Tackling Social Welfare Fraud

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Editorial

Given increasing pressures on public resources, much attention in Ireland has focused on social welfare fraud. With the social welfare budget in 2011 amounting to almost €20 billion, some concerns have been raised that large amounts of expenditure are being lost to the exchequer through fraud in the benefits system. While it is important to ensure that service delivery is efficient and that the right person is paid the correct benefit, controversy over fraud can also colour public perceptions over the legitimacy of the welfare system. Indeed, it is within this context that the Department of Social Protection launched a new Fraud Initiative 2011-2013.

This *Spotlight* examines what approaches can be employed to tackle social welfare fraud. To gain an understanding of the problem, the *Spotlight* identifies the extent of social welfare fraud in Ireland (as distinct from the broader issue of the hidden or black economy), highlights what benefit schemes are most susceptible to abuse and discusses what measures have been introduced to tackle the problem. From reviewing the Fraud Initiative and considering international experience, the *Spotlight* examines what measures have been introduced to combat social welfare fraud and identifies key lessons learned.

Central Enquiry Desk: 618 4701/ 4702
13th October 2011

Executive Summary

The social welfare budget

In 2011, the total budget for social welfare is estimated at €19,797 million, which equates to approximately 40% of gross government expenditure.

Measuring fraud and error

Social welfare fraud is difficult to measure. While it falls outside the main measurements of crime, the definition and scope of the concept of welfare fraud can be open to different interpretations and can be evaluated in different ways. Many studies also do not distinguish between fraud and error.

The Department of Social Protection in Ireland estimates that the level of fraud and error in the social welfare system ranges between 2.4% - 4.4% of total annual welfare expenditure.

How Ireland compares?

While international comparisons of the level of social welfare fraud are also a complex issue, research shows that the rates of social welfare fraud in Ireland appear to be broadly within the range of 2-5% of expenditure which was identified in a number of other countries.

Studies from other countries also highlight a similar pattern to Ireland with single parent payments, income support, and allowance for those with a disability all being identified as schemes which have the greatest incidences of fraud and error.

Research (from an international review) shows that a larger proportion of social welfare funding tends to be lost to administrative and customer error than fraud. In terms of the overpayments which were identified for recovery (the only measurement in Ireland which distinguishes between fraud and error) 69% of overpayments in 2009 and 2010 were due to error.

Tackling social welfare fraud

Overall, a review of the literature shows that the measures contained in the *Fraud Initiative 2011-2013* are broadly consistent with trends in other comparable jurisdictions. Some of the main issues arising include:

- Providing a customised and personal service to customers can offer more support to those most at risk of long-term unemployment while, at the same time, clearly communicating to claimants their rights and responsibilities and the consequences of fraudulent activity.

- Data matching is a common way of checking that information about a customer is consistent across all public bodies. In Ireland, it is argued that data matching process could be more timely and include more information. In Australia, data matching is also supported by a national database of customer records.

- Although many countries, including Ireland, have launched advertising campaigns, it is difficult to demonstrate if this approach reduces benefit fraud. While some studies do highlight an increase in the number of tip offs, some argue that advertising campaigns can undermine support for the social welfare system.

- In Ireland, the Department of Social Protection has provided a commitment to pursue and recover all debt on a claimant's record. In the UK increased efforts have been made to recover debts and prosecute offenders, including the introduction of a one-two-three strike policy. Some commentators, however, suggest that an increased

emphasis on investigation and enforcement in social welfare can leave some people on welfare feeling as though they are constantly under suspicion.

Other lessons learned

- The prevention of fraud involves a difficult balancing act between meeting obligations related to the protection of privacy while, at the same time, meeting a legal, ethical and financial duty to ensure that public money is directed towards genuine recipients.

- More targeted fraud mechanisms can be delivered if there is a clear understanding of the types and characteristics of individuals who commit fraud and their reasons for doing so. Cost-benefit analysis can assist in selecting the most appropriate types of social welfare fraud measures.

- While an effective social welfare fraud strategy needs to adopt a multi-dimensional approach, it is important that focus is also centred on primary prevention (preventing fraud happening in the first place).

- New developments in ICT technology may offer a new potential to enhance fraud management actions. This includes conducting data matching processes in 'real time' and, like the US, developing neural networking analysis.

- Some countries have placed much emphasis on improving the delivery of welfare services and creating a simpler benefits system. This includes allowing claimants the choice to complete short paper forms, provide the required details over the telephone or receive a home visit by a member of staff.

- Research suggests that the benefits system needs to change to accommodate more flexible employment patterns and ease the transition for people in temporary jobs to come on and off benefits.

