



Digital inclusion:

New insights and finding
a sustainable way forward

BT Group


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Foreword from Marc Allera CEO Consumer division



The cost of living and a digitally inclusive society are now more relevant and important than ever before. My team, and indeed teams across the BT Group, are continually thinking about how we – and the wider industry – can play our part alongside policymakers and other stakeholders to drive meaningful change, at a time when we can see so many people and businesses under pressure.


Much of our focus goes on doing we can to support those customers who need it most. I am proud that we have led the market for many years, first with BT Basic, (for some time the only social tariff for phone lines and broadband on offer across the entire industry), and more recently our fibre-based broadband tariff Home Essentials. We launched Home Essentials in 2021, having funded

the necessary year-long development project with the Department of Work and Pensions to be able to verify those eligible. Today we provide broadband for around 85% of the social tariff market.

Since 2021 the industry has evolved rapidly with other providers leaning in, introducing their own social tariffs, and we launched on mobile. And, more significantly, we have seen ever rising expectations from campaigners and policymakers that the industry should drive uptake and awareness for these products.

We originally introduced social tariffs as a safety net for vulnerable and lower income customers. We expanded eligibility during the pandemic to enable people who really needed, to get them. However, what has emerged is an expectation that all who qualify, rather than just those who need them, should get them.

Last year I said that the model we use to fund these tariffs was unsustainable: estimates suggest we currently invest in £10 – £15 per month for each customer taking Home Essentials. So we've been thinking long and hard about the best ways to create a sustainable model and as part of that, we asked a number of experts to provide new analysis and insight.



The findings, from Frontier Economics, Yonder Consulting, and one of our charity partners, AbilityNet (presented here) shed light on several issues that have been overlooked or misunderstood around social tariffs and the wider challenge of digital exclusion. It all points to the need for a rethink of the existing approach.

We have learned that there is a group of around one million households with incomes so low they cannot afford any connectivity at all. And that all those who are not online have low digital skills and confidence. It seems clear that better addressing both these challenges is the key to significant and sustainable progress.

Meanwhile, Enders Analysis, an independent specialist telecoms, media and tech analyst house published their own research paper earlier this summer. They calculated that full take-up of social tariffs by those currently eligible would cost the industry £1.5bn a year. Clearly pursuing this would have a significant impact on industry's ability to invest and innovate.


All of this leads me to agree with Enders' recommendations: that policymakers should refocus their efforts on the smaller group in acute need of help with affordability, as well as those needing support with digital skills and confidence.

I hope we can work together to find sustainable ways forward and bring about a better-connected, digitally inclusive society.




Summary of findings and insights







The first paper, from **Frontier Economics**, was commissioned by BT Group and provides new analysis of the income patterns of those eligible for social tariffs and finds that:


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- At least one million individuals (11% of those eligible for BT's social tariff) are estimated to live in households with incomes so low, they are unlikely to be able to afford any connectivity at all.
 - Few households with children and even fewer pensioners are in this 'cannot afford' group.
 - Most in this 'cannot afford' group (73%) are working age, not working and receive all their income from the Government.
 - Around two million individuals (21% of those eligible for BT's social tariff) live in households with sufficient income that they are unlikely to need the discount offered by social tariffs.
 - Around nine million households receive the benefits (which includes universal credit and several others) that make them eligible for BT's social tariff, Home Essentials. While around five million households receive universal credit (Ofcom's guide to eligibility).

The second note, from **Yonder Consulting** brings together key insights from research projects carried out for BT Group into the behaviours and beliefs of the groups eligible for social tariffs and finds that:



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- Many eligible households are 'in market' (i.e. have broadband in some form, whether or not a social tariff).
 - On the whole this group recognise the usefulness of connectivity and prioritise it in their spending, despite having a range of financial pressures and increasingly difficult choices to navigate.
 - They often also understand how to navigate the market to meet their needs: many eligible households already pay a price similar to many social tariffs (of around £20 for broadband) whether it is badged as a social tariff, is a good offer on the open market, or is part of a bundle with services.
 - These bundles often generate discounts which either makes the broadband price paid around the social tariff level or incentivises them to stay on their current service as they want to keep the other services, or both.
 - Many perceive price as a marker of quality and are sceptical of offers priced too cheaply no matter the facts of the service.
 - Early trials of offering fully funded broadband to families that don't already have it suggest that other barriers operate too e.g. poor language skills, reluctance to commit to a service or provide personal data to sign up, perception of broadband as a luxury.




The third note is from the **charity AbilityNet**: their programmes seek to make the digital world accessible to all. BT Group are a partner of the charity, so we asked them to share their knowledge of the



characteristics of those needing support with digital skills to get online, and what effective, well designed support looks like. They set out that:

- For most digitally excluded people a combination of low confidence, low skills and low motivation play a big role, and this is true for those with and without affordability issues.
 - This year, 90% of those contacting AbilityNet for help were over the age of 55 (other research shows the older you are the less likely you are to be online) and 81% said they had a disability or impairment.
 - Although most working age people are online, disability is a key barrier for those who are not, working age disabled people are 2.5 times more likely to lack basic digital skills. Disabilities are also a challenge for many older people.
 - Some people have zero digital skills (have never used a computer or smartphone) while others are connected in some aspects of their lives but are struggling with other digital services.
 - Specific goals (e.g. making a doctor's appointment) drives motivation better than an abstract offer (e.g. to learn digital skills) and structuring support around these personal goals generates better outcomes as the benefits are tangible to the individual.
 - One-to-one sessions are often most impactful to reduce embarrassment and enable support tailored to their skill level and aims.
 - Once making progress, people AbilityNet support see a real value and benefit in their lives to being online.
 - Costs for high quality support that generates good long term outcomes can range from around £60 per person supported if a one off group workshop is all that's needed, to £800 or more to provide multiple one on one support sessions over several months. A large proportion of AbilityNet's support is delivered by volunteers.
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The fourth note on the role of social tariffs in the UK telecoms market is from **independent research house Enders Analysis**. This was not commissioned or funded by BT Group, it was researched and published by the Enders team in July 2023. Given its relevance they kindly agreed we could include it in this collection. An overview of their analysis and insight is that:

- Social tariffs have provided relief for some at a time of households income squeeze and otherwise unavoidable high inflation-driven telco price rises.
 - Adoption has increased more than four times in the last year but remains very low at 3-5% of those eligible. Lack of awareness used to be a driver of this, but now awareness is nearly 50% with adoption amongst those aware barely changed at under 10%.
 - This appears to be driven by social tariff's structure as 'special tariffs' as opposed to a uniform discount across all prices,
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although the strong disincentive for operators to enthusiastically drive adoption likely also plays a part.

- There are steps that could be taken to improve uptake, but this would expose other problems with the way that social tariffs are currently structured. Their combination of being individually funded by operators and very wide eligibility (around 25% of households) appears a unique combination compared both to other industries and internationally.
- The natural consequence of full adoption would be a dramatic increase in prices for non-social tariff customers, Enders estimates by up to 19%.
- It would also heavily distort competition in favour of infrastructure-owning robustly-priced incumbents and away from discount-priced resellers (such as TalkTalk). This could undo all the good regulatory work by Ofcom that has created and sustained an energetically competitive market.
- Enders believe that eligibility does not need to be anything like as broad as it currently is. Their analysis suggests that the number of households suffering (and at risk of suffering) digital exclusion for cost reasons is around 1-4%. Households that cannot afford broadband usually cannot afford to pay anything at all, may not be on benefits, and may be in accommodation that does not allow for them to order broadband.
- In contrast the current high level of eligibility leads to a very high potential cost of funding, with full adoption notionally costing £1.5bn or 14% of broadband revenue, which magnifies the competition distortions and incentives on the operators to game the system. It could also negatively impact fibre roll-out.
- Moving to a centrally funded system via government grants or some kind of industry wide levy would remove these problems, but doing this would be much easier if the cost was managed through reduced eligibility.
- In Enders' view, it would be possible to address the funding and eligibility issues in order to make social tariffs much more effective, but to genuinely address digital exclusion might require a different approach, which provides connectivity for free, addresses digitally excluded households specifically, and can work together with schemes to address digital skills, a much larger part of the problem.






Paper 1

Frontier Economics

Low income households and
affording connectivity

Authors: Gillian Paull and Andrew Leicester



Overview

Social tariffs are discounted broadband or mobile packages to support access to connectivity for more financially vulnerable households, typically available to individuals in receipt of a means-tested Government benefit. Recent research published by Ofcom¹ indicated that take-up of such social tariffs, although increasing, is low, with only around 220,000 households in the UK taking up such tariffs.

BT Group commissioned Frontier Economics to use Government data sets to analyse the household income level, and therefore affordability of connectivity, for individuals eligible for their broadband social tariff.

BT Group wanted to explore the possibility that for, some of those eligible, household income is in fact too low to even be able to afford a social tariff. As Enders Analysis concluded in a recent report "...affordability issues are narrower but deeper than current social tariffs [discounted connectivity offers] can address".² Enders report that their analysis of a variety of data sources suggests that "the number of households suffering (and at risk of suffering) digital exclusion for cost reasons is in the low single digits, around 1-4%".

To examine this, Frontier Economics used the Government's Family Resources Survey and Government data on the number of claimants for the benefits that create eligibility for BT's social tariff, "Home Essentials".

Key findings

- One million (11%) of eligible individuals live in low income households that cannot afford any connectivity, even lower priced social tariffs. Most in this position (73%) are working age but not in work and receive all of their income from Government sources. Few of this group have dependent children, still fewer are pensioners³.
- Two million (21%) live in households with higher income which may mean that the household does not need discounted social tariffs and elects to use other connectivity options.

¹ See [Affordability of communications services - Ofcom](#)

² See [Social tariffs: On the edge of reason | Enders Analysis](#) 21 July 2023

³ Only 122,000 (12%) of the one million eligible households with low income have dependent children while 70,000 (6%) of eligible individuals are pensioners

The role of affordability in take up

The analysis within this paper identifies two potential reasons for low take-up that have so far been overlooked by policy makers, campaigners and commentators.

First, some eligible households may have insufficient income to afford even the lower cost social tariffs⁴. Second, some eligible individuals may live in households with higher income which means that the household does not need the social tariff and elect to use other connectivity options. In identifying these groups among the eligible population, this paper also describes the characteristics of individuals and households typically eligible for the social tariffs in terms of work, support on Government benefits, age and family structure.

Measuring connectivity affordability

In order to assess the affordability of connectivity, the analysis here is focused on household⁵ rather than individual income, for two reasons. First, a large part of connectivity cost (landline and internet) will be paid once for each household rather than per individual, which means that affordability at the household level is important. Second, resources are typically pooled within a household and household income better reflects an individual's living standards than their individual income. This allows both for individuals with little income who may live in more affluent households (such as young single adults living with their parents) and for individuals with higher income who live in effectively poorer households (such as parents with dependent children).

Eligibility for the BT Social Tariff – Home Essentials⁶ - is based on receipt of certain means-tested benefits covering Universal Credit (UC) (or the legacy benefits that this replaces⁷) for working age individuals or receipt of the Guaranteed Pension Credit for pensioners. This paper uses the eligibility for BT's social tariff as a basis for the analyses. Social tariffs from other operators have some variation in their eligibility: some only accept UC, while others accept UC and a range of other benefits similar to BT's offer⁸. The patterns among the UC only group, which Ofcom uses to report uptake, are reported in footnote 21.

While Government statistics can provide the total numbers of benefit recipients and the numbers of individuals potentially eligible for the Social Tariff, additional data is required to

⁴ According to Ofcom, "Social tariffs are cheaper broadband and phone packages for people claiming Universal Credit, Pension Credit and some other benefits. Some providers call them 'essential' or 'basic' broadband". Ofcom also reports that current prices range from £10 to £20 a month. See [Social tariffs: Cheaper broadband and phone packages - Ofcom](#).

⁵ Household income includes the income of all individuals living at a particular address. This may include several "benefit units" (defined as an individual, their spouse/civil partner/cohabiting partner and any dependent children living in the same property) and contain a mix of individuals who are eligible for benefits and individuals who are not eligible..

⁶ See [BT Home Essentials Broadband | Universal Credit Broadband](#).

⁷ These legacy benefits include Working Tax Credit, Child Credit, Income Support, Jobseekers Allowance or Employment and Support Allowance..

⁸ See [Discounted 'social tariffs' for those on certain benefits \(moneysavingexpert.com\)](#).

understand the characteristics of these individuals and the extent to which they live in households which cannot afford connectivity. Such information can be obtained from the Family Resources Survey (FRS)⁹, a Government-funded continuous household survey collecting information on all sources of income, work and family structure for a representative sample of around 20,000 private households in the United Kingdom. Data on household income and individuals characteristics from the 2021/2022 FRS was analysed for individuals identified as eligible for the Social Tariff, based on their reported receipt of UC (or the legacy benefits) or Pension Credit.

In order to address an issue of underreporting of benefit receipt in the FRS¹⁰ and the fact that declining numbers of individuals are receiving the legacy benefits, the numbers of eligible individuals from the FRS data were not only weighted by the survey gross weights but also adjusted to match the most recently available Government statistics on the actual number of claimants for each benefit that gives eligibility¹¹ from August 2022.¹²

In addition, the FRS does not distinguish receipt of the Guaranteed Pension Credit from the Savings Pension Credit¹³ so the eligible number in the FRS was adjusted to match the most recent Government statistic for those in receipt of the Guaranteed element.¹⁴ This effectively meant that profiles of individual characteristics and household income from the FRS data was applied to the Government numbers of benefit recipients for 2022.

To consider the extent to which households can “afford” connectivity, the analysis draws on the Minimum Income Standard (MIS) measures produced by the Centre for Research in Social Policy at Loughborough University. The MIS measures are budgets for different household types, based on what members of the public think are needed for a minimum acceptable standard of living in the UK and information on minimum costs for meeting those needs. The MIS does not claim to be a “poverty” threshold, but rather is a measure of a decent standard of living and covers a broad range of items which extend beyond what might be considered absolute essentials.¹⁵ Given this broad range, the parameters for each household type from the MIS budgets¹⁶ were used to estimate two income thresholds for each household in the

⁹ Department for Work & Pensions (DWP), released 23 March 2023, GOV.UK website, statistical release, [Family Resources Survey: financial year 2021 to 2022](#).

