

# Tackling pensioner poverty: Encouraging take-up of entitlements



REPORT BY THE COMPTROLLER AND AUDITOR GENERAL  
HC 37 Session 2002-2003: 20 November 2002

# Summary & recommendations

## In this section

On non-take-up amongst pensioners	3
On the barriers to take-up amongst pensioners	4
On the action taken to tackle barriers to take-up	5
Recommendations	8

## This report examines the action taken by the Department for Work and Pensions, both on their own and with others, to tackle the barriers to take-up of entitlements by pensioners

- 1 The current generation of people of pension age in Great Britain is the most affluent ever, following a continued rise in their average income from occupational pensions and benefits. Yet, in 2000-01, some 2 million pensioners were living in low-income households<sup>1</sup>. The Government has committed itself to ensuring that today's and tomorrow's pensioners are ensured a decent income in retirement. Its stated approach is to address poverty amongst those currently of pension age, ensure past saving is rewarded, encourage future pensioners to save, and provide security for those likely to need to rely on state provision. Welfare benefits, including state pensions, account for half of all total pensioner income, but for some 70 per cent of pensioners, they account for at least half their total income, and in 15 per cent of cases they make up their entire income.



- 2 Pensioners may be eligible for a wide range of benefits. Those on low incomes can claim Minimum Income Guarantee (1.73 million households in February 2002). In 1999-2000 more than 1.7 million received Housing Benefit, 2.6 million Council Tax Benefit, and 1.8 million disability related benefits. The Government has no legal duty to promote the take-up of entitlements where potential recipients do not claim them, only to process benefit claims according to regulations. Equally, there is no requirement on individuals to claim benefits if they do not wish to. The arrangements by which pensioners obtain benefits vary. A claim form for State Retirement Pension is sent out automatically four months prior to retirement. For disability benefits, individuals may be required to undergo a medical examination, while other benefits are means tested. Many benefits are linked, so that being in receipt of one benefit can make a pensioner eligible for others.

<sup>1</sup> This refers to pensioners living in households with income below 60 per cent of contemporary median income, before housing costs, in Great Britain. Department for Work and Pensions (2002a) see bibliography. This is one of the key indicators of low income used by Government to track its progress in tackling pensioner poverty.

- 3 Benefits are administered at different levels. Local authorities administer Housing Benefit and Council Tax Benefit; and the Disability and Carers Directorate of the Department for Work and Pensions administers Disability Living Allowance and Attendance Allowance. The Pension Service (an Executive Agency of the Department for Work and Pensions which, along with Jobcentre Plus and the Disability and Carers Directorate, replaced the Benefits Agency in April 2002) is responsible for delivering State Retirement Pension, Minimum Income Guarantee and Winter Fuel payments, as well as providing forecasts of state pension rights and information about benefits. The Pension Service, which aims to provide a more customer focused service than the Benefits Agency, will be rolled out during 2002 and 2003. Its first major task will be to introduce Pension Credit from late 2003, which subsumes Minimum Income Guarantee, and rewards those with modest savings and additional income.
- 4 This report examines what the Department for Work and Pensions (the Department) both on their own, and with a range of other organisations, have done to tackle pensioner poverty by encouraging pensioners to take up the benefits to which they are entitled, but which, for a variety of reasons, they do not receive. We looked specifically at the barriers to take-up (Part 2); and how successful Government has been in overcoming the barriers, and what more can be done (Part 3). This report is part of a programme of work examining aspects of government services for older people. Our methodology is outlined in Appendix A.

