time; although a small increase can be seen in those moving from Outer London to outside London.

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Chart 3.5 Proportion of households in scope for the cap moving house after three months and proportion moving Local Authorities

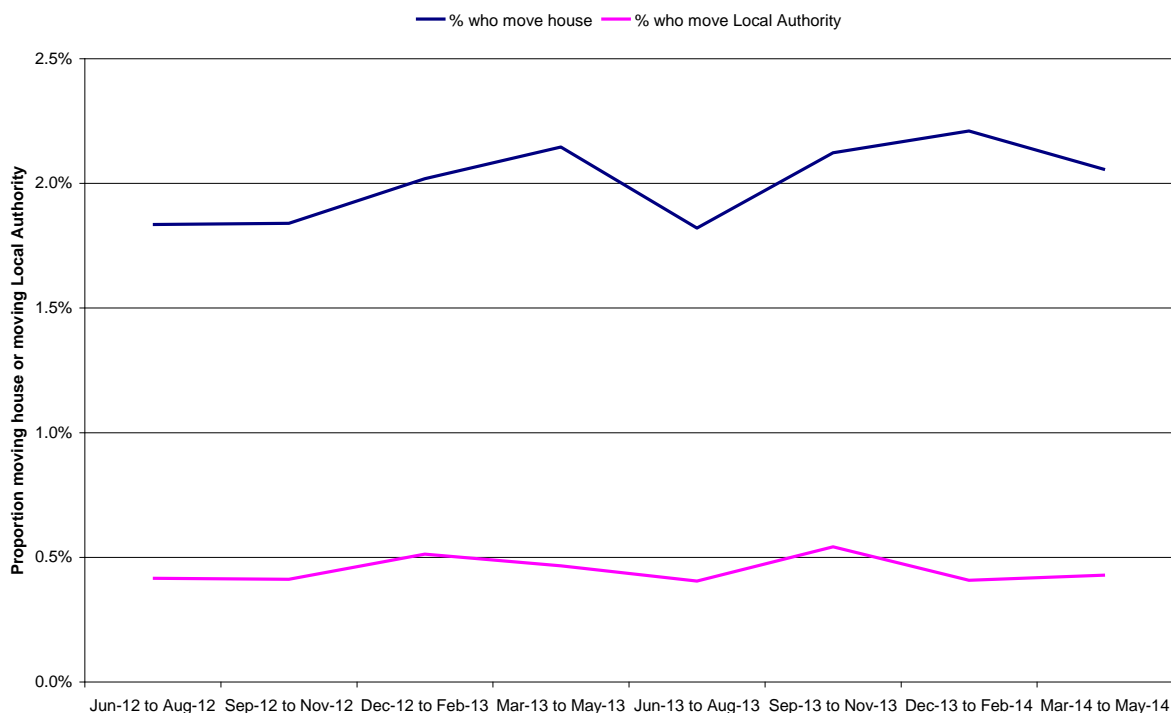


Table 3.1: Those in scope for the cap moving house in the quarter by start and end location

Of households who move	Inner London moving to:			Outer London moving to:			Outside London moving to:		
	Inner London (%)	Outer London (%)	Outside London (%)	Inner London (%)	Outer London (%)	Outside London (%)	Inner London (%)	Outer London (%)	Outside London (%)
Jun-12 to Aug-12	84.7	13.2	2.1	5.9	88.6	5.5	0.2	1.9	97.9
Sep-12 to Nov-12	81.7	12.4	6.0	2.7	87.8	9.5	0.0	1.9	98.1
Dec-12 to Feb-13	87.9	7.6	4.5	3.7	86.6	9.8	0.2	0.7	99.1
Mar-13 to May-13	91.1	4.5	4.5	3.8	85.3	11.9	0.0	1.1	98.9
Jun-13 to Aug-13	87.9	5.8	6.4	4.4	83.7	11.8	0.0	1.0	99.0
Sep-13 to Nov-13	84.8	9.4	5.8	4.7	76.6	18.7	0.4	1.3	98.2
Dec-13 to Feb-14	90.1	6.6	3.3	1.9	84.7	13.4	0.0	0.9	99.1
Mar-14 to May-14	90.4	3.8	5.8	3.9	84.8	11.2	0.7	1.7	97.6

Note: Figures may not sum due to rounding

4 Cohort Analysis Methodology

The cohort analysis takes groups of benefit claimants in May of each year between 2010 and 2013, and looks at their outcomes 12 months later. These households have been split into three main groups (though some further sub-group analysis is also presented):

- Those with a household benefit income higher than the benefit cap i.e. those in scope for the cap
- Those with a household benefit income under the cap level by between £0 and £50 per week
- Those with a household benefit income under the cap level by between £50.01 and £100 per week

May cohorts have been selected for two reasons. Firstly, those households identified as being in scope for the cap in May 2012 were the first to receive additional Jobcentre Plus (JCP) support as they were predicted, unless their circumstances changed, to be affected by the cap (though additional households were also identified at later points in the year). Secondly, households in the May 2013 cohort were those identified in the data used for national implementation of the cap. Therefore, any impact at the point of capping should be identified in this month. However, additional cohorts have been examined to verify the results are not anomalies and these too are exhibiting similar results; results from July can be found in Annex D.

The cohorts have been created using the CPI/RPI adjusted methodology explained previously and further discussed in Annex E. There are two main outcomes looked at in this cohort analysis:

- **Proportion of households in scope for the cap after 12 months –** Proportion of households who do not have a change of circumstance and so remain in scope for the cap over time. Where there are behavioural changes we would see additional households moving out of scope and, therefore, a lower proportion in scope after 12 months. This may be due to households moving into work, starting to claim exempting benefits or ceasing claims for benefits in scope, for example Housing Benefit.
- **Movement into work –** Proportion of households who flow out of scope for the cap where there is a Working Tax Credit (WTC) claim.

The primary focus of the analysis in this report has been on movement into work, to find whether claimants have responded to the strengthened financial incentive to work as intended. This is proxied by the proportion of households who flow out of

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scope for the cap where there is a WTC claim, in line with the official statistics measure. Some moves into work may not be captured by defining work as where WTC is in payment: households might enter work with insufficient hours or too much income to become eligible for WTC, or they might become eligible but not claim the WTC to which they are entitled to. On the other hand, it is possible for a new WTC claim not to be associated with a move into work: claimants working too few hours to be entitled to WTC might increase their hours (who currently do not have a nil entitlement claim), or entitled non-recipients might start claiming their entitlement⁹. Further discussion on this definition can be found in Annex E.

Unless stated, analysis is presented for Lone Parents and couples combined (i.e. those subject to the £500 cap). Single-member households (i.e. those subject to the £350 cap) have been excluded from this overall analysis and presented separately due to the group exhibiting different characteristics. This group make up a very small proportion of those who are in scope of the cap (less than 10 per cent) but are significantly different to couples and lone parents. A few notable characteristics of this group include a larger proportion being on the work related component of Employment Support Allowance (ESA) (42 per cent)¹⁰ and shorter benefit durations; just under half had a claim of less than one year. The cohort are more likely to be male (59 per cent) and are largely based in London (63 per cent) or Scotland (19 per cent). 57 per cent were aged 25-49 and 28 per cent aged 50 or over.

In comparison, Table 4.1 below shows the characteristics for the cohorts each year compromising of Lone Parents and couples. For the July cohort equivalent table, see Annex D. The comparison groups of claimants with benefit income below the cap are similar to the capped group with respect to a number of characteristics, especially with regards to benefit type. However, some differences are expected in order for these groups to receive the greater amount of benefit payment that makes them eligible to be capped; for example, a greater number of children, or a greater proportion living in London. Subsequently, using logistic regression, the differences between the groups that we are able to observe in the data are controlled for, in order to isolate as far as possible the impact of the benefit cap in driving different outcomes between the groups (though, as ever with this kind of analysis, the existence of other relevant characteristics, not observed in the data, can not be ruled out).

⁹ Exemption from capping is defined as being in receipt of WTC, including an award of £0. Before capping there was no incentive to claim a nil award, and limited incentive to claim small awards, but with the cap in place even if the award itself is of a low value its accompanying exemption from the cap makes claiming more worthwhile. Annex E shows increased take-up of nil entitlement has not, however, driven the increased take-up of WTC.

¹⁰ 28 per cent were on Jobseeker's Allowance (JSA), 23 per cent on Income Support (IS) and remaining 6 per cent on "other" benefit types.

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Table 4.1 Household characteristics of the May cohorts

Characteristics		May 2010			May 2011			May 2012			May 2013		
		Under Cap (£50.01-£100)	Under Cap (£0-£50)	In scope for the cap	Under Cap (£50.01-£100)	Under Cap (£0-£50)	In scope for the cap	Under Cap (£50.01-£100)	Under Cap (£0-£50)	In scope for the cap	Under Cap (£50.01-£100)	Under Cap (£0-£50)	In scope for the cap
Volume		82,000	44,000	55,000	76,000	43,000	56,000	70,000	39,000	51,000	66,000	36,000	42,000
Benefit Type (%)	JSA	20	22	21	24	25	24	25	26	25	29	30	29
	ESA	5	5	5	7	7	7	10	10	11	14	15	17
	IS	71	68	69	65	64	64	58	57	56	50	48	46
	Other	4	4	4	4	4	4	7	7	8	7	7	8
Gender of lead claimant (%)	Male	17	20	23	15	18	20	17	19	23	16	19	22
	Female	83	80	77	85	82	80	83	81	77	84	81	78
Number of Children (%)	0	0	0	0	0	0	0	0	0	0	0	0	0
	1	12	10	7	11	8	6	9	7	4	8	6	3
	2	25	19	15	25	19	13	23	16	12	22	16	11
	3	43	19	22	47	33	22	49	28	21	50	29	21
	4+	20	42	56	16	40	58	19	49	62	19	49	65
Region (%)	London	29	37	56	30	36	52	30	36	53	29	35	47

Note: Volumes are rounded to the nearest 1000. Figures may not sum due to rounding.

5 Proportion of households in scope for the cap after 12 months

The analysis presented in this section examines May cohorts of households, for each year from 2010 to 2013, which have been, or are, in scope for the cap. The outcome focused on this section is whether a household is still in scope for the cap after 12 months i.e. the proportion of households who do not have a change in circumstance and so remain in scope for the cap over the time period. The 12 months prior to the time point of interest are also presented to demonstrate the comparability of cohort histories; therefore each May is shown by point zero on the horizontal axis.

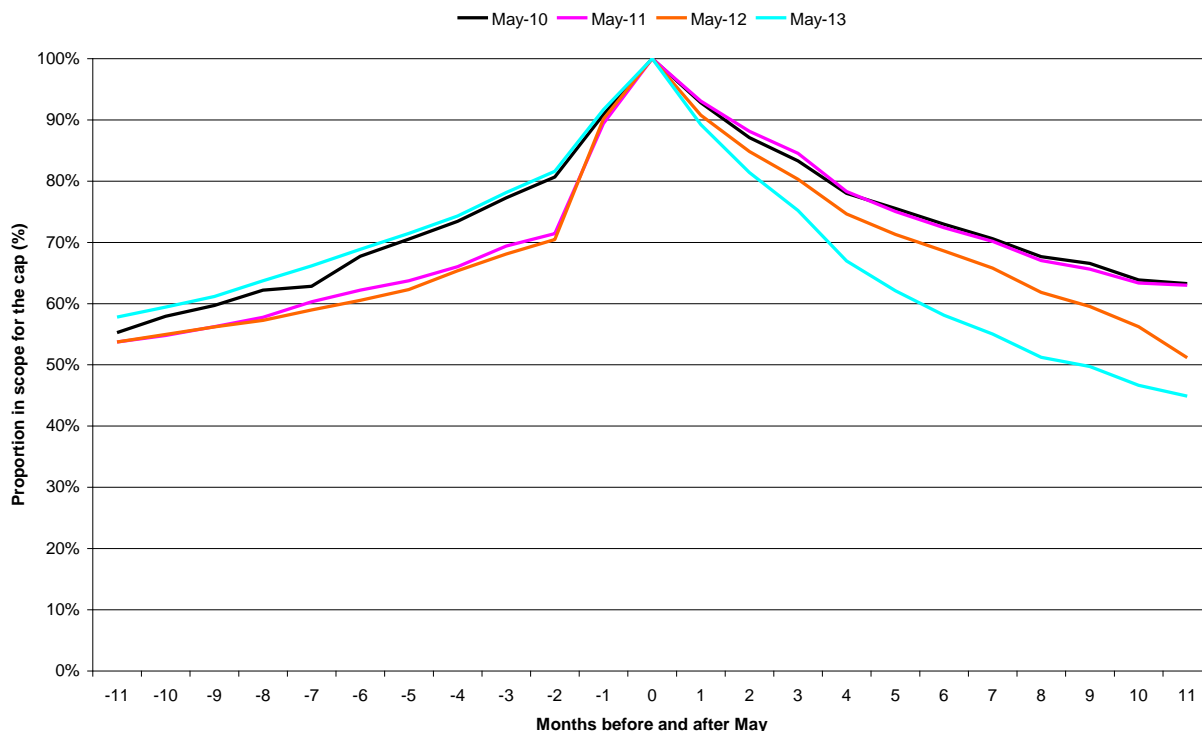
Establishing causality (whether movements out of scope occur directly as a result of the existence of the cap), however, is difficult as there isn't a natural control group that allows us to estimate what would have happened to in-scope rates in the absence of the cap. We know that, over any period, some claimant's circumstances will change and over the period under study, there has been an economic recovery that may have impacted the frequency with which people flow out of scope of the cap. These issues are explored later in Chapter 8.

Chart 5.1 shows the May cohorts for all¹¹ those in scope for the benefit cap from 2010 to 2013. In 2010 and 2011, around two-thirds remained in scope for the cap by April the following year. This is reduced considerably for 2012 to 50 per cent and to around 45 per cent in 2013. Noticeably, the histories for each cohort are similar leading up to May (point 'zero' on the horizontal axis). The sharp increase experienced for these cohorts between March and April is partly a reflection of uprating benefits and partly changes to Working Tax Credit (WTC) eligibility.

¹¹ As explained in Section 4, this includes Lone Parents and Couples, not single-member households

Benefit Cap: Analysis of outcomes of capped claimants

Chart 5.1 Overall proportion in scope for the cap over time (May cohorts, assuming CPI/RPI uprated cap)



Lone Parents display a similar trend, as shown in Chart 5.2, with a significant decrease in the proportion in scope for the cap after 12 months in 2012 and 2013. Although the proportion amongst Lone Parents remains slightly higher than the overall figure, this would be expected given the different benefit type (Lone Parents are more likely to receive Income Support (IS), which doesn't have the same work search conditionality requirements as Jobseeker's Allowance (JSA) or Employment Support Allowance (ESA)) and household characteristics exhibited by this group.

The single-member households, shown in Chart 5.3, spend less time in scope of the cap, both in terms of shorter time in scope prior to May and greater proportions off-flowing in subsequent months. Of interest is the May 2012 cohort having a greater proportion out of scope for the cap than May 2013, unlike in other sub-groups. This could reflect a different impact of economic trends on this group, or different impacts of the benefit cap policy.

Benefit Cap: Analysis of outcomes of capped claimants

Chart 5.2 Proportion in scope for the cap for Lone Parents over time (May cohort, assuming CPI/RPI updated cap)

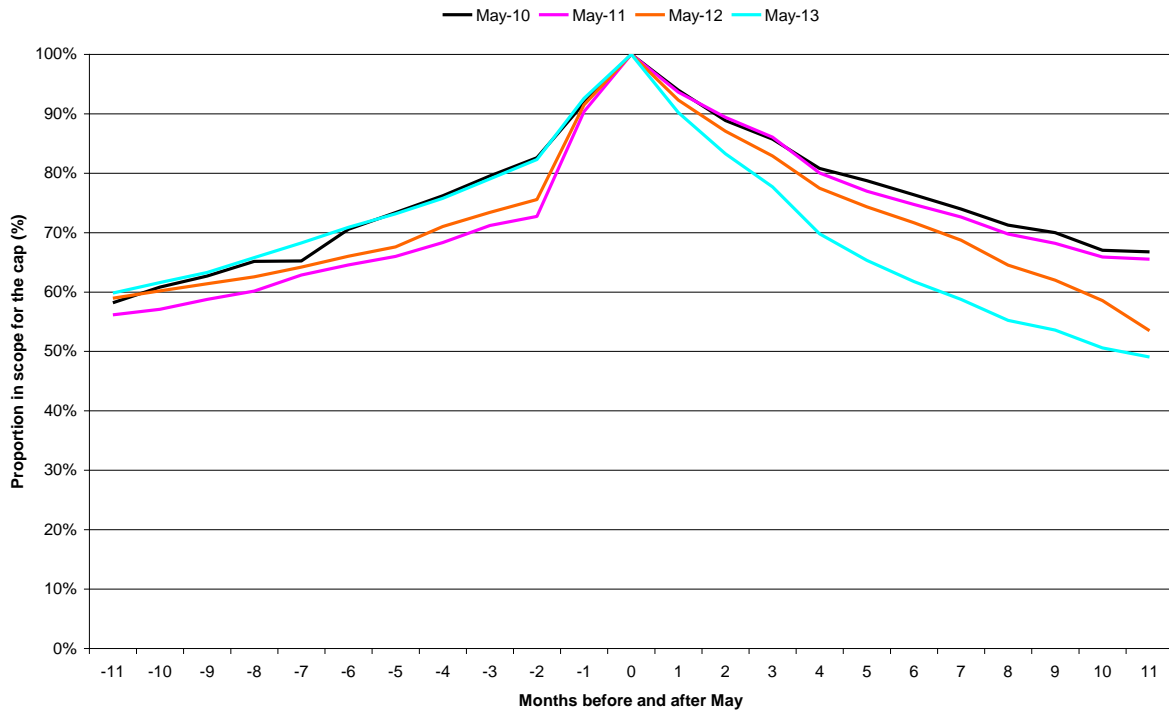
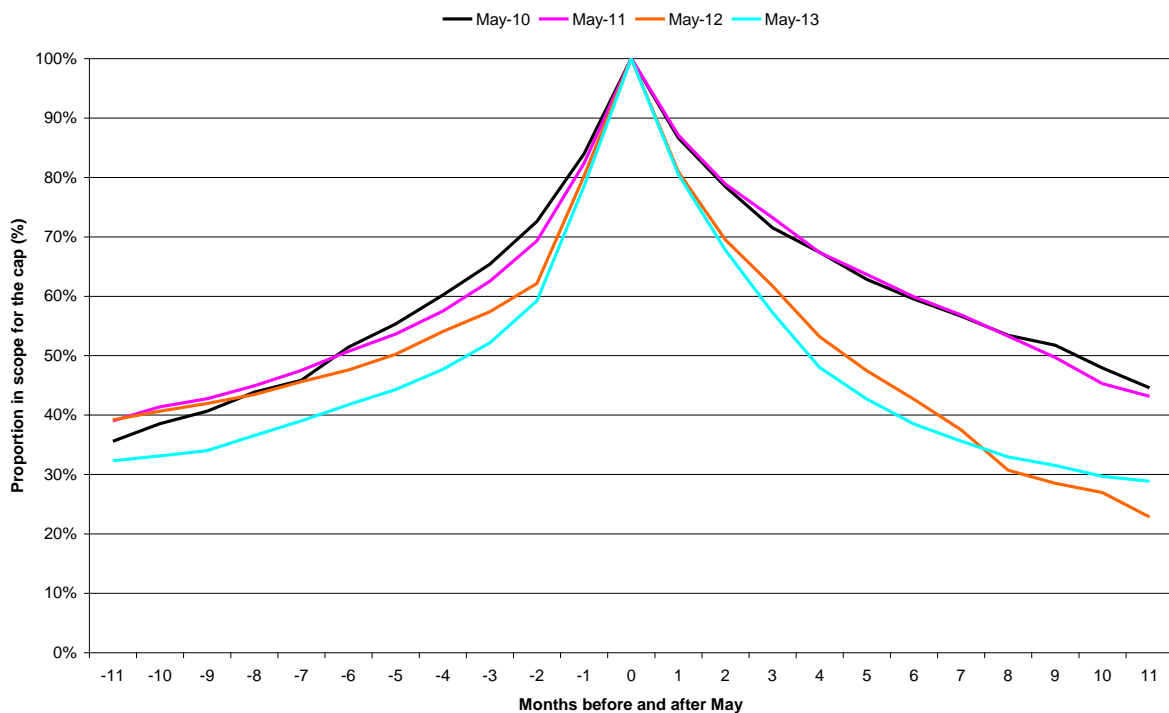


