

Measuring the customer experience that the tax system is simple and even-handed

Daniel Alford
HM Revenue and Customs

December 2010

HM Revenue & Customs
100 Parliament Street
London
SW1A 2BQ

Measuring the customer experience that the tax system is simple and even-handed

Background

As part of the 2007 Comprehensive Spending Review HMRC developed Departmental Strategic Objective (DSO) 2 – Improve customers' experiences of HMRC and improve the UK business environment). The headline measure of customer experience, reported as Indicator 2.1 in HMRC Autumn Performance and Departmental Reports for 2008 and 2009, and the HMRC Departmental Accounts 2009-10, is:

To improve the customer experience that the tax system is simple and even-handed across all customer groups, by at least 3 percentage points (or up to 90% for any group) by 2011.¹

This working note explains how customer experience is measured using information from HMRC Customer Surveys.

HMRC Customer Groups

The customer experience measure is drawn from perceptions of customer experience captured quarterly by telephone surveys across three customer groups: Individuals, SME Businesses and Financial Agents. With the exception of large business, these represent HMRC's main customer groups.

Individuals

All UK residents above the age of 16 are eligible for the HMRC Customer Survey of Individuals. The survey uses Equal Probability of Selection Method (EPSEM) random digit dialling (RDD) telephone survey to contact households and establish householders' eligibility and dealings with HMRC. This method provides efficient and effective coverage of 87% of UK households² enabling regular quarterly surveying. Households that do not have a landline phone are currently excluded from the survey (approximately 13% of households in 2009, up from 11% in 2007³). Exclusion of these households may introduce some selection bias as people in households without a landline phone tend to be younger, within socio-

¹ <http://www.hmrc.gov.uk/about/reports.htm>

² OfCom Communications Tracking Survey Q2, 2009

³ OfCom Communications Tracking Survey Q2, 2009

economic groups DE⁴ and have lower than average annual income. The impact of excluding this group from the survey is difficult to assess, though the customer experience of customers with similar socio-demographic profile suggests the impact to be slight.

SME Businesses

The SME Business Survey covers all organisations or self-employed individuals or partnerships that pay income tax or are VAT registered or pay corporation tax or use PAYE. Two sources are used to provide the sample for this survey, the Inter-Departmental Business Register (IDBR), held by the Office for National Statistics, and HMRC's database compiled from returned Self Assessment (SA) forms (where at least 50% of income came from self-employment). The IDBR is a list of 2.1 million UK businesses, covering 99% of economic activity in the UK. The list includes all businesses with declared revenue above the VAT threshold and any others operating a PAYE scheme. The SA database covers a further 2.4 million businesses trading below the VAT Threshold and not included on the IDBR. These businesses are very small: mostly self-employed individuals and small partnerships.

It is estimated that the two databases cover nearly all UK SMEs, although up to 500,000 incorporated businesses (companies) with no employees and turnover below the VAT registration threshold are not included in either list. The impact of this gap in coverage is estimated to be very minor as few deal directly with HMRC about Company Tax (the vast majority use a financial agent to act on their behalf)⁵.

Agents

The third customer survey is undertaken with Financial Agents, defined as individuals or companies that have been paid for dealing with someone else's tax affairs, who are asked about their dealings with HMRC *on behalf of their clients*, rather than on behalf of themselves. The IDBR is used as the sole source of the Agents' population and it uses only businesses identified under Standard Industrial Classification (SIC) 69201 (Accounting and Auditing), 69202 (Bookkeeping activities) or 69203 (Tax consultancy). As of March 2008, the population size for these categories was 33,500. The IDBR – and therefore the customer survey – excludes Agents that are not VAT registered or Agents that do not operate a PAYE scheme. The number of Agents operating under this threshold is unknown but estimated to be around 10,000, although they are not easily identifiable from any other data source. Whilst it is difficult to assess how these Agents experience dealing with HMRC, the results so

⁴ Social grades D and E are defined by the National Readership Survey as containing semi-skilled and unskilled manual workers (grade D), as well as State pensioners, casual and lowest grade workers, unemployed with state benefits only (grade E). See the National Readership Survey website: <http://www.nrs.co.uk/lifestyle.html>

⁵ In addition, financial agents are excluded as they are covered as a separate survey, and agriculture business units were excluded at the request of DEFRA.

far suggest that Agents with relatively low turnover tend to have higher ratings of customer experience.

Measure Design

Simplicity

The Customer Surveys cover 12 dimensions of customer experience designed to reflect service delivery issues that are relevant to all customers. The surveys gather perceptions of these 12 dimensions from 2000 Individuals, 2000 SME Businesses, and 1700 Agent customers that have dealt with HMRC in the previous three months⁶. Customers are asked to identify which HMRC tax(es) or benefit(s) they have dealt with and then to rate their experience of one dealing with HMRC (selected at random if they have had more than one) for each of the 12 dimensions on a five-point scale (i.e. Very Easy to Very Difficult, or Very Good to Very Poor).

The customer experience (of the tax system as simple) measure is based upon the positive views of customers to a subset of four experience dimensions:

- Ease of understanding what to do
- Ease of getting in touch
- Ease of completing the processes
- How good HMRC were at providing a service designed with your needs in mind

Each of the four dimensions was chosen because of their association with delivering a simple tax system.

The customer experience (simple) measure is a composite score made up of 12 separate survey results – the results for the four experience dimensions listed above for each of the three customer group surveys (individuals, SME businesses, and Agents). The measure is produced by combining the survey results (percentage of respondents with a positive perception) of the four experience dimensions equally to produce a score for each customer group based upon a simple average. Applying equal weights to all four dimensions ensures that the measure is simple and transparent.