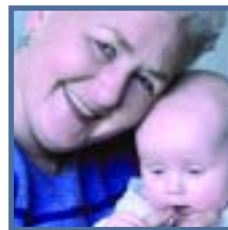
5 The main findings from our examination are:

- Although 2 million pensioners were living in low-income households, between a quarter and a third of entitled pensioners do not claim the Minimum Income Guarantee, and significant numbers do not claim other benefits;
- The structure of the benefits system itself, the way it is administered, and pensioners' attitudes to benefits all create barriers to take-up;
- The creation of The Pension Service in 2002 is a major opportunity to enhance the quality of service provided to pensioners, through a more pro-active and tailored approach than under the Benefits Agency;
- The Department have sought to make the Minimum Income Guarantee easier to claim through a shorter form and a dedicated telephone claim line, but more needs to be done for other benefits;
- Take-up activity was limited under the Benefits Agency and there is considerable scope for increasing take-up through more systematic and focused application of best practice from the campaigns mounted by voluntary sector bodies and local authorities;
- The Pension Service cannot tackle pensioner poverty on its own and, given the wealth of experience existing elsewhere, it would not be cost effective or appropriate for it to try to do so. It is crucial that it develops strategies to work in partnership with other agencies; and
- Many take-up activities are inexpensive and appear to have significant effects. However, limited evidence is available on their overall effectiveness, and better data is needed to allow The Pension Service and other agencies to decide where to concentrate their efforts to encourage take-up.



## On non-take-up amongst pensioners

- 6 Take-up of entitlements amongst pensioners is lower than amongst the population as a whole. In particular:
- between 22 per cent and 36 per cent of pensioners entitled to Minimum Income Guarantee did not claim it in 1999-2000;
  - around one third of pensioners entitled to Council Tax Benefit do not claim it;
  - one tenth of pensioners entitled to Housing Benefit do not claim it; and
  - in 1996-1997 (the most recent data) take-up of Attendance Allowance (available only to those over 65) was estimated at between 40 per cent and 60 per cent.
- 7 Overall, in 1999-2000 between £930 million and £1,860 million in entitlements went unclaimed by pensioners. The average amount of unclaimed Minimum Income Guarantee is £22 per week, although the median unclaimed amount - which takes into account the relatively small number of pensioners with very high entitlements - is £12.80 per week. Both sums can, however, potentially make an important difference. For severely disabled people aged 65 and over, receiving Attendance Allowance can be even more significant, representing up to £56.25 per week plus a £42.25 increase in entitlement to the Minimum Income Guarantee. Many benefits are linked so that being in receipt of one may make a pensioner eligible for others. Our analysis of benefits available to pensioners showed 36 different linkages between 16 of the benefits to which pensioners may be eligible.
- 8 Taking up entitlements can have significant effects on pensioners. It can lead to greater spending on a range of essential items such as nutritious food and heating, increased mobility, the use of a wider range of goods and services, the ability to make large one-off payments that had previously been impossible, and the chance for personal forms of expenditure (e.g. giving presents). It has also been credited as leading to greater independence or autonomy, greater choice, more participation in the community, and an improved sense of identity and dignity. In addition, increased take-up of benefits can also have an impact on the local economy since much of the additional expenditure is made on routine items that are likely to be bought in local shops.



## On the barriers to take up amongst pensioners

- 9 Departmental and academic research has identified more than 20 significant barriers to take-up amongst pensioners, that are known to deter or delay claims. These relate to the benefits system, the way it is administered, and the attitudes of customers. On the basis of our research, we focused on 10 key barriers.
- 10 Our examination highlighted that:
  - pensioners' knowledge is poorest about benefits that supplement low incomes, those for disabled people, and for those people with caring responsibilities. For example, although two thirds of pensioners we surveyed claimed to be receiving income related benefits, only 24 per cent recognised Minimum Income Guarantee as the name for Income Support for those of 60 and over;
  - many pensioners are confused about the benefits they currently receive themselves, and this can result in many misunderstandings or false assumptions that deter application for other benefits;

