

Mind v. Matter: Determinants of Take-up Rates of Social Benefits in the UK

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Background and Motivation

- A persistent finding in the literature is that a significant share of individuals who are entitled to social benefits do not claim them.
- This phenomenon is not unique to the UK, but is observed across a wide range of welfare systems and institutional settings.
- Traditional economic models explain take-up decisions as a comparison between expected benefits and the costs associated with claiming.

Background and Motivation

- However, claiming behaviour is also shaped by:
 - Information gaps and uncertainty regarding eligibility
 - Administrative and transaction costs
 - Psychological costs, including stigma
 - Social norms and local network effects
 - Institutional design and complexity of welfare programmes
- As a result, non-take-up creates an important policy inefficiency:
 - Social objectives may not be fully achieved
 - Poverty reduction may be weaker than intended
 - Budgetary forecasts become more uncertain

What This Study Adds

- This study examines why eligible individuals do not claim social benefits in the UK and how claiming behaviour evolves over time.
- Using longitudinal data and microsimulation methods, the analysis identifies:
 - who is entitled to benefits,
 - who actually claims,
 - and how claiming behaviour changes over time.
- The study distinguishes between:
 - persistent behavioural effects from previous claiming (“state dependence”),
 - and longer-term individual differences and barriers.
- It also examines how take-up is shaped by:
 - financial incentives,
 - socio-economic conditions,
 - local and neighbourhood effects,
 - and behavioural factors.

Research Contribution

- Finally, the paper compares take-up behaviour across different programmes:
 - Child Benefit (excluding HICBC)
 - Legacy Benefits and Universal Credit
- This allows us to assess how programme design and complexity influence claiming behaviour.

Preview of Findings

- Higher levels of entitlement significantly increase the probability of claiming benefits.
- Strong evidence of state dependence is found:
 - Previous claiming behaviour strongly predicts future claiming
- Socio-economic characteristics remain important determinants of take-up decisions.
- Personality traits exhibit only a weak direct relationship with benefit claiming behaviour.
- A substantial part of take-up behaviour is explained by persistent unobserved heterogeneity:
 - Consistent with the presence of personal and public stigma
 - And broader behavioural barriers to welfare participation

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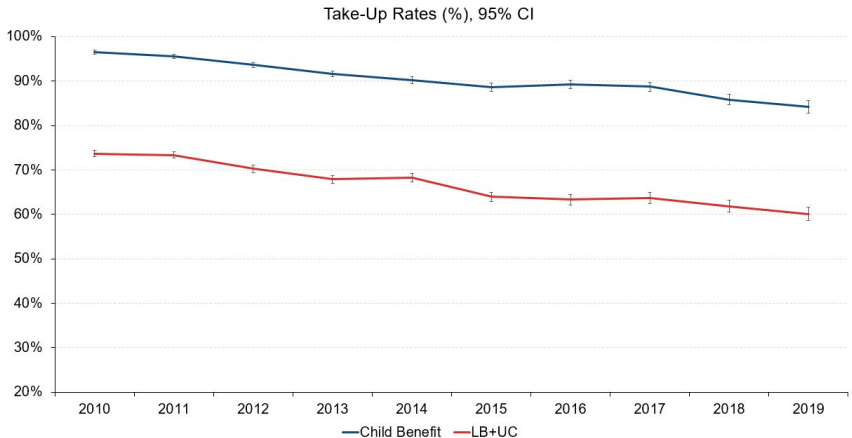
Data and Measuring Take-up

- The analysis combines UK longitudinal household survey data with the UKMOD tax-benefit microsimulation model for the period 2010–2019.
- Take-up is measured as:

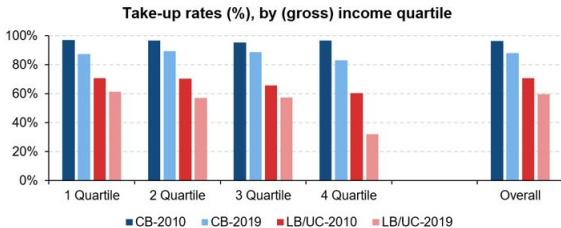
$$\text{Take-up Rate} = \frac{\text{Number of Claimants}}{\text{Number of Eligible Individuals}}$$

- Robustness checks using alternative eligibility definitions produce very similar results.

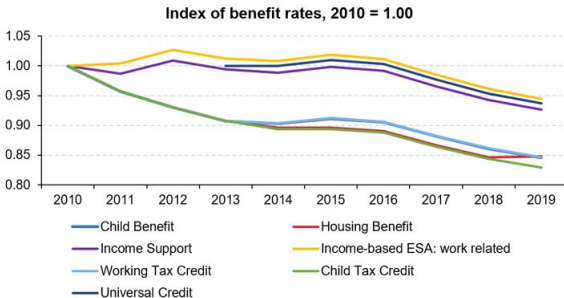
Estimated Take-up Rates (1)



Estimated Take-up Rates (2)



Source: our computation on UKMOD-UKHLS output data, 2010-2019



Source: our computation on benefit rates data, 2010-2019

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Main Results: State Dependence

- The results provide strong evidence of persistence in benefit claiming behaviour.
- Transition matrices in the paper also show substantial persistence:
 - Around 97% of CB recipients continue claiming in the following year
 - Around 93% of LB/UC recipients continue claiming in the following year
- These findings suggest that entering the welfare system is an important behavioural threshold.

