SOCIAL SECURITY FRAUD:
THE ROLE OF PENALTIES

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A report of research carried out by the Policy Studies Institute on behalf of the Department of Social Security

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Acknowledgements vii

1 Key findings 1

2 Introduction 6

2.1 Deterring benefit fraud 6
  2.1.1 The concept of deterrence 6
  2.1.2 Cost-benefit analysis of deterrence 7
  2.1.3 The role of informal sanctions 9

2.2 Researching benefit fraud 11
  2.2.1 Research aims 11
  2.2.2 Research methods 12

2.3 Structure of the report 14

2.4 Key points 15

3 The nature and prevalence of benefit fraud 16

3.1 Defining benefit fraud 16
  3.1.1 Different types of benefit fraud 16
  3.1.2 Fraud relating to different social security benefits 18
  3.1.3 Benefit abuse 19

3.2 Measuring the level of fraud 20
  3.2.1 The level of detected benefit fraud 20
  3.2.2 The total level of benefit fraud 22
  3.2.3 Small-scale research 25
  3.2.4 The extent of other types of fraud 25

3.3 Key points 27

4 Attitudes to benefit fraud 28

4.1 General public attitudes 28
  4.1.1 Attitudes to benefit recipients 28
  4.1.2 Attitudes to benefit fraud 29

4.2 Claimants' views of the social security system 33
  4.2.1 Overall views 33
  4.2.2 Satisfaction with the system 33
  4.2.3 Criticism of the system 34
  4.2.4 The desire for independence 38

4.3 Claimants' views about benefit fraud 38
  4.3.1 Wrong and illegal but not 'criminal' 39
  4.3.2 The basis for making judgements about benefit fraud 40
  4.3.3 Typical types of fraud 42
4.4 Attitudes to different types of fraud 42
4.4.1 Comparing different types of fraud 42
4.4.2 Tax fraud 43
4.4.3 TV licence and fare evasion 45
4.5 Attitudes to different types of benefit fraud 46
4.5.1 Comparing different types of benefit fraud 46
4.5.2 Working and claiming 47
4.5.3 Living together as husband and wife 49
4.5.4 Undeclared savings 50
4.5.5 Stealing a giro and fabricating a claim 51
4.6 Key points 53

5 The motivations to commit benefit fraud 54
5.1 Findings from previous research 54
5.1.1 Instigations and constraints 54
5.1.2 Financial motivations 54
5.1.3 The nature of the labour market and the social security system 57
5.2 The prevalence of benefit fraud among respondents 58
5.3 Working and claiming 61
5.3.1 Financial motivations 61
5.3.2 The nature of the labour market and the social security system 63
5.3.3 Those who had never worked and claimed 65
5.4 Living together as husband and wife 67
5.4.1 Financial motivations 67
5.4.2 Independence and control 68
5.5 Other types of fraud 70
5.6 Key points 71

6 The official response to benefit fraud 72
6.1 The Benefits Agency's investigation strategy 72
6.2 Current penalties for benefit fraud 75
6.2.1 The number of prosecutions 75
6.2.2 The decision to prosecute 77
6.2.3 What happens to those who are prosecuted? 78
6.2.4 What happens to those who are not prosecuted? 80
6.2.5 Penalties for other types of fraud 81
6.3 Policies on prevention and deterrence 82
6.3.1 Lessons from other organisations 83
6.4 Key points 86

7 Views about detection and penalties for benefit fraud 87
7.1 Knowledge about how fraud is detected 87
7.1.1 The role of informers 87
7.1.2 Other methods of detection 88
7.2 Perceptions of the risk of detection 89
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Benefit fraud is a key priority for the Benefits Agency, which is giving more emphasis to preventing and deterring fraud while seeking to improve its detection and investigation work.

Previous deterrence research suggests that the perceived risk of detection is much more important than the fear of penalties in deterring crime. The role of informal sanctions such as guilt, embarrassment or shame are also important alongside the more formal sanctions such as prosecution and imprisonment.

Studies of tax evasion have suggested that levels of respect for the system are related to levels of fraud. Those with respect for a system are less likely to abuse it.

The main aim of the study was to explore the role of penalties in deterring benefit fraud.

The first part of the study involved a literature review and meetings with representatives of the Benefits Agency and other organisations to discuss fraud deterrence strategies.

The main part of the study involved 45 depth interviews. A third of these were with people selected from a general sample of the unemployed on Income Support. Another third were with people selected from records of those investigated but not prosecuted for benefit fraud. The final third had been selected from records of people investigated and prosecuted for benefit fraud.

Social security fraud occurs when someone knowingly breaks the rules of the benefit system to obtain money to which they are not entitled.

The complexity of some rules along with the scope for different interpretation means that it is sometimes difficult to know when fraud has occurred.

Non-declaration of earnings while working and claiming benefit accounts for a larger amount of money lost through fraud than any other type of fraudulent activity. Claiming as a single person while actually living as part of a couple accounts for the next biggest amount of money lost.

In 1994/5, Benefits Agency records show that 392,000 cases of fraud were detected. Notional savings from fraud that was stopped reached £718 million during the same year.

Findings from a Benefit Review of over 6,000 recipients of Income Support or Unemployment Benefit suggest that fraud can be confirmed among one in 20 claimants and strongly suspected among a further one in 20.
• The same document also found that error — by social security staff or claimants — accounts for a higher proportion of incorrect payments than fraud but represents a far smaller loss in terms of expenditure.

Attitudes to benefit fraud
• The general public see benefit fraud and tax fraud as much less serious than crimes against the person or property crimes such as burglary but more serious than prostitution or petty shop-lifting.

• The 45 people interviewed were critical of various aspects of the benefit system and its operation. Criticisms focused on: benefit levels; specific rules such as the earnings disregard and family means test; the inefficiency and complexity of the administration of benefits; and the attitudes and behaviour of staff.

• Interviewees thought that most fraud involved doing casual work illegally while claiming benefit. This was seen to be usually committed out of need due to low benefit levels and the disincentive to declare earnings because of the hassle involved and the high effective tax rate on earnings.

• There was a strong moral code about benefit fraud. Judgements about fraud were based on an assessment of: the perceived motivation in terms of need or greed; the scale of the activity in terms of the amount of money involved; the regularity or persistence of the activity; the degree of planning or premeditation; and the degree to which others might suffer as a result of the activity.

• TV licence and tax evasion were seen as much less serious by respondents than social security fraud. Tax fraud was seen as slightly more serious than benefit fraud.

Motivations to commit benefit fraud
• Respondents' accounts did not always reflect the official records from which they had been selected. It is impossible to know whether this was due to mis-reporting by respondents or mistakes in the records of the Benefits Agency.

• Findings from the 45 interviews reinforce the results from other studies that financial need is one of the main motivations cited by people for involvement in possibly fraudulent activity.

• Those who had worked and claimed in the past also cited two difficulties with the current system which discouraged them from declaring their earnings. First of all, the current system only allowed them to keep a very small amount of their earnings. Secondly, the necessary form-filling was very time-consuming and may result in delay in benefit payment.

• Those who had never worked and claimed could well understand the motivations to do so as many of these were also finding it difficult to manage on benefit. The main reason why they had not worked and claimed in the past was because of lack of opportunity.

• The boundaries between living as a couple and being single were unclear to respondents. Some women were thought by the Benefits Agency to be
living as a couple even though they considered themselves financially and emotionally independent.

• During the 1980s, increasing resources have been devoted to the investigation of benefit fraud. There are now plans to shift the emphasis towards prevention and deterrence and away from detection.

• In 1994, there were 3,000 social security officers working on fraud.

• Investigations are often begun following information supplied by the public. Routine staff work may also highlight claims which will then be investigated.

• The number of prosecutions fell rapidly in the 1980s, levelling off at about 9,000 a year in the late 1980s and then falling to below 5,000 in 1991/2. From 1992 to 1995, however, there has been a steady rise, with prosecutions reaching 9,546 in 1994/5. Almost all lead to a conviction.

• The decision to prosecute rests on a number of factors such as: the seriousness of the crime in terms of the amounts involved; the level of 'intent'; the quality of the evidence; and the type of person involved (elderly, sick or disabled people and mothers with children are less likely to be prosecuted than fit young men).

• There is no recent published information about the sentences resulting from conviction. Fines were the most common sentence in the early 1980s and there is no reason to suppose that this has changed although accurate evidence on the subject would be useful.

• Interviewees believed that the most common way of being caught for fraud was through informers. There was a widespread belief that informers were sometimes paid by the Benefits Agency. There was also some awareness that surveillance methods were used.

• It was thought that the risk of getting caught was very low if claimants worked only occasionally, for a few hours, and were paid cash-in-hand. The risk of detection was seen as much higher for regular or full-time work. Interviewees believed that claimants who lived together but claimed separately were unlikely to be caught.

• Most of those who had been involved in possibly fraudulent activities had not thought that they would be caught. This was partly because some of them were not aware that their activity might be construed as fraudulent and so did not even consider the possibility of detection. Others did consider the possibility of detection but thought that the chances were low. Some of those who were working full-time while claiming benefit were concerned about the risk of being caught but felt that this was outweighed by their need for extra money.

• Most interviewees knew that prosecution was possible in cases of benefit fraud. They also knew that any overpayment would be recovered.
There was a common view that most of those who committed fraud were ordinary people who committed it on a small scale because of need. It was argued that these people should not be treated harshly and if anything, should be helped rather than punished. But it was also thought that a 'hardened' group of people were committing fraud out of greed and selfishness. For this group, severe penalties, such as prison, were deemed appropriate.

Financial penalties for benefit fraud were considered wholly inappropriate. It was thought that these would lead to a vicious circle since fraud was generally motivated by financial need in the first place and might therefore recur if someone was penalised financially.

There was some support for an official warning or formal caution since this would give people a second chance rather than punishing them unnecessarily severely.

Reactions of interviewees to detection varied enormously and included anger, shock, fear and shame. Some were concerned and upset about being caught. Some were more nonchalant. Others were relieved.

Some of those suspected of cohabiting said they were encouraged by investigators to make their relationships more formal and sign off benefit.

Prosecution came as a great shock to some people. They had previously agreed to give full statements to investigators after believing that such cooperation would render prosecution unlikely. These people were generally bitter about this experience.

Most of those who had been caught possibly committing fraud said that they had been deterred from becoming involved in similar activities again. Those prosecuted were no more likely to be deterred than those not prosecuted.

The few who were not deterred after detection said that their need for extra money was still as great as it had been before detection and so they might consider working and claiming in the future. One woman, accused of cohabiting, had not accepted this definition of her living arrangements and said that she would not allow the Benefits Agency to dictate to her about who could or could not stay overnight with her.

Organisations are generally reluctant to disclose information publicly about how they deal with fraud, especially on the issue of penalties for fraud.

The extent of most types of fraud is very difficult to measure.

Organisations concentrate more on prevention and detection of fraud than on deterrence. This is mainly because of the difficulties in measuring the deterrent effect of different policies.
In the case of VAT and National Insurance contributions, the enforcement agencies see their role more as reducing non-compliance than detecting fraud.

Most organisations endeavour to promote respect for the system in order to reduce fraud – for example, the BBC tries to show that licence-payers' money is being well-spent through positive advertising.

Some organisations have tried to change the system of payment to improve compliance – for example, there are now budgeting schemes for paying a TV licence.
Social security spending accounts for almost £90 billion a year – almost two-fifths of all government spending. There are rules and guidelines about entitlement to social security but it is known that some people claim benefits when, according to the rules, they are not entitled to them. According to the Social Security Administration Act 1992, benefit fraud is a criminal offence and occurs when 'a person for the purpose of obtaining benefit or other payment ... makes a statement or representation which he knows to be false.'

Social security fraud has become an increasingly high-profile government issue. In October 1992, the Secretary of State for Social Security made the crackdown on fraud part of a personal crusade when he told the Conservative Party conference: 'Be in no doubt, this government and this Secretary of State will not tolerate fraud.' More recently, the drive against fraud has been renewed, with increasing emphasis placed upon prevention and deterrence. As the Secretary of State announced in July 1995: 'I have been developing a new strategy which makes a quantum leap from detection to preventing and deterring fraud. As far as possible, I want to stamp it out.'

Although the Department of Social Security has overall responsibility for policy relating to the benefit system, it is the Benefits Agency which is responsible for policy relating to social security fraud since this is viewed as an operational matter. The DSS, on behalf of the Benefits Agency, commissioned the Policy Studies Institute to carry out research into the effect of different penalties in deterring benefit fraud.

The research was conducted in 1995, and the findings, together with other information, were taken into account in the development of fraud initiatives such as Spotlight on Benefit Cheats campaigns and the National Benefit Fraud Hotline. It is expected that these initiatives will have raised the profile of benefit fraud and people's awareness of the implications of committing benefit fraud.

2.1 Deterring benefit fraud
2.1.1 The concept of deterrence

Deterrence is often discussed together with the related question of prevention. The strategies adopted by the Benefits Agency in relation to the reduction of fraud include elements both of prevention and deterrence. The relationship and boundaries between the two are somewhat blurred. An attempt at defining the distinction has been provided by Lenge and Bowers (1979) who suggested: 'Prevention strategies produce activities which make it more difficult to commit crimes, regardless of the perceived odds of apprehension. Deterrence strategies invoke enforcement activities intended to influence the perceptions of potential offenders as to the likelihood of their apprehension and punishment.'
The notion of deterrence is based on a series of general assumptions about the ways in which individuals behave and, more particularly, how they react to the imposition or the threat of sanctions. Crudely, much deterrence theory imputes a significant degree of rationality to people, arguing that behaviour will tend to be geared toward the search for pleasure and/or profit whilst attempting to avoid pain and/or loss. Consequently, the explanation for criminal conduct in deterrence is based around individual differences in fear of the consequences of the imposition of formal and informal sanctions.

When looking at the potential deterrent effect of penalties, criminological research distinguishes between general deterrence and individual deterrence. General deterrence refers to the extent to which individuals are deterred from offending by the likely punishment imposed on offenders in general. Evidence suggests that people are generally poorly informed about penalties and sentencing practice, and it is hard to establish whether any changes are registered by the public. The conclusions of past research show that the criminal justice system is only a small part of the formal and informal system that shapes people’s behaviour; that the marginal deterrent effect of decisions in individual cases is minimal, and that the main component of this deterrent effect is the likelihood of being caught and convicted, rather than the anticipated level of punishment (Baxter and Nuttall, 1975; Beyleveld, 1980; Farrington et al, 1986; Phillipotts and Luncucki, 1979).

Individual or special deterrence on the other hand refers to the extent to which individuals are deterred from criminal behaviour because of their personal experience of sanctions or penalties. In terms of measuring individual deterrence or, more specifically, the deterrent effect of different penalties on the individual, the key measure that has been used is the reconviction rate, though this is by no means simple, unambiguous or unproblematic (cf Lloyd et al, 1995). The main difficulty with much of this research is that only a small minority of offenders are caught and punished (Ashworth, 1989; Home Office Research and Statistics Department, 1993).

2.1.2 Cost-benefit analysis of deterrence

As has been suggested, many of the theories relating to deterrence draw on econometric models of rational decision-making under conditions of uncertainty (Becker, 1986). In these models, the decision to commit a crime is seen as a gamble in which people weigh up the potential costs and benefits. On the benefit side, they consider the possible gains from committing crime. On the cost side, they assess the probability of being caught and the likely severity of the punishment. According to these models, any deterrent effect can be increased by reducing the possible gain from crime and/or increasing the likelihood of detection and the severity of punishment.

Most criminological research suggests that the severity of the penalty is not as important a deterrent as the likelihood of being caught and convicted. For example, the findings from a study of tax compliance suggested that the (middle class) respondents perceived the cost of prosecution itself as so high.
that consideration of the possible sentences resulting from prosecution was not an important factor (Klepper and Nagin, 1989). In other words, respondents were deterred by the thought of prosecution, regardless of whether prosecution would lead to a harsh custodial sentence or a more lenient non-custodial sentence.

Early cost-benefit models, inspired mostly by economic theory, focused narrowly on the state-imposed costs and financial benefits of crime. More recently however, economists and others have drawn from disciplines such as psychology, to introduce factors such as non-monetary benefits and socially- or personally-imposed costs. For example, people may not only face legal sanctions if they commit fraud, there may also be moral ‘sanctions’ such as guilt and shame, which should be included in any analysis of deterrence.

The financial benefits of crime are also more complex than might initially be supposed. For example, individuals may place a different value or utility on the same monetary amount. The value of a monetary unit such as £1 will vary depending on the individual’s level of income or wealth. There is a marginally decreasing utility, with the utility from every additional pound decreasing as people become wealthier. Utility also varies with time since £1 now is worth much more to people than the prospect of £1 in a year’s time.

There is also evidence to suggest that individuals are loss averse and are more likely to fraudulently retain money they currently have than fraudulently obtain money they do not currently have, even where the amounts of money involved are the same (Casey and Scholz, 1991). This may have implications for benefit fraud, in that people may be more likely to fail to declare earnings while in the middle of a claim (ie to retain benefits they have) rather than to claim a benefit while already in work (ie obtain money they do not currently have).

Deterrence models therefore discuss the expected utility (EU) of an action rather than a simple or narrow analysis of the costs and benefits. There has been little research which has applied EU models to benefit fraud but they have frequently been applied to tax evasion since the seminal work by the economists Allingham and Sandmo (1972). A more recent study on deterrence suggests that decisions to commit fraud may be sensitive to the way in which information about the probability of getting caught is presented (Casey and Scholz, 1991). It is argued that if an enforcement agency emphasises the probabilities at each step of the enforcement process, rather than the overall probability of being caught or prosecuted, people would be more likely to be deterred. This is because individuals tend to focus on the highest probability if presented with a string of probabilities, and this may be a higher probability than the overall figure. For example, if someone has a 20 per cent probability of being investigated for fraud, a 30 per cent probability of being caught if they are investigated and a 50 per cent probability of being prosecuted if they are caught, they will tend to focus on
the 50 per cent probability figure, rather than the overall figure of probability for prosecution which is three per cent.

This study also suggested that, where the probability of punishment is low, vagueness about the probability of detection is more of a deterrent than accurate knowledge. But where the probability is high, accurate information is a more effective deterrent than vagueness (Casey and Scholz, 1991). In policy terms, therefore, enforcement agencies might benefit by giving accurate information if their detection rate is high but giving vague information if their actual detection rate is low. The conclusion from much of this research is that decisions about fraudulent activity are sensitive to how information about risk is presented. Currently, very little information about risk is publicised at all.

A study by Grasmick and Bursik (1990) compared the effect of three types of sanction - legal sanctions (such as prosecution), social sanctions (such as embarrassment or loss of respect) and personal sanctions (such as shame and guilt) on the likelihood of committing three different types of crime - tax evasion, petty theft and drink-driving (Grasmick and Bursik, 1990). The study therefore conceptualised significant others (friends, family, neighbours etc) and personal conscience as sources of sanction analogous to the legal system and the state. The aim of the study was to see which type of punishment acted as the chief deterrent. The study involved a sample of students who were asked to consider hypothetical situations. The results were that, for tax evasion and drink-driving, shame was the threat which had the greatest direct effect. So personal sanctions, or internal controls, were most important in deterring these behaviours. In a similar fashion, work by Cameron in the 1960s found that middle class 'housewives' who were arrested on suspicion of shoplifting tended to be more concerned about the fact that family and friends might find out about the offence than they were of the possibility of being fined or imprisoned (Cameron, 1964).

There are several points worth mentioning in relation to Grasmick and Bursik's (1990) work on the impact of different sanctions. As with many studies in this field, their sample was of a fairly young group of people (students) and hence it may not be possible to generalise from the findings. In addition, the researchers admitted that shame, rather than embarrassment, tends to be strongly related to age. Shame may also need to be a binary construct rather than a probabilistic one - ie someone will know that if they commit an act they will either definitely feel shame or they will definitely not feel shame. But they will only feel embarrassment if they are caught and so embarrassment is related to the probability of being caught. The measurement of concepts such as shame, stigma and embarrassment is also not unproblematic.

Others have also emphasised the role of non-legal sanctions such as civic responsibility and peer pressure to pay taxes. Thurman (1991) argued that
most people readily complied with their obligation to pay taxes and did so without even considering what might happen if they failed to comply. Sheffrin and Triest (1992) analysed the 1987 American Taxpayer Opinion Survey which showed that attitudes to the tax system were associated with compliance. Those who had negative attitudes to the system and felt that other tax-payers were dishonest were more likely to evade taxes.

The perceived likelihood of detection was also related to the likelihood of evasion with evaders generally perceiving there to be a lower likelihood of detection than other tax-payers (Sheffrin and Triest, 1992). This is in line with research on other forms of criminal activity (Baxter and Nuttall, 1975).

Smith's analysis of the Taxpayer Opinion Survey also showed that perceived procedural fairness and responsiveness in providing a service were positive incentives that increased tax-payers' commitment to paying taxes (Smith, 1992). Kinsey's research on tax fraud suggests that while detection and punishment force people to comply with the law these processes also alienate tax-payers and reduce willingness to comply voluntarily (Kinsey, 1992). An increase in the perceived severity of punishment may therefore have the perverse effect of increasing fraud since it may reduce respect for the fairness of the system.

