Research Note

The take up of social benefits

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ABSTRACT

The shift in favour of means-tested benefits observed in several European countries since the early 1980s and the rise of refundable tax credits since the mid-1990s raise the questions of how well-targeted such benefits are and what the distributional implications of target inefficiency might be.

This research note, using the EUROMOD tax-benefit model, presents the results of estimating the effects of non-take up on target efficiency and on the performance of social assistance benefits in reducing the relative number of people with income below the poverty line.

Even though the approach tentatively adopted here may overstate the effects of non-take up if compared to the alternative of identifying eligible non claimants on the basis of expected size of entitlement, the findings seem strong enough to suggest that policy interest in the non-take up of social benefits should be encouraged further.

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The take up of social benefits[1]

I. Introduction

Not all individuals claim the social benefits to which they are entitled. In particular, although universal (e.g. child benefits) and contributory benefits (e.g. social insurance pensions) tend to be received by all eligible claimants, the take up of means-tested benefits is known to be significantly less than complete. For instance, a recent survey found that in many European countries the take up of social assistance typically spans a range of 40% to 80% (Hernanz et al., 2004). Non-take up of social benefits may be due to a variety of factors, including high claiming costs, administrative errors, fear of stigma, lack of information about entitlements etc. (Atkinson, 1996; Duclos, 1995).

Moreover, the converse problem (i.e. the payment of benefit to illegitimate recipients) may also manifest itself. Social benefits may "leak" to households or individuals who would have been deemed ineligible had they disclosed to benefit-awarding agencies all relevant information about their material conditions and other characteristics.

The implications of target inefficiency (involving both non-take up, as well as "over-payment" of benefits) are clear. Low take up by eligible recipients and over-payment of benefits to ineligible ones distort the intended impact of social benefits, while also limiting the accuracy of estimates concerning the effect of policy changes under the assumption of full compliance to benefit rules. Nevertheless, the problem remains overlooked as a policy issue and, with few exceptions, neglected as a research topic.

The shift in favour of means-tested benefits observed in several European countries since the early 1980s (Gough et al., 1997), and the rise of refundable tax credits since the mid-1990s (Brewer, 2003a), raise the questions of how well-targeted such benefits are and what the distributional implications of target inefficiency might be.

This research note is structured as follows. Section 2 presents a brief literature review. Section 3 describes the social assistance benefits examined. Section 4 explains the methodology used to estimate the impact of non-take up. Sections 5 and 6 present the results of estimating the effects of non-take up on target efficiency and on the performance of social assistance benefits in reducing poverty using the EUROMOD tax-benefit model. Section 7 draws some conclusions.

II. Literature review

The problem of low take up of benefits has been studied in most detail in **the UK**, where there is a long tradition of studying social policy and where means-testing of social benefits is extensive[2].

These studies (among others) established that low take up of social benefits is caused by the high costs of claiming, administrative errors, lack of information about entitlement, fear of stigma and other factors. Moreover, they showed that the presence of measurement error in household income and under-reporting of benefit receipt in income surveys require that special care is taken to avoid over-estimating the extent of non-take up of benefit.

Furthermore, the British case is also unique in that official estimates of benefit take up have been regularly published since 1997. According to the latest of these estimates (DWP, 2007), the take up of *Income Support* (the general social safety net benefit) in 2005/06 was between 79% and 88% for different population sub-groups in terms of numbers claiming benefit, and between 86% and 93% in terms of amount of benefit claimed. *Housing Benefit* had an estimated rate of take up of between 83% and 88% by caseload, and between 87% and 92% by expenditure. The take up of other benefits was lower. For instance, *Pension Credit* (an improved safety net for pensioners) was taken up by 60% to 69% in terms of numbers claiming and by 70% to 78% in terms of amounts claimed, while *Jobseeker's Allowance*, a means-tested unemployment benefit, had an estimated take up rate of 50% to 59% by caseload and 54% to 64% by expenditure.

