



*Research report*

# Evaluating SME Education

Assessment of the effectiveness of HMRC education and support for the newly self-employed.

**Business Customer & Strategy**  
**June 2013**

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## Evaluating SME Education

### *About Business Customer and Strategy (BC&S)*

Business Customer and Strategy is part of Business Tax. The goal of BC&S is to maximise Business Customer compliance for HMRC at best cost for both HMRC and the customer. This is done by developing business tax strategies through customer understanding, working with teams in HMRC and across government departments.

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## Evaluating SME Education

### *Research requirement (background to the project)*

HMRC is now operating in a challenging environment, where it is under pressure to deliver a step change in the administration of the UK tax system, specifically with regard to the closing of the tax gap, but at a time when it also has been reducing its overall spend and headcount levels. Rather than compliance, the issue here is tackling the tax gap attributable to error and the disproportionate amount of HMRC costs incurred in dealing with customers who make mistakes, especially those who often make the same mistakes time and again.

It is clear that targeting HMRC education and support materials is a critical part of maximising efficiencies in dealing with SMEs. As such there is a need to understand what is working best, what needs to be improved and what HMRC needs to do to drive through an increase in usage of self-serve resources.

This work is very squarely in the territory of an impact assessment and evaluation – and its core purpose is to help HMRC prove the value of its education and support work, but also more tactically, to improve in the short / medium term the delivery of this support. It will also serve to tie directly into ‘how investment decisions are made’.

### **The research was conducted in two phases, evaluating 6 different education channels;**

#### Phase 1:

- Face to face workshop  
*A 2 hour 15 minute workshop on what to do when becoming self employed, delivered to between 10-15 customers by a HMRC presenter on HMRC premises.*
- Web – ‘My New Business’  
*An email sent to customers with links to key information pages on ‘My New Business’ Website, providing basic information on what to do when becoming self employed. This is a self-selecting channel, where the customer reviews the pages independently.*
- Telephone  
*A telephone call from an HMRC Business Advisor using a script to deliver general education on becoming self employed. Call length is dictated by the customer, depending on their needs and time they are available and ranges from 5-90 minutes.*

#### Phase 2:

- E-learning  
*A self-serve on line learning programme designed for customers just starting up their own business. The E-learning module tested was ‘Starting Your Own Business’.*
- Live Webinar

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*A live on-line presentation run by HMRC at specific times, with a potential audience of a few hundred customers. The module lasts up to an hour, with opportunities to ask questions of the HMRC presenter.*

- Recorded Webinar

*An on-line presentation usually lasting around 30 minutes, which can be viewed at any time. There is no opportunity for interaction or to ask questions.*

Phase 2 was also supported by three strands of qualitative research to evaluate;

1. The role of HMRC education within Intermediary *bodies* (26 consultations with HMRC Education Intermediaries).
2. E-learning education (15 depth interviews with newly registered customers who participated in E-learning as part of the quantitative evaluation).
3. Webinar education (20 depth interviews with newly registered customers who participated in a Webinar as part of the quantitative evaluation).

### ***When the research took place***

The research programme spanned November 2011 - March 2013

Phase 1: fieldwork was undertaken December 2011 – March 2012

Phase 2: fieldwork was undertaken December 2012 – January 2013

Reporting encompassing both Phases was delivered through February / March 2013.

### ***Who did the work (research agency)***

Both phases of research were undertaken by Quadrangle.

### ***Method, Data and Tools used, Sample***

A Pre- / Post- Test methodology was adopted, where a series of identical performance measures were administered both before and after customers had participated in HMRC SME Education. These measures included a number of Test questions devised by HMRC. These Test questions were directed at those areas of HMRC Business Education most concerned with increasing accuracy and minimising errors when dealing with business tax.

The differences in responses Post vs Pre SME Education were compared – providing us with measures to assess and evaluate success.

An overview of Methodology and Evaluation Criteria are presented below:

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Overview of Methodology



Evaluation Criteria:

Evaluation is concerned with business education for the newly registered self-employed. The evaluation included a series of identical performance measures that were administered both pre and post HMRC education:

Survey (subjective measures):

1. Knowledge concerning business tax affairs
2. Ability to comply
3. Preparedness for compliance regarding business systems and processes
4. Confidence with tax

Test (objective measure):

5. Accuracy on 11 specific questions about tax reflecting that specific content of HMRC Business Education directed at increasing accuracy and minimising errors when dealing with business tax (listed below).