The social welfare budget

It is useful as a first step to outline the size and shape of the social welfare budget itself. This provides context by setting out the potential scope for fraud.

Social welfare forms one of the largest areas of government spending. In fact, in 2011, the total budget for social welfare, including expenditure schemes, services and administration, is estimated at €19,797 million. This equates to approximately 40% of gross current government expenditure.

In outlining social welfare expenditure 2007-11, the following table shows that expenditure increased from €15,927m in 2007 and peaked at €20,735m in 2009. Expenditure declined, however, in 2010 and 2011.

Table 1: Expenditure on social welfare 2006-2009 and estimated for 2011

2007 €m	2008 €m	2009 €m	2010 €m	2011 (Est) €m
15,927	18,303	20,735	20,610	19,797

Source: Office of Comptroller and Auditor General (2011)

In line with increasing pressures on public resources, the Department also has planned a continual reduction over the next three years with expenditure anticipated to be €17,901m in 2013.[1]

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[1]

http://www.welfare.ie/EN/AboutUs/Minister/Documents/Minister_Brief_2011.pdf

Looking more closely at the categories of spend within the social welfare budget, the following figure highlights that the largest proportion of funding (€6,809m) is allocated to supporting families and children (this includes, for example, Child Benefit, Widower's Schemes/ Guardian's Payments, One Parent Family Payment and the Supplementary Welfare Allowance).

The other major areas of spending are support for people in the labour market (€5,203m) (e.g. Jobseeker's Benefit, Jobseeker's Allowance and Illness Benefit) and support for older people (€5,384m) (e.g. State pensions, electricity allowance and free TV licence)[2], as outlined in the following figure.

Figure 1: Breakdown of social welfare expenditure 2011 Est (€m)
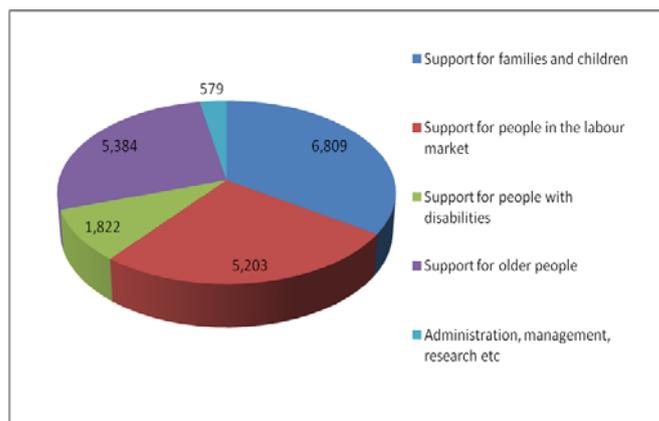
Source: Comptroller and Auditor General (2011)

As well as representing a large budget, data also shows that social welfare expenditure involves a relatively large scale administrative workload. Over the course of each year, for example, the Department of Social Protection typically processes 2.5 million applications, answers 6.5 million telephone calls and makes

payments to almost 2.1 million people each week.

Understanding social welfare fraud

Social welfare fraud is a difficult concept to measure. Prenzier (2011) comments that welfare fraud can be difficult to analyse as it tends to fall outside the two main crime measures:

- surveys of victim experience.

- the number of incidents reported to police.

In addition to this, the definition and scope of welfare fraud can be open to different interpretations and can be evaluated in different ways. Some evaluation systems, for instance, measure overall levels of both fraud and error in social welfare payments, while other systems involve target snapshot reviews to detect fraud.

The United Kingdom, for instance, has adopted a broad interpretation and employed a measurement system to examine inaccuracies in benefits claimed and provided across three categories, as follows:

"The Department (for Work and Pensions) **defines fraud** as those cases where **customers deliberately claim money** to which they are not entitled. **Customer error** occurs when customers provide information to the Department which is **inaccurate, incomplete or untimely, but without dishonest intent**, and as a result the benefit paid is inaccurate. **Official error** occurs when officials **fail to apply specific rules** or do not take into account all the notified circumstances" (NAO, 2008).

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[2] See Chapter 31 Expenditure on Social Welfare for a more detailed breakdown of the social welfare budget as per the different schemes
http://audgen.gov.ie/viewdoc.asp?DocID=1327&CatID=3&StartDate=1+January+2011

Taking these categories or definitions further, the RAND Corporation, (following a review of social welfare systems in a number of OECD countries for the National Audit Office in the UK) has developed a typology of fraud and error.