Note that the figures cited above suggest that smaller entitlements are more likely to be left unclaimed than larger ones. This is consistent with the assumption of fixed claiming costs and explains why take up is higher in terms of the amount of benefit claimed ("by expenditure") than in terms of numbers of individuals or households claiming benefit ("by caseload"). Note also that, compared to the recent past, take up seems to have actually declined (Hernanz et al., 2004, p. 13).

The phenomenon has remained less well-researched elsewhere in Europe, although in recent years interest in the take up of social benefits seems to gather pace. A country-by-country overview of relevant research follows below.

In **Austria**, Fuchs (2007) estimated the take up of social assistance (*Hilfe zur Sicherung des Lebensunterhalts*) in 2003 at 44% in terms of numbers claiming benefit, and at 52% in terms of amount of benefit claimed, while over-payment of benefit was estimated at 32%. A range of alternative estimates was also presented.

In **Denmark**, Hansen and Hultin (1997) found that only 67% of those eligible for the general housing benefit scheme in 1992 actually claimed it, while the figure for the special scheme for pensioners was 85%.

In **Finland**, Bargain et al. (2007) used administrative data to compare eligibility and actual receipt of social assistance (*Toimeentulotuki*) by working age families during the post-recession period (1996-2003). The authors found take up to be significantly low (between 50% and 60%) and actually declining during the period.

In **France**, Terracol (2002) estimated the take up of minimum guaranteed income (*RMI*) at 52%, although taking into account measurement error in household income and under-reporting in programme participation raised the estimate of take up to

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[2] See Deacon and Bradshaw, 1983; Taylor-Gooby, 1976. Examples of early studies of non take up in Britain include Kerr (1982), Blundell et al. (1988), Fry and Stark (1989), Atkinson (1989), Craig (1991), Dorsett and Heady (1991), and Duclos (1995). For more recent studies see Adam and Brewer (2003), Brewer (2003b), Hancock et al. (2004), Pudney et al. (2006), Hernandez et al. (2007) and Hernandez and Pudney (2007).

65%. A similar figure (67%) was found by Chastand (1991). A study by Vanlerenberghe (1992), concluding that take up of *RMI* was 91% or even more, was later criticized on methodological grounds.

In **Germany**, an official inquiry by the Transfer-Enquête-Kommission (1981) into the take up of general social assistance (*Sozialhilfe*) put it at 67% for the year 1973, but a study by Hauser et al. (1981) estimated a lower figure of 52% for the same year, and a lower still (39%) for the year 1963. A later study by Hauser and Semrau (1990) found that the average rate of take up of social assistance over the period 1969-83 was 70%. More recently, Ripahn (2001) found that in 1993 *Sozialhilfe* was claimed by no more than 37% of those eligible for it, while the same figure was the mid-point estimate produced by Kayser and Frick (2001) for the year 1996. A study by Behrendt (2002) used Luxembourg Income Study data and found a rate of take up of 50% in 1995. The most up-to-date study by Frick and Groh-Samberg (2007) revealed that the take up of social assistance in 2002 was approximately 33% in terms of numbers claiming benefit, and approximately 43% in terms of the amount of benefit claimed, while over-payment of benefit was estimated at 13%.

In **Greece**, Mitrakos and Tinios (2005) estimated the take up of family benefits in 1994-2001. Using Household Budget Survey data, they estimated the take up of 3rd child benefit at 68% and that of large family benefit at 32% in 1999. However, using European Community Household Panel data for the same year, they arrived at very different estimates of take up: 43% for 3rd child benefit and 75% for large family benefit. Over the entire period, their estimate of take up ranged from 31% to 52% in the case of 3rd child benefit, and from 65% to 87% in the case of large family benefit. More recently, Matsaganis and Flevotomou (2008) estimated the take up of the pensioner social solidarity supplement *EKAΣ* in 2004-05 at between 59% and 71% in terms of numbers claiming benefit, while over-payment of benefit was estimated at between 10% and 23%.