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Test questions and their associated correct answers are presented in the grid below:

Test Question
a. How long must you keep your business records? <ul style="list-style-type: none"> <li>Five years after the date your tax return was sent in</li> <li>Six years</li> </ul>
b. Which classes of NIC does a self-employed person pay? <ul style="list-style-type: none"> <li>Class 2</li> <li>Class 4</li> </ul>
c. Which of the items in this list can you claim capital allowances for: Machinery, Van, Fuel and power, Travel. <ul style="list-style-type: none"> <li>Machinery</li> <li>Van</li> </ul>
d. What is the VAT registration threshold for 2011-12 (Phase 1) / 2012/13 (Phase 2)? <ul style="list-style-type: none"> <li>£77,000 (2012/13)</li> <li>£73,000 (2011/12)</li> </ul>
e. Jack uses his car to take his wife shopping, travel from home to his business premises in town each day and visit clients. Which of those journeys can he claim as a business expense? <ul style="list-style-type: none"> <li>Visiting clients</li> </ul>
f. You use your personal mobile phone for both business and private reasons. How much should you claim? <ul style="list-style-type: none"> <li>Only the amount used for the business</li> </ul>
g. When should you set up your business record keeping system? <ul style="list-style-type: none"> <li>As soon as you start your business</li> </ul>
h. If you use your home for your business or to do your paperwork, which of the following do you do? <ul style="list-style-type: none"> <li>Claim a proportion of the total household costs</li> </ul>
i. Why is online completion of the Self Assessment return recommended? (any one of list below accepted as a correct answer) <ul style="list-style-type: none"> <li>It's safe and secure</li> <li>It works out your tax automatically</li> <li>It's convenient and can be used at any time</li> <li>It instantly acknowledges your return has been received</li> <li>It gives you more time to complete the return</li> <li>It allows you to save your data safely and complete the return later</li> <li>It includes online help</li> </ul>
j. What are the 2 payment dates for Self Assessment tax and Class 4 NIC? <ul style="list-style-type: none"> <li>31 January and 31 July</li> </ul>
k. When does the online tax return need to reach HMRC? <ul style="list-style-type: none"> <li>31st January</li> </ul>

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### *Supplementary qualitative research:*

Phase 2 was also supported by three strands of qualitative research to evaluate;

1. The role of HMRC Face to Face Workshops and E-learning education within Intermediary bodies

26 telephone depth interviews with HMRC Education Intermediaries, covering the following topics;

- Overview of organisation, Intermediary role and responsibilities;
- Involvement in HMRC Education;
- Customer/ member profile, and users of HMRC Education;
- Mechanics of rolling out train the trainer education (where used);
- Customer data collected in relation to HMRC Education;
- Openness to help with future evaluative research.

2. E-learning education

15 telephone depth interviews with newly self employed individuals, recruited as part of the quantitative Ed Lab evaluation, covering the following topics;

- Overview of business and respondent role;
- Expectations of E-learning (awareness and motivation);
- Experience of using E-learning (including access, landing page, navigation and content);
- Overall impressions of the E-learning (and outcomes, including changes made to business practises);
- Potential to improve the education: areas of improvement.

3. Webinar education

20 telephone depth interviews with newly self employed individuals, recruited as part of the quantitative Ed Lab evaluation, covering the following topics;

- Overview of business and respondent role;
- Expectations of Webinar training;
- Experience of using the Webinar (including registration, access and content);
- Overall impressions of the Webinar (and outcomes);
- Reasons for non-participation (amongst those who did not complete the session);
- Potential to improve the education (including overcoming barriers);



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### *Main Findings*

HMRC Education - particularly Face to face workshops, E-learning and Webinars - has a measurable and substantial impact on both accuracy and confidence.

It is especially effective at levelling the playing field, bringing the Unaware up to a similar level of ability as the Aware and Able.

To increase confidence in actually doing what is required to meet obligations, and help customers to become Aware and Able, education should do more to embed practical learning, by making full use of industry relevant case studies and working exercises.

Education has a positive impact on business behaviours and practises, with many making appropriate (albeit small) improvements to the systems and processes put in place to administer taxes and record keeping.

Face to face workshops have the strongest overall impact, and remain the most appropriate channel for the hardest to reach / disadvantaged customers. But with a comparable impact, lower delivery costs and flexible access for customers, digital education has enormous potential to increase both accuracy and confidence amongst the wider newly self employed population, at a lower cost to HMRC.

