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## **Review of Take-Up of Income-Related Benefit Statistics**

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## **Review of Take-Up of Income-Related Benefit Statistics**

This is the 6th review to be published under the National Statistics Social and Welfare theme.

### National Statistics Quality Reviews

In 1999 the Government issued the “*Building Trust in Statistics*” White Paper, which set out the framework for quality assuring National Statistics outputs. This was confirmed in 2000 with the launch of National Statistics and publication of the Framework for National Statistics. A key component of that framework is:

“ a programme of thorough reviews of key outputs, at least every five years, with the involvement of methodologists and outside expertise, as appropriate. ”

This programme of quality reviews is an important way of ensuring that National Statistics and other official statistical outputs are fit for purpose and that we are continuing to improve the quality and value of these outputs.

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# REVIEW OF TAKE-UP OF INCOME-RELATED BENEFIT STATISTICS

## 1. Summary and Recommendations

1. This Review was carried out as part of the National Statistics programme of quality reviews, designed to ensure that National Statistics are fit for their purpose and that potential for further quality improvements is identified. All official statistics that come within the scope of National Statistics have been allocated to one primary ‘Theme’. There are 12 themes in all, and each is managed by a Theme Working Group (TWG). This review has been conducted under the aegis of the Social and Welfare Theme Group.
2. The review covered the annual statistical publication released by the Department for Work and Pensions: *Income-Related Benefits Estimates of Take-Up*<sup>1</sup>. Following lessons learnt from the first wave of quality reviews<sup>2</sup>, this review focussed on a limited range of issues and confined itself to a limited number of recommendations.
3. A Steering Review Group identified strategic priorities for take-up of income-related benefit statistics by considering the following issues:
  - The focus of published statistics;
  - Fitness for purpose of methodology; and
  - Timeliness of release.
4. The review identified no major areas of concern in relation to the reliability or integrity of take-up of income-related benefit statistics. But it has identified aspects where there is scope for improvement such as the focus and timeliness of the statistics. The review has provided guidance on future priorities.

## Recommendations

**Recommendation 1:** Across all the benefits covered in published take-up statistics, a systematic assessment should be made of the characteristics currently reported on, and further ones, to identify those most strongly associated with differences in take-up.

**Recommendation 2:** An examination should be undertaken into the gains and costs of basing estimates of take-up on data grouped across several years.

**Recommendation 3:** An appropriate methodology to allow the production of statistics on the take-up of Pension Credit should be developed; in doing so, the extent

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<sup>1</sup> This series relates to the main benefits administered by the Department for Work and Pensions. For more details see <http://www.dwp.gov.uk/asd/irb.asp>

<sup>2</sup> See “*Guidance on the National Statistics Quality Review Programme, v1.5*”, ONS; [http://www.statistics.gov.uk/methods\\_quality/quality\\_review/downloads/Guidance.doc](http://www.statistics.gov.uk/methods_quality/quality_review/downloads/Guidance.doc)

to which potential modelling biases can be quantified and allowed for should be explored.

**Recommendation 4:** Research involving data-matching apparent entitled non-recipients of Pension Credit, once identified from the Family Resources Survey, against Department for Work and Pensions benefit records should be routinely undertaken.

**Recommendation 5:** Options for improving the timeliness of published statistics, without detriment to their quality, should be explored.