Chart 5.3 Proportion in scope for the cap for Single-Member Households over time (May cohort, assuming CPI/RPI updated cap)

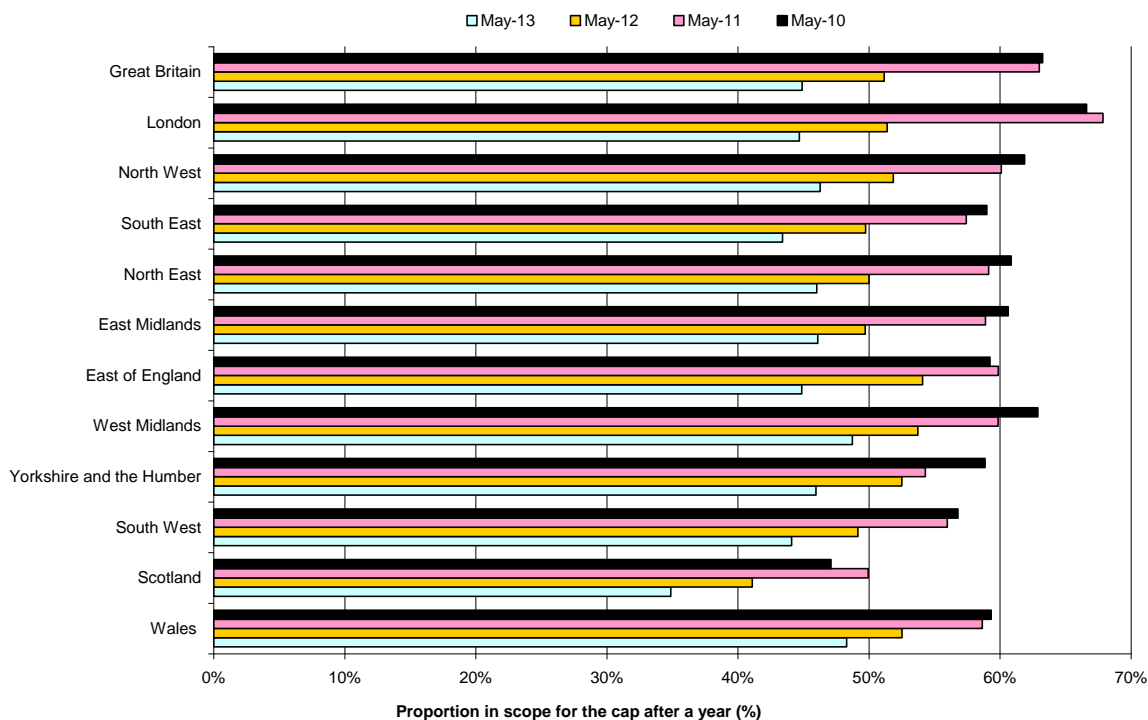


Larger proportions of households moved out of scope for the cap for 2012 and 2013 across all regions. London has had the greatest percentage point reduction in the proportion that remain in scope between 2010 and 2013; over 20 percentage points. Scotland had the lowest proportion of households who remain in scope for the cap

Benefit Cap: Analysis of outcomes of capped claimants

after a year for the May 2013 cohort (Chart 5.4). Note, the chart is in descending order of percentage point difference between the May 2010 cohort and the May 2013 cohort (London being the greatest).

Chart 5.4 Proportion in scope for the cap after 12 months by region (May cohort, assuming CPI/RPI uprated cap)



Other sub-groups examined include households which contain someone who receives Carers Allowance (Chart 5.5), where there is an 18 percentage point difference in the proportion in scope for the cap from May 2010 to May 2013. Examining by number of children (Chart 5.6), the 2013 cohort for families with two or more children have a decline in the proportion in scope after a year.

Movement to employment is analysed later in the report. Of the other reasons for moving out of scope for the cap, around six per cent at the end of the year have moved to an exempt benefit (excluding WTC claims). This may slightly underestimate these moves as outcomes are based on a hierarchical methodology, explained in further detail in Annex E. Other reasons included: five per cent had a benefit income lower than the cap level, 16 per cent could not be matched to a record (possibly suggesting they are no longer claiming HB), and nine per cent had a lower HB claim. As noted earlier, these outcomes are for the May 2013 cohort; therefore numbers will not align to the Benefit Cap Official Statistics which show outcomes for all of those capped since implementation. The households who have not flowed out of scope for the cap after 12 months exhibit similar characteristics to the overall caseload; though they are less likely to be on JSA and have had longer benefit durations.

Benefit Cap: Analysis of outcomes of capped claimants

Chart 5.5 Proportion in scope for the cap for those receiving Carers Allowance over time (May cohort, assuming CPI/RPI uprated cap)

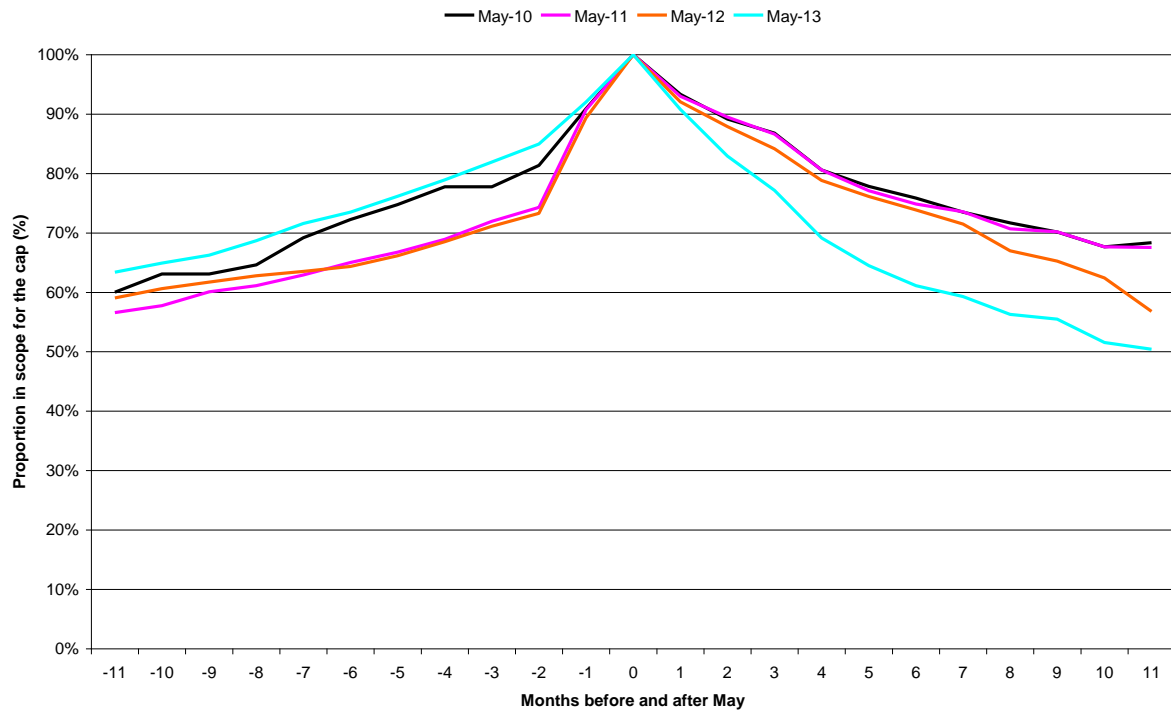
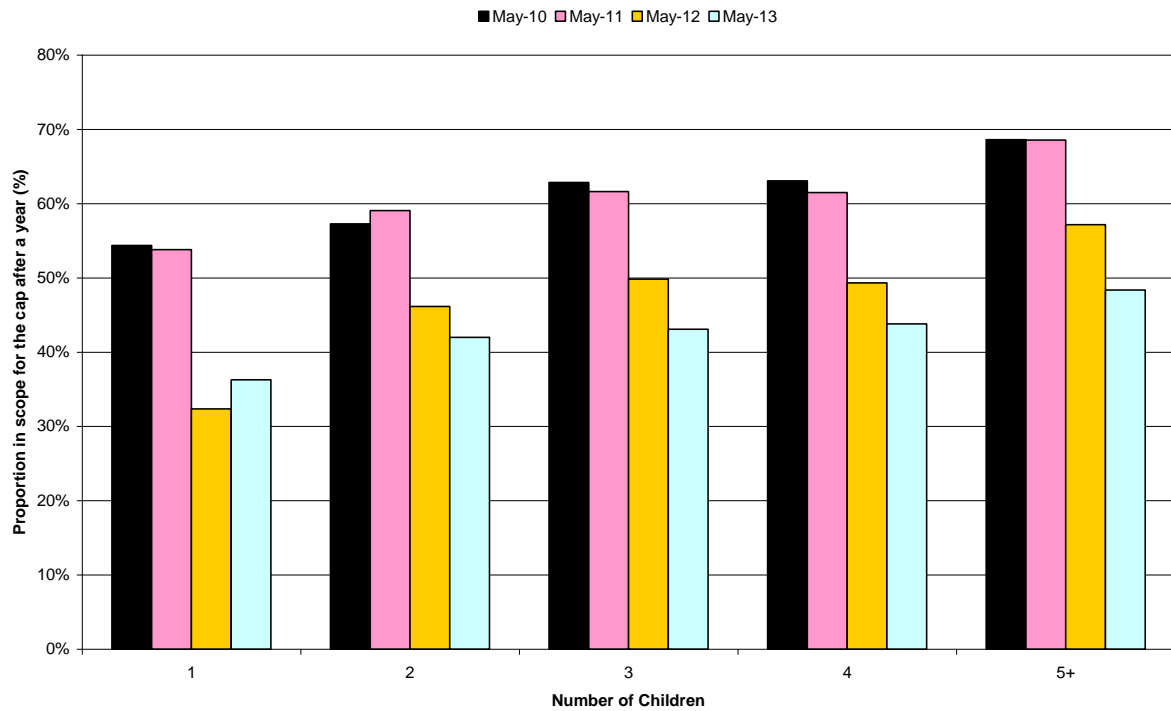


Chart 5.6 Proportion in scope for the cap after 12 months by number of children for (May cohort, assuming CPI/RPI uprated cap)



Note: A small number of couples without children have been excluded from this chart.

6 Amount lost through capping

This section examines the average loss amounts of potentially capped households for the May and November cohorts. The effect of Discretionary Housing Payments¹² (DHP) on the loss amount has also been assessed to see the effect of DHP's in providing short-term financial support; hence reducing the average amount benefit is reduced by. This has been calculated by reducing the loss amount by the DHP award. Table 6.1 shows the average amount lost from the benefit cap for each May cohort (excluding singles). The May cohorts had relatively few DHP awards, therefore reducing the cap amount to account for the DHP payment does not significantly alter the amount total benefit income is reduced by. Part of this may be due to those identified as being in scope for the cap, but not being capped (and thus a DHP may not be required) as the cap was just being implemented. However, a difference can be seen from the November 2013 cohort with the average loss being reduced by £12 when taking into account DHP awards (Table 6.2). It is worth noting that DHP's have been awarded to households prior to the benefit cap being implemented, possibly as a result of other housing related policies, such as Local Housing Allowance (LHA).

Table 6.1 Average loss amounts for those in scope for the cap (May cohorts)

Loss Amount	May-2010 Cohort	May-2011 Cohort	May-2012 Cohort	May-2013 Cohort
Mean	£97	£98	£94	£79
Median	£62	£63	£62	£55
Loss amount taking into account DHP awards				
Mean	£97	£98	£94	£79
Median	£62	£63	£62	£54
% Receiving a DHP award	0.4	0.2	0.5	0.5

Note: Rounded to the nearest pound. One record from May 2010 has been removed as a suspected input error.

Table 6.2 Average loss amounts for those in scope for the cap (November cohorts)

Loss Amount	Nov-2010 Cohort	Nov-2011 Cohort	Nov-2012 Cohort	Nov-2013 Cohort
Mean	£98	£96	£87	£70
Median	£62	£62	£59	£46
Loss amount taking into account DHP awards				
Mean	£98	£96	£87	£58
Median	£62	£62	£59	£37
% Receiving a DHP award	0.4	0.3	0.8	12.7

Note: Rounded to the nearest pound.

¹² DHP's are a fund allocated to Local Authorities to support welfare reforms. An additional £110 million has been made available over the last two years to support people who need extra help in making the transition to the new system.

Benefit Cap: Analysis of outcomes of capped claimants

To examine the possible differences in London to the rest of Great Britain, the tables have been split looking at the November cohorts (chosen as the number of DHP's were larger than previous cohorts). This shows, as may be expected, London facing a greater average loss from capping. Table 6.3 also shows when taking into account DHP's; London's average loss reduces nearly £20 per week. For the rest of Great Britain (Table 6.4), the reduction is around £6. However, note the proportion of DHP awards were much higher in London.

Table 6.3 Average loss amounts for those in scope for the cap (London)

Loss Amount (London)	Nov-2010 Cohort	Nov-2011 Cohort	Nov-2012 Cohort	Nov-2013 Cohort
Mean	£122	£120	£105	£80
Median	£82	£81	£75	£54
Loss amount taking into account DHP awards				
Mean	£122	£120	£105	£61
Median	£82	£81	£74	£37
% Receiving a DHP award	0.5	0.4	1.0	17.5

Note: Rounded to the nearest pound

Table 6.4 Average loss amounts for those in scope for the cap (rest of Great Britain)

Loss Amount (rest of GB)	Nov-2010 Cohort	Nov-2011 Cohort	Nov-2012 Cohort	Nov-2013 Cohort
Mean	£67	£69	£69	£62
Median	£45	£47	£48	£42
Loss amount taking into account DHP awards				
Mean	£67	£69	£69	£56
Median	£45	£47	£48	£37
% Receiving a DHP award	0.4	0.3	0.5	8.9

Note: Rounded to the nearest pound

The November 2013 cohort was examined in further detail looking at only those who received a DHP payment (there are only around 13 per cent of households in scope for the cap who received DHPs). The average loss for this group for the cap was £111 (or median of £93). But when taking into account the DHP award, this significantly falls to just £19 (£4). This suggests a small number of DHP awards are being made, and that the amount is generally a large proportion of the capped amount mainly for households capped by larger amounts. This can be seen from Table 6.5 with claimants receiving DHP awards moving to a lower loss amount. In London the average loss for those who had DHP awards was £118 (£96) and for the rest of Great Britain was £102 (£87). When taking into account their DHP award, this reduces to just £10 (£2) in London and £31 (£13) elsewhere.

Benefit Cap: Analysis of outcomes of capped claimants

When comparing employment outcomes, proxied by a Working Tax Credit claim, of those with a DHP award in November to those who did not receive one, similar employment proportions are found.

Table 6.5 Average loss amounts for those in scope for the cap split by loss amount bands and location (November 2013)

Loss Amount	All November 2013 Cohort		November 2013 Cohort with a DHP Award			
	London (All) (%)	Rest of GB (All) (%)	London (Those with DHP award) (%)	Rest of GB (Those with DHP award) (%)	London (Adjusting loss for DHP award) (%)	Rest of GB (Adjusting loss for DHP award) (%)
Up to £50	48	56	24	27	52	50
£50.01 to £100	25	23	31	29	8	16
£100.01 to £150	11	11	17	23	2	6
£150.01 to £200	7	5	14	11	1	3
£200.01 to £250	4	2	7	6	-	1
£250.01 to £300	2	1	4	2	-	-
£300.01 to £350	1	1	2	1	-	-
£350.01 to £400	1	-	1	-	-	-
£400.01 and above	1	-	1	-	-	-

Notes: Figures may not sum due to rounding. Dashes represent percentages less than 1%. For the November 2013 cohort with a DHP award, adjusting loss for DHP award shows around 37% for London had a negative loss amount (i.e. the DHP award offset the cap amount or was higher) and for the Rest of GB, this figure was 25%.

7 Support and awareness of the cap

Households who were expected, if their circumstance did not change, to be affected by the benefit cap should have been contacted and offered additional support by Jobcentre Plus (JCP) prior to the cap being rolled out. This process started in May 2012; a year before the implementation. Table 7.1 shows the proportions of the May 2012 and May 2013 cohorts who were marked on DWP's Labour Market System (LMS), a system used by Jobcentre Plus advisers, and how many were sent letters. As situations may change, those just under the cap level have also been examined for possible contact and support. Whether the support was taken-up or the type and intensity of the support, when taken, is unknown.

Table 7.1 Support and information of the policy: proportion of households marked with an LMS marker and when this was set (May 2012 and May 2013 cohort)

May-12 cohort	LMS Marker Set					
	None (%)	Apr-12 (%)	July-12 (%)	Sept-12 (%)	Feb-13 (%)	May-13 (%)
Under cap (£50.01-£100)	94	3	1	1	1	1
Under cap (£0-£50)	75	15	2	3	3	2
In scope for the cap	15	59	12	10	4	1
May-13 cohort	None (%)	Apr-12 (%)	July-12 (%)	Sept-12 (%)	Feb-13 (%)	May-13 (%)
Under cap (£50.01-£100)	93	4	1	1	0	0
Under cap (£0-£50)	79	14	2	2	1	1
In scope for the cap	25	45	7	8	8	7

Note: Figures may not sum due to rounding.

The table over the page, Table 7.2, shows a large number of letters being sent for both cohorts with households being informed and identified a number of months before the cap was implemented. Over two-thirds of those in scope for the cap received a letter over the time period for the May 2013 cohort and three-quarters received a letter of the May 2012 cohort. The total estimated number of letters sent was over 200,000, with some households receiving an initial notification and follow up reminder.

Benefit Cap: Analysis of outcomes of capped claimants

Table 7.2 Support and information of the policy: proportion of households sent a letter (May 2012 and May 2013 cohort)

At least one letter sent to household		
May-2012 cohort	Yes (%)	No (%)
Under cap (£50.01-£100)	5	95
Under cap (£0-£50)	22	78
In scope for the cap	76	24
May-13 cohort	Yes (%)	No (%)
Under cap (£50.01-£100)	6	94
Under cap (£0-£50)	18	82
In scope for the cap	68	32

Note: Figures may not sum due to rounding.