This typology draws a distinction between intentional and unintentional actions and the role of the claimant and staff in the social welfare administration, as outlined in the following figure:

Figure 2: Typology of fraud and error
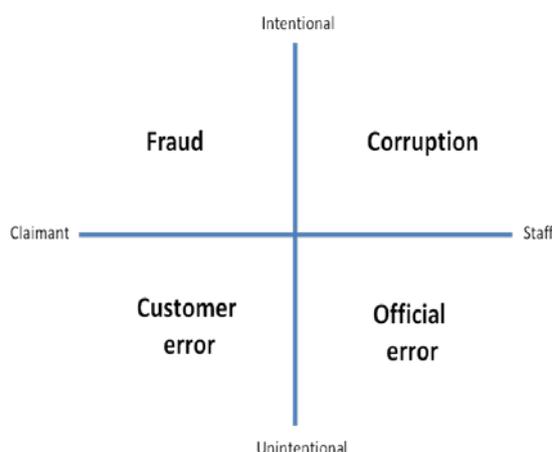
Source: Rand Europe (2010)[3]

Analysis, conducted by the Department of Work and Pensions and the HM Revenue in the UK, suggests that the main causes of fraud and error in the social welfare system are as follows:

- **Complexity of the system**: this leads to confusion and genuine error amongst customers and staff.

- **Means-testing:** the difficulty in confirming the information provided by customers is correct.

- **Perceived weakness of the sanctions regime.**

- **Social norms:** including beliefs that welfare fraud is acceptable and 'everybody is at it'.

- **Internal organisational processes:** lack of resources for staff in IT, training and incentives for accurate processing.

While understanding that discussions on fraud can also include the broader issue of the hidden or black economy, including non-compliance with tax and PRSI payments, this *Spotlight* examines measures to reduce fraud and error in the social welfare system, and particularly focuses on intentional fraud perpetrated by the claimant.

Social welfare fraud in Ireland

In Ireland, there is no mechanism or process in place to measure the total amount of fraud and error across the whole social welfare system. At present, fraud and error is measured in three different ways, as outlined below and examined in the following paragraphs.

- The amount of savings made within the system.

- Fraud and error surveys.

- The total overpayments recorded for recovery.

The amount of savings made within the system

The Department of Social Protection publishes regular (yearly and six-monthly) estimates of the amount of payments which are saved through fraud and error control measures. These savings (known as control

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http://www.rand.org/pubs/corporate_pubs/CP602z3.html

savings) are based on two steps in the control activity process, as follows:

- **Case reviews of a selection of claims.** The results of these reviews may be to confirm the current payment, adjust the payment level (up or down, depending on the circumstances) or suspend or terminate the payment.

- **Estimations of the level of excess expenditure** (based on the case reviews) which are prevented from being incurred in the future. The level of savings are quantified by multiplying the value of payments terminated or reduced by a set of multiplier factors. These are not actual savings but estimations of what has been saved due to the outcome of the particular case review.

Over the last number of years, data from the Department of Social Protection shows that the level of savings estimated from the control activity process has increased.

Table 2 highlights that the number of reviews have increased from 564,354 in 2008 to 929,383 in 2010 with the amount of savings also rising slightly from €476m to €483.2m in 2010 (albeit this was a slight decline from €484m in 2009).

Table 2: Reviews carried out and estimated savings achieved 2008 - 2011 (July)

Year	No of reviews conducted	€m
2011 (Jan – July)	350,305	344.7
2010	929,383	483.2
2009	750,814	484.0
2008	564,354	476.0

Source: Department of Social Protection

These figures demonstrate that fraud and error is being detected through control mechanisms but also show that the rate of return in terms of estimated savings is declining. For instance, although the number of reviews increased by 65% from 2008 to 2010, the amount of savings achieved rose by only 1.5%. It is understood, however, that following a review, the estimated savings are not always recorded in all cases.

While the savings estimates may suggest the levels of fraud and error remained relatively constant over the 2008-2010 period, the figures from the control reviews provide little information in the size of fraud and error in the welfare system.

Overall, the control savings figures are used by the Department of Social Protection as an internal indicator tool to benchmark and assess the performance of its control effectiveness measures.

Fraud and error surveys

Since 2003, the Department of Social Protection has been conducting periodic surveys to determine the levels of fraud and error across particular benefit schemes. These surveys involve inspectors reviewing a random selection of claims from a given scheme to assess underlying levels of fraud and error and identify the scale of the excess payment. The surveys aim to identify the level of risk and help to inform the design of control measures to combat fraud and error.

From the surveys which have been conducted to date, the findings indicate that the level of fraud and error on particular schemes ranges from 0.4% (Illness Benefit) to 7.3% (One-Parent Family Payment) of expenditure.