In **Ireland**, a study by Callan et al. (1995) estimated the take up of *Family Income Supplement* in 1994 at between 23% and 29% by caseload, and between 43% and 57% by expenditure. More recently, Callan and Keane (2008) found that the take up of *Family Income Supplement* in 2005 was 30% in terms of numbers claiming, and approximately 36% in terms of amounts claimed.

In the **Netherlands**, early studies estimated the rate of take up of housing allowances in the 1970s at 76% (Lucassen and Priemus, 1977). However, van Oorschot (1991) found a lower rate of take up of the same benefits (between 24% and 55%) prevailed in 1976-81. In any case, the take up of housing allowances seemed to improve in later years (van Oorschot, 1996), to as much as 93% among social assistance recipients in the city of Amsterdam (KWIZ, 2002). With respect to social assistance (*ABW*) itself, Vrooman and Asselberghs (1994) estimated a take up rate of between 72% and 81%.

In **Portugal**, Rodrigues (2008) estimated the take up of minimum guaranteed income (*RMG*) in 2001 at 72%.

Finally, in **Spain**, Levy (2008) estimated the take up rates of means-tested benefits to the elderly in Spain at 34% to 40% and 76% to 80% for non-contributory pensions and pension supplements respectively in 2004.

The studies reviewed above suggest that the take up of means-tested social benefits in Britain and 10 other European countries is significantly below 100%. In the rest of

this research note, the effects of incomplete take up of social assistance in 5 countries are examined in some detail.

III. The social benefits considered

Low take up of social benefits may be thought to be particularly important as a policy issue in the case of general programmes of social assistance, since by definition these function as a social safety net of last resort.

In this research note, five such schemes have been selected with a view to covering a variety of countries representing different social protection models (i.e. Scandinavian, Anglosaxon, Continental and Southern), different parts of Europe (i.e. East as well as West), and different policy instruments (e.g. whether demanding the 'activation' of recipients or not).

The social assistance schemes selected are: Revenu Minimum d'Insertion in France, Pomoc Społeczna in Poland, Rendimento Mínimo Garantido (Rendimento Social de Inserção) in Portugal, Ekonomiskt Bistånd (Socialbidrag) in Sweden, and Income Support in the UK.

More specifically:

France: Revenu Minimum d'Insertion. Introduced in 1988, RMI is a guaranteed minimum income scheme in which recipients are expected to sign up to various social reintegration activities. The current number of recipients is approximately 1.18 million, though it was 939,275 in the period of reference (Bargain, 2008; France, 2005). The estimated rate of take up used here, taking into account measurement error in household income and under-reporting in programme participation, is **65**% (Terracol, 2002). The policy year simulated is 2001 on 2001-02 data.

Poland: Pomoc Społeczna. This is a general social assistance scheme, funded jointly by central and local government. Social assistance is permanent in the case of the elderly, the disabled and other groups, and temporary in the case of economically active recipients. The number of recipients in 2005 was 171,342 individuals and 651,382 households respectively for permanent and temporary social assistance (Morawski, 2008). No estimate of benefit take up is available. A comparison between eligibility as calculated in EUROMOD and reported programme participation suggests a rate of benefit take up of **76**% and **43**% for permanent and temporary social assistance respectively. The policy year simulated is 2005 on 2005 data.

Portugal: Rendimento Mínimo Garantido. Introduced in 1996 as a pilot scheme, and in 1997 nationwide, RMG is widely considered to be a successful example of a concerted effort to implement a guaranteed minimum income scheme in the specific context of southern Europe. The scheme, later renamed *Rendimento Social de Inserção*, offers recipients means-tested assistance in cash in exchange of participation in a variety of activation initiatives. The current number of recipients is 311,376, but was higher in the period of reference (480,213). The estimated rate of take up used is **72**% (Rodrigues, 2008). The policy year simulated is 2001 on 2001 data.

