

PAYE Real Time Information Pilot Customer Experience Research

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1. Glossary

For the purpose of this research report the definitions below have been used.

BACS	Bankers Automated Clearing Services A UK scheme for the electronic processing of financial transactions.
Basic PAYE tools (BPT)	HMRC provides some basic tools for employers to help them run a PAYE system for their employees. For example, the tools allow employers to keep their employees' payroll records in an electronic format. It works out the tax and National Insurance contributions for employees in each pay period. The tools are designed for employers with nine or fewer employees. Those with more employees are encouraged to use an appropriate commercial payroll product or service.
CHAPS	Clearing House Automated Payment System A British company offering same-day Sterling fund transfers. A CHAPS transfer is initiated by the sender to move money to the recipient's account (at another banking institution) where the funds need to be available (cleared) the same working day.
Electronic Data Interchange (EDI)	The structured transmission of data between organizations by electronic means, which is used to transfer electronic documents or business data from one computer system to another computer system, i.e. from one trading partner to another trading partner without human intervention
Employer Alignment Submission (EAS)	HMRC matches an employer's employee details with the records they hold on the employees. HMRC refers to this as payroll alignment. All existing employers operating PAYE must pass through this matching process when they change to reporting payroll information in real time. To enable the matching process to take place, those employers who are large (250+ employees) or who have a complex payroll system (their PAYE scheme is 'split' because the business has more than one payroll provider, two or more payroll systems - for example monthly and weekly - or the business is unable to make a single FPS submission because of bandwidth restrictions) have to submit their employee records using an EAS before they submit their first FPS. Other employers can submit their employee records for payroll alignment when they send their first FPS, although they can choose to submit a separate EAS if they wish.
Employer Payment Summary (EPS)	A type of submission made under RTI that includes data to enable HMRC to calculate employer liability. This submission will only be needed where the employer needs to notify HMRC of adjustments to their overall liability.
End of Year (EOY) return	An annual summary of employer payments to all its employees under the current PAYE system
Full Payment Submission (FPS)	Under RTI system, employers submit a FPS to HMRC on or in advance of each payday, showing the amount paid to employees, deductions such as Income Tax & National Insurance contributions, and starter/leaver dates if applicable.
GIRO	A payment transfer from one bank account to another bank account instigated by the payer

Income Tax	A tax on the money people earn
National Insurance	A system of contributions paid by workers and employers, towards the cost of certain state benefits.
P45	<p>The reference code of a form titled "details of employee leaving work". It is issued by an employer when an employee leaves.</p> <p>In the UK, the front section, Part 1, is given by the old employer to HMRC, who then record the pay and tax details on to the individual's taxpayer record. Part 1A is to be retained by the employee, Part 2 retained by the new employer, and Part 3 taken by the new employer and sent to their tax office. The P45 contains details of earnings and tax paid during the tax year.</p>
P46	The reference code of a form titled "employee without a form P45". Those starting their first job, or taking on a second job do not have a P45 from an ex-employer to give to the employer. P46 allows the new employer to work out how much tax the employee should be paying on their salary.
PAYE	<p>Pay As You Earn</p> <p>PAYE is a withholding tax on income payments to employees. Amounts withheld are treated as advance payments of income tax due. PAYE is required in the UK on all payments of salary or other compensation. PAYE applies only if the compensation is expected to reach National Insurance Lower Income Level (£8,105 per year for 2012–2013). The amount of PAYE is determined by the employer based on the tax code and National Insurance category. The tax code is determined by HMRC based on the employee's expected tax allowances, exemptions and reliefs for the full tax year, and partly by the employee's expected other income.</p>
RCAT	RTI Customer Advice Team
ECRM	Employer Customer Relationship Manager

2. Executive Summary

2.1. Introduction

Real Time Information (RTI) is a key government programme which aims to improve the way in which employers submit PAYE information about their employees to HMRC. RTI is expected to bring significant benefits to businesses, taxpayers and HMRC, but migration to the new system will require employers to prepare and make changes to existing processes. Following the completion of considerable research, consultation and development work, HMRC piloted the approach among volunteer businesses. To evaluate the pilot, HMRC commissioned research amongst the volunteer businesses and this is the subject of this report.

The pilot was rolled out in three sequential stages, first to around 325 PAYE schemes in April 2012, then to around 1300 schemes in July and finally a further 65,000 schemes in November. Employers were recruited through software providers (including users of HMRC Basic PAYE Tools). More support was available to employers taking part in the earlier stages of the pilot.

The overarching aim of this research was to measure employers' experience of taking part in the RTI pilot programme. More specific objectives were to provide insights into how well the employers' experience matched their expectations and provide indicative measures of the impact of RTI, including benefits and burden.

2.2. Method

Three stages of research were conducted:

- Stage 1 among the first tranche of employers who volunteered to start using RTI from April/May 2012. The eligible research sample consisted of 179 unique employer contacts with usable contact details.
- Stage 2 among the second tranche of employers who volunteered to start using RTI from July 2012. The eligible research sample consisted of 755 unique employer contacts with usable contact details.
- Stage 3 among the third tranche of employers who volunteered to start using RTI from November 2012 as part of the soft roll out stage. The eligible research sample consisted of 635 unique employer contacts with usable contact details.

Each stage of research involved both **quantitative** research and **qualitative** research. Stages 1 and 2 involved three waves of **quantitative** research and follow-on qualitative research as follows:

- Wave 1: Prior to RTI migration, to provide a baseline
- Wave 2: After one or two RTI submissions to assess initial experience; followed up by qualitative research to further explore key issues, including specific research into the web guidance
- Wave 3: After at least three RTI submissions to assess experience once RTI had time to bed in

Throughout this report, research waves within each stage will be referred to by their timing in relation to RTI migration.

Stage 3 involved one wave of **quantitative** research 2-3 months after migration.

In addition, a **further stage of qualitative** research was conducted to explore the web guidance with employers who were not taking part in the RTI pilot, and were still operating PAYE under the previous system.