When looking at employment outcomes after one year for those in scope for the cap and marked on LMS at some time period, or those who received a letter compared to those who did not, a slightly greater proportion of households not receiving support moved into work. Work, as discussed previously, is proxied by a Working Tax Credit (WTC) claim. However, the groups offered support are non-random therefore comparison between those who did receive support and those who did not is difficult to interpret. There are a number of possible reasons, besides any genuine impact of the support offered, why employment outcomes for those who are supported may be slightly lower than those who were not. For example those being supported were, to a greater extent, lone parents; a group with generally lower employment outcomes. Therefore, a successful outcome may have been to get the household closer to the labour market to enable subsequent movement into work when the cap was applied (cohort analysis showed that lone parents did have improved movement into work in 2013). Alongside this, households supported had longer benefit durations which may explain some of the differences seen in Table 7.3

Table 7.3 Employment outcomes of May 2012 and May 2013 cohort split by support

May-12 cohort	Proportion in work by April the following year			
	Letter Sent (%)		LMS Marker Set (%)	
	Yes	No	Yes	No
Under cap (£0-£50)	7	12	8	11
In scope for the cap	12	21	13	23
May-13 cohort				
Under cap (£0-£50)	11	12	11	12
In scope for the cap	18	20	18	20

8 Impact on employment

To attempt to disentangle environmental changes, such as the economic recovery, from possible effects of the benefit cap policy, it helps to have a robust 'control group': a group who are not capped, but who are similar to those capped, so that the two groups should be affected similarly by all factors, such as the economic recovery, other than the benefit cap. It is not straightforward to identify a good control group here as, by definition, the cap affects households at the far end of the benefit income distribution. Those not in scope for the cap who have comparable household benefit incomes to those in scope are exempt due to disability related benefits in payment, and those with comparable benefit income net of housing benefit are likely to live in non-comparable areas.

The control group chosen has been those households not in receipt of an exempting benefit who have a household benefit weekly income just under the cap level, by £50 or less. As the observed characteristics and work histories are similar between the control group and the group in scope for the cap, it is reasonable to expect them to be affected similarly by factors other than the benefit cap policy (for example trends in labour demand). Therefore, differences in employment trends between these groups are likely to be a better indication of the effects of the benefit cap policy than the trends for the group in scope for the cap in isolation. A further comparison group, those with a household benefit weekly income under the cap level by between £50.01 and £100, have been included in the tables in Annex C where further sub-groups are shown. As discussed in previous sections, employment is proxied by a Working Tax Credit claim for the purpose of this paper. Further discussion of this measure can be found in Annex E.

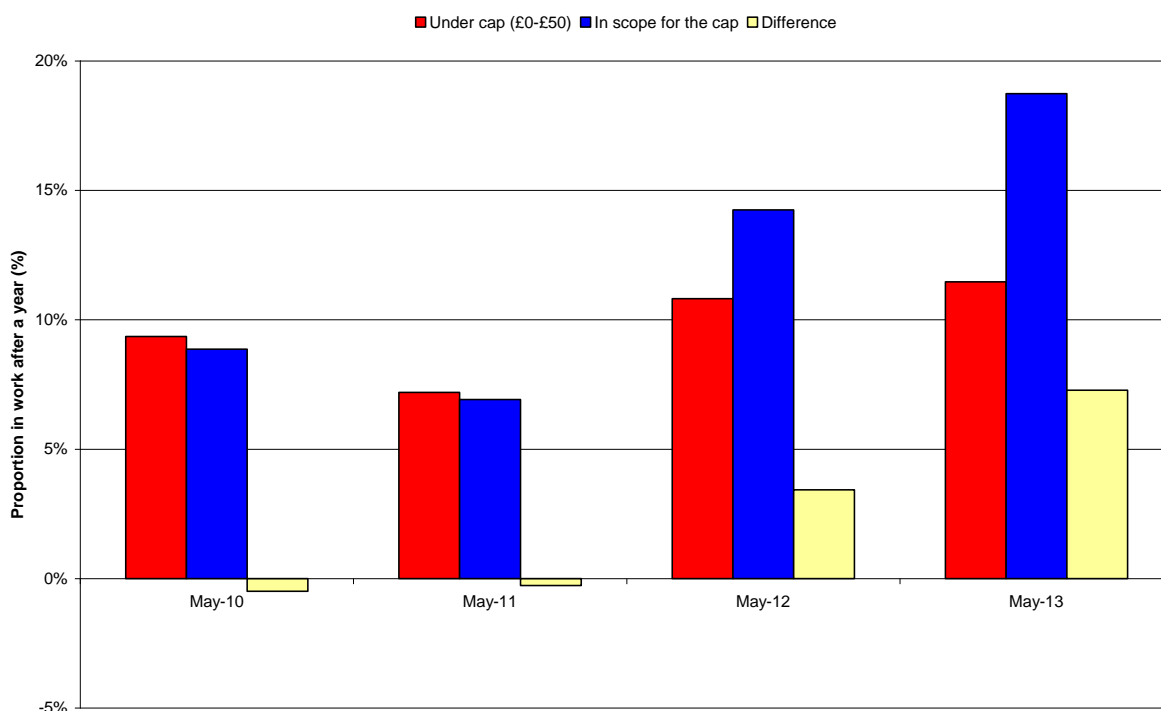
Results are presented for the May cohort in each of the four years from 2010 to 2013, all of which show almost identical work histories and outcomes prior to the policy being introduced. After the policy was introduced (additional support in 2012 and implementation in 2013), the groups have a similar work history leading up to May but then have a significantly different outcome. It should also be noted that the economy has been improving with unemployment falling sharply in recent years. Therefore, increases seen for both groups are likely to partly reflect this trend; however, this does not account for the substantially larger difference between the comparison groups after implementation than before implementation.

Chart 8.1 shows the movement into work for each cohort year comparing those just under the cap level to those in scope for the cap. For 2010 and 2011, similar proportions moving into work after a year can be seen, whereas the 2012 and 2013 cohorts show diverging effects, suggesting a possible employment effect from the policy. The estimate for the May 2010/2011 cohorts suggests that, in the absence of

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the benefit cap, it would have been reasonable to expect the treatment and controls groups not to diverge much. This increases the confidence with which we can say that the estimate for the May 2013 cohort is a reasonable (though uncertain) indication of a positive effect on employment from the benefit cap. If anything it may be slightly under-estimating effects, because the May 2010 estimates suggest that the capped group were slightly less likely to move into employment than the control group (just under the cap) group before the cap was introduced.

Chart 8.1 Movement into work after a year (May cohorts)



Further evidence of an employment effect from the benefit cap policy can be seen in Chart 8.2. The chart plots the total household benefit weekly income (prior to benefit income being capped and rounded to the nearest £5) against the proportion in work one year later for each cohort. A weighted four-point moving average has been used to produce a trend line (the proportions for each £5 level are shown in the thinner lines). The May 2010 and May 2011 cohorts show employment outcomes remaining flat; around five to ten per cent of households moving into employment after a year with a slight fall as household benefit income increases. However for 2012 cohort (which received some support) and the post-implementation cohort (2013), increases in the proportion in employment as household benefit income rises (or as the amount capped by rises) can be seen. The divergence between the earlier and later cohorts appears to start at around the £500 level (the level of the cap) and to widen quite consistently as one looks further up the benefit income distribution above this level. This is further evidence that the benefit cap increased the proportion moving into employment. Chart 8.3 shows the distribution of households by household benefit income. This shows a small number of households who are entitled to over £700 per

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week (and who would subsequently now be capped at £500). Due to the small numbers, the data only shows those up to £750.

Chart 8.2 Total household benefit income and proportion in employment after a year (May cohorts)

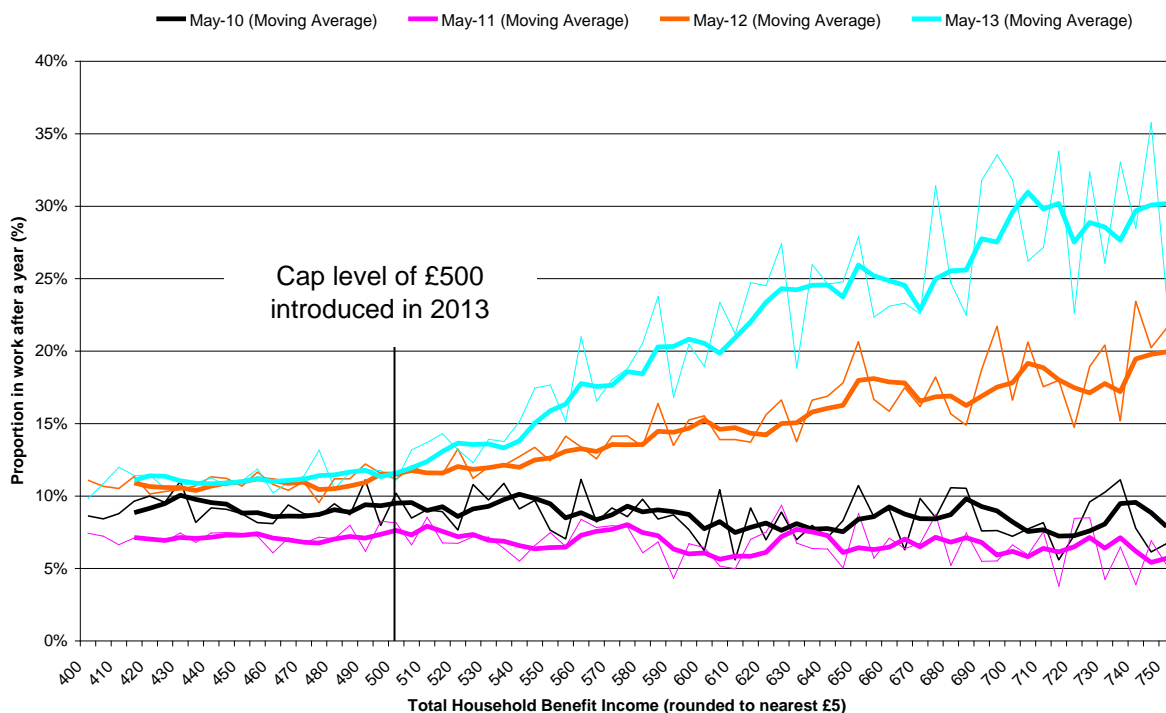
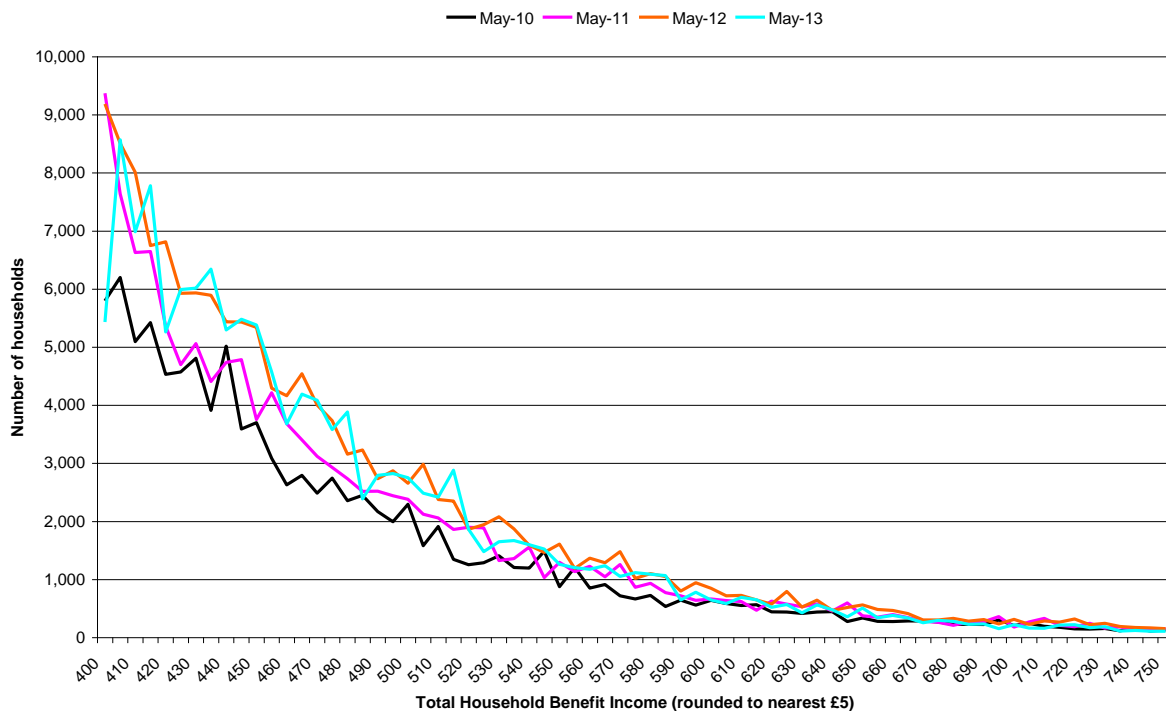


Chart 8.3 Total household benefit income by number of households (May cohorts)



A more detailed examination of the May 2012 and May 2013 cohorts are shown in Chart 8.4 and Chart 8.5. Chart 8.4 shows the differences in movement into work for

Benefit Cap: Analysis of outcomes of capped claimants

the May 2012 cohort between those in scope for the cap and those just under the cap level. Those in scope for the cap received Jobcentre Plus (JCP) support to help them prepare for potential impacts. The findings suggest that 14 per cent of households in scope for the cap moved into work after a year compared to around 11 per cent for those just under the cap level – a difference of three percentage points. This difference, however, only starts opening up a number of months after May 2012. Caution must be exercised in the difference between these two groups as support was offered to a slightly wider group than just those who were above the cap level at the time.

Chart 8.4 Movement into work (May 2012 cohort)

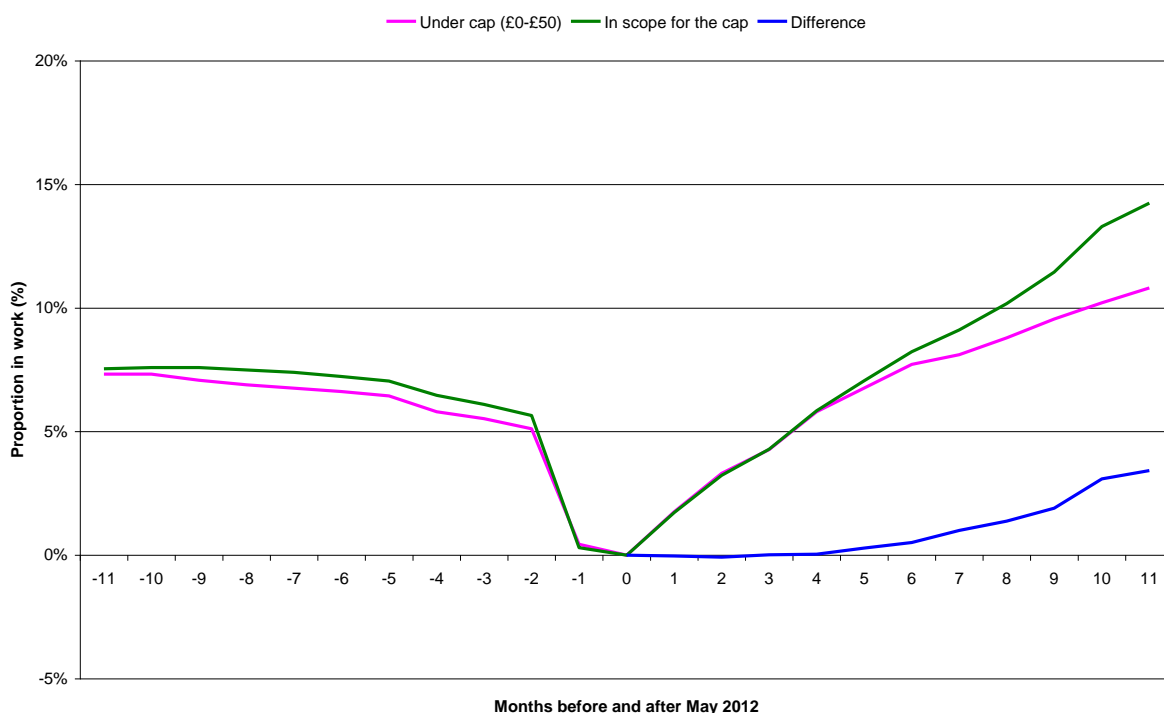
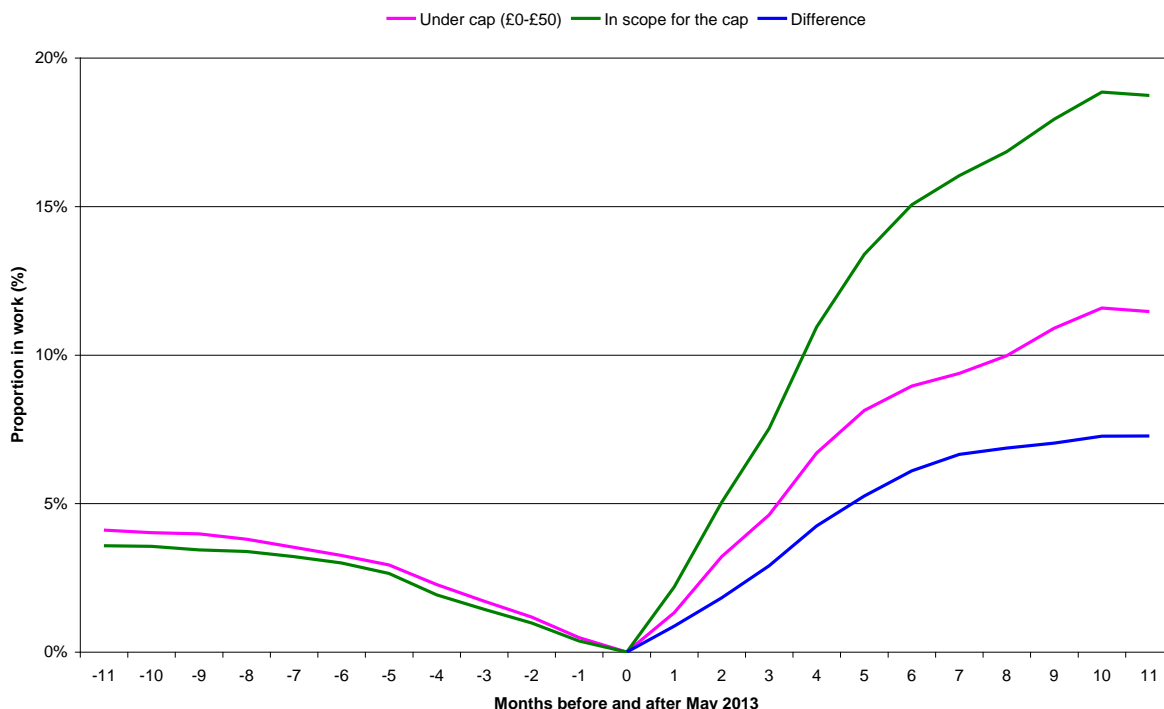


Chart 8.5 shows the overall movement into work for the May 2013 cohort for those just under the cap and those in scope for the cap with the difference between the two. The findings suggest capped households were more likely to be in employment than those just under the cap level. Overall nearly one-in-five (19 per cent) flow into work after a year in comparison with 11 per cent for those just under the cap – a difference of over seven percentage points after a year.