Sweden: Ekonomiskt Bistånd / Socialbidrag. This is a general social assistance scheme providing recipients financial assistance on a willingness-to-work basis. The number of recipients in 2003 was approximately 418,000 individuals, but was higher (434,000) in the period of reference (Sweden, 2005). No estimate of benefit take up

is available. A comparison between eligibility as calculated in EUROMOD and reported programme participation suggests a rate of take up of **69**%, which is broadly in line with expert opinion (Eklind, 2008). The policy year simulated is 2001 on 2001 data.

UK: Income Support. The scheme operates as a social safety net of last resort. The number of households on *Income Support* was almost 4 million in the year of reference, while another 730,000 received non-contributory *Jobseeker's Allowance* (DWP, 2004). The estimated rate of take up used here is **91**%, equal to the British government's mid-point estimate for non-elderly recipients of *Income Support* in 2000-01 (specifically, the range reported was 86% to 96%). The policy year simulated is 2001 on 2000-01 data.

A summary of background information on the take up of social assistance in the five countries is provided in Table 1 below.

Table 1: The take up of social assistance in 5 countries

country	social benefit considered	policy year	estimated rate of take up	source
France	*Revenu Minimum d'Insertion*	2001	65%	Terracol (2002)
Poland	*Pomoc Społeczna*	2005	permanent: 76% temporary: 43%	*own calculations*
Portugal	*Rendimento Mínimo Garantido*	2001	72%	Rodrigues (2008)
Sweden	*Ekonomiskt Bistånd*	2001	69%	*own calculations*
UK	*Income Support*	2001	91%	DWP (2004)

Notes: In the cases of Poland and Sweden, the implicit rate of take up equals the actual number of recipients, as given in official publications, divided by the simulated number of recipients under the assumption of perfect targeting. In Poland, social assistance (*Pomoc Społeczna*) can be 'permanent' (e.g. in the case of elderly recipients), or 'temporary' (e.g. in the case of working-age recipients). In Portugal, the guaranteed minimum income scheme has in the meantime been renamed to *Rendimento Social de Inserção*. In Sweden, *Ekonomiskt Bistånd* includes *Socialbidrag*. In the UK, the estimated rate of take up of *Income Support* is mid-point estimate for non-elderly recipients. All 5 benefits function as generalized schemes of social assistance of last resort in each country.

IV. A tentative methodology for estimating the effects of non-take up

As the literature review presented earlier demonstrates, interest in the take up of social benefits is on the increase in a number of European countries. Nevertheless, no study of the distributional, fiscal or other effects of non-take up has so far been undertaken.

In this research note, we present a tentative methodology for systematically assessing the effects of non-take up using the tax-benefit model EUROMOD. Alternative, more sophisticated – but also more demanding – methodologies are briefly outlined as well.

Any attempt to estimate the effects of non-take up must first solve the problem of how to identify the benefit units (individuals and households) who do not claim the benefit they are entitled to. Possible approaches include the following three, ranked from the most to the least sophisticated.

Identify eligible non claimants on the basis of individual characteristics

Under this approach, a probit-type model would be used to estimate the probability of take up conditional on the characteristics of benefit units. Model specification would be determined with a view to maximising explanatory power. Explanatory variables or covariates would include size of expected entitlement, household size or number of children in household, age of household head, employment status of household head, type of area (i.e. urban or rural) etc., again chosen to maximise model performance. The dependent (dummy) variable would be reported receipt of benefit.

If reliable information on reported receipt of the benefit exists, potential beneficiaries would be ranked in descending order of estimated probability of claiming, following

which the analyst would simply assume that the top *x*% claimed (*x* being equal to the proportion of actual over potential recipients).

Approach I requires that reliable information on reported receipt of benefit is actually available in the underlying income survey. However, even when information of this sort does exist, benefit receipt tends to be significantly under-reported. The presence of reporting error in income surveys limits the usefulness of this approach.

Identify eligible non claimants on the basis of expected size of entitlement alone

As explained earlier, theory suggests and evidence confirms that smaller entitlements are more likely to be left unclaimed than larger ones. This is the point of departure of a second possible approach.

