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## **Housing Benefit: Slow on the Take-up?**

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### **Abstract**

Housing Benefit (HB) plays a pivotal dual role within both the income maintenance system for the UK and in terms subsidising housing for lower income households. But as a means-tested benefit open to both social and private tenants it has significantly less than 100% take-up on both caseload (eligible tenants) and expenditure levels. Estimates suggest that £2.5 billion is unclaimed annually. This paper sets out how the HB system works and sets the argument in the context of the fundamental welfare reforms introduced and underway since 2010. The paper examines the literature on take-up and recent data on HB take-up before exploring the possible policy responses that might address the shortfall.

Keywords: welfare, poverty, policy

### **Introduction**

Housing Benefit supports low-income households with their rental payments and is closely intertwined with means-tested social security (Income Support and associated benefits). Long viewed as simultaneously essential to income maintenance but inherently problematic, Housing Benefit (HB) has been at the centre of both welfare reform after 2010, leading to significant cuts in generosity and even featuring prominently in the Scottish independence referendum and subsequent proposals for further devolution (Smith Commission, 2014; Gibb, 2015a; Gibb, 2015b).

Recent estimates<sup>1</sup> suggest that 4.928 million tenants received Housing Benefit in 2014-15 in Great Britain (Wilcox, Perry and Williams, 2015, Table 113). In May 2014, 3.123 million claimants were passported onto HB by dint of also receiving Income Support or equivalent social security support for older households (Wilcox, et al, 2015, Table 118).

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<sup>1</sup> All figures in this paragraph, for the 2015 UK Housing Review are originally sourced from DWP official statistics on Housing benefit.

The average weekly payment (Wilcox et al, 2015, Table 115a) on behalf of claimants for 2013 was £76.33 for rent rebates to council tenants and £95.08 for private and housing association tenants (known as rent allowances). The forecast Great Britain level of public expenditure on Housing Benefit for 2014-2015 was £24.579 billion (Wilcox et al, Table 114).

However, not all households who are eligible actually claim Housing Benefit. Zebedee et al (2007) quote figures for 2003-2004 from the Department for Work and Pensions that suggests that between 84% and 90% of the caseload is taken up and between 88% and 93% of Housing Benefit expenditure is taken up. Subsequent figures are presented by DWP (2015, tables 5.3.1 and 5.3.2) that suggest the following estimates (Table 1 below). Caseload grew from 77% to 81% over the period and expenditure grew from 85% to 88% in 2012-13 and then slipped back to 87% in 2013-14.

**Table 1 Expenditure and Caseload Take-up of Housing Benefit, 2009-10, 2012-13 and 2013-14 (% , point estimates followed by ranges in parenthesis)<sup>2</sup>**

Caseload take-up ranges	Pensioners	Non-pensioners	All
2009-10	82 (80-83)	74 (73-76)	77 (75-78)
2012-13	87 (85-89)	78 (76-81)	81 (79-82)
2013-14	85 (84-97)	79 (77-80)	81 (79-82)
Expenditure take-up ranges			
2009-10	86 (84-87)	84 (83-86)	85 (83-86)
2012-13	90 (88-92)	87 (85-89)	88 (86-89)
2013-14	88 (87-90)	86 (84-88)	87 (85-88)

Source: Department for Work and Pensions (2015) Income-Related Benefits: Estimates of Take-up – Financial Year 2013/14 (experimental) (June 2015)

Table 2 presents a summary comparison of principal income-related benefits for 2013-14 from the same DWP source. This suggests that both take up and caseload percentages are lower for the main benefits (pension credit, income support and employment and support allowance [income-based] and jobseekers allowance [income-based] compared to Housing Benefit, though the IS/ESA figures are similar. Housing Benefit however is the

<sup>2</sup> The methodological background to these estimates are discussed later in the paper.

focus of this paper because of its important role and highly specific role it plays in welfare provision (discussed in the next section of the paper) and because the take-up story for Housing Benefit also tells us indirectly much about the other income-related benefits.

