

How to means-test free TV licences

If the BBC chooses to target TV licences they should take the opportunity to promote benefit take-up

In June 2020 the existing scheme to provide free TV licences for people over 75 will come to end. The BBC are consulting on what sort of help, if any, should replace the scheme. This consultation response does not look at the arguments for and against the various schemes put forward for consultation. Rather it looks at issues around benefit take-up and the problem that any scheme targeted on poorer households misses out those who are not claiming their entitlements. It suggests that, should the BBC choose to go down the route of means-testing, it should do this in the context of an ambition to increase benefit take-up.

Means-testing and benefit take-up

The BBC-commissioned report from Frontier Economics sets out some of the arguments for means-testing. In particular, it highlights the changing relationship between pensioner and working-age poverty, where the reversal of fortunes over the last 20 years is remarkable. The report comments that *“in 1999/2000, approaching half (46%) of households with someone aged 75 or more were amongst the poorest in terms of incomes. By 2016/17, that proportion had fallen to fewer than one in three (32%). This has come about because incomes of over-75 households have grown much more rapidly than average.”* Accordingly, it suggests, the balance of argument between universal and targeted support has moved in favour of means-testing since free TV licences were first introduced. In economic terms, the efficiency of targeting is greater now, as poverty among over 75s is less prevalent than was the case 20 years ago. And in financial terms the argument for targeting is stronger, as reduced poverty among over 75s means more would be expected to pay the licence fee now, and hence the additional administrative costs of means-testing are more worthwhile as the extra income generated is larger.

However, Frontier’s analysis concedes that one of the major arguments against means-tested schemes is the issue of incomplete benefit take-up. Overall around £20 billion a year goes unclaimed by people in the UK who are entitled to extra help through income-related benefits and tax credits¹. It’s not a minor problem for any group, but take-up of benefits is worst for low-earning working-age tenants and for pensioners, particularly those with disabilities or who do not get the full rate of basic state pension.

For Pension Credit as a whole official estimates suggest four in ten households fail to claim the benefit even though they are entitled, with over 75s slightly less likely to claim than younger households. The result is that, according to DWP estimates, a means-tested TV licence scheme for over 75s could miss out 41% of the people it is intended to help, with 650,000 households who should get a free TV licence (if they claimed their entitlements) mistakenly paying the fee.

¹ See <https://www.entitledto.co.uk/blog/2018/december/over-20-billion-still-unclaimed-in-means-tested-benefits/> for more information and data sources for official take-up estimates.

An opportunity to promote benefit take-up

The means-tested scheme outlined in the consultation looks at how the BBC could verify who is eligible for a free TV licence by using data on existing Pension Credit recipients provided by the Department for Work and Pensions (DWP). In this view the BBC's role is confined to ensuring people who already claim Pension Credit receive their free TV licence entitlement efficiently. The fact that many over 75s who could benefit from the concession will not receive it is unfortunate, but essentially a problem for the DWP not the BBC.

The alternative view, which this consultation response aims to promote, is that any move to means-testing free TV licences should be seen as an opportunity to increase benefit take-up by over 75s. Indeed, the one-off and time-limited nature of such a change means that it presents an unrivalled opportunity to increase take-up among this group. Accordingly the BBC should commit to designing a process for determining eligibility for free TV licences with the express purpose of increasing benefit take-up, not only for Pension Credit (and therefore the TV licence) but for other income-related benefits too.

Just as there are a number of reasons why benefit take-up is a problem, there are a number of interventions that can be used to increase it. The government's take-up statistics provide a nice summary of the reasons for partial take-up of benefits: *"Take-up may be affected by factors such as the attractiveness of the benefit, lack of awareness of the benefit or application procedure, lack of awareness of entitlement, the perceived stigma of receiving a benefit or other factors"*. Equivalently, recent EU guidance suggests a range of potential measures to improve benefits take-up, including proactive use of data to tell people of a potential entitlement, dedicated help for excluded groups and information campaigns².

As the BBC is well over a year away from implementing a scheme, it would be possible to pilot different approaches to increasing take-up. In particular, in the run up to the new scheme starting in June 2020 there will be a cohort of TV licence applications from 74 year olds seeking information about what will happen when they turn 75. In effect this group could be treated as a testing ground, with different approaches to see what works in terms of increasing take-up.

It is possible that simply telling them that two in five people who could get a free licence do not claim it will be enough to trigger interest in checking eligibility. But if information provision turns out to have little effect – as the barriers to claiming Pension credit are too high (or perceived to be too high) – more radical approaches to increasing take-up may be worth experimenting with, such as:

- providing form-filling assistance with the application for Pension Credit, either directly by TV licensing staff or through working with partner organisations to provide such help;
- giving a temporary free TV licence to applicants on the basis of their self-declared income, so that they do not need to buy a licence while their Pension Credit application is processed;
- encouraging over 75s applying for a licence to check their eligibility through giving away a number of 'golden ticket' free TV licences to users who complete a benefits check.

