



**Independent
Age**

Credit Where It's Due: A briefing on low uptake of Pension Credit

The context, the issue, and
what action must be taken

September 2020

Key stats

- Pension Credit uptake has stagnated at around 60% for the last 10 years, with an estimated 1.06 million people 65+ currently missing out.¹
- In 2017/2018, £2.2 billion worth of Pension Credit was not received by those eligible. On average, £2.8 billion has gone unclaimed every year since 2009/10.²
- New research commissioned by Independent Age estimates that low uptake of Pension Credit costs the Government £4 billion a year in increased NHS and social care spending.³

What is Pension Credit?

Pension Credit is a UK-wide means-tested benefit for people of State Pension age who fall below an income threshold.⁴ It is a lifeline to pensioners most in need of financial support. As a weekly top-up, it helps to ensure that people in later life do not have to make difficult decisions like choosing between buying food or heating their home. The amount received depends on income, but on average single claimants get £58 a week with couples receiving £80.

Receiving Pension Credit also opens up access to other benefits including Housing Benefit and Council Tax Support, the Warm Home Discount Scheme, NHS dental treatment, vouchers towards glasses, a free television license for people aged 75+ and the Cold Weather Payment.

Who is entitled to Pension Credit?

People are eligible for Pension Credit upon reaching State Pension age if their income is too low, usually the result of an inadequate private pension and/or State Pension. This could be due to having a low paid job during their working life, caring responsibilities, or a long-term health condition that stopped them from working. Others fall into eligibility due to major changes in their income for example due to a bereavement or having to meet the costs of social care for themselves or a loved one.

What is the impact of receiving Pension Credit?

Pension Credit brings greater security to people's lives by giving them a reliable 'top up' to their income. In addition to the weekly payments that can provide greater financial stability, Pension Credit can be a 'gateway' to other benefits such as council tax reductions, the Cold Weather Payment, and Housing Benefit. Independent Age has calculated that Pension Credit could be worth up to £7,000 per year once these other benefits are taken into account.⁵ For over-75s this would be even higher due to the free TV licence available to Pension Credit recipients.

Pension Credit provides the essential income people in later life need to pay for food, heat their home and use public and private transport. It can also remove the financial barriers people face when taking part in social activities, which have been linked to isolation and loneliness.⁶ For example, someone who can't afford to keep their home in a state that makes them feel comfortable inviting someone round, or someone who can't afford to make occasional trips to a café or the cinema, is at particular risk of loneliness.

There is also a well-established link between poverty and health, with people on lower incomes having lower life expectancy and fewer years of healthy life after retirement.⁷ For example, if someone cannot afford to heat their home sufficiently, they may experience health complications associated with a cold home which they could avoid with a higher income.⁸ Previous research by the Joseph Rowntree Foundation demonstrated that these health inequalities have a knock-on effect on state spending, leading to higher costs to the NHS and social care services.⁹

“ *Pension Credit could be the difference between good health, bad health and survival. Peace of mind hopefully brings better quality of health and that in turn lessens the impact on the NHS.*

Edwina, 71

New research commissioned in 2020 by Independent Age from Loughborough University shows a strong connection between low Pension Credit uptake and increased NHS and social care spending. Using cohort survey datasets – such as Understanding Society, which surveys large numbers of people over a number of years – and local area administrative data – such as NHS spending on hospital ‘bed-days’ – Loughborough estimated that the knock-on effect of 40% of eligible people not receiving Pension Credit is costing the Government roughly £4 billion a year in increased NHS and social care costs.¹⁰



The infographic features two main monetary values: £2.2bn and £4bn. The £2.2bn is accompanied by an icon of a stack of coins, while the £4bn is accompanied by an icon of a cross with hands, symbolizing healthcare or social care. The text below explains that £2.2bn of Pension Credit was not received in 2017/2018, and that the cost to the Government of those eligible not receiving it is £4bn a year in increased NHS and social care spending.

In 2017/2018, an estimated £2.2 billion worth of Pension Credit was not received by those eligible.

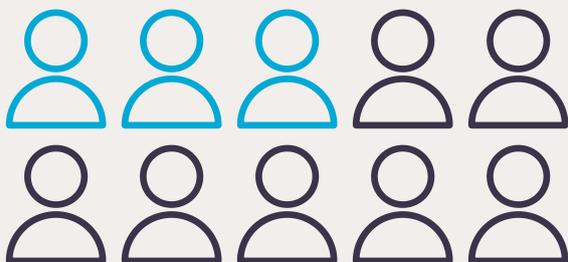
New research commissioned by Independent Age estimates that the cost to the Government of those eligible not receiving Pension Credit is £4 billion a year in increased NHS and social care spending.