Main Results: Economic Incentives

- Economic incentives play a central role in take-up decisions.
- Higher simulated entitlement amounts significantly increase the probability of claiming benefits.
- Income effects differ across benefit types:
 - **Child Benefit:** Short-term income positively affects claiming, while higher long-term average income reduces take-up.
 - **LB/UC:** Higher short-term income reduces take-up probability, while average income is not statistically significant.
- The paper also notes that declining real benefit values between 2010–2019 may have discouraged take-up for some means-tested benefits.
- For Child Benefit, take-up falls significantly once a child turns 16:

99.6% → 80.8%

- This suggests that administrative complexity and changing eligibility conditions matter for claiming behaviour.

Main Results: Socio-economic Characteristics

- Housing and wealth indicators are associated with benefit claiming behaviour.
 - Larger dwellings (proxy for wealth) reduce the probability of claiming Child Benefit.
 - Renters and individuals in subsidised housing are more likely to claim LB/UC compared to mortgage holders.
- Demographic factors are more important for LB/UC than for Child Benefit:
 - Men are more likely to claim LB/UC
 - Single individuals have higher LB/UC take-up
 - Larger families are more likely to claim LB/UC
- Education and ethnicity generally exhibit limited direct effects on take-up decisions.
- Personality traits and cognitive skills do not display strong direct effects once other factors are controlled for.

Main Results: Socio-economic Characteristics

However, neighbourhood effects remain important:

- Individuals living in areas with higher local claiming rates are themselves more likely to claim benefits

This is consistent with social norms, reduced stigma, and information-sharing effects.

Main Finding: Entering the Welfare System Matters

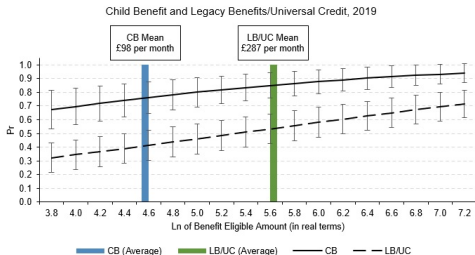
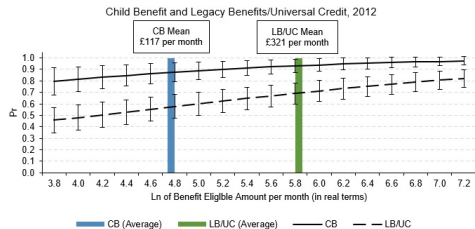
- Previous claiming behaviour is one of the strongest predictors of future take-up.
- Individuals who are already receiving benefits are highly likely to continue claiming in subsequent years.
- This suggests that the main barrier is often the **first claim**, rather than continued participation once individuals enter the system.
- The results are consistent with:
 - stigma and behavioural barriers,
 - information frictions,
 - and administrative complexity affecting first-time claimants.
- Policy interventions may therefore be most effective when targeted at supporting initial entry into the welfare system.

Financial Incentives and Claiming Behaviour

- The paper estimates a clear “break-even” point at which the expected gains from claiming begin to outweigh the perceived costs of applying.
- Results show that take-up rises significantly as entitlement levels increase.
- This suggests that claiming decisions are shaped not only by eligibility, but by whether the expected financial gain is perceived as worth:
 - the administrative effort,
 - information and application costs,
 - and potential stigma associated with claiming.

Financial Incentives and Claiming Behaviour

The break-even point of claiming benefit



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Conclusions and Policy Implications

- The findings suggest that benefit take-up decisions are driven primarily by economic incentives:
 - Higher entitlement amounts significantly increase claiming behaviour
 - Income levels and expected gains from claiming are central determinants of take-up
- However, the results also indicate that behavioural and institutional frictions remain important:
 - Strong evidence of state dependence
 - Persistent unobserved heterogeneity across individuals
 - Neighbourhood and social network effects

Conclusions and Policy Implications

- The persistence of claiming behaviour suggests that entering the welfare system represents an important behavioural threshold.
- The results are also consistent with the literature on:
 - stigma costs
 - information frictions
 - administrative complexity
- Personality traits and cognitive skills exhibit only weak direct effects once economic and socio-economic factors are controlled for.

Policy Implications

- Policies aimed at increasing take-up should focus on reducing the costs associated with first-time claiming.
- In particular, the findings suggest the importance of:
 - Simplifying application procedures
 - Reducing informational barriers
 - Improving awareness of eligibility
 - Lowering psychological and stigma-related costs
- Possible policy interventions include:
 - Targeted outreach and communication campaigns
 - Administrative support and “claim workshops”
 - Collaboration with NGOs, trade unions, and employers
 - Automatic enrolment or pre-filled applications where feasible
 - Temporary incentives encouraging first-time claims

Policy Implications

- The results also suggest that programme design matters:
 - Simpler and less stigmatising benefits tend to exhibit higher and more stable take-up rates
- More broadly, improving take-up rates is important not only for poverty reduction, but also for ensuring that welfare systems achieve their intended policy objectives efficiently.

Thank you for your attention

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