Most research has therefore moved away from a simple deterrence model which weighs up the possible monetary rewards against the perceived likelihood of getting caught and the severity of legal or formal punishment. In some countries, the complexity of deterrence has also been taken on board by policy-makers. Hasseldine and Bobbington (1991) report on reforms of the tax system in New Zealand between 1984 and 1990. These reforms drew on principles from both a narrowly economic model of deterrence and a broader model drawing more on psychology. For example, increased financial penalties were introduced to raise the potential costs of committing fraud but campaigns were also mounted to persuade tax-payers that their money was being used efficiently on worthwhile projects. Unfortunately, no research has been carried out into which of the two types of reforms were most successful in deterring tax evasion.

The case of poll tax evasion is an interesting one to fit into a deterrence model since detection was almost guaranteed for the vast majority of evaders who were registered as poll tax payers. Non-compliance was therefore more of a gamble on prosecution rather than detection. Due to the nature of poll tax evasion it has been likened to defiance rather than deceit (Besley et al, 1993) or 'tax resistance' rather than tax evasion (Bowles and Jones, 1993). The unpopularity of the tax probably reduced any stigma associated with evading it and those prosecuted may have identified themselves, and been identified, as 'martyrs' rather than 'fraudsters'. It was seen as part of a political campaign for some – resistance to an unpopular piece of legislation – rather than simply something done for individual gain (Besley et al, 1993).
Social security fraud has received relatively little attention from researchers. Evason and Woods (1995) summarise some of the reasons for this:

There are obvious practical difficulties in conducting research on undeclared earnings. In addition there has perhaps been a concern amongst researchers that the results of such efforts would simply be fed into the subtext of denigration that underlies much public debate about the unemployed rather than used as a basis for much public debate.

Those who have approached the subject have striven to tread carefully over the sensitive issues involved. As Jordan and others (1992) point out:

Evidence [of working and claiming] could easily be pounced upon, taken out of context, and used rather irresponsibly in political debates about ‘dependence’, ‘demoralisation’ and the ‘underclass’.

These researchers feared that although they had been careful to put their findings into a broader context ‘there is still a danger that our research will be misused’. As well as contextualising their findings, researchers have also stressed the importance of comparing social security fraud with other types of fraud, particularly tax fraud (Cook, 1989a), though fraud committed against private insurance firms may be more directly comparable.

The main aim of this PSI research was to enhance understanding of the likely deterrent effects of penalties associated with benefit fraud in order to inform the development of policies aimed at the reduction of fraud. The effectiveness of any deterrent, however, can only be understood within the context of the motivations which originally lead people to commit benefit fraud. It is also important to bear in mind that a strategy which deters fraud may have other consequences, such as deterring people from taking part-time work within the rules or deterring people from claiming benefits to which they are legitimately entitled. The question of deterrence therefore has to be approached within a wider context. The research addressed a variety of issues. The major questions are listed below:

**Policies on fraud deterrence and penalties**

- What is the current nature and scope of penalties for benefit fraud?
- What is the potential nature and scope of other penalties?
- Under what circumstances are different penalties imposed?
- What is the current prosecution policy pursued by the BA?
- Where and how are decisions made about prosecution?
- Which types of fraud are most likely to end in prosecution and why?
- Does policy or practice vary in different local offices?
- How does it compare with the fraud prosecution policies of organisations facing similar issues?

**Claimants’ attitudes towards fraud**

- What are claimants’ attitudes and beliefs about benefit fraud?
How does this vary with different types of claimant and different types of fraud?
Are claimants aware of penalties?
What are their views of the likelihood of detection?
What do they know about which cases go to court?

Why do some people not commit fraud?
Have they considered committing fraud?
What stops them?

Why do some people commit fraud?
What are the processes by which some claimants turn to fraud?
What might have deterred them? What might deter them in future?
Why do they commit various types of fraud and, where relevant, what makes them stop?

For those who are detected, what is the impact of being caught?
How does this vary by type of penalty, including prosecution?

The research only covered fraud committed by individuals. Fraud committed by organised groups was not included in the study.

2.2.2 Research methods

The main part of the study involved depth interviews with 45 people who were or had been receiving social security benefits. The study began, however, with a review of the literature on benefit fraud and the criminological literature on deterrence. Interviews were then carried out with representatives of other organisations that also have to deal with issues of fraud prevention and deterrence. The purpose of this work was to consider the policies and practices of other organisations and to uncover lessons which might be useful to the Benefits Agency in understanding fraud prevention and deterrence. A full list of organisations approached and the results of this work are contained in Appendix 1.

Following the preliminary work, 45 depth interviews were carried out. These interviews explored a range of issues, including people's perceptions of penalties. Although the central focus of the research was deterrence, it was accepted from the outset that interviews of this type could not establish any direct measures of the effects of penalties on behaviour.

Respondents were identified from one of three groups, based on official records, as follows:

Category 1: Unemployed
Respondents in this group were drawn randomly from local office records of people currently claiming Income Support due to unemployment. Unemployed people were selected because, as the evidence presented in Chapter 3 will show, working while claiming is considered to be the most widespread type of social security fraud. The attitudes of this group are therefore of great interest.
Category 2: Fraud, not prosecuted
According to Benefits Agency records, this group had been investigated by them and found to have committed fraud. Although they had not been prosecuted and so cannot be said to have committed fraud 'beyond reasonable doubt' in some cases they may have signed off benefit or had an overpayment recovered. The situation was less clear in other cases. Their case had been closed within the two months before fieldwork began.

Category 3: Fraud, prosecuted
According to Benefits Agency records, this group had been found by them to have committed fraud and had been prosecuted within the last year.

Three local offices were chosen to reflect different socio-geographical and regional mixes. One was an inner-city area of a very large conurbation, one was a medium-sized town and one was a small town with a surrounding rural area. Full details of the sampling and research methods used are given in Appendix 2.

The following table gives some information about the demographic breakdown of the sample. Half the sample were men, half women. Most were couples with children, 15 were single people and eight were lone parents. The majority were either in their twenties or thirties. All but two of the interviewees were white. The two Afro-Caribbean respondents had similar views and experiences to other respondents. There were differences between the three official groups. Those in the sample who were investigated for fraud were much more likely to be younger people, women, couples with children or lone parents. But it should be stressed at this point that, during the interview, respondents' accounts did not always agree with how they had been officially categorised. This point is discussed in detail in Chapter 5.
The main aim of the study was to understand the deterrent effect of penalties on benefit fraud. This report explores this issue by placing it within the wider context of how and why benefit fraud occurs. The report combines findings from the study's depth interviews with reviews of the relevant literature.

Chapter 3 explores the nature and extent of benefit fraud, drawing heavily on official sources and previous research. Chapter 4 also begins by reviewing previous studies, this time relating to general public attitudes towards social security recipients. These attitudes provide the basis for the general moral climate within which benefit fraud occurs. The second half of the chapter focuses on claimants' views of social security in general and fraud in particular, using data collected during the depth interviews for this study. Chapter 5 assesses the reasons why people commit benefit fraud, using information from previous studies as well as the current study. The investigation of benefit fraud and the subsequent experiences of those investigated has rarely been studied and so Chapters 6 and 7 are mostly limited to the information from the study's depth interviews. Chapter 8 focuses on the experiences of those who were contacted by the Benefits Agency about activity which may have been fraudulent. The final chapter includes a summary of the main findings together with a discussion of the main policy considerations.

Each chapter ends with a series of bullet points drawing out the key findings. These points were drawn together in Chapter 2.
Appendix 1 contains details of the information collected from other organisations about their fraud reduction strategies. Appendices 2 to 4 contain information about the research methods along with the fieldwork materials.

2.4 Key points: Introduction

- Benefit fraud is a key priority for the Benefits Agency, which is giving more emphasis to preventing and deterring fraud while seeking to improve its detection and investigation work.

- Previous deterrence research suggests that the perceived risk of detection is much more important than the fear of penalties in deterring crime. The role of informal sanctions such as guilt, embarrassment or shame are also important alongside the more formal sanctions such as prosecution and imprisonment.

- Studies of tax evasion have suggested that levels of respect for the system are related to levels of fraud. Those with respect for a system are less likely to abuse it.

- The main aim of the study was to explore the role of penalties in deterring benefit fraud.

- The first part of the study involved a literature review and meetings with representatives of the Benefits Agency and other organisations to discuss fraud deterrence strategies.

- The main part of the study involved 45 depth interviews. A third of these were with people selected from a general sample of unemployed people on Income Support. Another third were with people selected from records of those investigated but not prosecuted for benefit fraud. The final third had been selected from records of people investigated and prosecuted for benefit fraud.
Benefit fraud covers a wide range of activity and may be committed by individuals on a fairly small scale or by organised groups on a large scale. This chapter explores the nature of benefit fraud and then reviews the evidence on the level of both detected and undetected fraud.

3.1 Defining benefit fraud

Benefit fraud occurs when someone *knowingly* breaks the rules of the social security system to obtain money to which they are not entitled. But these rules are sometimes complex and so it is not always clear whether the rules have actually been broken. And, even when they have certainly been broken, it is not always clear whether claimants *knowingly* broke the rules or simply made a mistake. Instructions about the rules are given to claimants when they apply for benefit and are also printed in their order books but this does not necessarily mean that claimants read, understand or remember the rules.

Fraud is clear in cases where claimants admit to having knowingly broken the rules. In other cases, staff in the Benefits Agency may have a strong suspicion that fraud has taken place and, without an admission, conviction in a court of law is the only way to prove ‘beyond reasonable doubt’ that fraud has occurred. Without a legal conviction, Benefits Agency staff can only claim that fraud has occurred ‘on balance of probabilities.’ Such distinctions may be fairly subtle, and are often ignored when the issue of fraud is discussed, but they are nevertheless important. Claimants who are not prosecuted but who admit to having committed fraud will be required by the BA to repay any benefit which has been overpaid to them.

Social security fraud is extremely diverse. It may be committed by individuals on their own or by organised gangs; it may be committed by claimants or by staff within the Benefits Agency; it may involve the collusion of employers or landlords with claimants; it may involve different activities such as working and claiming or ‘living together as husband and wife’; it may involve different social security benefits; it may occur on very different levels, from occasionally earning slightly more than is permitted to working in a regular full-time job while illegally claiming benefit; and it may occur at the initial point of making a claim where someone misrepresents their circumstances or at some point during a claim when someone fails to declare a change in circumstances.

Fraud is most commonly divided into the different types of activity which it involves. The Benefits Agency breaks down fraudulent activity into the following four categories: misrepresenting financial circumstances, misrepresenting household circumstances, false identity and insecure payments (Benefits Agency, 1994).
i) Misrepresenting financial circumstances

This type of fraud covers the misrepresentation of income or assets, such as wages or savings. Within this overall category, ‘working and claiming’ is probably the most common type of fraud. This can occur when someone who is initially out of work and receiving benefit begins to work full-time or receives more than the permitted level of income from part-time work and fails to declare it. It can also occur when someone who is in full-time work decides to make a claim for social security. The social security rules around working and claiming are complex with different rules applying to different benefits. The following paragraphs summarise the main rules but do not go into great detail.

The most common benefit received by unemployed people is Income Support. In the case of this benefit, the main rules relating to working and claiming are that recipients are not entitled to any Income Support if they work full-time, which is defined as 16 hours a week or more. This basic rule may cause some confusion since full-time work is popularly seen as at least 30 hours a week. The hours rule has also changed over the years and was set at 24 hours a week or more until it changed to 16 hours a week in 1992. Such changes over time, along with a potential mismatch between popular definitions and official definitions may cause confusion and therefore lead to unintended breaking of the rules.

Recipients of Income Support may work fewer than 16 hours a week but, if so, their earnings must be declared. The ‘earnings disregard rule’ allows a recipient to keep some of their earnings, but any earnings above the disregard will result in a pound for pound deduction in benefit. The amount of disregard depends on family status and length of time on benefit. A single person is currently allowed to keep the first £5 of any earnings each week. A couple can keep £5 each, a lone parent £15 and couples on Income Support for more than two years can keep £15 between them.

The rules for Unemployment Benefit are different as this benefit is calculated on a daily rather than weekly basis (over six rather than seven days a week). The general rule is that recipients who earn less than the lower earnings limit (currently £58 a week) may be entitled to Unemployment Benefit for any day that they earn less than £2. The rules for an adult dependant’s allowance are different.

The forthcoming introduction of the Jobseekers’ Allowance, which integrates Income Support and Unemployment Benefit into one benefit for the unemployed, will draw largely on the Income Support rules for part-time work. This should simplify matters but some potential confusion will still exist. For example, while claimants may not work 16 hours a week or more, partners of claimants will be able to work up to 24 hours.
ii) Misrepresenting household circumstances

'Misrepresenting household circumstances' covers failure to accurately report the details of a partner or children.

When considering this type of fraud it is important to reflect on the social security definition of 'a couple'. For the purposes of claiming social security, a couple exists where two people of the opposite sex are either married and living together in the same household or are not married but are 'living together as husband and wife'. Various factors will be taken into account as indicators, or evidence, that two people are 'living together'. For example, two people of the opposite sex who are living in the same household, in a stable relationship and sharing financial resources to some extent, may well be defined as 'living together'. Other factors will also be taken into account as evidence of 'living together', such as the existence of a sexual relationship, parenthood of the same child and whether other people regard them as a couple.

In most cases, it is clear whether someone is living in a couple or on their own but there is a grey area, where two people have a more casual relationship. This 'couple' may see each other from time to time and may share some, but not all, financial resources. It is not entirely clear in the rules when these two individuals become a couple for social security purposes and it certainly may not be clear to the individuals concerned.

iii) Insecure payments

Instruments of payment, such as order books and giro cheques, can be counterfeited or genuine ones can be stolen and altered to allow someone to cash a payment which they are not entitled to. Some claimants may also falsely report that their giro cheque has been lost and so be given another, but then cash the original giro as well as the substituted one. Another possible variation is for a claimant to sell a giro cheque to someone else who then cashes it while the claimant reports that the giro has been lost or stolen.

iv) False identity

This involves making a false claim using someone else's name or creating an entirely new and fictitious identity – for example, using a false birth certificate to claim Child Benefit. Much of this fraud may be committed by organised groups rather than individuals acting alone but official figures do not provide separate figures for individual and organised fraud.

3.1.2 Fraud relating to different social security benefits

Many of the same types of fraud can occur with different social security benefits. For example, the same person may misrepresent their household or financial circumstances when they claim Income Support and Housing Benefit.

It is thought that fraud may be more likely to be more common with means tested benefits as entitlement to these depends on various factors such as
income, savings and living arrangements. There are therefore several ways in which fraud could occur with means tested benefits. Other types of benefits, such as contributory benefits, depend on an individual's National Insurance contributions as well as their employment situation so the claimant will be entitled in their own right whatever their or their partner's financial circumstances.

Different benefits are administered by different organisations, so the same type of fraud may be dealt with differently. The Benefits Agency is responsible for fraud relating to most social security benefits but not all. Fraud relating to Housing Benefit and Council Tax Benefit is dealt with by local authorities, and fraud relating to Unemployment Benefit is dealt with by the Employment Service. Non-payment of National Insurance contributions by employers and the self-employed is dealt with by the Contributions Agency. If inspectors from the Contributions Agency suspect fraud they may hand over the case to the Benefits Agency for investigation, but they also have their own staff who deal with fraud. Fraud relating to National Insurance contributions is much more akin to income tax fraud and, like the Inland Revenue, the Contributions Agency's task is to collect the correct amount of money. This is therefore very different from the task of the Benefits Agency which has to ensure that the correct amount of money is paid out (see Appendix 1 for details about some of these organisations).

3.1.3 Benefit abuse

Benefit abuse is a wider term which may include benefit fraud but also covers situations in which people are thought to be 'bending the rules' when they claim or receive benefits rather than breaking them or committing a criminal offence (SSAC, 1991). Such abuse may include receiving Unemployment Benefit while being unavailable for work or receiving Incapacity Benefit while being fit for work. Whether these activities are fraudulent or not may depend on the extent of the abuse. For example, while one person may deliberately fake an illness in order to claim Incapacity Benefit, another may genuinely be ill but not be incapable of work. Interpretations of people's intentions and the boundaries around the rules are very important and abuse may therefore depend heavily on 'the eye of the beholder'.

Another way of looking at benefit abuse is to think of it in terms of people bending their lives to fit into the rules, rather than bending the rules themselves. Claimants may be conforming strictly to the regulations but, in some way, be seen as violating the spirit of the system. In this way, the term 'benefit abuse' may also sometimes be used to describe legitimate claims which, in the opinion of the speaker, the claimant does not deserve. Where such abuse occurs, the government may seek to change the rules so that the activity in question is no longer legitimate. For example, in August 1994, the government introduced a habitual residence test for those claiming to be seeking work. These new rules were designed because one group of
claimants were thought to be abusing the system - the so-called 'benefit tourists'. Under the old rules, these people had a legitimate entitlement to benefit. Under the new rules, this entitlement was removed. By January 1995 just under 10,000 Income Support claimants had been refused benefit due to the new rules (Hansard, 10 January 1995). Another way of looking at this particular issue of 'benefit tourism' is that the original design of a benefit may not have anticipated that certain groups of people would receive it but when this group became a significant element in the caseload, the rules were changed to exclude them.

Those who are found contravening some social security rules like availability for work or 'voluntary unemployment', may face 'benefit sanctions', such as withdrawal or reduction of benefit. The Employment Service have performance requirements, set by the Secretary of State for Employment for withdrawal of claims. In 1995, one target was to have nine per cent of initial claim inquiries not pursued. Such withdrawals could be for a number of reasons. Some could be due to Employment Service staff discovering that the claim is fraudulent. In April 1994, a new benefit sanction referrals target was introduced. By December 1994, 113,000 claimants had been disqualified from benefit, more than double the number of disqualifications during the same period in 1993 (Murray, 1995).

Official figures about the extent of benefit fraud are rather patchy. Some figures are available, however, about the number of investigations carried out by the Benefits Agency and the amount of savings from these investigations. In 1992/3, Sector Fraud — the part of the Benefits Agency which deals with individual-level fraud — investigated 560,000 cases which had been referred to them because it was thought that fraud may have been or might still be occurring. Of these, 219,000 (39 per cent) ended in some form of calculated saving (known as a weekly benefit saving or an instrument of payment saving) or the discovery of an overpayment. As a result, according to Benefits Agency figures, savings of £516 million were achieved. In the same period, the activities of the Organised Fraud branch of the Benefits Agency led to the arrest of 1,400 people with calculated savings of £42 million (Benefits Agency, 1993). Table 3.1 shows that in the following year, Sector Fraud declared savings of £594 million while Organised Fraud saved £60 million (Benefits Agency, 1994). Recently published figures give total savings in 1994/1995 to have risen to £718 million from a total of 392,000 detected cases (Benefits Agency, 1995b).
Table 3.1 Savings from detected fraud (£ million)

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td><strong>Sector Fraud</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weekly benefit savings</td>
<td>416.0</td>
<td>490.8</td>
<td>543.1</td>
<td>598.9</td>
</tr>
<tr>
<td>Instrument of payment savings</td>
<td>11.6</td>
<td>25.5</td>
<td>50.5</td>
<td>68.0</td>
</tr>
<tr>
<td>Total</td>
<td>427.6</td>
<td>516.3</td>
<td>593.6</td>
<td>666.9</td>
</tr>
<tr>
<td><strong>Organised fraud</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weekly benefit savings</td>
<td>1.9</td>
<td>2.7</td>
<td>5.6</td>
<td>6.1</td>
</tr>
<tr>
<td>Instrument of payment savings</td>
<td>17.1</td>
<td>39.1</td>
<td>54.8</td>
<td>20.3</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>19.0</td>
<td>41.8</td>
<td>60.4</td>
<td>50.7</td>
</tr>
<tr>
<td><strong>Overall total</strong></td>
<td>446.6</td>
<td>558.1</td>
<td>654</td>
<td>717.6</td>
</tr>
</tbody>
</table>

[Source: Benefits Agency (1994) and Benefits Agency (1995b)]

These savings represent notional rather than actual amounts of money saved since the weekly benefit of someone who is caught committing fraud is multiplied by 32. The multiplier reflects the time that the Benefits Agency assumes that someone would have carried on defrauding them if they had not been caught.

As stated in paragraph 3.1.2, the Benefits Agency is not the only organisation which investigates benefit fraud. Figures for benefit fraud detected by the Employment Service are given in Table 3.2. The Employment Service use a figure of 22 as their multiplier to estimate savings as this figure was identified by DSS research and represents the number of weeks claimants would have remained on the register if they had not been investigated by fraud staff.

Table 3.2 Employment Service statistics on fraud

<table>
<thead>
<tr>
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<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investigations</strong></td>
<td>350,807</td>
<td>335,678</td>
<td>232,293</td>
<td>264,616</td>
<td>268,946</td>
<td>282,504</td>
</tr>
<tr>
<td><strong>Claims withdrawn</strong></td>
<td>70,891</td>
<td>64,734</td>
<td>56,034</td>
<td>61,129</td>
<td>67,426</td>
<td>78,231</td>
</tr>
<tr>
<td><strong>Net benefit savings</strong></td>
<td>20%</td>
<td>19%</td>
<td>22%</td>
<td>23%</td>
<td>25%</td>
<td>28%</td>
</tr>
</tbody>
</table>
|               | 74,137  | 66,799  | 53,021  | 63,711  | 69,565  | £64.56m

1 The figure is calculated by multiplying the weekly amount of benefit saved by 22 and subtracting the total cost of the fraud operation.