In general, the survey analysis also shows that fraud and error is higher for

Table 3: Estimated excess payments in welfare entitlements by scheme 2009

Scheme	Year	Scheme cost 2010 €m	Potential monetary impact	
			%	€m
Child Benefit	2004	2,213	1.8	40
Family Income Supplement	2005	186	3.3	6
Disability Allowance	2005	1,110	7.0	78
Illness Benefit	2006	943	0.4	4
State Pension (non-contributory)	2007	977	2.1	20
One-Parent Family Payment	2007	1,110	7.3	81
Jobseekers Allowance	2009	2,809	4.1	115
State Pension (Contributory / Transition)	2009	3,560	1.1	39

Source: Office of Comptroller and Auditor General 2011

means tested schemes than for schemes where entitlement is based primarily on claimants' social insurance contribution record, as outlined in Table 3.

As surveys have not been conducted on all schemes it is difficult to determine the total level of fraud and error across the social welfare system. This assessment is made even more problematic as surveys have been conducted on different schemes in different (previous) years, and are subject to fluctuation due to changing economic circumstances and control measures.

Notwithstanding these difficulties, however, the Department of Social Protection has estimated that the level of fraud and error in the social welfare system is in the range of 2.4% to 4.4% (an average of 3.4%) of total annual expenditure.

While the Department of Social Protection, is planning to publish a programme of surveys in 2011, the Comptroller and Auditor General outlines the need for more regular surveys and analysis in accordance with the degree of fraud, client error and departmental error.

The total overpayments recorded for recovery

The Department of Social Protection has a debt management function designed to record and, where possible, to recover excess amounts paid to welfare claimants. As such, where there is evidence that a claimant has deliberately made a false or fraudulent claim, the Department will seek to recover the overpayment and may initiate criminal proceedings.

Table 4 (overleaf) outlines the value of overpayments over the last four years and distinguishes between the value and proportion which is attributed to fraud and error.

The table shows that while the value of overpayments increased from €50.5m in 2007 to €83.4m in 2010 (a rise of 65%), the value of overpayments due to fraud increased at a much slower rate from €21.4m in 2007 to €25.9m in 2010 (a rise of 21%). As a result, the proportion of overpayments due to fraud has decreased from 42.4% to 21.1% over the four year period.

According to the Comptroller and Auditor General, the decrease in

Table 4: Value of fraudulent overpayments and proportion due to fraud

	2007	2008	2009	2010
Value of overpayments recorded €m	50.5	55.6	66.8	83.4
Value of recorded overpayments due to fraud €m	21.4	21.1	20.7	25.9
% of overpayments due to fraud	42.4	37.9	31	31.1

Source: Office of Comptroller and Auditor General 2011

overpayments due to fraud is because many of the debt holders were first time customers of the Department. In these cases, overpayments are usually classified as customer error.

Overall, it is difficult to gain an understanding of the size of social welfare fraud and error by analysing the total number of overpayments recorded for recovery. For instance, only a proportion of identified payments in excess of entitlement are pursued as overpayments due to the following reasons:

- Not all benefit claims are subject to review;

- The payment which was identified for reduction or termination not always being classified as an overpayment debt; and,

- A lack of available evidence to establish the date of overpayment.

Although not providing a full picture of the size of fraud, an analysis of the total overpayments recorded for recovery does provide some insight

into the levels of fraud in the social welfare system in proportion to error.

How Ireland compares?

Although social welfare fraud is a difficult concept to measure in itself, differences in the administration of social welfare also make it hard to compare fraud and error across systems. Differences can be identified in relation to:

- **Institutional architectures:** some administrative systems are centralised while others are devolved or federal systems.

- **Emphasis:** some countries provide core social welfare benefits while others provide tax credits.

- **Responsibility:** in some countries, the individual claimant has responsibility for accurate payment while in others, responsibility is shared between the citizens and State.

- **Measurement systems:** some countries provide analysis of overall fraud and error rates across the social welfare budget, while measurement systems in other some countries undertake targeted snapshot reviews.

Some research, however, has been conducted which has analysed social welfare on a comparative basis. In the UK, for instance, the Department of Work and Pensions produces estimates of fraud and error based on surveys of benefit schemes which are undertaken on a periodic basis.

From these surveys, the Department estimated the total level of fraud and

error in the year 2008/2009 to be an average of 2.2% across all welfare schemes and in a range from 1.9% to 2.6%.[4] This estimation is slightly lower than the equivalent figures for Ireland outlined in 2009, an average of 3.4% of the total annual welfare expenditure and within a range of 2.4% to 4.4%.

At the same time, a study conducted by the National Audit Office in the UK, (NAO, 2006) shows that the rates of social welfare fraud in Ireland appear to be broadly within the ranges identified in three other countries, where comparative information was available.