¹⁰ Documented for UC by the Department for Work and Pensions in <https://ukdataservice.ac.uk/app/uploads/usingdata2022-10-04.pdf>

¹¹ Specifically, the number of recipients of Universal Credit was multiplied by 1.8, recipients of Working Tax Credit and/or Child Tax Credit by 1.05, recipients of Income Support by 0.69, recipients of Jobseekers Allowance by 0.79, and recipients of Employment and Support Allowance by 1.22.

¹² Government statistics are from <https://www.gov.uk/government/statistics/dwp-benefits-statistics-february-2023/dwp-benefits-statistics-february-2023>.

¹³ Around 15% of all Pension Credit recipients receive only the Savings element.

¹⁴ Specifically, the number of Pension Credit recipients was multiplied by 1.17.

¹⁵ See <https://www.lboro.ac.uk/research/crsp/minimum-income-standard/> for further details.

¹⁶ Derived from the Excel calculator available at <https://www.lboro.ac.uk/research/crsp/usingmisdata/>.

FRS data, with one considerably less generous and focused on the minimum that a household must spend on the bare essentials:

- A **restricted MIS** with a budget for just six MIS items including: in-home food¹⁷, rent, water rates, fuel (that is, household energy costs), household goods and household services (excluding connectivity), plus the cost of a TV licence per household. The case could be made that these are the most essential items in the basket of goods and services. This budget was used to explore how many households need to spend all of their income on just these items.
- The **standard MIS** also includes budget for eat-out and takeaway food, alcohol, clothing, council tax¹⁸, household insurance, other housing costs, connectivity¹⁹, childcare, personal goods and services, motoring, bus and coach travel, other travel costs, and leisure goods and services (including holidays).

These two income thresholds identify three groups of households:

- a) Households with income below the restricted MIS. These households could be argued to be unable to afford any additional items beyond the listed essential items. Hence, they would not be able to afford connectivity even offered at a very low cost by BT or any Social Tariff provider.
- b) Households with income between the restricted level and the standard level. These households, with income greater than for the bare essentials, could be argued to face choices about which remaining items from the MIS basket to purchase. They might purchase connectivity in preference to other items without any Social Tariff; only purchase connectivity if offered at a lower Social Tariff cost; or choose not to purchase connectivity even with the Social Tariff option.
- c) Households with income above the standard MIS. According to the MIS criteria, these households can afford connectivity without any Social Tariff. These may be cases where the individual in receipt of benefits is in a different benefit unit from other higher income members of the household (such as adult children living with parents), or cases where income is reasonably high but the individual qualifies for a small amount of benefit which, nevertheless, would passport them onto the Social Tariff. Given the resources to purchase alternative (possibly better) packages of connectivity, these households may not take up the options available for the Social Tariff.

Understanding the household position with respect to these three income groups can help explain why some households with eligible individuals take up the Social Tariff while others

¹⁷ This removes 20% of the total food cost for eat-out and takeaway which is the average proportion for single individuals.

¹⁸ Council tax is excluded from the restricted MIS because households with low incomes should receive a full reduction.

¹⁹ Weekly connectivity costs for each household in the MIS are a fixed £5.41 for landline and internet for the household and £2.30 for mobile connection for each adult and child aged 11 and older.

do not, including the proportion of individuals who may not be able to afford any connectivity even at the lowest costs.

Household income for individuals eligible for a Social Tariff

Just under nine million (8.8 million) working age individuals are eligible for the BT Social Tariff²⁰, estimated to be living in just under eight million different households (because 22% live in households with more than one eligible working age individual).

Of this nine million, the FRS data indicates that one million (11%) live in households with income below the restricted MIS level, six million (68%) live in households with income between the minimum and standard MIS levels, and two million (21%) live in households with income above the standard MIS level.²¹

This suggests that one in ten (one million) working age individuals eligible for social tariffs may not take up the tariff because they live in households that cannot afford any connectivity – even lower at priced social tariffs – because they have no remaining income after paying for such basics as rent, water, food and energy.

On the other hand, a further two in ten (two million) working age eligible individuals may not take up the tariff because their household income is sufficiently high to mean that they do not need it or may prefer other connectivity options.

Between these two extremes, eligible individuals can afford to take up the Social Tariff and can benefit from it by being able to access connectivity and/or being able to afford other additional items in the MIS basket than they would otherwise have done so.

Just over one million (1.2 million) pensioners are also eligible for the Social Tariff²², with almost all (99.6%) estimated to be living in households with no other eligible pensioner (although 39% live in couples or in households with other individuals who are ineligible).²³

Of this 1.2 million, the FRS data indicates that 70,000 (6%) live in households with income below the restricted MIS level, 620,000 (53%) live in households with income between the

²⁰ Government statistics for August 2022 indicated that there were 5.7 million Universal Credit claimants, 1.4 million Working Tax Credit or Child Tax Credit claimants, 0.2 million Income Support claimants, 89,000 JSA claimants and 1.7 million ESA claimants. The total of 9 million eligible working age individuals is slightly higher than the 8.8 million eligible working age individuals in the FRS because some individuals claim more than one qualifying benefit.

²¹ If receipt of Universal Credit were the only eligibility criteria, 5.7 million working age individuals would be eligible for the Social Tariff, estimated to be living in 5.2 million different households (with 15% living in households with more than one eligible working age individual). Of this 5.7 million, the FRS data indicates that 0.8 million (14%) would live in households with income below the restricted MIS level, 3.9 million (68%) would live in households with income between the minimum and standard MIS levels, and 1.0 million (18%) would live in households with income above the standard MIS level.

²² Government statistics for August 2022 indicated that there are 1.2 million claimants for the Guaranteed Pension Credit.

²³ Pension Credit is assessed on joint income for couples which means that couples have one claimant and one eligible individual. Multiple eligible individuals in the same household will reflect two independent eligible individuals living at the same address (for example, pensioner siblings).

minimum and standard MIS levels, and 480,000 (41%) live in households with income above the standard MIS level.

Compared to working age individuals, this suggests that a smaller proportion of eligible pensioners do not take up the Social Tariff due to lack of any affordability, but a larger proportion (around four in ten) may not because they have higher incomes and may not need to use the tariff or prefer other connectivity options. Around half of eligible pensioners may be able to afford to use and likely to benefit from the Social Tariff.

The differences between household income and the restricted MIS level are presented in figures 1 and 2. These reflect the amount of income available to purchase connectivity after “essentials” for each household. A negative number indicates a shortfall in income below the restricted MIS level.

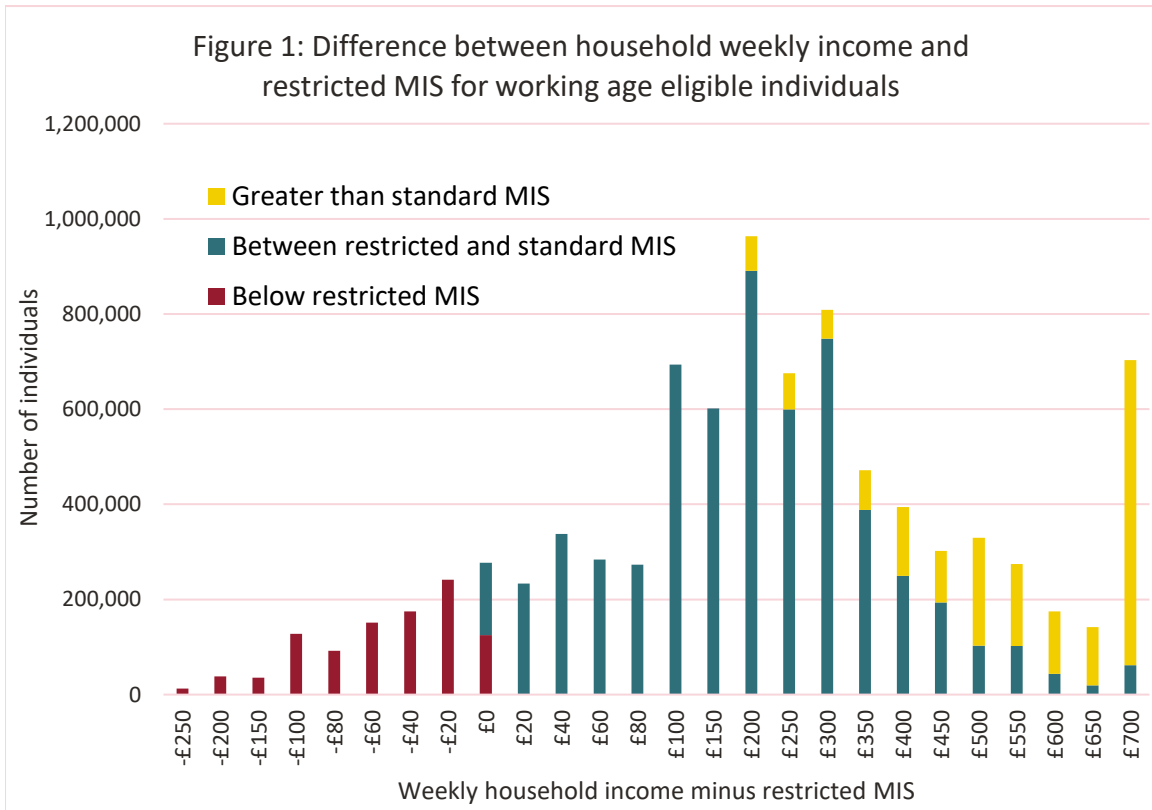
Figure 1 shows that, for working age eligible individuals living in households with income below the restricted MIS, most (87%) are in households with a shortfall of more than £10 each week, while many (63%) are in households with a weekly shortfall in excess of £30. This suggests that income falls a long way short of being able to afford connectivity for most of these individuals.

Many (80%) of those in the middle band of who can afford the most basic but not all of the items in the MIS basket have weekly surpluses of over £90 above the restricted MIS, indicating that a Social Tariff of around £4.65 a week could be affordable for many in this group, although it would mean choosing this over other items in the MIS basket.

Figure 2 shows that, for eligible pensioners living in households with income below the restricted MIS, three-quarters (75%) are in households with a shortfall of more than £10 each week, while just under a half (42%) are in households with a weekly shortfall in excess of £30. This again suggests that income falls a long way short of being able to afford connectivity for most of these individuals.

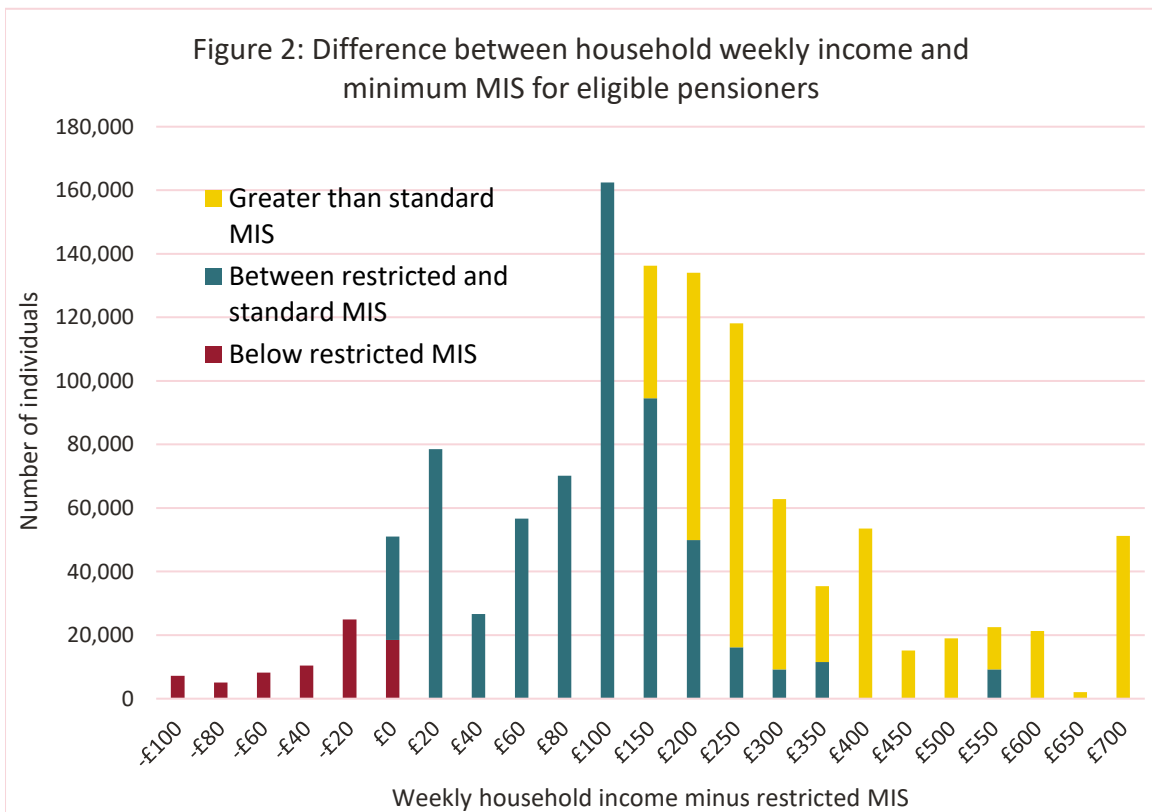
In addition, a substantial proportion of the middle band who can afford the most basic but not all of the items in the MIS basket have weekly surpluses not much in excess of the restricted MIS (43% are below £90 a week²⁴), suggesting that harder choices may be needed than for working age individuals in the corresponding group to make use of a Social Tariff for connectivity.

²⁴ In figures 1 and 2, the household income amounts are rounded the nearest £20 (or £50 for amounts above £100) so that the £80 bar captures all households with income between £70 and £90. Hence, the total of the bars below and including the £80 bar capture all households with less than £90 per week.



Source: Frontier calculations from FRS 2021/22

Note: 11% of eligible individuals live in households with income below the restricted MIS, 68% live in households with income between the restricted and standard MIS and 21% live in households with income greater than the standard MIS.



Source: Frontier calculations from FRS 2021/22

Note: 6% of eligible individuals live in households with income below the restricted MIS, 53% live in households with income between the restricted and standard MIS and 41% live in households with income greater than the standard MIS.

Profiles of eligible individuals

The profiles of eligible individuals in the three household income groups are presented in tables 1 and 2. It should be noted that, in table 1, the proportion of income from Government refers to the eligible individual's income, while the household income group refers to total income for everyone living in the household.