Figures for Council Tax Benefit and Housing Benefit fraud detected by local authorities are given in Table 3.3. The apparent rise in the level of this type of fraud is probably not due to increases in its incidence but to the introduction of financial incentives for local authorities to detect fraud (see Appendix 1).
No information is publicly available about the level of National Insurance contribution evasion.

It is extremely difficult to measure the true extent of any type of criminal or deviant activity (Bottomley and Pease, 1986), but it is especially difficult to measure the level of activities like fraud where there is rarely an individual victim who may report it. So most official figures can only tell us about fraudulent activity which has been detected by the authorities. The true extent of fraud will probably be much greater. Victimisation studies, such as the British Crime Survey (see, for example, Mayhew et al., 1993), indicate that those crimes which come to the attention of authorities represent only a part of the overall level of criminal activity.

The Benefits Agency therefore has no way of knowing how much of the increase in the amount 'saved' by them between 1991 and 1995 (shown in Table 3.1) is due to an increase in the amount of fraud which is actually being committed and how much is due to an increase in the amount which is being detected. The increase may be partly due to the Benefits Agency working to achieve and exceed the savings targets set by the Department of Social Security.

In order to provide a more reliable estimate of the amount of benefit fraud which is actually occurring, the Benefits Agency has recently embarked on a series of Benefit Reviews (Benefits Agency, 1995c). In 1994, a random sample of 6,253 Income Support and Unemployment Benefit recipients were included in the first round of Benefit Reviews. Those sampled were interviewed by Benefits Agency or Employment Service fraud investigators who undertook a detailed review of their claims, including an un-notified home visit and a full interview using a specially designed questionnaire. Table 3.4 shows the main findings from this Benefit Review.

### Table 3.3 Cumulative weekly savings for Housing Benefit and Council Tax Benefit

<table>
<thead>
<tr>
<th>Year/quarter</th>
<th>No. of LAS(^1)</th>
<th>% of LAS(^2)</th>
<th>Weekly benefit savings</th>
<th>Cumulative benefit savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>April-June</td>
<td>369</td>
<td>78</td>
<td>11,343,476</td>
<td></td>
</tr>
<tr>
<td>July-Sept</td>
<td>429</td>
<td>90</td>
<td>26,010,316</td>
<td>39,343,792</td>
</tr>
<tr>
<td>Oct-Dec</td>
<td>444</td>
<td>93</td>
<td>24,552,530</td>
<td>55,896,382</td>
</tr>
<tr>
<td>Jan-March</td>
<td>462</td>
<td>97</td>
<td>36,227,936</td>
<td>92,124,278</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1994/5</td>
<td></td>
</tr>
<tr>
<td>April-June</td>
<td>474</td>
<td>100</td>
<td>37,482,971</td>
<td></td>
</tr>
<tr>
<td>July-Sept</td>
<td>474</td>
<td>100</td>
<td>44,082,086</td>
<td>81,565,056</td>
</tr>
<tr>
<td>Oct-Dec</td>
<td>474</td>
<td>100</td>
<td>41,456,924</td>
<td>123,021,981</td>
</tr>
</tbody>
</table>

\(^1\) Number of local authorities submitting a return to the DSS
\(^2\) Percentage of local authorities submitting a return to the DSS

3.2.2 The total level of benefit fraud
This table shows that in three-quarters of all Income Support (IS) cases, the correct amount of benefit was being paid. However, fraud was occurring in a proportion of cases. Fraud was categorised in a number of ways. It was confirmed either through admission, verification with an employer or evidence from the Home Office, irrespective of whether any subsequent action led to prosecution. Using this definition, fraud was confirmed in five per cent of IS cases. In many other cases, however, the investigating officers were suspicious that fraud was taking place. To refine the category of suspected fraud further, the level of suspicion was broken down into one of four levels:

- Fraud on level 1 could be genuine since the customer could have reported change but not necessarily as soon as they should have done.
- Fraud on level 2 occurred when there was mild suspicion but no proof.
- Level 3 implied a strong suspicion of fraud, but again, no proof.
- On level 4, the investigating officer was certain that a fraudulent situation had been discovered but had insufficient information to establish fraud.

The definition of the total level of fraud given in Table 3.4 combines confirmed fraud with fraud on levels 3 and 4. This means that fraud was either confirmed or strongly suspected in 10 per cent of Income Support cases.

These statistics show that fraud was more prevalent among certain groups of claimants. For example, fraud was confirmed among one in 10 lone parents and one in 20 of unemployed people on Income Support alone. A more striking difference, however, occurs with suspected fraud where hardly any pensioners or disabled people came under suspicion.
Although a significant amount of fraud was discovered during the Benefit Review, some incorrect payments were the result of error. In nine per cent of cases recipients were not receiving the correct amount of benefit due to claimant error and in five per cent of cases incorrect payments were the result of official error.

Table 3.4 also documented very significant differences between groups in terms of error – 20 per cent of all pensioners were receiving incorrect amounts of benefit due to error and the same was true for 15 per cent of disabled people. The claims of unemployed people were much less likely to involve error.

The results from the Benefit Review suggest that fraudulent claims of Unemployment Benefit and Income Support alone account for £1.4 billion a year. As Table 3.5 shows, most of this is due to people working and claiming but almost a third is due to couples claiming to be living on their own. Significant proportions are due to those not living at the same address from which a claim had been made (Benefits Agency, 1995c). Fraud accounted for a far greater amount of money than error, which amounted to a total of £113 million lost due to customer error and £1.26 million due to official error. But it should be remembered that this figure for net amount lost breaks down into a certain amount of overpayment and a certain amount of underpayment.

Table 3.5 Amount of money involved in different types of benefit fraud

<table>
<thead>
<tr>
<th>Amount of money involved</th>
<th>Percentage of money</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working and claiming</td>
<td>£560 million</td>
</tr>
<tr>
<td>‘Living together’</td>
<td>£450 million</td>
</tr>
<tr>
<td>Identity/address-related fraud</td>
<td>£180 million</td>
</tr>
<tr>
<td>Other fraud</td>
<td>£200 million</td>
</tr>
<tr>
<td>Total</td>
<td>1.4 billion</td>
</tr>
</tbody>
</table>

Other countries have also carried out Benefit Reviews in the past. In the United States, the National Commission on Unemployment Compensation carried out a random audit survey in 1981–1982 to obtain the first statistically reliable estimates of overpayments in the Unemployment Insurance (UI) system (Kingston et al., 1981, 1986). The survey showed that payment errors – both overpayments and underpayments – frequently occurred in the UI system, with overpayments much more common than underpayments. However, the study only included benefit payments actually made so anyone incorrectly refused benefit would not have been identified. The survey found that the rate of overpayments varied between four per cent of claimants in one city and 24 per cent in another.
The recent Benefit Review in the UK was the first systematic attempt to measure the total amount of fraudulent activity among social security claimants in this country. Like all measurements of fraud, however, it has its limitations. Independent research into benefit fraud has also taken place on a small scale. The level of honesty and frankness from respondents in these studies may well be higher than in the Benefit Review.

A study of 67 couples with children whose fathers had been unemployed for long periods of time found 10 families receiving income above permitted levels (Bradshaw and Holmes, 1989). Another small-scale study of irregular low-paid workers found that about two-thirds had committed benefit fraud at one time or another (Jordan et al., 1992). In a recent PSI study, Hard Times? (Kempson et al., 1994), seven of the 47 people receiving Income Support admitted that they were currently earning more than the permitted levels without declaring their earnings.

The advantage of these studies is that they were conducted in confidence by independent researchers and involved very detailed interviews. The degree of honesty and frankness from claimants is likely to be high and the studies may therefore provide a relatively accurate reflection of the level of fraud. The obvious drawback is that the samples are too small to allow broad generalisations to be made. Another drawback is that these particular studies were not designed to look specifically at benefit fraud so the amount of information on the subject is relatively limited.

Researchers have consistently put the case for analysing benefit fraud in comparison with other types of fraud, both in terms of its extent and the response to it made by the authorities (Cook, 1989b). During the course of this study, a number of organisations were contacted about the extent of fraud perpetrated against them (see Appendix 1 for full details).

Customs and Excise carry out a risk-based audit of businesses, involving around 350,000 visits, which raises £2 billion in additional revenue simply as a result of uncovering non-fraudulent ‘errors’ in VAT returns. As long as any outstanding tax is paid, Customs and Excise do not necessarily pursue these ‘errors’ to see whether they are genuine mistakes or due to deliberate fraud so the extent of fraud in these cases is not known. In addition to these cases, approximately 1000 fraud cases are settled per year by the administrative imposition of financial penalties and about 150 cases per year are dealt with through the criminal courts. Although Customs and Excise carry out a risk-based audit, there is no equivalent in the tax world to the Benefit Review’s random ‘survey/investigation’. There are therefore no up-to-date or accurate measures of the extent of tax fraud.

Most estimates, however, suggest that tax fraud is probably much more prevalent than benefit fraud, certainly the amounts involved are greater. It has been estimated that in the United States in 1986, only $235 million...
dollars were fraudulently claimed through Unemployment Benefit compared with $70 billion of income not reported to the tax authorities (Kingston et al., 1981, 1986; Roth et al., 1989). Estimates for this country also suggest that tax fraud is a far larger problem than benefit fraud in terms of lost revenue (Smith, 1986). Levi (1987) reports that the Secretary of State estimated the loss of revenue from VAT in 1979 to be between £300 and £500 million and that the Chairman of the Inland Revenue had suggested that claims that undeclared income might represent as much as seven and a half per cent of GNP were 'not implausible'. Smith (1986) quotes the view among tax collectors that about one in five of the self-employed understate their income on tax returns. This figure may be more in line with findings from the Benefit Review about benefit fraud. However, the amounts of money involved in each case of tax fraud may be substantially greater than those involved in benefit fraud.

Moving to a different type of fraud, data from the Census and Broadcasting Audience Research Bureau are used to calculate the number of households who own televisions and, therefore, are required to buy a licence. It is estimated that around eight per cent of these households do not have the appropriate licence for their television. This costs the BBC £149 million in lost revenue.

The level of fare evasion is measured by London Underground's Annual Fraud Survey which has taken place every year since 1982 (see Clarke, 1993). In November 1994, the survey involved inspectors checking the tickets of 27,000 passengers. In 1989 about six per cent of passengers did not have valid tickets and about seven per cent of revenue was lost as a result. During 1989, automatic barriers were introduced and in 1990, the proportion of passengers without a valid ticket and revenue lost fell to about two per cent (see Table A1.4 in Appendix 1).

The private sector is also vulnerable to fraud. For example, fraud may account for around one per cent of the credit industry’s turnover. The difficulty in defining fraud in some situations makes it hard to tackle. For example, while it is not a crime to be unable to pay off a credit commitment it is a crime for people to deliberately purchase items on credit which they have no intention of paying for.
3.3 Key points: The nature and prevalence of benefit fraud

- Social security fraud occurs when someone knowingly breaks the rules of the benefit system to obtain money to which they are not entitled.

- The complexity of some rules along with the scope for different interpretation means that it is sometimes difficult to know when fraud has occurred.

- Non-declaration of earnings while working and claiming benefit accounts for a larger amount of money lost through fraud than any other type of fraudulent activity. Claiming as a single person while actually living as part of a couple accounts for the next biggest amount of money lost.

- In 1994/5, Benefits Agency records show that 392,000 cases of fraud were detected. Notional savings from fraud reached £718 million during the same year.

- Findings from a Benefit Review of over 6,000 recipients of Income Support or Unemployment Benefit suggest that fraud can be confirmed among one in 20 claimants and strongly suspected among a further one in 20.

- Error – by social security staff or claimants – accounts for a higher proportion of incorrect payments than fraud but represents a far smaller loss in terms of expenditure.
People may be more likely to commit fraud if they see it as an acceptable, or at least understandable, activity. Their views about the legitimacy of benefit fraud may be influenced by more general attitudes towards benefit recipients, the social security system and benefit fraud. If recipients are typically seen as deserving and the system seen as unfair, then the public may have more sympathy towards those engaged in fraud. If recipients are thought to be lazy or feckless and there is a high degree of respect for the system, then fraud may be seen as less acceptable. Those receiving benefits may have a different perspective on the social security system and benefit fraud but they may also share the views of the general public and be influenced by them.

The first part of this chapter draws on previous studies of general views about social security recipients and benefit fraud. Later parts focus on the findings from the depth interviews carried out with claimants. During these interviews, respondents were asked about their views of the social security system in general, benefit fraud in general, benefit fraud in relation to other types of fraud and different types of benefit fraud.

Benefit recipients and the poor are often divided into the ‘deserving’ or the ‘undeserving’. This distinction has a history in British welfare provision dating back to Elizabethan times (Golding and Middleton, 1982). It is a vital distinction to take into account when considering attitudes to benefit fraud and abuse. The public tend to have a great deal of sympathy for those considered ‘deserving’ but are much more critical of the ‘undeserving’.

An American study found that the most important characteristic in determining levels of public sympathy with different groups of people on benefit was the economic status of the head of household (Will, 1993). For example, a disabled head of household was seen as much more deserving than those who were unemployed.

Furnham (1983) reviewed several studies of attitudes to benefits and used his own data to argue that three main themes emerged when talking to people about social security. These were; the undeserving nature of recipients – some being seen as dishonest, some as lazy, some as feckless; the economic deprivation of recipients trying to manage on low benefit levels; and the social consequences, such as stigma and shame, of receiving ‘state charity’. Some members of the public mentioned a combination of themes when talking about recipients – for example they saw them as idle and dishonest but at the same time suffering stigma and shame. Different views were taken of different groups.
In the early 1980s, Golding and Middleton (1982) found that the general public considered benefits to be too generous and too easy to get. Many held the view that welfare made people lazy and there appeared to be a general stigma attached to claiming. However, older people and those on low incomes were typically proud of the social security system.

More recent findings from the British Social Attitudes Survey showed a fair amount of public sympathy for people in need (Taylor-Gooby, 1987). The majority of the public saw poverty either as an inevitable part of modern life or due to injustice in society (see Table 4.1). One in five had a less sympathetic view, blaming poverty on individual laziness or lack of willpower. Of course, poverty is not necessarily synonymous with benefit receipt; but it is likely that there is a fair degree of overlap in the public mind between benefit claimants and the poor.

Table 4.1  Public explanations for why there are people who live in need

<table>
<thead>
<tr>
<th>Explanation</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Because they have been unlucky</td>
<td>11</td>
</tr>
<tr>
<td>Because of laziness or lack of willpower</td>
<td>19</td>
</tr>
<tr>
<td>Because of injustice in our society</td>
<td>25</td>
</tr>
<tr>
<td>It's an inevitable part of modern life</td>
<td>37</td>
</tr>
</tbody>
</table>

Source: British Social Attitudes Survey 1986

These more recent findings suggest that attitudes to people who are poor or on benefits change over time. For example, during a recession there may be more sympathy for people living on the breadline.

Fraud may be one of the underlying characteristics which determine whether claimants are seen as deserving or undeserving. This might operate at an individual level (for example, those committing fraud may be seen as undeserving while those not committing fraud are seen as deserving) or at a group level (for example, fit young unemployed men may be thought to be defrauding the system and so are seen as undeserving). Whatever the exact nature of the relationship, there is likely to be a great deal of interaction between ideas about the deserving/undeserving poor and views about fraud.

Moving on to general attitudes to benefit fraud, the British Social Attitudes Survey has compared views about the prevalence of benefit fraud with the prevalence of non-take-up of benefits. Similar proportions saw both as prevalent (see Table 4.2). If anything, benefit fraud was seen as less widespread than non-take-up.
A recent American study compared views about benefit fraud with 31 other forms of 'morally debatable' behaviour (Katz et al., 1993). Respondents were asked to place various activities on a scale of one to 10. Those ranked on point one were considered least justifiable. Those ranked on point 10 were considered most justifiable. The study was carried out with 156 respondents who were not representative of the general public. The typical respondent was 28 years old, single, Caucasian, with two years of college education. The researchers ranked the items in terms of those considered rarely justifiable, occasionally justifiable and frequently justifiable.

Welfare fraud was considered rarely justifiable and was the third least justifiable behaviour of all 31 items. It was considered, for example, less justifiable than buying stolen goods. And even legitimate claims for public assistance were seen as of dubious morality — ranking as slightly less acceptable than divorce.

Tax evasion was thought to be more justifiable than benefit fraud, perhaps reflecting the semi-legitimate status of tax avoidance and the accepting attitudes towards some forms of white-collar crime (Sutherland, 1949). The question wording may have made a difference, however, as the wording about benefit fraud implied deliberate deceit whereas people were asked about the justifiability of cheating on taxes 'if you have a chance'.

More general cheating such as 'lying in your own self-interest' and 'keeping money that you have found' was seen as occasionally justified. Benefit fraud can involve similar forms of behaviour when it comes to misrepresenting income or failing to report a clear over-payment. So there may be more tolerance of the underlying characteristics of fraud than of benefit fraud in particular.

These findings may not be directly transferable to the UK. 'Welfare' in the United States means an even more stringent means test than Income Support in the UK. So there may be more stigma surrounding it than exists in Britain. Furthermore, 'American dream' culture reveres individualism and
entrepreneurship and so may particularly stigmatise those viewed as dependent on the state.

The World Values Survey was carried out between 1981 and 1983 and provides interesting data on attitudes to benefit fraud. The general public in Britain, the USA, Australia and five European countries were asked whether certain types of behaviour were ‘always, sometimes or never justified’. Respondents were asked about: ‘claiming state benefits to which you are not entitled; cheating on tax if you had the chance; and avoiding a fare on public transport’.

Table 4.3 shows that three-quarters of the British public said that benefit fraud was never justified (figures quoted in Weatherley, 1993). A very similar proportion said the same about tax fraud but there was much more acceptance of fare evasion. It is, perhaps, surprising that tax and benefit fraud were seen as similarly unjustifiable. It is often argued that tax fraud is more likely to be condoned by the general public since tax-payers are merely trying to retain ‘their’ money whereas benefit fraudsters are taking ‘other people’s’ money (Cook, 1989b).

There were quite striking differences between different countries in terms of both the absolute level of justifiability and the relative justifiability of different types of behaviour. Sweden was the nation most opposed to benefit fraud, tax fraud and fare evasion. France was least opposed to all three. In the US, Britain and Australia, tax fraud was seen either as equally unjustifiable as benefit fraud or more justifiable. In Sweden, Germany, Canada and France, the reverse was true - tax fraud was seen as less justifiable. These differences may reflect various differences in benefit system structures, culture, beliefs and politics.

Table 4.3 Percentage of public saying that behaviour is never justified

<table>
<thead>
<tr>
<th>Country</th>
<th>Benefit fraud</th>
<th>Tax fraud</th>
<th>Fare evasion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>82</td>
<td>90</td>
<td>76</td>
</tr>
<tr>
<td>USA</td>
<td>76</td>
<td>75</td>
<td>68</td>
</tr>
<tr>
<td>Britain</td>
<td>75</td>
<td>72</td>
<td>63</td>
</tr>
<tr>
<td>Australia</td>
<td>74</td>
<td>49</td>
<td>59</td>
</tr>
<tr>
<td>Germany</td>
<td>63</td>
<td>76</td>
<td>57</td>
</tr>
<tr>
<td>Canada</td>
<td>61</td>
<td>71</td>
<td>61</td>
</tr>
<tr>
<td>France</td>
<td>40</td>
<td>46</td>
<td>56</td>
</tr>
</tbody>
</table>


The British Crime Survey in 1984 asked respondents to compare the seriousness of a number of crimes. Table 4.4 shows, as we might expect, that crimes involving violence against the person (such as rape, mugging and sexual assault) were seen as much more serious than property crimes (such as burglary and vandalism of a home). ‘Fiddling’ of social security or tax was seen as significantly less serious than property crimes. The least serious crimes
were petty shop-lifting and prostitution (Pease, 1988). Benefit fraud was seen as more serious than tax evasion.

Table 4.4 Public perceptions of seriousness of crimes

<table>
<thead>
<tr>
<th>Percentage saying 'very serious'</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rape</td>
</tr>
<tr>
<td>Mugging/robbery</td>
</tr>
<tr>
<td>Sexual assault</td>
</tr>
<tr>
<td>Attack by strangers</td>
</tr>
<tr>
<td>Persistent drink-driving</td>
</tr>
<tr>
<td>Burglary</td>
</tr>
<tr>
<td>Vandalism of a home</td>
</tr>
<tr>
<td>Joy-riding</td>
</tr>
<tr>
<td>Fiddling social security</td>
</tr>
<tr>
<td>Smoking cannabis</td>
</tr>
<tr>
<td>Fiddling income tax</td>
</tr>
<tr>
<td>Insults from strangers</td>
</tr>
<tr>
<td>Prostitution</td>
</tr>
<tr>
<td>Petty shop-lifting</td>
</tr>
</tbody>
</table>


There was a great deal of consensus between different groups as to the seriousness of different crimes. But there were some differences between different age groups, with older people much more likely to see crimes as very serious than younger people. This was particularly true for 'fiddling' social security (see Table 4.5). A similar survey in the 1960s (Durant et al., 1972) showed very few age differences; so the current variation is more likely to reflect a generational difference than an ageing process.