Chart 8.5 Movement into work (May 2013 cohort)



Although single-member households have a greater proportion off-flowing, this is not driven through movement into employment. Only one per cent of those in scope for the cap move into employment after a year, a result consistent across all cohort years. Equivalent results are also found for those just under the cap level. Instead, outcomes for single-member households include having a lower housing benefit claim (29 per cent) or a record not being found after a year (23 per cent)¹³.

For Lone Parents, around one-in-six flow into work after a year in the May 2013 cohort compared to less than one-in-ten for those just under the cap level. The difference between those in scope for the cap and those just under the cap is around seven percentage points, as shown in Chart 8.7. As Chart 8.6 illustrates, this differential for the cohorts of May 2010 and May 2011 were around minus one percentage point.

¹³ Working single-member households are, on average, less likely to receive Working Tax Credits (WTC) than couples or Lone Parents. Some of the records not found may indicate a movement into work but where WTC is not in payment. However we can not be certain of this.

Benefit Cap: Analysis of outcomes of capped claimants

Chart 8.6 Movement into work after a year for Lone Parents (May cohorts)

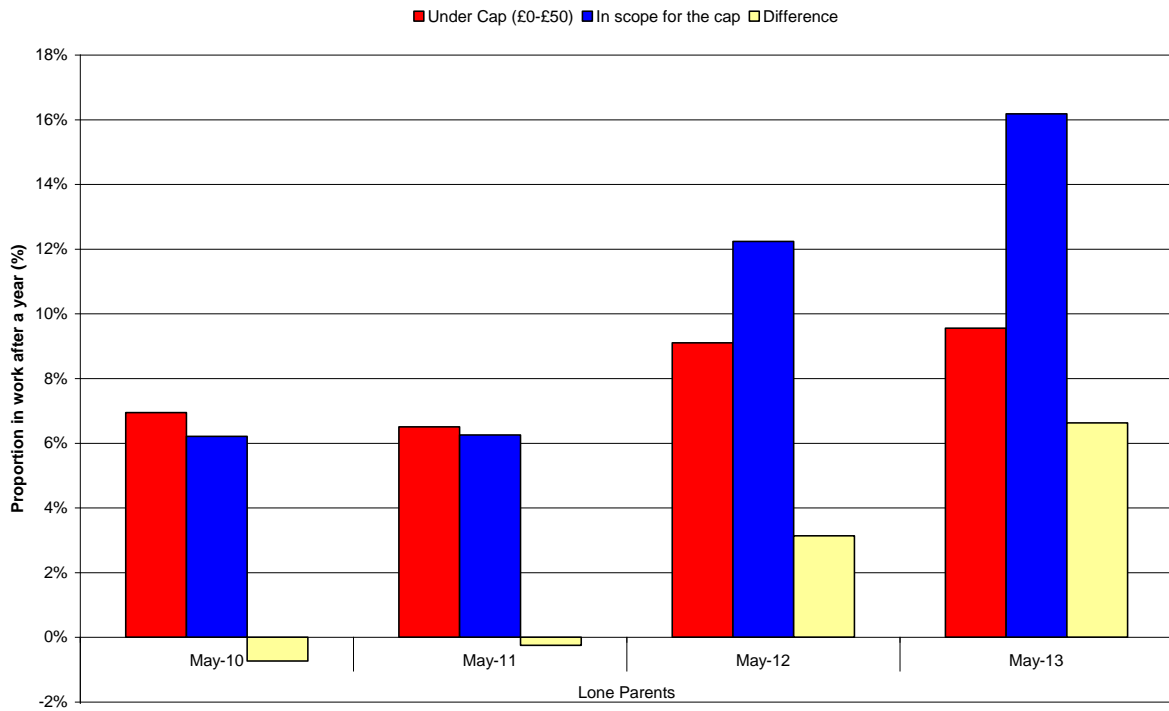
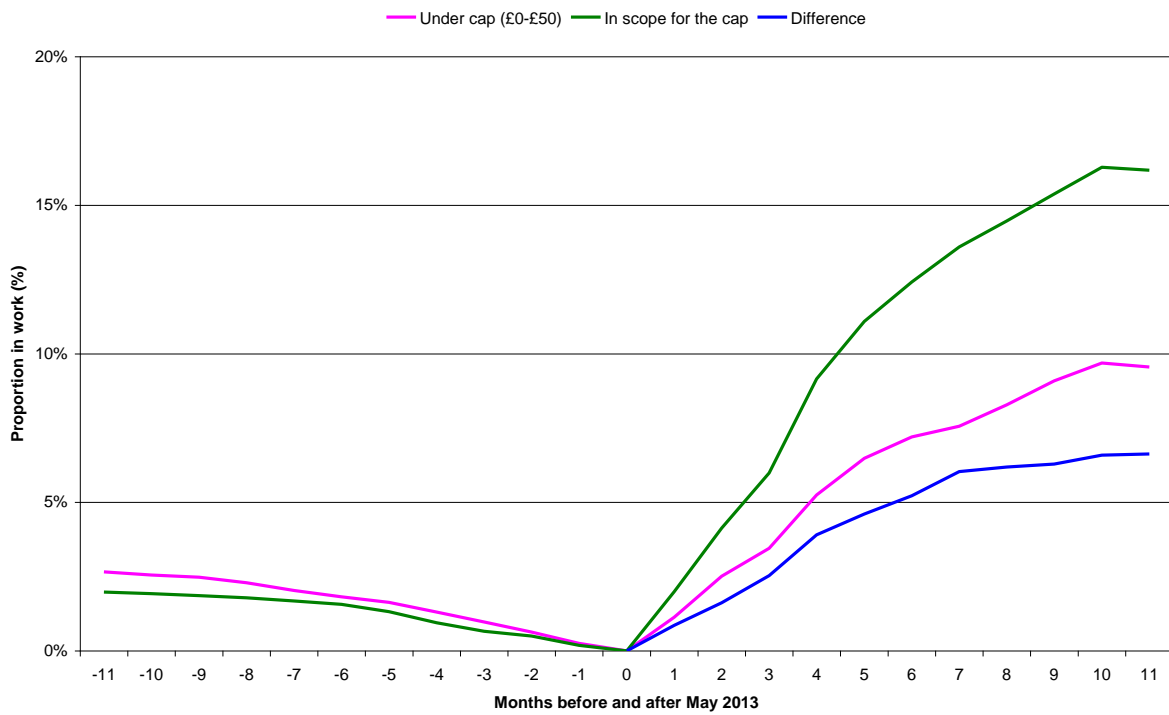


Chart 8.7 Movement into work for Lone Parents (May 2013 cohort)



Benefit Cap: Analysis of outcomes of capped claimants

The increase in movements into work for those in scope for the cap relative to households just under the cap level occurs mostly in London with nearly a quarter of those in scope for the cap in the May 2013 cohort entering work after a year (Chart 8.8). This compares with around 13 per cent for those households just under the cap level indicating a possible 12 percentage point increase in employment; almost double the proportion moving into work. This is notable given that the divergence can not be seen in 2010 or 2011, in the period before the benefit cap is likely to have had any effect. For the rest of Great Britain, the potential impact is still observable, at around three percentage points, but much lower than London. This is consistent with Chart 8.2 which shows that a greater proportion of claimants who lost more benefit income as a result of the cap seem to have responded – claimants who lost more are disproportionately likely to be in London; the average loss in London was £80, nearly £20 higher than the rest of Great Britain. Chart 8.9 focuses specifically on London for the May 2013 cohort.

Chart 8.8 Movement into work after a year split by London and the rest of Great Britain (May cohorts)

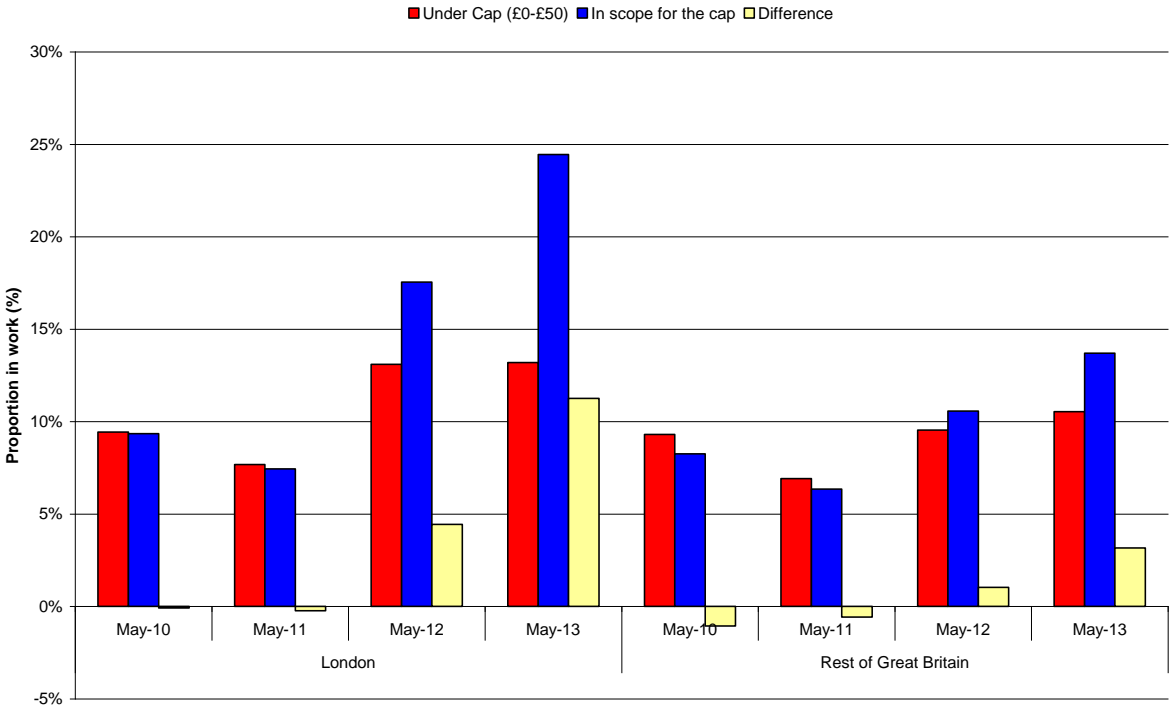
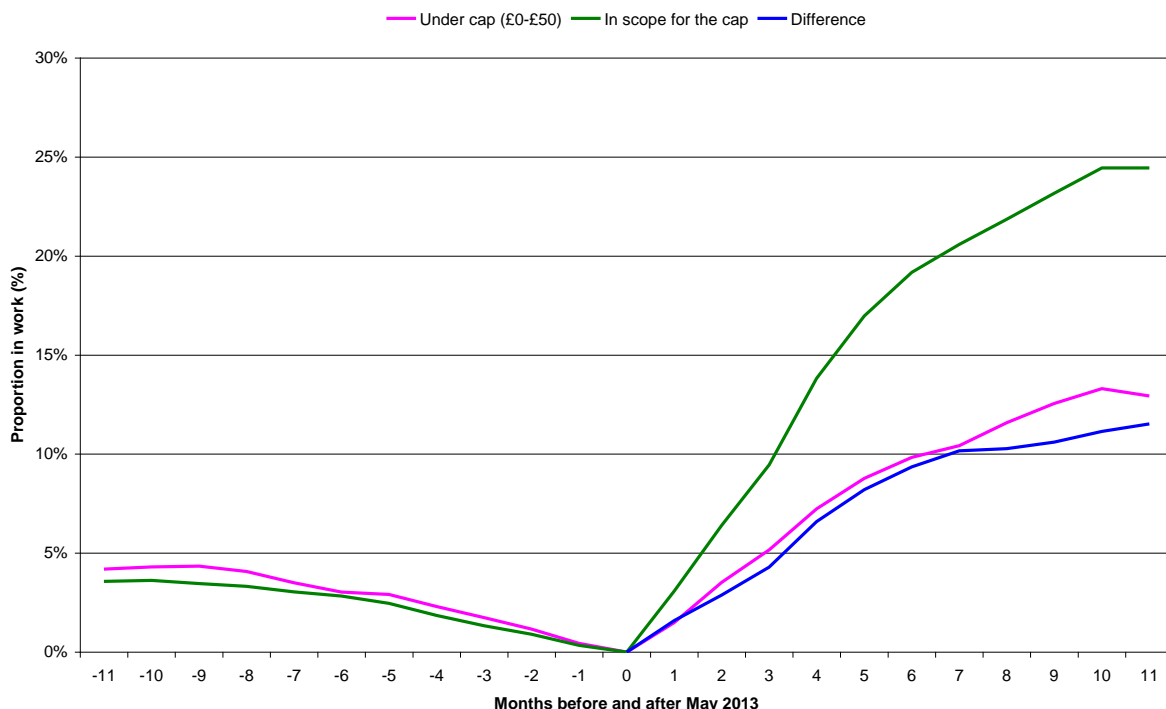


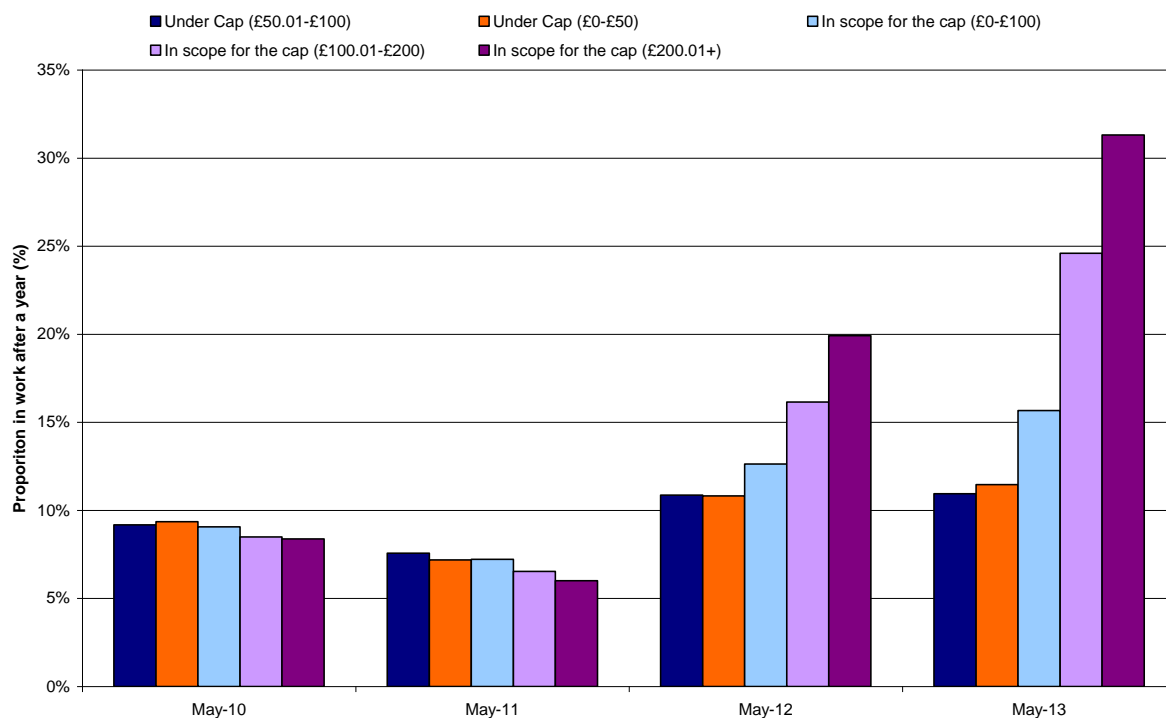
Chart 8.9 Movement into work for London households (May 2013 cohort)



Splitting those in scope for the cap into groups banded by the amount lost shows the greater the level households are capped by the greater the proportion moving into employment after a year i.e. it seems people respond more to larger changes in their incentives, as one might expect, and which is corroborated by Ipsos Mori survey of claimants affected by the cap. Chart 8.10 highlights the pattern in May 2010 and May 2011 of the different groups having similar employment outcomes (arguably those with the highest benefit incomes previously had slightly lower incentives to work) is broken for those in scope for the cap for May 2012 and May 2013 cohorts. Over 30 per cent of those in scope for the cap with a loss amount of greater than £200 moved into work within a year.

Benefit Cap: Analysis of outcomes of capped claimants

Chart 8.10 Movement into work after a year for different levels of benefit income (May cohorts)



Examining which benefit type drives the increased flows into work, claimants on JSA and ‘other’ benefit types see the greatest proportions in work after a year and the greatest percentage point increase compared to the comparison group (Table 8.1). The JSA results may be expected due to the greater work-search requirements and the type of claimants on IS, often lone parents with young children, might be relatively more likely to be inactive even if they had the same work search requirements. This also provides some explanation for the decreasing proportions of JSA claimants observed in scope for the cap over time seen earlier in the paper. Around 10 per cent of those in scope of the cap are on an ‘other’ benefit type¹⁴, which exhibits a large increase in the proportion entering work over time and compared to those just under the cap. Around a quarter are on JSA, around 10 per cent on ESA and the remaining households are on IS. For all benefit types, the gap in proportion moving into employment between the capped group and the comparison group in the May 2012 and 2013 cohorts is very different to any gap that existed between these groups before the benefit cap policy and additional support was implemented.

¹⁴ Other benefit types, accounting for less than 10 per cent, are mainly made of those claiming Bereavement Allowance, Carers Allowance, Child Tax Credit and/or Child Benefit

Benefit Cap: Analysis of outcomes of capped claimants

Table 8.1 Employment outcomes by benefit type (May cohorts)

Benefit Type	Group	Proportion in work in April the following year (%)			
		May-10 Cohort	May-11 Cohort	May-12 Cohort	May-13 Cohort
JSA	Under Cap (£0-£50)	20	15	17	20
	In scope for the cap	21	15	22	28
ESA	Under Cap (£0-£50)	7	5	6	7
	In scope for the cap	8	5	7	12
IS	Under Cap (£0-£50)	6	4	7	7
	In scope for the cap	5	4	10	13
Other	Under Cap (£0-£50)	14	9	23	16
	In scope for the cap	14	9	28	31
All	Under Cap (£0-£50)	9	7	11	11
	In scope for the cap	9	7	14	19

When looking specifically at lone parents, JSA claimants exhibit a particularly large increase in the proportion moving into work. Table 8.2 highlights over 30 per cent of JSA lone parent¹⁵ households in scope for the cap were in work in April the following year relative to only 23 per cent of those just under the cap level. Noticeably, there is a greater proportion of lone parents in scope for the cap going into work across all benefits.

Table 8.2 Lone Parent employment outcomes by benefit type (May cohorts)

Benefit Type	Group	Proportion in work in April the following year (%)			
		May-10 Cohort	May-11 Cohort	May-12 Cohort	May-13 Cohort
JSA	Under Cap (£0-£50)	20	19	21	23
	In scope for the cap	20	17	24	31
ESA	Under Cap (£0-£50)	6	4	6	5
	In scope for the cap	3	6	5	9
IS	Under Cap (£0-£50)	6	5	8	7
	In scope for the cap	5	5	11	13
Other	Under Cap (£0-£50)	10	8	10	13
	In scope for the cap	10	7	15	21
All Lone Parents	Under Cap (£0-£50)	7	7	9	10
	In scope for the cap	6	6	12	16

Across all benefit durations, clear differences in the rate of movement to employment between the group in scope for the cap and comparison groups can be found for the May 2012 and May 2013 cohorts whereas there were virtually no differences within the May 2010 and May 2011 cohorts. As expected, the longer the time spent on benefit, the lower the proportion that moves into work. However, the difference that opens up between the group in scope for the cap and the control group post-implementation is similar for all duration groups at around seven percentage points after a year (Table 8.3).