The quantitative research was carried out with the individual at each employer who had most involvement with the RTI pilot and with implementing RTI. HMRC provided an RTI contact name and telephone number for each employer who had volunteered to participate in the pilot. The sample was therefore one of employers, not of PAYE schemes (some employers run more than one scheme). The employers sampled were not representative of all UK employers because they had volunteered for the RTI pilot and/or been recruited through their software provider. Quantitative interviews were conducted by telephone. Table 1 summarises the number of interviews and when they were conducted for each Wave of quantitative research.

Table 1. Quantitative research interview numbers and timings

Sample	Number of interviews	Point in RTI pilot	Timing
STAGE 1			
Wave 1	153	Pre-RTI	19 Mar 12 – 17 Apr 12
Wave 2	118	After one or two submissions	25 Apr 12 – 08 Aug 12
Wave 3	96	After at least three submissions	23 Jul 12 – 28 Sep 12
STAGE 2			
Wave 1	627	Pre-RTI	2 Jul 12 – 28 Sep 12
Wave 2	451	After one or two submissions	28 Aug 12 – 26 Oct 12
Wave 3	433	After at least three submissions	1 Oct 12 – 14 Dec 12
STAGE 3	316	After at least three submissions	11 Feb 13 – 8 Mar 13

Table 2 summarises the qualitative research stages, showing the survey from which respondents were drawn for each stage.

Table 2. Qualitative research interview numbers and timings

Sample	Number of interviews	Point in RTI pilot	Timing
STAGE 1			
Wave 2	15	After one or two submissions - experiences	June 2012
STAGE 2			
Wave 2	18	After one or two submissions - experiences	September 2012

Wave 2	18	After one or two submissions – RTI guidance web testing	December 2012
Free-find	12	Not yet operating under RTI – RTI guidance web testing	January 2013

All qualitative interviews were conducted face to face. At Stages 1 and 2 survey respondents were re-contacted for the qualitative research. At Stage 3 a fresh sample of employers not taking part in the pilot was recruited.

2.3. Stage 1 survey findings

Pilot employers were volunteers and, therefore, not representative of the employer population. Employers at Stage 1 were provided with a much higher level of support than was planned for full migration, as they were the first to experience reporting in real time. A specific aim of this stage of the research was to inform improvements for later stages of the pilot and full roll out of RTI.

Nature of Stage 1 employers

Employers at Stage 1 spanned a range of sizes and sectors. Employers tended to be larger with more complex PAYE affairs than those at subsequent stages: 26% had multiple PAYE schemes; 35% had large schemes; almost all had PAYE calculations to perform beyond processing basic pay (e.g., a pension scheme); BACS was the most used method of payment; most undertook all PAYE tasks in-house, with 17% outsourcing some work to an external agent.

Real Time Information experience versus expectations

The experience of RTI exceeded initial expectations in several respects:

- After one or two submissions the burden of implementation was lower than anticipated.
- After the first few submissions employers were more likely to perceive a benefit to RTI
- While few had anticipated a negative impact on employees, none reported any in practice, and 43% could see a potential benefit for their employees

Preparation and implementation: experience compared with expectations

Levels of preparedness for RTI in terms of staff training and data cleansing were high prior to migration: most had completed data cleansing and had trained at least one employee. Software updates were, however, still underway or planned for two in three.

Pre-RTI 90% were confident that they were fully prepared for migration. In retrospect after one or two submissions, employers were even more confident that they had been fully prepared. Larger employers were less confident both before and after.

After one or two submissions the burden of implementation was lower than anticipated.

Experience of dealing with PAYE under RTI

Not all EAS and FPS submissions went through smoothly at the first attempt for the first group to migrate: 43% had to resubmit their EAS and 27% their FPS. The majority were resolved on the same day, with most only resubmitted once. Despite these teething problems, almost all said it was easy to prepare and submit the EAS (94%) and the FPS (86%); under half found the EAS (48%) or FPS (43%) very easy, however, and 9% did not find the FPS easy.

After one or two submissions, when asked to describe the experience, employers generally felt the process had gone smoothly, been easy and that they had been well supported by HMRC and their software provider. Changes to P45s and End Of Year returns were mentioned particularly as positives after the first few submissions. Few highlighted negatives, with initial problems for a minority including software faults, error messages and rejected payments. A few had problems dealing with leavers and joiners.

While 61% found it easy to prepare for RTI, one in ten found it difficult. As RTI became embedded employers reported increasing levels of ease. After one or two submissions 79% found it easy, with 39% saying it was very easy. Larger employers were more likely to rate RTI as difficult.

Use of support

Stage 1 employers were offered a lot of support, both from HMRC and their software providers. Before migration, employers made particular use of a wide range of HMRC support including email updates, Employer Customer Relationship Managers (ECRMs) and the RTI Customer Advice Team (RCAT). After the first one or two submissions, use of the software provider increased, but use of HMRC emails and the ECRMs remained high. After a few submissions use of HMRC support dropped substantially with software provider support still used by the majority. There was little use of online support, perhaps because of the range of personal support available at this stage.

All support was seen as useful, and while 22% felt they needed more support prior to migration, once RTI was rolled out, this dropped to 10%. Larger employers were more likely to feel the need for further support than was offered. More support would have been welcomed around confirmation that submissions were correct, and greater personal contact.

Impact of RTI and implementation: experience compared with expectations

After the first few submissions employers were more likely to perceive a benefit to RTI than they had been before rollout: 86% could see a long term positive impact, particularly for end of year processes and accuracy; 60% could not see any downside, up from 33% before migration.

While pre-RTI few had anticipated a negative impact on employees, none reported any in practice, and 43% could see a potential benefit for their employees, largely related to accuracy. Related to this only 40% had told their employees about the pilot beforehand, rising only to 66% after one or two submissions.

In line with employer expectations, there was no planned change in the use of external agent for PAYE tasks resulting from RTI.

Fewer employers reported an increase in payroll costs once RTI was embedded than had anticipated an increase pre-RTI (only 10% vs. 16%). RTI was felt to have made no difference to costs in the vast

majority of cases. While larger businesses were more likely to anticipate an increase, smaller employers were more likely to report one in practice.

Impact on confidence and burden under RTI

Pre-RTI almost all Stage 1 employers were confident in their ability to manage the previous PAYE system, with 66% very confident. After the first few RTI submissions, employers were even more confident they could do what HMRC required under RTI, rising to 76% who were very confident.