**Table 2 Income-related Benefits, 2013-14, Take-up by Caseload and Expenditure measures, (% , range), all households**

Take-up %	Pension Credit	Income Support, and Employment & support Allowance (income-related)	Jobseekers' Allowance (income-based)	Housing Benefit
Caseload basis	61-64	77-81	55-61	79-82
Expenditure basis	67-73	78-82	59-66	85-88

Source: DWP (2015), as Table 1.

Measuring take-up is not straightforward and it worth unpacking how these estimates have been arrived at. While it is relatively straightforward to use DWP statistics to quantify numbers claiming and how much they claim in monetary terms, it is another matter to estimate the denominator (i.e. how many are eligible?). DWP (2015, p.4) reports that DWP holds data on claimants and their average weekly claim and they derived the denominator of eligible households from the Family Resources Survey and the Work and Pensions Longitudinal Survey, after which a significant number of smaller consistency adjustments are made. This is an established and incrementally-improving approach to the question but it still has to overcome sample representativeness questions and also more tricky problems created by the churn of people (represented by different groups in particular) who churn on and off income-related benefits.

Set in the context of the evolving and on-going reforms to HB, the focus of this paper is the take-up shortfall, given the important role Housing Benefit plays in supporting the basic needs of the poorest people in the UK. Is non-take-up a behavioural response from claimants, is it something to do with stigma, institutions, regulations and policy design, or

are there are other more complex factors at play? The structure of the paper is as follows. The next section provides a brief overview of the system and in particular its interconnectedness to both income maintenance and housing policy. The section also summarises the changes since 2010. This is followed by sections on research evidence about eligibility and take up and then on potential policy responses. The paper ends with a summary and conclusion.

## **The Housing Benefit System**

### *Background to the System*

Means-tested social security systems are complex and somewhat forbidding. Here, the essence of the system is set out without focusing on the details to any great extent. The longstanding unifying idea (though now less so) with British income maintenance has been that (for low income households) household income (after accounting for housing costs) should in general not fall below a minimum established by government assessment of needs varied by household type, size and special circumstances. Thus, the threshold minimum income (i.e. the Income Support applicable amount threshold) required might be higher for larger households with more dependents or where there are special additional requirements associated with disability, caring or other additional needs. On the other hand, the required income for a young single person living alone may be quite low – this also means their means-tested benefits are also curtailed quickly and at low levels of gross income. But the key point for our purpose is to note that the UK income maintenance system operates to insulate low income households from their housing costs by meeting them in full so that it is income *after housing costs* that social security attempts to support (and does so in part by making deep, even 100%, subsidies to low income renter housing costs to do so).

In practice, this means that for those qualifying for Income Support or related equivalents (such as the Income Support version of Job Seekers Allowance and the Guarantee Credit linked to the Pension Credit) should have their rents met *in full* by Housing Benefit (assuming rents are not excessive, or, if they are housed in the private rented sector, are at or below the Local Housing Allowance level. In practice, the principle of fully

guaranteeing post housing cost incomes has now been weakened most obviously for private tenants but also as a result of other recent reforms such as the ‘spare room subsidy’ or ‘bedroom tax’ discussed below (Gibb, 2015a; Stephens, Blenkinsopp and Gibb, 2015).

Housing Benefit also provides limited support to tenants with income slightly above their Income Support threshold but this is withdrawn at 65p pence in the pound for every pound that their income exceeds this basic threshold (an effective marginal tax rate of benefit withdrawal of 65%). Not only is Housing Benefit intertwined with the social security system, but the alleviation of poverty critically depends on the Housing Benefit system. This is unusual internationally in the sense that general benefits and age-related pensions tend to be higher in Western Europe, supplemented by allowances that help specific groups with housing costs but never by providing 100% assistance (Gibb and Stephens, 2012). A striking feature of HB in recent years has been the growth of in-work dependence on HB by low-income workers. More than a million claimants are in work (more than double the levels of in-work support through HB before the 2008 recession). This is directly relevant to the take-up debate and is discussed further later.

A number of amplifying points should be made. First, low income owner-occupiers do not receive Housing Benefit but may be eligible for limited income support to help with mortgage payments<sup>3</sup>. There are also substantive differences to generosity and how the system works, depending on whether the claimant is a private tenant or a social tenant. Second, the generosity of the overall system critically depends on how much the State believes different households require if their basic needs are to be addressed, since it is the difference between this figure and actual income coming in that generates eligibility for Income Support and therefore Housing Benefit.