Table 4.5 Percentage saying each crime is very serious by age

<table>
<thead>
<tr>
<th></th>
<th>16-30</th>
<th>31-60</th>
<th>61+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage saying</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Rape</td>
<td>97</td>
<td>97</td>
<td>94</td>
</tr>
<tr>
<td>Attack by strangers</td>
<td>72</td>
<td>77</td>
<td>71</td>
</tr>
<tr>
<td>Vandalism of a home</td>
<td>46</td>
<td>57</td>
<td>59</td>
</tr>
<tr>
<td>Fiddling social security</td>
<td>17</td>
<td>28</td>
<td>41</td>
</tr>
<tr>
<td>Smoking cannabis</td>
<td>14</td>
<td>25</td>
<td>39</td>
</tr>
<tr>
<td>Fiddling income tax</td>
<td>14</td>
<td>20</td>
<td>27</td>
</tr>
<tr>
<td>Petty shop-lifting</td>
<td>7</td>
<td>13</td>
<td>20</td>
</tr>
</tbody>
</table>


One shortcoming with all these studies is that they assess attitudes towards benefit fraud in general and yet attitudes may vary greatly depending on the type of fraud. For example, a single person who has a full-time job and then claims benefit may be condemned more than a parent on benefit who takes on some casual work and does not declare it.
There is also a potential for tautology. People may say that 'benefit fraud' or 'fiddling social security' is wrong by definition. But equally they may say that it is acceptable to do a couple of hours' work which is not declared to the authorities because this is not defined by them as fraud or fiddling, even if it involves earning more than is allowed according to the rules.

The message from the general public appears to be that benefit fraud is wrong but there may be some sympathy for the deserving poor who commit fraud. Claimants themselves may be more or less likely to see benefit fraud as a legitimate activity given the circumstances that they find themselves in. The next section of this chapter focuses on the views of the 45 respondents interviewed in depth as part of this study.

4.2. Claimants' views of the social security system

This section looks at respondents' views of the social security system in general. These are important in relation to an understanding of benefit fraud for a number of reasons: if respect for the system is low, fraud may be seen as more acceptable; if benefit levels are thought to be inadequate, claimants may feel justified in earning extra money 'on the side'; and if certain rules cause difficulties, claimants may feel further justification for breaking those rules.

4.2.1 Overall views

The 45 respondents who were interviewed in this study were not representative of all claimants, as two-thirds had been drawn from records of people who had been investigated and, in some cases, convicted of fraud. Having said that, there were few differences between the respondents who had been involved in possibly fraudulent activities and those who had not. As we shall see later in this chapter, those who had not been involved in any possibly fraudulent activity rarely condemned those who had and fraud was widely justified in terms of difficulties with the system.

The majority of respondents expressed negative attitudes towards the social security system. And regardless of personal experience with the benefit system virtually all respondents were critical both of the system as a whole and specific aspects of its operation. The lack of undiluted respect for, or satisfaction with, the social security system was therefore notable.

4.2.2 Satisfaction with the system

Although most respondents were critical of the system, a minority expressed more positive opinions. These respondents generally had either very low expectations of the system in the first place or were in a slightly more favourable financial situation than other claimants. Low expectations were prevalent among respondents and frequently resulted from having heard very negative stories from friends and neighbours. As one respondent put it, the system was: 'better than I'd been led to expect'. Another respondent explained:

'I was surprised because I'd heard, "oh, they don't help, they don't care." But I found they really genuinely wanted to help me, it wasn't sort of, "oh, you're trying to get money out of us," which is what I thought it might have been like.'
There were some examples of people who, to their surprise, found the system and staff operating efficiently:

"They always seem to be able to get your file in two seconds flat ... they did try and there was always someone at the other end of the phone to answer and I felt that was surprisingly good."

Other respondents had not necessarily had such good experiences but were still reluctant to complain because they were comparing the current system with what their situation might be like if there was no social security system at all. As one stated: ‘We’re lucky to have it.’

Some of the claimants who expressed personal satisfaction with the benefit system had access to money other than their basic benefit payments which rendered them slightly better off financially than many other respondents. One respondent was working full-time and claiming Family Credit; another was able to borrow from his parents when he needed money. A lone parent recognised that her experiences of the social security system were better than other people’s because she was receiving Disability Living Allowance in addition to her Income Support:

"If I didn’t have my disability allowance we would be having a completely different chat ... I would be depressed I think if I was on sixty pounds a week I wouldn’t be able to do it."

4.2.3 Criticism of the system

Those who expressed high levels of personal respect for the system frequently felt themselves to be in the minority and thought that respect for the system generally was quite low. Even when they felt reasonably treated themselves, these respondents had sympathy for those who were apparently having greater difficulties.

The majority of the 45 claimants, however, had negative attitudes towards the system and the way it was implemented. While the extent of the criticism varied according to respondents’ overall views of the system the content remained largely consistent. In many cases respondents used their criticisms of the benefit system as direct illustrations of the motivation to commit fraud.

The aspects most frequently criticised included:

• benefit levels

• specific rules such as the earnings disregard, the family means test and the operation of the social fund

• the inefficiency and complexity of benefits administration

• the attitudes and behaviour of local office staff.
As we shall see later, many of these criticisms underpinned respondents’ explanations for some types of benefit fraud. Each of these are now considered in more detail.

* Benefit levels

The aspect of the social security system which was most widely criticised by respondents was the adequacy of benefit levels. A typical comment was that benefit levels were ‘abysmal’ and ‘arrears’.

Although most respondents were critical about benefit levels, some were slightly less concerned, possibly because they did not anticipate having to manage on them for very long and had access to informal help from family members. In addition, two claimants clearly demonstrated a belief that, as social security claimants, more than survival level payments would be hard to justify:

“If [benefit levels] were any more it would be too easy … you shouldn’t just have free handouts for doing nothing, so I think as long as they keep it you can just get by…you shouldn’t ask for anything more than that really.”

This was supported by the views of an unemployed father of three who was reluctant to make a judgement about the adequacy of benefit levels saying:

“You can’t expect to be well off when you’re unemployed so … you manage, we’re not well off but we manage.”

Once again, low expectations were the key to understanding more positive views of the system. Some respondents were grateful to receive anything. One said he respected the system because ‘in some countries you wouldn’t get anything, would you?’.

The level of benefit was certainly seen as problematic but problems also occurred due to the way in which benefits were paid. For example, claimants found it difficult to stretch one payment to cover a fortnight and suggested that all benefits should be paid weekly. The payment of benefit in arrears also caused difficulties, as one respondent remarked:

“When you make a fresh claim … you have to wait a fortnight with no money … and you try waiting a fortnight with three kids and no money.”

* Specific rules

Respondents felt that the family means test was unfair, making them dependent on someone else’s financial generosity. It was felt that all unemployed people should be entitled to benefit in their own right, regardless of their partner’s earnings. This is the case currently with Unemployment Benefit but not, of course, Income Support. With the forthcoming Jobseeker’s Allowance, the role of means testing among the unemployed will increase. Some couples felt that there was a financial incentive to split up in order to claim separately. Some respondents also found it difficult to understand why they were entitled to claim in their own
right when they lived and shared financial resources with parents but not with a partner.

A number of respondents felt that their financial difficulties had been exacerbated by the Social Fund. This was either because they were struggling to live on reduced benefit in order to repay a loan or because they had been turned down for a Social Fund payment. Refusals for loans were particularly badly received by respondents as the Social Fund was frequently their only legitimate means of fulfilling a desperate need.

Respondents also frequently criticised the system of earnings disregards. One man explained what would happen if someone on Income Support worked for two days, earning £50:

‘They’re only allowed to earn £3, so you go and tell them you did two days’ work and you can get £5. They take the £45 off you!’

The earnings disregards were seen as unfair and creating a disincentive to ‘keep busy’ and find work. A father of two remarked:

‘They can be downright unfair because they don’t give you any incentive to get a job … it works out wrong for you to get a little job … because then you get a little wage, because then they want that back.’

* Complexity and inefficiency of the system
The complexity and frequent inefficiency of the social security system was also quite widely criticised. Dissatisfaction was expressed largely in the form of complaints about queuing times, long waits for cheques to arrive, the complexity of application forms and the detailed information required to support claims.

A young, single female respondent talked of experiences at her local office where ‘you get in at eight and can still be there at four’. Someone else had a similar experience, although slightly less extreme:

‘If you go down in the morning, say 10 o’clock for a crisis loan, you might be there till 3 o’clock.’

Negative experiences of visiting benefit offices were a particular problem for respondents with children.

One respondent complained about the amount of detail required on forms:

‘It was more like a life history, really. They wanted to know your name, your address, date of birth, National Insurance number - which is fair enough. And they want to know where you’re living and how long you’ve been there. What’s that got to do with it? They want to know everything on the form.’

Another respondent said that over the past five months she had received several letters saying that £1 a week would be deducted from her benefit as
repayments for a Social Fund loan and yet no deductions were currently being made. Although she was pleased for her repayments to be delayed, this episode reduced her respect for the Benefits Agency:

'I find it very amusing really and I suspect that’s indicative of the system - things are really falling down in the gratings.'

- Attitudes and behaviour of staff

Respondents often thought that the difficulties they faced were exacerbated by the unhelpful attitudes of local office staff. There was also a feeling that staff were unwilling to offer information which would help them. Some believed this was a deliberate policy to save money:

'They don’t tell you, they’re actually said to me they’re not supposed to tell you, they’ve been told not to tell you, that’s what I’ve been told.'

One lone parent noted the lack of initiative taken by staff to ensure that claimants knew their entitlements, saying, ‘you have to know what to ask for, they never offer any information’. A disabled lone parent who also had a child with learning difficulties said:

'I didn’t know that I could claim disability allowance, I got told by a community nurse. I wasn’t informed of that. I also wasn’t informed that the DHSS will pay you a premium of twenty pounds if you’ve got a child with disabilities.'

Frequently the perceived failure of Benefits Agency staff to inform claimants of possible entitlements to benefits was directly cited in explanation of low levels of respect for the system. In addition to being felt to be unhelpful, local office staff were, on occasion, also said to have been deliberately rude. One respondent described staff as:

'Difficult, awkward, rude, abrupt, the lot ... nine times out of ten they’re rude, in fact they talk to you like muck.'

For some respondents the attitudes of staff worsened their feelings of humiliation at having to claim and further damaged their already low self-esteem:

'It’s just degrading and they wonder you get frustrated down there, but they don’t show you no respect so how can you possibly give somebody back some respect? ... At the end of the day we’re all human and we’re all entitled to that bit of respect, regardless of if we’re on the dole or not.'

One respondent said that he felt ‘like a criminal’ when he signed on. Another felt that, ‘because you’re on Income Support they look down on you.’ He explained how staff did not believe him when he reported that he had had his wallet stolen just before Christmas:

'The manager laughed at me ... and they gave me a crisis loan. I needed some money for the electric and they said, “don’t lose your wallet again!” And I said, “I didn’t lose it”. I said I had it pinched and I was a bit angry there.'
There was, however, some sympathy for staff. The poor service that claimants felt they received was not always blamed on the attitude of the staff. It was thought that the Benefits Agency was under-staffed, leaving social security officers with too little time to deal adequately with customers. It was also recognised that staff could face abuse from claimants and so had a difficult job to do:

'They deal with some nasty people, you know ... drinkers and drug-pushers and they've got a hard job, I'm not knocking them, the staff.'

It was therefore the system and the Benefits Agency as an organisation which came under more criticism than the staff on the front line. Indeed some respondents had experienced good treatment from staff, but here again there were perhaps low expectations:

'The people at the actual office were wonderful, they were really pleasant. They didn't treat me as a sort of lower class citizen, they were really lovely.'

4.2.4 The desire for independence

Underlying many of these views was a concern not to be, and not to be seen to be, 'a scrounger', someone who depends on the state for a long time and has little intention of supporting themselves. Respondents were keen to be, and be seen to be, independent and grateful for what they got. They thought it would be seen as greedy to ask for more. One lone parent explained how she felt about claiming benefits:

'I sort of used it as a means to an end, I was a bit sort of unhappy, I didn't like going down to social security and asking for money but it was a case of having to.'

Another respondent was reluctant to ask staff for details of other benefits that she might be entitled to:

'There's possibly things I could get that I don't know about but I'm not going begging.'

The desire to gain independence through moving into paid work was very strong but respondents felt that there were few jobs which paid enough to secure such independence:

'Everybody I know would like to be off [benefit]. They'd like to be earning a wage, same as I would, but it's just getting a job with the right money, you know, they want you to work for peanuts.'

Some respondents were either unaware of Family Credit or were unsure as to whether it would actually make them better off in work. Some said that they would take a job even if this made them financially worse off because they were so keen to get back into the world of work and do something more constructive with their time.

4.3 Claimants' views about benefit fraud

Respondents were asked about their views of people who claimed benefits that they were not entitled to. The word 'fraud' was not introduced by the
interviewer at this stage in the interview since the word has strong overtones which may have influenced the answer to the question. Once again it is worth stressing that the sample did not reflect, and was never intended to reflect, the views of all claimants. Two-thirds were selected from official records of people who had been investigated for benefit fraud.

However, one of the most notable aspect of these attitudes was the absence of any real distinction between respondents who had possibly committed benefit fraud themselves and those who had not. It would be reasonable to expect people who had been involved in benefit fraud to express the most sympathetic attitudes towards it in order, perhaps, to explain or justify their own activity. In fact, this was not the case. The majority of all respondents, regardless of personal experience of fraud, displayed high levels of conditional acceptance of some types of benefit fraud and were able to offer justifications for some fraudulent behaviour. If anything, respondents who had never committed benefit fraud were actually more likely to be sympathetic towards it than others. Conversely, some of the most virulent critics of people who commit benefit fraud had been engaged in possibly fraudulent activities themselves.

When talking in general terms about people receiving benefits to which they were not entitled, virtually all respondents recognised this as fraud and expressed an awareness that it was legally wrong. Despite this, only a minority of respondents recognised benefit fraud as deliberate criminality or were unsympathetic to some of those committing it.

Doing casual work while claiming benefit was often seen as wrong but necessary in order to fulfil a more important priority such as safeguarding the living standards of children. Another study has also highlighted the central role of good parenting in the lives of claimant families which they felt was undermined by the level of resources available to them (Cohen et al., 1992). There was also a view that benefit fraud was often the lesser of two evils and that people who were desperate for money might otherwise turn to crime if they could not make extra money ‘on the side’. Some respondents felt that claimants had few alternatives:

‘I think there’s an awful lot of people, like me, that have to find cash-in-hand jobs to live, otherwise, what else can they do?’

In the context of desperate financial need one respondent described benefit fraud as what ‘any normal person would do.’ One respondent explained:

‘It is fraud but you’d do it if your family needs something — any human being would do it.’

A minority of respondents were so disillusioned with ‘the system’ that they were not willing to condemn people who, as they saw it, fought back against it. As one respondent remarked:
'As far as the DSS is concerned – if anyone was earning extra money [I'd say] ‘good luck to them!’

A clear distinction was made in people’s minds between what was illegal or criminal and what was morally unacceptable. All types of benefit fraud were recognised as illegal but not all were considered criminal and some were considered morally acceptable. Acceptance of benefit fraud was, however, strictly conditional with its moral legitimacy related to perceptions of the motivation for fraud and to the type of activity involved.

Another respondent agreed that fraud was legally wrong but felt that it was not ‘criminal’ in the same way as other types of illegal activity:

‘I know it’s serious but you’re not actually going round smashing people up, you could trust [someone who commits benefit fraud] in your own home. He’s not a thief in that way – he doesn’t look upon it as stealing.’

This respondent recognised that benefit fraud was a form of theft but felt that there were different types of theft involving different degrees of seriousness. Those who gained extra money from the Benefits Agency through deception would not necessarily take money from friends or relatives.

Claimants had a very strong sense of the moral boundaries around benefit fraud and were quick to condemn those who stepped outside those boundaries. Although claimants generally felt more loyalty to each other than to the system, those who failed to play by the agreed rules were resented.

Judgements about benefit fraud depended on five factors: the perceived motivation behind the activity in terms of need or greed; the scale of the activity in terms of the amount of money involved; the regularity or persistence of the activity; the degree of premeditation; and the degree to which other people might possibly suffer as a consequence. The most serious type of fraud was therefore considered to be: motivated by greed; involving large amounts of money; occurring over a long period; deliberately planned; causing suffering to others. The least serious involved the opposite characteristics.

Fraudulent activities were generally seen as justified only as a one-off or short-term response to genuine need. Acceptance of benefit fraud was consequently lower where it was seen to be a long-term or permanent arrangement or where it was motivated by greed:

‘Some of it I know is greed ... I totally don’t agree with that ... that’s hang out of order, but if it’s just like they’re earning a couple of quid on the side, just pulling through to survive, I think that’s totally fair.’

The main theme running throughout all discussions of fraud was a distinction between need and greed. Fraud motivated by need was generally
seen as understandable and perhaps even justifiable. Fraud committed because of greed was condemned:

‘Well, you’ve got two types of people – you’ve got the one that cares about the family and you’ve got the other type that cares about themself – the hooligans. They’ll do it just so they can go out boozing that day ... they shouldn’t do it.’

Respondents talked most, however, about the financial pressures which they saw as the main motivation for most benefit fraud. Underlying many of these points was the view that the income received while on benefit was inadequate. A young woman explained:

‘You always hear of somebody, like, got a part-time job and they claim, but to be truthful with you ... what they do give you to live on, if somebody can get like twenty quid on the side then fair play to them because it’s the breadline you live on.’

Another respondent offered further support for the link between low benefit levels and incidence of benefit fraud:

‘How do these people expect people to survive on it, they’re not surviving, that’s why there’s so much thieving and anger towards the DSS offices.’

There was often sympathy for people who worked casually while claiming benefit. Many respondents – even those who had never worked while claiming – had considered it out of sheer desperation. A lone parent understood the pressure many people were under to make ends meet:

‘If they’re finding it very difficult and they’ve got small children ... it may not be a very right thing to do but, you know, you can’t let your children go hungry ... it’s very difficult to keep struggling and not seeing a way out.’

Like most types of fraud, benefit fraud is often thought to be a ‘victimless crime’ (Schur, 1965) or a crime against ‘the system’. But there was also a view among respondents that some more ‘genuine’ claimants might be the ultimate victims of benefit fraud. In some cases, this meant that any sympathy for those who committed benefit fraud was tempered by concern for the ‘victims’. The long-term implications of benefit fraud were therefore in the minds of some:

‘I think it is [serious] in the long run because it takes the benefits away from people that really need it.’

‘The ones that are taking what they’re not entitled to are robbing from the ones that are not getting what they’re supposed to be getting.’

‘It stops the people that really need it getting it.’

However, some people felt that the overwhelming difficulties they faced left them with little time to worry about other people. One female respondent explained:
‘It’s just the survival of the fittest . . . you just look after yourself . . . you’re not concerned about anybody else . . . all I’m concerned about is me, my husband and my children and I feel sad if somebody’s not getting the money they should but you know, you can’t sort of do anything about that.’

4.3.3 Typical types of fraud

Although respondents were asked about benefit fraud as a whole, they consistently referred to a particular type of benefit fraud – taking casual work while claiming benefit. One respondent explained what he first thought of when considering the types of situations in which people were receiving benefits they were not entitled to:

‘Mostly young chaps, you know, they get offered jobs a few days for a couple of weeks and they don’t tell anybody.’

This was a very common definition of ‘benefit fraud’. Interviewers then prompted respondents about other types of fraud.

A consistent element in the perceptions of these respondents was the belief that occasionally taking casual work while on benefit was widespread among a whole range of claimant groups. This group of respondents was also more likely to recognise benefit fraud as something which, potentially, affects almost everyone, including themselves. A single man recognised that:

‘It’s wrong but I suppose everybody’s tried it now and again.’

‘It’s very common . . . and I don’t think there are many people who condemn them for it . . . I don’t really condemn them for it.’

4.4 Attitudes to different types of fraud

4.4.1 Comparing different types of fraud

As well as discussing attitudes towards benefit fraud in general, respondents were asked their opinion of a number of different types of fraud presented as five vignettes (see Figure 4.1). An example of working and claiming was given to represent benefit fraud and respondents were then asked to compare this type of fraud with income tax fraud, VAT fraud, fare evasion and TV licence evasion.

Figure 4.1 - Vignettes for different types of fraud

Person A is self-employed. They don’t declare all their earnings to the Inland Revenue so they pay less tax than they should.

When using public transport, Person B always tried to avoid paying their fare.

Person C is on Unemployment Benefit and earns £50 for a day’s work but does not tell the DSS about it.

Person D is self-employed. When they send in their VAT accounts to Customs and Excise they exaggerate their expenses so that they can reclaim more money than they should.

Person E has a colour TV but they haven’t bought a TV licence.
Respondents were asked their views on how wrong they perceived each type of fraud to be; the type of people they thought most likely to commit each; what their motivations might be; and whether their actions were ever justified.

After they had expressed their views on each type of fraud, respondents were then asked to rank each case in descending order of seriousness. Table 4.6 shows the mean value calculated for each type of fraud for the 30 respondents who had possibly committed fraud and the nine who had never committed fraud. The analysis leaves out six respondents who had been officially recorded as having committed fraud but denied doing so during the interview. Only those whose status was clear have been included in this analysis. The table shows that views on the relative seriousness of different types of fraud were broadly similar regardless of whether people had been involved in fraud or not. Tax fraud, in the form of income tax evasion and VAT evasion was seen as the most serious type of fraud, whereas TV licence and fare evasion were seen as the least serious. Benefit fraud came in the middle of these two extremes, seen as slightly less serious than tax fraud but much more serious than TV licence and fare evasion.