Fortunately there is time before June 2020 to experiment with different approaches and to evaluate what works best.

² The EU's study represents the most comprehensive recent survey of measures taken in the UK and internationally to increase benefit take-up. As well as looking at the success of various interventions that have been evaluated, it also reviews the opportunities presented by new technology, such as Open Banking, to automate online benefit claims. See https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef1536en.pdf

Increase in take-up needed to compensate over 75s

The effect of means-testing the scheme will be to take an extra approx. £500 million from over 75s as a group, in the form of additional TV licence fees paid by households who are either ineligible for Pension Credit because of their income or savings (63% of over 75s, 2.73 million households) or eligible and not claiming (15% of over 75s, 0.65 million households)³. The argument made here is that, by designing its scheme in a way that helps to increase benefit take-up, the BBC can in effect increase their licence fee income without making over 75s poorer as a group. By increasing take-up the additional income from extra DWP benefits compensates over 75s for the loss from paying more to the BBC.

How much would take-up need to increase?

The average amount lost by eligible non-recipients of Pension Credit is around £2,500 a year, according to the government's take-up estimates. To this can be added the benefit of not paying the TV licence, extra help with Council Tax and the Warm Homes Discount that is available to most Pension Credit recipients.

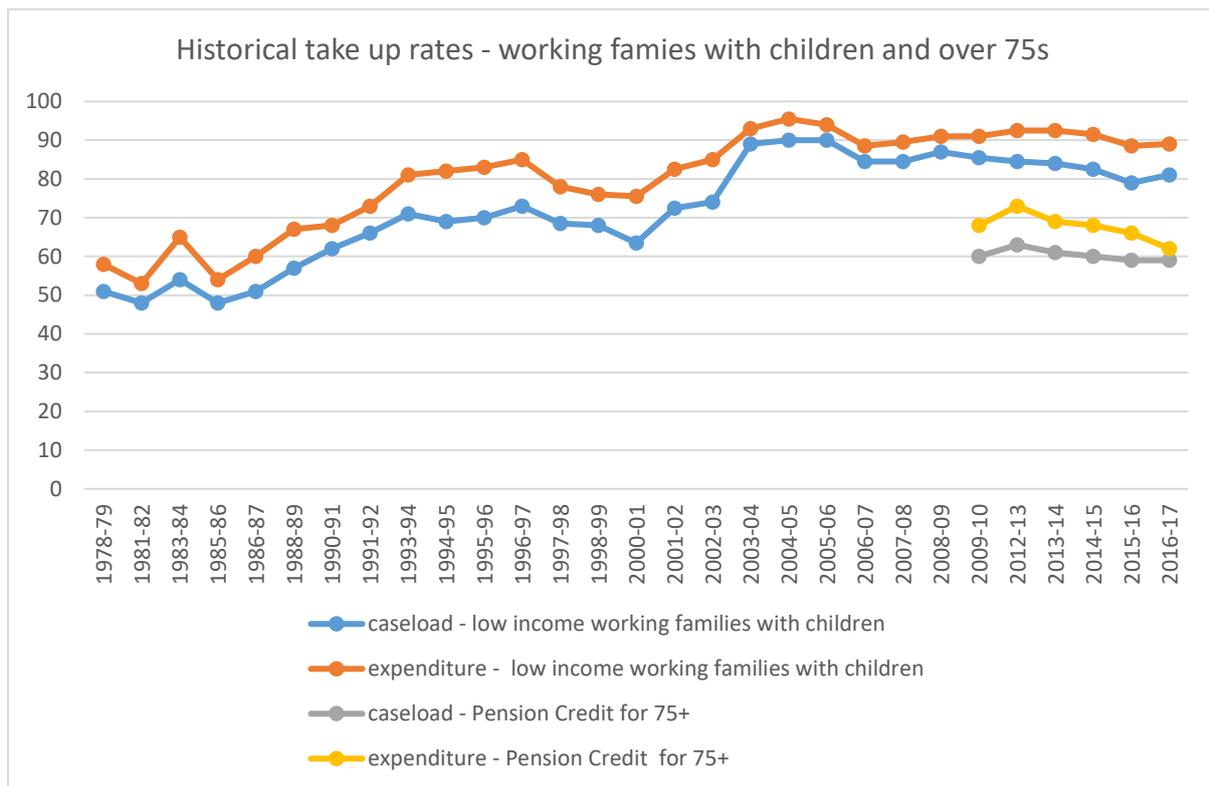
Table 1. Average loss for entitled non-recipients

Benefit	Value of average loss
Unclaimed Pension Credit	£2,496 (a)
TV licence	£145.5 (b)
Unclaimed Council Tax Support	£728 (c)
Warm Homes Discount	£140 (d)
Total loss	£3,510
(a) Pension Credit tables: PC10 https://www.gov.uk/government/statistics/income-related-benefits-estimates-of-take-up-financial-year-2016-to-2017	
(b) https://www.tvlicensing.co.uk/faqs/FAQ23	
(c) Estimate uses 2009/10 figure for average amount of Council Tax Benefit unclaimed – see Table 7 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/222914/tkup_first_release_0910.pdf	
(d) https://www.gov.uk/the-warm-home-discount-scheme	

The overall extra income generated per additional benefit claimant is therefore taken as £3,500 per year in total. This means that, to break-even for over 75s as a group, an extra 140,000 households that are eligible for but not claiming Pension Credit would have to start claiming.