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<sup>3</sup> Note that in the wake of the credit crunch the UK Government introduced (January 2009) a considerably more generous but temporary scheme called Support for Mortgage Interest, which provides help with mortgage interest payments to eligible recipients of Income Support on mortgages up to a ceiling after a waiting period. The Government is, however, now planning to reintroduce longer waiting periods of 39 weeks (April 2016) and to convert this support into a repayable loan (April 2017).

Third, the measurement of income, household details and various rules and assumptions determine individual claimant eligibility. Important facets of the system include the treatment of assumed non-dependent household members' contributions to the household – leading to a deduction from the eligible benefit, the definition of eligible rent for benefit calculations and the generosity of the state in providing earnings disregards (amounts of earned income not counted in the household income calculation, which are a longstanding feature of the Housing Benefit system).

Fourth, and despite the fact that UK housing policy-making and administration is largely devolved, social security systems prior to the Scottish Independence Referendum and Smith Commission were reserved and UK-wide in coverage. As we discuss below, this is now likely to change. However, this is only one example of the several tensions that exist between housing and social security policy objectives and the consequences of Housing Benefit. For instance, the Department for Work and Pensions leads on a policy that underwrites the rental income of the majority of income received by social landlords (and helps them repay private loans). Any systemic analysis of housing subsidy more broadly would conclude that long term reductions in bricks and mortar supply-side subsidy to housing have been essentially offset by the targeting of means-tested demand-side personal subsidy to households through Housing Benefit i.e. it is part of the same system. Kemp (2007, p.115) argues that using a broad definition of housing subsidies, income-related personal subsidies have risen from 13% of the total public financial support to housing in 1990-91 to 87% in 2002-03 (and this is still the case – Stephens, et al, 2015).

Finally, Housing Benefit is administered by local authorities in partnership with the Benefits Agency, and a complex web of incentives and penalties exist to encourage efficient administration by local authorities in the cost of the setting up and delivery of the Housing Benefit service (e.g. to ensure that the means-tested benefit is awarded quickly to the right people at the right amount and that changes in circumstances do not lead to overpayments or underpayments). These issues are further discussed in Kemp (2007).

The significant changes in recent years refer to the stability in expenditure on rebates and the growth in rent allowances. This is in part due to government controls and interventions on rent levels in social housing and also to the rapid growth since the mid-1990s of private renting throughout urban Britain. The patterns of caseload size indicate the decline since the mid-1990s of the local authority housing sector, and the growth of private renting and housing association demand among low income renters (see Wilcox, et al, 2015, Tables 113 and 114).

There is a long history, going back to the introduction of the present Housing Benefit system in 1988, of more or less trenchant criticism of the structure and consequences of the way it works. These problems are discussed in more detail in the next sub-section but the critique has however taken on a new urgency with the UK Coalition Government, elected in May 2010, viewing welfare benefits in general, and Housing Benefit in particular, as important sources of public expenditure cuts within a wider context of welfare reform (Wilcox, 2010). Part of the reason for multiple cuts to the Housing Benefit system evidently reflects the growth in overall spending on Housing Benefit. Wilcox summarises this well (2010, p.32): “Housing benefit spending has almost doubled over the last decade, rising from £11.5 billion in 2000/01 to a forecast £21.5 billion in 2010/11. Only about half of that figure can be accounted for by inflation....over the same period expenditure has risen by virtually 50% in real terms”.

#### *Key Administrative and Incentive Issues*

Government has long been concerned with reducing benefit fraud (Sainsbury, 2003) and Housing Benefit is believed to be an important source of fraud in the private rented sector through ‘giro drops’ with imaginary tenants and also through tenant and landlord colluding over rent levels and sharing the proceeds of the benefit cheque. The Department for Work and Pensions makes large claims about the extent of fraud and its success at tackling it (suggesting it costs the Exchequer billions of pounds per annum). Fraud and error (such as over payment of benefits) are undoubtedly important in a complex means-tested system. Kemp (2007) estimates that at any one time one in six recipients may be receiving the wrong amount. However, the focus on fraud helps to



demonise and stigmatise the entire class of recipients – and this may contribute to take-up rate problems.