<table>
<thead>
<tr>
<th>Type of fraud</th>
<th>Those who had committed fraud</th>
<th>Those who had not committed fraud</th>
</tr>
</thead>
<tbody>
<tr>
<td>Person A - Income tax fraud</td>
<td>2.0 (30)</td>
<td>1.9 (9)</td>
</tr>
<tr>
<td>Person D - VAT fraud</td>
<td>2.2</td>
<td>2.2</td>
</tr>
<tr>
<td>Person C - Benefit fraud</td>
<td>2.4</td>
<td>2.8</td>
</tr>
<tr>
<td>Person E - TV licence evasion</td>
<td>4.1</td>
<td>3.6</td>
</tr>
<tr>
<td>Person B - Fare evasion</td>
<td>4.3</td>
<td>4.4</td>
</tr>
</tbody>
</table>

Note: where 1 = the most serious, 5 = the least serious

4.4.2 Tax fraud Apart from those who had been self-employed in the past, many respondents knew little about tax fraud. Views about both income tax and VAT fraud were broadly similar. Both were widely recognised as being wrong, serious and, in the majority of cases, unjustifiable. Respondents had various objections to these types of fraud. Once again, however, the motivations behind tax fraud were seen as crucial when assessing the legitimacy of the activity:

‘If I’m doing it, say like fiddling because I have to because I haven’t got no money and you’ve got the bloke there earning mega bucks, thousands and thousands, that’s greed, that’s wrong, I don’t believe in greed ... Take Maxwell for instance, there you go, what sort of swine is he? I mean it’s greed, isn’t it? He didn’t need all that money. That’s the same as other VAT fiddles, whatever it is, tax, Ken Dodd or whoever it may be.’
The motivation for tax fraud was widely viewed as greed. An important aspect of the intolerance of these activities, even among people who had themselves broken DSS rules, was the fact they were considered to be taking ‘money for nothing’. A female claimant argued ‘it’s like stealing really isn’t it ... because there is a system there’. A young woman clearly identified why she considered VAT fraud to be dishonest:

‘I don’t mind people making money if they’re like doing a one-off job for somebody and getting money that way, but adding money onto things that they haven’t spent is wrong ... it’s not very fair.’

Those who were out of work did not have much sympathy for working people who broke the law:

‘I think it’s wrong if you’re earning money, if you’re working you’ve got to pay.’

Respondents also had very clear ideas about the type of person who commits these types of fraud. Tax fraud was viewed as a crime which benefitted big business or the wealthy at the expense of ‘the little man’. A lone parent thought VAT fraud was committed primarily by ‘rich people’ who could afford to go into business and manipulate the system. In addition, people involved in big businesses were also thought to be more likely to get away with these types of fraud:

‘It’s not the working-class self-employed person that’s the biggest problem ... Why don’t they start checking up on the big boys? ... you can get companies who go into liquidation owing little companies loads and loads of money and it’s legal, you get a painter, he does a couple of little private jobs and he doesn’t put them through his books and it’s illegal.’

A general point was made that people should not flout rules which everyone else was obliged to conform to:

‘I seriously believe that everyone should pay taxes on no matter what you earn, I seriously think you should pay taxes.’

This objection could equally be applied to benefit fraud. Yet none of the respondents appeared to see much similarity between this type of fraud and benefit fraud. This can be explained in relation to the other two sets of objections to income tax and VAT fraud involving respondents’ perceptions of the motivation for these types of fraud and the type of people involved.

As with benefit fraud, views about tax fraud were related to respect for the system. And although tax fraud was generally seen as a crime against ‘the system’ there was also some acknowledgement that other members of society would be the ultimate victims. One respondent was critical of how government spent tax revenue and so felt that evasion could be justified:
I see the tax mail as something of a villain, anyway. When I was working, great chunks were taken out ... from a wider view, not paying enough tax will affect the country as a whole but then I don't think taxes are used efficiently anyway.'

Most respondents thought that both fare and TV licence evasion were wrong and recognised them to be fraudulent. But they were considered to be lesser evils than tax or benefit fraud.

There was some sympathy for TV licence evasion because of the cost of a TV licence and the fact that a television was seen, in some circumstances, as an essential. The element of choice was therefore minimal. A young woman felt that the cost of a TV licence was:

'Miles too high for people that have hardly got any money because everybody has a telly, needs a telly to watch, because you just get bored stif.'

Both of these types of fraud were seen as more justifiable if they were motivated by need. Again, sympathy was an important element of the acceptance of this activity. A father of three who admitted to working and claiming explained:

'You can't get blood out of a stone. If the money isn't there, it just isn't there. I know really that you shouldn't watch the telly if you haven't got the licence but try telling my three daughters that.'

Similarly, a woman remarked about fare evasion:

'It's relative isn't it? ... if you don't have your own transport and you need to travel and you can't afford to travel then I think there's a case for saying maybe this is justifiable ... it is illegal but there are certain sectors of society which wouldn't or couldn't travel without doing that.'

Fare and TV licence evasion were seen as wrong because they involved breaking rules which everyone was supposed to abide by. But they were not viewed as particularly serious by the vast majority of respondents. In the main they were viewed less as fraud and more as 'cheating'. They were not thought of as 'criminal':

'I don't think these people should be taken to court and wasting courts' time and getting a criminal record for it.'

Other themes which had occurred in relation to tax and benefit fraud were mentioned again in relation to fare and TV licence evasion. For example, evasion was believed to lead ultimately to higher fares and higher TV licences. The ultimate victims were therefore other people rather than the authorities. There was also criticism of the system. People complained about the quality of programmes on TV and the fact that everyone had to buy a licence even if they only watched ITV and Channel 4. This was thought to be unfair and so there was some sympathy for evasion.
4.5 Attitudes to different types of benefit fraud

So far in this chapter we have looked at overall attitudes to benefit fraud, both in its own right and in comparison with other types of fraud. Benefit fraud, however, covers a wide range of activities, some of which may have a greater degree of legitimacy attached to them than others. As mentioned earlier, views of the legitimacy of benefit fraud centred around five main factors: motivation; scale; regularity; premeditation; and suffering caused to others. From their assessments of these factors respondents made judgements as to the criminality of an activity and the potential for justification. Implicit in these judgements was an assessment of the opportunity for legitimate behaviour afforded to the individuals involved.

4.5.1 Comparing different types of benefit fraud

Respondents were, again, given a series of vignettes involving cases of different types of benefit fraud (Figure 4.2).

Figure 4.2 - Vignettes for different types of benefit fraud

John is married with three children. He is claiming Unemployment Benefit while working full-time as a taxi driver.

Sally is claiming benefit as a lone parent with two children. Her boyfriend has recently moved in to live with her and they share housing costs. She has not told the DSS about this.

Stan lives on his own and is claiming Income Support. He occasionally does odd jobs for his friends and neighbours but doesn’t declare the earnings to the DSS.

Jane lives on her own and is claiming Income Support. She has £10,000 savings in the bank but has not declared it to the DSS.

Gary is single and unemployed. He has stolen someone’s giro cheque and cashed it himself.

Mark and Donna are claiming benefits on behalf of themselves and four children - but they only have two children and have made up the identity of the other two.

As before, they were asked their views on how wrong they perceived each activity to be; the type of people most likely to commit each; the most likely motivation; and the extent to which each could be justified. After they had expressed their views on each type of fraud, respondents were again asked to rank each case in descending order of seriousness.

Table 4.7 shows the mean value calculated for each activity. Once again, views were similar, regardless of whether respondents had possibly been involved in benefit fraud or not. Some interesting patterns emerge from this table. The most serious type of fraud was thought to be stealing a giro cheque, even though this may be a one-off incident and the amount of money involved may be much lower than that for the other types of fraud. Working regularly while claiming was considered the second most serious form of fraud and was seen as much more serious than working casually while claiming benefit. Indeed undeclared earnings from casual work were...
seen as the least serious type of fraud. Fabricating a claim and failure to declare savings were seen as more serious than 'living together as husband and wife', which was viewed as the least serious apart from undeclared earnings from casual work.

Table 4.7  Ranking of seriousness of different types of benefit fraud

<table>
<thead>
<tr>
<th>Type of fraud</th>
<th>Those who had committed fraud</th>
<th>Those who had not committed fraud</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gary - stealing a grocery cheque</td>
<td>2.4</td>
<td>2.3</td>
</tr>
<tr>
<td>Mark and Donna - fabricating a claim</td>
<td>2.6</td>
<td>2.9</td>
</tr>
<tr>
<td>John - regularly working and claiming</td>
<td>2.9</td>
<td>2.8</td>
</tr>
<tr>
<td>Jane - undeclared savings of £10,000</td>
<td>3.4</td>
<td>3.2</td>
</tr>
<tr>
<td>Sally - claiming as a lone parent, while co-habiting</td>
<td>4.4</td>
<td>4.4</td>
</tr>
<tr>
<td>Stan - casual working and claiming</td>
<td>5.4</td>
<td>5.3</td>
</tr>
</tbody>
</table>

Respondents showed a clear method of distinguishing between particular types of activity using criteria listed in section 4.3.2 above, such as need versus greed. Much of these findings reflect the results from another study of working and claiming (MacDonald, 1994) which found that respondents: 'drew clear distinctions between different types of fiddly work. That which is short-term, motivated by family need and done for relatively little cash was acceptable.'

4.5.2 Working and claiming

Working while still claiming benefits for unemployment was considered to be a common activity. There was little doubt that the primary motivation for this was financial need and there was some sympathy for people working and claiming. A lone parent gave her explanation as to why some people worked and claimed:

'Because they can't afford to live, because of their standard of living and because of the wages being so bad.'

Regular working and claiming was generally afforded much less sympathy and understanding by respondents than casual work. The strength with which this distinction between regular and casual working was upheld by respondents is illustrated by the fact that even respondents who had been prosecuted for working and claiming refused to justify John's case. One thought John to be someone who:

'Just wants to screw the social security system of every penny that they can get out of them basically ... if he's working full-time as a taxi driver then why on earth does he need the Unemployment Benefit?'

Another felt that regular, full-time employment suggested that a higher level of deliberation was involved in the decision to work and claim:
I don’t think that would be justifiable because that’d be, he’d be doing it all the time, deliberately defrauding ... if he’s doing it all the time it is serious.’

On these grounds John’s situation was much harder to justify. But it was still not necessarily seen as heinous:

‘It’s unfair more than serious I think. It’s unfair because there’s a lot of people that work hard and pay their stamp and their tax and then it’s basically to keep people like this that can do both. Unfair as opposed to terrible.’

The most important element in this distinction was the fact that, having secured full-time, paid employment, John was no longer considered to be ‘in need’. The majority of respondents located the main source of their financial difficulties in the fact that they were unable to find regular paid employment. Although a few respondents did consider the fact that John may be earning very low wages, the fact remains that the majority were less able to empathise with his situation.

A minority felt that John’s activity could possibly be justified if he was in debt or otherwise in particular need. A young mother of three pointed out that even regular working and claiming could be worth the risk even for people who knew it was wrong:

‘If he can get away with it for 10 weeks and he makes £120 a week it’s helped him a lot, hasn’t it? He knows every day when he goes out the house he’s taking a chance but he’s prepared to do it.’

Stan’s case was received by respondents with a great deal of understanding. Working on a one-off basis without declaring it to the Benefits Agency was thought to be very common among people who need a bit of extra money and was not considered to be a serious offence by the majority of respondents. Many respondents had been offered and had seriously considered similar opportunities to supplement their benefit income. A number of respondents also noted the therapeutic benefits for the long-term unemployed of occasional working. In fact, taking an odd day’s work every once in a while was generally thought to be something ‘...anyone would do’.

The type of benefit fraud committed by Stan was justified by respondents on a number of grounds. Most respondents accepted his actions on the grounds that his most likely motivation was ‘...to supplement his incredibly poor income’. Many respondents applauded the idea of someone who was able to beat the system and make things a little easier for themselves:

‘I’m for him, he’s trying to keep himself alive by that little bit extra. He’s probably doing it for his friends and neighbours, not charging them a lot.’

Respondents also felt that the fact that the work was taken on a very casual basis also detracted from its seriousness. One respondent who had never worked and claimed argued:
'I don’t think he is breaking the law. There’s no mileage in it; there’s no intention of robbery or fraud or anything like that.'

The short-term, casual nature of Stan’s activities and the existence of financial need were both proven in the eyes of respondents by the fact that he was assumed to be earning too little for his primary motivation to be perceived as greed. One man felt that people were completely justified in earning a bit of ‘pocket money’:

'I can’t see anything wrong with it. If the guy’s going to get about 20 quid or 30 quid he’s only going to put it to a couple of pints. We’ve all got to have a bit of a life.'

In addition, Stan was considered to be totally justified in avoiding the ‘hassle factor’ of declaring casual earnings. A young female respondent who had never committed fraud herself was sympathetic to people who did not declare one-off earnings:

‘To be honest, the forms and everything to fill in and like for the week I wasn’t working it would have been horrendous to try to work it out...’

Although Stan’s activities were generally thought to be legitimate, people were not necessarily happy about this. There was an acknowledgement that even casual working and claiming could be against the law and a recognition that people were being sadly forced to break it:

'I don’t agree with anybody breaking the law, basically. But having said that, in this day and age, you’ve got to do something.'

4.5.3 Living together as husband and wife

Views of ‘living together’ also varied depending on whether the relationship was permanent or short-term. The employment situation of the partner was also considered important. These factors were used by respondents to ascertain the extent to which actions were deliberate fraud or merely part of a struggle to make ends meet. Perhaps not surprisingly, women tended to be more sympathetic to Sally’s situation than men.

Sally’s situation was perceived to be fairly common and motivated in most instances by financial need. Even respondents who had never been involved in possibly fraudulent activities themselves expressed sympathy with the difficulties of a lone parent supporting young children:

‘Well she is single with two kids ... it’s justified because ... the state of benefits at the moment, they’re that low that anything, within reason, helps.’

In addition, Sally’s actions were seen to be further justified by the additional financial pressures generated by the family means test. A lone parent explained the disincentive effect of the family means test:

‘As a single parent with the two kids ... and her boyfriend moved in she’d get perhaps ... an extra 15 pounds added onto her benefit ... whereas at least with
Female respondents, particularly those who had suffered under the cohabitation rule themselves, also pointed out the way in which the family means test made women dependent on men. This loss of independence was viewed as a further incentive for Sally not to inform the Benefits Agency when her boyfriend moved in. In particular, it was felt that the family means test forced women into decisions about the permanence of a relationship much too early. A lone parent who had experienced this situation explained:

'I mean we didn’t want to live together but to me it was as though they were pushing us together so I didn’t have to sign on ... so I was relying on him to pay my bills and I didn’t know him that well and I thought to myself well that’s a bit off ... to have to rely on somebody you’ve known for what, only six months to pay everything ... they should have still at least entitled you to having something for yourself.'

The uncertainty of personal relationships was therefore mentioned in support of Sally’s case. The bureaucracy or, perhaps, inefficiency of the social security system was another important element. Women in particular recognised that, should the relationship fail, Sally faced the ‘hassle’ of re-claiming. One female respondent explained the dilemma her friend had faced over ceasing to claim in her own right:

'She was saying that she didn’t want to stop claiming because she didn’t know if the relationship would work and she knew that if it ended she’d be back where she started and she’d have to go through the whole thing again and wait for weeks and weeks and get into debt while she was waiting and she didn’t really want to face that.'

In spite of their sympathy for Sally, respondents were very clear about the boundaries of their understanding. If Sally was planning to continue claiming as a lone parent on a long-term basis, she would be considered to be committing deliberate fraud. Similarly, respondents would have been less sympathetic if Sally’s partner was in paid employment as in these circumstances she was perceived as being less justified in protecting her own interests.

4.5.4 Undeclared savings Jane’s failure to declare £10,000 of savings was not generally received sympathetically, partly because her situation was so alien to the majority of respondents. One young mother describes Jane as ‘someone youngish and on the make’. In the main, failing to declare such a high amount of savings was considered by most respondents to be an act of deliberate deception motivated by greed:

‘She’s got enough money to live quite a long time on that, that’s just being totally selfish not to spend that. We’ve all got money we don’t want to spend, you know, we never want to spend money but that’s just the way it is.’
A father of two, prosecuted for working and claiming, distinguished his crime from Jane's simply on the basis that this had been motivated by the need to survive:

'To be greedy is wrong. To do it to survive is a necessity. It's a necessity in anybody's life.'

However, some respondents did have sympathy for Jane. They felt that if she had saved her money through hard work during her lifetime, she should not be penalised for it now. Once again, the means test came under criticism, this time as a disincentive to save:

'If you work for that, you're already paid tax on it, I don't see why you should have to start living on it.'

Stealing a giro and fabricating a claim were perceived by all respondents as the most serious offences. Respondents were adamant that these offences were in a completely different league to 'simple' offences such as working and claiming or breaking the cohabitation rule. In short, respondents classified these as clear cases of theft and deception motivated wholly by greed or criminality. The main element in respondents' perceptions of these two offences was the extent to which they involved deliberate lying and deception as opposed to 'sins of omission':

'The thing is, it's a direct lie, isn't it ... you can get away with things like that [that is, undeclared earnings] by avoiding the question, if you see what I mean, but this is more direct.'

A sin of commission was considered much more serious than a sin of omission.

These offences fell into respondents' classifications of 'real fraud'. A married father of three said of Mark and Donna:

'They're definitely defrauding the system ... you can't apply for something that you're not entitled to and that's what they're doing.'

'That is definitely fraud, that is, because they're getting money under false pretences.'

Most respondents had never heard of the type of fraud committed by Mark and Donna. Some were convinced that it simply was not possible:

'I've never heard of anybody doing that one. I've heard a few things but I've never heard of that one. I wouldn't have thought it was common. How would you get away with that? Because before you can claim benefits they ask to see the birth certificates and things like that.'

Fraudulently cashing someone else's giro was seen as particularly serious because it was viewed as the equivalent of 'stealing someone's last crumb'. A
middle aged man prosecuted for working and claiming explained why he found Gary’s crime completely indefensible:

‘It’s totally wrong, the guy needs shooting ... He’s nicked someone else’s money again and he’s put the poor bugger in trouble ‘till he gets his next giro and then they [at the Benefits Agency] look on him as being a dodgy character as well.’

Respondents’ main objection to Gary’s offence was that it resulted in another individual suffering. Even those who had worked and claimed or been involved in other types of fraudulent activity had little tolerance of offences which cheated other people rather than ‘the system’:

‘It’s very serious because you’re not only doing the DHSS, you’re doing somebody else.’

One person compared Jane with Gary:

‘Whereas like the £10,000 - that’s wrong but justifiable, I think, “best of luck to them,” ... with Gary, he’s pinching off someone else who’s in the same sort of boat as him ... it’s not right.’

This type of fraud was seen as ‘straight theft.’ Most respondents felt that it was motivated by greed and selfishness but some respondents could conceive of a situation in which it might be motivated by need. For example, if someone was living on the streets or dependent on drugs, it was thought that they might commit this type of fraud out of desperation. Although this was still viewed as wrong, respondents felt that they could be sympathetic to people in such dire straits.
4.6 Key points: Attitudes to benefit fraud

* The general public see benefit fraud and tax fraud as much less serious than crimes against the person or property crimes such as burglary but more serious than prostitution or petty shop-lifting.

* Regardless of any involvement with fraud, most of the 45 people interviewed were highly critical of various aspects of the benefit system and its operation. Criticisms focused on: benefit levels; specific rules such as the earnings disregard and family means test; the inefficiency and complexity of the administration of benefits; and the attitudes and behaviour of staff.

* Interviewees thought that most fraud involved doing casual work illegally while claiming benefit. This was seen to be usually committed out of need due to low benefit levels and the disincentive to declare earnings because of the hassle involved and the high effective tax rate on earnings.

* There was a strong moral code about benefit fraud. Judgements about fraud were based on an assessment of: the perceived motivation in terms of need or greed; the scale of the activity in terms of the amount of money involved; the regularity or persistence of the activity; the degree of planning or premeditation; and the degree to which others might suffer as a result of the activity.

* TV licence and fare evasion were seen as much less serious by respondents than social security fraud. Tax fraud was seen as slightly more serious than benefit fraud.
In order to deter and reduce benefit fraud, it is important to know why people commit it. This chapter reviews the literature on the causes of benefit fraud before assessing the motivations to commit benefit fraud cited by respondents interviewed in depth as part of this study.

The issue of fraud has been tackled by social psychologists. One model conceptualises benefit fraud as a combination of instigations and constraints both in terms of the objective social situation people find themselves in and their subjective reaction to it. It has been argued that instigations operate in the early stages of considering fraud whereas constraints come into play at a later stage (Hessing et al., 1993). For example, once someone feels the need to commit fraud – perhaps because of financial strain – that person then considers the opportunities and constraints. But the process could work in a different way – someone may never have considered committing fraud but be offered some casual work and may only then consider how much they need the extra income and whether to declare it.