For eligible individuals in households with income below the restricted MIS, just under three quarters (73%) are working age, not in work and receiving all income from Government sources (table 1). This proportion is lower for those in the middle income group (44%) and even lower for those living in households with income above the standard MIS (35%). Only 12% of eligible individuals in households with income below the restricted MIS are in work, compared to around a third (32% and 35%) for the middle and higher income groups.

Pensioners constitute only 6% of those in households with income below the restricted MIS, but make up higher proportions for those in the middle income group (10%) and for those living in households with income above the standard MIS (21%). Unsurprisingly, very few eligible pensioners are in work and almost all receive at least half of their income from Government.

Both working age eligible individuals and eligible pensioners in all three household income groups are reasonably evenly distributed across the age profile (table 2). There is a slightly greater tendency for working age eligible individuals in the lowest household income group than in the higher two income groups to be under age 22 or over age 50 and for eligible pensioners in the lowest income group to be over age 80, but these differences are small.

Table 1 Work and dependence on Government income for eligible individuals

Individual work and individual dependence on income from Government	Household income below restricted MIS		Household income minimum to standard MIS		Household income above standard MIS	
	Number of individuals (1,000s)	%	Number of individuals (1,000s)	%	Number of individuals (1,000s)	%
Working age						
No work, <50% income from Govt.*	11	1%	26	0.4%	34	1%
No work, 50%+ (not all) income from Govt.*	48	4%	936	14%	181	8%
No work, all income from Govt.	787	73%	2,872	44%	810	35%
Work, <50% income from Govt.	76	7%	1,135	17%	644	28%
Work, 50%+ (not all) income from Govt.	36	3%	932	14%	162	7%
Work, all income from Govt.**	26	2%	61	1%	9	0.4%
Missing	16	2%	12	0.2%	0	0%
Pensioners						
No work, <50% income from Govt.	2	0.2%	2	0.03%	9	0.4%
No work, 50%+ (not all) income from Govt.	46	4%	372	6%	205	9%
No work, all income from Govt.	26	2%	242	4%	265	11%
Work, <50% income from Govt.	0	0%	0	0%	1	0.1%
Work, 50%+ (not all) income from Govt.	0	0%	1	0.02%	1	0.1%
All	1,074	100%	6,592	100%	2,321	100%

Source: Frontier calculations from FRS 2021/22

Note: * Some individuals not in work with non-Government income have income from investments and other non-earnings sources ** Some individuals are in work with all income from Government because they report zero or negative earnings (typically self-employed). Columns may not sum exactly to the total in the bottom row due to rounding.

Table 2 Age profile for eligible individuals

Individual Age	Household income below restricted MIS		Household income minimum to standard MIS		Household income above standard MIS	
	Number of individuals (1,000s)	%	Number of individuals (1,000s)	%	Number of individuals (1,000s)	%
Working age						
Under 22	147	14%	280	4%	87	4%
22-29	124	12%	1,043	16%	330	14%
30-39	138	13%	1,705	26%	333	14%
40-49	184	18%	1,325	20%	512	22%
50-59	245	23%	1,096	17%	387	17%
60 plus	161	15%	525	8%	190	8%
Pensioners						
60 – 69	6	0.5%	71	1%	94	4%
70 – 79	39	4%	331	5%	261	11%
80 plus	30	3%	216	3%	125	5%
All	1,074	100%	6,592	100%	2,321	100%

Source: Frontier calculations from FRS 2021/22

Note: Columns may not sum exactly to the total in the bottom row due to rounding.

Profiles of eligible households

Table 3 considers the family structure for households containing an eligible individual, moving from examining numbers and proportions of individuals to numbers and proportions of households. The number of households for eligible working age individuals (in table 3) is smaller than the number of eligible individuals (in tables 1 and 2) because 22% of these individuals live in households with at least one other eligible working age individual. The numbers of individuals and households for pensioners are very similar (tables 1 and 2 compared to table 3) because almost all eligible pensioners live in households with only one eligible individual (themselves).

Table 3 Family structure for households with an eligible individual

Household structure	Household income below restricted MIS		Household income minimum to standard MIS		Household income above standard MIS	
	Number of households (1,000s)	%	Number of households (1,000s)	%	Number of households (1,000s)	%
Working age						
Single, no children	601	60%	929	17%	206	11%
Single, one child	30	3%	497	9%	109	6%
Single, more than one child	34	3%	977	17%	61	3%
Couple, no children	114	11%	306	5%	95	5%
Couple, one child	12	1%	240	4%	58	3%
Couple, more than one child	32	3%	1,005	18%	95	5%
Others in household, single, no children	65	7%	576	10%	321	17%
Others in household, other	34	3%	552	10%	503	27%
Pensioners						
Single, no children	62	6%	388	7%	264	14%
Couple, no children	3	0.3%	96	2%	61	3%
Couple, one child	0	0%	0	0%	1	0.1%
Others in household, single, no children	8	1%	29	1%	70	4%
Others in household, other	0	0%	9	0.2%	22	1%
All	994	100%	5,605	100%	1,865	100%

Source: Frontier calculations from FRS 2021/22

Note: Columns may not sum exactly to the total in the bottom row due to rounding. 122,000 households with income below the restricted MIS (12%) contained children. 3,087,000 households with income between the restricted MIS and standard MIS (55%) contained children. 662,000 households with income above the standard MIS (36%) contained children.

Households with income below the restricted MIS – and therefore unlikely to be able to afford any connectivity – are predominantly single individuals without children.

Just under three quarters of the households in the lowest income group are single individuals without children, including 60% who are working age individuals living alone, 7% who are working age single individuals living with others in the household, 6% who are pensioners living alone and 1% who are single pensioners living with others in the household. The other major element in the lowest income group are couples without children who constitute 11% of the lowest income group. The low proportion of households with children in this group may reflect the relative generosity of Government benefits from families with children.

However, the middle income group – containing households who may be able to afford connectivity by trading off other items in the MIS basket – includes a mix of household types suggesting that some households without children receive relatively more income, possibly because they are receiving lower levels of benefits due to having other income sources.

Just under half (49%) of households with income above the standard MIS – and therefore deemed able to afford connectivity without any Social Tariff – contain eligible individuals who are living with other household members who not part of their benefit unit (that is, are not partners or dependent children). The income received by these other household members is not included in the individuals' benefit assessment and can explain why some individuals receiving means-tested benefits live in more affluent households. Most of these (44% of households in the high income group) are working age individuals (who could be living with more affluent parents, other relatives or in multiple occupancy dwellings), while a small number (5% of households in the high income group) are pensioners (who could be living with more affluent adult children).

The remaining half (51%) of households with income above the standard MIS are one family households. The eligible individuals in these more affluent households may be receiving only small amounts of benefits given the higher level of household income considered in the benefit assessment. Most of these (34% of households in the high income group) are working age individuals, but a substantial number (17% of households in the high income group) are pensioners.²⁵

²⁵ 14% of the highest income group are households with a single pensioner living alone. This may reflect that the FRS data does not allow those receiving the Guaranteed Pension Credit to be distinguished from those receiving only the Savings Pension Credit (15% of all Pensions Credit recipients) and not all pensioners in the group are truly eligible for the Social Tariff.

Report 2

Yonder

Perceptions and behaviours
of households eligible for
broadband social tariffs

Authors: Senanee Abeyawickrama and Celia Roberts



Perceptions and behaviours of households eligible for broadband social tariffs

Yonder has carried out a number of research projects for BT Group around the perceptions and behaviours of households eligible for broadband social tariffs and was asked by BT Group to provide this overview of the relevant findings.

According to Ofcom's April 2023 research, social tariffs¹ are available to an estimated 4.3 million UK households but have currently only been taken up by 220,000. This situation has prompted commentators, policymakers and regulators to call on telecommunications companies to proactively promote and enhance awareness about their social tariff offers in order to ensure that broadband remains accessible and affordable to the most vulnerable. While there has been some progress since January 2022, as take-up has quadrupled indicating a positive trend, the overall picture remains less promising with just 5.1% of the eligible population signed up to these discounted offers.

However, the eligible population for social tariffs cannot and should not be viewed as a homogenous group. Other factors such as age, digital skills, household income and overall need, appetite or perception of broadband connectivity all play a role in consumers' likelihood to take up *any* contract, let alone a social tariff.

Another important distinction is the variation between the eligible population that is 'in-market' and those who are 'offline'. The UK already has a high level of broadband penetration, with 2023 Ofcom data showing that 93% of households have internet access at home (including those who access broadband via mobile only). This suggests that a substantial proportion of the eligible population not yet on a social tariff likely belong to the 'in-market' category, making it essential to understand their specific attitudes and behaviours. This is especially important for policymakers who seek to understand the role of social tariffs in improving broadband affordability for financially vulnerable customers².

As such, this paper will primarily focus on this group – the digitally included online population eligible for social tariffs – which comprises individuals currently using broadband but not officially on a social tariff. It will explore the potential drivers for the current low uptake of social tariffs, as well as the evidence which shows that:

- + Many eligible households are navigating the market well and already pay a 'social tariff' price for their broadband, whether it is badged as such or not
- + Those already in market recognise and value the usefulness of broadband and so prioritise it in their spending
- + Many have other services bundled with their current offer, which may be incentivising them to stay on their current service, rather than switch to a social tariff
- + Eligible households interpret price as a marker of quality and so have doubts about the quality of cheaper tariffs

In a separate section of this paper, we will also briefly address some of the barriers faced by those who are both financially vulnerable and not online, especially the low income group that are digitally excluded. While cost and affordability are key barriers, research has shown that some of this group are also influenced by other factors, unrelated to price. [See page 6].

¹ Social tariffs are discounted broadband or mobile packages that are available to households deemed to be financially vulnerable – typically receiving at least one of the following benefits: universal credit, pension credit, guaranteed credit, employment allowance, jobseeker's allowance, or income support.

² Many of the insights about the financially vulnerable, referred to in this note, are extracted from Yonder's affordability research which was commissioned by BT Group in 2021. This entailed a quantitative survey with 900 respondents who are financially vulnerable (i.e. receive government benefit and/or tax credit) and have either home broadband or a mobile phone carrier.

Part one: the digitally included – eligible households that already have broadband

Understanding why there might be low motivation to take up social tariffs among those eligible who already have broadband is critical for policymakers and internet providers as they consider what interventions are needed to support households to get or stay connected and how best to design them. There are two key levels to this analysis:

1. The existing broadband market and choices available to customers;
2. Perceptions and attitudes among the eligible population.

Where do social tariffs fit within an already competitive broadband market?

Currently, there are 27 social tariffs on offer across a wide range of providers. BT's social tariff 'Home Essentials', for example, comes with broadband and a landline at £15 per month for an average speed of 36Mb, or £20 per month for an average speed of 67Mb. By 2023, BT was providing more than 85% of social tariffs in the market, making it the sector leader in this respect. However, when comparing social tariff prices with the cheapest commercial tariffs available on the market – Enders Analysis finds that the saving ranges from 12% to 29% depending on the provider. Indeed, in some cases, the social tariff is priced at a higher rate than the cheapest available options:

Figure 1: Broadband social tariffs (Source: Enders Analysis, company reports)

Product	Cost (£/month)	Speed	Voice minutes	Saving vs same operator	Saving/premium vs cheapest on market
BT Home Essentials	£15	36 Mbit/s	700	53%	12%
BT Home Essentials 2	£20	67 Mbit/s	Unlimited	43%	18%
Sky Broadband Basics	£20	36 Mbit/s	None	42%	18%
NOW Broadband Basics	£20	36 Mbit/s	None	13%	18%
Virgin Media Essential Broadband	£12.50	15 Mbit/s	None	55%	26%
Virgin Media Essential Broadband Plus	£20	54 Mbit/s	None	29%	18%
Vodafone Essentials Broadband 1	£12	38 Mbit/s	None	50%	29%
Vodafone Essentials Broadband 2	£20	73 Mbit/s	None	20%	18%

So although being on a social tariff can lead to potential savings, the magnitude of the saving would depend on the type of package and service provider, and will not be true for all in-market customers. In particular, the financially vulnerable who are most in need of social tariffs are likely to be searching and opting for the cheaper ranges in the market, rather than necessarily seeking out a 'social tariff' by name, making the potential savings from a social tariff marginal or, in some cases, not applicable at all.

Such offers are also frequently reviewed and listed on consumer welfare sites, such as Money Saving Expert as shown below:

Figure 2: Broadband packages listed on consumer welfare sites (Money Saving Expert 2023):

PROVIDER & AVG SPEED	EQUIV COST (1)	HOW IT WORKS
Shell Energy* 67Mb	£19.44/month	Cheapest fast fibre. Via this Broadbandchoices Shell Energy* link, it's £24.99/month, plus you can claim (don't forget) a £110 Amazon voucher within four months. If you'd have spent there anyway, factor it in and it's equivalent to £19.44/month over the 18-month contract. <i>Ends 11.59pm Sun 16 July.</i>
Vodafone* 67Mb <i>Top Pick</i>	£21.21/month	Cheap fast fibre with 'good' service. Via this Broadbandchoices Vodafone* link, it's £26/month, plus you can claim (don't forget) a £115 Amazon, M&S, Tesco or Sainsbury's voucher within four months. If you'd have spent there anyway, factor it in and it's equivalent to £21.21/month over the 24-month contract. <i>Ends 11.59pm Sun 9 July.</i>
Virgin Media* 132Mb	£22.06/month	Cheap superfast fibre. Via this Broadbandchoices Virgin Media* link, it's £26.50/month, plus you can claim (don't forget) a £80 Amazon voucher within four months. If you'd have spent there anyway, factor it in and it's equivalent to £22.06/month over the 18-month contract. <i>Ends 11.59pm Wed 12 July.</i>
Vodafone* 100Mb <i>Top Pick</i>	£22.59/month	Cheap fast fibre with 'good' service. Via this Broadbandchoices Vodafone* link, it's £28/month, plus you can claim (don't forget) a £130 Amazon, M&S, Tesco or Sainsbury's voucher within four months. If you'd have spent there anyway, factor it in and it's equivalent to £22.59/month over the 24-month contract. <i>Ends 11.59pm Sun 9 July.</i>
Cuckoo* 100Mb	£39.99/month	Not the cheapest, but scores 9.9/10 in our customer service polls. Via this Broadbandchoices Cuckoo* link, it's a straight £39.99/month over the 12-month contract.