<b>System</b>	<p><b>Complexity of the overall system</b> - including rules that vary between benefits and frequently change, and complex linkages between benefits</p> <p><b>Means testing</b> - requiring pensioners to provide sensitive information about their income and capital in order to receive a benefit</p>
<b>Administration</b>	<p><b>Leaving the initiative to the pensioner</b> to start the claim process - many pensioners assume they will be informed of entitlements</p> <p><b>Unresponsive or inaccessible channels of communication</b> - the means of communication to obtain information or make a claim may not be appropriate for the client group</p> <p><b>Access to information and advice</b> - many pensioners perceive information as difficult to obtain.</p>
<b>Customer level</b>	<p><b>Ignorance of, and misconceptions about, the benefits available</b> - many pensioners have little or no knowledge of benefits available, especially if they have had little contact with advice agencies</p> <p><b>Difficulty completing forms</b> - some forms are time-consuming and difficult to complete and many pensioners assume the whole process will be difficult.</p> <p><b>Fear of stigma and humiliation</b> - associated with the belief that benefits are "handouts"</p> <p><b>Fear of losing independence</b> - claiming benefits is seen by some as being dependent on the state</p> <p><b>Perception that making a claim is not worth the effort</b> - some make a judgement as to whether the expected gains are worth claiming for, given the assumptions about the arduous process.</p>



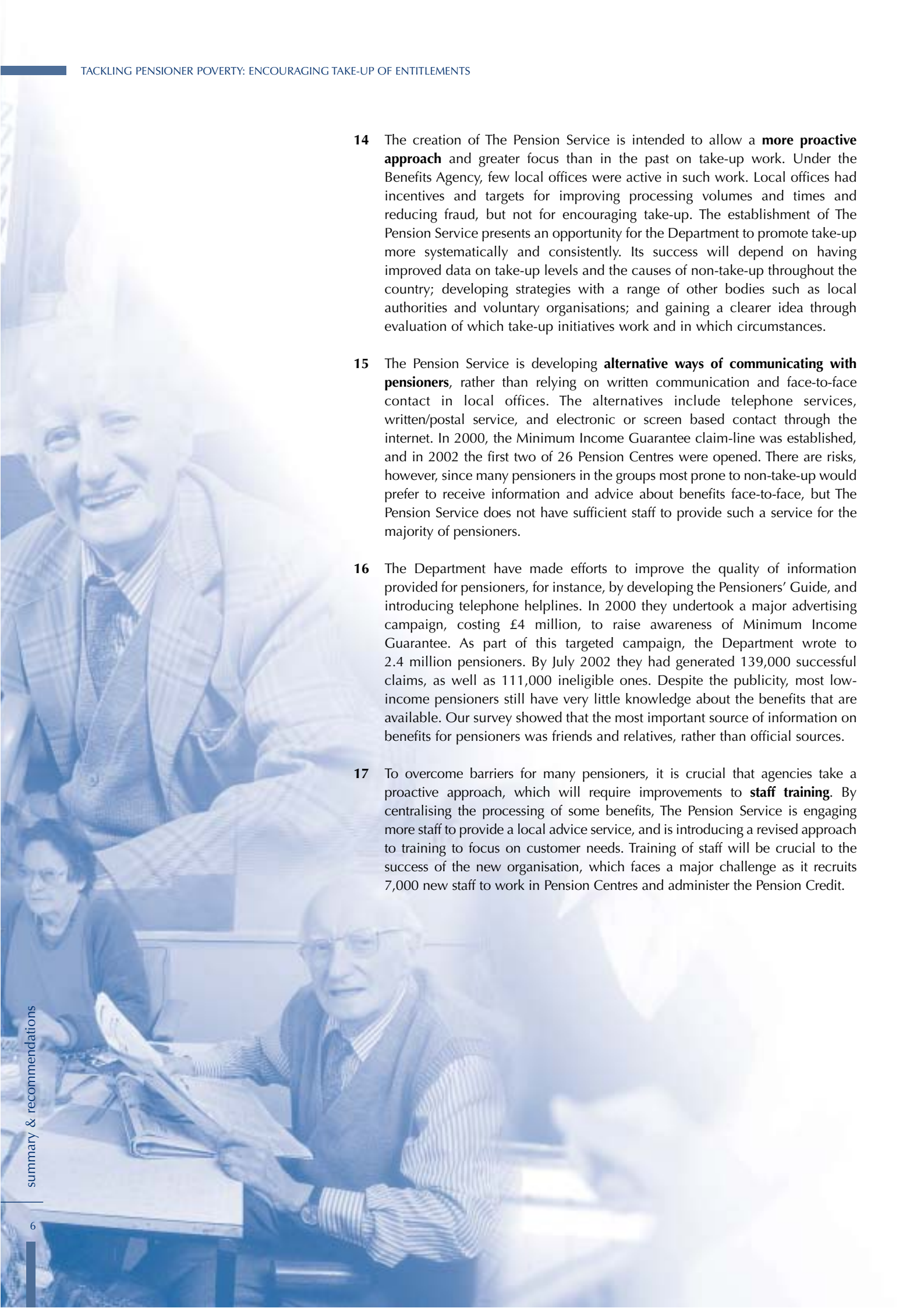
- although the perceived stigma of receiving benefits remains prevalent, particularly with regard to income-related benefits, which many see as "hand-outs", this may be changing slightly since our survey found that more younger pensioners than older ones disagreed with the suggestion that they would lose their independence through claiming benefits;
  - despite all the information provided by the Department, more pensioners find out about benefits through friends, relatives or neighbours. Few in our survey had had any contact with the Benefits Agency, a local council, or an advice agency in the past 2 to 3 years. Those who had were better informed, and were generally satisfied with the help they received; and
  - the most significant triggers to claiming appear to be changes in personal circumstances, such as the death of a spouse or the onset of a disability.
- 11** Pensioners are a very diverse group. Different types of people are affected by different barriers. According to recent Departmental research<sup>2</sup>, some 40 per cent of those not claiming were likely to respond to encouragement to claim their entitlements, while around one quarter would be highly resistant. Our analysis shows that different sources of information - from advertising, via local advisory groups, or via official agencies - impact on different groups to varying degrees, highlighting the importance of a multi-channel approach, such as that planned for the Pension Credit, to tackling low take-up.
- 12** Certain sub-groups are more affected by some barriers than others. For example, many pensioners from ethnic minorities have difficulty reading English, while many pensioners in isolated rural areas experience transport difficulties.

