



**MINISTRY OF SOCIAL
DEVELOPMENT**
TE MANATŪ WHAKAHIATO ORA

Evidence Brief

**What impact are digital services
having on welfare- and income-
related benefit take-up?**

September 2014

Author

Prepared by Dionne Steven, Insights MSD.

Disclaimer

The views and interpretations in this report are those of the researcher and are not the official position of the Ministry of Social Development.

Readers should note that this report has not been through the Ministry's full publication quality assurance process but is being published as it may be of value and interest to the social services research community and others. The report has been edited and proof read, but the layout and content has not been reviewed or updated since the report was finalised. Web links for references have been updated where possible.

Date of publication

This report was completed in September 2014, and published to the MSD Research Archive website in September 2019.

ISBN

Online 978-0-9951241-4-1



What impact are digital services having on welfare- and income-related benefit take-up?

Introduction

Insights MSD undertook a review of international literature to identify what impact, if any, digital services are having on welfare- and income-related benefit take-up. The review will assist the Simplification project team in determining what the future financial liability of increased benefit take-up could be, once the Ministry's new digital services are introduced. The review was based on the premise that there is a group of people eligible for welfare/ income-related benefits but, for whatever reasons, choose to not take up their entitlement. The review sought to determine what impact the introduction of digital services might have on this group's propensity to take up a previously unclaimed benefit entitlement.

Key finding

The literature suggests that improved awareness of benefit eligibility and reduced transaction costs (time and effort) are likely to increase welfare- and income-related benefit take-up. Digital services have the potential to reduce transaction costs and therefore potentially increase benefit take-up. However, early evidence from the United Kingdom indicates that the introduction of digital services has not caused a significant increase in welfare- and income-related benefit claimants.

Evidence of the impact of digital on benefit take-up is still emerging

The review found no literature or evidence explicitly linking the introduction of digital services to welfare- and income-related benefit take-up. The 'digital by default'¹ literature tends to focus on the speed and convenience of digital for end users and the cost savings for government. Literature on welfare benefit take-up tends to focus on the importance of benefit take-up, why those who are eligible to claim a welfare benefit do not, and how to increase the take-up of welfare benefits. Much of the literature on non-benefit take-up is now several years old, and pre-dates the introduction of government digital services. The introduction of government digital services is still relatively recent or in the process of being rolled out so literature documenting evidence of its impact is still emerging.

Value of benefit, information asymmetries and transaction costs are potential barriers to take-up

Low or non-take-up of welfare benefits is a puzzling empirical phenomenon in both developing and developed countries (Blanco & Vargas, 2014). According to the Organisation for Economic Co-operation and Development (OECD), few government

¹ 'Digital by default' refers to digital services that are so straightforward and convenient that all those who can use them will choose to do so whilst those who can't are not excluded (GOV.UK, 2103).

agencies regularly compile and publish data about how many eligible people eventually take-up welfare benefits (Hernanz, Malherbet & Pellizzari, 2004). Most of the evidence on benefit take-up is hence derived from empirical studies which often differ in both methodological approach and in the range of benefits covered (Hernanz et al, 2004).

The international literature suggests that there is a positive correlation between the potential monetary value of welfare benefits, expected duration of benefit receipt, and take-up. Where the benefit amount is low and the expected duration on the benefit is short, the eligible recipient is less likely to take-up their benefit entitlement. Information asymmetries² and transaction costs (time and effort) are also a barrier to welfare benefit take-up (Blanco et al, 2014). In a review of surveys, lack of information is cited as the main reason for eligible people not taking-up their benefit entitlement (Blanco et al, 2014). The difficulty or complexity required to participate in a welfare programme can also be a deterrent to take-up. "Gathering, understanding and mastering application procedures imply costs in terms of time and effort, which may induce agents to renounce if their expected gain is low, or if the procedure is too complex and disorganised." (Hernanz et al, 2004, p. 18).