Despite differences in structures, types of benefits and anti-fraud measures, the NAO found that fraud and error rates across different welfare programmes in three countries ranged between 2-5% of expenditure. In the study, the UK was identified at the lower end of the spectrum at 2.7%, with New Zealand recording 2.7% and Canada ranging between 3-5%.

The authors, however, do recognise that although this overall range may be small, even limited differences in percentages can amount to large sums of public money given the substantial levels of funding which are spent on social welfare.

In terms of the types of benefit schemes which have the highest levels of social welfare fraud, studies from other countries also broadly highlight a similar pattern to Ireland with single parent payments, income support and allowance for those with a disability all demonstrating greater incidences of fraud risks (NAO, 2006). In Australia, for example, the Single Parenting Payment and Newstart Allowance (unemployment benefit)

together accounted for 72% of fraud convictions in 2008-09).[5]

Research, however, shows that a larger proportion of funding tends to be lost to administrative and customer error than individual fraudulent activity.

In the UK, for example, an NAO report (2008) identified £106 million of fraud in 2006-07 but over the same period, errors by staff cost £900 million and errors by claimants £1 billion. At the same time, an international review (also conducted by the NAO, 2006) found that most countries (of the nine countries studied) tend to place a greater emphasis on tackling fraud in social security systems than addressing the issue of administrative or customer error.

Tackling social welfare fraud

Fraud Initiative 2011-2013

With the publication of the *Fraud Initiative 2011-2013*, the Department of Social Protection has outlined a series of measures which seek to combat social welfare fraud.[6] In general, the measures can be grouped into four categories as follows:

- **Prevention:** having systems and procedures in place that prevent and minimise the risks of fraud, abuse and error.

- **Detection:** detecting fraud, abuse and error at the earliest possible stage.

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[4] http://audgen.gov.ie/viewdoc.asp?DocID=-1&CatID=3&UserLang=EN&m=6

[5]

http://www.aic.gov.au/publications/current%20series/tandi/421-440/tandi421.aspx
[6]

http://www.welfare.ie/EN/AboutUs/Pages/FraudInitiative2011.aspx

- **Deterrence:** developing an anti-fraud culture among staff and the public by promoting public awareness of the risk and penalties involved in defrauding the social welfare system and dealing decisively with cases of fraud and abuse detected.

- **Action:** pursuing the recovery of debts and working to implement greater efficiencies in the administrative system.

Overall, a review of the literature shows that the measures contained in the Fraud Initiative are broadly consistent with trends in other comparable jurisdictions. With reference to the actions which have been employed in other countries and from a review of other published research, this section identifies and examines the 2011-2013 Initiative.

Prevention

The National Employment and Entitlements Service (NEES)

The Department of Social Protection is establishing a new NEES which seeks to integrate employment services and the benefit payment system. This integrated approach aims to provide a more customised and personal service to customers and deliver intensive support for those at most risk of long-term unemployment. However, where customers fail to engage with the new service, their social welfare payments may be terminated or reduced. As part of this approach, the *Fraud Initiative 2011-2013* also outlines the importance of clearly communicating to customers the rights and responsibilities of claimants and the consequences of fraudulent activity.

In Canada, a similar approach which seeks to develop a proactive approach to customer service (while emphasising individual obligations) has also been employed to tackle social welfare fraud, as outlined in the following text box:

Text box 1: Customer service and obligations of claimants, Canada

In Canada, information sessions (Integrity Information Sessions) are held with high-risk clients. These sessions provide clients with information on benefit programmes but also highlight their rights and obligations in regard to claiming benefit and the potential consequences of defrauding the benefit system. Research has shown that the sessions have contributed towards reducing fraud and error in certain high-risk groups. Indeed, from 1999-2005, 225,000 sessions have been held and through this process, it is estimated that CA$800 million (£390 million) in actual savings was identified.

Source: NAO (2006)

Detection

Data matching and control actions

In the last number of years, the Department of Social Protection has been engaged in a process of data matching with other government departments and public bodies (including those in the Britain, Northern Ireland and other countries).

The purpose of data matching is to ensure that information about a customer is consistent across all public bodies. By reviewing files, this allows the Department to check the declared income and personal details of an individual and ensure that a claimant is not receiving double payments (claiming a payment which might be precluded by another benefit).

Under the 2011-2013 Initiative, the Department aims to work with a number of agencies (such as Revenue, the Irish Prison Service and Third Level Colleges). to broaden the range of data it uses to uncover and detect social welfare fraud.

To supplement this review process, the Department also conducts a series of reviews and checks of a targeted number of entitlements across the social welfare schemes.

