GREATER**LONDON**AUTHORITY

REQUEST FOR ASSISTANT DIRECTOR DECISION – ADD2472

Title: Research into Covid-19 and financial hardship

Executive Summary:

Approval is being sought for expenditure of £30,000 to a) commission an impact assessment of the effect the coronavirus pandemic has had (and may have in the future) on the number of Londoners living in poverty and b) promote the findings of the report with stakeholders in the anti-poverty sector and Government. We are also seeking through the modelling to understand the effectiveness of recent changes to the tax and welfare system in response to the economic fallout of the crisis, as well as identifying costed policy solutions to put to Government.

Decision:

That the Assistant Director of Communities and Social Policy approves:

> Expenditure of £30,000 for a third party to prepare, for the GLA, an analysis measuring the financial impact of recent welfare reform on London households, and for the promotion and dissemination of the findings.

AUTHORISING ASSISTANT DIRECTOR/HEAD OF UNIT

I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: Tom Rahilly	**Position:** Assistant Director of Communities and Social Policy
Signature:	**Date:** 2 November 2020

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

1.1 The coronavirus pandemic has severely impacted Londoners' incomes. Due to widespread economic shutdown, the newly introduced Coronavirus Job Retention Scheme (CJRS) and Self-Employment Income Support Scheme (SEISS) attracted more than 10 million claims since March, but significant new demand also fell on the existing benefits system. In July 2020, there were over twice as many Londoners claiming jobseekers' allowance (52,000) than there were in March (23,100). London households in receipt of Universal Credit (UC) rose by 82% between February and May (compared with just 62% across the rest of England). There were 2.5 times more unemployment benefit claimants in London as of June than at the beginning of the year, a steeper increase than in the rest of the country (where the number rose 2.1 times).

1.2 Since March 2020 the rules and operation of the welfare system have been subject to a range of reforms, intended to support people to isolate, shield and to facilitate social distancing. These include:

- increases to the level of some benefits – claimants of Universal Credit and Working Tax Credit now receive around £20 more a week and the amount available in housing support has increased;

- measures to facilitate social distancing and support those who need to isolate or shield – changes were made to Statutory Sick Pay, sickness and carer benefits in order to help people follow public health guidelines; and

- temporary expansion of eligibility – rules were relaxed for some groups such as prisoners on temporary release and claimants of tax credits whose employment was affected.

1.3 A [full list of policy changes to social security during the crisis is available here.](#)

1.4 Most of these changes were explicitly designed to be temporary. Others are set to continue into the Autumn and will remain under Government review in the light of the health situation.

1.5 There is currently no available evidence of the impact of these new policies on the incomes of families and households in London. To fill this evidence gap, we need to commission a piece of analytical micro-simulation modelling to review how these policies have impacted poverty rates in London between March 2020 and now, compared to what would have been the case if they were not introduced, as well as the projected effects of their withdrawal. The modelling will also measure the impact of policies which have been in place for longer than the past six months, such as the benefit cap and the two-child limit which reduce overall benefit income, to assess the impact of those policies on the new economic landscape. To achieve this, the modelling will take into account current and projected unemployment scenarios in London.

1.6 We are unable to do this modelling ourselves, as building a micro-simulation model of the tax-benefit system would be prohibitively expensive. Fortunately, a range of consultancies and research institutes have already built such models and can be contracted to run analysis of this kind at a lower cost than building modelling capacity ourselves. The [Joseph Rowntree Foundation recently released an analysis](#) of the Covid-19 increases to UC and Tax Credits using a microsimulation model which is a good example of the type of data we could generate from this study and how it could be used. We intend to procure a supplier through a competitive tender process whereby we will advertise the tender to a range of (at least three) research agencies and independently evaluate the proposals.

1.7 The research will also model the future impact if the Government were to introduce further changes to the welfare benefits system, for example increasing the generosity or widening the eligibility of certain benefits. It will be desirable to model these changes across multiple years, in three different economic scenarios (worst-case, best-case, and average for projected unemployment rates/reductions in

earnings) and in comparison to other Government regions in the UK. This may include exploring options for modelling what impact alternative policy options for welfare support would have on poverty rates in London. These costed policy solutions will be used as part of our advocacy to Government departments, to provide an evidence base for practical ways the tax and benefit system can be amended to alleviate poverty rates in the capital and across the UK.

1.8 The modelling will assess the disproportionate impact of the changes on the incomes of groups of Londoners with different protected characteristics, showing any differential impact across certain groups. This will also help GLA to better target those families and communities most economically impacted by the crisis.

1.9 The policies which will be modelled will be based on some proposals by other organisations (e.g. the Institute for Fiscal Studies, Resolution Foundation) and some Mayoral asks of Government (for example, our ask to increase Local Housing Allowance rates to median market rents). This new research will add value to existing work by these organisations because critically they have not explored:

- what effect this would have in London on incomes/ poverty rates and how this differs to other regions;

- what effect these measures would have on different equalities groups; and

- how much interventions newly proposed by the Mayor (e.g. median market LHA rates) would cost to implement.