For example, a randomised control trial with Colombian conflict-driven refugees found that providing information via SMS about benefit eligibility increased the take-up of at least one of the Emergency Humanitarian services by 12 percent (Blanco et al, 2014). However, the experiment also shed light on the fact that providing information is not enough to have a substantial effect on take-up if transaction costs are not reduced (Blanco et al, 2014, 77). The literature suggests that a general simplification of application procedures is likely to improve the level of take-up (Hernanz et al, 2004, 22). Social stigmatisation has been identified as a further barrier to benefit take-up, although more recent evidence suggests that stigma is unlikely to be empirically salient (Blanco et al, 2014).

What do entitled non-recipients look like in the UK?

Unlike most government agencies, the UK's Department for Work and Pensions (DWP) regularly publishes accurate estimates on the take-up rates of the main income-related benefits in Great Britain, which also includes estimates of those entitled to a benefit but who are non-recipients.³ The last issue on benefit take-up estimates was published in 2012 and relates to the period 2009-2010 (DWP, 2012a). The next issue will be published in 2015 and is likely to provide a better understanding of what impact the introduction of digital services has had on the 'Entitled Non-recipient' (ENR) population and rate of take-up of income related benefits in the UK. However, the characteristics of the ENR population in the UK from 2009-2010 may still be useful in identifying the potential ENR population in New Zealand.

² Information asymmetry refers to an inequality in access to, awareness of, or understanding of, information about benefits and eligibility criteria.

³ Estimates of entitled non-recipients (ENRs) of benefits are derived from the UK's Family Resources Survey.

Some pertinent findings from the DWP report (DWP, 2012a) on income-related benefit take-up for working age people follow:

- Smaller amounts of benefit were less likely to be claimed. This supports the evidence in other literature that people do not take up benefits to which they are entitled if they regard the amounts they might receive as not worth the effort of claiming. This also holds true for Housing Benefits. Pensioners and non-pensioners who do not claim a Housing Benefit tend to be entitled to smaller amounts than those who did claim. An alternative view is that those with less entitlement may be less confident that they are entitled at all and therefore do not claim, or do not realise that they are in fact entitled.
- The length of time unemployed also appears to be a factor affecting the take-up of a benefit. Those who had been unemployed for three months or less were less likely to claim a benefit than those who had been unemployed for a longer duration. Some people may not claim a benefit as soon as they become eligible hoping that they will find employment quickly.
- Another possible explanation for non-take-up is that people may choose not to claim as they already receive some form of support from other members of their household. Take-up was much lower among those who were not head of their household. This was particularly so for those people eligible for a Jobseeker's Allowance (people on a Jobseeker's allowance must demonstrate that they are available for and actively seeking work).
- The figures indicate that disability may be a factor in the decision to claim a benefit, and that take-up was higher for those living with a disabled person.
- People who do not claim a benefit they are entitled to are more likely to have 'other' income than those people who do claim a benefit. This suggests that the having another income may dissuade people from claiming a benefit entitlement.
- Those people who claim a benefit are more likely to have income from other benefits than those who do not claim a benefit entitlement. This suggests that those with higher benefit income may be more aware of their entitlement through contact with the benefit system and therefore be more willing and likely to claim.
- Those people who do not claim a benefit entitlement are more likely to be owner-occupiers while those claiming a benefit are more likely to be among Social Rented Sector Tenants and those renting privately.

Early evidence from the UK indicates that digital has not had a significant impact on benefit take-up

One of the key benefits highlighted about digital services is the ease and convenience it provides the intended end-user. Based on the findings from the benefit take-up literature, one could assume that the introduction of digital services would increase the level of benefit take-up as it simplifies application. To some extent it also offers the applicant a degree of anonymity, thereby mitigating any perceived stigmatisation associated with visiting a welfare centre. However, recent statistics from the UK suggest that this may not necessarily be the case. Since its launch in

2012/2013, take-up of the DWP's digital services has been high. However, there has also been an overall decrease in working age benefit claimants of 386,000 in the year to February 2014 (DWP, 2014a). Among those claimants receiving Jobseeker's Allowance (JSA), the proportion of new claims submitted online was 83 percent in July 2014 (DWP, 2014b). However, the overall number of JSA claimants decreased by 369,000 in the year to February 2014.