This model suggests that the perceived risk of punishment is only one of a number of factors which influences fraudulent activity. The model was tested using a postal survey which collected information from a sample of 96 Dutch benefit recipients – about half of whom were known to have committed fraud (Hessing et al., 1993). With this size of sample it is difficult to generalise to the overall population but the findings suggested that personal constraint measures, such as perceived opportunity and risk of punishment, were particularly important both in predicting levels of self-reported fraud and officially-known fraud. The research also found that fraudsters were more entrepreneurial and had a high level of commitment to work.

Another Dutch study explored benefit fraud along with other types of participation in the hidden economy and identified the importance of a combination of structural and opportunity factors (Renooy, 1990). Serious financial difficulty was the main reason why a third of respondents in the study were involved in the hidden economy. So structural factors were very important but opportunity factors, such as having appropriate skills, education, supportive cultural standards and positive attitudes towards participation were also important.

In the previous chapter we noted that respondents saw benefit fraud as mostly motivated by need and sometimes motivated by greed. A small-scale qualitative study of lone mothers carried out in the United States found that most of those interviewed were working and claiming fraudulently. The minority who were not committing fraud had other means of supplementing
their benefit income, for example through money from their family or friends (Edin and Jencks, 1992). It was argued that lone mothers committed fraud because they saw their first obligation in terms of feeding and clothing their children. They felt that the welfare system did not give them enough money to do this and penalised them by withdrawing benefit when they did earn and declare it. There was also some evidence that case workers suspected that claimants were involved in fraud but felt sympathy for the women and so failed to report them. The researchers concluded that, 'the only way most welfare recipients can make ends meet, therefore, is to supplement their welfare checks without telling the department'. They also argued that fraud had increased with the declining purchasing power of benefits since the mid 1970s.

There is a wide debate on benefit levels and hardship which we cannot review in full here but research in the UK has shown that those living on out-of-work benefits experience considerable hardship (Bradshaw and Holmes, 1989, Jordan et al, 1992, McKay and Marsh, 1994, Kempson et al, 1994). One study suggests that living standards on benefit varied for different family types and that, for some, benefit levels are inadequate for meeting the expenses of even a low-cost budget (Bradshaw, 1993). So if motivation to commit fraud varies with hardship, families with children may have greater motivation.

A study of 'fiddly jobs and undeclared working' in Cleveland concluded that, 'despite the low levels of money earned, fiddling became a survival strategy ... fiddly work is a necessary way of maintaining individual self-respect and household incomes' (MacDonald, 1994).

In the PSI study *Hard Times?*, of the 47 people receiving Income Support, the seven who were working and claiming were aware that they should declare their earnings (Kempson et al, 1994). They were also aware of the possibility of getting caught but were heavily dependent on the extra money which was provided. Most of these people had problem debts. One man had recently lost a well-paid job. Although he received some help with his mortgage payments, he said he was left £180 short of the £262 monthly repayments. He took on some casual work for cash-in-hand to ease his family's financial problems. He admitted: 'It's something I don't like doing for fear of being caught. It's only in desperate situations I'd ever go into that.'

Claimants who were committing fraud did feel that earning above the disregard was 'wrong' but saw it as preferable to certain other courses of action. For example, one woman, who was receiving Income Support, was in multiple debt but preferred to earn a little 'on the side' rather than claim either one parent benefit or free school meals which she saw as 'degrading'. The stigma of claiming a benefit she was entitled to (and a non-means tested one at that) was less acceptable to her than committing benefit fraud.
Another woman said that if she did not have her extra income from casual work: ‘I don’t know what I would have done. I would have turned to crime’.

Interestingly in this case, benefit fraud was not seen as a crime. According to this woman’s logic, if more people are deterred from committing benefit fraud they may feel compelled to resort to other activities to make ends meet, perhaps other criminal activities and ones with greater anti-social consequences.

But although poverty may be a contributory factor in some types of benefit fraud, it is unlikely to be the whole story. This may be particularly true in ‘living together’ cases. Studies have shown that, among people on very similar low income levels, the prevalence of this type of fraud varies from situation to situation. For example, a recent study of welfare fraud in Canada rejected the ‘need hypothesis’ in relation to cases of ‘living together as husband and wife’ (Sabatini et al, 1992). The researchers found that, although benefit levels were very low, mothers who were cohabiting but claiming benefit as lone mothers did not have greater needs than mothers living on their own. They argued that cohabitation fraud should be seen within the context of the limited opportunities open to women, and particularly mothers, in a male-dominated society. Fraud was partly the result of poverty but partly also the result of ‘an assertion of autonomy and resistance to male domination’. Mothers who were cohabiting refused to see their partner as having the financial status of a husband. They saw themselves as financially independent and so continued to regard themselves as single for the purposes of a benefit claim. Their conclusion was that ‘cohabitation fraud may be a way women without hope in the current system are able to preserve some autonomy and to resist male domination in the home’.

Studies of the hidden economy have shown that the very poorest groups, who may have most need for cash-in-hand work, have few opportunities for finding that work (Gershuny and Pahl, 1979). These people, including the long-term unemployed, have fewer skills, fewer tools and fewer contacts with potential employers, so the chances of finding casual work are low. Moreover, their neighbours may not have much spare cash to pay for window cleaning or other odd jobs. The recent growth of a more flexible labour market, however, may have increased the availability of low-paid casual work.

It should not be forgotten, however, that some people may have the opportunity to commit fraud and may be in desperate need of extra money but may nevertheless refuse to participate in such activity.

The complexity of the motivations to commit benefit fraud was illustrated in a study by Weatherley (1993) who carried out interviews with 186 Australian benefit claimants in 1991. The sample was not representative of all claimants—respondents were approached by the interviewer as they left benefit offices. But the study provides fascinating information about the
range of views about benefit fraud. Respondents were asked, 'if you had a chance to earn extra income, would you tell Social Security?'. The majority (74 per cent) said that they would. But five per cent said that they would not declare their income and one in five (20 per cent) said that it would depend on the circumstances.

Those who said they would comply and declare their income were asked why. The most common answers related to general honesty and fairness. But a significant minority said that they would declare it for fear of being caught if they did not. The 'wavurers' who said that they might not declare income, said that it would depend on whether the work was temporary or casual and/or would involve a small amount of money. Other wavurers said it would depend on whether the income would be reported to the tax office. These people were considering the possibility of detection and were more likely to defraud if they were paid cash-in-hand, 'no questions asked'.

The actions of 'wavurers' may therefore depend partly on the actions of others. Similarly, if someone offers cash-in-hand for a job, a 'wavurer' may be more likely not to declare it. If an employer makes an informal deal with a 'wavurer' that they will not tell the authorities about their earnings and will allow time off each week for signing on (in return for paying lower wages), then the 'wavurer' may take the work and not declare it.

The 'wavurers' and those who openly admitted that they would not declare income justified their non-compliance on the grounds that the regular benefit payments they received were inadequate. Some commented that the reporting of extra income often led to delay and disruption in their benefit payments. For a very small number, there seemed to be a link between high levels of dissatisfaction with the general service they received from the social security system and willingness to defraud. They felt that the system was unfair to them and so felt no obligation to comply with it.

Weatherley concluded that most claimants were inclined to comply but that their likelihood of compliance was reinforced by their perception of the likelihood of detection. The study also showed that fair and courteous treatment, while desirable simply from a social justice point of view also reinforced voluntary compliance – 'Courteous, timely and effective service, adequate payment levels, responsiveness to complaints and clearly delineated avenues of redress can engender a sense of obligation and fairness that also dispose people towards “doing the right thing”.'

3.1.3 The nature of the labour market and the social security system

The social security system was originally built on the following assumptions:

* men would be the main breadwinners in typical nuclear families
* they would spend the overwhelming majority of their lives in full-time, permanent, well-paid work
* during their time in work they would pay National Insurance contributions which would cover them for brief spells of illness or unemployment as well as a longer spell of retirement.

It was therefore thought that there would be little use made of means tested benefits which only existed as a safety net. It is unlikely that such assumptions were ever wholly accurate but life in the 1990s certainly does not correspond to this stereotype. Today there are over a million lone parent families, women increasingly make up a large proportion of the workforce and much of the paid work available is 'flexible' in nature. In 1993, 10 million people were either part-time, temporary, self-employed, on a government training scheme or unpaid family workers (Watson, 1994). The proportion of men in employment who are part of the flexible workforce has risen from 18 per cent in 1981 to 27 per cent in 1993.

This growth in flexibility has been responded to by the social security system to some extent, for example with the availability of in-work benefits such as Family Credit, which top up earnings. However, researchers have documented the risks and disincentives involved in taking part-time and temporary employment which are inherent in the current social security system (McLaughlin et al., 1989). Where people are offered a few hours’ work a week, the earnings disregard rules on Income Support come into effect, leaving claimants who declare any pay with very little money in their hand. The benefit system, and means tested benefits in particular, have been criticised as causing either a disincentive to work or an incentive to be dishonest. One commentator has argued that ‘means tests feed fraud’ (Field, 1995).

Other researchers (Evason and Woods, 1995) have also noted the role of the flexible labour market as one explanation for benefit fraud:

The interaction of cuts and adjustments in the benefit system, deregulation of the labour market and increases in rents in the public sector ... have had the unanticipated consequence of making working while claiming benefit more attractive.

These researchers have commented that fraudulent earnings are very low and can involve long hours of work. The main beneficiaries, in their view, are employers rather than claimants.

The next section reviews the profile of the 45 respondents interviewed by PSI in terms of whether or not they were, or ever had, been involved in activity which may have been fraudulent.

5.2 The prevalence of benefit fraud among respondents: Respondents were originally selected from official records but their accounts during the interview did not always correspond to these records. For example, three of those who had been selected from records of prosecutions said that they had not been prosecuted. Although these discrepancies could
be due to mis-reporting by respondents, another possibility is that official statistics on fraud may not be a wholly accurate representation of fraudulent activity. In some cases, it seems unlikely that respondents were mis-reporting. For example, one man, who was officially recorded as having been caught committing fraud, openly admitted that he had worked and claimed but was unaware that the Benefits Agency knew of this. Another man, who was officially categorised as having been prosecuted, admitted being involved in fraud and being caught but said that he had not been prosecuted. It is not possible for us to check official records so we can only give details of the discrepancies where they do occur and bear these in mind when interpreting the data.

Category 1: Unemployed
15 respondents had been selected randomly from a sample of people currently receiving Income Support due to unemployment. Six of those interviewed admitted to activities which may have involved defrauding the Benefits Agency. For example, some said that they had worked while claiming benefit or claimed as a single person while living in a couple. Four said that they had never been involved in any such activities. Five had worked while claiming benefit but said that this had not been against the rules of the benefit system. For example, one person said that he sometimes carried out building and repair works for neighbours and friends but was always paid 'in pints'. Someone else admitted to receiving tips while carrying out voluntary work. Two others said that they had received money for casual work but they did not say exactly how much they had received. They did say that it was a very small amount and so did not constitute fraud.

We have therefore divided this group into six people who admitted having been involved in an activity which may have been fraudulent and nine people who said that they had never done so.

Category 2: Fraud, not prosecuted
15 respondents had been selected from records of people who, on balance of probabilities, were believed by the Benefits Agency to have committed fraud, but who had not been prosecuted for it. One of these admitted working and claiming but said that he had not been caught. Others said that they had been investigated and thought by the Benefits Agency to be committing fraud but they denied it. Others denied both committing and being investigated for fraud.

Four women admitted that they had been in relationships which had been investigated and categorised by the Benefits Agency as 'living together as husband and wife' or simply, 'living together'. But they denied that they had been 'living together' or they denied being aware of the rules. So although they were not denying the basic facts of the Benefits Agency's case against them, they did not agree with the interpretation and did not see themselves as having committed fraud.
This group of 15 can therefore be broken down as follows:

- five admitted working and claiming, of whom:
  - four admitted being caught by the Benefits Agency
  - one thought the Benefits Agency did not know
- five admitted being caught ‘living together’, of whom:
  - one admitted deliberate fraud
  - four denied deliberate fraud
- one admitted being caught for failure to report her son’s move away from home
- four denied committing any type of fraud, of whom:
  - one admitted being investigated by the Benefits Agency
  - three did not say they had been investigated

Of the 15 interviewed, eight either denied having committed any activity which may be construed as fraudulent or admitted involvement which the Benefits Agency had deemed fraudulent but denied that they had deliberately broken the rules.

**Category 3: Fraud, prosecuted**

Of the 15 people who were drawn from records of those prosecuted for benefit fraud, 12 admitted to having been prosecuted and three denied being prosecuted. One of those who denied that he had been prosecuted did admit that he had committed benefit fraud and been caught. Another said that she had been falsely accused of benefit fraud and the planned prosecution had eventually been dropped. Another denied committing benefit fraud or being prosecuted but did admit that there had been an overpayment of benefit when his son left home. Table 5.1 shows the number of different types of fraudulent activity admitted to by people in each of the three samples.

<table>
<thead>
<tr>
<th>Respondents’ accounts</th>
<th>Unemployed</th>
<th>Fraud, not prosecuted</th>
<th>Fraud, prosecuted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working and claiming</td>
<td>5¹</td>
<td>5</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>‘Living together’</td>
<td>1</td>
<td>5²</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Deny fraud</td>
<td>9</td>
<td>4</td>
<td>2</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>45</td>
</tr>
</tbody>
</table>

¹ Two of these respondents also admitted to living together in the past.
² Four of these admitted that they were in a relationship which was seen by the Benefits Agency as living together but denied committing deliberate fraud.

The nature of fraud within each of the main categories varied considerably. Cases of working and claiming varied from people who had been paid small amounts for odd jobs on a very occasional basis to one person who had been prosecuted for working full-time over a two-year period while still claiming Income Support. A total of £10,000 in overpaid benefit was now being recovered from this woman. ‘Living together’ cases varied from relationships which were seen as very casual to one couple who admitted having lived
together fully as a couple for four months without declaring themselves as such. Cases of fraud probably lie on a continuum between the very ‘casual’ and the more established and regular. Whether a case is categorised as ‘casual’ or ‘regular’ may be clear at the extremes but the dividing line is fairly arbitrary. Nevertheless, we have divided our cases in such a way.

Of the 30 who had been involved with activities which may have been fraudulent, nine had been doing casual work and seven had been in relationships which were not permanent or regular. A further 11 had been engaged in full-time or regular part-time work and two had been in more secure, permanent relationships. The table below illustrates how these categories interact with the official records. The table shows that those from the unemployed category and those caught but not prosecuted were virtually all engaged in casual activities. By contrast, all those prosecuted were involved in more regular activity.

<table>
<thead>
<tr>
<th>Type of fraud declared by respondents</th>
<th>Unemployed</th>
<th>Fraud, not prosecuted</th>
<th>Prosecuted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Casual work</td>
<td>5</td>
<td>4</td>
<td>0</td>
<td>9</td>
</tr>
<tr>
<td>Casual relationships</td>
<td>3</td>
<td>5</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>Regular work</td>
<td>0</td>
<td>1</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>Permanent relationships</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>8</td>
<td>10</td>
<td>12</td>
<td>30</td>
</tr>
</tbody>
</table>

1 This refers to number of frauds, not number of respondents - two respondents were involved in casual work as well as being together.

All those who were in regular part-time or full-time work had initially been on benefit and had gradually moved from casual work into more regular work. No respondents had made an initial claim for benefit while in regular work.

5.3 Working and claiming

Twenty respondents admitted to working and claiming in the past - five of these came from the Unemployed group, five came from the Fraud, not prosecuted group and 10 came from the Fraud, prosecuted group.

Thirteen of the 20 respondents who admitted to working and claiming had children - eight were couples with children and five were lone parents. The others included six single people and one couple without children. Most were in difficult financial situations with deductions from benefit for arrears, fines or Social Fund loans. Some were borrowing from other relatives or moneylenders to make ends meet. The extra money from undeclared earnings was generally spent on paying bills and buying clothes or shoes for themselves or their children.

5.3.1 Financial motivations

According to respondents, their main motivation for working and claiming was to raise money to buy essential items or pay bills. All of those with children said that they had failed to declare their earnings because they
needed money to pay for essentials. One of those who had been prosecuted for working and claiming said that her family had been ‘in dire straits’ when she was offered some work. They were having deductions from Income Support for arrears on their Council Tax, rent and water rates. Money was also being deducted for repayments to a Social Fund loan. After these deductions, there was only £103 a week for herself, her husband and five children under the age of 11. She had been working for a couple of months before the Benefits Agency discovered her.

A woman with three young children had started a cleaning job ‘on the side’ to raise some more money. She had been in multiple arrears and had been frightened by visits from debt collectors. She had been taking anti-depressants.

Another respondent had worked for a couple of hours a day over a period of about three months. At that time, money was being deducted from the family’s benefit to repay a Social Fund loan and he was also paying off fines for driving without tax and insurance and not having a TV licence. He said that he had needed the extra money from undeclared work to pay bills, buy clothes for his children and provide himself with a little bit of extra money for going out:

‘That money I were earning, it were only paying the bills, I’ve got two children - I used to give them a bit of clothing. I’ve [also] got two with my ex-wife. Now if I was to do that on my dole money, I couldn’t live myself. But the odd bit of money I were getting on that job, that were going out on my kids and my bit extra I wanted.’

Although this man admitted that part of the extra money was spent on his own social life, he said that this was not a luxury but a necessity. He felt that ‘unless somebody goes out once a week or so on, they’re going to crack up … they’ve had it’. Now that he was no longer working and claiming, he could not afford to go out.

One woman found it very difficult to manage without borrowing from her mother on the one hand and a moneylender on the other:

‘We always get into difficulties and we take loans out from private loan companies and family help us out as well. I owe my mum so much money it’s unbelievable. But every week you run out of money. You always need nappies and they cost a fortune and by the time you’ve bought your two weeks’ shopping on your benefits you haven’t got enough money for nappies or anything.’

Respondents were not actively seeking to defraud the Benefits Agency but found it very difficult to turn down the offer of extra money:

‘If somebody comes up to you and says, “oh, if you do me four hours’ work I’ll give you £50,” when you’ve got no money, it’s very, very tempting. Not many people say “no”’. 
Although couples with children were having many financial difficulties, most of the single people were also struggling to survive financially, especially those living on their own. One single man had difficulties living on benefit and was now managing with help from his neighbours and by visiting a soup kitchen for meals. Another single man saw his divorce as a result of the financial and emotional difficulties relating to unemployment. He was having deductions taken from his benefit for Council Tax arrears and Social Fund loan repayments. He admitted that ‘I did a job that I ain’t reported so I’ve been able to buy some jeans. You have to take some risks now and again’.

Although most respondents gave financial need as the main motivation behind working and claiming, some also gave other reasons. Two of those who admitted benefit fraud said that they had not been in dire need when they earned money which they did not declare. They were both single men living with their parents. One man had been made redundant from a professional job two and a half years ago. He was currently living with his retired father who was receiving a private pension and provided his food. The son did feel the loss of his previously good income and felt that he had to cut back on his social life, but he was not in debt and was managing fairly well. He kept in touch with people in his former line of work and was sometimes asked to carry out one-off jobs to help them. He saw the extra money from working and claiming as a bonus, but it was not needed to pay for essentials. This man admitted that he was not in desperate need of the money but said that he carried out the work to help old colleagues:

‘I’m still known by everyone in the trade ... I pulled these people out of a scrape, they couldn’t get the thing done ... I knew them, they were friends and they’d got no-one to turn to so I helped them out, that’s how it is, I’m usually the scapegoat for rush jobs.’

Another man described what he had done as, ‘just favours ... the guy was stuck for a job. He couldn’t get it done and phoned me a few times so I did it’.

Another single man, who lived with his mother, also saw his undeclared income from irregular ‘odd jobs’ as a bonus rather than a life-saver. People said that they sometimes worked and claimed to keep busy as they got bored without anything to do. Altruism, loyalty to others, the need to keep skills going and do something interesting were cited as important motivating factors alongside financial gain.

In virtually all cases of working and claiming, the benefit recipient had been asked to do a job rather than pro-actively looking for work. Once offered a job, there were three options: the job could be turned down; the job could be carried out and the earnings declared; the job could be carried out and the earnings not declared. Very few people thought it was rational to carry out the work and declare the earnings as the effective ‘tax rate’ on earnings above the disregard was 100 per cent. Once someone decided to carry out the work – either because they needed the money or they wanted to help
someone out and keep their contacts and skills going – there seemed to be little point declaring the earnings.

Some of those who worked and claimed said that the disregard should be raised – £30 was thought to be a fair amount. It could be argued that respondents were acting as though the disregard was actually at a higher rate. Jordan et al, (1992) have seen working and claiming in this context:

They give themselves an ‘earnings disregard’ well above the DSS regulation of £5 a week ... (usually about £30-50 per week) ... In this way, they make part-time, short-term cash work worth taking.

Some respondents thought that the disregard should be abolished completely in favour of a system more like taxation. One person suggested that any earnings could be ‘taxed’ or recovered at a rate of 70 per cent rather than having a disregard and a 100 per cent ‘tax rate’ on earnings above it. The withdrawal rate on net income for Family Credit is currently 70 per cent and so his suggestion would have some precedence in the current system. It was thought that such changes to the system would make it fairer and provide greater incentives to both work and declare earnings.

The other disincentives to declaring earnings or signing off related to the amount of form-filling needed and the time taken to adjust the claim. For people with financial difficulties, the thought of going without a benefit cheque for even a day or two was enough to frighten them away from declaring any change in circumstances.