Pre-RTI, 74% of employers rated the administrative burden of dealing with Income Tax/National Insurance to be relatively low: one or two on a scale of one to five. The most burdensome task was perceived to be completing the EOY return, followed by dealing with P45s/P46s. These are tasks which are reduced or eliminated by RTI.

After the first few submissions, 76% judged the burden under RTI to be unchanged so far, with 14% already seeing a decrease. Thinking ahead to include end of year processes, 67% thought the burden would be less in the long term. Ten per cent of employers, however, thought the burden had increased and that it would continue to be greater.

Self-reported impact on behaviour

There was some evidence of an impact of RTI on employer behaviour: 12% said it could be a problem for them to submit the return before or at the same time as they pay employees (e.g. with casual Saturday employees paid on the day). While, after the first few submissions, 95% said RTI had not had any impact on paying HMRC in full each month, 25% said it had made them more likely to inform HMRC immediately of changes to employee circumstances. Smaller employers were more likely to report increased likelihood on both of these measures.

2.4. Stage 2 findings

Stage 2 employers included a larger number of Basic PAYE Tools (BPT) users alongside users of commercial software than at Stage 1. They received less personal support than Stage 1 employers.

Nature of Stage 2 employers

Employers at Stage 2 were considerably smaller than at Stage 1. They also had less complex PAYE affairs, with fewer having calculations to perform beyond the basic, and statutory pay. They were less likely to use BACS (particularly external) and more likely to use internet banking. As at Stage 1 they covered a range of sectors. These differences will have influenced their experience of RTI along with the lower level of support offered.

Real Time Information experience versus expectations

As at Stage 1, the experience of RTI tended to exceed initial expectations in several respects.

- The burden of implementation was again lower than anticipated
- After the first few submissions employers were again more likely to be able to see benefits (81%) and less likely to mention a downside.
- Again there was no reported impact on employees, although 29% could see a potential benefit for employees (slightly lower than at Stage 1, perhaps related to size).

As at Stage 1 there was no planned change to the use of an external agent before or after migration.

Preparation and implementation: experience compared with expectations

Prior to migration in the baseline interview, Stage 2 employers were more varied in their stage of preparation for RTI. This relates to the staggered roll out of Stage 2 RTI over a number of months, with BPT users migrating later in particular. On average they were less advanced with data cleansing, software updates and training.

It is likely that this lower level of preparedness affected their attitudes in the pre-RTI interview. At the baseline interview, Stage 2 employers were less confident that they were fully prepared (78%) than at Stage 1, but after their one or two submissions their confidence had risen to match Stage 1 levels, with almost all confident and 59% very confident. Confidence remained slightly lower in the BPT group, with 53% very confident.

The burden of implementation was again much lower than anticipated with 83% rating it low at one or two out of five after one or two submissions, higher than 59% at Stage 1.

Experience of dealing with PAYE under RTI

EAS and FPS submissions were much more likely to have been successful first time than at Stage 1: 83% for EAS, 82% for FPS. Almost all problems were resolved right away, needing only one resubmission, also showing improvements on Stage 1. This suggests many of the teething problems had been ironed out by both HMRC and by software providers, although the simpler nature of Stage 2 PAYE affairs may have contributed. BPT users were, however, less likely to submit their FPS successfully first time (55%) but most succeeded on their second attempt.

Reflecting this greater level of success, Stage 2 employers were also more likely to have found it easy to prepare and submit both the EAS and FPS after one or two submissions. Almost all found each easy, with 56% finding the EAS very easy, and 59% finding the FPS very easy. BPT users were less likely to have found the FPS very easy (38%) reflecting their lower success rate.

As at Stage 1, when asked to describe how the process had gone, employers generally felt that it had gone smoothly, been easier than expected and well supported. BPT users were more likely than other groups to say they had good support. Again, few highlighted negatives, with software problems and payment rejections mentioned as at Stage 1.

BPT users experienced more problems, particularly around set up of the software, technical problems with the submission and a need for greater support to help with such issues. After a few submissions, some payment timing related problems were reported.

Again in line with their lower level of preparation, Stage 2 employers were less likely to have found it easy to prepare for RTI (51%) than at Stage 1, although only 10% found it difficult in line with Stage 1. However, after migration they were more likely to report RTI to be easy to deal with. Once embedded, 90% found it easy, with 43% saying very easy.

Use of support

Before migration, use of HMRC email updates was high, but use of other HMRC sources was lower than at Stage 1, particularly the ECRMs and RCAT, reflecting the generally lower level of personal support on offer at this stage. After the first one or two submissions use of a range of HMRC sources increased, including HMRC web pages and the Readiness Checklist, along with support from software providers. This

is a different pattern from Stage 1 where more support was offered before migration and use of HMRC sources generally declined after migration. After a few submissions, use of all sources of support dropped substantially leaving HMRC emails and software providers as the key sources at this stage.

Support use by BPT users was markedly different to software users, as they were dependent on HMRC support, particularly RCAT prior to migration. The software provider was the key source of support for software users, but both software and BPT users made use of the HMRC email updates before migration. Support use peaked after the first one or two submissions and then dropped after a three or more.

Before migration, software providers were most useful for software users, and the HMRC emails for BPT users, among those who used them. After migration, software providers remained most useful for software users, although HMRC emails grew in usefulness. For BPT users, post migration, HMRC emails, the Business Readiness Checklist and RCAT were all highly useful among their users, and 50% of those using HMRC online guidance saw it as useful.

Reflecting their lesser degree of preparation, but also the lower level of HMRC support, before migration only 56% of Stage 2 employers felt they had enough support (lower than at Stage 1), but this rose to 88% post migration and remained at this high level. After migration, 70% felt the amount of support was in line with their expectations and 18% felt they had received more than expected. BPT users were especially likely to have had their expectations exceeded (28%).

One in ten felt they did not have enough support, or they had less support than expected and mentioned the need for more personal feedback, and more information, advice or training.

The primary form of support will ultimately be HMRC's website and additional qualitative research found that while the website does appear to provide sufficient support for employers to operate PAYE under RTI, there may be problems for employers understanding some of the basic requirements, such as how RTI differs for PAYE Online, data alignment and when to send an FPS.