In addition to this, the 2011-2013 Initiative highlights the role of the Special Investigation Unit (SIU) which conducts home visits and face-to-face interviews on individuals where evidence of social welfare fraud is identified.

In Australia, a similar process of review, checking and control has been employed to combat social welfare fraud. This process, however, is facilitated by a national database which holds information on 23 million customers and eligibility for various social welfare programmes. This database is used as a management information tool to allow authorities conduct compliance reviews, reduce administrative error and interrogate the data to identify anomalies or patterns of fraud. Analysis of the database can facilitate the detection of incorrect payments by matching data with a large number of Commonwealth, state and territorial agencies.

In Ireland, the Department of Social Protection has stated that data matching is a very efficient and effective mechanism to target the control and review of social welfare fraud.

At the same time, however, the most recent report of the Comptroller and Auditor General (2011) argues that the control activities of the Department have not been fully utilised over the

last year. The report states that the data matching process could be more timely and, with a view to assessing cost-effectiveness of the data systems, that the Department should collect data on the proportion of cases referred which result in a reduction or termination of benefit payment.

Public Services Card

The 2011-2013 Initiative states that in the third quarter of 2011 a new Public Services Card (PSC) will be rolled out. This card aims to reduce fraud and error which result from identity fraud and theft, and reduce the resources which are currently used to verify an individual's identity. The Irish Council for Civil Liberties, however, has expressed some concerns that the card may actually enhance identity fraud.

To enhance the protection of identity, the PSC incorporates features such as a biometric photograph and a signature, as well a unique individual reference number. This approach has also been proposed in France, as outlined in the following text box:

Text box 2: Personal identification cards, France

In France, the Government has introduced proposals to develop a national database of customer records and national reference numbers to identify claimants across different benefit schemes. In particular, the Government has proposed introducing an electronic and biometric identity card (INES), which, according to its advocates, will make it more difficult to claim undue benefit by giving false identity information. Proposals for the card are currently being reviewed.

Source: NAO (2006)

Deterrence

Advertising

Under the 2011-2013 Initiative, the Department of Social Protection proposes to undertake a targeted advertising campaign. This campaign will seek to highlight the fraud reporting arrangements which are in place and communicate the negative effects of social welfare fraud. In addition, following control reviews of benefit payments, the Department aims to use direct mailshot letters to customers to validate that conditions are being met and to heighten fraud awareness. In instances where the customer fails to respond, it is proposed to suspend payments or forward them for investigation.

Advertising campaigns have also been adopted in other countries, such as the UK, to raise public awareness of the risk and penalties involved in social welfare fraud and develop an anti-fraud culture, as outlined in the following text box:

Text box 3: Information from the public, the UK

In the UK, the Department for Work and Pensions has established a national fraud hotline (a call centre to receive allegations of fraud and generate referrals for investigation by counter-fraud teams) and embarked on a long-term publicity campaign to change people's attitudes and the social acceptability of benefit fraud. This campaign is targeted at specific groups and those considered most likely to commit fraud.

Source: HM Revenue and Customs and the Department for Work and Pensions (2010).

It is difficult in any research to demonstrate that advertising directly reduced benefit fraud. One study in the UK, however, found that between 2005 and 2006, there was an increase from 75% to 83% in the proportion of people who strongly agree that it is wrong to claim the benefits to which they are not entitled (NAO, 2008).

Other research from Australia shows that, based on public tip-offs received between 1 July 2004 and 30 June 2005 which followed a media campaign, 55,331 reviews of customer entitlement were conducted which resulted in 10,022 payments being cancelled or reduced and savings of AU$103.1 million.

On the other hand, Mitton (2009) provides a critique of anti-fraud advertising.[7] She argues that if a large proportion of the public believe that many people are falsely claiming benefits, this could undermine support for the social security system and actually encourage fraud if people believe that 'everybody does it'.

Action

Debt recovery and penalties

In the 2011-2013 Initiative, the Department of Social Protection has provided a commitment to pursue and recover all debt on a claimant's record and, where required, initiate legal proceedings for prosecutions. Further to this, the Department aims to enhance the level of debt recovery and is considering implementing a number of actions which include:

- Removing the restriction on the recovery of debt from current social welfare entitlements (in many cases the Department can only recover €2 per week).

- Examining the feasibility of recovering debts from other

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[7]

http://research.dwp.gov.uk/asd/asd5/report_abstracts/wp_abstracts/wpa_067.asp

payments made by the State such as redundancy, farm payments and student grants.

- Increasing the number of civil proceeding cases.

- In cases of lone parents and children, recovering money from the liable relatives.