In addition, there are other flexible plans available in the market, such as bundled packages of some combination of broadband, mobile, landline calls and TV, which (as Enders notes) often provide consumers with lower prices for each element, than buying them separately would, sometimes at social tariff prices for broadband. Research from Yonder and Ofcom shows that, among eligible households, TV is a key driver in buying these bundled services. This suggests that at least some customers may be reluctant to change or give up their TV services for cheaper broadband. Furthermore, as noted by Enders Analysis, the motivation to switch to a social tariff that would offer only a broadband service, or is not the same as a household's existing TV service, may be overshadowed by bundled packages which can be equally or more cost-effective overall.

Yonder's research among financially vulnerable customers in 2021 has, qualitatively, evidenced this effect: i.e., already being on a cost-effective package or bundle of services (where buying in combination often offers better prices than buying services individually) reduces the motivation to take up a broadband social tariff:

"I have a superfast connection already for less than £20 because it is part of my TV package."

"I can get all I need on my current contract at the same price."

"I've already negotiated a £20pm broadband subscription not dependant on qualifying for a social tariff."

"We already pay less than this for our service."

"I currently only pay £21. It is discounted as I already have a mobile phone contract with Vodafone. So this [social tariff] offer, although a great idea, doesn't seem particularly cheap."

If the core priority is to ensure that the financially vulnerable are able to access broadband at social tariff level prices of around £20 per month through the broadband market, then the open market (via competitive offers in the telecoms sector) is very likely serving many more households than the estimated 5.1% that are currently on a service that meets Ofcom's 'social tariff' criteria.

Indeed, GfK research commissioned by BT Group, indicates that approximately 19% of UK households with a total family income of less than £20,000 pay under £20 per month for their broadband. This suggests that there are many eligible households that are effectively on a service that meets Ofcom's 'social tariff' price standards, even though their current package may not be officially labelled as such.

What role does broadband play in the lives of the financially vulnerable?

Yonder's 2021 work revealed that financially vulnerable customers with broadband consider it essential and so prioritise it versus other areas of discretionary spending if necessary.

Out of a range of services used in everyday life by the financially vulnerable, having access to broadband was considered more important (87%), compared to mobile (81%), Freeview TV (54%), bus services (45%), and train services (32%). Respondents also cited how useful broadband is when completing a variety of tasks including managing finances (79%), utility bills (72%), learning new things (69%), and accessing healthcare (50%).

According to Ofcom's latest affordability tracker just 1% reported having completely stopped spending on broadband altogether.

The above evidence around how prices compare and the importance placed on broadband suggests that many of the in-market financially vulnerable group are navigating the market well, to find the bundles and offers that work for them to stay connected.

Is price a strong marker of quality in customer minds?

In addition to understanding the buying patterns of those in the existing broadband market, it is also important to delve into consumer perceptions and attitudes that might interrelate with social tariff uptake.

One of the key challenges when targeting the 'in-market' population is convincing them that social tariffs or the idea of 'cheaper' broadband would not necessarily equate to a compromise on quality. Ofcom research in 2022 on communications affordability highlights concerns among the financially vulnerable that cheaper broadband options might be less reliable, making it one of the top five barriers to social tariff uptake. Specifically, there were notable apprehensions regarding buffering issues and a perceived decline in service quality with cheaper tariffs. A considerable portion (42%) of eligible customers, agreed with the notion that "since social tariffs are cheaper, they are less likely to be reliable", while 27% remained uncertain.

Consumer welfare groups, including Which?, have gathered similar insights related to social tariff adoption and concerns around its quality:

"When we asked customers who are both eligible for social tariffs and aware of them why they hadn't taken one up, the main concern centred around broadband speeds. Some 44% of those who had chosen not to take up a social tariff told us this was because they thought speeds offered were too low." [Which; 2022]

Breaking away from the preconceived notion that cheaper tariffs are of lower quality will be especially challenging if this group has high requirements or expectations around speed. Ofcom research indicates that this might be the case – revealing that 62% of those who are eligible for social tariffs require "superfast broadband" speeds. While internet providers including BT, Virgin Media, Community Fibre and Vodafone all offer a superfast speed social tariff, breaking the association between price and quality at scale is a challenge. This is because customers are not always diligent in identifying the technical specifications of their broadband package, or understanding what they need to be able to complete their day-to-day tasks.

Challenges related to perceptions of quality also feature in Yonder's research among financially vulnerable customers. When asked about the most important features in broadband social tariffs, respondents frequently cited factors related to quality with the top three emerging as:

1) an internet connection that doesn't drop out, 2) unlimited data allowances, and 3) fibre broadband speed suitable for streaming videos.

Qualitative insights from the same study show – in more explicit terms – that concerns regarding quality impede the uptake of broadband social tariffs among the financially vulnerable population. Apprehensions around quality, speed, and capacity featured prominently when asked *why* they were unlikely to take up broadband social tariffs:

“It seems too cheap to be useful.”

“A tariff like this would not be suitable for my needs or situation.”

“I need reliable internet to connect several devices at the same time.”

“The internet speeds would be far lower than my usage requirements.”

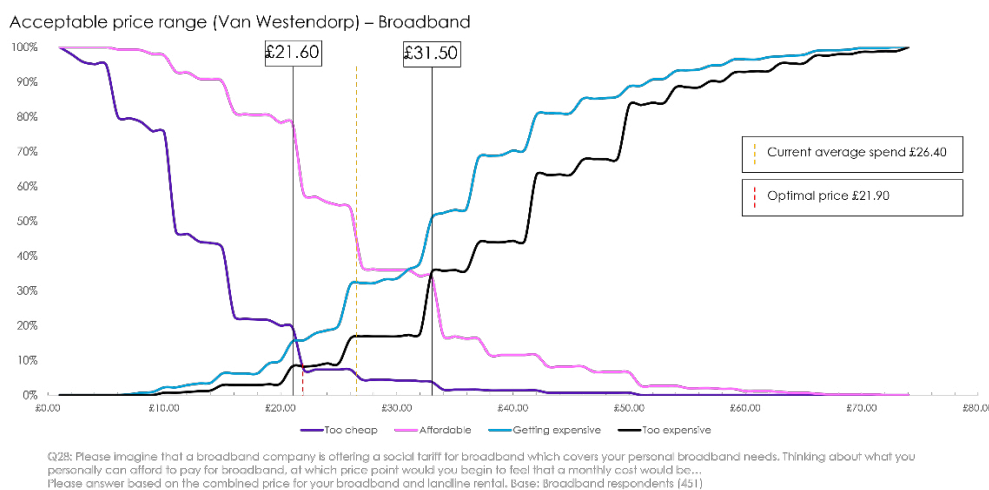
“The speed of the internet and quality of the overall product would be worse than what I currently have.”

“It might not offer the speeds I need for the things I enjoy doing.”

“I’m happy to pay something extra for better speed.”

As part of the same study, Yonder used an established price sensitivity tool to understand the range of broadband affordability. This quantitative research showed that prices below £21.60 are considered ‘too cheap’, reinforcing that price impacts perceptions of quality. As previously shown in Figure 2, the open market offers broadband packages that are similar to the price level deemed as the ‘optimal price’ - £21.90:

Figure 3: Broadband customers’ ideal price range (Source: Yonder Consulting)



How do you convince those eligible that social tariffs are for people like them?

Existing research also indicates a sense of apprehension or confusion regarding whom social tariffs are intended for. This has been noted among financially vulnerable customers who assume that these social tariffs are meant for those who are on a lower income and, consequently, *more* financially vulnerable than themselves. Ofcom’s communications affordability research, for example, shows that one of the main barriers to social tariff uptake is a sense that the tariffs are not “aimed at households like theirs”. Of those who were eligible, 46% felt that social tariffs were not meant for them. Yonder’s work among the financially vulnerable also tells this same story. When asked why they were unlikely to take up social tariffs, some insinuated that they were not the target group for a social tariff, even though they would be considered eligible under the programme. Such perceptions contribute to voluntary opting out behaviour based on self-assessments of financial status:

“I don’t know why my provider would offer it to me.”

“I do not think I need it.”

“I would prefer the offer to go to someone who needs it and will benefit from it.”

Enders Analysis suggests that these attitudes may reflect a desire not to be labelled, specifically among households that regard their benefits as “a temporary measure”.

Part two: the digitally excluded - for financially vulnerable households without broadband, price isn't the only barrier

The group eligible for social tariffs but not online – the digitally excluded – are a much harder group to reach for research purposes due to the fact that they are offline. This group is, at times, more financially vulnerable and are often older compared to those who are digitally included.

BT Group has worked with charities and parts of Government to run pilots that offer fully-funded broadband to financially vulnerable working age households. Yonder has carried out a review of one of those pilot programmes which revealed important insights about what drives or prevents people from signing up for broadband, in a context where affordability is removed as a barrier.

Among these very low-income groups, broadband is at times seen more as an entertainment amenity rather than an enabler of better quality of life via educational material or money saving ability. Moreover, some of those approached with the offer were reluctant to engage with the scheme due to the requirement to hand over banking details, and /or when the details are not fully understood due to poor spoken/ written English. Indeed, success was found to be dependent on the ability of facilitators making the offer to form positive relationships with eligible households.

While those who did take the offer reported positive experiences to Yonder, these additional non-price related barriers meant that uptake of funded broadband was lower than expected.

The pilot with the best uptake rates of fully funded broadband is operated by the charity Buttle UK – a charity dedicated to those living in financial hardship and dealing with various social issues. Its approach is for a key worker to build a relationship with the household they are supporting, with a remit to support on any or all the issues they are facing. In that context, funded connectivity is offered if appropriate, with a person already in place to support through the sign up and set up process, and to find appropriate resources to develop skill, if necessary.

In conclusion

Based on the available evidence, several important findings emerge regarding the adoption of social tariffs among those who are eligible and are currently buying broadband:

1. **Open market offers vs. social tariffs:** In many cases, open market offers that are similarly priced as social tariffs are more attractive to financially vulnerable customers. Consequently, the general competitiveness of the existing broadband market likely outweighs what could be perceived as a 'marginal' benefit of being on a social tariff.
2. **The impact of pricing on quality perceptions:** There is a perception among consumers that links price with the quality of the broadband service. Although social tariffs are designed to offer affordable options, concerns about potential service limitations or reduced quality compared to higher priced plans remains a challenge.
3. **Other attitudinal and perception barriers:** Assumptions and misconceptions about who social tariffs are intended for also impede uptake among the in-market group which is even more likely to be the case if very wide criteria are used for social tariff eligibility. Indeed, Enders Analysis has taken the position – based on its own analysis of survey data – that the current eligibility for a social tariff is “around ten times as broad as those experiencing (or at risk of experiencing) digital exclusion”.
4. **For the digitally excluded and financially vulnerable, price isn't the only barrier:** among very low income groups that are digitally excluded and likely cannot afford any broadband, even a social tariff that is fully funded did not automatically result in uptake, as other factors emerged as barriers.

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Paper 3

AbilityNet

Low digital skills households
and digital exclusion

Author: Sarah Brain

AbilityNet’s insights on low digital skills households and the path to digital inclusion.

Summary

- AbilityNet works directly with people that have challenges getting online. The evidence shows that for most digitally excluded people – those who never or rarely go online – a combination of low confidence, low skills and low motivation play a big role, and this is true for those with and without affordability issues.
- BT Group is a charity partner of AbilityNet, supporting our work to provide high quality support where it’s needed to enable someone to become digitally included and do what’s important to them online. They asked us to capture our knowledge and insight for policy makers and campaigners.
- In this paper we explore the reality of digital exclusion for individuals experiencing it, and what, with the right support, their journey from digitally excluded to digitally included can look like.
- We also look at the main reasons members of our core audience are offline and the steps we take to help them become digitally included.
- We’ve included a breakdown of top-line costs to give an indication of what is involved in creating a digitally active online population.

Our experience with the challenge

Our digitally excluded users can sometimes come from a place of no digital experience and therefore need help to get started online and to overcome the barriers that have prevented them to date. However, a proportion have some basic skills and require a lighter touch approach, perhaps to build confidence through helping with particular skills or subjects such as media literacy or scam awareness training.

Typically, the reasons people need support are due to skill level, lack of confidence, low motivation, health challenges and barriers to accessing tech, a lack of support networks, affordability barriers to getting a device and connectivity. The type of support needed varies from person to person and can range from virtual support or group sessions to multiple one on one sessions. Some of the people we support are connected in some aspects of their lives, but are struggling in other aspects and need help to make other digital services work better for them.

There is no ‘one size fits all’ model.

While being digitally excluded isn’t just restricted to one subset of the nation, we do know that the people most likely to be offline are older, with 90% of those not online being over the age of 55¹. In the over 75 age group, 26% of all households do not have internet access at home² with a larger proportion not having broadband. Lack of motivation is a big driver in this group with people feeling that there is no point, don’t see the value or feel they don’t have the skills to bother. However, according to Age UK³ research, of those older people, a third are interested in getting online, but face barriers.

Another key audience that is offline are disabled people of working age. Although most working age people are online, if you are disabled, you are much more likely to be one of the small proportion that are not.

¹ Centre for Aging Better [research](#) ‘...this cohort... are likely to be poorer, less well educated and in worse health than their peers’

² [Digital exclusion: a review of Ofcom’s research on digital exclusion among adults in the UK March 2022](#)

³ <https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/active-communities/policy-briefing--living-in-a-digital-world-after-covid-19-the-experience-of-older-people-who-dont-live-their-lives-online.pdf>

According to Lloyds research ⁴ those with an impairment are two and a half times more likely to lack foundation level digital skills.

Our users reflect this:

So far this year 90% of those calling AbilityNet's free helpline were over 55 years old, and 81% identified as having a disability or impairment.

How do we approach working with digitally excluded people?

In our experience, people often have specific goals they want to reach when starting out online, such as making doctor's appointments, entertainment, applying for jobs or staying connected with family. These goals drive their motivation, and a goal-focused approach definitely helps them take on information more easily, as they can see the benefit. Abstract terms such as 'digital skills' can seem more daunting. People, older people in particular, can often feel they are being forced online since 'in person' support is diminishing and harder to find.

AbilityNet offers a range of options to support people, but often the people we work with prefer, and need, a one-to-one session to reduce embarrassment, particularly if they are starting from a place of zero knowledge. Providing individual support also enables the session to be tailored to their skill level and aims. Each case is run similarly to a triage where an initial call will inform what kind of support an individual needs and a plan is made from there. The sessions are then tailored to individuals and undertaken in a place they feel comfortable, in a format of small 'bite-size' chunks with easy-to-understand language and terms. These are generally run by our UK-wide team of Tech Volunteers.