There are significant design problems with the Housing Benefit system that impact on recipient households (Gibb, 1995). These structural problems have important consequences for housing policy and processes, particularly in a world where Housing Benefit has come to play the central role in helping low income tenants meet the housing costs of decent housing. The main issues concern, first, non-neutrality of assistance. The entitlement to Housing Benefit depends squarely on the housing tenure one occupies. We have seen that owners do not receive it but do have limited assistance from Income Support (and there is nothing for poor outright owners except for a patchwork of improvement and repair schemes that are not in any way comprehensive and always under severe financial pressure). Private tenants face a different system introduced in 2008 – the Local Housing Allowance – which sets the maximum allowance, originally the median rent for the property type in the local area (now the 3<sup>rd</sup> decile) and sends a cheque to almost all eligible private tenants for them to take responsibility for paying their rent. Social tenants, facing lower gross rents, are treated more generously. For instance, they will normally have their HB paid direct to the landlord. There is no compelling equity argument for this variation in treatment. While it is true that the private sector is for profit, the circumstances of the social tenant could be identical; but one receives less support than the other.

A second issue concerns the calculation of excess income and indeed the treatment of savings in the calculation of income are widely thought to create significant disincentives for both labour supply and savings. Adding 65% to the marginal tax rate facing households who have gross incomes slightly above the eligible needs estimate for income support is likely to have major poverty trap/unemployment trap effects. Studies have shown (Gibb, 1995; 2001) that single people face tax rates above 90% when all taxes and benefits are included and this means that household net income can be relatively flat over large stretches of gross income increases (Wilcox, et al, 2015). This is a direct consequence of means-testing and leads to difficult trade-offs between the width (the

numbers involved caught in the trap) and depth (i.e. individual severity of tax rates) of such traps.

Third, from an economics perspective, Housing Benefit is an *ex post* subsidy. That is, it is calculated by subtracting 65% of excess income from the gross rent. This means that if there is no excess income, 100% of eligible housing costs are met by Housing Benefit and, furthermore, if rents increase for any recipient, Housing Benefit meets the increase in full. This is the logical corollary of ensuring post housing cost income is guaranteed for eligible households. It means that the poorest in society pay no rent at all (unless their rent is so high it is deemed unreasonable which can only really happen in private renting) and that recipients are completely insulated from rent increases by matched increases in Housing Benefit. This is a relatively unusual response (if we contrast the UK with other nations' systems of benefits and allowances) and one that divorces the recipient from any interest in rents, value for money and the quality-cost relationship and, arguably, blunts incentives and decisions to move as housing circumstances alter. This is reinforced by the widespread practice of paying HB to the landlord directly, thereby removing the social tenant from the equation. These consequences have long been pointed out but path dependency and an unwillingness to grasp the nettle has made it difficult to tackle (Gibb and Stephens, 2012).

#### *Welfare Reform and Housing Benefit*

The election of the UK Coalition Government in May 2010 led to a programme of deficit reduction (HM Treasury, 2010; 2013) involving austerity measures including major welfare benefit cuts. At its heart is a radical recasting of working age benefits through subsequent (2012) welfare benefit reform legislation (which ultimately became the Universal Credit model). The new coalition government immediately initiated cuts to private sector HB followed by further plans for reductions to HB for social tenants in the subsequent 2010 spending review.

The intent of the welfare reforms was threefold: to improve work incentives, simplify the means-tested system and make significant public spending savings. Collected together, the key HB reforms were:

- In the private rented sector, ceilings were placed on Local Housing Allowances (by room size) and reductions in the basic level of allowance (LHA) from the (locally-assessed) median to the 30th percentile. The assumption that single people renting under 25 were sharing a property for benefit purposes was widened to take in all single people below the age of 35. Finally, the uprating of the LHA was in future to be based on CPI rather than actual local rent increases.
- Revision of the system of nondependent deductions to HB based on additional adults in a claimant household who are deemed to be contributing cash or in-kind resources to the household (these had been frozen for a decade but were now being increased to take account of historic cost of living increases), which reduced HB for households with adult non-dependents for all affected tenants, social and private.
- The under-occupation charge (the ‘bedroom tax’) applied only to working age social tenants and reduced eligible housing costs by 14% for those with one spare room and by 25% for those with more than one spare room.
- Limiting uprating of benefits from October 2013 by 1% a year for the next three years.
- The household benefit cap that sets a ceiling of £350 a week for single people and £500 a week for families (i.e. £26,000 per annum).
- The 2014 Budget introduced an aggregate welfare spending cap (including most Housing Benefit), exceeding which would have to be either approved by Parliament or cuts made to restore the ‘cap’.
- The proposed introduction of a universal credit which will both combine most working age benefits and tax credits (including housing costs) around a simple single taper and method of payment, and will include the end, in most cases, of direct payments to the landlord (as well as the possibility of sanctions on tenants being extended to the housing element of universal credit).

Tenants are also likely to be affected by other dimensions of increased conditionality and a strict sanctioning regime in the benefits systems (Gibb, et al, 2016).

After the Scottish independence referendum, the Smith Commission was established to consider and recommend additional powers to be devolved to Scotland. These were then

developed into a Scotland Bill, now (February 2016) the subject of negotiation between the Scottish and UK governments. It had been expected that HB would be devolved but instead the Scottish Parliament was given powers over the design and extent of Universal Credit insofar as it applied to housing. In practice, this will allow the level of support to meet housing costs be varied and for some of the rules to change (e.g. the bedroom tax could be abolished) but the long term goal – to move HB into an integrated Universal Credit remains in place under the new UK government, though some of its effects will be attenuated in Scotland.

Finally, the election of a majority Conservative Government in June 2015 has prefigured further welfare reforms including to Housing Benefit. While much of the focus has been on Tax Credits, the decision to increase the minimum wages (now to be called a Living Wage), because it interacts with in-work benefits like Housing Benefit, will in time reduce the rising cost of in-work benefits. Additional proposed reforms to Housing Benefit include further reduction to the overall annual household benefit cap (£20,000 for couples and £13,400 for single claimants), further freezes to working age benefits for four extra years (to 2020) including the Local Housing Allowance, and a cap on social sector rent at the local housing allowance level (and this includes single claimants under 25 assumed to be in shared accommodation).

### **The Take-Up of Housing Benefit**

#### *Research Evidence on Eligibility and Take-up*

Research evidence on take-up is stronger when it looks at the general social security system rather than Housing Benefit per se. Nonetheless, we can make some useful comparisons across benefits including Housing Benefit. Much of the empirical research, however, comes from other benefits – but there are still insights of use to our discussion. The most recent evidence on take-up from the DWP was published in 2015 but relates to data from 2009-10 (revised), 2012-13 and 2013-14. These three points in time capture important wider trends such as recovery from recession, welfare reform and the growth of in-work benefits. HB is rare in the UK in that it is both an out of work and in work benefit. Since 2008, the number of claimants receiving HB in work has doubled to more

than one million. This is suggestive of the affordability pressures low wage workers and those working reduced hours face. If the labour market context has significantly changed it may be that working age take-up will rise but that is only presently speculation. Certainly, Table 1 suggests that non-pensioner HB take-up has increased over the period.

Kemp (2007) reports that most Housing Benefit recipients are economically inactive. Older households (60 or over) accounted for 42% of all claimants in May 2004, 25% were disabled and 22% were lone parents. Only 10% were in paid work (Kemp, 2007, Table 6.5). Kemp indicates that around 70% of recipients also received one of the three other main means-tested benefits. He also suggests (2007, p.118) that for those among the working age population, more than 85% of Housing Benefit (expenditure-based) goes to households in the bottom 20% of the income distribution.

Kemp (2007, p.118) argues that it is useful to distinguish between caseload and expenditure take up, as take up is lower for small entitlements (as is the case with the way Housing Benefit reduces to zero (eventually) as income exceeds allowance levels). We saw earlier that expenditure take up is slightly higher than caseload take up. Kemp reports earlier research that indicates Housing Benefit take up to be lower among those in paid work (who may not realise they are eligible) ‘but also because some are put off by the delays and other problems with the administration of the scheme’ (p.118). But as indicated above there are grounds to believe that subsequent labour market change may be encouraging higher levels of take up among the low paid.