Impact of RTI and implementation: experience compared with expectations

After the first few submissions employers were again more likely to be able to see benefits (81%) and less likely to mention a downside than they had been pre-RTI. The EOY return was most salient at Stage 2, probably because of the timing of the interview. BPT users were more likely to mention technical problems as a downside.

Again there was no reported impact on employees, although 29% could see a potential benefit for employees (slightly lower than at Stage 1, perhaps related to size). Only 34% had informed their employees of the pilot beforehand, rising to 69% after one or two submissions. This was higher for BPT users at 85%.

Fewer expected or reported a change in payroll costs than at Stage 1. After a few submissions 5% reported an increase and 8% a decrease.

Impact of RTI on confidence and burden

Pre-RTI, Stage 2 employers were just as confident under the previous PAYE system (98% confident, 66% very confident), but unlike Stage 1 employers this confidence did not increase further under RTI. After a few submissions BPT users were slightly less confident (58% very confident).

Pre-RTI perceived burden of the PAYE system was also similar to Stage 1, with 75% rating it low, at one or two out of five. P45s/P46s and EOY returns (the tasks to be eliminated under RTI) were again seen as

most burdensome. Perceived burden after the first few submissions was also similar to Stage 1, with 75% seeing no change, and 16% a decrease. Stage 2 employers were more likely, however, to anticipate a decrease in burden in the longer term once EOY tasks are included (76%). This may relate to their relatively smaller size, or the timing of the research closer to year end. A few (6%) still anticipated that the burden would increase.

Self-reported impact on behaviour

There was similar evidence of an impact on behaviour to Stage 1. Again, 12% felt it could be problematic to submit a return before or at the same time as they pay employees. As at Stage 1 most (93%) said RTI had not influenced their likelihood of paying HMRC in full each month, but 30% did say it had increased their chance of letting HMRC know immediately of changes to employee circumstances. In a new question, 12% said it had made them more likely to report employees earning less than the NIC threshold, but 7% said it made them less likely to do so.

2.5. Stage 3 findings

Stage 3 employers included in the research were almost all BPT users (87%), along with a small number of commercial software users. As such, the two groups are analysed separately and compared with Stages 1 and 2 as appropriate. The level of support offered to employers at this soft launch stage was less than at the previous two stages, and more akin to that planned for full migration. Only one wave of research was conducted with this group after at least three submissions, roughly equivalent to the final interview wave at Stages 1 and 2. Questions about the previous system were asked retrospectively.

Nature of Stage 3 employers

Given the dominance of BPT users in the Stage 3 sample, the majority of employers had under 10 employees. There was a spread of employers by size among the software users although 73% had under 50 employees, so they were smaller than at Stage 1 in particular. Most of these used off the shelf software (85%) rather than bespoke. The software users were similar in terms of PAYE complexity and methods of payment used to those at Stage 2. BPT users were less likely to deal with any PAYE tasks beyond basic calculation than employers at any other stage.

Preparation and implementation

Almost all Stage 3 employers were confident that they had been fully prepared. Software users were slightly less likely to be very confident (51%) than at Stages 1 and 2, whereas 64% of BPT users were very confident which is higher than at Stage 2.

Forty eight per cent of BPT users and 51% of software users rated the implementation as a minimal burden of one out of five, similar to the levels seen at Stage 2, suggesting the improvements from Stage 2 were maintained. Employers at Stage 3 with a weekly payroll were more likely to rate the burden as high (13%) than those with a monthly payroll (7%), with a rating of four or five out of five.

Experience of dealing with PAYE under RTI

Since it is optional for smaller employers to submit a separate EAS before their FPS, it is not possible to evaluate this element of RTI at Stage 3. Most Stage 3 employees found the FPS at least fairly easy to prepare and submit: 80% of BPT users, 86% of software users. Only 32% of software users and 34% of BPT users found it very easy, which is lower than at Stage 2, particularly for software users. Given small

numbers it is hard to draw conclusions, but suggests software users may need more support with the first key submission than they received at Stage 3.

General impressions of implementation were similar to those seen at Stages 1 and 2, with employers reporting a smooth transition and things being easier than expected. They were again less likely to report problems than positive aspects, but BPT users were less likely to say nothing had gone wrong (36%) than software users. In particular they reported problems with the initial set up, suggested there were still some problems to iron out with BPT.

Overall at Stage 3, BPT were similar to employers at Stages 1 and 2 terms of perceived ease. Most found RTI easy to deal with (87%) with 42% saying it was very easy. Software users were less likely to have found it easy (73%) particularly very easy (22%). This provides further evidence that software providers had more trouble at Stage 3.

Use of support

In the absence of a software provider, 81% of BPT users relied on HMRC for support. Software users were twice as likely to use their software provider (93%) as HMRC (46%). Those who did not report getting any advice were just as confident as those who did, which implies they did not feel the need for any support.

At Stage 3 channels of contact were explored in more detail. Software users were most likely to have telephoned their software provider (68%) but 49% used the internet for advice from their software providers. BPT users were equally likely to use HMRC for advice by telephone (50%) or internet (45%).

Most had sought support up to three times. Where Stage 3 employers had used more than one source or channel for advice, they were asked which they had turned to first. For software providers the first port of call was to telephone their software provider, for 41% of those with multiple contacts, followed by their provider's website (18%). For BPT users there was a more even split between the HMRC website (40%) and telephoning HMRC (35%). It is not possible to determine whether those using the website first had to move onto another channel being unable to find the advice they needed, or whether it was simply appropriate to use different channels for different queries.

Most BPT users (84%) felt adequately supported by HMRC, but 25% of software users would have liked more support from HMRC, 7% wanting a lot more. This is higher for software users than at Stages 1 and 2.

Impact of RTI and implementation

In levels below those seen at Stages 1 and 2, 74% of BPT and 59% of software users in Stage 3 could foresee a benefit. The lower levels of support may mean that these benefits have not been communicated to employers to reinforce their own experience. The benefits mentioned were similar to those at previous stages focused mainly on EOY returns (49% of BPT users), with secondary mentions of accuracy and efficiency.