5. The review concluded that recommendations 3-5 should be given the highest priority.

## 2. Context, Scope and Conduct of the Review

### 2.1 Context

6. Estimates of take-up of income-related benefits have been published by the Department for Work and Pensions (DWP) and its predecessors since the mid-1980s. From the outset, estimates of take-up compared information on benefit receipt, from departmental and the local authority administrative records, with data from social surveys which yielded estimates of those entitled to the benefit but not receiving it. The Family Expenditure Survey (FES) was a key source for many years but was replaced by the much larger Family Resources Survey (FRS) dataset in the mid-nineties. The report covering 1993/4 was the first to present estimates on a financial year basis.
7. Work by Duclos<sup>3</sup> and the Department of Social Security (DSS)<sup>4</sup> in the early nineties confirmed several deficiencies in the quality of information recorded on the FES and the vulnerability of estimates of take-up to these deficiencies. In subsequent reports, take-up statistics were labelled with strong health warnings. In 1994, statistics covering 1990 and 1991 were released; these were the first which systematically quantified, and corrected estimates of take-up for, non-sampling errors. Take-up rates expressed as a range, in which the true figure was believed to lie, replaced the biased point estimates. This new approach was retained when the FRS replaced the FES as the source of entitlement estimates.
8. An internal review of methodology in 1997 further refined processes and the approach to measuring take-up. The analyses contained in the reports have gradually expanded over time to provide information on the characteristics of those that do not take-up their entitlements. In 1998 an error was discovered in estimates for pensioners' take-up rates in 1994/5, 1995/6 and 1996/7; this resulted from a failure to capture all of pensioners' income when modelling pensioners' entitlements. Quality assurance procedures were subsequently tightened.
9. In 2000-01, in the context of Government efforts to raise pensioners' take-up of Income Support, concerns arose as to the width of some of the take-up ranges, which called into question the usefulness of the results for identifying the size of the problem of incomplete take-up and for monitoring progress in addressing the problem. Efforts were made to improve the quality of key take-up estimates for Minimum Income Guarantee. Through a FRS follow-up study, focussing on pensioner savings and a project to data-match cases apparently entitled to but not in receipt of Minimum Income Guarantee with DWP benefit records, a better understanding of certain biases affecting take-up estimation was gained. Once incorporated, the results of the research significantly improved the precision of MIG take-up statistics for 2000/01.

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<sup>3</sup> See Duclos J-Y, "*Understanding the Take-up of State Benefits Using Micro Data*", 1992, Welfare State Programme, London School of Economics, paper presented to conference on 'Social Security: 50 years after Beveridge.'

<sup>4</sup> See "*The Take-Up of Income-Related Benefits - Inaccuracies in the Estimation of Take-Up Rates*", Analytical Note no. 3, DSS, 1994

10. Due to their complexity, take-up statistics take a considerable length of time to produce. The OECD<sup>5</sup> has reported that the UK appears to be the only country to produce regular official statistics. Developments in new data sources, such as expanded administrative data sets means that evidence to help monitor and target take-up activity will continue to grow in the future.

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<sup>5</sup> See “*Take-up of welfare benefits in OECD countries: A review of the evidence*”, OECD Social, Employment and Migration Working Papers No.17, 2004



## 2.2 Scope

11. The aim of the review was to establish whether statistics on the take-up of income-related benefits continue to meet the needs of users. In pursuing this, the review focussed on identifying issues most worthy of future examination - detailed exploration of such areas was not part of the review process. The consideration was organised into three main sets of issues:
  - Focus: does the statistical report on the take-up of income-related benefits address the right questions and keep abreast of changing customer priorities? What should be the priorities for development?
  - Fitness for purpose of methodology: which aspects are most in need of review/improvement? Will the methodology need to change in the light of changes in benefits?
  - Timeliness: can this be improved?
12. The scope of the review did not go beyond statistics on income-related benefits. It refrained from tackling details of methodology - as distinct from identifying any methodological issues which deserved priority attention.

## 2.3 Conduct of the Review

13. The review of take-up of income-related benefit statistics was overseen by a Steering Review Group. The secretary and chairman had responsibility for the production of official take-up estimates; the other DWP members were users of take-up estimates. The Steering Review Group consisted of:

- Chair: Gordon Harris, DWP Income Analysis division
- Holly Sutherland, Cambridge University Microsimulation Unit
- Chris Kent, DWP State Pensions Analysis division
- Simon Gault/Shawn Butcher, DWP Benefit Forecasting and Model Development division
- Joe Bosak, DWP Income Analysis division
- Secretary: Raj Majumdar, DWP Income Analysis division

### User consultation

14. DWP statisticians issued a consultation letter in the summer of 2003, seeking views on the issues that should be addressed in the review and their relative priority. Eighteen non-governmental organisations were contacted; a copy of the issues for consideration included in the consultation letter is at Annex 1.

