

# Did the bedroom tax work?

Evaluation uses our data to assess effectiveness of policy

In 2013, the UK Government introduced an 'under-occupancy penalty' for social housing tenants deemed to have a 'spare' room, which became known as the 'bedroom tax'. Researchers from the London School of Economics used survey data from Understanding Society to investigate whether the policy succeeded in reducing government expenditure, and encouraging people to downsize.



## Why was the policy considered necessary?

The stock of social housing has shrunk dramatically since the 1980s as councils sold off large proportions of their stock under right-to-buy policies and did not build new homes. However, the percentage of social renters has remained relatively stable since the early 2000s. Thus, by the time the policy was introduced in 2013, demand for publicly provided housing greatly outstripped supply – with long waiting lists (over a million households were on the waiting list in England in 2017).

In addition to the right to buy, social tenants are offered a right to occupy their property indefinitely, and do not need to move if their household composition and characteristics change.

So, while tenants' mobility is encouraged to accommodate other families, there was no compulsion or explicit sanction for remaining in under-occupied properties, and the same housing benefit continued to be transferred from central government to local councils. This led in many cases to those waiting for social housing claiming housing benefit for private rented accommodation, and so an increasing cost burden on the state.

By 2013, around five million individuals received housing benefits. Of these, around 3.4 million were in social housing and 1.6 million renting privately. This represented roughly 19% of all UK households, and approximately 45-50% of households renting in the UK. In Britain in 2015/16, housing benefit expenditure was £24.2 billion, amounting to 14% of total expenditure on benefits – an increase of 43% in real terms in the 20 years since 1996/7.

## How was the evaluation carried out?

The evaluation set out to compare the housing situation for households who were deemed to have a spare room according to the policy rules, with comparable households who did not. The analysis used Understanding Society data on social housing tenants receiving housing benefit from 2009 to 2015. Efforts were made to make this control group comparable, based on a wide range of variables such as 'lifestyle', 'financial stress' and ownership of 'durable goods'.

The researchers applied an additional methodological measure to mitigate for the possibility that the treatment group still represented a substantially different group in ways that could not be controlled for in the selection.



The research did not find that the policy was successful in making those faced with reduced housing benefit more likely to move

## Findings

The research did not find that the policy was successful in making those faced with reduced housing benefit more likely to move – so the policy did not therefore achieve one of its central objectives. However, it also aimed to encourage those who did move to downsize – and people who moved in the course of natural residential turnover were more likely to downsize.



The policy did reduce the cost of housing benefits to the government, but it did this at the short run expense of the affected groups who simply accepted a loss of disposable income. The saving was initially estimated to be around £350 million per year – only 70% of the savings anticipated by the policy, and reduced further in 2015/16 by £60 million in discretionary payments to protect people from the impacts of the policy. The loss of income represented around 3.5% of the affected group's total income, which is not negligible for such a low-income group who were facing further losses in overall income, stemming from reductions in labour income and a tendency to work less relative to the control group.

The overall conclusion from the evaluation was that, while the policy did reduce the costs to the taxpayer, it did so by imposing a transitional financial cost to social tenants unable or unwilling to downsize.



They this did by capturing data before and after the policy was implemented for both the treated and the control households. This is referred to as a difference-in-difference method, an analytical approach that facilitates causal inference in real world situations where randomization is not feasible. It does this by taking the differences that occurred for the untreated control group over the period of implementation as an indicator of the underlying changes that would have occurred naturally for the treated group without the policy. This is then used to adjust the results, leaving an estimation of the impact of the policy alone.

## What were the strengths of using Understanding Society data?

There are three significant challenges when evaluating social policy in the real world. Understanding Society data allow researchers to mitigate for all of these to a large degree:

1. **Selection bias**, whereby the treated group differs in their characteristics compared to the general population in a way that changes their behaviour in a relevant way. The Understanding Society data offers a wide set of additional social variables to ensure that treated-control groups are comparable.
2. **A lack of counter-factual control**, whereby some of the observed changes might have occurred irrespective of the policy. Understanding Society's longitudinal nature offers researchers the opportunity to observe these changes in the background or non-treated population both during implementation and even ahead of the policy's announcement.
3. **Response biases**, whereby the respondent alters their responses as they are aware of how the data will be used. In this case, the respondents would not reasonably be aware that their answers would be used to evaluate this policy.