There is some more disaggregated though albeit older data on the composition of housing benefit claimants and their take-up rates. Table 3, looking at more disaggregated Housing Benefit evidence from 2009-10, analyses take-up rates between social tenants and private tenants. This indicates that private tenants had a considerably lower take-up rate and higher unclaimed amounts (because rents are higher and social landlords seem to be relatively effective at managing the Housing Benefit caseload). It will be interesting to see how the Local Housing Allowance and the end of direct payments in the private rented sector will change this picture. Comparing these findings with 2008-09 (not

reprinted) suggests a slight decline in take-up for social tenants on both measures but a significant annual increase in private tenant take-up. This may be a lead indicator of the growth of HB among working tenants and the shift to take up HB in order to compensate for low wages

**Table 3 Take-up Rates for Housing Benefit 2009-2010**

Tenure	Caseload numbers (000s)	Caseload take-up %	Total amount claimed £m	Spending take-up range %	Median unclaimed amounts £m
Social tenants	2,930	85-90	10,610	89-94	960
Private tenants	1,140	64-73	5,990	75-84	1,565
ALL	4,070	78-84	16,600	84-90	2,475

Source: Based on data from Wilcox, et al (2015) Table 117a, sourced from DWP

Table 4 breaks down the take-up data for the year 2008-09 by household type and this is telling. It is clear that lone parents of working age and pensioners are two significant groups within the Housing Benefit system. However, in terms of take-up the group that performs worst are working age couples with children. Perhaps this is because such households experience shorter periods qualifying for benefits; but we cannot distinguish here between relative short stays and more permanent poverty careers. Couples with children also have by far the worst take-up of Housing Benefit by expenditure. This is in stark contrast to the received wisdom that pensioners are less likely to take up means-tested benefits (though see below for other contrasting evidence). Again it cannot be concluded that pensioners are not suffering from lower eligibility from this data (that depends on income levels and in particular savings which are also means-tested); but it does appear pensioners are slightly better than other recipient groups as a whole in taking-up Housing Benefit.

**Table 4 Take-up Rates of Housing Benefit by Type of Household, 2008-09**

Household type	Caseload numbers (000s)	Caseload-based Take up range (%)	Total amount claimed £m	Expenditure-based Take up range (%)	Median unclaimed amount (£m)
Couples with children	310	58:70	1,400	64:79	590
Lone parents	910	81:93	4,240	87:96	415
Other non-pensioners	1,310	75:85	5,000	80:90	905
All non-pensioners	2,530	75:85	10,640	81:90	1,870
Pensioners	1,510	80:87	5,140	84:91	750
ALL	34,030	77:86	15,770	82:90	2,595

Source: Derived from Pawson and Wilcox (2010) Table 117b, sourced from DWP

Other evidence for older people is less positive. Palmer et al (2008) find that, based on Department for Work and Pensions estimates, pensioner take up of key social security benefits (Council Tax Benefit and Pension Credit), is significantly under-claimed. They find that around 40% of pensioner households entitled to these benefits fail to claim them, and this up about a third compared with ten years before (1997-98 compared with 2006-07). They also point out that the non-take up rate for Housing Benefit for pensioner households, while much lower at around 15% - has also been rising over the decade. They also report (p.88) that half of homeowner pensioner households are not claiming Pension Credit that they are entitled to a much higher proportion than for the renting tenures. Table 2 brings this story up to date with continuing lower take up rates for pension credit and for (income based) JSA in 2013-14.

Fitzpatrick (2007) argues that UK means-tested benefits relating to social assistance have always had a poor take-up record. This is in part due to the mixed messages about such benefits sent out by Government (i.e. moving to a greater use of such benefits but also participating in the demonising of recipients – Walker, 1993). He argues that other important factors relating to non-take-up include stigma, a lack of knowledge about what is available and a ‘wariness at the complexity of the benefit system’ (p.362). Many view stigma to be the most important reason but as Fitzpatrick notes, such effects are not easy

to measure or quantify although some evidence can be found in the work of Riphahn (2001) and, particularly, in Walker (2005).