15. Contributions were received from:

#### *Within Government*

- DWP Information and Analysis Directorate
- Northern Ireland Civil Service, Department for Social Development

#### *Outside Government*

- Department of Social Policy & Social Work, University of York
- Age Concern

16. Key points raised by consultees, both from within and outside of government, were for take-up statistics to be extended beyond the current reported dimensions, an improvement in timeliness of published results and the use of data-matching techniques to improve the quality of statistics on existing and future benefits. All these issues were considered by the Steering Review Group and in light of the comments received, recommendations (detailed in sections 3, 4 and 5) were made.

17. In addition, user requests were made for further information on the construction of statistics and for the underlying micro-data to be made publicly available. On the first issue, the Steering Review Group judged that there is little in the way of additional explanation on the estimation of raw benefit take-up statistics that could be disseminated in a digestible manner. The Steering Review Group also felt that the public release of underlying micro-data could not be justified as the data are biased and this would result in misleading analysis being performed by the user.

### 3. Focus of published statistics

18. The review considered whether there are – or are likely to emerge - important unmet demands, for analysis of patterns of take-up.
19. Estimates of take-up are presented for each income-related benefit by family type; and additionally by tenure classification for Housing Benefit and Council Tax Benefit. The Steering Review Group thought that restricting estimates of take-up by tenure type to Housing Benefit and Council Tax Benefit may be hiding interesting insights elsewhere. In addition, responses to the consultation suggested that an indication of take-up by other dimensions should be explored; for example by age, whether or not entitlement to other benefits existed and whether or not life events such as widowhood and birth of a child were recent occurrences.
20. The disaggregation of national take-up results by geography was also an issue considered in the review. There are technical difficulties in replicating national estimates on a sub-national country or regional basis. These involve restrictive sample sizes and an inability to reliably correct for variation in survey non-response. In addition, the production of sub-national estimates would be a highly labour-intensive process.
21. Given that user needs were focussed more on local authority level statistics, rather than country/regional level, and given the technical obstacles to regional-level estimates, the Steering Review Group took the view that the development of formal country and regional estimates of take-up should not be given priority over other issues of importance. However they favoured the DWP take-up statistical team exploring whether broad indications could be given, of which countries and regions may have take-up above or below the national average.
22. The review led to the recommendation:

**Recommendation 1: Across all the benefits covered in published take-up statistics, a systematic assessment should be made of the characteristics currently reported on, and further ones, to identify those most strongly associated with differences in take-up.**

### 4. Fitness for purpose of methodology

23. The Steering Review Group considered whether there were aspects of the approach to producing statistics on the take-up of income-related benefits that clearly needed review.

#### 4.1 Current procedures and groups covered by take-up statistics

24. By examining the procedures currently in place the Steering Review Group identified improvements that DWP statisticians can take forward as part of the annual production cycle. These include:

- To further quality assurance, the regular cross-checking of benefit entitlement modelling with DWP policy microsimulation modellers; and
- As part of forming annual assessments of non-sampling biases:
  - examining the ratios of grossed FRS Income Support and income-based Jobseeker’s Allowance recipient counts to administrative totals of Housing Benefit and Council Tax Benefit for Income Support or income-based Jobseeker’s Allowance recipients;
  - reviewing subsidiary assumptions in the analytical framework – the basis for correcting for known biases - in the light of available evidence.

25. Presently take-up statistics exclude four groups of people from coverage of Great Britain. These are:

- i. those not living in private households – e.g. those in ‘bed and breakfast’ accommodation or residential care homes – as the FRS does not cover such groups, so entitled non-recipient (ENR) counts cannot capture them and therefore valid comparisons of recipient and ENR counts need to exclude them on both sides;
- ii. cases with very high rents or mortgage interest costs – e.g. the top 1 per cent of eligible rents (as estimated from administrative data) – are excluded because these rare cases are unlikely to be reflected fairly in the FRS sample;
- iii. 16 and 17 year olds without dependants, who can be eligible for Income Support or Jobseekers Allowance in special circumstances, are excluded because it is difficult to model these circumstances from FRS data; and
- iv. full-time self-employed people, on the grounds that assessment of ‘ENR’ status requires good income data, and it is generally accepted that income data for self-employed people is considerably less reliable than that for employees.