“ I officially retired as a nurse at the age of 56 because I had health problems. I really don't know why I got a lower pension, but life was very hard. I bought the cheapest of whatever was available. Instead of putting on the heating, I'd put more clothes on so I could have another cup of tea or something to eat. Pension Credit really changed my life for the better. It meant I could eat better food, therefore be healthier and I could be warmer. I got other benefits too like help with my glasses and dental treatment. I started to live again. I expect there are many people today who don't know about Pension Credit. The government needs to tell us oldies what is available and what they are prepared to do for us.

Anisah, 86

Receiving Pension Credit can be the difference between being deep in poverty and having the money needed to get by and feel secure. In early 2020, the UK Government admitted to the Scottish Parliament's Social Security Committee that if all pensioners received the benefits they were entitled to, including Pension Credit, pensioner poverty would be all but eliminated.¹¹ Loughborough University's research into Pension Credit echoes this, estimating that if everyone who is eligible for Pension Credit received it, pensioner poverty would be reduced by almost 5% down to 11.8%.¹² This would be the lowest pensioner poverty figure since the current measure of poverty came into use.¹³ In addition, even those who remain in poverty after receiving Pension Credit (usually due to very high housing costs) would be better off, with the number of pensioners living on very low levels of income falling from 9% to 4.3%.¹⁴

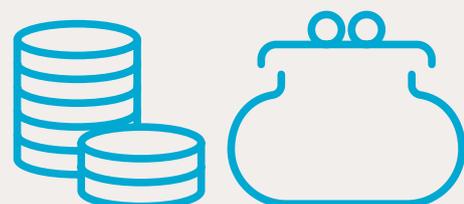
This demonstrates the potential of ensuring everyone entitled to Pension Credit receives it – and the huge improvements in people's life that would result – while allowing the Government to recoup these costs elsewhere and possibly even save money in the long term.



If everyone who is entitled to Pension Credit received it, roughly 3 in 10 pensioners in poverty would be lifted out of poverty.

440,000

could be lifted out of poverty



Why is Pension Credit uptake low?

Pension Credit has one of the lowest take-up rates of any income-related benefit, at around 60%, with an estimated 1.06 million people missing out. Awareness of the benefit is low, with four in ten people never having heard of it. Of those who have, less than half know who it is intended to help.¹⁵ Research suggests the main barrier to receipt is people assuming they are not (or are no longer) eligible, for example 65% of eligible non-claimants felt they had too much money to qualify.¹⁶ Other barriers include perceived stigma from claiming, with 62% of eligible non-recipients agreeing that they 'do not like asking for benefits'.¹⁷

“ *If Independent Age hadn't sent me the information, I would never ever have realised I qualified for Pension Credit.*

Kenneth, 76

Low uptake of Pension Credit means hundreds of thousands of people in later life remain in poverty.



The percentage of eligible people receiving Pension Credit has continued to stagnate.



£2.2bn

of Pension Credit is not reaching the poorest pensioners.

What is the UK Government doing about the low uptake of Pension Credit?

Despite 10 years of consistently low uptake, the Government have admitted they have no written strategy on how to increase the uptake of Pension Credit.¹⁸ They have not conducted any new research, or attempted to pilot any solutions, for almost 10 years. In addition, none of the pilots they have run in the past, including a form of auto-enrolment, were taken forward. The Department for Work and Pensions (DWP) also admits that it does not know the makeup of households that are eligible but not receiving Pension Credit.¹⁹

Since we began our *Credit Where It's Due* campaign in 2019, the Government ran a short awareness raising initiative on Pension Credit in early 2020. While we welcome this one-off activity, it is unclear what strategy these communications were part of, what its objectives were, and how it targeted the people who need Pension Credit. COVID-19 disrupted its evaluation, so it will be hard to determine whether it was successful or not. But, with no written strategy in place at the DWP, this awareness raising campaign sits in isolation, without clear next steps.

This inaction has become even more stark since the BBC's decision to tie the free TV license to only those 75+ in receipt of Pension Credit. Though the BBC have independently made efforts to raise awareness of Pension Credit, take-up of income-related benefits is not the responsibility of a public service broadcaster. This was a big, one-off opportunity for the Government to significantly raise awareness of Pension Credit which they have allowed to pass them by, and a sign they do not take their obligation to increase take-up seriously enough.

The Government needs to recognise this serious and longstanding problem and take substantial and effective action. One-off awareness-raising campaigns are not enough. We need a comprehensive written strategy setting out a clear commitment, and innovative action, to tackle this longstanding problem.

What should the UK Government do to solve this problem?

Independent Age is calling on the Government to put in place an ambitious action plan detailing how they will work to increase the uptake of Pension Credit over the next five years.

In order to achieve real and lasting change, the action plan must:

- 1. Be written and published.** During the 2020 Scottish Social Security Committee inquiry into benefit take-up, the UK Government revealed that it has no written strategy to increase the uptake of Pension Credit.²⁰ This must change if the Government is serious about tackling this long-standing problem. Publishing the plan would ensure transparency and allow the Government to be held to account.