Going further, increased efforts have been made in the UK to recover debts and prosecute offenders, see the following text box:

Text box 4: Penalties and prosecution, USA and the UK

In the UK, the Department for Work and Pensions aims to increase the efficiency and effectiveness of action by allocating potential cases for investigation according to their level of risk or prioritisation. Under this approach, the Fraud Investigation Service investigates all fraud against benefits administrated by the Department's agencies, while the newly established Customer Compliance function deals with lower risk cases (where full criminal investigation is judged unnecessary or where a sanction is unlikely to result). According to the NAO (2008), this model aims to deter low level fraudsters from re-offending and also puts right incorrect benefits which should help to reduce inaccuracies in the system.

In addition, the Department aims to introduce stricter regimes for imposing deductions, based on one, two and three strikes. For a first conviction, it is proposed that the claimant will loss benefits for three months, and six months for a second conviction. Those convicted of fraud three times will have their benefits removed for at least three years.

Source: NAO (2006) and HM Revenue and Customs and the Department of Work and Pensions (2010).

Some commentators, however, suggest that an increased emphasis on investigation and enforcement in social welfare can create negative effects. From their research in Canada, Mirchandani and Chan (2005), for example, argue that a focus on detection of welfare fraud has resulted in more punitive practices and left some people on welfare feeling as though they are constantly under suspicion.[8]

Other lessons learned

While the measures contained in the *Fraud Initiative 2011-2013* are broadly consistent with many international trends, it is evident that some additional measures are also being adopted in other countries.

By reflecting on these additional measures and identifying areas of best practice from the research literature, this section outlines key lessons and issues for further consideration in the development of a social welfare fraud strategy in Ireland.

A balanced approach

Given that a range of countries have focused attention on combating social welfare fraud in the last number of years, some debate has taken place in the research literature over what form, role and shape fraud measures should take.

Some concerns, for example, have been raised that anti-fraud measures are overly punitive with recipients who make mistakes being criminalised. By contrast, it has also been argued that welfare is too easy to obtain, that it attracts fraud and reduces government spending in other areas.

In considering this debate, Prenzier (2011) argues that the delivery of social welfare payments and the prevention of fraud involves a difficult

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[8] http://www.crr.ca/divers-files/en/publications/reports/pubRacialized_Impact_Welfare.pdf

balancing act. This is between meeting obligations related to the protection of customers' privacy and the avoidance of additional hardship to customers through investigation while, at the same time, meeting a legal, ethical and financial duty to ensure that public money is directed towards genuine recipients.

Overall, Prenzier suggests that finding common ground on fair and effective strategies for reducing fraud is considered an important means of enhancing trust and efficiency within the system.

Understanding fraudulent behaviour

Research highlights the importance of understanding the reasons why people conduct social welfare fraud and to identity the characteristics of individuals who commit fraud.

Indeed, Marston and Walsh (2008) suggest that studies on the motivations of offenders are useful for identifying the extent to which lower end benefit and salary levels, and levels of personal debt, provide incentives for fraud.[9] A review of the literature highlights that some countries have undertaken actions in this regard.

In the Netherlands, for example, the Government has conducted random response surveys of benefit claimants. The analysis of these surveys allows the Government to better understand fraudulent behaviour, to establish risk profiles (identifying the types of fraudulent behaviour associated with specific benefit types), and to tailor the development of control measures to combat specific types of fraud.

In Australia, a similar type of analysis is conducted to understand behaviour

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[9]

http://search.informit.com.au/documentSummary;dn=240675810765200;res=IELHSS

and target certain individuals, as shown in the following text box.

Text box 5: Understanding fraudulent behaviour and developing targeted responses, Australia

In Australia, the Department of Social Security has developed a risk-based approach to select those cases of potential fraud which require the most attention. The Department undertakes and analyses statistical surveys of claimants to provide an outline of people with an above average risk of incorrect payment.

The computer then selects clients with these characteristics for review. Staff can also identify individuals for review based on local knowledge, public information and local industry surveys. All results are recorded in the computer system so the Department can increase its knowledge of the characteristics of clients receiving incorrect payments. In essence, a profile of the overpaid welfare recipient or fraudulent characteristics is constructed.

This means that the Department aims to regularly improve the targeting of clients who are most likely to be incorrectly paid or commit fraud.

Source: Prenzier (2010).

Cost-benefit analysis

Research has highlighted the importance of understanding the relative cost effectiveness of different counter-fraud actions. Prenzier (2010), for example, argues that the costs of detection and prevention systems need to be set against estimated gross savings to identify the most effective strategies and target resources.