DWP (2015) reports a paper by Eurofound (2014) that sets out a number of explanations for non-take-up of eligible benefits. This is argued to be difficult to explain but there are a number of relevant broad factors (DWP, 2015, p.2):

- Individual reasons. The benefit may not be that effective because of low monetary value, how long it lasts as an eligible claim, or whether there is a degree of conditionality attached to its receipt. Moreover, circumstances may change and households previously not in receipt of a benefit may not realise they are now eligible; there may be a perceived stigma attached to the benefit or potential claimants may simply not have the time to prioritise making a claim.
- Administration reasons. Where the process of claiming is complex and time-consuming or has a high opportunity cost, take-up may be lower.
- Benefit design reasons. For instance, new benefits or those that have significantly changed may well be less well known or understood and, again, people may not realise they are eligible or invest in finding out.

Walker (2005) argues that to understand why benefit take up rates vary one needs a coherent story and strong theory (p.195). The economic approach is to compare the net advantage from taking a benefit against not doing so. He argues that the traditional theory focuses on both the transactions costs and stigma attached with take-up. This is often also linked in models to the simultaneous decision on labour supply. Wider reviews of the psychological and sociological literatures suggest that analysis must study the content of the take-up decision and the 'external constraints that circumscribe it' (Walker, 2005, p.196). One study of the decision regarding pensions (Kerr, 1982) found that complex trade-offs were made as potential beneficiaries negotiated a series of barriers on an iterative cost-benefit basis regarding whether they were in need, whether they had sufficient knowledge, would be likely to be successful and the hassles of making the claim, etc. The complexity, administratively, of the system is an important barrier.



Even if someone accepts their eligibility for a benefit, they still have to overcome feelings of stigma. Walker distinguishes between: felt stigma (a sense of personal failure worsened by the public nature of many applications); stigma by association because the benefit is perceived to be reserved for certain groups who are socially excluded and are often viewed as the undeserving poor; social stigma where recipients are 'labelled and abused by other individuals and institutions' (Walker, p.197); and, institutional stigma wherein agencies try to deter people from applying – what Walker terms the Poor Law approach.

Walker (2005) looks at social security take up rates from a range of countries, comparing the UK with Australia, USA, Sweden and Germany. On caseloads, at least where the data is stronger, UK take-up rates seem higher. One does need, however, to be careful in interpreting these numbers. More generally, Walker reviews the literature and argues that the evidence is remarkably consistent across the countries examined (p.195) – that means-tested benefits have lower take-up rates than contributory and non-contributory non-means-tested benefits. It also appears that people are more likely to take benefits if they are in certain categories: lone parent, poor health, if they have large numbers of dependent children, and in more stable household circumstances. Like Kemp, he finds that take-up is 'also typically inversely related to the amount of benefit foregone' (p195). Walker also found that: "Low take-up increases with age and the degree of social exclusion but also, perhaps counter-intuitively, with increased education, more work experience and higher current and future wages".

### *Policy Responses*

In 2009-10, it was estimated that around £2,500 million of unclaimed Housing Benefit occurred in that year (Wilcox, 2010). It has long been argued that Governments face an ambiguous situation when it comes to raising the take-up rate. On the one hand they will more effectively target counter-poverty measures and provide a broad safety net if all eligible receive benefit, but they have a fiscal incentive operating in the other direction. Housing Benefit like other means-tested benefits is expensive to administer and police, so these shortfalls in take-up are not an irrelevant consideration.

The focus, as we have seen, hitherto has been on tackling fraud and establishing financial incentives to increase local authority efficiency in terms of setting up new claimants, administering the system across different landlords, paying benefit and quickly amending the system in the light of changed circumstances. Clearly, an efficient system that works well and is easy to understand should reduce at least some of the complexities operating at the margin to reduce take-up.