The clear takeaway we have from our support programmes is that, although motivation is a key barrier to begin with, once the digitally excluded come on the journey they generally see a real value and benefit that being online has on their lives. They're all at different stages, but confidence grows with being connected. There is no one-size-fits-all answer to getting people online, but the key is to give them the skills, confidence, motivation and opportunity to get them one step closer to becoming digitally included.

What are the costs associated?

Despite the use of volunteers there are set associated costs such as admin and travel. Costs of supporting an individual can vary from around £60 per person if the level of support needed is a singular group workshop, through to in excess of £800 for multiple one on one support sessions for someone that has never been online or used a digital device.

There is no 'one-size-fits-all' model for people who have not used a digital device, but we do know the benefit to the individuals their families and the economy of helping people to be confident online far outweighs the upfront costs.

⁴ https://www.lloydsbank.com/assets/media/pdfs/banking_with_us/whats-happening/221103-lloyds-consumer-digital-index-2022-report.pdf

Case Studies

AbilityNet works with real people to make an impact on real lives. As such we have developed the following personas based on our experience of supporting older people and disabled people in the digital world to help illustrate the journey they may go through to become more confident online.

Persona 1 – Kathleen - older Person



Name: Kathleen, 75 - Retired widowed

Disability information: Reduced vision, hearing and mobility.

Tech knowledge: Low. Recognises she needs to be online to book Dr's appointments and shop.

Quote: *"I'd rather not be online, I'm fine as I am, but I can't do so many things now without it. I'm worried I'm going to break it, or someone will scam me. It's all just so complicated."*

Type of support: Helpline and at home Tech Volunteer visits weekly for minimum 6 weeks.

Progress: Can now use basic navigation on the tablet, email, order small weekly shop, WhatsApp and can surf the internet for news and videos. Is aware of how to check for safe internet sites and emails and her devices have been made accessible for her needs.

Tech confidence now: Medium. Still worries about doing something wrong or falling for a scam. Working towards being more confident and will need on-going support at a less intense rate.

Overview:

- Kathleen, 75 – Retired widowed
- Daughter searched internet, found AbilityNet and called in = 1x helpline call
- Kathleen called back = 1x helpline call (set up)
- Series of 8 volunteer home visit sessions weekly (assume 40 mile round trip)
- Following 6 sessions monthly for 6 months with ad-hoc enquiries after that.

Persona 2- Darren, - dyslexic



Name: Darren, 38 – Part time factory worker, living with partner.

Disability information: Darren is dyslexic. He’s good at problem solving, but is unable to read much more than basic words.

Tech knowledge: Basic tech knowledge. Keen gamer. Has a very old mobile phone. Would like to use tech to progress his career.

Quote: *“I want to get a new smartphone, something I can use so I don’t have to ask people to read for me. I’m a grown man and feel really embarrassed that I can’t read. I’m not stupid.”*

Type of support: Specialist disability advice over the phone, plus volunteer support of 5 hours per visit over 3 weeks.

Tech skills now: Darren is now able to search for jobs and use “Select to Speak” to have the text read out to him so he can understand it more effectively. He’s also making use of Apple Notes, calendars and alarms to keep him more organised. Darren also attends a fortnightly dyslexia support group.

Tech confidence: Good.

What’s next?: Darren has now has an interview for a driving job.

Overview:

- Referred by Jobcentre
- Darren called the 0800 number - Helpline call x1 (set up)
- Disability consultancy sessions x2
- 2 volunteer sessions over 3 weeks with ad-hoc enquiries after that

Persona 3 - Maxwell – older (group sessions)



Name: Maxwell, 76 – Retired bus driver

Disability information: Maxwell is an Afro-Caribbean man who struggles with his mobility and memory.

Tech knowledge: No technology knowledge whatsoever. Not interested in learning about technology but was gifted a tablet.

Quote: *"I have no wish to use technology. I'm too old to start learning new things. Technology is very scary to me. I like to speak to people and sing in the gospel choir, not stare at a screen."*

Type of support: As part of AbilityNet's partnership with Extracare, Maxwell received a free laptop and support from a volunteer. AbilityNet also ran a series of group training sessions at the residential village focused on media literacy. Maxwell attended them all.

He soon used his laptop to watch YouTube videos of gospel choirs and made a video call to relatives abroad. He continued to attend the weekly drop-in sessions provided by a local AbilityNet volunteer.

Tech confidence: Improving all the time.

What's next?: Maxwell admits becoming digitally connected has made a positive difference in his life. He's now an advocate in his retirement village for being online, and its resident IT expert.

Overview:

- Helpline set up
- 2 x volunteer visits to set up laptop
- 3 x group sessions (funded project)
- 5 x drop-in sessions (volunteer led)

Persona 4 - Geoffrey – older (good tech knowledge but has macular degeneration)



Name: Geoffrey, 91 - retired

Disability information: Has macular degeneration. Can still see the screen but not as well as he used to.

Tech knowledge: Good working knowledge of computers. Is quite confident with email and other software as he has worked with computers during his career.

Quote: *“I used to find using a device so easy. Now as I’ve got macular degeneration I feel so frustrated because I can’t see the screen so well.”*

Type of support: Helpline support and home Tech Volunteer visits weekly for 2 hours over 3 weeks so far.

Progress: Volunteers set the computer up so that Geoffrey can switch magnification on and looked at making sure that a screen reader and AI apps can be used.

Tech confidence now: Very good.

What’s next?: Geoffrey is now wondering if there’s anything that he could do to help older people in his area use technology. Geoffrey quite openly says that since receiving the digital support his mental health is now so much better.

Overview:

- Helpline calls x1 (set up)
- Disability consultancy sessions x1
- 3 volunteer sessions weekly (local volunteer walked)
- Ad-hoc enquiries after that

Persona 5 - Jane – Learning disability



Name: Jane, 37 – Living in a group care home, has help from her support worker Tina.

Disability information: Has a range of learning disabilities.

Tech knowledge: Low. Used a computer infrequently at school. She wants to be online but struggles with literacy issues. Jane was given a tablet last year as part of the ConnectingU project.

Quote: *“Everyone else uses a phone, I feel left out. I want to be able to spend my days looking at fun videos on the internet. I like videos with cute puppies in them. I also like Michael Bublé, so I want to find videos with him in them. I want to stay in touch with people.”*

Type of support: Helpline support to understand capability and needs and at home Tech Volunteer visits weekly for 3 hours over 4 weeks.

Progress: AbilityNet set up Google Action Blocks on Jane’s tablet. They’ve also shown her how to look up videos online, videocall family, set up an email and parental controls to keep her safe.

Tech confidence now: Still basic but is far more engaged with technology and has been asking now for other content. She would like to play online games.

What’s next?: Support worker Tina now feels more confident to support Jane with her tablet and will call on AbilityNet when she comes across something she isn’t sure about.

Overview:

Helpline calls x1 (set up)
Disability consultancy sessions x1 (video call)
4 volunteer sessions weekly (40 mile travel)
Ad-hoc enquiries after that

Paper 4

Enders Analysis

Social tariffs – On the edge of reason

Authors: James Barford, Karen Egan, Katharine Lindsay
and Hamish Low



Social tariffs

On the edge of reason

- Social tariffs have provided relief for some at a time of household income squeeze and otherwise unavoidable high inflation-driven telco price increases
- Adoption has risen but remains very low, limiting their effectiveness, and more widespread adoption would expose their shortcomings, with the risk of penalizing low cost operators and significantly increasing prices for non-adopters (by up to 20%)
- A better approach might be to recognize that affordability issues are narrower but deeper than current social tariffs can address, with fuller, centrally funded subsidies targeted more narrowly at those most in need



James Barford
james.barford@endersanalysis.com

Karen Egan
karen.egan@endersanalysis.com

Katharine Lindsay
katharine.lindsay@endersanalysis.com

Hamish Low
hamish.low@endersanalysis.com

+44 (0)20 7851 0900

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Social tariffs: unpopular, ineffective and unfair

Social tariffs have been heavily encouraged recently by Ofcom and other policy makers for multiple purposes, initially as the industry's response to the cost-of-living crisis, and more recently as a way to combat inflation. In the longer term, their most robust policy justification is as a way to minimise digital exclusion, and in particular digital exclusion caused by the lack of affordability of internet access. As they are currently structured, they are fairly ineffectual at this due to their lack of popularity, but if they were to actually become popular, there would be severe pricing and competition disruption, and would still be unlikely to fully meet their aim. We think that alternative approaches should be considered.

Social tariff uptake has increased dramatically over the last year by over four times, but it remains anaemic at just 3-5% of those eligible. A lack of awareness used to be a major driver of this, but awareness has surged to nearly 50% now, while adoption amongst those aware has barely changed at under 10%. This appears to be largely driven by their structure as 'special tariffs' as opposed to a uniform discount across all prices, although the strong disincentive for operators to enthusiastically drive adoption likely also plays a part.

There are steps that could be taken to improve this, but this would expose other problems with the way that social tariffs are currently structured, with their combination of being individually funded by operators, and potentially very expensive due to their very wide eligibility (around 25% of households), a unique combination as far as we can tell in the broader (cross-industry and internationally) world of social tariffs. The natural consequence of full adoption would be a dramatic increase in prices for non-adopters, up to 19% by our estimates, many of which face just as difficult financial circumstances, and some worse, than those who qualify for social tariffs.

It would also heavily distort competition in favour of infrastructure-owning robustly-priced incumbents and away from discount-priced resellers, with this latter group having been instrumental in driving prices down to their current low level, and reducing their ability to compete may well drive commercial prices further up in the longer term, undoing all the good regulatory work by Ofcom that has created and sustained an energetically competitive market.

We do not believe that eligibility needs to be anything like as broad as it currently is, with our analysis suggesting that the number of households suffering (and at risk of suffering) digital exclusion for cost reasons is in the low single digits, around 1-4%, an order of magnitude below that of the current eligibility pool. Furthermore, even if fully adopted social tariffs do not solve the digital exclusion problem, because households that genuinely cannot afford broadband usually cannot afford to pay anything at all, and are often not on benefits (for technical rather than income reasons), and may be in accommodation that does not allow for them to order broadband in any case.

This high level of eligibility leads to a very high cost of funding, with full adoption notionally costing £1.5bn or 14% of broadband revenue, which magnifies the competition distortions and incentives on the operators to game the system. Moving to a centrally funded system via government grants or an industry levy would remove these problems, but even doing this would be much easier if the cost was more manageable through reduced eligibility.

Fixing the funding and eligibility issues would make social tariffs much more effective in our view, but to genuinely address digital exclusion might require a different approach, which provides connectivity for free, addresses digitally excluded households specifically, and can work together with schemes to address digital skills, a much larger part of the problem. There have already been substantial efforts in this direction, with mobile databanks giving out free SIMs and targeted free broadband schemes, and implementing these with co-ordination and scale should be a key policy priority in our view.

What problem do social tariffs address?

For many years policy makers have been concerned about the affordability of telecoms services, and internet access in particular, with the worry being that those 'excluded' from internet access miss out on widespread benefits, damaging social cohesion and reducing the benefits of network effects for all. More recently there have been added concerns that a lack of internet access makes for higher living expenses due to the lack of access to online offers, exacerbating an existing problem for those with affordability issues, and that high rates of internet access are required to offer government services exclusively online, and thus potential efficiency benefits may be lost.

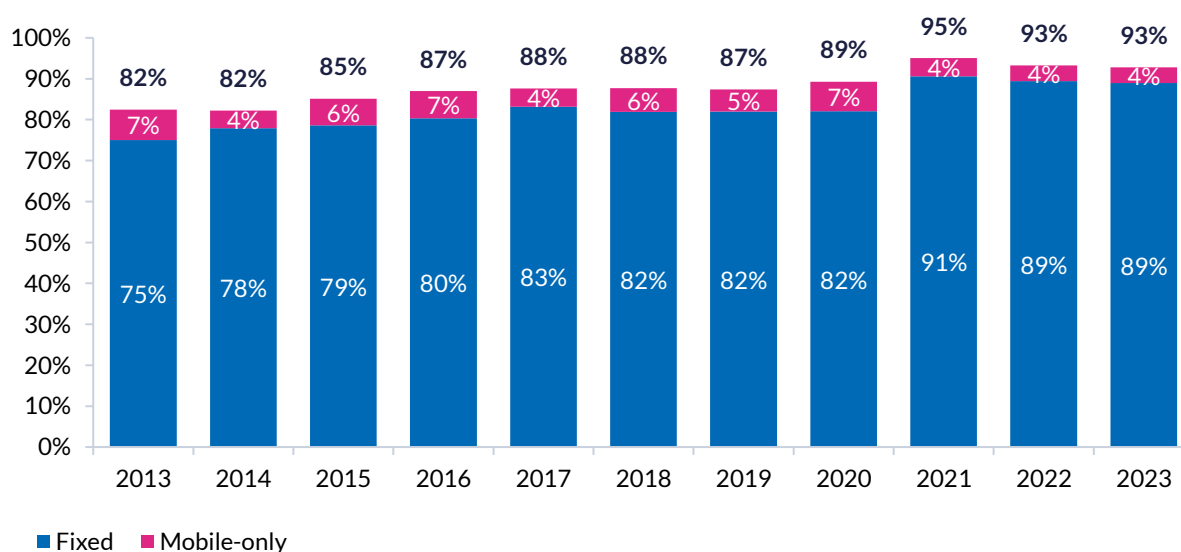
However, broadly speaking, the research has consistently indicated that relatively few people do not have access to the internet for affordability reasons, with a lack of interest and a lack of digital skills generally the most common reasons given. The number excluded by affordability is relatively low, which certainly does not mean that they should be ignored, but does impact the nature of an appropriate and effective policy response.

Digital exclusion

'Digital exclusion' is a fairly broad topic going well beyond the scope of this report, with the full benefits of the internet only available to those who have internet access, the devices required to use it (i.e. smartphone/tablet/laptop/PC), and the skills to use it effectively for whatever particular services are considered critical or important. However, social tariffs can only impact the first of these (internet access), and therefore we analyse below only the rates of internet access (at home), while recognising that significant numbers of people do not use the internet access available in their household, and even more use it only for a limited number of tasks.

