

# Benefit fraud is already low – to save real money the government should concentrate on the errors

*With over 20 per cent of the UK's public expenditure going on welfare benefits, it is little wonder that David Cameron has announced plans for yet another targeted campaign to cut the level of fraud in the benefit system. Yet [Jane Tinkler](#) shows that under the previous Labour government the Department of Work and Pensions (DWP) had already made great strides in reducing recorded fraud problems. The coalition government's initiatives may simply spread a lot of alarm amongst benefits claimants and poorer households, doing little to deter fraud but a great deal to discourage legitimate claimants. Real savings would come from better communicating complex benefits to citizens and from improving IT systems in DWP – both hard to do when the government has frozen further spending in both areas.*

The levels of fraud and error in the benefit system has led the National Audit Office to qualify the accounts of the Department of Works and Pensions (DWP) for the last 21 years. In [DWP's latest report](#) on fraud and error (which covers the period from September 2008 to October 2009), they estimate that across all benefits there are overpayments of £3 billion – which is 2.2% of total benefit expenditure. The total may here seem large, but bear in mind that in any complex payments system there is likely to be an absolutely irreducible level of error of around 1 per cent. You can try and try to reduce such system errors below this level, but it becomes harder and harder to get to complete accuracy.

The 2.2 per cent number also covers not just fraud, but complete 'fraud and error' overpayments covering three different problems – fraud, official error (by DWP) and honest errors made by customers. Official error is defined as a benefit that has been paid through "inaction, delay or a mistaken assessment" by a government official. Customer error is defined as where a customer has given incomplete or incorrect information without meaning to defraud.

My table below shows that over the last decade, the levels of fraud in the system have dropped from over 2% of total benefits payments in 2000 to well below 1% in 2009. Various initiatives made under the government, and a strong priority on this aspect made by the DWP's Permanent Secretary Sir Leigh Lewis, appear to have cut fraud levels in the system by half. However, in the same period the levels of customer error have stayed fairly constant. And official error rates have almost doubled in that time. For 2008-09, the amount of customer error and official error therefore totalled £1.9 billion, making up just under two thirds of the fraud and error total.



Image Credit: See Wah Cheng

## Estimated overpayments due to fraud and error from 2000 to 2009

Year	Fraud		Customer Error		Official Error	
	£mn	%	£mn	%	£mn	%
2008-9	1100	0.8	1100	0.8	800	0.6
2007-8	800	0.6	800	0.7	900	0.7
2006-7	800	0.6	900	0.8	900	0.8

2005-6	600	0.6	1000	0.8	900	0.7
2004-5	800	0.8	900	0.8	900	0.8
2003-4	2000	1	700	0.7	800	0.7
2002-3	1800	1.6	600	0.6	600	0.6
2001-2	2200	2	700	0.7	400	0.4
2000-1	2200	2.1	700	0.7	400	0.4

Note: Some of the columns may not total due to rounding

DWP does not publicly say how much it spends on trying to combat fraud and error, or how much it costs the department to even try and measure fraud and error in the benefit system. One indicator is that over the last five years, spending by DWP on anti-benefit fraud campaigns has added up to over £27 million, and is the largest campaign spend in these years. As a comparison, in the same period spending on campaigns to encourage pensioners to take up benefits that they are entitled to has amounted to only £8 million, less than a third of the amount.

### Marketing spend by DWP on two campaigns, 2005-2009

Marketing spend	2008-09	2007-08	2006-07	2005-06	TOTALS
	£m	£m	£m	£m	£m
Tackling benefit fraud	5.9	6.9	6.9	7.6	27.3
Encouraging take up of pensioner benefits	0.8	1.4	2.8	3	8

Source: DWP Department Reports 2005-2009.

It seems therefore that progress has already been made on reducing fraud and setting credit agencies on current or potential benefit recipients may just make life more difficult for some who are already facing a hard time in the current fiscal climate. What may be much more worth while in terms of efficiency gains, would be to focus on the error side.

A [2009 report on DWP's customer communications](#) by LSE Public Policy Group and the Oxford Internet Institute (OII) for the National Audit Office highlighted the difficulties that many customers have with finding and understanding information provided by DWP. Guidance in leaflets, forms and online is often long winded and text-heavy. Customers often still need to look in more than one place to find the information they need, and to phone up or visit a DWP office to try and understand complex rules and requirements. A web experiment run for this report by OII asked participants to find basic information about some benefits and timed how long it took them to find it. Some questions were very difficult to answer, for example around what penalties a job seeker would suffer if they missed a signing on session. Would customers make so many errors if the information they were given was clearer, easier to access and in a format that made sense to them?

DWP statistics show that the highest common cause of official error is the 'incorrect consideration of fundamental entitlement to benefit, e.g. customer no longer a single parent or no longer unfit for work'. Although this sounds like human error, it is much more likely that it actually reflects the huge problems of operating such complicated benefit processes using over 150 out of date legacy IT systems that mostly don't talk to each other. Customers may well have told one part of DWP that they have gone back to work, for example, but an official elsewhere later attempting to process their claim may not be able to see that vital piece of information. This leads to incorrect decisions being made and frequent overpayments. Customers repeatedly try to give DWP the correct information only for their updates to not make it to the right place.

In any system of welfare benefits, there are obviously some people who will attempt to get benefits fraudulently, including criminals as well as anomic 'opportunists' who see an opening to get more than they are entitled to. But the UK's benefits system has already made considerable strides in combating such

problems and has a good record in comparison with other advanced industrial countries. Improving the way that DWP interacts with its customers in terms of the information and the help it provides, and modernizing the IT tools that its hard pressed staff are given to process the growing number of claimants would bring efficiencies and improve the quality of the benefit system in one go.

The government should get its own administrative house in better order before setting the credit agency dogs onto people claiming benefits. Many benefits still go unclaimed because people are reluctant to bear the costs of claiming, including the fear of being badly treated by officials and the risk of making a mistake in complex forms. Being labeled as being on benefits is already a significant disincentive to many citizens receiving what is theirs by right – for instance, two fifths of the elderly people entitled to Attendance Allowance never claim the payments that are their due. The coalition's concern for saving money by reducing fraud below what is realistically achievable risks could well make such problems far worse.

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