- 2. Include a commitment to commission high quality, up-to-date research into who is not claiming Pension Credit and why they are not claiming.** The DWP admits that it does not know the makeup of households that are eligible but not receiving Pension Credit.²¹ Without knowing this, the Government cannot fully understand the problem, let alone solve it. Only a strong evidence base can ensure that the new approach recognises the different needs, circumstances, and preferences of people in later life and how to best reach eligible non-recipients.
- 3. Recognise the active role the Government has in increasing Pension Credit take-up.** It is not enough to continue the emphasis on encouraging people to apply for Pension Credit, with the implication that it is the 'fault' of those who 'fail' to claim. The plan must acknowledge the active role that the Government can, and should, play to increase take-up.
- 4. Look at every aspect of the benefit and should not rule out comprehensive and innovative change.** Low take-up of Pension Credit has been a problem for a long time, and to solve it we may need bold and creative solutions. From consideration of either partial or full auto-enrolment, to the very name 'Pension Credit', nothing should be left off the table.
- 5. Be reviewed and refreshed on a regular basis and build on best practice in other areas.** Revisiting the plan will be vital in making sure that the most effective steps are consistently being taken. We would encourage the Government to work with the Scottish Parliament to learn applicable lessons from Social Security Scotland's benefit take-up strategy, the first to be published under the provision of the Social Security (Scotland) Act 2018.
- 6. Hold the Government to account.** An action plan that sits on a shelf in Whitehall gathering dust is no good to anyone. The plan must have teeth and feature realistic but ambitious targets that the Government is held to account on achieving. The Government should consider introducing a statutory obligation on the DWP to work to increase take-up, to ensure appropriate political oversight. This has been done in Scotland under Sections 8 and 9 of the Social Security (Scotland) Act 2018, which requires Scottish Ministers to prepare, publish and lay before Parliament a number of strategies to promote the take-up of Scottish social security assistance.

If you have any questions or would like further information about the content of this briefing, please email Policy@independentage.org.

Notes

1 DWP, *Income related benefits: estimates of take-up: financial year 2017-2018*, Feb 2020, available from: <https://www.gov.uk/government/statistics/income-related-benefits-estimates-of-take-up-financial-year-2017-to-2018>

2 Ibid.

3 Independent Age, *The Cost of Pensioner Poverty and Non-Take-up of Pension Credit*, Aug 2020 available from: LINK TO BE ADDED WHEN AVAILABLE

4 Independent Age, *Can I claim Pension Credit?*, accessed 24/08/20, available from <https://www.independentage.org/get-advice/money/benefits/pension-credit/can-i-claim-pension-credit#:~:text=Pension%20Credit%20can%20top%20up,than%20that%20you%20might%20qualify.&text=Pension%20Credit%20is%20one%20of,to%20check%20if%20you%20qualify>.

5 Independent Age, *Credit Where It's Due*, June 2019, available from: <https://www.independentage.org/credit-where-its-due-pension-credit>

6 Joseph Rountree Foundation (JRF), *A Minimum Income Standard for the United Kingdom in 2020*, July 2020, available from: <https://www.jrf.org.uk/report/minimum-income-standard-uk-2020>

7 The Health Foundation, *Health Equity in England: The Marmot Review 10 Years On*, Feb 2020, available from: <https://www.health.org.uk/publications/reports/the-marmot-review-10-years-on>

8 Public Health England, *Health risks of cold homes: data sources*, Jan 2019, available from: <https://www.gov.uk/government/publications/health-risks-of-cold-homes-data-sources>

9 JRF, *Counting the Cost of UK Poverty*, Aug 2016, available from: <https://www.jrf.org.uk/report/counting-cost-uk-poverty>

10 *The Cost of Pensioner Poverty and Non-Take-up of Pension Credit* (n3)

11 Scottish Social Security Committee, *Minutes of the 2nd meeting 2020, Session 5*, Thursday 23 January 2020, page 27, available from: <http://www.parliament.scot/parliamentarybusiness/report.aspx?r=12482&mode=pdf>

12 *The Cost of Pensioner Poverty and Non-Take-up of Pension Credit* (n3)

13 HBAI ONS

14 *The Cost of Pensioner Poverty and Non-Take-up of Pension Credit* (n3)

15 Opinium Research surveyed 2,087 adults online during 4 – 10 June 2019

16 DWP, *Pension Credit eligible non-recipients: Barriers to claiming*, Nov 2012, available from: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/214374/rrep819.pdf

17 Ibid.

18 SSSC, *Minutes of the 2nd meeting 2020*, page 34

19 Ibid. page 25

20 Ibid. page 34

21 Ibid. page 25



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