## On the action taken to tackle barriers to take-up

- 13** The Department are aware that the **complexity of the benefits system** and a dislike of providing personal information are significant barriers, and have made certain changes to simplify the claim process. These include:
- most people over 65 will only be asked to complete a statement of circumstances every five years in order to claim Pension Credit and Housing Benefit;
  - the Minimum Income Guarantee claim form has been reduced from 40 pages to 10 pages;
  - changes to the benefits system for people in residential care and nursing homes from April 2002 to align the rates payable with those for Minimum Income Guarantee; and
  - trigger points have been introduced at which pensioners will be contacted and invited to claim benefits based on age and receipt of other benefits.

The introduction of Pension Credit in 2003 raises concerns that the system will become more complex. However, the design of the Pension Credit is intended to be less intrusive and the harmonisation of Pension Credit, Housing Benefit, and Council Tax Benefit rules is intended to enhance pensioners' general understanding of their entitlements.

<sup>2</sup> Costigan et al (1999) see bibliography.

- 
- 14 The creation of The Pension Service is intended to allow a **more proactive approach** and greater focus than in the past on take-up work. Under the Benefits Agency, few local offices were active in such work. Local offices had incentives and targets for improving processing volumes and times and reducing fraud, but not for encouraging take-up. The establishment of The Pension Service presents an opportunity for the Department to promote take-up more systematically and consistently. Its success will depend on having improved data on take-up levels and the causes of non-take-up throughout the country; developing strategies with a range of other bodies such as local authorities and voluntary organisations; and gaining a clearer idea through evaluation of which take-up initiatives work and in which circumstances.
- 15 The Pension Service is developing **alternative ways of communicating with pensioners**, rather than relying on written communication and face-to-face contact in local offices. The alternatives include telephone services, written/postal service, and electronic or screen based contact through the internet. In 2000, the Minimum Income Guarantee claim-line was established, and in 2002 the first two of 26 Pension Centres were opened. There are risks, however, since many pensioners in the groups most prone to non-take-up would prefer to receive information and advice about benefits face-to-face, but The Pension Service does not have sufficient staff to provide such a service for the majority of pensioners.
- 16 The Department have made efforts to improve the quality of information provided for pensioners, for instance, by developing the Pensioners' Guide, and introducing telephone helplines. In 2000 they undertook a major advertising campaign, costing £4 million, to raise awareness of Minimum Income Guarantee. As part of this targeted campaign, the Department wrote to 2.4 million pensioners. By July 2002 they had generated 139,000 successful claims, as well as 111,000 ineligible ones. Despite the publicity, most low-income pensioners still have very little knowledge about the benefits that are available. Our survey showed that the most important source of information on benefits for pensioners was friends and relatives, rather than official sources.
- 17 To overcome barriers for many pensioners, it is crucial that agencies take a proactive approach, which will require improvements to **staff training**. By centralising the processing of some benefits, The Pension Service is engaging more staff to provide a local advice service, and is introducing a revised approach to training to focus on customer needs. Training of staff will be crucial to the success of the new organisation, which faces a major challenge as it recruits 7,000 new staff to work in Pension Centres and administer the Pension Credit.

- 18 There have been a number of successful examples of **partnership working** between government departments, local authorities and the voluntary sector at a national level to share information, develop policy and co-ordinate initiatives. At the local level, although few Benefits Agency offices actively promoted take-up themselves, many had links with local authorities and voluntary bodies.
- 19 Initiatives included data-matching to identify potential benefit recipients, and work with General Practitioners and housing associations to offer people benefit checks. Most of these approaches required collaboration between different agencies. However, no single approach had been adopted widely across the country, and we found little evidence of systematic learning from good practice.