Under this approach, reconciliation with external information on overall rates of non-take up could be achieved through calibration. Potential beneficiaries would be ranked in descending order of expected entitlement, and it would be assumed that the top *x*% claimed (*x* being equal to the proportion of actual over potential recipients).

Approach II is less demanding, in the sense that it does not require that benefit receipt is actually reported in the underlying income survey. However, since social assistance entitlements are inversely related to beneficiaries' other income, this approach would be affected by the presence of measurement error with respect to household income, which also tends to be substantial, often especially so among low-income households.

Identify eligible non claimants randomly

The predicted rate of take up under this approach would be set equal to official figures or other external information. In other words, the number of predicted beneficiaries drawn from the pool of potentially eligible population would be set so as to match the required rate of take up.
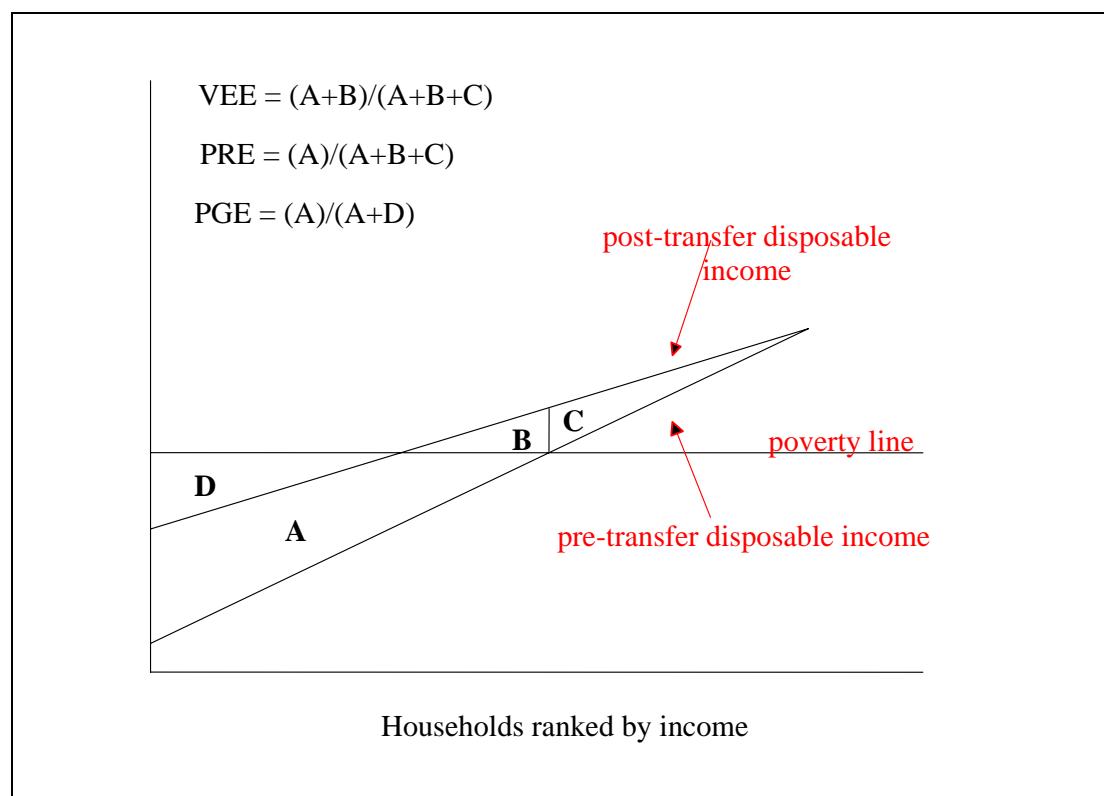
Potential recipients could be defined strictly (households meeting both the categorical conditions and the means test), or less strictly (e.g. households meeting the categorical conditions and having an income below 150% of the relevant threshold). Moreover, the rates of take up applied could be differentiated by category of potential recipients (such as the elderly, families with children etc.), if external information is available. Finally, random draws could be repeated for a number of times, to test for robustness.