Other difficulties with the social security system related to Family Credit. One lone parent had started working eight hours a week while on Income Support but these hours were then increased to 18. She was only receiving £52 a week for her 18 hours and felt that she could not afford to lose her Income Support. She did not know about Family Credit. This was also the case for three other lone parents. Greater information about benefit entitlement may therefore be one way of reducing fraud.

But knowledge of Family Credit did not always persuade people to declare their earnings from full-time work. One man had been earning £150 a week with which to support himself, his wife and two young children. He knew that he could probably have claimed some Family Credit but was discouraged from doing so because he thought that the claim would take six weeks to sort out, during which time the family would have to survive on his earnings alone. He therefore continued to claim Income Support while in full-time work.

There were examples of ignorance of the system which could partly explain some undeclared earnings. One woman who took a one-off job for a fixed two-week period had decided not to sign off because she thought, incorrectly, that when she signed back on again she would have to wait
another 26 weeks before qualifying for benefit. This would have been the case if she had been disqualified from Income Support, for example for voluntary unemployment. But the end of a fixed short-term contract would not be classified as such and so she should have been able to receive Income Support immediately after the contract ended. Once again, this is an example of ignorance of rather complex rules which may contribute to the motivation to commit fraud.

The main reason, given by respondents, for working while claiming benefit was that they needed extra money for essentials and the rules of the benefit system provided a disincentive to declare their earnings. This conclusion is largely confirmed when we turn to our sample of nine respondents who had never committed fraud.

5.3.3 Those who had never worked and claimed

Six of the nine who had not committed fraud were single people. Two were couples without children and one was a couple with children. Some members of this group were in less financial hardship than the group who had worked and claimed. One couple were in their late fifties. The husband had only lost his £30,000 a year job in the last month. Although the switch from high earnings to benefits had been a shock, the main item that they had had to cut back on so far was wine. They were concerned about eventually getting into debt with their mortgage but so far the spell on benefits had been too short to cause difficulties. In another case, a single man regularly signed off benefit to do seasonal work for three to four months during the summer which helped him out greatly. Another couple said that they had now got used to living on benefits after six years. They said that it was not easy but that they had managed to avoid debt.

Although some people in the group seemed to be having fewer financial difficulties than those who had worked and claimed, there were three single men who stood out as living in great hardship. One man was living in a 19th-floor council flat which had no carpets or furniture except a TV and hi-fi system. He was repaying a crisis loan from his benefit and was getting into difficulties. He had children living away from him with their mother and found it difficult to send them money. Another single man had been living for the last four months on £26 a week because he had been dismissed from his last job for misconduct and had not qualified for Income Support. He felt that the amount of money he was receiving was:

‘absolutely ridiculous ... by the time you’ve bought bread, magazine, that’s £1 - then you’ve got all your bits and pieces - it costs you a minimum of £5 to £7.50 a day to get something reasonable ... you work that out ... that’s £35, that’s minimum.’

Another single man, living on his own, had been disconnected from his gas and electricity supply after getting into debt. He was finding it very difficult to get by on Income Support. He said that it was sometimes necessary to
'starve' himself so that he would have enough money to take his clothes to the launderette.

Despite the great hardship experienced by some people in this group, none of them had worked while claiming. The main reason they gave for this was that they had not had any opportunities to do so. It must be stressed, however, that no-one said they would work regularly or full-time while still claiming benefit so there were very strong boundaries around what was seen as legitimate activity. But six of the nine said that if they were offered a small amount of casual work they would not declare the earnings. One man had been contacted by a previous employer but he was not suitable for the work. He explained:

'My old boss, he's rung me up already but when he found out I didn't have a car I couldn't do the job for them. But if I'd had a car, he had a job for me ... if he'd said to me, “it's only a week's work,” you know, I wouldn't have bothered telling anybody.'

Another single person said that there were few opportunities for casual work in her area:

'I've never been given the opportunity. I wouldn't turn it down if it was there - such jobs are like gold dust.'

She said that she would do casual work out of financial 'desperation' and would not declare the earnings because:

'...they'd take it off my Income Support and there wouldn't be any point doing the job.'

When asked whether he would declare £25 earnings for a day's work, the man receiving hardship payments replied:

'No, sorry, but I wouldn't. A one-off like that - what's the point? Because the time you've gone through the rigmarole of all the paperwork it's going to take about six weeks [to sort out].'

Two people, however, said that they would turn down an offer of casual work while claiming benefit. One woman had turned down work rather than face the difficulties of filling in forms or the risk of committing fraud. She had been living with her family and had managed to get by financially with their help. By the time of the interview she had found a full-time job and had signed off. One man was finding it difficult to manage on benefit. He had not had any opportunities for casual work, but nevertheless said that he would refuse casual work for fear of being caught. He described himself as 'the nervous type'.

Only one person said that they would work and declare the earnings. This was a man who had been unemployed for six years and was living with his
wife and three children. He did plastering and decorating work on a casual basis every now and then, but said that he always declared the earnings.

These findings reflect those from another study of working and claiming. As MacDonald (1994) concluded: 'Of those who claimed they had not/would not do fiddly work, virtually all gave practical rather than ethical, reasons for this.' In MacDonald's study, fear of being caught was an important practical reason for not working and claiming. In our study, lack of opportunity seems to be more important.

Ten respondents had previously been involved in cases of 'living together'. Three of these were from the Unemployed group, five were in the Fraud, not prosecuted group and two were in the Fraud, prosecuted group. All of those in the sample who had been caught 'living together' were women, even where some of the men involved were also on benefit.

As in the cases of working and claiming, financial need was mentioned by respondents as one of the motivations for 'living together'. In the most 'serious' case, one woman had been living with her boyfriend for four months before the Benefits Agency found out about the relationship. She had been having great difficulties providing adequate food and clothing for herself and her three children. She often resorted to moneylenders, with dire consequences:

'I haven't got my family allowance book ... because I borrowed money off them. That's the way they're guaranteed the money back.'

Her boyfriend was unemployed when he moved in and continued to have his giro sent to his mother's address.

Another lone parent with four children was also finding it difficult to manage on benefit and had borrowed from a legal moneylender:

'You've got to pay your water - through the winter the electric's been really expensive because I've got these storage heater things and it's a nightmare. You have to take out a loan to help me in the winter, so I'm paying back a loan as well at the moment ... I have to pay £20 a week back so that's pretty steep.'

One single woman had moved in with her boyfriend and had declared this change in circumstances to the Benefits Agency. He was in full-time work so she was no longer eligible for Income Support and although he was low-paid they were not eligible for Family Credit because they did not have children. They found themselves struggling to manage. Eventually she told the Benefits Agency that she had moved back with her parents even though she continued living with her boyfriend for a couple of months. As she explained:
"I was living with him but I had to tell them I wasn’t living with him any more because I was losing my money. I wasn’t getting anything so I had to tell them I was living here with mum again."

The couple eventually decided that they did not want to carry on living in this way and that they could not afford to live together or get married because of the difficulties of living on the earnings from one low-paid job. She moved back to her parents’ home. This example illustrates how some people do not initially set out to defraud the system but try to abide by the rules only to feel unable to live within them. The woman felt that she had to choose between breaking the rules or changing her lifestyle.

5.4.2 Independence and control

Although financial need was an important motivation cited by respondents in cases of ‘living together’, another important issue was that of financial control or independence. In some cases, women saw little financial advantage to ‘living together’ because the two members of the couple kept their finances separate. The woman continued to live on the benefit she received for herself and her children, if she had any. The man would also continue to live on the benefit or earnings he received. In some cases, income was shared, but the woman in the couple felt very strongly about retaining access to her own source of income. If the two people claimed as a couple, the assumption was that the man would be the claimant and the woman would be dependent on him for money. This was not a scenario which some women were happy with if the relationship was short-term or unstable.

The woman who had handed her ‘family allowance’ book to loansharks was in financial need but she was also concerned about retaining financial independence. As she explained:

‘I’ve been on my own for two years and I was used to having the money and me dealing with it, me sorting out for me and my kids … if you have an argument he could always be awkward and say, “look, the giro’s in my name!” I mean why don’t they put the woman’s name on the giro? You never get that.’

This woman was speaking from bitter experience:

‘My first husband … I’d be sat there with the kids with nothing because the giro was in his name. You go to the social services, [they say], “well, you got paid yesterday, where’s it gone?” You can’t say, “on the way down from the post office my husband went out and splashed out on a new car or came back drunk” … so unless you physically rip it out their hand and then you’re still got to commit fraud to forge their signature to cash it – it’s not fair on the women and the kids.’

Another woman had recently split up from her violent husband who had frequently given her ‘a good hiding’. She resented having to rely on him for child support and wanted to be more independent from now on.
Another woman had also recently had a bad experience with her husband - he had walked out on her, leaving her to deal with various debt-collectors calling round to recover money he owed them. He had also spent the £6,000 which she had been awarded following a road accident. Although the husband was no longer living with her, he still returned every now and then to threaten her. Her boyfriend had recently moved in but she had no intention of losing her recently-won financial independence by declaring the relationship to the Benefits Agency.

The lone parent who borrowed from a legal moneylender to pay her winter fuel bill did not want to rely on her new boyfriend for money:

'to have to rely on someone you've only known for what, only six months, to pay everything and look after all your kids as well, I thought that was wrong, they should have still at least entitled you to having something for yourself.'

After being caught 'living together', one lone parent declared herself as part of a couple. She said that the motivation for 'living together' had not primarily been financial. After declaring themselves as a couple, her new partner was now able to tell the Child Support Agency that he had another family to provide for and his maintenance payments were reduced so they were not much worse off. She explained why they had been 'living together' and not declaring it to the Benefits Agency:

'It was my independence and it meant that I was not in a position to leave, but I didn't feel in a personal situation ready to commit myself to somebody.'

Part of the reason for wishing to retain financial control was that many of these relationships were still relatively new or casual. Although there was a man around, many of the women did not see themselves as part of a 'couple'. The man might only be staying a few nights a week or there might be little sharing of financial resources.

One woman was in a fairly casual relationship. She did not see herself as part of a couple and did not know how the Benefits Agency categorised people in her situation as such:

'He was here but he was still living elsewhere although he was staying here more nights than they allow you ... I didn't realise how many nights you were allowed.'

One lone parent explained:

'[My boyfriend] moved in with me, he's 20 years old. I've been married before. The two girls outside, they're my first husband's kids. Just because he was ready to make a commitment to me, he's not saying he was going to want automatically to have all the commitment of the money situation ... just because you go out with someone it doesn't mean they want the full responsibility.'

One woman believed that, as long as both herself and her boyfriend were unemployed, there was no need to sign on as a couple. She only became
aware of the rules when she was called in for an interview with a fraud officer:

'When I got there ... he said, “do you know what you’re here for?” and I said, “I haven’t got a clue,” because like I say I was really naive. I didn’t think we was doing anything out of the ordinary – he was unemployed, I was unemployed, that was it.'

To summarise, then, in cases of ‘living together’, the issue of financial need was an important one, according to respondents. If anything, however, financial need was overshadowed by issues of personal and financial control or independence. More importantly, some respondents were also unclear as to when they had or would cross the boundary to become a couple in the eyes of the state. They did not see themselves as part of a couple and so saw little reason to declare themselves as such to the Benefits Agency. Since fraud involves knowingly making a false statement, the extent of fraud in these cases may be arguable.

Only two other types of fraudulent activity were admitted by respondents. One respondent’s fortnightly giro cheque for £88 had not arrived on time. He was in great need for the money and so asked the Benefits Agency for a replacement. After cashing this replacement giro, his original one arrived in the post and he cashed this also. He had known that he should have returned the late giro. This man had epilepsy and had been unemployed for three years. He lived with his pensioner mother who was receiving £60 a week. He was not in as much financial hardship as some of the respondents who had committed other types of fraud, but he was finding it fairly difficult to manage and found the temptation to cash the late giro too great to resist.

The final case was a lone parent with four children who had failed to declare that her fifth child had left home to go and live with his father. When asked how she managed on her income, she replied:

'We can’t manage, we don’t manage ... I get into a lot of difficulties, I owe a lot of money out.'

But she did not say that her financial difficulties led to her failure to report her son’s departure. As she put it:

'I was still getting my other son’s money and I forgot all about it - I’d been ill and that and just one thing led to another and I forgot ... I was giving the child the money but I just didn’t think to go and change it, it’s just such a hassle going down there and spending all day down there.'

In her case there was little, if any, financial advantage, if she was giving the appropriate amount to her son. She said that the main reason she did not declare the change in circumstance was because it slipped her mind and she wanted to avoid the inconvenience of visiting the Benefits Agency.
The findings from these depth interviews therefore reinforce the findings from earlier studies. Financial need is an important element mentioned by claimants as leading to fraud but it is not the only factor. For example, in cases of living together, the desire for financial independence is also important.

5.6 Key points: Motivations to commit benefit fraud

- Respondents’ accounts did not always reflect the official records from which they had been selected. This could be due to mis-reporting by respondents or mistakes in the records of the Benefits Agency.

- Findings from the 45 interviews reinforce the results from other studies that financial need is one of the main motivations cited by people for involvement in possibly fraudulent activity.

- Those who had worked and claimed in the past also cited two difficulties with the current system which discouraged them from declaring their earnings. First of all, the current system only allowed them to keep a very small amount of their earnings. Secondly, the necessary form-filling was very time-consuming and may result in delay in benefit payment.

- Those who had never worked and claimed could well understand the motivations to do so as many of these were also finding it difficult to manage on benefit. The main reason why they had not worked and claimed in the past was because of lack of opportunity.

- The boundaries between living as a couple and being single were unclear to respondents. Some women were thought by the Benefits Agency to be living as a couple even though they considered themselves financially and emotionally independent.
Benefit fraud is a criminal offence and so those who commit it may be caught and dealt with under criminal law. This chapter reviews the Benefits Agency's investigation strategy and the penalties which might be levied against those caught.

6.1 The Benefits Agency's investigation strategy

The Fisher Committee on abuse of social security benefits set the tone for future developments in detecting and investigating fraud (Fisher Report, 1973). The committee was aware of public attitudes to the 'deserving' and 'undeserving' poor when recommending that certain cases such as those involving pensioners, disabled people and lone mothers – should not be the focus of investigative activity. The committee recommended that more emphasis should be given to cases where there was failure to disclose 'regular and substantial' earnings by fit persons receiving benefit.

In the 1980s and 1990s the government placed an increasing emphasis on the investigation of fraud. In 1980, Reg Prentice, the Minister for Social Security, announced that, despite the government's commitment to reducing staff in the public sector, more than 1,000 extra staff would be provided to work on fraud (Barker et al, 1990). In 1981, Special Claims Control teams were extended to the whole country followed in 1983 by the Department of Employment's Regional Benefit Investigation Teams (known as 'rabbits'). These teams marked a change from reactive investigation work (for example, where tip-offs were followed up) to more proactive investigation work (where particular types of claimants were targeted for investigation). At the same time, the issue of cost control became more important for investigators. The unpublished Fraud Investigator's Guide told investigators that, 'the cost-effectiveness of your action will be one of the most important considerations.' (quoted in Barker et al, 1990). The cessation of a claim would be seen as a very positive outcome from an investigation.

According to Smith (1985), Specialist Claims Control (SCC) teams came under criticism for apparently involving:

random investigation of claimants, using questionable interrogation techniques and unacceptable pressure to produce dubious savings, all in an atmosphere overcharged with the desire to meet targeted savings and root out fraud.

There were also criticisms, particularly in the tabloid press, about 'sex-snoopers' spying on people to see if they were living together. In 1986, the SCC was abolished but it has been argued that this abolition may have been
largely a response to the failure of the SCC to be cost-effective rather than in response to criticisms of its investigation methods (Cook, 1989a).

In 1994, there were 3,000 officers working on fraud (Benefits Agency, 1994). Most of these were employed in Sector Fraud, dealing with individual level fraud. Sector Fraud is divided into 22 Fraud Areas with about 130 staff in each area. Organised Fraud is a specialist unit employing about 240 staff in 26 investigation teams located in 11 British cities.

According to a recent report (Benefits Agency, 1994) a variety of means are currently used for detecting the different types of fraud. Misrepresentation fraud is usually discovered through routine staff work, such as visits to employers’ premises and information supplied by the public. The fact that the Benefits Agency receives anonymous tip-offs from the public appears to indicate that sympathy for benefit fraud, or perhaps particular types of fraud, is limited in some ways. As mentioned in the previous chapter, people have a very strong moral code about fraud — if they believe that some people are being greedy and therefore stepping over the boundary of what is legitimate, they may well see it as their duty to inform on them. It has also been argued, however, that anonymous tip-offs may be the result of the development of a climate of ‘scroungerphobia’ (Barker et al, 1990).

The Benefits Agency is also developing other approaches — including more verification of new claims to identify fraud as early as possible. Data matching is also used increasingly to identify possible inconsistencies by cross-checking information.

Claims which are thought to be more susceptible to fraud are given closer scrutiny than others, both at the point of claim and at frequent intervals thereafter. There is therefore some targeting of particular types of claimant, although it is not clear which types these are. Cook (1989a) details particular occupations, such as those involving part-time, casualised, seasonal and low-paid work, which are targeted. These would include contract-cleaning firms, farms, and catering and holiday work in seaside resorts. The claims of particular types of benefit recipient, such as lone parents and the unemployed, may also be scrutinised more closely than pensioners and disabled people. The issue of targeting is an interesting one since there may be a circular process whereby most fraud is discovered among the groups who are targeted but it is only found among these groups because they are being targeted. The initial decision to target particular groups must be based on reliable research rather than any preconceived ideas about which groups are more likely to commit fraud.

The measures used to detect misrepresentation fraud are also used to detect identity fraud (Benefits Agency, 1995). In addition, the Benefits Agency is developing a system of data matching of benefits records. Evidence requirements for National Insurance number applications are being
tightly and staff are being given better guidance, partly through a new Evidence of Identity handbook.

As far as instrument of payment fraud is concerned, benefit recipients are increasingly encouraged to receive their benefits through bank accounts by Automated Credit Transfer (ACT). This is a more secure system of payment but many recipients do not have bank accounts or prefer to be paid by order book or giro cheque. Consequently, new designs have been developed to reduce the risk of counterfeiting and forgery of these less secure methods of payment. The Benefits Agency is also increasing its liaison with the Post Office – for example, Post Office staff can call the Benefits Agency if they suspect fraud and rewards are made to staff who report fraud.

The approaches currently being developed to combat instrument of payment fraud are mainly preventative rather than investigative measures. Moreover, prevention is generally becoming much more important to the Benefits Agency since the heavy cost of investigation can be reduced if more fraud is prevented from occurring in the first place. The Benefits Agency’s report (1995a) on its Five Year Programme Against Fraud and Abuse states that:

We recognise that detective and investigative methods traditionally used will serve only to contain fraud and abuse, and this is not enough. So in addition to the traditional measures, we have developed a long-term strategy to shift the focus of security and control work from detection to prevention of opportunities for abuse arising in the first place.

The report gives details of 20 projects which will be implemented over the next five years and will cost an estimated £1 billion in return for estimated savings of £4 billion. Projects aimed to prevent fraud include the introduction of benefit payment cards, more cross-checking of information and major investment in information technology. Projects related to 'traditional methods' of detection and investigation include:

- 300,000 additional home visits for new claims. These will be undertaken by local staff who will be able to verify certain details, such as residence and household composition, which cannot be checked without a home visit. Initial pilot work will be geared towards identifying which particular types of claimant or claim should be targeted.

- 875,000 targeted reviews of claims in progress. These will also be carried out by local staff rather than fraud investigators. Reviews will be carried out by post, telephone or home visit to ensure continuing correctness during the life of a claim. Once again, pilot work will identify which claims should be targeted.

- Investigative action on employers. This project aims 'to increase compliance in the employment market and to deter employers acting collusively with people who work whilst claiming benefit'. The project
involves a feasibility study around the issue of employer collusion as well as greater investigation and prosecution of collusive employers.

Earlier chapters have stressed that fraud depends on interpretations of social security rules. In the case of Housing Benefit fraud, there is evidence to suggest that different local authorities have interpreted and applied the rules in very different ways. Even within a single area, the rules may be applied differently by different investigators. From his study of the interpretation and application of the cohabitation rule, Loveland (1989) concluded:

It readily becomes apparent that the cohabitation ‘rule’ is, in effect, not a rule at all ... The likelihood of couples in Outer London being designated as cohabitees is primarily dependent on whether it is the fraud officer or the principal officer who comes knocking at the door. The two officers employ quite different methods and produce quite different results.

There have been no similar studies into possible variations among Benefits Agency investigators either within or between different areas but it is likely that some variation occurs within this organisation.

Generally, there is very little publicly available information about the investigation strategies used by various organisations when dealing with fraud.

6.2 Current penalties for benefit fraud

In 1992/3, 560,000 people were investigated by the Benefits Agency for possible benefit fraud. This section reviews what happens to people once they have been caught possibly committing fraud.

6.2.1 The number of prosecutions

The main formal penalties for benefit fraud follow from prosecution. In the 1970s, the number of prosecutions for benefit fraud reached almost 30,000 (see Table 6.1 and Figure 6.1). However, prosecution is time-consuming and expensive, and its effectiveness as a deterrent is not proven. Since 1979, therefore, there has been a reduction in the number of prosecutions, with the number levelling off to around 9,000 between 1983 and 1986 and then dropping to below 5,000 in 1991/92. In the last three years, however, this trend towards a reduction in prosecutions has been reversed. In 1993/94, the number of prosecutions reached 7,645, an increase of 30 per cent on the previous year. And in 1994/5, 9,546 prosecutions took place, an increase of 25 per cent.