Government has also made significant strides to simplify the design of Housing Benefit in the private rented sector through the development of the Local Housing Allowance based on the distribution of local market rents and ceilings on different sized properties. This caps the amount of benefit the tenant receives. It is still withdrawn at 65p in the pound if income increases but the tenant knows that if they shop around for higher quality property they pay the full cost for it at the margin. The Local Housing Allowance operates such that tenants rather than landlords receive the allowance in the form of a cheque and it is their responsibility to pay their rent out of it (unless they are in some way vulnerable or have a history or current status in rent arrears). This is supposed to make tenants responsible and careful about their housing choices. The pilot stage of the reforms under the last Labour Government was generally viewed to be quite successful though the allowances were initially probably relatively generous. Nonetheless, Hills (2007) argues that there were measurable financial inclusion benefits associated with the reforms. A much simpler system such as this should assist take-up though this is a by-product rather than a main aim of the system. Originally, Government intended to roll this reform out to the social sector but took cold feet and consequently the non-market sector remains with the traditional system of Housing Benefit. The reluctance to change was officially attributed to the lack of sufficient social market choices for social tenants.

Set against these positive impacts, the changing labour market - which was earlier argued to be a driver to increase take up because of low wages and reduced hours and has been evidenced in the sense of rising numbers of in-work claimants – may also disincentivise take-up for some potential claimants. This is because frequent changes of circumstances

as a result of job churn, variations in working hour and pay rates will greatly complicate benefit eligibility and will probably deter some eligible low wage claimants.

The earlier discussion highlighted stigma as a possible source of low take-up. Recently behavioural economists (e.g. Ghosal, 2013) have argued that low aspirations among those in poverty (including in-work poverty) may act as internal poverty traps reinforcing the external poverty traps associated with low incomes and opportunities, making it harder to break out of poverty. This may be a further source of indifference to claiming comparatively small amounts of HB. Allied to this, there is qualitative evidence (Gibb, et al, 2014) that one consequence of increased conditionality and sanctioning benefits for non-compliance regarding things like work tests – may be the disappearance of people from the formal tax and social security system altogether. While these people may not appear in these numbers they are likely to be poor and in many cases would be entitled to benefits.

Of course, there is benefit advice, income maximisation and welfare rights advisors who try to assist low-income households with benefit applications and other supports that will seek to maximise income. Local authorities and some other social landlords often run such services (though they are not funded out of rental income and need charitable or other grant-aided funds). There is evidence in recent years, for instance, that Citizens Advice Bureaux are less frequently funded by local government and are less able to provide these services than had been the case in the past. While these often very professional and effective services are welcome ways of increasing take-up, their coverage and their consequent effect varies across parts of the UK, so it is not a comprehensive alternative for instance provided by the State. On the other hand front line agencies like social landlords have a direct financial interest in rent payments being made and in the face of welfare reform have invested significantly in rent collection services and a range of services for tenants: welfare advice, and income maximisation, budgeting, financial inclusion and wrap around services to help with employability and other health, care and related services that indirectly support more vulnerable tenancies.

## **Conclusions**

Perhaps it is not surprising that complex means-tested benefits confront take-up problems. There may be as we have seen economic, stigma, institutional and other reasons for the problem. It is evident that the problems exist in other countries to a similar degree. However, Housing Benefit plays a pivotal role in the British social security system. It also operates as the key low-income housing subsidy and is essential to managing affordability and therefore stable housing outcomes for low-income households across the UK (Gibb, et al, 2016). Its very centrality to policy delivery as well as its basic function as an income maintenance safety net suggests that this is a policy area where purposeful intervention to improve take-up, to simplify the system and to make its impact more incentive compatible and generally fairer – would improve welfare and increase policy effectiveness. The analysis here does suggest that there is perhaps less specific analysis on take-up of Housing Benefit than for other social security benefits and more detailed work specific to Housing Benefit would be of value.

While HB has generally a relatively high take up rate, unlike some other means-tested benefits, it can be argued that it needs to do so because of its fundamental role taking shelter costs out of the equation for benefit dependent households reliant on what are often quite low absolute levels of non-housing social security assistance. Moreover, as we have seen, there has been considerable growth in the in-work part of HB necessitating its higher take up to help combat in work poverty. At a time when HB has been cut and restructured as part of the welfare reform programme, it is also all the more pressing that those entitled do receive that often vital support with their housing costs.

Going forward, the continuing desire by Government to reform the benefit system further (and the ambition to introduce one single means tested benefit for most working age benefits), the current high priority of housing within the economic policy discourse and the essential central role played by the Housing Benefit system in UK income maintenance – guarantees that this question will remain an important and politically relevant one.

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