Recent welfare reforms and other environmental factors undoubtedly had a significant bearing on the reduction in working age benefit claimants in the UK during the year to February 2014. While it is not possible to isolate the effects of digital services from the data, it is however reasonable to surmise that the introduction of digital services has not caused an overwhelming increase in the take-up of welfare- and income-related benefits in the UK; at least not enough to counter the effects of welfare reform and other environmental factors.

Conclusion and recommendations

The introduction of digital services by governments is still relatively recent and literature documenting evidence of its impact on welfare benefit take-up is still emerging.

The benefit take-up literature suggests that low benefit value, anticipated duration, awareness of eligibility and high transaction costs are deterrents to benefit take-up. While digital services address at least one of these barriers – transaction costs – early evidence from the UK indicates that this is not in itself enough to cause a significant increase in welfare benefit take-up among the eligible non-recipient population.

The combination of improved awareness of benefit eligibility and reduced transaction costs is likely to have a more significant impact on benefit take-up. However, at present there is no explicit evidence to support this claim.

Based on the evidence, it is recommended that the Ministry take a targeted approach when communicating the benefits and availability of its new digital services. By targeting communications at existing welfare benefit recipients, the Ministry can focus its efforts on migrating these clients to the new digital services and control/minimise additional take-up by eligible non-recipients.

References

- Blanco, M. & Vargas, J. (2014). Can SMS Technology Improve Low Take-up of Social Benefits? *Peace Economics, Peace Science and Public Policy*, 20(1), 61-81. Retrieved September 2014 from www.degruyter.com/view/j/peps.2014.20.issue-1/peps-2013-0060/peps-2013-0060.xml?format=INT
- Department for Work and Pensions (2012a). *Income Related Benefits: Estimates of Take-up in 2009-10*. Retrieved August 2014 from www.gov.uk/government/uploads/system/uploads/attachment_data/file/222915/tkup_full_report_0910.pdf
- Department for Work and Pensions (2012b). *Digital Strategy*. Retrieved September 2014 from www.gov.uk/government/uploads/system/uploads/attachment_data/file/193901/dwp-digital-strategy.pdf
- Department for Work and Pensions (2013). *Family Resources Survey: United Kingdom 2011/12*. Retrieved September 2014 from www.gov.uk/government/uploads/system/uploads/attachment_data/file/206887/frs_2011_12_report.pdf
- Department for Work and Pensions (2014a). *First Release: DWP Quarterly Statistical Summary*. Retrieved September 2014 from www.gov.uk/government/uploads/system/uploads/attachment_data/file/344650/stats-summary-aug14.pdf
- Department for Work and Pensions (2014b). *DWP Business Plan Transparency Measures*. Retrieved September 2014 from www.gov.uk/government/publications/dwp-business-plan-transparency-measures/dwp-business-plan-transparency-measures
- GOV.UK (2013). *Government Digital Strategy: December 2013*. Retrieved August 2014 from www.gov.uk/government/publications/government-digital-strategy/government-digital-strategy
- Hernanz, V., Malherbet, F., and Pellizzari, M. (2004). *Take-Up of Welfare Benefits in OECD Countries: A Review of the Evidence*. OECD Social, Employment and Migration Working Papers, No. 17, OECD Publishing. Retrieved August 2014 from www.oecd-ilibrary.org/docserver/download/5lqsjhvj7pd3.pdf?expires=1410988969&id=id&accname=quest&checksum=20975E75FC4F5D4BE995D437ADAC983E