To maximise the potential benefits of digital education, further work needs to be done to raise awareness and understanding of these support channels amongst customers and intermediaries to maximise take up.

### *Knowledge and accuracy*

All HMRC education channels improve both stated knowledge, and measurable test accuracy to varying degrees. However, some channels are clearly stronger than others;

- F2F Workshops, E-learning and Webinars are significantly more effective in increasing accuracy (as measured by the 11 technical questions) than Telephone and Web-MNB;
- Telephone and Web-MNB channels do result in some uplift in accuracy and stated knowledge, but the impact is limited compared to other channels.

Digital education has potential to educate effectively in a cost-effective way. F2F Workshops are slightly more effective than other channels in increasing levels of accuracy, but this comes at a higher delivery cost;

- The improvements in accuracy and confidence for Telephone and Web (MNB) education do not compare with other channels.
- However, E-learning and Webinars provide a comparable and strongly cost effective alternative to F2F for those able to self-serve online.



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### *Outcomes of education*

Across all channels, education moves customers up through the HMRC ability segments.

HMRC education is particularly effective in increasing understanding of what must be done to meet obligations, pulling customers out of the lowest Unaware segment. But with around half remaining Aware and Unable even after education, more could be done to help customers understand how to meet obligations.

This is particularly important for the more 'remote' channels (Web-MNB, E-learning and Recorded webinars) where uplift into the highest ability segment (Aware and Able) is lower. These channels should use case studies with relevance across industries, and working examples to embed learning and show how it can be put into practise.

Across channels, there is a significant post-test uplift in those who have systems, processes and finance plans in place to ensure the business is able to administer and pay taxes correctly and on time.

Furthermore, education enables self-service, moving customers away from more expensive to serve operational channels in favour of web based resources.

### *The role of Intermediaries: summary of key findings from qualitative investigation*

Intermediaries predominantly use F2F Workshops, valued for format, content and delivery;

- Seen as most appropriate channel for low ability / confidence customers.
- Delivered by tax specialists / experts, where resource and expertise often not available internally.
- The emotional benefits of F2F workshops are almost as important as the informational benefits:
  - removing barriers to dealing with tax/ the tax man;
  - building a positive relationship with HMRC.
- Currently, E-learning is seen by some intermediary partners as a supplementary support channel at best – not a viable replacement for presentations.

E-learning tends to be used where intermediaries need to provide education on a greater scale;

- Typically used by Rep Bodies and Local Authorities, where the customer base is large or has a wide geographic spread.
- E-learning is particularly valued as a channel to provide bespoke support to members / customers;

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- especially where Intermediaries involved in developing the E-learning program, specific to their industry sector;
- and where F2F workshops do not offer a viable / cost effective option for their type of operation.

### *E-learning: summary of key findings from qualitative investigation*

- E-learning is an effective platform for HMRC education, providing information and reassurance to the newly self-employed that is easy to access and navigate, with the flexibility to use it in their own time and at their own pace (revisiting as necessary).
- Although the newly self-employed are often highly motivated to find out what is required of them, some may be missing out on the benefits, as qualitative evidence suggests low awareness.
- E-learning serves a number of educational needs (from providing a general overview to reaffirming and refreshing existing knowledge) which should be actively promoted both directly to new businesses and via intermediary partners.
- Case studies help customers relate the information to real life circumstances, but this should be broadened to a wider range of non-traditional trades; and working examples would go further to embed the learning.
- Customers make appropriate changes to their systems and processes and are often motivated to seek further knowledge; E-learning should go beyond simply providing links, to give help and guidance in navigating other sources of information.

### *Webinars: summary of key findings from qualitative investigation*

- Webinars are an effective education channel for those able to access them, educating, enabling and reassuring customers. Live Webinars are best suited where clarification and reassurance are needed, whilst Recorded Webinars offer greater flexibility.
- Webinars offer an efficient platform to broaden reach amongst new businesses, but qualitative research suggests that awareness is a barrier to participation and delivery, limiting delivery of education when it is most needed – i.e. early!
- Theoretical education is strong, but customers would like to see more practical, *working sessions* within the Webinars, to demonstrate *how* to complete specific tasks (e.g. book keeping).
- Webinars are currently a 'point in time' touch point, but there may be untapped potential to embed learning and encourage retention of information via follow up communication (e.g. follow up emails, documenting the key facts / dates to remember).

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- Potential opportunity to link education platforms and harness complementarities between different channels; customers benefiting both from the 'human element' to Webinars, and the accessibility of E-learning as quick reference channel.