Approach III represents a less sophisticated but still effective improvement on current practice, which is simply to assume 100% take up. It is not subject to measurement or reporting errors, nor does it impose a pre-determined pattern on the nature of non-take up or the characteristics of eligible non claimants. On the other hand, compared to the alternative approach of identifying eligible non claimants on the basis of expected size of entitlement, random selection of eligible non claimants may overstate the effects of non-take up in terms of targeting efficiency and anti-poverty performance of benefits.

In the rest of this research note we tentatively present the results of this approach as a methodology for estimating the effects of non-take up on target efficiency and anti-poverty performance of social assistance benefits in five countries using EUROMOD.

Three methodological points before that. First, our approach precludes an estimation of the effects of benefit over-payment, focusing on non-take up alone. Moreover, for the sake of comparability, our analysis focuses on the non-elderly population. Finally, to improve the robustness of our results, random draws were repeated 1000 times (100 times in the case of Poland), while the figures shown are average values.

Figure 1: Target efficiency of social benefits

$$VEE = (A+B)/(A+B+C)$$

$$PRE = (A)/(A+B+C)$$

$$PGE = (A)/(A+D)$$

post-transfer disposable income

pre-transfer disposable income

poverty line

Households ranked by income

Note: VEE is vertical expenditure efficiency. PRE is poverty reduction efficiency. PGE is poverty gap efficiency.

V. Estimating the impact of non-take up on target efficiency of benefits

Low take up of social assistance clearly affects target efficiency, as the non receipt of benefit by some of the those meeting the eligibility conditions reduces the capacity of social assistance to reduce poverty.

The question is: to what extent? Note that even though the term "target efficiency" is often used loosely, especially in the policy debate, it can be formally measured through a set of indicators first proposed by Beckerman (1979). For the purposes of this research note, three such indicators of target efficiency were estimated using EUROMOD. These indicators are illustrated in stylized form in Figure 1.

Vertical expenditure efficiency (VEE) measures the share of total expenditure on the benefit in question that is received by individuals with pre-transfer income below the poverty line. Similarly, poverty reduction efficiency (PRE) is the fraction of total expenditure allowing poor individuals to approach or reach – but not cross – the poverty line. VEE and PRE are useful in measuring the extent to which benefit is received by persons and households below the poverty line.

Table 2: Target efficiency of social assistance in 5 countries

	France	Poland	Portugal	Sweden	UK
A. **vertical expenditure efficiency**					
perfect targeting	67.4	84.1	99.6	81.7	79.5
imperfect targeting	67.5	83.5	99.6	81.8	80.5
proportional change	*0*	*-1*	*0*	*0*	*1*
B. **poverty reduction efficiency**					
perfect targeting	30.6	25.0	32.0	62.9	38.8
imperfect targeting	30.6	25.0	32.1	65.1	39.7
proportional change	*0*	*0*	*0*	*3*	*2*
C. **poverty gap efficiency**					
perfect targeting	27.8	49.9	22.4	48.7	59.9
imperfect targeting	18.1	23.5	16.1	33.3	54.0
proportional change	*-35*	*-53*	*-28*	*-32*	*-10*

Note:Vertical expenditure efficiency measures the share of benefit received by individuals below the poverty line before the transfer. Poverty reduction efficiency is the fraction of total expenditure allowing poor individuals to approach or reach – but not cross – the poverty line. Poverty gap efficiency measures the extent to which the transfers succeed in filling the aggregate poverty gap. The poverty line is set at 60% of median equivalent household disposable income under perfect targeting. Results shown for working age individuals only. All figures are percentages.

Nevertheless, vertical efficiency cannot evaluate the effectiveness of a social benefit in fighting poverty. A benefit may be efficient, in the sense that it is overwhelmingly targeted on the poor, but may fail to reach all those below the poverty line, or its level may be too low to raise the living standards of beneficiaries significantly. This latter aspect is better captured by poverty gap efficiency (PGE), an indicator of horizontal efficiency, measuring the extent to which a benefit reduces the aggregate poverty gap.