26. The Steering Review Group considered and concluded that most of these exclusions have a valid basis. However excluding the top 1 per cent eligible rents is somewhat arbitrary and the treatment of the self-employed is inconsistent with other FRS-based National Statistics, namely the Households Below Average Income series, which presents income results for the population including the group despite some concerns over the quality of information. The Steering Review Group considered that this would merit review, though not as a matter of priority.

27. An additional methodological point relates to the measure of take-up, which currently uses data on the number of benefit recipients regardless of whether or not the claimant is eligible. The review considered that, if reliable information on non-entitled recipients exists and can be utilised, it maybe more appropriate if the expression for measuring take-up compared the estimated number of entitled non-

recipients with the number of **entitled** recipients, rather than with all recipients. Again, this was an issue that the Steering Review Group considered worthy of exploring but not as a matter of priority.

#### **4.2 Precision of take-up statistics**

28. The Review considered, where published results were particularly imprecise i.e. estimates of take-up are presented as a range the width of which is in excess 10 percentage points, what steps could be feasibly taken to improve the quality of results.
29. The Review acknowledged that there are limited lines of enquiry, but where sampling error contributes most to the uncertainty, the pooling of data across years could improve precision. The Steering Review Group recommended that:

**Recommendation 2: An examination should be undertaken into the gains and costs of basing estimates of take-up on data grouped across several years.**

#### **4.3 Changes to benefits**

30. The Review considered whether the existing methodology used to construct take-up statistics would be suitable in estimating take-up of Pension Credit. In addition it considered the implications, if any, of the changes to the statistical series as a result of the introduction of New Tax Credits. Take-up of New Tax Credits falls outside the remit of benefits/tax credits administered by DWP and will not be reported upon by these National Statistics.

##### **4.3.1 New Tax Credits**

31. Working Tax Credit and the Child Tax Credit were introduced in April 2003. The latter draws together in one payable tax credit all the income-related strands of support for children. This means that the child premia component of Income Support and income-based Jobseeker's Allowance is no longer payable for new claims. With only the adult-targeted assistance from Income Support and income-based Jobseeker's Allowance remaining, the restructuring of these benefits poses a risk to the continuity of take-up statistics and in particular to sub-group results e.g. for 'couples with children' and 'lone parents'. The Steering Review Group noted this and concluded that given the strong user demand and in order to maintain coherence over time, subject to issues of robustness, estimates of take-up for families with children should continue to be produced for Income Support and income-based Jobseeker's Allowance. The statistical report should make it clear where significant changes to the structure of benefits have taken effect; and, as far as possible, assess the comparability of pre-change and post-change take-up estimates.

##### **4.3.2 Pension Credit**

32. The Pension Credit was introduced in October 2003. It provides a contribution to a guaranteed minimum income for those aged 60 and over and a reward for

income above the level of the full basic state pension for those aged 65 and over. Pension credit is paid by The Pension Service and estimates of take-up will be included in the annual take-up statistics.

33. The Review acknowledged that there may be problems in applying the existing take-up methodology to measuring take-up of Pension Credit. In particular the five year assessed income period, whereby a claimant could be receiving Pension Credit regardless of whether or not their current circumstances would entitle them to it, could pose some difficulties in accurately assigning an entitlement status to respondents to the FRS; the modelling of entitlement is done on the basis of circumstances reported at the time of the FRS interview. In practice, modelling entitlement to benefits from survey data cannot be done without error but current estimates of take-up allow for the possibility of bias. Assessed income periods could make accurate corrections to estimated take-up of Pension Credit more difficult to judge than for other benefits.
34. Consultees expressed the desire for separate estimates of take-up of the guarantee and savings elements of Pension Credit. The Steering Review Group noted that estimates of the combined components, i.e. the total, may be more reliable than that of individual elements, as FRS respondents may be unsure as to which element of the Pension Credit they are receiving.
35. At the heart of the current methodology for producing take-up statistics is an assessment of the extent to which raw data may be affected by biases of various sorts. The assessment of data quality is conducted each year, for each benefit and each group reported on. In 2002, additional assessments were undertaken to improve the understanding of biases for pensioners' Minimum Income Guarantee. This included a data-matching exercise investigating, for pensioners apparently not receiving Minimum Income Guarantee to which they were entitled, how many of them were actually in receipt of Minimum Income Guarantee according to DWP records.
36. The Steering Review Group considered whether estimates of bias that were developed from the additional exercise could be used in estimating take-up of Pension Credit. Where the FRS approach to data collection, editing and imputation does not change it may be reasonable to assume that data biases change little from year to year. But with the large expansion of the entitled population under Pension Credit, the Review acknowledged that it would be unsafe to extend results relating to Minimum Income Guarantee to Pension Credit.
37. The Steering Review Group made the following recommendations:

**Recommendation 3: An appropriate methodology to allow the production of statistics on the take-up of Pension Credit should be developed; in doing so, the extent to which potential modelling biases can be quantified and allowed for should be explored.**

**Recommendation 4: Research involving data-matching apparent entitled non-recipients of Pension Credit, once identified from the Family Resources Survey,**

**against Department for Work and Pensions benefit records should be routinely undertaken.**

## **5. Timeliness of published statistics**

38. The Review considered whether improvements in the timeliness of release should be pursued at the expense of addressing other issues deemed worthy of investigation.
39. Historically, take-up statistics are published many months, typically 17-20 months, after the period to which they cover. The length of interval reflects the time required to produce the results. Where data can be drawn from Department for Work and Pensions' records, they are available quickly, but by their very nature, estimates of numbers of entitled non-recipients are not available from such records. These have to come from a household survey with full data on incomes and benefit receipt - the Family Resources Survey. The complexity of household incomes means it takes time to gather and process data.
40. Estimates of take-up are particularly vulnerable to imperfect data; as a result, an extensive judgement-led process to quantify and correct for data deficiencies is undertaken each year. Where research is commissioned to improve the evidence upon which adjustments are made, as was the case for the 2000/01 Minimum Income Guarantee statistics, the interval between the end of the reporting year and release of results can be much longer.
41. The Steering Review Group received consultation responses in favour of gains in the timeliness of take-up statistics, but received no steer on whether the pursuit of the aim should be a strategic priority i.e. at the cost of answering new questions or improving the quality of existing answers. In light of this, the Steering Review Group made following recommendation:

**Recommendation 5: Options for improving the timeliness of published statistics, without detriment to their quality, should be explored.**

## ANNEX 1

### **USER CONSULTATION: TOPICS PROPOSED FOR CONSIDERATION**

**Focus: does the report address the right questions and keep abreast of changing customer priorities? What should be the priorities for development?**

- F1. What do users (and potential users) regard as the most important unmet needs?
- F2. Geographical disaggregation of results
  - What levels of disaggregation will be useful to users?
  - What avenues are most worthy of investigation?
- F3. Results over time
  - Should efforts be made to make estimates of take-up more comparable between years, even if this is at the expense of timeliness or improvements in quality?
- F4. Are there opportunities, to illuminate issues, which have not been exploited sufficiently?

**Fitness of purpose of methodology: which aspects are most in need of review/improvement? Will the methodology need to change in the light of changes in benefits?**

- P1. Areas of review/improvement
  - What are the areas of concern and what can be done?
  - Can the width of take-up ranges be narrowed?
  - Can social research play a continued role?
  - Could methodology be improved upon, or efficiency gains secured, by sharing good practice with microsimulation model developers?
- P2. Implication of Pension Credit
  - What are the demands and issues associated with estimating take-up of Pension Credit?
- P3. Implication of New Tax Credits and other benefit changes
  - Are there implications for take-up of income-related benefit statistics as a result of the introduction of New Tax Credits?
  - Are there any issues associated with other policy changes, e.g. extending benefit payments to those going back to work?

**Timeliness: is the output sufficiently timely?**

- T1. Timeliness of statistics
  - Can this be improved on? Would the gains from improving timeliness outweigh the opportunity costs?