¹⁵ Lone parents with a youngest child aged 5 or over are on JSA rather than IS

Benefit Cap: Analysis of outcomes of capped claimants

Table 8.3 Employment outcomes by benefit duration (May cohorts)

Benefit Duration	Group	Proportion in work in April the following year (%)			
		May-10 Cohort	May-11 Cohort	May-12 Cohort	May-13 Cohort
Under 6 months	Under Cap (£0-£50)	16	12	17	16
	In scope for the cap	16	12	21	24
6-12 months	Under Cap (£0-£50)	13	10	13	15
	In scope for the cap	14	10	16	22
1 year or more	Under Cap (£0-£50)	6	5	8	8
	In scope for the cap	6	5	11	15
Overall	Under Cap (£0-£50)	9	7	11	11
	In scope for the cap	9	7	14	19

Looking at the movement into work by sub-groups characterised by the number of children in the household, in 2013 there is a large increase in the proportion entering employment after a year for households in scope for the cap. This difference is not apparent across all household sizes in 2012 though. Instead the positive difference becomes apparent between the comparator groups for larger families i.e. those with two or more children and particularly those with three or more children (Table 8.4).

Table 8.4 Proportion in employment in April the following year by number of children (May cohorts)

Number of Children	Proportion in work in April the following year (%)							
	May 2010		May 2011		May 2012		May 2013	
	Under Cap (£0-£50)	In scope for the cap	Under Cap (£0-£50)	In scope for the cap	Under Cap (£0-£50)	In scope for the cap	Under Cap (£0-£50)	In scope for the cap
1	8	8	8	7	11	10	11	13
2	11	11	9	8	14	13	14	18
3	11	10	8	8	12	17	12	22
4	8	9	6	7	9	15	10	18
5 or more	5	7	4	6	9	14	10	18
Total	9	9	7	7	11	14	11	19

Note: A small number of couples with no children have been excluded from this table.

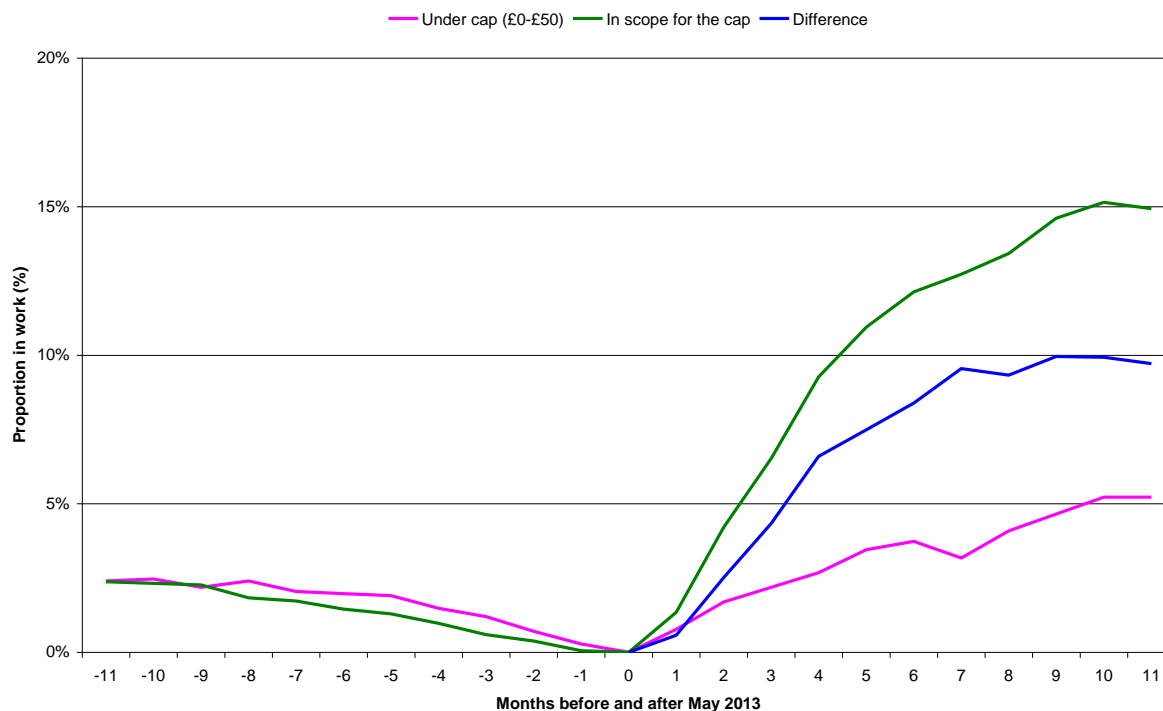
Carers, as defined by those households receiving Carers Allowance, show a large difference for the proportion in employment of around ten percentage points when comparing those in scope for the cap to those just under the cap as shown in Table 8.5 and Chart 8.11. This is a slightly greater difference than the overall figure of seven percentage points.

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Table 8.5 Proportion in employment in April the following year by carer status (May cohorts)

Carer Status	Proportion in work in April the following year (%)							
	May 2010		May 2011		May 2012		May 2013	
	Under Cap (£0-£50)	In scope for the cap	Under Cap (£0-£50)	In scope for the cap	Under Cap (£0-£50)	In scope for the cap	Under Cap (£0-£50)	In scope for the cap
Carer	4	4	3	3	5	9	5	15
Non-Carerer	9	9	7	7	11	14	12	19
All Households	9	9	7	7	11	14	11	19

Chart 8.11 Movement into work for those receiving Carers Allowance (May 2013 cohort)



A number of further comparisons have been made in the tables in Annex C. The tables report movement into work for a range of different sub-groups, all of which provide evidence of an increase in employment associated with having been capped. The outcomes of those under the cap by no more than £50 and between £50.01 and £100 and these generally do not show the same increases; whereas for the 2010 and 2011 cohorts these groups had similar outcomes to the capped group. A finding of interest is that those in the private-rented sector were more likely to be in work than those in the social-rented sector, but both saw increases in the proportion in work following the introduction of the benefit cap. Also, similar percentage point increases in employment are found regardless of age of youngest child for lone parents.

9 Likelihood of moving into employment – regression analysis

To further verify the increased flows into employment for households in scope for the cap, regression analysis was carried out on the May cohort using a logit-model methodology. This uses a binary dependent variable of whether the household was in employment, proxied by a new Working Tax Credit (WTC) claim, after a year. Full results and description of the methodology can be found in Annex E.

Prior to the cap being introduced in 2010 and 2011, those in scope for the cap were slightly less likely to go into work within a year in comparison to those with benefit income just under the cap level. This finding confirms the results shown in Chart 8.2 and is perhaps unsurprising as those on larger amounts of benefit had less financial incentive to work. The key difference here is that we are also able to control for difference that would be predicted between the groups due to differences in a range of observable characteristics, for example region of residence or number of children.

Examining the 2012 cohort, who received some JCP support, shows those in scope for the cap were 1.5 percentage points (14 per cent) more likely to move into work after a year when controlling for a range of observable characteristics compared to similar uncapped households.

This difference is even greater for the 2013 cohort. After controlling for a range of observable characteristics, households in scope for the cap were 4.7 percentage points (41 per cent) more likely to enter employment than a similar uncapped household. This performance appears to be driven by London households, perhaps due to the greater amounts households in London are capped by. For 2013, London households in scope for the cap were 9.5 percentage points (70 per cent) more likely to have flowed into work after a year compared to London households just under the cap level. For the rest of Great Britain, households in scope for the cap were 1.8 percentage points (17 per cent) more likely to have flowed into work after a year than similar uncapped households.

When looking at Lone Parents only; they were 4.9 percentage points (51 per cent) more likely to flow into work after a year than similar uncapped household when controlling for a range of observable characteristics. When looking at Lone Parents in London, those in scope for the cap were 8.4 percentage points (70 per cent) more likely to flow into work after a year compared to uncapped households in London.

The estimates for the May 2010/2011 cohorts suggest that, in the absence of the benefit cap, it would have been reasonable to expect the capped group and the control groups (those with a benefit income just below the cap) not to diverge much

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in terms of on-flow rates into work. This increases the confidence with which we can say that the estimates for the May 2013 cohort indicate that the benefit cap increased movement into work. If anything, we may be slightly underestimating the full effect given that the capped group were slightly less likely to move into employment than the control group before the cap was introduced.

10 Claimants moving house

Households moving to a new house have been assessed by geographical area looking at those in scope for the cap and those just under the cap level. Estimates of all Housing Benefit receiving households moving house has shown, on average between March 2010 and August 2013, around 4.2 per cent move within the private-rented sector each quarter, 1.7 per cent move within the social-rented sector each quarter and 1.3 per cent move from private-rented to the social-rented sector each quarter¹⁶.

For the purposes of this analysis, a move is identified when a postcode sector (the first three, or where applicable, four digits) has changed from the one recorded at the start of the period that outcomes are tracked for (in this instance May), to that recorded at a later month. A 12 month point-in-time (in this instance, April the following year), has been considered. This time horizon allows for delays between the claimant making a decision to move and the period in which they may actually move. To allow for possible retrospection, where a postcode is missing for the month of interest (April), the next month (May) has been checked to see if an entry has been recorded. If one has, this has been used to determine whether the claimant moved house. This allows for short delays in the change of address being picked up in the data.

The analysis has a number of caveats and may not identify all moves. This includes very short-distance moves, where the claimant stays within the same postcode sector, moves occurring after Housing Benefits are no longer claimed and if the postcode provided is incorrect or missing. A very small number of households do not have a postcode recorded in the cohort month and have, therefore, been excluded from this analysis.

Table 10.1 shows that after 12 months, around 14 per cent of those in scope for the cap in May 2013 had moved house compared to 11 per cent for the similar group – a difference of three percentage points. This difference is similar to the historic difference of around two percentage points observed for the May 2010 and May 2011 cohorts, suggesting that the benefit cap has not led to substantially more claimants moving house. Of those moving house, the majority move within the same local authority; this does not vary significantly over time.

¹⁶ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/330316/moves-housing-benefit-claimants-statistics-july-2014.pdf

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Table 10.1 Proportion of households moving house and the proportion moving within or to a different Local Authority (May Cohorts)

Cohort	Group	After 12 months:		
		Total proportion who moved (%)	Moved within same Local Authority (%)	Moved to a different Local Authority (%)
May-10	Under Cap (£0-£50)	11	8	4
	In scope for the cap	13	9	4
May-11	Under Cap (£0-£50)	11	8	4
	In scope for the cap	12	9	3
May-12	Under Cap (£0-£50)	11	8	4
	In scope for the cap	13	10	4
May-13	Under Cap (£0-£50)	11	8	3
	In scope for the cap	14	10	4

Note: Figures may not sum due to rounding

Alongside this, there does not appear to be significant movements across London (Table 10.2). Over four-in-five people who move starting in Inner London¹⁷ stay within Inner London after 12 months. This is a similar proportion for those living in Outer London and remaining in Outer London. There has, however, been a small increase in the proportion moving from Outer London to outside London. The difference between a similar group is around four percentage points. Historically differences between these two groups have shown the just under group having a greater proportion moving from Outer London to outside London. For the May 2010 cohort, eight per cent for those in scope for the cap moved from Outer London to outside London compared to ten per cent for those just under the cap; in 2013, this was 16 per cent for those in scope for the cap compared to 12 per cent for those just under the cap level. Noticeably, households in scope for the cap were more likely to stay within Inner London both in 2010 and 2013 compared to the group just under the cap level. It is important to understand that there are only small numbers moving house. In the May 2013 cohort, just over 6,000 households in scope for the cap moved house after 12 months and of these around 300 households moved from Outer London to outside London.

¹⁷ Defined according to the statistical classification of London Local Authorities

Benefit Cap: Analysis of outcomes of capped claimants

Table 10.2 Of claimants moving house, the start and end location after 12 months (May 2010 and 2013 cohort)

May 2010 Cohort Under Cap (£0-£50)		End Location		
		Inner London	Outer London	Outside London
Start Location	Inner London	78%	15%	7%
	Outer London	9%	81%	10%
	Outside London	1%	2%	97%
May 2010 Cohort In scope for the cap		End Location		
		Inner London	Outer London	Outside London
Start Location	Inner London	84%	11%	5%
	Outer London	6%	86%	8%
	Outside London	1%	2%	97%
May 2013 Cohort Under Cap (£0-£50)		End Location		
		Inner London	Outer London	Outside London
Start Location	Inner London	80%	15%	6%
	Outer London	7%	81%	12%
	Outside London	1%	1%	98%
May 2013 Cohort In scope for the cap		End Location		
		Inner London	Outer London	Outside London
Start Location	Inner London	84%	10%	6%
	Outer London	3%	81%	16%
	Outside London	0%	1%	98%

Note: Figures may not sum due to rounding

The findings from Tables 10.1 and 10.2 have been examined by tenure type (private-rented sector and social-rented sector) in Tables 10.3 and 10.4. Those in private-rented sector have a similar proportion moving house compared to the social-rented sector, but have a greater proportion moving to a different Local Authority. Table 10.4 shows there are a greater number moving from Outer London to outside London in the private-rented sector compared to the social-rented-sector, though it is worth noting, again, these are small numbers of households.

Table 10.3 Comparison of movement for those in scope of the cap and claimants just under by housing sector and of those moving whether this was within or across Local Authorities (May 2010 and May 2013)

Cohort	Housing Sector	Group	After 12 months:		
			Total proportion who moved (%)	Moved within same Local Authority (%)	Moved to a different Local Authority
May 2010	Social Rented Sector	Under Cap (£0-£50)	12	9	3
		In scope for the cap	14	12	2
	Private Rented Sector	Under Cap (£0-£50)	11	6	4
		In scope for the cap	12	7	4
Cohort	Housing Sector	Group	After 12 months:		
			Total proportion who moved (%)	Moved within same Local Authority (%)	Moved to a different Local Authority
May 2013	Social Rented Sector	Under Cap (£0-£50)	11	9	3
		In scope for the cap	13	11	2
	Private Rented Sector	Under Cap (£0-£50)	11	7	4
		In scope for the cap	14	9	5

Note: Figures may not sum due to rounding

Benefit Cap: Analysis of outcomes of capped claimants

Table 10.4 Of claimants moving house, the start and end location after 12 months by housing sector (May 2013 cohort)

Social Rented Sector May 2013 Cohort Under Cap (£0-£50)		End Location		
		Inner London	Outer London	Outside London
Start Location	Inner London	89%	7%	3%
	Outer London	5%	86%	8%
	Outside London	1%	1%	98%
Social Rented Sector May 2013 Cohort In scope for the cap		End Location		
		Inner London	Outer London	Outside London
Start Location	Inner London	91%	6%	4%
	Outer London	2%	88%	10%
	Outside London	0%	1%	99%
Private Rented Sector May 2013 Cohort Under Cap (£0-£50)		End Location		
		Inner London	Outer London	Outside London
Start Location	Inner London	69%	22%	9%
	Outer London	8%	77%	15%
	Outside London	1%	1%	98%
Private Rented Sector May 2013 Cohort In scope for the cap		End Location		
		Inner London	Outer London	Outside London
Start Location	Inner London	75%	16%	9%
	Outer London	4%	76%	21%
	Outside London	0%	1%	98%

Note: Figures may not sum due to rounding

As with employment outcomes, the group was split by the loss amount to understand whether different behaviours are observed. Table 10.5 shows the proportion moving after a year, split by the amount lost from the cap. This shows that those who faced relatively large losses of benefit from capping saw greater increases across cohorts in the probability of moving house. In other words, there is evidence that some households have responded to the benefit cap by moving house, but this is driven by the relatively small number of households who lost particularly large amounts of income from the cap. This explains the small overall effect.

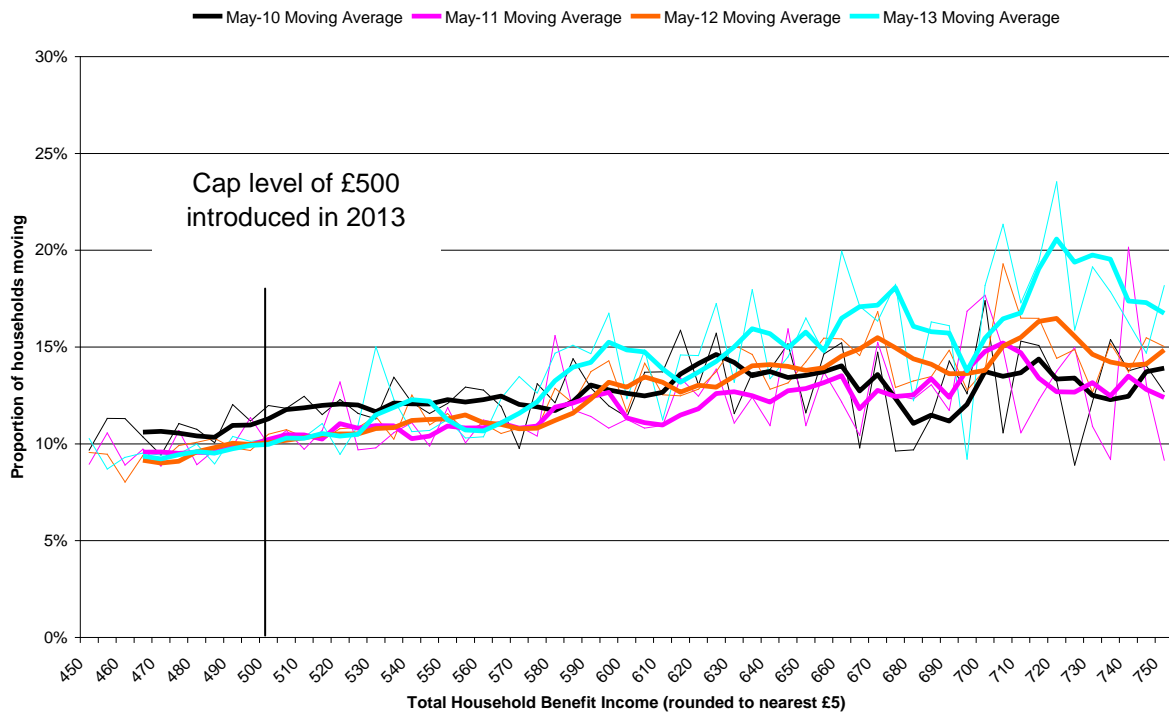
Table 10.5 Comparison of movement by different cap amounts for those in scope for the cap and claimants just under (May cohorts)

Cohort Group	Proportion of households who moved house after 12 months			
	May 2010 cohort	May 2011 cohort	May 2012 cohort	May 2013 cohort
Under Cap (£0-£50)	11%	11%	11%	11%
In scope for the cap (£0-100)	13%	11%	12%	13%
In scope for the cap (£100.01-£200)	13%	13%	14%	16%
In scope for the cap (Over £200)	14%	13%	17%	20%

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This has also been examined more comprehensively by total household weekly benefit income in Chart 10.1 and split by London and the rest of Great Britain in Charts 10.3 and 10.4. As with the earlier employment chart, a four-point moving average has been taken. Moving house may be more of a response to capping in London, perhaps a reflection of higher rents, compared to the rest of Great Britain. However, it should be noted, as illustrated in Chart 10.2, the volumes moving are a very small number, even more so at the higher end of the benefit income distribution. This contributes to the large variation seen in the charts. Single-member households have been excluded from this part of the analysis.