Our estimates of target efficiency with respect to the five social assistance schemes considered here can be seen in Table 2.

In terms of vertical efficiency, the performance of all five social assistance schemes, when simulated under the assumption of no targeting errors, seems rather satisfactory. The share of total expenditure on benefit received by individuals or households below the poverty line (VEE) ranges from just over two thirds (*RMI* in France) to practically 100% (*RMG* in Portugal), and stands at around 80-85% for the other three schemes. Taking into account targeting errors (i.e. non-take up) makes virtually no difference to VEE, just as one might expect given that non-receipt of benefit is randomly assigned under the methodology used. Moreover, the proportion of total expenditure allowing poor individuals to approach or reach, but not cross, the poverty line (PRE), while on the whole significantly lower than in the case of VEE, also remains largely unchanged when non-take up is taken into account.

It is in terms of horizontal efficiency (PGE) that the negative impact of non-take up is revealed most clearly. Under the assumption of perfect targeting, the poverty-reducing performance of the social assistance schemes examined here varies considerably, from 22% of the pre-transfer poverty gap (*RMG* in Portugal[3]) to almost 60% (*Income Support* in the UK). Imperfect targeting reduces horizontal efficiency in line with the non-take up rates simulated: by over a half in the case of Poland, by around a third in France, Sweden and Portugal, and by a tenth in the case of the UK.

VI. Estimating the impact of non-take up on anti-poverty performance of benefits

Next we examine the distributional effects of low take up of social assistance in terms of anti-poverty performance. We estimated two sets of indices using EUROMOD:

The "headcount" poverty rate, showing the population share of families with incomes below a poverty line. In line with the Laeken indicators, four poverty lines were used, at 40%, 50%, 60% and 70% of median equivalent household disposable income under perfect targeting respectively.

The poverty gap, showing the average shortfall of poor families' incomes relative to the poverty line as a proportion of total net disposable income. The poverty gap can be either unweighted or weighted. In the former case, the value of the parameter α of the FGT index is set equal to 1. In the latter case, to indicate greater concern for the incomes of the poorest, the parameter α is assigned a higher value (Foster et al., 1984). In this research note, the results for $\alpha = 1$ and $\alpha = 2$ are shown.

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[3] Recall that the Portuguese guaranteed minimum income (*RMG*), the least effective of the five social assistance schemes considered here in terms of PGE, performed best in terms of VEE – which confirms that there is often a trade off between vertical and horizontal target efficiency. Indeed, if *RMI* in France is ignored, among the other 4 social benefits examined here, PGE rises as VEE falls and *vice versa*.

Table 3: Distributional impact of imperfect targeting in 5 countries

	France	Poland	Portugal	Sweden	UK
poverty rate (**40**% of median)					
perfect targeting	1.6	2.6	4.2	2.5	2.8
imperfect targeting	1.9	5.4	4.6	3.7	3.7
proportional change	*19*	*107*	*9*	*47*	*30*
poverty rate (**50**% of median)					
perfect targeting	4.0	5.4	10.1	4.3	7.2
imperfect targeting	4.4	9.2	10.1	5.7	8.0
proportional change	*11*	*69*	*0*	*31*	*10*
poverty rate (**60**% of median)					
perfect targeting	10.0	13.0	15.4	8.8	14.6
imperfect targeting	10.5	15.8	15.4	9.5	15.1
proportional change	*5*	*22*	*0*	*8*	*4*
poverty rate (**70**% of median)					
perfect targeting	18.1	23.0	22.0	14.2	22.2
imperfect targeting	18.5	24.3	22.0	14.6	22.6
proportional change	*2*	*5*	*0*	*3*	*2*
poverty gap (FGT α=**1**)					
perfect targeting	1.8	2.9	3.7	2.2	3.2
imperfect targeting	2.0	4.8	4.0	2.9	3.7
proportional change	*12*	*64*	*9*	*34*	*16*
weighted poverty gap (FGT α=**2**)					
perfect targeting	0.6	1.5	1.1	1.0	1.3
imperfect targeting	0.7	2.6	1.5	1.5	1.7
proportional change	*24*	*75*	*29*	*50*	*27*