This represents getting 1 in 5 of those households who are entitled to Pension Credit but not claiming it to take up their entitlement. In other words, if successful it would mean the proportion of over 75s claiming their entitlement increasing from 59% to 68% of eligible households. As shown by the chart below, while such an increase in take-up is undoubtedly large, it is by no means unprecedented.

³ Source = ONS household population estimates and <https://www.gov.uk/government/statistics/income-related-benefits-estimates-of-take-up-financial-year-2016-to-2017>. Note that the figures presented here cannot be read across directly to the Frontier report. As well as ignoring administrations costs and growth in the cost of the TV licence fee, in these estimates households are defined using the ONS definition while the BBC use TV licence fee paying units. These estimates also assume that each household only has one Pension Credit claimant.



Sources:

Table 2 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/763597/Child_Benefit_Child_Tax_Credit_and_Working_Tax_Credit_take-up_rates_2016_to_2017.pdf and Pension Credit tables PC9 <https://www.gov.uk/government/statistics/income-related-benefits-estimates-of-take-up-financial-year-2016-to-2017>

How entitledto can help

As discussed above, any move to make the free TV licence scheme means-tested represents an unprecedented opportunity to increase benefit take-up. The fact that the TV licence would no longer be free should in itself increase the motivation for people to claim their entitlements, but by working with experts in the field, including entitledto, a more substantial campaign to increase take-up could be developed.

At a minimum, the move to a means-tested scheme would require substantial communication with over 75s, including explaining to them who is and who is not eligible for a free TV licence. While information and help should not be solely online, the BBC will naturally want to encourage people to access information via cost efficient means, including the internet. The online tools provided by entitledto allow our clients to help their audiences work out their individual entitlements, with a self-service calculator often acting as an entry point for benefit information and applications from an organisation’s website.

The introduction of a means-tested scheme would require major revisions to the content at <https://www.tvlicensing.co.uk/check-if-you-need-one/for-your-home/aged-74-and-over-aud3>. We believe a key part of the new user journey should be a benefits calculator, so that over 75s applying for the licence can quickly and easily find out if they qualify for Pension Credit and hence be protected from the change. A mock-up of how such a calculator for the TV licensing website could look is below.

TV LICENSING

Home Easy_read Cymraeg Search

Pay for your TV Licence Update your details Check if you need one

Home

Where you live

Your household

Age and disability

Benefits

Net income

Results

No time?
You can save your calculation and come back to it later, pick up right where you left off.

Calculation reference: 7A53C7108

Save

Your household

Do you have a partner who normally lives with you? ⓘ

Say yes if you are married or live with someone as a couple, including civil partners or people you live with as if you are civil partners.

Yes No

How many children are in your household? ⓘ

Include any children under 16, and any children aged 16 to 19 years old who you still get Child Benefit for, unless you are claiming Universal Credit and have a 19 year old, in which case please read the help text for this question before answering. If you share custody, you should only include children if you receive Child Benefit for them. If you are pregnant or adopting and include the expected child we will calculate your benefits assuming the child is born/adopted. Do not include an expected child if you want to find out your current entitlements.

Does anyone else live in your home? ⓘ

For instance, a grown up child, elderly parent, joint tenant, sub-tenant or lodger.

Yes No

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It will, of course, also be important to raise awareness via social media and other communication activity. The recent change in policy for 'mixed-age' couples, which in effect creates another deadline for taking up benefit entitlements, could provide a template⁴. The type of activity we have been involved with is shown at <https://www.entitledto.co.uk/mixed-age-couples>, our campaigns page for partner organisations. As shown there, our emphasis is on working with partners, with entitledto providing resources for their own local take-up campaigns.

Ultimately, whether through supporting take-up campaigns by others, or through promoting take-up directly in the way the scheme is administered, we believe the BBC has a responsibility to aim to increase benefit take-up by over 75s should it choose to adopt a means-tested scheme.

About entitledto

entitledto is the leading provider of online benefit calculators in the UK. We believe that everyone living in the UK should be able to understand his or her legitimate benefit entitlements. We have been operating since 2000, and provide our calculators not just through our web site www.entitledto.co.uk but also to over 190 local authorities, housing associations, leading charities and other websites that choose to provide benefit calculators to support their users.

⁴ For more information about the change please see our blog post at <https://www.entitledto.co.uk/blog/2019/january/older-mixed-age-couples-need-to-check-their-benefit-entitlement-now/>