Chart 10.1 Proportion of claimants moving house by household benefit income (May cohorts)



Benefit Cap: Analysis of outcomes of capped claimants

Chart 10.2 Volumes of claimants moving house by household benefit income (May cohorts)

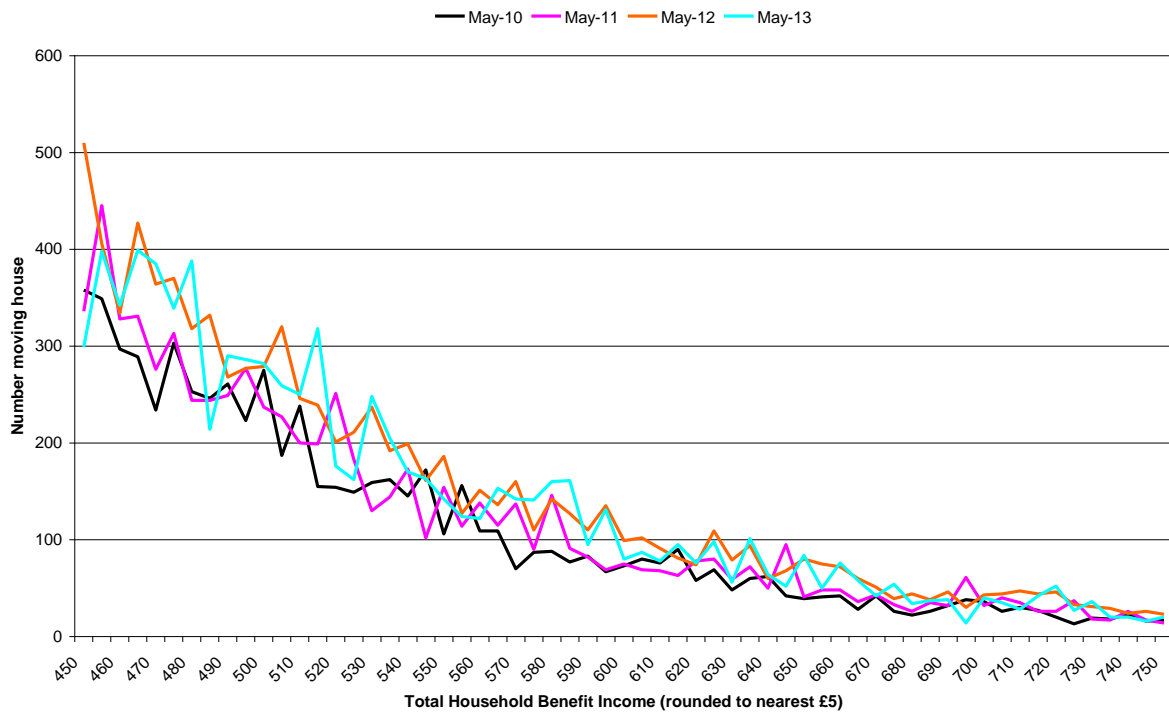
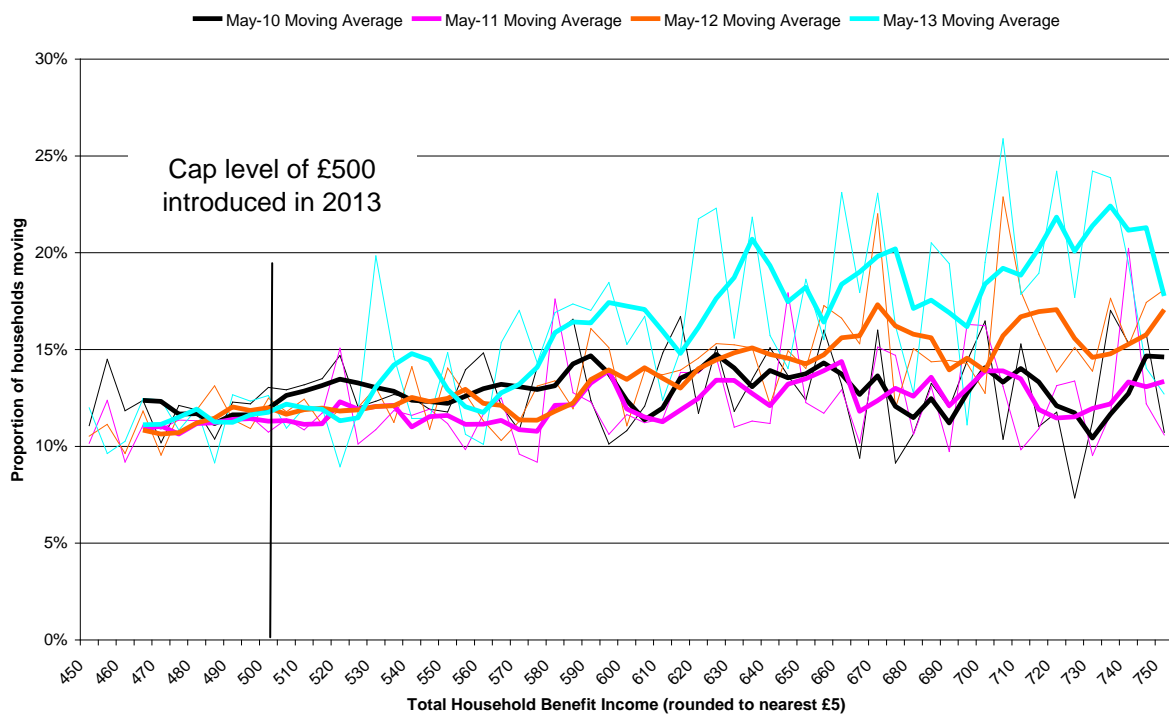
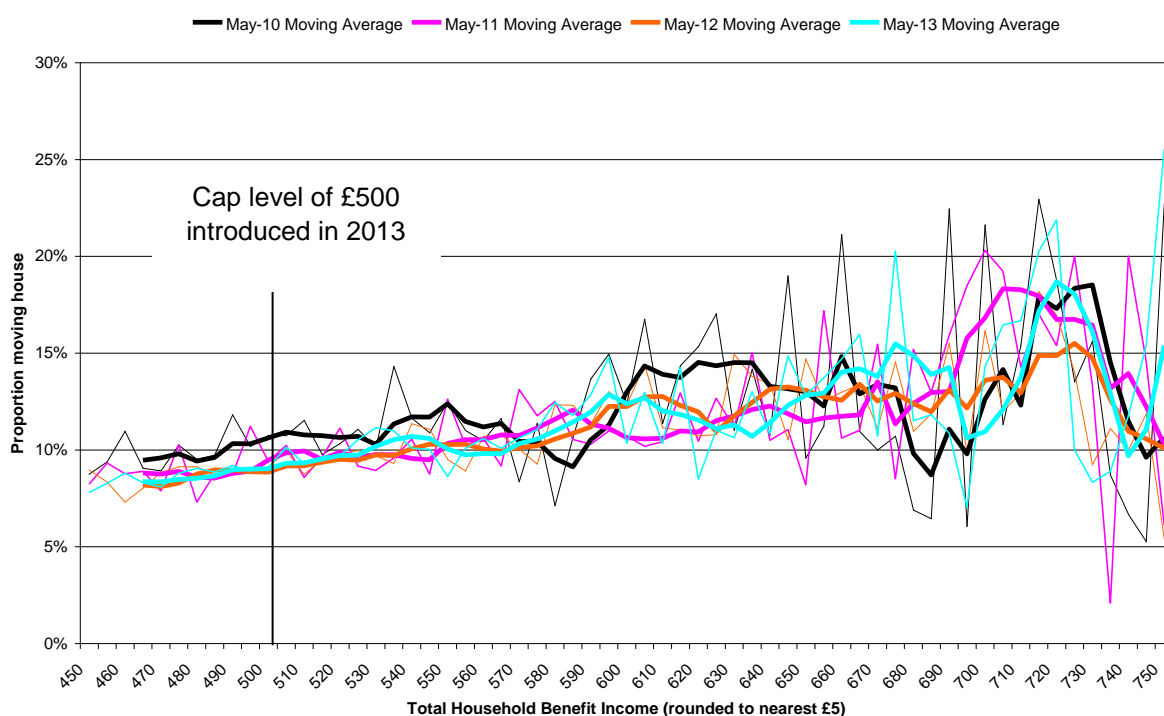


Chart 10.3 Proportion of claimants moving house by household benefit income in London (May cohorts)



Benefit Cap: Analysis of outcomes of capped claimants

Chart 10.4 Proportion of claimants moving house by household benefit income in the rest of Great Britain (May cohorts)



Analysis of those in temporary accommodation (TA) has also been conducted looking at the proportion moving over time and whether these households moved out of TA after a 12 month period. Table 10.6 highlights the proportion moving out of TA has seen little change since the introduction of the benefit cap and supported by a slightly greater proportion of households staying in TA over the 12 month period. It should be noted departmental data may capture all TA cases and this analysis is based on small overall number of cases.

Table 10.6 Comparison of those in scope for the cap and those just under for those in Temporary Accommodation (May cohorts)

Cohort	Group	For those in Temporary Accommodation in May, after 12 months:		
		Total Moved (%)	Moved and still in Temporary Accommodation (%)	Moved and out of Temporary Accommodation (%)
May-10	Under Cap (£0-£50)	30	5	25
	In scope for the cap	26	5	22
May-11	Under Cap (£0-£50)	31	5	25
	In scope for the cap	27	5	22
May-12	Under Cap (£0-£50)	28	4	24
	In scope for the cap	25	5	20
May-13	Under Cap (£0-£50)	28	6	22
	In scope for the cap	28	7	21

Note: Figures may not sum due to rounding

Benefit Cap: Analysis of outcomes of capped claimants

Table 10.7 examines whether those moving house had different outcomes over time for the May cohorts. Outcomes examined are whether a household moved into work after a year, proxied by a Working Tax Credit claim, or whether the household was still in scope for the cap after a year. Of those moving house, lower proportions are in work after a year but fewer are in scope for the cap. Households who do not move have a greater proportion in work but a large proportion remains in scope for the cap. This is tentative evidence that households may see moving house and entering work as alternative means of responding to the cap.

Table 10.7 Outcome split by whether the claimant moved house (May cohorts)

May Cohorts in scope for the cap		Outcome after a year (%)	
		Proportion in work	Proportion still in scope for the cap
May-10	Household moving house	7	46
	Households not moving house	9	73
May-11	Household moving house	6	45
	Households not moving house	7	73
May-12	Household moving house	11	37
	Households not moving house	16	60
May-13	Household moving house	15	35
	Households not moving house	22	54

Note: The remaining proportions including having a lower housing benefit claim, missing data, movement to exempt benefit, and household income under the cap level.

Annex A – Benefit Cap Policy

From April 2013 the Government introduced a cap on the total amount of benefit that working-age people can receive so that, broadly, households on out-of-work benefits will no longer receive more in welfare payments than the average weekly earnings for working households.

The cap has been set at £500 per week for a couple (with or without children) and single parent households; and at £350 per week for single adult households without children.

The benefit cap was introduced on the 15 April 2013 in Croydon, Bromley, Enfield and Haringey Local Authorities. National implementation of the cap began on 15 July 2013. The benefit cap was successfully rolled out to all Local Authorities across the country by the end of September.

Benefits taken into account

Benefits and tax credits (with the exception of working tax credit) that provide an out of work income for adults or support for children and housing are taken into account for purposes of applying the cap.

The cap applies to the combined income from:

- Bereavement Allowance
- Carer's Allowance
- Child Benefit
- Child Tax Credit
- Employment and Support Allowance except where the Support Component has been awarded
- Guardian's Allowance
- Housing Benefit
- Incapacity Benefit
- Income Support
- Jobseeker's Allowance
- Maternity Allowance
- Severe Disablement Allowance
- Widowed Parent's Allowance
- Widow's Benefit

Where the total amount of welfare benefits exceeds the cap, the local authority will reduce a claimant's entitlement to housing benefit by the amount of the excess.

Benefits not taken into account

Legislation specifically excludes retirement pension and state pension credit, reflecting that the policy is primarily a work incentive aimed at people of working age. Also excluded are one off payments, non-cash benefits and those not paid by government, such as statutory sick pay (which, in any event, would be paid while someone was in employment and so exempt from the cap).

Exceptions

Entitlement to Working Tax Credit reflects the main aim of the policy, which is to increase the incentive to work. This includes households who are working sufficient hours to qualify for WTC but whose earnings are so great that they have been awarded a “nil entitlement.”

Receipt of Disability Living Allowance, Personal Independence Payment, Attendance Allowance, Industrial Injuries Benefits (and equivalent payments made as part of a war disablement pension or the Armed Forces Compensation Scheme) or the Support Component of Employment and Support Allowance recognise the additional financial costs that can arise from disability and that disabled people will have less scope to alter their spending patterns or reduce their housing costs, or adjust their circumstances to improve their employment prospects (Attendance Allowance and Personal Independence Allowance are replacing Disability Living Allowance.)

War Widows and Widowers receiving a pension paid under the relevant parts of the War Pension Scheme, Armed Forces Compensation Scheme or analogous schemes are exempt to reflect commitments to support the aim of the Armed Forces Covenant to recognise sacrifice of those seriously injured or killed in the service of their country.

Grace Period provides a fixed period of protection for those with a consistent work history whose employment has ended or those who have been forced to leave work due to a change in their circumstances during which they can adapt to their position and look for alternative employment. The grace period will be for a set 39 weeks, and if applicable it will remain in place irrespective of any reportable change of circumstances made by the claimant during the 39 weeks.

Disregards

In addition some payments are disregarded for purposes of the benefit cap. Housing costs paid in respect of “**supported exempt accommodation**” (e.g. some refuges, hostels) are not included in the benefit cap calculation.

Annex B: The suite of related publications

This document is published as part of the suite of evaluation material on the household benefit cap. It should be read in conjunction with the other reports.

These are:

1. **The Benefit Cap Review.** The review is published in line with statement by the Minister for Employment 1st February 2012. This document draws on the suite of evaluation material published alongside it. It also makes reference to the Official statistics <https://www.gov.uk/government/collections/benefit-cap-statistics> and evidence previously published by the department <https://www.gov.uk/government/publications/benefit-cap-public-attitudes-before-and-after-its-introduction>.
2. **Post-implementation effects of the Benefit Cap** An Ipsos MORI longitudinal telephone survey of capped households identified from the October 2013 Single Housing Benefit Extract (SHBE). The first wave of the survey was carried out with 1,200 claimants in February 2014, and the second in August/September 2014 with 468 of the same claimants. This work examines the behavioural change over time on employment, finances and housing.
3. **In-depth interviews with people affected by the Benefit Cap.** A Cambridge Centre for Housing and Planning Research (CCHPR) report based on interviews with 50 households affected by the Benefit Cap. These households were identified from the same source as the Ipsos MORI surveyed claimants. This work explores coping strategies of households and changes in behaviour around work and well-being, mobility and household structure, income and wellbeing, and beliefs and expectations. It provides contextual information around themes explored in the survey.
4. **Supporting households affected by the Benefit Cap: Impact on Local Authorities, local services and social landlords.** This report by CCHPR draws on work in ten case study Local Authorities (LAs); a survey of social landlords; and consultation with major lenders to the Housing Association sector. A variety of LA staff were interviewed in May/August 2013 and again in September 2014 in case study areas; 26 landlords were interviewed in 2013 and again after one year in these areas alongside 47 local agencies (including CAB and voluntary organisations); and variety of lenders were interviewed and provided written responses to the consultation in October 2013 and 2014. It provides information on how local services have been affected and how they are working with capped claimants.

Annex C – Additional tables for May cohort

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Lone Parents and Couples - May Cohort

Proportion in work												
Cohort	Group	June	July	August	September	October	November	December	January	February	March	April
May 2010	Under Cap (£50.01-£100)	2%	3%	4%	5%	6%	7%	7%	7%	8%	9%	9%
	Under Cap (£0-£50)	2%	3%	4%	5%	6%	7%	7%	8%	8%	9%	9%
	In scope for the cap	1%	3%	3%	4%	5%	6%	7%	7%	8%	8%	9%
May 2011	Under Cap (£50.01-£100)	1%	3%	3%	5%	6%	6%	7%	7%	8%	8%	8%
	Under Cap (£0-£50)	1%	2%	3%	5%	5%	6%	6%	7%	7%	8%	7%
	In scope for the cap	1%	2%	3%	4%	5%	5%	6%	7%	7%	8%	7%
May 2012	Under Cap (£50.01-£100)	2%	3%	4%	6%	7%	8%	8%	9%	10%	10%	11%
	Under Cap (£0-£50)	2%	3%	4%	6%	7%	8%	8%	9%	10%	10%	11%
	In scope for the cap	2%	3%	4%	6%	7%	8%	9%	10%	11%	13%	14%
May 2013	Under Cap (£50.01-£100)	1%	3%	4%	6%	8%	9%	9%	10%	11%	11%	11%
	Under Cap (£0-£50)	1%	3%	5%	7%	8%	9%	9%	10%	11%	12%	11%
	In scope for the cap	2%	5%	8%	11%	13%	15%	16%	17%	18%	19%	19%

Benefit Cap: Analysis of outcomes of capped claimants

Lone Parents – May Cohort

Proportion in work												
Cohort	Group	June	July	August	September	October	November	December	January	February	March	April
May 2010	Under Cap (£50.01-£100)	1%	2%	2%	4%	4%	5%	5%	6%	7%	7%	7%
	Under Cap (£0-£50)	1%	2%	2%	3%	4%	5%	5%	5%	6%	7%	7%
	In scope for the cap	1%	1%	2%	3%	3%	4%	4%	5%	5%	6%	6%
May 2011	Under Cap (£50.01-£100)	1%	2%	3%	4%	4%	5%	6%	6%	6%	7%	7%
	Under Cap (£0-£50)	1%	2%	2%	3%	4%	4%	5%	5%	6%	6%	7%
	In scope for the cap	1%	2%	2%	3%	3%	4%	4%	5%	6%	6%	6%
May 2012	Under Cap (£50.01-£100)	1%	2%	3%	4%	6%	6%	7%	8%	8%	9%	10%
	Under Cap (£0-£50)	1%	2%	3%	4%	5%	6%	6%	7%	8%	9%	9%
	In scope for the cap	1%	2%	3%	4%	5%	6%	7%	8%	10%	12%	12%
May 2013	Under Cap (£50.01-£100)	1%	2%	3%	5%	6%	7%	8%	8%	9%	10%	10%
	Under Cap (£0-£50)	1%	3%	3%	5%	6%	7%	8%	8%	9%	10%	10%
	In scope for the cap	2%	4%	6%	9%	11%	12%	14%	14%	15%	16%	16%