The three customer group scores are then combined to provide a single overall score for customer experience (simple). The three customer groups are weighted equally to ensure

⁶ A dealing is defined as involving direct contact between the customer and HMRC. Examples include the customer receiving a letter, filing in a form, speaking on the phone, visiting the HMRC website, visiting a local tax office or an Enquiry Centre, or declaring goods on return from a trip abroad. Automatic payments or deductions to or from wages, pension or bank account are excluded from the definition. For the SME Businesses and Agents surveys, dealings are on behalf of the business or on behalf of clients, not personal tax affairs.

that the measure drives HMRC activity to deliver improved customer experience for all three groups.

Measurement of simplicity

All survey results used to calculate the customer experience score are calculated to one decimal place.

The baseline score for the measure (72.8 points) was taken from the results of the first two customer surveys conducted in March and June 2008 (Q4 2007/8 & Q1 2008/9 respectively) covering the service delivered in the first six months of the year:

<i>Customer Experience Dimensions</i>	Performance (combined Q4 2007/8 & Q1 2008/9)		
	Individuals	SME Businesses	Agents
Providing a service designed with your needs in mind (Good)	70.7%	73.7%	53.8%
Understanding what to do (Easy)	76.5%	80.7%	84.4%
Getting in touch (Easy)	72.9%	78.6%	52.6%
Completing the processes (Easy)	71.7%	80.5%	77.3%
<i>Customer Group Score</i>	<i>73.0</i>	<i>78.3</i>	<i>67.0</i>
<i>Customer Experience (simple) Baseline (June 2008)</i>	<i>72.8</i>		
<i>Target (June 2011)</i>	<i>75.8</i>		

The customer experience (simple) score is tracked and reported by combining the latest and previous quarterly surveys together to produce a rolling 6-monthly figure that is statistically more accurate and robust than a single quarterly measure.

Seasonality of customer experience makes it important to measure final performance using the same two quarters covered by the baseline (aggregate results for Q4 & Q1 of the financial year). The final outturn will be measured in June 2011 based on aggregate survey results for Q4 2010/11 and Q1 2011/12.

Setting the Target level

The target was agreed relative to baseline score for service delivery and is expressed as “improving customer experience, that the tax system is simple and even handed by 3 percentage points by 2011.”

Informed by the customer satisfaction performance of comparable organisations, the target of 3 percentage points improvement was both realistic and challenging.

The target level is big enough difference from the baseline score so that the change in customer experience will be statistically significant and represent real improvement.

The size of the survey was therefore determined by the number of achieved interviews needed at the baseline and at the outturn for statistical certainty that a 3 percentage point improvement in the customer experience score meant that an improvement had occurred.

However as the measure is a composite score rather than a survey estimate, it is not possible to apply significance testing directly to the overall score.

Therefore the target is set according to the power of the survey to detect statistically significant change in the twelve survey results used to make up the composite customer experience (simple) measure⁷. The change required in the worst case scenario – for the dimension requiring the largest percentage point change before it can be considered statistically significant across all three customer group surveys – was added to the baseline aggregate score (and rounded to the next whole number) to give the target level.

Exemplifying this approach:

- Baseline level = 72.8
- 'Worst case' level of change required = +/-2.7 percentage points
(SME Businesses – *providing a service designed with your needs in mind*)
- Target level = 75.8 (72.8 + 3 [2.7 rounded to the next whole number])

Even-Handed

The even-handed element of customer experience (defined as HMRC applying the tax system equitably) is measured from a dimension of the HMRC reputation question set asked of respondents in every other quarter of the Customer Survey (i.e. every six months).

The customer survey reputation questions are asked of 1000 Individuals, 1000 SME Businesses and 900 Agents from representative samples (regardless of whether or not they have had recent dealings with HMRC) covering issues such as trust, customer focus, familiarity and favourability to HMRC. A single question is used to measure even-handed:

“Please can you rate Revenue & Customs in terms of how much you trust them to be fair”

⁷ The test for statistically significant change takes into account the associated margins of error for the two (before and after) survey measures. The margin of error is the range around the survey measure within which we can be confident (in this case, at the 95% level – or 19 times out of 20) that the result from the survey sample accurately reflects the population it represents. Margins of error are calculated for each of the 12 survey results rather than the overall customer experience score. Margins of error for the survey results feeding into the baseline measure ranged between +/- 1.2 percentage points and +/- 1.9 percentage points.

Answered on a scale between 1 and 10, responses that score between 7 and 10 are considered positive, that is agreeing that HMRC is fair.

For the HMRC Customer Surveys of Individuals, SME Businesses and Agents, the even-handed measure is the proportion of all respondents agreeing that they trusted HMRC to be fair (i.e. giving a rating of 7+). The three customer group scores are aggregated into a single score for HMRC using equal weighting (i.e. a simple average of the three groups) providing a simple and transparent measure. This approach is consistent with that taken for the measure of simplicity.

Measurement of even-handed

Survey results used to calculate the even-handed score are calculated to one decimal place.

The initial measure (56.4) was taken from the combined results of the first two customer survey reputation question sets conducted in March and September 2008 (Q4 2007/8 & Q2 2008/9 respectively).⁸

This approach provides the following even-handed score:

<i>Customer Group</i>	<i>Even-handed score*</i>
Individuals	54.7%
SME Businesses	66.4%
Agents	48.1%
Overall score[†]	56.4

* Proportion of survey respondents providing a rating of 7 or above

† Overall score = (individuals score + SME Businesses score + Agents Score) divided by 3

No target was set for the measurement of even-handedness for Individuals, SME Businesses, Agents, or for HMRC overall.

⁸ Margins of error for even-handed are calculated for each of the three survey groups rather than the overall score which is a composite of the three results. The margins of error at the 95% confidence level for the survey results feeding into the baseline measure ranged from +/- 2.3 percentage points to +/- 2.5 percentage points.