In line with Stage 2 and above the levels seen at Stage 1, 59% of software users and 64% of BPT users at Stage 3 could see no downside to RTI, with issues mentioned largely reflecting teething troubles in the early stages of migration that are likely to be ironed out over time.

Sixty five per cent of BPT users had informed their employees, but only 39% of software users had done so, below the levels seen at Stages 1 and 2 of around two in three. Most said there had been no impact on their employees, however, in line with Stages 1 and 2.

As at previous stages, there was virtually no expectation of changing the current use of external agents to help with PAYE.

At Stages 1 and 2 a handful of employers said they had paid something for their software upgrade. The levels among Stage 3 software users were slightly higher at 27%. At all waves there has been some confusion about whether and how much employers have paid, and whether this was purely for RTI or more general upgrades. The small numbers of software users at Stage 3 make it hard to draw any firm conclusions.

Impact on burden under RTI

Questions above confidence were not asked at Stage 3. To give an indication of different, 67% of software users said they needed to seek advice at least once a year under the previous system, similar to Stages 1 and 2. BPT users tended to seek advice less often, with 48% seeking advice at least annually. This may suggest a higher level of confidence for BPT users based on simpler affairs.

Pre-RTI burden of the previous PAYE system among software users was similar at Stage 3 to Stages 1 and 2, with 71% rating it as low, at one or two out of five. BPT users rated the burden of the previous system as lower, with 91% rating it one or two, and 53% rating it minimal at one out of five. Both groups were more likely than Stage 1 or 2 employers to report a change in the level of burden after the first one or two submissions. This was largely a decrease, for 31% of BPT users, but 15% of software user reported an increase. Any increase in burden seems to be a short term impact of implementation since when asked to look at the longer term, including the EOY processes, very few of either group anticipated an increase in burden. Most anticipated a decrease: 73% of BPT users and 68% of software users – similar to Stages 1 and 2.

Self-reported impact on behaviour

At Stages 1 and 2 12% of employers had expressed concern about submitting returns before or on the day employees were paid. At Stage 3 this was explored in more detail. Only 3% of BPT users and 9% of software users thought it would be difficult. BPT users were more likely to think it would be very easy (64%) than software users (39%).

The evidence of any impact on behaviour from RTI was very similar to that described at Stages 1 and 2 with little difference between BPT users and software users. RTI was again likely to prompt employers to inform HMRC about changes in employee circumstance (around three in ten) or to report employers under the NIC threshold (around two in ten).

2.6. Conclusions

The over-riding impression of the pilot is of a largely positive experience that should be used to reassure employers in the full migration. It was clearly easier and less of a burden than pilot employers had expected. Even with decreasing levels of support, stage by stage, employer confidence levels remained as high as under the old system.

There will inevitably be some short term implementation issues for employers, but the pilot has given the opportunity to smooth many of these out, and fine tune suitable guidance (particularly web guidance) and support. Even with teething troubles in the pilot, the vast majority of pilot employers anticipated a reduced long term burden under RTI, particularly around end of year tasks. Greater communication of these benefits and of the positive pilot experience will help to reinforce these beliefs in the wider

population even if their end of year is not imminent. Larger employers may benefit from more reassurance, and all would appreciate reassurance when they have submitted successfully.

Smaller software users seem at risk of problems (particularly using off the peg software) and it will be important to ensure that this group knows how to get sufficient support. In contrast BPT users are likely to find HMRC support helpful, as long as technical problems are sorted out. HMRC offers a range of useful support for employers, particularly during implementation, including the Readiness Checklist and update emails, along with online support. This will play an important role for all employers (alongside software providers), given that it is not feasible to provide all employers with intensive personal support.

There is little evidence of any impacts on payroll costs, the use of an agent, or any downside for employees. There is some confusion over costs from software providers that would benefit from clarification, and a potential fear of additional work for some employers with a weekly payroll, that would benefit from further attention.

Any impact on behaviour should, on balance, be positive, with employers giving more timely updates on employee circumstances, facilitating the implementation of Universal Credit. There is a risk, however, for those who pay staff on a casual basis that a minority may find it hard to submit before they pay their staff.

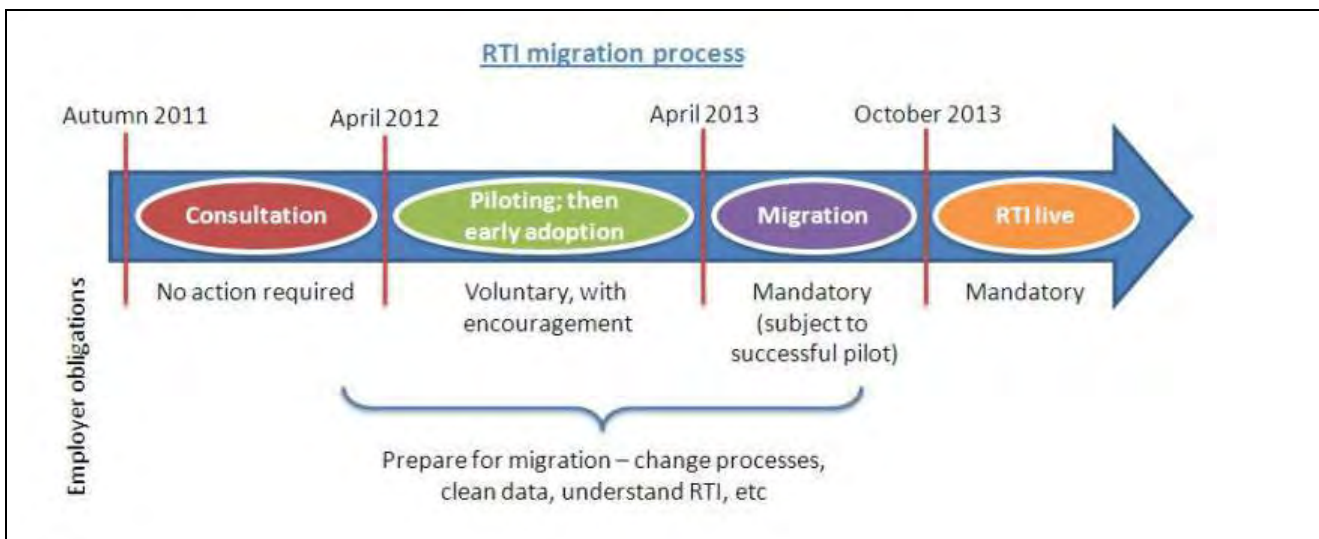
3. Introduction

3.1. Background

Real Time Information (RTI) is a key government programme which aims to improve the way in which employers submit PAYE information about their employees to HMRC. RTI is expected to bring significant benefits to businesses, taxpayers and HMRC, but migration to the new system will require employers to prepare and make changes to existing processes. Following the completion of considerable research, consultation and development work, HMRC needed to pilot the approach among volunteer businesses. To evaluate the pilot, HMRC commissioned research amongst the volunteer businesses and this is the subject of this report.