Benefit Cap: Analysis of outcomes of capped claimants

Couples – May Cohort

Proportion in work												
Cohort	Group	June	July	August	September	October	November	December	January	February	March	April
May 2010	Under Cap (£50.01-£100)	3%	6%	7%	9%	11%	12%	12%	12%	13%	14%	14%
	Under Cap (£0-£50)	3%	5%	7%	9%	10%	11%	12%	12%	13%	14%	14%
	In scope for the cap	2%	4%	6%	7%	9%	10%	11%	11%	12%	13%	13%
May 2011	Under Cap (£50.01-£100)	2%	4%	6%	8%	9%	10%	10%	10%	11%	11%	9%
	Under Cap (£0-£50)	2%	4%	5%	7%	8%	9%	10%	10%	11%	11%	9%
	In scope for the cap	1%	3%	5%	6%	7%	8%	9%	9%	10%	11%	8%
May 2012	Under Cap (£50.01-£100)	3%	6%	8%	9%	10%	11%	12%	12%	13%	13%	14%
	Under Cap (£0-£50)	3%	5%	7%	9%	10%	11%	11%	12%	12%	13%	14%
	In scope for the cap	3%	5%	7%	8%	10%	11%	12%	13%	14%	16%	17%
May 2013	Under Cap (£50.01-£100)	2%	5%	7%	9%	11%	12%	12%	12%	13%	14%	14%
	Under Cap (£0-£50)	2%	4%	7%	9%	11%	12%	13%	13%	14%	15%	15%
	In scope for the cap	2%	6%	10%	13%	17%	19%	20%	20%	22%	23%	22%

Benefit Cap: Analysis of outcomes of capped claimants

Examining those in scope of the cap by more than £100 – May Cohort

Proportion in work												
Cohort	Group	June	July	August	September	October	November	December	January	February	March	April
May 2010	In scope for the cap (all)	1%	3%	3%	4%	5%	6%	7%	7%	8%	8%	9%
	In scope for the cap by more than £100	1%	2%	3%	4%	5%	6%	6%	7%	8%	8%	8%
May 2011	In scope for the cap (all)	1%	2%	3%	4%	5%	5%	6%	7%	7%	8%	7%
	In scope for the cap by more than £100	1%	2%	3%	4%	5%	5%	6%	6%	7%	7%	6%
May 2012	In scope for the cap (all)	2%	3%	4%	6%	7%	8%	9%	10%	11%	13%	14%
	In scope for the cap by more than £100	2%	3%	4%	6%	7%	9%	10%	12%	13%	16%	18%
May 2013	In scope for the cap (all)	2%	5%	8%	11%	13%	15%	16%	17%	18%	19%	19%
	In scope for the cap by more than £100	3%	7%	11%	16%	20%	23%	24%	24%	26%	27%	27%

Benefit Cap: Analysis of outcomes of capped claimants

Examining those in scope of the cap by more than £200 – May Cohort

Proportion in work												
Cohort	Group	June	July	August	September	October	November	December	January	February	March	April
May 2010	In scope for the cap (all)	1%	3%	3%	4%	5%	6%	7%	7%	8%	8%	9%
	In scope for the cap by more than £200	1%	2%	3%	3%	4%	5%	6%	6%	7%	8%	8%
May 2011	In scope for the cap (all)	1%	2%	3%	4%	5%	5%	6%	7%	7%	8%	7%
	In scope for the cap by more than £200	1%	2%	3%	3%	4%	5%	5%	6%	6%	7%	6%
May 2012	In scope for the cap (all)	2%	3%	4%	6%	7%	8%	9%	10%	11%	13%	14%
	In scope for the cap by more than £200	2%	3%	5%	6%	8%	9%	11%	13%	15%	18%	20%
May 2013	In scope for the cap (all)	2%	5%	8%	11%	13%	15%	16%	17%	18%	19%	19%
	In scope for the cap by more than £200	4%	9%	13%	20%	25%	28%	29%	30%	31%	32%	31%

Benefit Cap: Analysis of outcomes of capped claimants

Closer examination of the groups – May Cohort

Proportion in work												
Cohort	Group	June	July	August	September	October	November	December	January	February	March	April
May 2010	Under Cap (£50.01-£100)	2%	3%	4%	5%	6%	7%	7%	7%	8%	9%	9%
	Under Cap (£0-£50)	2%	3%	4%	5%	6%	7%	7%	8%	8%	9%	9%
	In scope for the cap (£0-100)	1%	3%	4%	5%	6%	6%	7%	7%	8%	9%	9%
	In scope for the cap (£100.01-£200)	1%	2%	3%	4%	5%	6%	6%	7%	8%	8%	8%
	In scope for the cap (Over £200)	1%	2%	3%	3%	4%	5%	6%	6%	7%	8%	8%
May 2011	Under Cap (£50.01-£100)	1%	3%	3%	5%	6%	6%	7%	7%	8%	8%	8%
	Under Cap (£0-£50)	1%	2%	3%	5%	5%	6%	6%	7%	7%	8%	7%
	In scope for the cap (£0-100)	1%	2%	3%	4%	5%	6%	6%	7%	7%	8%	7%
	In scope for the cap (£100.01-£200)	1%	2%	3%	4%	5%	5%	6%	6%	7%	7%	7%
	In scope for the cap (Over £200)	1%	2%	3%	3%	4%	5%	5%	6%	6%	7%	6%
May 2012	Under Cap (£50.01-£100)	2%	3%	4%	6%	7%	8%	8%	9%	10%	10%	11%
	Under Cap (£0-£50)	2%	3%	4%	6%	7%	8%	8%	9%	10%	10%	11%
	In scope for the cap (£0-100)	2%	3%	4%	6%	7%	8%	9%	9%	11%	12%	13%
	In scope for the cap (£100.01-£200)	2%	3%	4%	6%	7%	9%	10%	11%	12%	15%	16%
	In scope for the cap (Over £200)	2%	3%	5%	6%	8%	9%	11%	13%	15%	18%	20%
May 2013	Under Cap (£50.01-£100)	1%	3%	4%	6%	8%	9%	9%	10%	11%	11%	11%
	Under Cap (£0-£50)	1%	3%	5%	7%	8%	9%	9%	10%	11%	12%	11%
	In scope for the cap (£0-100)	2%	4%	6%	9%	11%	12%	13%	14%	15%	16%	16%
	In scope for the cap (£100.01-£200)	3%	7%	10%	15%	18%	20%	21%	22%	24%	25%	25%
	In scope for the cap (Over £200)	4%	9%	13%	20%	25%	28%	29%	30%	31%	32%	31%

Benefit Cap: Analysis of outcomes of capped claimants

Carers Allowance (excluding singles) – May Cohort

Proportion in work												
Cohort	Group	June	July	August	September	October	November	December	January	February	March	April
May 2010	Under Cap (£50.01-£100)	1%	1%	1%	2%	3%	3%	4%	3%	3%	4%	4%
	Under Cap (£0-£50)	1%	1%	1%	2%	2%	3%	3%	3%	3%	4%	4%
	In scope for the cap	1%	1%	1%	2%	2%	3%	3%	3%	4%	5%	4%
May 2011	Under Cap (£50.01-£100)	0%	1%	1%	2%	3%	3%	3%	3%	3%	3%	3%
	Under Cap (£0-£50)	1%	1%	1%	2%	2%	3%	3%	3%	3%	4%	3%
	In scope for the cap	0%	1%	1%	1%	2%	2%	2%	2%	3%	3%	3%
May 2012	Under Cap (£50.01-£100)	1%	1%	2%	2%	2%	3%	3%	4%	4%	4%	5%
	Under Cap (£0-£50)	0%	1%	1%	2%	2%	2%	3%	3%	4%	4%	5%
	In scope for the cap	1%	2%	2%	3%	4%	4%	4%	6%	7%	8%	9%
May 2013	Under Cap (£50.01-£100)	1%	1%	2%	3%	3%	3%	3%	3%	4%	4%	4%
	Under Cap (£0-£50)	1%	2%	2%	3%	3%	4%	3%	4%	5%	5%	5%
	In scope for the cap	1%	4%	7%	9%	11%	12%	13%	13%	15%	15%	15%

Benefit Cap: Analysis of outcomes of capped claimants

Housing Sector – May Cohort

Proportion in work													
Cohort	Housing Sector	Group	June	July	August	September	October	November	December	January	February	March	April
May 2010	Private Rented Sector	Under Cap (£0-£50)	2%	3%	4%	6%	7%	8%	8%	9%	10%	11%	11%
		In scope for the cap	2%	3%	4%	5%	6%	7%	8%	8%	9%	10%	10%
	Social Rented Sector	Under Cap (£0-£50)	1%	3%	3%	4%	5%	6%	6%	6%	7%	7%	8%
		In scope for the cap	1%	2%	3%	4%	4%	5%	5%	6%	7%	7%	7%
May 2011	Private Rented Sector	Under Cap (£0-£50)	1%	3%	4%	5%	6%	7%	7%	8%	9%	9%	8%
		In scope for the cap	1%	3%	3%	4%	5%	6%	7%	7%	8%	8%	8%
	Social Rented Sector	Under Cap (£0-£50)	1%	2%	3%	4%	4%	5%	5%	6%	6%	7%	6%
		In scope for the cap	1%	2%	3%	3%	4%	5%	5%	5%	6%	6%	6%
May 2012	Private Rented Sector	Under Cap (£0-£50)	2%	4%	5%	7%	8%	9%	9%	10%	11%	12%	12%
		In scope for the cap	2%	4%	5%	7%	8%	9%	10%	11%	13%	15%	16%
	Social Rented Sector	Under Cap (£0-£50)	2%	3%	4%	5%	6%	7%	7%	7%	8%	9%	9%
		In scope for the cap	1%	3%	3%	5%	6%	7%	8%	9%	10%	11%	12%
May 2013	Private Rented Sector	Under Cap (£0-£50)	1%	4%	5%	7%	9%	10%	10%	11%	12%	13%	13%
		In scope for the cap	2%	6%	8%	13%	15%	17%	18%	19%	20%	21%	21%
	Social Rented Sector	Under Cap (£0-£50)	1%	3%	4%	6%	8%	8%	9%	9%	10%	11%	10%
		In scope for the cap	2%	4%	6%	9%	11%	13%	13%	14%	15%	16%	16%

Benefit Cap: Analysis of outcomes of capped claimants

Lone Parents by age of youngest child – May Cohort

Cohort	Group	0 year old	1 year old	2 year old	3 year old	4+ year old	All Lone Parents
May 2010	Under Cap (£50.01-£100)	4%	4%	4%	5%	11%	7%
	Under Cap (£0-£50)	4%	5%	4%	5%	11%	7%
	In scope for the cap	3%	3%	4%	5%	10%	6%
May 2011	Under Cap (£50.01-£100)	4%	4%	4%	6%	11%	7%
	Under Cap (£0-£50)	3%	3%	4%	4%	11%	7%
	In scope for the cap	3%	3%	3%	5%	10%	6%
May 2012	Under Cap (£50.01-£100)	4%	5%	5%	7%	15%	10%
	Under Cap (£0-£50)	4%	5%	4%	7%	15%	9%
	In scope for the cap	7%	7%	8%	10%	19%	12%
May 2013	Under Cap (£50.01-£100)	4%	5%	5%	7%	16%	10%
	Under Cap (£0-£50)	4%	5%	6%	7%	16%	10%
	In scope for the cap	10%	11%	13%	15%	23%	16%

Benefit Cap: Analysis of outcomes of capped claimants

May Cohort by family size and age of youngest child

Proportion in work by April the following year							
Cohort	Group	Family Size	0 years old	1 year old	2 years old	3 years old	4 years or older
May 2010	Under Cap (£0-£50)	1-2 children	8%	9%	6%	8%	14%
		3-4 children	8%	8%	9%	9%	11%
		5+ children	5%	4%	4%	4%	7%
	In scope for the cap	1-2 children	9%	8%	8%	10%	11%
		3-4 children	9%	9%	9%	8%	11%
		5+ children	7%	7%	7%	8%	8%
May 2011	Under Cap (£0-£50)	1-2 children	7%	7%	6%	6%	11%
		3-4 children	5%	6%	6%	6%	9%
		5+ children	3%	1%	3%	2%	6%
	In scope for the cap	1-2 children	5%	6%	5%	6%	10%
		3-4 children	6%	6%	6%	7%	9%
		5+ children	4%	5%	5%	5%	8%
May 2012	Under Cap (£0-£50)	1-2 children	10%	9%	9%	10%	16%
		3-4 children	8%	8%	8%	10%	14%
		5+ children	7%	8%	7%	12%	11%
	In scope for the cap	1-2 children	11%	8%	9%	8%	15%
		3-4 children	13%	13%	13%	14%	19%
		5+ children	12%	12%	13%	13%	17%
May 2013	Under Cap (£0-£50)	1-2 children	10%	10%	10%	10%	17%
		3-4 children	8%	8%	9%	9%	15%
		5+ children	7%	7%	9%	6%	13%
	In scope for the cap	1-2 children	11%	14%	13%	14%	21%
		3-4 children	17%	17%	18%	19%	23%
		5+ children	15%	16%	17%	17%	22%

Benefit Cap: Analysis of outcomes of capped claimants

May Cohort by family size and age of youngest child – Lone Parents

Proportion in work by April the following year							
Cohort	Group	Family Size	0 years old	1 year old	2 years old	3 years old	4 years or older
May 2010	Under Cap (£0-£50)	1-2 children	5%	6%	4%	5%	13%
		3-4 children	3%	4%	5%	5%	10%
		5+ children	3%	2%	3%	3%	6%
	In scope for the cap	1-2 children	5%	4%	5%	7%	11%
		3-4 children	3%	4%	4%	4%	10%
		5+ children	3%	3%	4%	4%	7%
May 2011	Under Cap (£0-£50)	1-2 children	4%	4%	4%	4%	13%
		3-4 children	2%	4%	3%	4%	10%
		5+ children	2%	1%	2%	2%	6%
	In scope for the cap	1-2 children	3%	4%	4%	5%	11%
		3-4 children	4%	3%	4%	5%	11%
		5+ children	2%	3%	3%	4%	8%
May 2012	Under Cap (£0-£50)	1-2 children	5%	5%	6%	8%	16%
		3-4 children	4%	5%	4%	7%	16%
		5+ children	2%	2%	3%	4%	8%
	In scope for the cap	1-2 children	9%	6%	7%	6%	16%
		3-4 children	7%	8%	8%	11%	21%
		5+ children	6%	7%	8%	9%	17%
May 2013	Under Cap (£0-£50)	1-2 children	5%	7%	8%	8%	18%
		3-4 children	3%	4%	5%	6%	16%
		5+ children	4%	3%	4%	5%	13%
	In scope for the cap	1-2 children	9%	10%	11%	12%	20%
		3-4 children	12%	13%	16%	17%	25%
		5+ children	8%	10%	10%	13%	20%

Benefit Cap: Analysis of outcomes of capped claimants

Region – May Cohort

Proportion in work by April the following year													
Cohort	Group	North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East of England	London	South East	South West	Scotland	Wales	Great Britain
May 2010	Under Cap (£50.01-£100)	7%	8%	7%	9%	9%	10%	9%	11%	13%	6%	8%	9%
	Under Cap (£0-£50)	8%	9%	7%	9%	9%	10%	9%	11%	11%	7%	8%	9%
	In scope for the cap	7%	8%	7%	8%	8%	9%	9%	10%	10%	6%	5%	9%
May 2011	Under Cap (£50.01-£100)	6%	7%	6%	7%	7%	8%	8%	10%	10%	7%	6%	8%
	Under Cap (£0-£50)	5%	6%	6%	6%	7%	8%	8%	8%	9%	6%	5%	7%
	In scope for the cap	5%	5%	5%	7%	7%	6%	7%	8%	8%	4%	4%	7%
May 2012	Under Cap (£50.01-£100)	9%	9%	10%	10%	9%	12%	13%	12%	12%	7%	8%	11%
	Under Cap (£0-£50)	8%	7%	7%	10%	9%	10%	13%	13%	13%	8%	9%	11%
	In scope for the cap	9%	8%	9%	12%	10%	11%	18%	14%	13%	7%	8%	14%
May 2013	Under Cap (£50.01-£100)	9%	9%	11%	11%	9%	13%	13%	13%	11%	7%	8%	11%
	Under Cap (£0-£50)	8%	10%	10%	10%	10%	12%	13%	12%	12%	8%	8%	11%
	In scope for the cap	12%	11%	13%	13%	14%	14%	24%	18%	14%	9%	11%	19%

Annex D: July Cohort Results

July Cohort Characteristics

Characteristics		July 2010			July 2011			July 2012			July 2013		
		Under Cap (£50.01-£100)	Under Cap (£0-£50)	In scope for the cap	Under Cap (£50.01-£100)	Under Cap (£0-£50)	In scope for the cap	Under Cap (£50.01-£100)	Under Cap (£0-£50)	In scope for the cap	Under Cap (£50.01-£100)	Under Cap (£0-£50)	In scope for the cap
Volume	No.	82,000	44,000	55,000	77,000	43,000	56,000	70,000	38,000	50,000	65,000	35,000	40,000
Benefit Type (%)	JSA	19	22	21	24	25	24	26	27	26	28	29	28
	ESA	5	6	6	7	8	8	11	12	12	14	15	17
	IS	71	68	69	65	63	64	57	54	54	51	48	47
	Other	4	4	4	4	4	4	7	7	8	7	7	8
Household Gender (%)	Male	17	20	23	15	17	20	16	19	22	16	19	21
	Female	83	80	77	85	83	80	84	81	78	84	81	79
Number of Children (%)	0	0	0	0	0	0	0	0	0	0	0	0	0
	1	12	10	7	11	8	6	9	6	4	8	6	3
	2	25	19	15	25	19	13	23	17	12	21	16	11
	3	43	29	22	48	32	22	48	28	21	50	28	20
	4+	19	42	55	16	40	59	19	49	63	20	49	65
London	%	29	36	55	30	36	52	30	35	52	29	35	46

Note: Figures are rounded to the nearest 1000. Figures may not sum due to rounding.

Benefit Cap: Analysis of outcomes of capped claimants

Couples and Lone Parents – July Cohort

Proportion in work												
Cohort	Group	August	September	October	November	December	January	February	March	April	May	June
July 2010	Under Cap (£50.01-£100)	2%	4%	5%	5%	6%	6%	7%	8%	8%	9%	9%
	Under Cap (£0-£50)	1%	3%	5%	6%	6%	7%	7%	8%	9%	9%	10%
	In scope for the cap	1%	3%	4%	5%	5%	6%	7%	7%	8%	8%	9%
July 2011	Under Cap (£50.01-£100)	1%	3%	4%	5%	6%	6%	7%	7%	7%	8%	8%
	Under Cap (£0-£50)	1%	3%	4%	5%	5%	6%	6%	7%	7%	7%	8%
	In scope for the cap	1%	2%	3%	4%	5%	5%	6%	6%	6%	7%	8%
July 2012	Under Cap (£50.01-£100)	1%	3%	5%	6%	6%	7%	8%	9%	9%	10%	11%
	Under Cap (£0-£50)	1%	3%	5%	6%	6%	7%	8%	8%	9%	10%	11%
	In scope for the cap	1%	3%	4%	6%	7%	8%	9%	11%	12%	14%	15%
July 2013	Under Cap (£50.01-£100)	1%	4%	6%	7%	7%	8%	9%	10%	10%	11%	12%
	Under Cap (£0-£50)	1%	4%	6%	7%	8%	8%	9%	10%	10%	12%	13%
	In scope for the cap	2%	7%	10%	11%	13%	14%	15%	16%	16%	18%	19%

Annex E: Methodology and Technical Notes

The Benefit Cap Dataset Sources

This analysis has been performed on bespoke datasets commissioned for the purpose of evaluating the Benefit Cap, created from a range of administrative benefit records from different sources within the Department for Work and Pensions, Her Majesty's Revenue and Customs (HMRC) and Local Authorities (LAs) including:

The Single Housing Benefit Extract (SHBE): SHBE is a monthly electronic record of claimant level data compiled from scans directly taken from Local Authority Housing Benefit administration systems and is the main source of data on Housing Benefit. Local Authorities (LAs) send DWP data on a rolling timescale, therefore this data is the best information on Housing Benefit payments in that month, but is not a snapshot across all LAs on a specific date. It provides contextual information such as the current claim amount, postcode and tenure type. Where a record is not found, for example due to a non-return, the most recent return is used instead. The vast majority of returns are received every month so this is not a widespread flaw in the data.