Looking therefore just at the availability of internet access at home, survey evidence suggests that around 7% do not enjoy this, with 89% having fixed broadband and a further 4% having internet access via mobile alone (be it a smartphone or some form of dongle/Mi-Fi device). This 7% has declined from 18% over the last 10 years (Figure 1), with a gradual/stuttering decrease up until 2020, then a much sharper one due to lockdowns (slightly exaggerated due to a change in methodology at that time), with the figure levelling off in the last couple of years as lockdown effects unwound.

Figure 1: UK internet access at home



[Source: Enders Analysis, Ofcom]

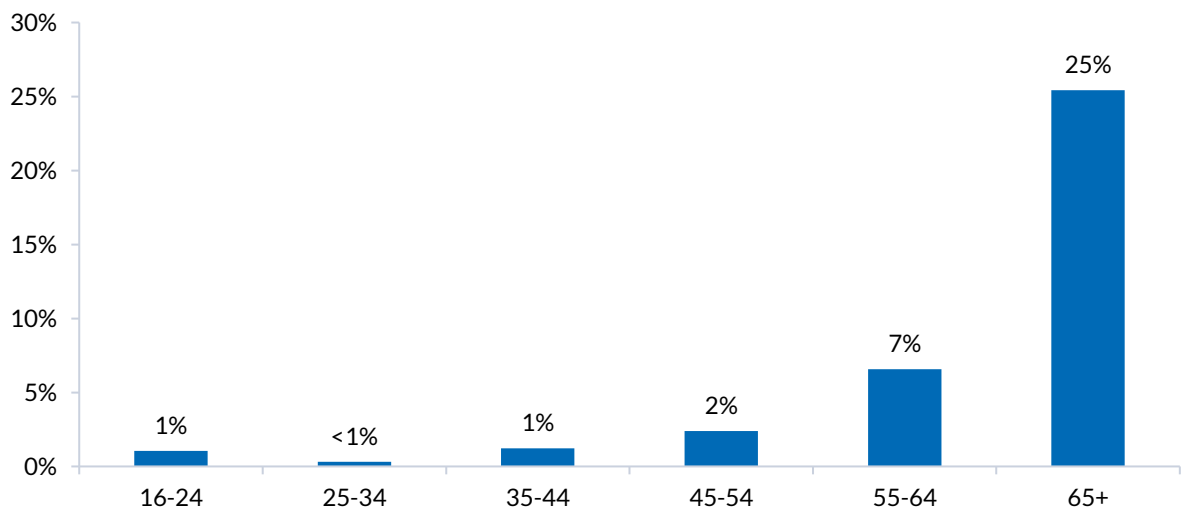
Of these c7% of households that do not have access to the internet at home, an Ofcom survey from 2023 reports that only around 12% mentioned cost as a reason at all (multiple responses were allowed), with other surveys that we have seen consistent with this (cost is generally cited by up to 20% of respondents across these types of survey). This implies that a maximum of around 1% of UK households do not have internet access for cost reasons.

Figure 2: Reasons for not having internet at home



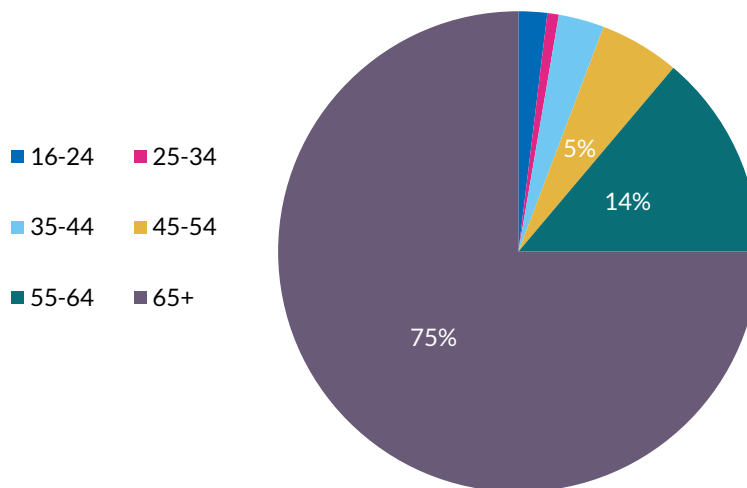
A further clue as to the underlying reasons for most digital exclusion is given by the age profile (Figures 3 and 4), with extremely few younger people without internet access (less than 1% of under-45s), and the vast majority of those offline being in older age groups—with 75% of those offline being 65+ and nearly 90% being 55+. We have seen correlations established with various markers such as disability, living alone and socio-economic group, but by far the clearest correlation is with age (which itself correlates with the aforementioned indicators), and it seems fairly obvious that this is where the causality lies. Simply put, people who have managed to live most of their lives without the internet have a much less pressing need for it now, and perhaps more deserve respect than sympathy. This is however still an issue for the online delivery of government services, particularly those targeted at older individuals.

Figure 3: Proportion without internet access



[Source: Enders Analysis, Ofcom]

Figure 4: Age breakdown of those without internet



[Source: Enders Analysis, Ofcom]

We would conclude that cost is a relatively minor factor in digital exclusion, affecting up to 1% of households. This is not too surprising given that entry level internet access is very reasonably priced, with numerous options for unlimited fixed broadband at the £20-£25 a month level (and one at £18 a month), and mobile internet access can be much cheaper, with contract pricing from £5 a month, unlimited data from £16 per month, and average usage levels (c12GB per month) costing from £7 per month. Universal credit recipients receive as standard £292 a month for singletons under 25, and £1,118 a month for a family of four (plus housing benefit which can double this), which means that entry level internet access costs are at most around 2% of income (assuming the singleton can make do with mobile). Many of these households are no doubt under huge pressure from inflation in other bills and essential purchases, but internet access is a relatively minor factor in the mix.

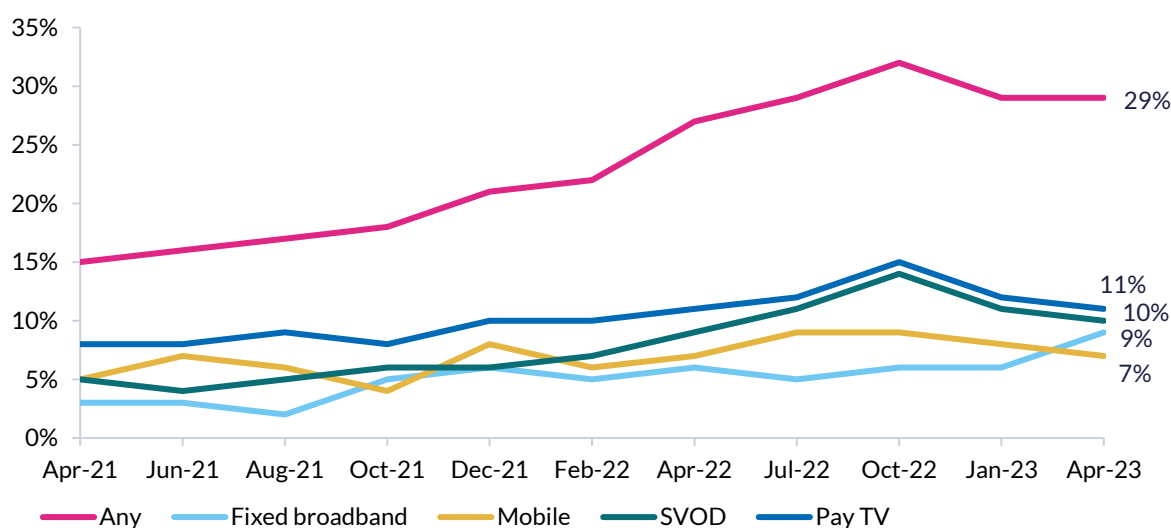
Lastly, we note that around 4% of households have access via mobile only, and for some of these affordability may be an issue in that choice, as well as the related requirement with fixed broadband to commit to regular payments over a contract; indeed, some argue that digital exclusion should encompass all those without fixed broadband, i.e. including this 4%. This is a tricky question, as for some households

mobile access is a rational choice regardless of affordability—e.g. a single person who does not spend very much time at home—but for some fixed broadband is highly desirable, e.g. a family with children. We think it likely that most of the 4% are making a rational choice and do not need a fixed solution forced upon them, but recognise that affordability issues may go slightly beyond our analysis of offline households above to extend to some of those with mobile-only access, but are still unlikely to exceed 1% of households.

Affordability trends

Ofcom also runs a more frequent ‘affordability tracker’ to look at short term changes in consumers having affordability issues with communications services, with these services being fixed broadband, line rental, mobile, pay TV and SVODs. The affordability issues tracked are: cancelling a service entirely; missing a payment; making changes to a payment method; and making changes to a service. Ofcom’s analysis amalgamates all of these for each service, and then amalgamates across all services, to arrive at a headline figure of around 30%, stating that “around three in ten households had difficulty affording their communications services in the last month”.

Figure 5: Proportion of customers having any affordability issue



[Source: Enders Analysis, Ofcom]

While the survey evidence is certainly useful to track *changes* in affordability indicators, we think that the 30% conclusion is pretty strong, with it including SVODs (such as Netflix) in ‘communications services’, which is a bit of a stretch to say the least, and the indicators themselves do not necessarily imply an affordability problem. Looking at the detail of the indicators of broadband and mobile (Figures 6 and 7), the most worrying indicators (cancelling and missing payments) have stayed very low.

Figure 6: Broadband affordability issues

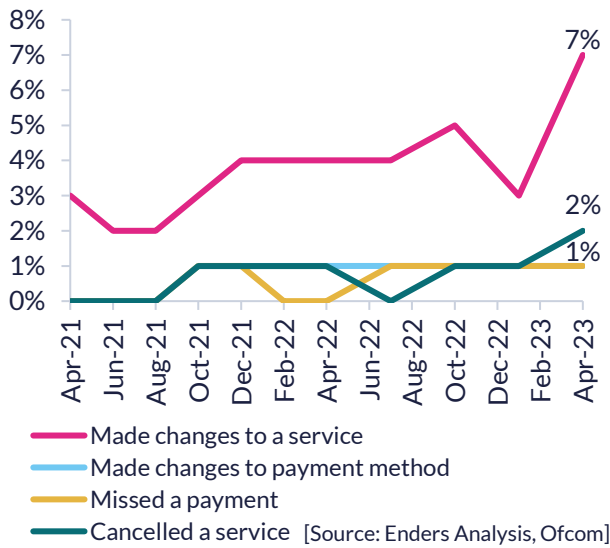
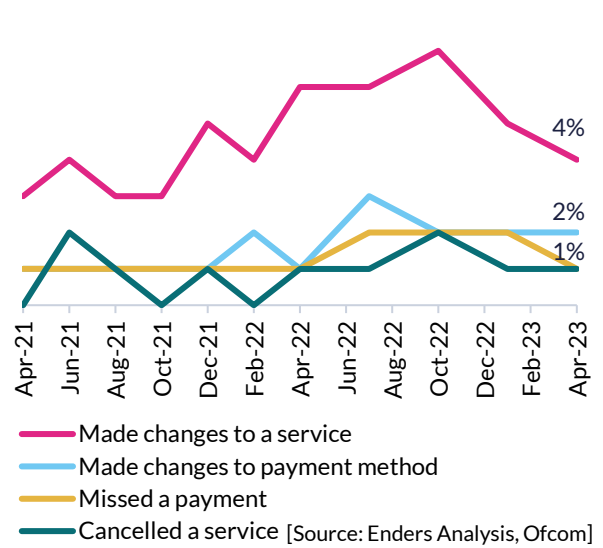


Figure 7: Mobile affordability issues



Fixed and mobile prices have risen for many households due to existing-customer price increases, although average prices have risen by less than inflation (see [UK telecoms price increases: Not as good/bad as they seem \[2023-032\]](#)), and no doubt this has put added unwanted pressure on some (if not most) household finances. However, the number of households at risk of actually giving up internet access appears to have barely risen, and remains in the very low single digits.

In considering both those that do not take up broadband for affordability reasons and those at risk of giving it up, we would conclude that there are around 1-4% of households for whom cost is (or will be) a deciding factor in internet access. Note that the top of this range is slightly higher than the survey evidence would suggest, but surveys often struggle to capture those that are struggling the most financially, so we have erred on the high side.

Current social tariffs: inconsistency rules

As last checked by Ofcom, there are currently a total of 27 broadband social tariffs, and three mobile offerings, and we show those from the major providers in Figure 8 below. There is no formal definition of what a social tariff should be, but Ofcom ‘urges’ operators to offer social tariffs with certain characteristics, i.e. a price offering a discount to normal commercial offers, no mid-contract price increases, market competitive speeds, targeted at low income households, minimal set-up costs and no early contract termination charges to join or leave a social tariff. Other than these terms, the operators themselves are left to decide how it should be structured and the discount level available.

Figure 8: Broadband social tariffs

Product	Cost (£/month)	Speed	Voice minutes	Saving vs same operator	Saving/premium vs cheapest on market
BT Home Essentials	£15	36 Mbit/s	700	53%	12%
BT Home Essentials 2	£20	67 Mbit/s	Unlimited	43%	18%
Sky Broadband Basics	£20	36 Mbit/s	None	42%	18%
NOW Broadband Basics	£20	36 Mbit/s	None	13%	18%
Virgin Media Essential Broadband	£12.50	15 Mbit/s	None	55%	26%
Virgin Media Essential Broadband Plus	£20	54 Mbit/s	None	29%	18%
Vodafone Essentials Broadband 1	£12	38 Mbit/s	None	50%	29%
Vodafone Essentials Broadband 2	£20	73 Mbit/s	None	20%	18%

[Source: Enders Analysis, company reports]

This flexibility has led to a wide variety of offers and terms for the broadband offers:

- Headline prices vary between £12.50 and £20.00
- The discount relative to current commercial tariffs open-to-all varies between 13% and 50%, and we have observed times for some operators when the social tariff is actually above commercial pricing
- A number of social tariffs are above the cost of the cheapest commercial open-to-all price on the market, and most of the rest only offer fairly modest discounts to this
- None have in-contract price rises, but other important terms vary, with some including an end-of-contract price increase, some having no voice minutes included, many only available on 12 month+ contracts, and several only available to existing customers. All of the offers have at least one of these facets
- Operators only offer one or two social tariffs, rather than replicating their full range of packages at reduced prices
- Eligibility includes a broad range of benefits at a minimum, with some going further, and one making its social tariff open to all (Community Fibre)

Speaking of eligibility, all of the main offers include those receiving Universal Credit, Employment Support Allowance, Jobseekers Allowance or Income Support, and some or all of those receiving Pension Credit, with some including a few more. Ofcom generally analyses take-up and awareness on the basis of Universal Credit alone, which is 4.4 million households, but the inclusion of the other benefits could add another 2-3 million to this (these figures are hard to pin down as many households take multiple benefits). Most operators use a common government-provided automatic eligibility checker, which does not give any flexibility over changing which benefits are included.