The timeline for RTI migration is shown in Figure 1.

Figure 1. Real Time Information migration timeline



RTI requires employers to send details of employees' pay and deductions to HMRC in 'real time' ,at the same time or before each payment.

The move to RTI requires employers to make some changes to their existing payroll processes:

- Reports to HMRC will be made as part of the regular pay run; in most cases this will be processed through the BACS system, although smaller employers who do not use BACS for their payroll will be able to submit information via the Government Gateway

- RTI data will need to conform to a common quality standard, and employee information (National Insurance Number, Date of Birth, etc) will need to be cleaned and aligned with the records held by HMRC before migration to RTI
- Payroll software (in-house, third-party or HMRC tool) will need to be updated to allow for the submission of RTI data.

The new system should offer benefits, such as greater stability and less risk of over- or underpayment of tax for employees, simplification for employers at the end of year (removing the current End of Year return) and for dealing with leavers and joiners, and reduced scope for error and fraud, thus benefiting HMRC.

The RTI pilot enables an assessment to be made of the true costs and benefits of RTI, and how well the pilot businesses deal with the need for data quality, along with the experiences of employers not using electronic payment methods.

3.2. Research Aim and Objectives

The overarching aim of this research was to measure and provide insights into the employers' experience of taking part in the RTI pilot programme, including how the experience matched their expectations.

The research needed to cover:

- The experience and ease of preparation for and implementation of RTI
- The experience and ease of operating RTI
- Guidance and support used
- The impact of RTI, including
 - benefits and any unintended consequences
 - the impact on employees
 - the impact on costs (transitional and longer term)
 - the impact on burden (using indicative measures before and after RTI)
 - the impact on behaviour under the new system (longer term)

3.3. Overview of the RTI pilot programme

The RTI pilot included three sequential stages. Stage 1 of the pilot involved 325 schemes, with an initial roll out to the first 10 schemes in April 2012 and the remainder in May. All of these schemes were recruited through their software providers. Stage 1 suppliers were given a high level of support from HMRC including personal visits from HMRC, face to face RTI customer events and RTI conference calls. These types of support were not available to pilot employers after Stage 1.

Stage 2 involved around 1300 schemes, and was rolled out on a staged basis from July 2012. This included employers who used commercial software, again recruited via software providers, including a larger number who used HMRC's Basic PAYE Tools (BPT).

Stage 3 involved 65,000 schemes as a soft rollout in November 2012 prior to the full migration. The support offered to these employers was more similar to that planned for employers at the full migration stage.

3.4. Overview of research programme

Three stages of research were conducted in line with the pilot structure:

- Stage 1 among the first tranche of pilot employers who volunteered to start using RTI from April/May 2012
- Stage 2 among the second tranche of pilot employers who volunteered to start using RTI from July 2012
- Stage 3 among the third tranche of employers who volunteered to start using RTI from November 2012

Each stage of research involved both quantitative research and qualitative research. The qualitative research was designed to explore issues arising in the quantitative surveys. Quantitative research generally asks a standardised questionnaire of a relatively high number of individuals. The individuals are usually a sample of the population in question. The output is a series of statistics with an estimable level of accuracy. Qualitative research generally involves a relatively small number of individuals but explores a topic in the sort of depth that is impossible in a time-constrained, rigid interview. This report incorporates the findings from both the quantitative and the qualitative research.

While numbers of PAYE schemes are given for each stage at Section 3.2, some employers had more than one PAYE scheme included in the pilot. Employers could only take part in the research for one stage. The research was carried out with one individual within each employer organisation who had most involvement with the RTI pilot and with implementing RTI across all schemes. The sample was, therefore, one of employers, not of PAYE schemes. Furthermore, the employers sampled were not representative of all UK employers because they had volunteered for the RTI pilot via their software provider.

At each stage of the pilot, research waves were timed to enable (interim) results to feed into key RTI decisions. Table 3 provides an overview of the key decision dates, and the timing of research waves at each stage.

Table 3. Overview of research design

Month	RTI key dates	Stage 1		Stage 2		Stage 3
Mar 12		Wave 1 survey (baseline)				
Apr 12	Roll out to first 10 schemes	Wave 1 survey completed	Wave 2 survey first 10 schemes			
May 12	Roll out to remaining Stage 1 schemes (c.310)		Wave 2 survey rest of Stage 1 employers			
Jun 12						
Jul 12	Staged roll out to Stage 2 schemes begins (c.1300)	Wave 3 survey;	Follow on qualitative research;	Wave 1 survey (baseline)		
Aug 12					Wave 2 survey	
Sep 12						
Oct 12				Wave 3 survey	Follow on qualitative research;	
Nov 12	Soft roll out to Stage 3 schemes					
Dec 12					Follow on qualitative research;	
Jan 13						Single survey wave of fieldwork; Qual research with employers not in pilot
Feb 13						
Mar 13						
Apr 13	Full RTI migration					

Stages 1 and 2 involved three waves of **quantitative** research as follows:

- Wave 1: Prior to RTI migration to provide a baseline
- Wave 2: After one or two RTI submissions to assess initial experience
- Wave 3: After at least three RTI submissions to assess experience once RTI had time to bed in

Stage 3 involved one wave of **quantitative** research 2-3 months after migration.

Research waves within stage are referred to within this report by their timing in relation to RTI migration (e.g. pre-RTI for wave 1).