2. Objectives and expected outcomes

2.1   The objectives of this project are to:
- calculate the financial impact on London households and families of reforms to the personal tax and welfare system introduced since March 2020, taking into account current and projected unemployment scenarios;

- calculate the financial impact on London households and families of aspects of the personal tax and welfare system which were introduced before March 2020, taking into account current and projected unemployment scenarios;

- calculate the effect on London households and families of making further changes to the personal tax and welfare system, for example changes to UC and Tax Credit rates, changes to Local Housing Allowance or to other benefits;

- assess how this impact varies (or would vary) across the income distribution within London;

- assess how this impact varies (or would vary) across households and families by their demographic and other characteristics, such as work status and housing tenure; and

- calculate the change in the number of adults and children living in poverty as a result of this impact, and how poverty rates would change based on projected scenarios.

2.2   The outcomes of this project are to:
- provide an evidence base for advocacy and lobbying of central government on the subject of welfare reform and unemployment;

- improve GLA understanding of the impact of the Covid-19 crisis and Government policies introduced to mitigate resulting financial hardship on households in London;

- the GLA will be better placed to target interventions on those most affected financially by Covid-19;

- the GLA be better able to assess the impact on equalities of the social security system in 2020; and

- all of the above will strengthen the evidence base for the London Recovery Board's 'Robust Safety Net' mission to ensure every Londoner has the support they need to prevent or alleviate financial hardship.

3. Equality comments

3.1 Equality is a key driver of the research. It will support the GLA in better understanding the impact of the changes to social security since March 2020 across protected characteristics. As noted above, it will also help the GLA to better target those families and communities most impacted by economic hardship.

3.2 It will do this by building into the analysis an assessment of how the impact of welfare reform in London varies between households and families by the presence of members with a range of protected and other characteristics. This will follow the approach used in the Cumulative Impact Assessment of the impact of tax and welfare reform that the GLA commissioned in 2018, which revealed that particular groups of Londoners, namely disabled and lone parent households, lost out most substantially from the changes to the tax and welfare system since 2010.

3.3 We expect this will allow us to evaluate the impact of welfare reform by age, disability, gender, race and maternity. Due to limitations in available data, we will likely be unable to assess impact by religion or belief, sexual orientation, pregnancy and gender reassignment.

4. Other considerations

4.1 Risks to this work include:

- whether the results are robust: we will build a range of statistical checks into the project to ensure we do not use spurious results while ensuring the project generates usable insights; and

- timescales: we would like the project to report in Spring 2020. This may prove challenging depending on the procurement timetable, and so we will ensure flexibility in timescales for presenting and using the results.

4.2 The research will support the work of the London Recovery Board in responding to Covid-19, by providing an evidence base to be used as part of the Robust Safety Net and Good Work missions. It will support the former by helping the GLA lobby for a stronger and more comprehensive social security safety net for all Londoners and the latter by modelling unemployment scenarios and the effectiveness of government job protection schemes. There is also a link to the Mental Health and Wellbeing mission, as low income is a key driver of health inequalities.

4.3 The research will be commissioned and project managed by officers in the Equality and Fairness team who are also supporting the "Robust Safety Net" London Recovery Mission. This will ensure the findings of the research are useful and usable for the mission and likewise, the mission is actively responding to the findings of the research.

4.4 There are no known conflicts of interests or interests to declare associated with this decision.

5. Financial comments

5.1 Approval is sought for expenditure of £30,000 to commission an impact assessment of the effect the coronavirus pandemic has had on the number of Londoners living in poverty, and to promote the findings with key stakeholders in the anti-poverty sector and Government.

5.2	This expenditure of £30,000 will be funded by the 2020/21 CSP Equality & Fairness budget as approved via MD2680.

## 6.	Planned delivery approach and next steps

Activity	Timeline
Procurement of contract	Nov 2020
Announcement	Nov 2020
Delivery Start Date	Dec 2020
Main milestones – interim results	Jan 2020
Main milestones – final results	Feb 2020
Delivery End Date	Mar 2020
Influencing and Advocacy	Mar 2020

Appendices and supporting papers:
None.

Part 1 - Deferral

Is the publication of Part 1 of this approval to be deferred? NO

If YES, for what reason:

Until what date: (a date is required if deferring)

Part 2 – Sensitive information

Only the facts or advice that would be exempt from disclosure under FoIA should be included in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – NO

ORIGINATING OFFICER DECLARATION:	Drafting officer to confirm the following (✓)
Drafting officer: <u>Lizzie Mahoney</u> has drafted this report in accordance with GLA procedures and confirms the following:	✓
Corporate Investment Board This decision was agreed by the Corporate Investment Board on 2 November 2020.	

ASSISTANT DIRECTOR OF FINANCIAL SERVICES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature   **Date: 2 November 2020**