As noted above, social tariffs offer quite limited savings on the cheapest commercial tariffs offered to new customers, but they do offer very substantial savings on the average amount actually paid, given that they range from £12.50 to £20.00 a month versus our estimated average bill of just under £40 a month (including VAT), in part due to the entry level speeds/services offered by social tariffs, and in part due to out-of-contract prices being much higher than promoted prices at many operators. The savings available to those that really need social tariffs are therefore quite modest (as they would presumably choose the cheapest alternative), but the savings (and revenue loss for the operators) of all those eligible taking up social tariffs would be very significant, as we analyse later.

There are also three mobile social tariffs available, shown in the table below. These offers include very different data allowances, and are all considerably above the cheapest available price on the market for low data allowances, although they are good value on their own terms. The wide range of offers available on the mobile market, including some very cheap offers from discount-focused MVNOs, mean that we think that mobile social tariffs make little sense, as well as not being appropriate connectivity solutions for most households, and so we will primarily focus on broadband social tariffs for the rest of this report.

Figure 9: Mobile social tariffs

Product	Cost (£/month)	Data	Voice minutes	Saving vs same operator	Premium vs cheapest on market
EE Basics	£12	5GB	Unlimited	29%	140%
Smarty Social Tariff	£12	Unlimited	Unlimited	33%	140%
VOXI For Now	£10	30GB	Unlimited	0%	100%

[Source: Enders Analysis, company websites]

Ofcom has been urging all operators to offer a social tariff (including mobile versions), while recognising that it does not have the powers to mandate this, and this has led to a wide range of offers but with little consistency between them. There are some operators which do not offer a social tariff at all, with TalkTalk by far the largest, leading to it being named-and-shamed by Ofcom.

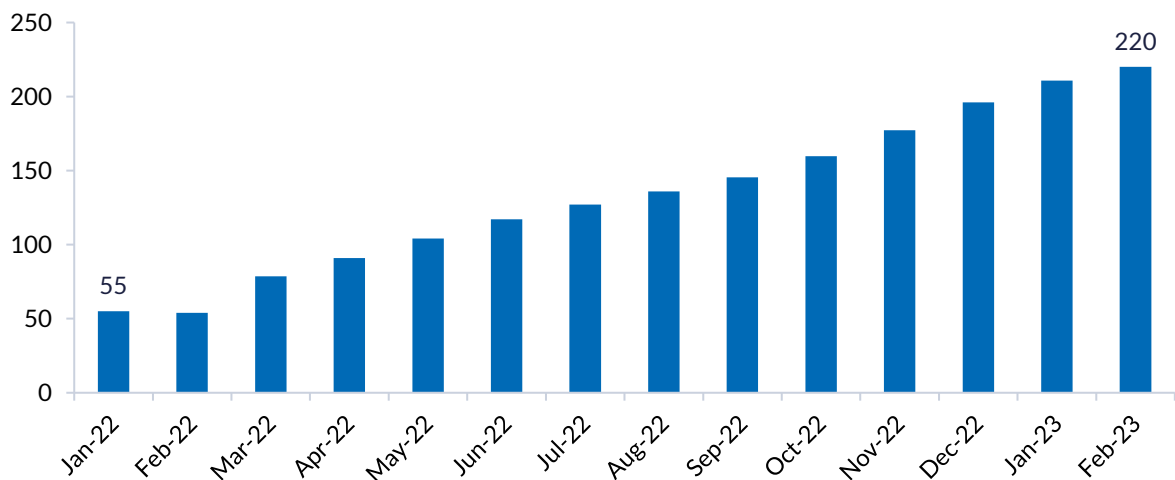
This strikes us as grossly unfair—making broadband more affordable has been TalkTalk’s central achievement over its 20 year history, and its own and its wholesale customers’ low prices have directly helped far more consumers than have ever taken a social tariff, with its current base of 4 million (including wholesale) around 20 times that of the current social tariff base.

Moreover, ISPs that use Openreach such as TalkTalk and Sky have to pay a wholesale fee of at least £14 a month (ex VAT) for high speed broadband (with this rising to £16 a month on full fibre), and thus would be losing money on every customer at the lowest social tariff levels of £12-£15 a month (£10-£13 a month ex-VAT). While some might choose to offer low social tariff pricing and cross-subsidise this loss from full price customers, this is particularly difficult for an operator if its ‘full price’ is already very low. Expecting a low-priced Openreach reseller such as TalkTalk to behave the same as premium priced (and/or infrastructure-owning) competitors despite wildly different economics is quite unreasonable in our view.

Awareness low, adoption much lower

Actual adoption of social tariffs by consumers remains low, although it has certainly grown strongly over the last year. The latest Ofcom figures put the number of active social tariff accounts at 220k, which is just 4.9% of those eligible according to Ofcom, although even this uses a fairly narrow eligibility definition as we discussed earlier, with the real figure possibly as low as 3-4%. This has risen dramatically over the last year, growing over four times in 12 months, but growth has been broadly linear rather than exponential, with current growth at around 10k per month, which leaves adoption remaining low for the foreseeable future on the basis of the current trajectory.

Figure 10: Number of households on social tariffs (000)

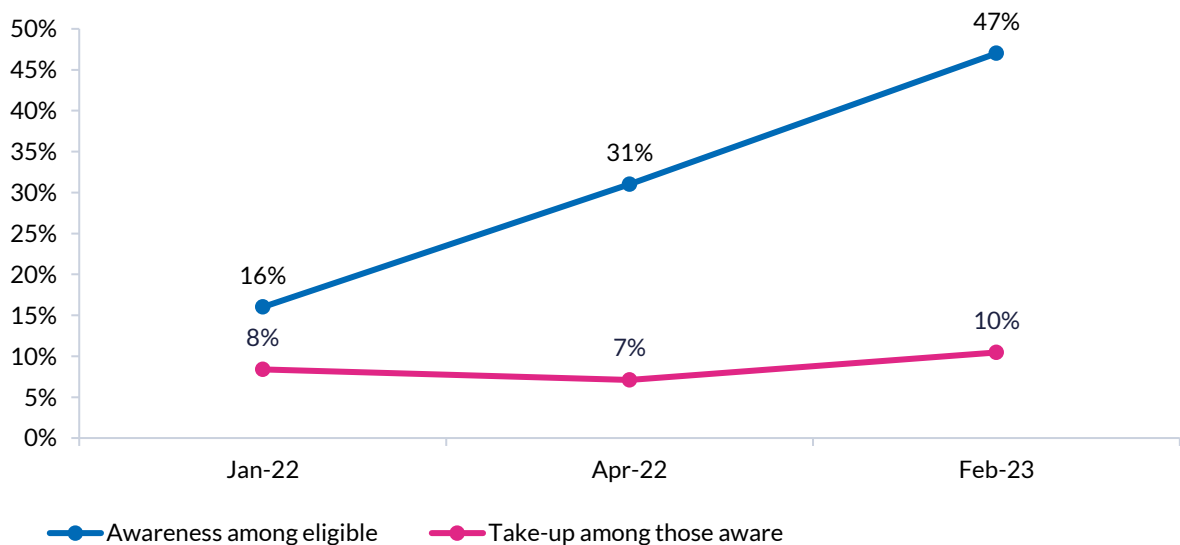


[Source: Enders Analysis, Ofcom, DWP]

Of these, the vast majority are on BT, with it reporting an 85% share of consumer broadband social tariffs in its 2023 annual report. It is not entirely obvious why, with our checks suggesting that BT’s social tariffs are not significantly more (or less) easy to find than those of other operators. It may relate to awareness being higher given that BT has offered them for a long time, or relate to product availability/structuring given that TalkTalk does not offer social tariffs and the other large ISPs, Sky and VMO2, both have a large proportion of their base bundled with TV products, which can be a major factor in putting consumers off social tariffs as we discuss later.

A major driver of low take-up used to be low awareness, which stood at just 16% in January 2022 (Figure 11). However, with increased consumer interest in cost-of-living issues over the last year, and efforts by Ofcom and others to promote social tariffs, awareness has since surged to nearly 50%. Take-up *among those aware* however has remained stubbornly low, rising only marginally from 8% to 10% over the last year (again, under the narrow eligibility definition).

Figure 11: Social tariff awareness and take-up



[Source: Enders Analysis, Ofcom]

So why is take-up so low? Ofcom's market research on the matter points to three main drivers:

- **Negative low price perceptions:** Consumers often view low price as an indicator of low quality, with 42% of social tariff eligible customers agreeing with 'as social tariffs are cheaper, they're less likely to be reliable', and a further 27% answering 'don't know'
- **Limited choice:** A large proportion (68%) of eligible households stated that they would want to keep bundled TV services as part of their social tariff, which is not an option from any provider at present, which is perhaps symptomatic of a broader issue that even consumers eligible for social tariffs might want to take a broader range of services than basic internet access, and that bundling often results in much lower prices than taking services individually
- **Not-for-me syndrome:** 46% of **eligible** households stated that social tariffs "are not aimed at households like mine", with only 26% considering that they were. This may reflect a lack of knowledge, or may reflect a desire not to be labelled by households who regard their benefits as a temporary measure

All three of these factors point to having 'special' social tariffs is not an ideal approach if uptake is to be encouraged, with a discount to existing tariffs likely to largely avoid the above problems, although it may create new ones as discussed later.

Ofcom does often urge the operators to do more to promote and sell social tariffs, and it is fair to say that more could be done, with consumers fairly unlikely to be made aware or reminded of social tariff options while buying broadband. We looked at social tariff discoverability across the four largest ISPs that offer them, and while all four social tariff options were easy to find via a search engine, all four were much more difficult via their websites, with two requiring a bit of clicking/scrolling around options, and two only linking to social tariffs through fairly obscure paths. There is perhaps an understandable incentive problem here as discussed later, with operators unlikely to give up valuable website real estate to an offer that is relatively unprofitable and not even available to most potential customers.

Issues with social tariffs

As we have hinted at earlier in this report, there are a large number of problems with how social tariffs are currently structured, with the overall industry impact currently limited thanks to low adoption, and their inter-related nature means that solving one issue might make the others worse. We list out these issues below, along with discussion of the inter-related effects, before discussing how these might be solved in the next section.

Waterbed effect

Social tariffs are at the moment operator funded, and therefore in the medium to long term they will be funded by those not taking up social tariffs paying more (or having worse products), noting that industry returns are pretty low with there being little to give there. This is usually referred to as the 'waterbed effect', and is generally well understood and accepted by economists and regulators, but is often ignored in public discussions.

The scale of this effect is a function of the level of social tariffs, how many households are eligible, how many take them up, and what these households might otherwise have been paying. As things stand, take-up is so low that the effect is pretty weak, at just a 0.5% increase in the prices of non-adopters required to fund them by our estimates. However, should take-up rise to close to 100% of those eligible, this would surge to around 19% by our estimates, a fairly dramatic and painful price rise.

Low adoption

As discussed earlier, adoption among those eligible is currently less than 5%, or only around 1% of total broadband users, so social tariffs are clearly having a limited overall effect. While it might be hoped that those that have adopted them tend to be those most in need, with less than 50% of those eligible even aware of them, this correlation is likely to be limited at best.

One advantage of the current low adoption is that it does minimise the distorting effects that we go on to discuss, so the potential harms are limited, although this is hardly an endorsement of the social tariff concept. Should adoption improve considerably, but not reach 100%, those eligible (and therefore theoretically struggling with affordability) that do not take up the service will end up paying *more* than they would have otherwise due to the waterbed effect discussed above.

Wide (but limited and ineffectual) eligibility

Social tariffs are currently available to 20-30% of UK households, which certainly goes well beyond the number who might be genuinely struggling with their bill (in the sense of might actually give up the service) or might not take internet access at all for cost reasons, with these figures likely to be very low single digits as discussed in the first section of this report. It is certainly credible that this many households (if not more) are struggling with bills in general of course, but a far more logical and direct way would be to increase benefit levels, bearing in mind that social tariff eligibility is dependent on receiving benefits.

While some might consider that there is little harm in offering a little more help to some households on low income, there is an inequity here in that the cost of this will be borne across all other households, including those on low income, as opposed to funding benefit increases through taxation, which is at least progressively borne. Having very wide eligibility makes this effect much more pronounced as discussed earlier, and also makes the other issues discussed later much worse.

Having very wide eligibility also naturally encourages operators to not be as generous as they might otherwise be with the scale of the discount available. Although social tariffs are very much cheaper than the average amount paid across the industry (less than half as discussed earlier), they offer much more modest discounts (and in some cases none at all) to the cheapest prices available, with this latter factor likely the most relevant to those that are really struggling to pay the bill, who would presumably otherwise be taking a cheap offer. It strikes us that most if not all of those struggling to afford their broadband can likely not afford to pay anything at all, with a modest discount not making much difference.

This problem is even further exacerbated by the fact that even with this very wide eligibility, there are still genuinely struggling households that cannot benefit at all from social tariffs. The benefits system is not perfect, with there sometimes being delays, people ineligible for technical reasons unrelated to need, and a surprisingly high number who simply do not claim (at least 10% according to government figures), although this becomes less surprising when looking into the complexity of the system. People who claim benefits at least get the benefits, with the most hard-up households those that do not.

Perverse incentives for the operators

With social tariffs being operator-funded, the financial incentives on operators are clearly to offer as little discount as possible, not to promote them, and make them hard to find. Of course, scale matters here, and most operators voluntarily undertake a variety of pro-bono activities that are not strictly in their financial best interest in order to boost ESG credentials and employee morale, so while take-up is very limited this is still an activity that most operators are happy to do, but should take-up rise (while eligibility remains very high) this becomes a much more serious problem.

Although the cost of social tariff discounts would eventually be absorbed by increased prices for non-takers as argued earlier, there will likely be a painful transitional period where it is at least partly absorbed

by operator bottom lines, and the full cost of social tariff discounts with full adoption is extremely significant, we estimate around £1.5bn a year, or 14% of total broadband consumer market revenue at current tariff levels and structures (as opposed to a cost of just 0.5% of industry revenue at current adoption).