Follow on qualitative research was included to further explore key issues emerging from the survey, and to further explore issues of particular interest to the RTI programme team. This was used as follows:

- At Stage 1 to further explore the experience of pilot employers after one or two submissions
- At Stage 2 to further explore the experience of pilot employers after one or two submissions
- At Stage 2 to conduct web testing with employers that had problems with online RTI guidance after one or two submissions
- At the same time as Stage 3, research with employers not involved in the pilot to test out the online guidance with employers that were not yet operating under RTI

The results were used to develop and improve RTI processes and guidance, and inform communications, for both the pilot and the full migration. They also fed into key “go live” decision points throughout the pilot.

Quantitative interviews were conducted by telephone. Table 4 summarises the number of interviews and fieldwork dates for each wave of quantitative research.

Table 4. Quantitative research interview numbers and timings

	Number of interviews	Point in RTI pilot	Timing
STAGE 1			
Wave 1	153	Pre-RTI	19 Mar 12 – 17 Apr 12
Wave 2	118	After one or two submissions	25 Apr 12 – 08 Aug 12
Wave 3	96	After at least three submissions	23 Jul 12 – 28 Sep 12
STAGE 2			
Wave 1	627	Pre-RTI	2 Jul 12 – 28 Sep 12
Wave 2	451	After one or two submissions	28 Aug 12 – 26 Oct 12
Wave 3	433	After at least three submissions	1 Oct 12 – 14 Dec 12
STAGE 3	316	After at least three submissions	11 Feb 13 – 8 Mar 13

The reduction in sample size between waves within each stage is likely to be a result of research fatigue rather than being a reflection on attitudes towards RTI: it is relatively easy to persuade employers to take part in one interview, but much harder to persuade them to take part in further interviews.

Table 5 summarises the qualitative research stages, showing the survey from which respondents were drawn for each stage. At Stage 3 a sample of employers not taking part in the RTI pilot was recruited using free-find methods. All qualitative interviews were conducted by face to face.

Table 5. Qualitative research interview numbers and timings

Sample	Number of interviews	Point in RTI pilot	Timing
STAGE 1 Wave 2	15	After one or two submissions - experiences	June 2012
STAGE 2 Wave 2	18	After one or two submissions - experiences	September 2012
Wave 2	18	After one or two submissions – RTI guidance web testing	December 2012
STAGE 3	12	Not yet operating under RTI – RTI guidance web testing	January 2013

Further details of the research method are included in Appendix A.

3.5. Reporting notes

In this report, we discuss the findings for each of the three stages in turn, and then provide an overview of the conclusions based on all three stages.

Where percentages shown in charts or tables do not sum to exactly 100% (or where they do not exactly sum to a summary statistic given, such as agree/disagree), this will be due to rounding to the nearest whole number.

Unless other stated, the base size quoted in charts includes all employers in the respective wave.

4. Stage 1 findings

Stage 1 employers were all recruited via software providers and were offered a much higher level of personal support from HMRC than would be the case at full migration. For Stage 1 employers, this chapter provides some context in terms of the nature of their PAYE schemes since, given their volunteer nature, they are not representative of all employers.

To help evaluate the RTI pilot, this chapter explores the experience of preparing for implementing and running RTI, and how this matched employers' expectations, in the light of support offered to these employers. The chapter also looks at the impact of RTI (and its implementation) on employers, and the extent to which this matched their expectations before the pilot. The same approach will be taken in subsequent chapters for Stage 2 and Stage 3 employers.

4.1. Nature of employers at Stage 1

Twenty six per cent of the employers interviewed at Stage 1 had more than one PAYE scheme in the pilot. The employers' schemes varied in size: 25% had only small PAYE schemes, and 8% were BPT users (under 10 employees). A further 16% had medium schemes and 35% large, with 15% having schemes of a variety of sizes. Employers spanned a wide range of sectors.

To provide context to help understand their experience of RTI, employers were asked about the nature of their PAYE affairs. Under the previous system, 83% of the employers sampled in the pilot research had performed all PAYE tasks in-house, reflecting the use of software providers to recruit pilot participants.

The employers sampled generally used more than one method to pay their staff. The most prevalent methods used were BACS and internet banking, but a substantial minority still used non-electronic methods such as cheques (32%) or cash (8%) at least for some employees.

Almost all had PAYE calculations to perform beyond processing basic pay, most commonly statutory pay, with the majority also dealing with a range of other tasks such as pensions, student loans, expenses, benefits and salary sacrifice. This has an impact on their experience under RTI. After one or two submissions, most employers had paid their employees and carried out many of the common payroll tasks using RTI. After at least three RTI submissions 97% of employers had at least paid their employees using RTI, and the majority had sent HMRC an EPS, dealt with a new leaver or joiner, dealt with a tax code change, and paid HMRC.

In summary, the Stage 1 employers tended to be larger and have more complex PAYE affairs than the population of all employers, and included relatively few very small employers. It is important to bear this in mind when interpreting the findings, particularly compared with employers at other stages.

4.2. Preparation for and implementation of RTI : experience compared with expectations

4.2.1. Stage of preparedness pre-RTI implementation

Employers were required to take a number of actions in preparation for the implementation of RTI and Stage 1 employers were at varying stages of preparedness prior to roll out. At the interview prior to RTI, 76% of Stage 1 employers had completed all their data cleansing, although only 32% had got as far as submitting the data to HMRC. Twelve per cent had started data cleansing. Only 5% had not started at all.