This recent increase in prosecutions is roughly in line with the increase in the numbers of cases being detected rather than as a result of a more vigorous policy of prosecution. In 1992/3, prosecutions represented 2.7 per cent of detected cases (5,815 in 219,000) and in 1994/5, prosecutions represented 2.4 per cent of detected cases (9,546 in 392,000). But, as stated in Chapter 1, it is not possible to know whether the increase in the number of cases being detected is due to an increase in actual levels of fraud or a more vigorous policy of investigation.
Most prosecutions are initiated by Sector Fraud for individual level fraud. In 1992/3, Sector Fraud undertook 5,239 prosecutions of individual-level fraud, 99 per cent of which led to a conviction. Organised Fraud activities led to the arrest of 1,400 people and the prosecution of 575. Once again, virtually all (556 or 97 per cent) led to a conviction. Over 200 of those convicted by Organised Fraud received custodial sentences ranging from six months to eight years (Benefits Agency, 1993).
In a letter dated 24 November 1994, the then Chief Executive of the Benefits Agency stated that 'The Department operates a selective and humane prosecution policy ... Steps are being taken to strike a balance between the benefit savings achieved and the prosecutions undertaken'.

In addition to prosecutions by the Benefits Agency for benefit fraud, the Employment Service also prosecutes offenders. Table 6.2 gives details of the number of prosecutions initiated by the Employment Service. These figures show a similar trend as for the Benefits Agency, with increasing numbers of prosecutions in the early 1990s.

Table 6.2 Employment Service statistics on prosecutions

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<tr>
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<tbody>
<tr>
<td>Prosecutions</td>
<td>4,453</td>
<td>3,456</td>
<td>2,765</td>
<td>2,602</td>
<td>3,602</td>
<td>4,247</td>
</tr>
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</table>

Where HB or CTB fraud is uncovered the DSS has no control over the penalties which are administered, although they do set the guidance. Decisions about prosecution are made by individual authorities all of whom have their own legal departments. The extent to which prosecution is used by local authorities varies widely between rural and inner city areas, although no figures are publicly available.

No information is available about the number of prosecutions for evasion of National Insurance contributions.

6.2.2 The decision to prosecute

Once a case has been investigated, the responsibility for the decision to prosecute lies at Fraud Area level. Investigating officers refer a case for prosecution to their line manager, a Fraud Sector Manager, who, if they agree with the recommendation, may refer the case to their Fraud Area Manager who then considers the case and makes the final decision. The case then goes to the Departmental Solicitor for further consideration on the evidential content of the case. Although the ultimate responsibility for making decisions about prosecution lies at a fairly senior level, referrals from investigating officers are rarely overturned in practice.

The decision to prosecute is based on a number of factors which are outlined in departmental guidance. One consideration is the 'public interest'. Reflecting the point made by the Fisher Committee, a distinction is made between different groups. For example, older or disabled people are less likely to be prosecuted than fit young men. Various 'aggravating factors' are also taken into account, such as the length of time over which the fraud has been committed and whether the claim was false from the outset or became fraudulent due to changes in circumstances. The level of intent is also seen as a factor – those who are thought to have brazenly set out to defraud the system are more likely to be prosecuted than others. Much of this reflects the moral code of claimants described in Chapter 4.
One of the potential problems with prosecution as a deterrent is that the cases which are prosecuted are atypical. They tend to be the most serious and so those contemplating less serious activities may not associate themselves with the types of people and types of fraud which are prosecuted. This is compounded by media coverage which deals mainly with a few of the most serious cases which come to court. There is a danger that people may believe that they will not be prosecuted for relatively minor fraud and so any deterrent effect may be reduced. Of course, all this presupposes that people consider, and are aware of, possible penalties before committing fraud. As we have discussed, previous research suggests that this is not generally the case.

6.2.3 What happens to those who are prosecuted?

The possible deterrent effect of prosecution may be dependent on the outcome of prosecution – for example, the balance between the likelihood of a custodial versus non-custodial sentence. Different penalties attach to different offences and sentencers will also vary the penalty depending upon the seriousness of, and the circumstances of, the offence. Hardly any information is publicly available on the outcome of prosecutions for benefit fraud, but some statistics relating to 1981 were quoted in Uglow (1984) – see Table 6.3.

<table>
<thead>
<tr>
<th></th>
<th>Social security</th>
<th>National Insurance</th>
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</thead>
<tbody>
<tr>
<td>Number of prosecutions</td>
<td>14,716</td>
<td>6,574</td>
</tr>
<tr>
<td>% convicted</td>
<td>96</td>
<td>98</td>
</tr>
<tr>
<td>% Conditional discharge</td>
<td>13</td>
<td>1</td>
</tr>
<tr>
<td>% Fine</td>
<td>65</td>
<td>95</td>
</tr>
<tr>
<td>% Probation</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>% Suspended sentence</td>
<td>7</td>
<td>-</td>
</tr>
<tr>
<td>% Imprisonment</td>
<td>3</td>
<td>-</td>
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</table>


This table shows that virtually all cases led to a conviction with the most typical outcome being a fine. However, a fine is not always the end of the road in terms of punishment. If someone defaults on a fine, they can eventually be sent to prison. In 1993, over one million people were fined by the courts and 22,754 people (that is, two per cent of those fined) were jailed for default (NAPO, 1994). We do not know what the proportion is for benefit claimants, but it could be even higher because they may be on lower incomes than offenders on average.

According to Uglow (1984), the next most common sentence for offenders was a conditional discharge. Probation and suspended sentences were used in a significant minority of cases. Imprisonment was imposed in a small number of cases: 400 in all went directly to jail following conviction for benefit fraud in 1981. Custody, it is suggested, is reserved for the most
serious offences, though a NACRO (National Association for the Care and Resettlement of Offenders) working party highlighted one case where a mother of six children was sentenced to two years' imprisonment for benefit fraud. While this working party accepted that the nature of the fraud in her case had been particularly serious – occurring over a period of seven years and involving false identities for claims in respect of non-existent children – they did question the utility of the sentence (NACRO, 1986). Of course, sentencing is ultimately in the hands of the judiciary rather than the Benefits Agency but the Agency must consider its 'public interest' remit when making decisions about prosecution.

This information about penalties is now relatively old and we have been informed by the Benefits Agency that fines are much less likely to be imposed by the courts now. There are now more options available to magistrates when sentencing people found guilty of benefit fraud. We have not been given the precise figures but, according to the Benefits Agency, conditional discharges and community service orders are much more common. This is apparently because prosecutors recognise that fines are often an inappropriate sanction and so are more likely to ask the court to impose other forms of penalty following conviction. The court may not accept such recommendations but they probably carry some degree of weight.

More recent evidence presented to the House of Commons' Public Accounts' Committee gives details of prosecutions in cases of organised fraud (see Table 6.4). In these cases the most common sentence was a custodial one, with prison sentences ranging from six months to over four years (Committee of Public Accounts, 1993). Similar data relating to individual level fraud are not publicly available but it is highly unlikely that custodial sentences are anywhere near as common.

<table>
<thead>
<tr>
<th>Table 6.4</th>
<th>Prosecutions for organised fraud in 1992/93</th>
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<tbody>
<tr>
<td>Number of prosecutions</td>
<td>575</td>
</tr>
<tr>
<td>Successful</td>
<td>556 (97%)</td>
</tr>
<tr>
<td>Acquitted</td>
<td>19 (3%)</td>
</tr>
<tr>
<td>Sentences given</td>
<td></td>
</tr>
<tr>
<td>Custodial</td>
<td>200 (36%)</td>
</tr>
<tr>
<td>Suspended</td>
<td>46 (8%)</td>
</tr>
<tr>
<td>Community Service</td>
<td>71 (13%)</td>
</tr>
<tr>
<td>Probation</td>
<td>71 (13%)</td>
</tr>
<tr>
<td>Fine</td>
<td>82 (15%)</td>
</tr>
<tr>
<td>Conditional discharge</td>
<td>62 (11%)</td>
</tr>
<tr>
<td>Admonished (Scotland)</td>
<td>6 (1%)</td>
</tr>
<tr>
<td>Compensation only</td>
<td>37 (7%)</td>
</tr>
<tr>
<td>Deported</td>
<td>8 (1%)</td>
</tr>
</tbody>
</table>

Source: Committee of Public Accounts, 1993
Sentencing is influenced by a number of factors, including possibly, deterrence, retribution, rehabilitation and just deserts. Lord Lane’s judgement given in 1987 provides the main guideline to sentencers in this area (R v Stewart, 1987). Lord Lane characterised the nature of benefit fraud as follows: ‘These offences involve the dishonest abstraction of honest taxpayers’ money and are not to be treated lightly. They are easy to commit and difficult and expensive to track down. However, it must be remembered that they are non-violent, non-sexual and non-frightening crimes’.

Lord Lane acknowledged that only a very small proportion of all benefit fraud cases reached court and most of those ended up in magistrates’ courts rather than the Crown Court. Given this small proportion, the Lord Chief Justice argued that ‘we do not think that the element of deterrence should play a large part in the sentencing of this sort of case in the Crown Court’. This is an interesting view, given that the sentences following on from prosecution are the main formal penalties for those who commit benefit fraud.

Lord Lane then highlighted various factors which should be taken into account by sentencers. These were:

1. whether the accused pleaded guilty or not guilty
2. the amount involved and the length of time over which the fraud took place
3. the circumstances in which the offence began – ‘there is a plain difference between a legitimate claim which becomes false owing to a change in situation and on the other hand a claim which is false from the very beginning.’
4. the use to which the money is put – ‘the provision of household necessities is more venial than spending money on unnecessary luxuries.’
5. previous character
6. matters special to the offender, such as illness, disability, family difficulties, etc
7. any voluntary repayment of the amounts overpaid.

The guidelines (anticipating in part the statutory framework introduced by the Criminal Justice Act 1991) further state that, before sentencing, the court should first consider whether a custodial sentence was really necessary. If a custodial sentence was not considered necessary, the court should then consider whether a community service order or a suspended sentence would suffice. Lord Lane pointed out that ‘a community service order may be an ideal form of punishment in many cases’. If a suspended sentence or community order was not considered sufficient, the court should then consider what could be the shortest sentence they could properly impose. Lord Lane recommended a sentence of between nine and 12 months where there was a contested case with overpayments up to £10,000.

6.2.4 What happens to those who are not prosecuted? Most of those detected by the Benefits Agency are not prosecuted. But this does not mean that no penalties are imposed upon them. Some offenders are ‘encouraged’ to sign off from the benefit they are claiming. Others may be
required to repay any overpayment. The Benefits Agency can therefore save money through withdrawn benefit claims and recovery of overpayments.

As is the case for court-ordered financial penalties such as fines, compensation orders and costs, the recovery of overpayments can be very onerous for people on state benefits, particularly if they already have deductions from benefit for other reasons – such as arrears on their utility or Council Tax bills. However, according to the Benefits Agency the means of a person and their ability to pay are taken into consideration when repayment levels are agreed.

Lord Lane argued that a warning and recovery of overpayment would be sufficient to deter most individuals from re-offending (R v Stewart, 1987). He went on to make the point that, 'Unlike the situation between fraudster and victim in other spheres, here the fraudster is in a very vulnerable position vis-à-vis his victim, the department'.

6.2.5 Penalties for other types of fraud

It is useful to compare the fraud prosecution policy of the DSS with the prosecution policies of other departments. Unfortunately, data on prosecutions are very limited and increasingly out-of-date. The data which are available do suggest, however, that although DSS prosecutions have declined since the late 1970s, there are still far more than in some other departments.

Between 1977 and 1987, the Inland Revenue prosecuted fewer than 500 people annually for fraud (Cook, 1989a). There is no reason to believe that these figures have changed substantially since then.

Customs and Excise prosecuted even fewer for fraud – only 120 people in 1981/2 (Uglow, 1984). Information provided by Customs and Excise for this project suggests that the number of prosecutions is now approximately 150 a year. This is despite the fact, mentioned earlier, that tax fraud is generally considered to be much more widespread than social security fraud. Whether a case is investigated criminally or by civil procedures depends on a variety of circumstances including:

• the gravity of the offence
• the amount of money involved
• whether the offence is perpetrated by lawyers or accountants
• whether the evader occupies a prominent position in the field of government or law
• whether there have been previous offences
• whether the nature of the offence is capable of adoption by others
• whether the offence involves government departments or police etc.
When people are suspected of TV licence evasion the BBC employs people to knock on doors and, if necessary, interview those without TV licences under caution. Around 400,000 prosecution statements for TV licence evasion are issued each year. A certain amount of discretion is used, however, in deciding which cases to prosecute. In the main, these decisions are influenced by the individual circumstances of the case and whether a licence is subsequently purchased.

In 1994, 230,000 cases were actually prosecuted. The vast majority of prosecutions result in a conviction with most offenders fined. Prosecutions for TV licence evasion far outstrip prosecutions for any other type of fraud, according to figures supplied by the BBC for this study.

Figures on prosecutions for fare evasion are not publicly available.

In the private sector, the police do not place a high priority on credit fraud and, subsequently, less than 10 per cent of fraud cases are reported to the police. The decision to prosecute is made by the Crown Prosecution Service. Usually only cases involving fraud totalling around £1 million are taken to court.

6.3 Policies on prevention and deterrence

Over the 1980s and 1990s, government policy towards benefit fraud has shifted from reliance on prosecution to greater emphasis on detection and investigation, in the hope that this will lead to weekly benefit savings and other financial savings which have become the primary performance measurement tool. The shift is also motivated by a desire to ensure that limited resources are targeted effectively and that claimants are receiving the right amount of money at the right time.

Previous research suggests that an increase in the detection rate may deter more people from committing fraud as long as they are aware that their likelihood of being caught is increasing. But investigation is expensive and the ideal situation would be for there to be no fraud to investigate. The Benefits Agency is therefore aiming to focus more on prevention and deterrence from now on. The key questions therefore are – how to limit the opportunities for fraud while ensuring that people claim the benefits they are entitled to? And how to deter people from exploiting the limited opportunities that would inevitably still remain? The recent announcement of their 'Five Year Plan' gave many details about schemes aimed to prevent fraud (Benefits Agency, 1995a). But it is more difficult to develop deterrence strategies due to a lack of concrete information.

Previous deterrence research suggests that three issues need to be addressed: the motivations to commit fraud; the informal sanctions against fraud; and the formal sanctions against fraud. People can be deterred from committing fraud either by reducing the motivations to commit fraud or by increasing the formal and informal sanctions against it.
Information from other organisations concerned about fraud suggests that more emphasis is placed on prevention and detection than deterrence. This is mainly because of the difficulties in measuring the deterrent effect of a particular policy. Little research has been carried out in this area and so policies which do exist to deter people are based on general principles. Their effectiveness is rarely quantified (see Appendix 1 for further information). The information produced in the following paragraphs was provided by various organisations in response to our enquiries as part of this study.

Local authorities As far as Housing Benefit and Council Tax Benefit fraud are concerned, the emphasis is on prevention with consideration being given at central government level to the idea of a Central Housing Benefit Register. Currently, 500 local authorities administer HB and CTB in England, Wales and Scotland using, between them, 30 different software packages. Cross-checking claims with other authorities is impossible as even local authorities using the same software are unable to access each other's information. A computerised Housing Benefit Central Register, holding the names and National Insurance numbers of all HB recipients, would detect individuals making more than one claim. This scheme was piloted in a number of London authorities between September 1994 and January 1995 and an evaluation report is currently being considered.

Prevention of fraud is an important part of local authority practice. In all boroughs, 80 per cent of new claims are subject to a strict verification procedure which requires proof of identity and address as well as the presentation of bank statements and rent books. In addition, Housing Benefit claims must be renewed at least every 60 weeks and renewal procedures require further verification. 'High risk' groups who are liable to frequent changes of circumstances - the self-employed, people living in hostels - are required to renew their claims more frequently. It is difficult to measure the success of preventative techniques in deterring fraud.

TV Licensing The large number of prosecutions for TV licence evasion suggest that prosecution is seen as a deterrent. But there is no evidence to suggest that 230,000 prosecutions will have a greater general deterrent effect than, for example, 150,000. Certainly, the individual deterrent effect could be greater.

TV Licensing (TVL), the agency operating the licensing system for the BBC, has developed a number of prevention strategies aimed at deterring people from committing this type of fraud and catching those who do. Some of this is done by marketing. The BBC employs a very positive marketing strategy emphasising the range and value of its services through the community.

The BBC states that the marketing strategy for TV Licensing has two strands: 'enabling' and 'encouraging'. In the former, a range of payment methods are designed to match the needs of different groups as well as direct marketing
and mail. The unlicensed are encouraged to buy through mail and
advertising which informs them of the legal requirement for a licence and
the risks involved in evading.

These more direct strategies are made possible by the use of the
computerised licensing system. The BBC spends £30 million a year in
administration, customer care, telephone helplines and mailouts to remind
people to buy or renew a licence. These can be followed up by telephone
chasers.

TV detector vans also patrol residential areas, backed up by advertising
campaigns to discourage people from watching television without a licence.

A proactive response has been made in recognition of the problems faced by
people who cannot afford to buy a TV licence. A number of budget schemes
have been introduced, such as monthly payments and TV licence stamps to
make it easier for people to conform to the requirement to buy a TV licence.

London Underground In the past six years, London Underground have
introduced two strategies to combat fare evasion. In 1989, automatic ticket
checking collection was introduced at 63 central London stations. This was
clearly a fraud prevention strategy aiming to make it very difficult for people
to commit fraud. In 1994, the Penalty Fares scheme was introduced as a
fraud deterrence strategy aiming to deter people from committing fraud and
to reinforce earlier initiatives designed to ensure potential users purchased a
valid ticket before travelling.

London Underground use their Annual Fraud Survey to estimate how much
revenue is lost through fare evasion and how much is saved through
initiatives such as automatic barriers and Penalty Fares. The estimate for 1989
was £30 million lost through fraud, whereas in 1990, after the introduction
of automatic barriers, the figure had fallen to £10.4 million (Clarke, 1993).
The cost of fare evasion was therefore reduced by £20 million. But this has
to be set against the initial cost of £165 million which was spent installing
the ticket barriers. The estimate for 1994 was £7.8 million lost in fraud.
London Underground further estimate that fraud in that year would have
reached £16.5 million if Penalty Fares had not been introduced – hence a
reduction of £8.7 million per annum as a result of Penalty Fares. Such
estimates are obviously open to question since it is impossible to know what
would have happened if Penalty Fares had not existed but it provides some
estimate of the impact of the scheme.

Although firm evidence about the effectiveness of the Penalty Fares scheme
is unavailable, it is worth considering the scheme since its focus is clearly on
fraud deterrence. The Penalty Fares scheme involves an on-the-spot £10
fine which is levied against anyone travelling without a valid ticket for their
Underground journey. The scheme was advertised in advance of its
introduction and staff from London Underground claim that there was an
increase in revenue before the scheme even started, although unfortunately
there are no figures available on this. In 1995, 13,000 penalty fare notices
were issued every four weeks, of which 45 per cent were paid in full
immediately and 71 per cent eventually paid in full.

The scheme appears to have had some success. But there may be some
problems with it. Some persistent fare evaders may still calculate it
worthwhile to risk committing fraud and pay the £10 on the occasions
when they are caught. Or they may try to avoid paying the fine by claiming
not to have any money on them and then giving a false name and address.
Some people may also believe that London Underground have replaced
prosecution of fare evaders with fines and they may be less
deterred by the
prospect of a fine than the prospect of prosecution. Other customers, such as
those who genuinely forget their season tickets or those who come across
lengthy queues when they are in a hurry, may become disgruntled by the
system.

Alternative schemes and strategies are therefore being considered. For
example, it may be possible to develop a ‘smart-card’ which tracks people
throughout their journey and debits money as they move from one zone to
another, removing the need to pay cash for a ticket. Another scheme which
has received some consideration, is to print the names and addresses of fare
evaders at stations or on tube trains. This could only be done with proven
fraud evaders; otherwise London Underground could be sued for libel.
Persistent offenders are prosecuted by London Underground but there are
no publicly available figures on the numbers.
6.4 Key points: The official response to fraud

- During the 1980s, increasing resources have been devoted to the investigation of benefit fraud. The emphasis has now shifted towards prevention and deterrence.

- In 1994, there were 3,000 social security officers working on fraud.

- Investigations are often begun following information supplied by the public. Routine staff work may also highlight claims which will then be investigated.

- The number of prosecutions fell rapidly in the 1980s, levelling off at about 9,000 a year in the late 1980s and then falling to below 5,000 in 1991/2. From 1992 to 1995, however, there has been a steady rise, with prosecutions reaching 9,546 in 1994/5. Most lead to a conviction.

- The decision to prosecute rests on a number of factors such as: the seriousness of the crime in terms of the amounts involved; the level of 'intent'; the quality of the evidence; and the type of person involved (elderly, sick or disabled people and mothers with children are less likely to be prosecuted than fit young men).

- There is no recent information about the sentences resulting from conviction. Fines were the most common sentence in the early 1980s and there is no reason to suppose that this has changed although accurate evidence on the subject would be useful.