Even now, while most operators are happy to offer social tariffs, they do not very enthusiastically promote them, and arguably structure them unattractively as we go on to discuss. Management of publicly quoted companies in particular have a fiduciary duty to their shareholders that they cannot simply ignore, especially when the sums involved are very significant.

Unattractive structuring, lack of discoverability and lack of consistency

As discussed earlier, the lack of social tariff adoption may well be largely driven by their structure as a 'special tariff', with discounts to the full range of existing tariffs potentially much more popular, and their lack of discoverability on operator websites is unlikely to help. Furthermore, prices, discounts and conditions vary wildly between the operators, with a particular social tariff often not the best option for a particular consumer, which is confusing for consumers and makes any benefits very uneven.

We strongly feel that if operators were genuinely incentivized to sell social tariffs, or at least not actively incentivised not to, they could do a much better job. Conversely, with incentives as they stand, if adoption rises dramatically they will likely increase social tariff prices, make the structures less attractive and reduce visibility to a barely acceptable level.

Competition distortion

Lastly, a more subtle but very important point; social tariffs risk distorting the competitive market, favouring premium priced incumbents (such as BT and VMO2) and making life difficult for discount operators who do not own their own infrastructure (such as TalkTalk and its wholesale customers), with the risk that such discount operators are driven from the market hence increasing the average price paid.

This is because premium priced incumbent operators can offer lower prices to lower income groups who are likely to be more price sensitive, having identified such groups via information provided by the government (the benefits eligibility checker). These tariffs are difficult to match by discount resellers as they are below regulated wholesale prices (as discussed earlier), leaving them unable to effectively compete for eligible customers, reducing their addressable market and hence scale.

Of course, larger companies having targeted offers and cheaper sub-brands is normal and part of the cut-and-thrust of healthy competition, but offering products below cost goes beyond this, and can violate competition law. As with most of the other drawbacks of social tariffs, this is likely a small effect for now, but could get much more serious if take-up rises.

We should stress that we do not believe that this has ever been BT or VMO2's intention, with both of them genuinely trying to help struggling households while being wary of the financial cost, and we have not heard any complaints specifically along these lines, but economics tends to work whether the protagonists believe in it or not.

Note that this effect is entirely dependent on the fact that social tariff discounts are operator-funded, and if they were funded externally (by the government or some form of industry levy) the problem would disappear, with resellers able to offer pricing competitive with infrastructure-owning incumbents.

What can be done?

In this section we consider what changes could be made to the current social tariff scheme by policy makers to counter the issues discussed in the previous section, and to ultimately make social tariffs more effective at making internet access more affordable for those who are struggling the most. Firstly we look at two specific steps that have been suggested by some, and which solve some problems but perhaps not in the most effective way, and then we look at three ways to more unambiguously improve social tariffs, and lastly we look at perhaps more effective ways to address digital exclusion outside of social tariffs.

Auto-enrolment

Auto-enrolment involves automatically applying social tariffs to households that qualify, using the government eligibility checker. While this appears to solve the take-up problem at a stroke, there are a number of issues with it, some of which are soluble and some more endemic:

- Privacy—some consumers might not like their status being checked and this information shared with their telecoms provider, so some kind of opt-in would appear essential, which could become quite similar to the process of applying for social tariffs as we have now
- Not all eligible households will have the eligible individual as the account holder, so take-up will still not be perfect
- Not all operators offer social tariffs at the moment (most notably TalkTalk), and Ofcom does not have the power to obligate these. Auto-enrolling to another operator's social tariff would be a non-starter—often consumers leave a particular operator due to a bad experience and do not want to go back—so the auto-enrolment scheme would have to be limited in scope
- Many households would likely prefer an alternative commercial tariff (Ofcom research suggests 60%+ as discussed earlier), so the enrolment cannot be automatic unless the structure moved to a fixed discount as opposed to special tariffs
- Despite the above, auto-enrolment would likely dramatically increase adoption, which would lead to a number of bad outcomes as discussed in the previous section unless measures are taken to reduce eligibility

We would conclude that auto-enrolment creates more problems than it solves if other aspects of social tariffs are not changed, and while these problems could perhaps be overcome, it ultimately becomes an unnecessary extra complexity compared to an ideal solution with operators incentivised to actively encourage adoption.

Openreach social tariff

It has been suggested (by Sky and TalkTalk in particular) that Openreach should be forced to offer a wholesale social tariff for eligible households, with retail ISPs passing this on to their customers (Openreach does already have a connection social discount, but no ongoing rental discounts). This would presumably necessitate formalising the discount level and structure of social tariffs to ensure that the saving is passed on to consumers, although we regard these as positive steps in any case (as argued below) so this is not a problem as such in our view.

On the plus side, this would solve a number of problems with social tariffs, including the waterbed effect (at the retail level), the operator incentive problem, the inconsistent structure problem, the competition distortion problem (at the retail level) and likely indirectly the low adoption problem. Unfortunately, it would create new problems, with there now being a waterbed effect at the wholesale level, with the discount likely to be funded by increased prices for normal tariffs (in the long term Openreach's prices are

regulated to an allowable rate of return so there is no give available), and there now being competition distortions at the wholesale level, with Openreach gaining a competitive tool against the altnets. We would also note that any negative cashflow or business model impact on Openreach could slow its full fibre roll-out, impacting a government priority. These issues could be moderated by targeting eligibility much more narrowly and/or using central funding, which would again be positive steps in any case as we argue below.

Overall we believe that this approach could be made to work if other steps are also taken, but becomes unnecessary in this case because these other steps would solve the issues with social tariffs by themselves, and so involving Openreach just becomes an unnecessary complexity. Implementing it without taking any other steps would solve some problems but create others, and it is hard to judge the lesser of the evils.

Central funding

Moving on to steps that we think are necessary and (collectively) sufficient to solve the problems with social tariffs, the first of these is central funding, i.e. replacing the need for retail providers to fund the discounts themselves with either government funding or an industry-wide levy. As with the Openreach discount, this necessitates formalising the discount level and structure of social tariffs, but also gives an opportunity to do this (with funding conditional), and it would be a beneficial move in our view.

While government funding would be ideal from the industry's perspective, there are tight constraints on this, we estimate that the cost with full adoption is substantial at £1.5bn a year. However, this could be dramatically reduced with more targeted eligibility, which would not only reduce the maximum number taking social tariffs, but also reduce the financial burden as a more targeted group would be more likely to currently be on the cheapest tariffs hence the cost to industry is lower. For example, offering a flat £10 a month discount to 10% of broadband households would cost less than £300 million a year.

If government funding is not available at all, then some kind of operator levy would then be the only option for central funding. This would not be easy to implement, with there no doubt likely to be much debate over how the operators contribute, and again would be much easier if the total required funding was modest.

Central funding would solve the operator incentive problem, the inconsistent structure problem, the competition distortion problem and likely indirectly the low adoption problem. If it was funded via an operator levy it would not however solve the waterbed problem, as operators would have to raise their broader pricing levels in order to be able to afford the levy.

Discounts rather than special tariffs

As discussed earlier, a major factor limiting the adoption of social tariffs is that they tend to be segmented as one or two special tariffs per operator, rather than a flat rate discount (in absolute £ terms) across the full range of tariffs, and we feel that the latter is far preferable.

Implementing such a requirement in isolation might be counter-productive, with operators likely to average down the discount to avoid too much of a financial burden, but it would flow naturally as part of a central funding mechanism, with a fixed subsidy per customer being required to translate into a fixed discount per customer. It could further be mandated that the discount be available on all tariffs, but this might not even be necessary as operators are incentivised to do this to be able to offer the best prices (at no extra cost to themselves).

More targeted, but more generous, social tariffs

As discussed earlier, the current eligibility for social tariff is around ten times as broad as those experiencing (or at risk of experiencing) digital exclusion, with current commercial pricing attractive enough for the vast majority. Not only is such a broad base not needed for the aim of ensuring digital inclusion, but it can also generate considerable harm should take-up rise, making any form of funding much more difficult and likely to result in unintended consequences. It also contributes to the limited discount available with social tariffs, which makes them ineffective at helping those most in need, who cannot afford anything at all.

How exactly to restrict eligibility using the benefits system alone as a base is quite challenging, with analysis needed of which types of households are most at risk of internet access affordability issues, and might be best done with further criteria evidencing a particular need such as number of individuals in the household and/or specific medical or mobility limitations.

Furthermore, those who are on benefits at least get their benefits as an income base, with households that are struggling the most perhaps those that are not on benefits but with very low incomes, such as those that are eligible but do not claim (at least 10% of those eligible according to government figures), those that are waiting for benefits to kick in, and those that are ineligible for technical rather than income or wealth reasons (such as some self-employed, and those with unprovable migration status).

More targeted schemes

One possible solution is to move policy efforts away from social tariffs altogether, and instead focus efforts on those very much most in need whether they take benefits or not, with an offering which is free at the point of use. Identifying such people is not easy, and maximising coverage of them even harder, but it is possible to piggyback on the work of charities in this area (food banks for example), and more official support would likely help.

There have been numerous pilots and broader schemes already done by the operators along these lines, with these sometimes seeking to solve broader digital exclusion issues as well. The most high profile is the National Databank run by the Good Things Foundation, which gives out free SIM cards or vouchers loaded with 40GB data per month and unlimited text and voice minutes via a network of local community partners, with VMO2, Vodafone and H3G supplying the free data. This has been rapidly scaling up, and in March reported passing over 1,000 distribution locations, and having distributed 159,000 free SIM cards since launch in July 2021 (albeit not all are activated), a fairly meaningful figure in the context of digital exclusion.

While SIM cards work well for some households in desperate need, especially those without secure accommodation, fixed broadband is more suitable for many families, and vouchers can work well for this. For example, TalkTalk has a broadband voucher scheme for jobseekers, including six months free service with no set-up costs, with the vouchers distributed by the DWP, and BT has run trials of funded broadband for low income families with the Department of Education. Many households find device cost a barrier as well, and there have also been schemes that combine connectivity and devices, such as BT's scheme with the charity Home-Start which offers free devices and free fixed or mobile connectivity depending on households' needs.

While these schemes have all helped at least some households, there are still challenges in uptake and activation rates, given low awareness and some would-be recipients lacking the digital skills required to take advantage. Centralising the learnings from the various schemes, and helping the most promising schemes to scale up strikes us as a very promising route for government and/or Ofcom, with the potential for this to be combined with trying to understand the broader reasons for digital exclusion beyond affordability, a larger problem that is likely harder to solve. Those in or at risk of digital exclusion may be

a smaller group than that which social tariffs currently address, but they are likely in need of more help than social tariffs can currently provide.

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The view from BT Group



We commissioned this research to seek to provide evidenced insights into dynamics around digital inclusion and social tariffs that we were aware of but have been overlooked by policymakers and campaigners.

Here we outline what they are, and why we believe they are important to find a sustainable way forward:

First, and perhaps most importantly, Frontier Economics identified at least one million working age people in the UK living in households in the UK whose incomes are so low they cannot afford any connectivity. The current social tariffs offered by industry does not reach this group at all.

When we talk about cost as a factor in digital exclusion, this is the group that are experiencing it, and they account for a third of the 3.3 million households without broadband who are digitally excluded. We hope policy makers reflect on how this group can be better empowered to participate in the digital world. Earlier data from Eurostat on European countries that perform well on digital inclusion showed that many of those have subsidies or funding for connectivity integrated with their benefits system.

Second, eligibility is now very wide with millions of households eligible for telcoms social tariffs.

However – and third – the research presented here suggests that most of those eligible already have broadband, likely falling into two different categories:

A group of two million of those currently eligible for BT's social tariff live in households with sufficient income that they are unlikely to need the discount it offers. An example would be a young working age adult living with higher earning parents. So when we think about awareness and uptake, we should keep in mind that 20% of those currently eligible may not need these offers.

Another group of those eligible for social tariffs on low but not the lowest incomes, many of whom already have broadband, understand the role connectivity plays in their lives and so prioritise it in their budgets. Yonder Consulting's research finds that those in this group are often navigating the market well so that they are paying a 'social tariff' price of £20 a month or less, whether or not it is a social tariff product.

Fourth, that low skills, confidence and motivation play a role for all those not online.

The 'cannot afford connectivity group', while their very low income is the first barrier, also have the skills barriers (e.g. don't have good written or spoken English) or low motivation (e.g. see broadband as an unnecessary luxury).

These barriers also show up in different ways among older people that are digital excluded and account for the rest of the group without broadband, many of whom do not have cost as a barrier. They have low motivation and confidence – they may have never used a computer

before, or need adjustments to be able to read text on a screen, or be worried about fraud or scams. AbilityNet provides moving insight into what good support for people in these positions looks like, and how transformative and empowering it can be.

Combined, this all suggests that further efforts to increase awareness of social tariffs, or minor price changes like removing VAT are unlikely to change outcomes much.

So then fifth, and lastly, as Enders Analysis' note sets out, driving higher uptake (for example via auto enrolment) risks taking £1.5bn out of the UK telecoms market, a substantial sum which would inevitably have an impact on investment in fibre build and prices for ineligible customers.

Auto enrolment would not help the most excluded, overlooked and unsupported group: those whose incomes are too low to afford any connectivity at all. And it is hard to imagine how it would work for the rest. Households that are happy with the service they have chosen and the price they pay for it should not be required to move.

What could be a better way forward?

BT Group makes the following suggestions:

1. Policy makers refocus their attention on the very low income households and consider funding for this group.
2. That Ofcom evolve from tracking awareness and uptake of social tariffs to also track how many households pay £20 or less per month for their broadband.
3. Policy makers recognise that many eligible households get similar value to social tariffs on the open market and so seeking to migrate millions of existing customers onto them could be a complex mistake. Rather, social tariffs have a role to play as straightforward offers in a fast moving market and so Ofcom should ensure all operators offer them and meet the same minimum standard terms.
4. Policy makers recognise that those who lack the skills and confidence to participate in the digital world need forward leaning and high quality support, and that this is likely to apply to all those digitally excluded: the low income group as well as more affluent but low digital skills households.

In the twenty first century this a systemic challenge. The case for well-funded and well-designed policy interventions lies not just in the potential to transform lives but also in enabling the digital transition of public service like healthcare, and private services like banking. And so driving greater digital inclusion should be at the heart of the next Government's agenda, both to empower citizens and support improved productivity and growth in the UK economy.

For more information please contact our Policy & Public Affairs Director, Helen Burrows – Helen.burrows@bt.com



Offices Worldwide

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