This is then matched to the:

Work and Pensions Longitudinal Study (WPLS): WPLS links benefit and programme information held by DWP on its claimants to employment records from HMRC. This provides information on weekly Child Tax Credit and Working Tax Credit entitlement (including nil entitlements), benefit income data, and demographic details about claimants.

Further input then provided from other data sources to obtain information on other benefit types including Personal Independence Payments and Child Benefit. Where all claim information across sources are linked to the HB lead claimant and, where applicable, partner.

The benefit cap datasets were created for each month using the latest information available. Each dataset presents the best information we have on benefit income of households in that specific month from our administrative data. For example, for the April 2013 benefit cap dataset, data was used from the 2nd May 2013 scan from SHBE, March 2014 from WPLS, and April 2013 for other datasets.

Where cohort analysis has been carried out these bespoke monthly datasets are linked via an encrypted unique identifier for each household. The datasets contain both households in receipt of exempt and non-exempt benefits, which allows analysis to track movements across the welfare system, including in-work benefits such as Working Tax Credits.

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As data is drawn from administrative records, some variables are not available or are incomplete in the data. However we explored the use of more variables than were eventually included in the data. For example, ethnicity was considered as a possible variable to include in the dataset, but due to the number of missing records, it would not provide an accurate breakdown and is therefore not available on the dataset.

The datasets were created retrospectively, therefore will include households who were not identified as in scope for the cap at the time. For example where the scan of the administrative data takes place on a Monday and a household's benefit claim was processed on Tuesday, but backdated to when they initially became eligible for the award on the previous Friday then they will be included in our data, but would not be identified and capped until they appeared in the data. It may also be the case that a household is identified as in scope, but then changes circumstance prior to the cap being applied by the LA. These operational data-lags means that our estimates of those capped are not the same as the Official Statistics¹⁸ which identify capped households as a starting point, they use a different methodology. The Official statistics are quality assured to standards set out by the UK Statistics Authority, whilst our methodology for this analysis has been developed with the advice of the Institute for Fiscal Studies. However as shown in Chart 2.1, our estimated levels converge closely with the actually capped caseload (as shown in official statistics) providing confidence in the reliability of the estimates of those in scope for the cap.

Estimated Caseload

To identify the estimated capped caseload from July 2008 onwards in Chapter 2, a number of adjustments are made to the data.

Firstly, as the cap only affects those of working-age, the latest definition of the female state pension age is used to identify those in scope for the cap.

Secondly, using past benefit records for future action results in a data lag whereby household's circumstances may change between the time a case is identified to be capped and the cap being applied; for example, a child identified as dependent on administrative systems may become non dependent¹⁹. Comparisons between the total potentially capped caseload and the actually capped caseload does not find anything that significantly sets them apart. The estimated caseload has, therefore, been proportionally adjusted to take this into account.

To enable housing costs for Support Exempt Accommodation (SEA) households to be disregarded, a marker was only added in May 2013. The latest data shows this affects around 1,000 cases. The estimated caseload has, therefore, been adjusted by this total for historic estimates.

The Incapacity Benefit (IB) caseload has been reduced to reflect the fact that some of this group may be exempt from the cap as they have moved on to the support element of Employment Support Allowance (ESA). There remains a number of IB

¹⁸ <https://www.gov.uk/government/statistics/benefit-cap-number-of-households-capped-to-august-2014>

¹⁹ Before the cap is applied all cases are subject to checking to avoid incorrect application.

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claimants yet to go through re-assessment and so we have adjusted the historical data to take this into account and exemption of those reassessed and not in the ESA (WRAG) group by assuming a proportion of the caseload can be affected by the cap. 40 per cent of the IB caseload has therefore been assumed to be in scope for the cap and included in the caseload.

This adjustment has been made in the time-series data but not in the cohort analysis (except for the working-age definition). The cohort analysis uses all those in scope for the cap in that month. Those in the data lag and in the grace period remain in the cohorts as there could still be an incentive effect as they would be capped if they did not move back out of scope quickly. Analysis showed the two groups to exhibit similar characteristics. Comparisons are made on this consistent basis.

The adjustment made throughout the paper has been to take into account potential changes in the benefit cap level. It is unlikely the cap would have remained at the £350/£500 level over the last six years. Consequently, we have deflated the cap level for each financial year by CPI/RPI to reflect working-age benefit uprating and used this as the cap level for the year.

Outcomes

There may be a number of reasons for the cap no longer applying. To avoid multiple counts, a hierarchical approach has been taken with only the top-most reason for which a household is eligible being reported on. In this paper and similar to the Official Statistics, the hierarchy is:

- 1) Household having an open Working Tax Credit claim.
- 2) Household member no longer of working age.
- 3) Household is in receipt of other benefit resulting in exemption.
- 4) Housing Benefit Income fallen below the cap level
- 5) Amount of Housing Benefit claimed has reduced.
- 6) Other possible reasons included a change in household structure, grace period, operational factors etc.

Measuring employment through an open Working Tax Credit claim

Certain benefits and payments will result in exemption from the cap. To maximise the incentive to work, entitlement to Working Tax Credit (WTC) results in the household being exempt from the cap. This includes households whose earnings are so great they have been awarded a “nil award” as a result of the WTC means test. This is a good proxy for movement into work; however there are instances where a change in WTC receipt does not precisely reflect the underlying change. Hence while WTC accounts for a large proportion of moves to employment there remains some uncertainty around the precise scale of this.

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For the analysis, movement into work has been defined as having an open Working Tax Credit claim. This may not capture all those moving into employment from some claimants being ineligible for WTC. Another possible response is for households to start claiming WTC where the household was previously an entitled non-recipient. If the former phenomenon dominates, then the number of open WTC claims would under-state the number of claimants who have moved into work; if the latter phenomenon dominates, then the number of open WTC claims would over-state the number of claimants who have moved into work.

To ensure that WTC claims being made are actual payments, a comparison of those receiving a positive amount compared to £0 over time has been conducted, as shown in Table E1 below. This shows there has not been an increase in those registering for nil award. In other words, the results presented in this appear are not driven simply by households that previously wouldn't have taken up a nil entitlement to WTC now choosing to take it up to exempt themselves from the cap (though it is possible that households that would not previously have taken up a positive entitlement are now choosing to do so).

The results in the paper, as shown in Chapter 8, also highlights the 12 months prior to the cohort month, similar proportions between the capped group and the control group were claiming WTC, perhaps suggesting one group may not be more likely than the other to claim WTC.

Table E1: Split of WTC award for those moving into work in April the following year (May cohorts)

Group	2010		2011		2012		2013	
	£0 Value	Positive Value	£0 Value	Positive Value	£0 Value	Positive Value	£0 Value	Positive Value
Under the cap (£0-£50)	2.4%	97.6%	2.0%	98.0%	2.4%	97.7%	1.3%	98.7%
In scope for the cap	2.3%	97.7%	2.1%	97.9%	1.9%	98.1%	0.9%	99.1%

Annex F: Likelihood of moving into employment - Regression analysis methodology and results

Our treatment group (those households in scope for the cap) and control group (those households just under the cap level by £50 or less a week) appear similar with respect to many (though not all) observable characteristics. Further work has been undertaken to control for the small differences between them that we are able to observe in the data. As discussed in other sections, employment is proxied by movement onto Working Tax Credit (WTC).

A number of logit models were estimated with employment 12 months later as the binary dependent variable (1=in work, 0=not in work) on a number of independent variables including *Cap* (1=in treatment group, 0=control group). Two models are presented. The first model has no controls. The second includes a number of controls for other variables listed below. These have also been estimated looking at the entire cohort (excluding single-member households and couples with no children) and separately examining London households, the rest of Great Britain and Lone Parents.

The controls included are:

- Gender of lead claimant
- Whether the household was claiming JSA
- Whether the household was claiming ESA
- Whether the household was in the private-rented sector
- Whether the household was a Lone Parent
- Whether the household was affected the Local Housing Allowance
- Whether the household was affected by the Removal of the Spare Room Subsidy
- Whether the household claimed a Discretionary Housing Payment
- How many months out of the last 12 months did the household receive a Working Tax Credit.
- How many weeks out of the last 52 weeks was the household receiving an out-of-work benefit.
- Duration of the current benefit claim.
- The number of children in the household

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- The age of the households youngest child
- Age of the lead claimant in the household (and age-squared)
- Whether the household contained a carer (defined as someone on Carers Allowance)
- Whether the household was in London
- Whether the household was in Scotland

The results presented are in the form of odds ratios, relative risk and marginal effects. An odds ratio is the ratio of the odds of moving into employment for the treatment group to the odds of moving into employment in the control group. If the odds ratio is 1, this shows that the effect is neutral; if greater than 1, this represents greater odds and positive association of moving into employment; if smaller than 1, this represents lower odds and negative association of moving into employment. This can be converted into a relative risk (or risk ratio) which describes the multiplication of the risk that occurs with the use of an intervention. For example, a risk ratio of 2 for a treatment implies events with the treatment are two times more likely than events without a treatment. Or the treatment increases the risk of the event by $100 \times (\text{Risk Ratio} - 1)\%$, in the example, 100 per cent. The odds ratio obtained from the logistical regression have been adjusted to derive the relative risk ratio using the formula below:

$$\text{Relative Risk Ratio} = \frac{\text{Odds Ratio}}{(1 - P_0) + (P_0 \times \text{Odds Ratio})}$$

Where P_0 represents the incidence of employment in the control group

The marginal effects measure the association between a unit change in an independent variable and the probability that the dependent variable is one; for this analysis, the association between being capped and the probability of being employed.

If the central estimate from the model is that capped households were more likely than similar uncapped households to move into work (even after accounting for any difference we would expect due to other observed differences between these groups), the *Cap* variable has an odds and relative risk ratio greater than 1. If the central estimate exceeds 1 by enough for us to be confident that this statistical pattern is not random (precisely, if there is less than a 5 per cent probability that the difference between the groups would have arisen randomly), then we say that the estimate is statistically significant. This result would be expected for the May 2012 and May 2013 cohort. The models have also estimated May 2010 and May 2011 cohorts. Intuitively the *Cap* variables should be insignificant and have an odds ratio of around 1 to indicate no difference between the treatment and control groups likelihood of being in employment as the policy was not in place and therefore would not alter behaviour.

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The results of the models are shown in Tables F1 and F2 below and the variable comparison in Table F3. The results support the findings from other analysis suggesting that the benefit cap had an employment effect with capped households more likely to enter employment after controlling for a range of variables than a similar uncapped group, whereas these differences in employment probabilities did not exist for the May 2010 and May 2011 cohorts pre-implementation. The effect can clearly be seen for the May 2013 cohort, the odds of entering employment after a year was greater than one, with the control group being the base. Capped households were 4.7 percentage points (41 per cent) more likely to enter employment than a similar uncapped household controlling for a range of factors.

This appears to be driven by London households. Given the greater amounts that households in London tend to lose from the cap, this may be due to the amounts of benefit income lost than geography. For 2013, London households in scope for the cap in May 2013 were 9.5 percentage points (70 per cent) more likely to flow into work after a year, controlling for a range of factors.

The cohort has also divided to examine Lone Parents (presented in tables E2). Lone Parents were 4.9 percentage points (51 per cent) more likely to flow into work after a year compared to a similar uncapped household when controlling for a range of observable characteristics. When looking at Lone Parents in London, those in scope for the cap were 8.4 percentage points (70 per cent) more likely to enter work than similar uncapped households in London.

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Table F1a: Results from Model 1 – No controls

Model 1 – No controls								
Cohort	Variable	Marginal Effect (percentage points)	Odds Ratio (OR)	Odds Ratio 95% confidence interval		Relative Risk (RR)	Relative Risk 95% confidence interval	
May 2010	Cap	-0.5	0.942	0.902	0.984	0.947	0.910	0.985
May 2011*	Cap	-0.3	0.959	0.913	1.008	0.962	0.919	1.007
May 2012	Cap	3.5	1.369	1.315	1.426	1.316	1.272	1.363
May 2013	Cap	7.4	1.781	1.710	1.855	1.635	1.581	1.689

Table F1b: Results from Model 2 – With controls

Model 2 – With controls								
Cohort	Variable	Marginal Effect (percentage points)	Odds Ratio (OR)	Odds Ratio 95% confidence interval		Relative Risk (RR)	Relative Risk 95% confidence interval	
May 2010	Cap	-0.8	0.901	0.856	0.949	0.909	0.868	0.954
May 2011*	Cap	0.0	0.990	0.935	1.048	0.991	0.939	1.044
May 2012	Cap	1.5	1.156	1.101	1.213	1.137	1.089	1.186
May 2013	Cap	4.7	1.484	1.416	1.555	1.406	1.352	1.462

Table F1c: Results from Model 2 – With controls for London only

Model 3 – With controls for London only								
Cohort	Variable	Marginal Effect (percentage points)	Odds Ratio (OR)	Odds Ratio 95% confidence interval		Relative Risk (RR)	Relative Risk 95% confidence interval	
May 2010	Cap	-0.7	0.920	0.854	0.991	0.927	0.866	0.992
May 2011*	Cap	-0.2	0.994	0.888	1.047	0.967	0.896	1.043
May 2012	Cap	2.9	1.265	1.183	1.353	1.223	1.155	1.293
May 2013	Cap	9.5	1.904	1.780	2.036	1.701	1.614	1.791

Table F1d: Results from Model 2 – With controls for Rest of Great Britain

Model 4 – With controls for Great Britain (excluding London)								
Cohort	Variable	Marginal Effect (percentage points)	Odds Ratio (OR)	Odds Ratio 95% confidence interval		Relative Risk (RR)	Relative Risk 95% confidence interval	
May 2010	Cap	-0.8	0.895	0.831	0.963	0.904	0.844	0.966
May 2011*	Cap	0.2	1.031	0.951	1.118	1.029	0.954	1.109
May 2012	Cap	1.0	1.124	1.046	1.207	1.111	1.041	1.184
May 2013	Cap	1.8	1.194	1.115	1.278	1.170	1.102	1.242

Note: * = The *Cap* coefficient in the logit model was insignificant at the 95% level. In all other models, the *Cap* variable was significant.

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Table F2a: Results from Model 1 (Lone Parents) – No controls

Model 1 – No controls								
Cohort	Variable	Marginal Effect (percentage points)	Odds Ratio (OR)	Odds Ratio 95% confidence interval		Relative Risk (RR)	Relative Risk 95% confidence interval	
May 2010	Cap	-0.7	0.887	0.833	0.945	0.894	0.843	0.949
May 2011*	Cap	-0.3	0.959	0.9	1.022	0.962	0.906	1.021
May 2012	Cap	3.2	1.392	1.317	1.472	1.344	1.280	1.411
May 2013	Cap	6.8	1.828	1.729	1.932	1.694	1.616	1.774

Table F2b: Results from Model 2 (Lone Parents) – With controls

Model 2 – With controls								
Cohort	Variable	Marginal Effect (percentage points)	Odds Ratio (OR)	Odds Ratio 95% confidence interval		Relative Risk (RR)	Relative Risk 95% confidence interval	
May 2010	Cap	-0.8	0.875	0.814	0.94	0.883	0.825	0.944
May 2011*	Cap	0.0	1.011	0.94	1.087	1.010	0.944	1.081
May 2012	Cap	1.5	1.180	1.107	1.259	1.161	1.096	1.230
May 2013	Cap	4.9	1.598	1.501	1.702	1.512	1.432	1.595

Table F2c: Results from Model 2 (Lone Parents) – With controls for London only

Model 3 – With controls for London only								
Cohort	Variable	Marginal Effect (percentage points)	Odds Ratio (OR)	Odds Ratio 95% confidence interval		Relative Risk (RR)	Relative Risk 95% confidence interval	
May 2010	Cap	-0.8	0.879	0.800	0.966	0.887	0.812	0.968
May 2011*	Cap	0.0	0.984	0.894	1.084	0.985	0.901	1.078
May 2012	Cap	3.1	1.331	1.222	1.448	1.286	1.194	1.383
May 2013	Cap	8.4	1.874	1.727	2.034	1.698	1.590	1.811

Table F2d: Results from Model 2 (Lone Parents) – With controls for Rest of Great Britain

Model 4 – With controls for Great Britain (excluding London)								
Cohort	Variable	Marginal Effect (percentage points)	Odds Ratio (OR)	Odds Ratio 95% confidence interval		Relative Risk (RR)	Relative Risk 95% confidence interval	
May 2010	Cap	-0.7	0.873	0.781	0.977	0.880	0.792	0.978
May 2011*	Cap	0.3	1.066	0.955	1.19	1.062	0.958	1.177
May 2012*	Cap	0.6	1.091	0.984	1.208	1.083	0.985	1.188
May 2013	Cap	2.1	1.317	1.189	1.459	1.285	1.171	1.408

Note: * = The *Cap* coefficient in the logit model was insignificant at the 95% level. In all other models, the *Cap* variable was significant.

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Table F3: Comparison of variables used in the regression

Characteristics	May-10		May-11		May-12		May-13	
	Under cap (£0-£50)	In scope for the cap	Under cap (£0-£50)	In scope for the cap	Under cap (£0-£50)	In scope for the cap	Under cap (£0-£50)	In scope for the cap
In Work (%)	9	9	7	7	11	14	11	19
London (%)	37	56	36	52	36	53	35	47
Scotland (%)	4	3	4	3	4	3	4	3
Gender (Female, %)	80	77	82	80	80	77	81	78
JSA (%)	22	21	25	24	26	25	30	29
ESA (%)	5	5	7	7	10	11	15	17
Private Rented Sector (%)	51	56	51	57	49	55	50	53
Lone Parents (%)	66	63	68	64	63	59	63	59
Carer (%)	3	3	3	3	3	4	4	4
RSRS (%)	N/A	N/A	N/A	N/A	N/A	N/A	3	2
DHP (%)	0	0	0	0	0	0	0	0
LHA (%)	1	1	1	1	1	1	1	1
Average number of months in the last 12 claimed WTC	0.26	0.26	0.27	0.24	0.65	0.70	0.31	0.28
Average number of weeks in last 52 claimed out-of-work benefit	45	46	46	45.97	45	46	46	46
Average duration of current benefit claim	1353	1425	1302	1302	1191	1291	988	1065
Average age of main household claimant	34	36	34	36	35	36	35	36
Average age of youngest child	4	4	4	4	4	4	4	4
Average number of children	3	4	3	4	3	4	3	4

Note: Figures may not sum due to rounding