- 20 Until recently, most targeted take-up work was undertaken by voluntary sector bodies such as Age Concern and Citizens Advice Bureaux, and a number of local authorities, all of whom have considerable experience in identifying pensioners who are not taking up their entitlements. Involvement in such work by the Benefits Agency was limited to around 50 offices and, given other corporate priorities, activity was dependent on the initiative of individual offices and the resources available. Very few offices have run targeted take-up campaigns for pensioners in their area. As a result, there is considerable scope for increasing take-up through **more systematic and focused application of best practice**.
- 21 The bodies undertaking active take-up work did not generally record information about the costs and benefits of their activities in a way that makes it possible to compare their effectiveness. In particular, they did not capture the full costs of take-up work, making **evaluation** of the effectiveness of the work impossible. But this reflects their differing objectives and priorities. They have not generally had specific targets for increasing take-up, although at least two local authorities have included such a target in their public service agreements.



# Recommendations

- 22 We recognise the good progress made by the Department and other public bodies working with pensioners to encourage benefit take-up, but more could be done. We are therefore very pleased that the Department accepts all our recommendations, which are as follows:
- a To help focus on its objective of increasing take-up, The Pension Service should set realistic and stretching national targets for take-up of Pension Credit, informed by known levels and causes of non-take-up. Targets should be cascaded down to the local level within The Pension Service (set in terms that reflect the difficulties of assessing take up levels with great precision). The Pension Service should also consider, together with local authorities, the scope for the adoption of local take-up targets, along the lines already developed by some authorities.
  - b To set realistic targets, assess the effectiveness of take-up initiatives and measure trends over time, the Department must have better data on estimated non-take-up, which is currently reported in very broad bands. Whilst we acknowledge that there is limited scope for disaggregating the national estimates, the Department need to work at regional level and with local authorities to develop means of better informing the setting of priorities and appropriate local strategies and to provide a greater understanding of take-up levels amongst particular groups, such as ethnic minorities.
  - c In seeking to encourage high levels of take-up of Pension Credit, The Pension Service must avoid overwhelming the administration in its early stages. To do so, they should take account of previous experience with the introduction of Disability Living Allowance and the Child Support Agency<sup>3</sup>, and will need to work with local authorities and voluntary bodies to stagger the arrival of Pension Credit applications to take into account resources available to process claims.
  - d The Department should continue their research to understand the barriers to take-up amongst particular sub-groups, including ethnic minorities, pensioners living in rural areas, and those with sensory impairment. To enable The Pension Service to tailor its services to the needs of pensioners, it should keep under review changes in the composition of the pensioner population, as well as developments in the provision of public services (eg. electronic delivery methods).
  - e The Department should clarify their position on encouraging take-up of benefits other than the Minimum Income Guarantee, in particular, disability benefits including Disability Living Allowance and Attendance Allowance and should also consider the scope for targets relating to the take-up of these benefits. Taking a client-focused approach, such as demonstrated in the Department's publication of the "Pensioners' Guide" booklet, will mean considering all benefits to which customers might be entitled. Any steps to encourage take-up of these benefits must take account of the need to avoid generating large numbers of ineligible claims and will require clear, unambiguous literature on eligibility.
  - f The Department and others should do more to simplify the process of claiming benefits. In particular, they should take forward the lessons learned from reducing the length of the Minimum Income Guarantee claim form and the current piloting work on simplifying claim forms for Disability Living Allowance and Attendance Allowance. They should also work more closely with local authorities to reduce duplication between the processes for claiming nationally and locally administered benefits, in particular in providing information and verification, with the objective of moving towards a more "one-stop" service.