Note: FGT = Foster Greer Thorbecke. Results shown for working age individuals only. Unless stated otherwise, the poverty line is at 60% of median equivalent household disposable income under perfect targeting, held constant under imperfect targeting. All figures are percentages.

Table 3 clearly shows that eliminating non-take up would significantly improve the anti-poverty effectiveness of social assistance in the five countries considered here. For instance, perfect targeting would cause the conventional poverty rate (poverty line at 60% of median equivalent household income) to fall by 0.5 percentage points in the UK and France, by 0.7 in Sweden, and by 2.8 percentage points in Poland.

In general, the lower the poverty line the more pronounced the relative improvement in the anti-poverty performance of social assistance benefits under perfect targeting. For example, with respect to a poverty line at 40% of median, perfect targeting would cause the poverty rate to fall by 0.3-0.4 percentage points in France and Portugal, by 0.9 in the UK, by 1.2 in Sweden, and by 2.8 percentage points again in Poland.

This pattern of greater improvement in anti-poverty performance as we move towards the bottom of the income distribution shows up again in terms of the poverty gap. For instance, imperfect targeting causes the unweighted poverty gap (FGT $\alpha = 1$) to rise by 9-16% in Portugal, France and the UK, by 34% in Sweden and by 64% in Poland. In terms of the weighted poverty gap (FGT $\alpha = 2$), showing greater concern for the poorest of the poor, the proportional increase due to imperfect targeting is estimated at 24-29% in France, Portugal and the UK, 50% in Sweden and 75% in Poland.

VII. Conclusion

In this research note we reviewed existing evidence of non-take up of social benefits in Europe, and we presented the results of a tentative attempt to estimate its effects on target efficiency and anti-poverty performance of social assistance in 5 EU countries.

The review of the literature showed that in most EU countries the issue has not been studied very extensively, or not at all. However, in recent years this literature is growing fast. The studies reviewed here show that the take up of means-tested benefits is significantly low in many European countries – below 50% in Austria, Germany and Ireland according to most recent estimates. Non-take up may be due to high claiming costs, administrative errors, lack of information about entitlements, fear of stigma etc., and is often higher in terms of the number of persons claiming benefit than in terms of the amount of benefit claimed. On a different note, the presence of measurement error in household income and under-reporting of benefit receipt in income surveys imply that the extent of benefit non-take up will be over-estimated, unless these sources of error are specifically tackled.

Furthermore, five social assistance schemes in France, Poland, Portugal, Sweden and the UK were selected for closer examination of the effects of non-take up on targeting efficiency and anti-poverty performance. The methodological approach adopted here was the random identification of eligible non claimants. Alternative approaches were also discussed.

In terms of targeting efficiency, non-take up of social assistance was found to leave vertical efficiency largely unchanged but to reduce horizontal efficiency significantly. Recall that vertical efficiency measures the degree to which benefits are received by individuals originally below the poverty line, while horizontal efficiency measures the extent to which benefits reduce the pre-transfer aggregate poverty gap.

In terms of anti-poverty performance, non-take up of benefits was found to increase poverty rates compared to the counterfactual of perfect targeting. This effect was most significant with respect to the poverty line of 40% of median income and the

weighted poverty gap (FGT $\alpha = 2$), suggesting that the negative impact of non-take up is more pronounced towards the bottom of the income distribution.

Finally, even though the approach tentatively adopted here may overstate the effects of non-take up if compared to the alternative of identifying eligible non claimants on the basis of expected size of entitlement, our findings seem strong enough to suggest that policy interest in the non-take up of social benefits should be encouraged further.

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