In the Netherlands, for example, any savings in benefit payments are set against administrative costs and serve to determine whether programmes are

or remain cost-effective. While control procedures are adopted in Ireland to examine the level of risk from fraud and error, some other countries such as New Zealand have set specific performance targets which measure the return on investment per control measure.

A multi-dimensional approach but primary prevention important

Given that motivations for committing fraud can be varied and complex, commentators such as Dean and Melrose (1997) suggest that governments need to adopt a multi-dimensional approach to combating fraud.[10] They state that an effective strategy needs to go beyond detection and punishment and recognise the multitude of factors that are responsible for fraudulent behaviour.

Indeed, research conducted by the NAO (2006) and Prenzier (2010) argues that while many countries have adopted measures to enhance secondary prevention (detecting fraud and stopping its continuation), more focus could be placed on primary prevention (preventing fraud happening in the first place).

Utilising information technology

Research shows that new developments in ICT technology may offer a new potential to enhance fraud management actions. Reeve (2006), for example, argues that new software systems can enhance data-matching processes by facilitating 'real time transaction monitoring' of applications across government and bank databases.[11] This would allow administrators to check and verify details in an application (such as earnings) at the point of claim.

Overall, Reeve argues that fraud management should move from a 'detection-investigation-prosecution model' to an 'intelligence-led model' based on the IT-enabled transformation of administrative services.

In the UK, 'real time transaction monitoring' is currently being explored as part of a fraud and error new strategy which is centred on the principle of 'Check First, Then Pay'.[12] This approach aims to enhance pre-payment checks on new claims and ensure no errors are carried out during the initial application phase. In the United States, the authorities have also adopted a new technical approach to extracting and analysing large data sets known as neural networking. This approach analyses associations and patterns among data elements, which allows it to find relationships and ultimately identify the characteristics of potentially fraudulent payments.

In Texas, for example, a neural networking programme was commissioned to look at fraud and abuse in the State's Medicaid programme. In 2000, for instance, the programme managed to recover $3.4 million (about £2 million) in payments. This initiative complements the wider use of data mining (the analysis of the characteristics of fraudulent behaviour based on data patterns) and data-matching programmes throughout the United States (NAO: 2006).

Improving service delivery

As means to reduce administrative error and limit the opportunity for fraud, some countries have placed much emphasis on improving the delivery of welfare services to customers.

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http://onlinelibrary.wiley.com/doi/10.1111/1467-9515.00043/abstract

11

http://www.aic.gov.au/publications/current%20series/tandi/401-420/tandi418.aspx

12 http://www.dwp.gov.uk/docs/tackling-fraud-and-error.pdf

In the UK, for example, customers applying for one employment benefit scheme (Jobcentre Plus) are no longer required to complete complex forms when making a claim. Rather, their details are taken over the telephone and they are invited to meet with a personal advisor to discuss options for returning to work.

In addition, the Pension Service in the UK has simplified the new claims process for customers of Pension Credit. Customers can now choose between telephoning the Pension Service, completing a short paper claim form, or arranging a visit to their home by a member of staff.

Overall, the view of the Department for Work and Pensions is that a simpler benefits system will be easier to administer, will facilitate analysis and identification of fraud, and will reduce error by helping staff follow the correct procedures. It is considered that by simplifying the benefits process, this will make is more difficult for customers to hide behind the excuse of misunderstanding the system or of being misinformed by benefits office staff (Department for Work and Pensions, 2008).[13]

Improving flexibility within the benefits system

Given that research in the UK has found that a major source of fraud occurs when an individual undertakes irregular and short term work, Mitton (2009) argues that the benefits system needs to change to accommodate more flexible employment patterns. Mitton suggests that the benefits system needs to be simplified to ease the transition for people in temporary jobs to come on and off benefits.[14]

This view is also supported by Evason and Woods (1995) following their analysis of unemployed individuals in Belfast.[15] They found no capacity in the benefits system to make constant adjustments to benefits in cases where employees can be called to work on a daily basis (if required) and could be paid on a performance related basis.

While there are moves to simplify and streamline benefits in Ireland, proposals have been put forward in New Zealand to introduce a single core social welfare payment. The single core benefit aims to identify one set of rates and one set of eligibility criteria and include add-ons for people with high housing, childcare or disability costs. It is envisaged that this new system will make it easier to manage social welfare payments, analyse customer records and identify fraud.

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[13] http://www.dwp.gov.uk/publications/policy-publications/error-strategy.shtml

[14] http://research.dwp.gov.uk/asd/asd5/report_abstracts/wp_abstracts/wpa_067.asp

[15] http://www.scie-socialcareonline.org.uk/profile.asp?guid=69adc6f3-ca3e-4c16-b0f1-0a9d7e246831