<sup>3</sup> *Comptroller and Auditor General's report on the Appropriation Accounts, Vol 9 Classes XII and XIII, 1993-94, HC 670-ix, 1993-94.*

- g Given that so many pensioners derive their information about benefits from relatives and friends, rather than from official sources, The Pension Service should look at how it can make pensions and other benefits available to older people better known among a wider audience, rather than just pensioners themselves. And since many pensioners do not apply for benefits because they assume that official agencies and other trusted bodies will have advised them if they are eligible, there is scope for further work, such as benefits awareness sessions, to increase understanding of benefits among other professionals who deal with pensioners, and to overcome the perception that making a claim is not worth the effort.
- h As part of its strategy for encouraging take-up, The Pension Service should make optimum use of pensioners' existing contacts with trusted agencies. Much wider use could also be made of a number of techniques for identifying and contacting pensioners. These could include:
- linking up with health professionals to take advantage of contacts such as the age 75 health checks provided by nurses working with General Practitioners, ensuring that General Practitioners' surgeries have relevant literature on benefits, and organising briefings for district nurses to alert them to benefit issues;
  - working with the Housing Corporation to disseminate more widely good practice demonstrated by some registered social landlords so that all are aware of how they can ensure their tenants receive income to which they are entitled. These activities might include offering tenants benefit checks at appropriate times, increasing awareness of benefits amongst tenants, and benefits training for Housing Officers; and
  - taking advantage of other contacts such as when pensioners apply for grants from the Home Energy Efficiency Scheme, (now marketed as the Warm Front Team in England, although there are separate schemes in place in each of the devolved administrations).
- i Decisions on what resources to allocate to take-up work will need to be made at a local level, based on a strategic view of how best to target different groups. The Pension Service should develop local strategies for communication and outreach, taking into account the strengths and weaknesses of existing services and the needs of specific groups of pensioners in the locality. These strategies will need to be developed closely with local authorities and co-ordinated with their local strategic plans.
- j Decisions about where to concentrate resources on take-up, including take-up of Pension Credit, should be informed by a more consistent approach to evaluating take-up activity. This requires further research into what works, for whom does it work, and in what circumstances. The bodies with an interest in encouraging take-up need to agree a common standard for measuring costs and benefits.
- k The Pension Service cannot overcome barriers to take-up on its own. It needs to work with many other organisations, the voluntary sector and local authorities that have both the experience and contacts to help encourage pensioners to take-up their entitlements. Given its national role, The Pension Service must play a key role in encouraging take-up initiatives and in disseminating good practice and research, but these other organisations need to work with The Pension Service to overcome barriers. The Partnerships Against Poverty forum provides a sound basis for maintaining and developing this working relationship and for taking forward these recommendations.