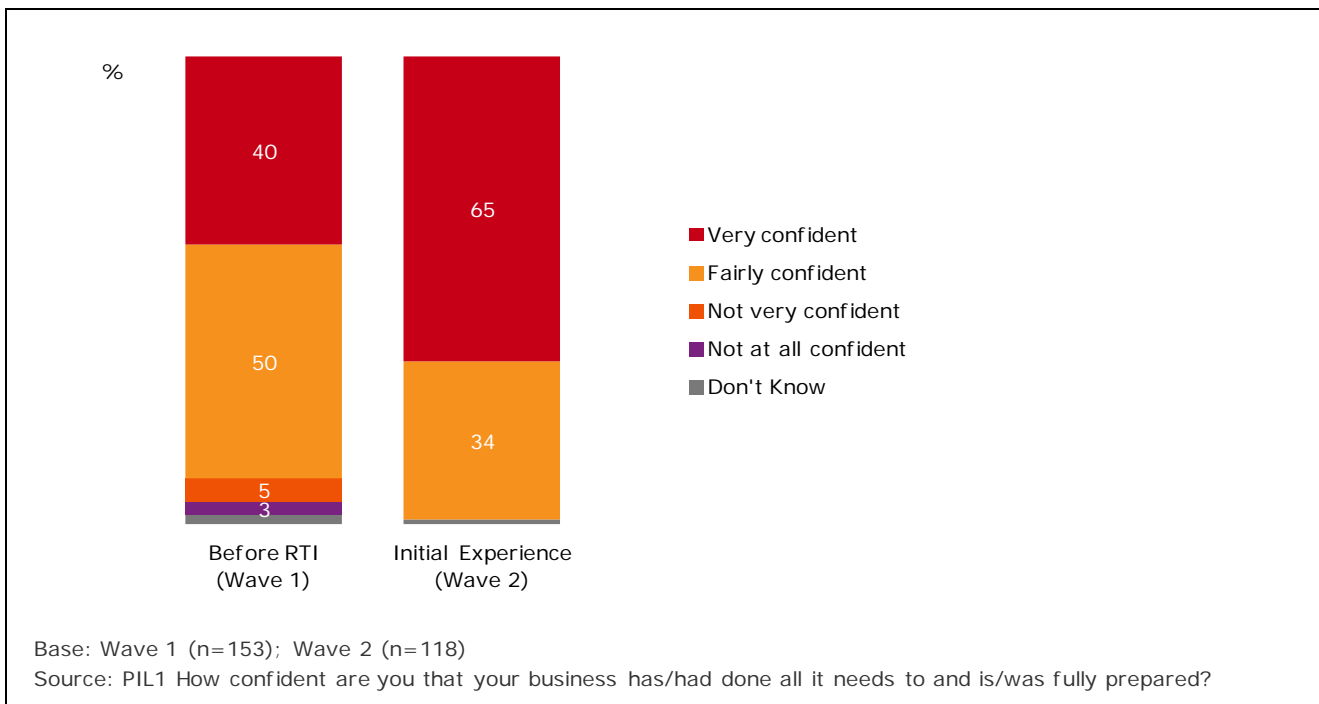
In terms of software upgrades, pre-RTI employers were at varying stages of progress. Twenty six per cent had updated their software and were ready for RTI, and 36% of employers were in the process of having it updated. Another 31% had not started updating their software yet.

The vast majority (84%) of employers had trained someone on RTI by the time of the pre-RTI research (40% had trained everyone) and a further 11% were planning to do so imminently.

4.2.2. Confidence in preparedness: experience compared with pre-RTI confidence

The level of confidence among Stage 1 employers in their readiness for RTI was high. Pre-RTI, 40% were very confident and 50% were fairly confident that they had done all that they needed. Only a small minority said they were not confident (Figure 2).

Figure 2. Level of confidence in preparation for RTI



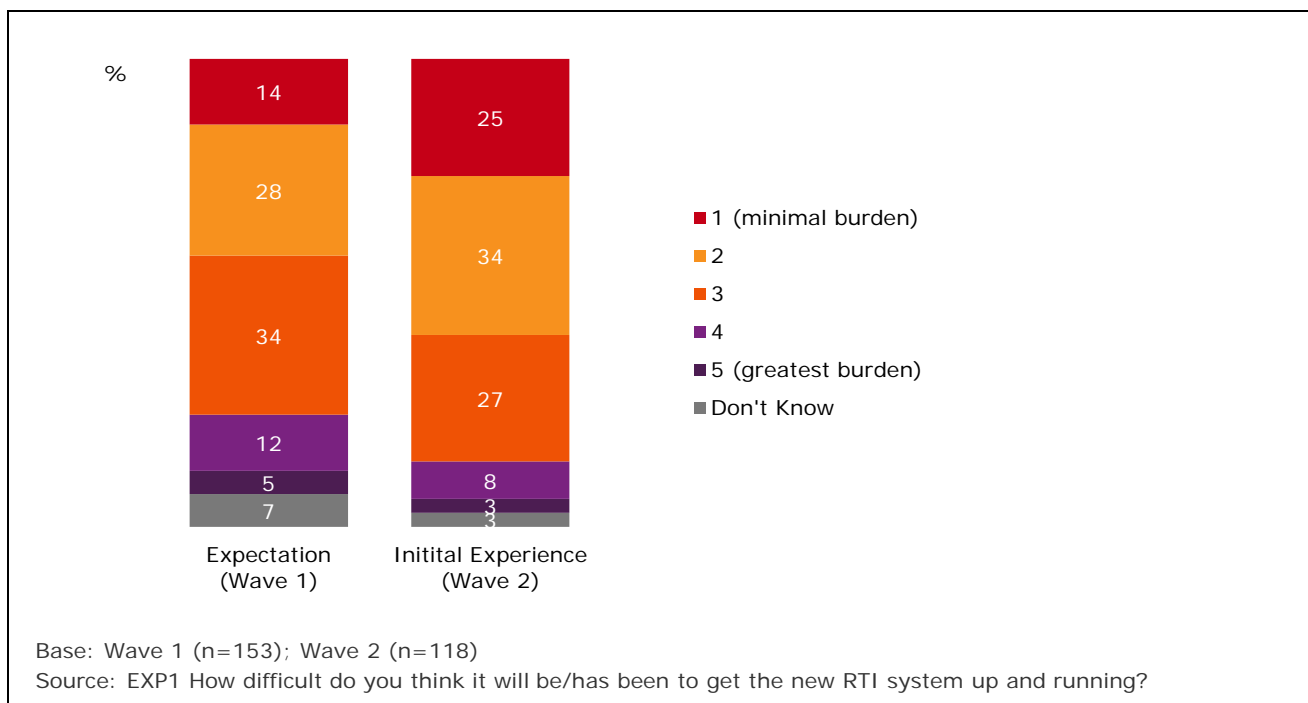
After one or two RTI submissions, the level of confidence was higher still. Sixty five per cent reported being very confident and 34% said they were fairly confident that they had, in fact, been fully prepared ahead of roll out. None said they were not confident (Figure 2).

Employers with larger PAYE schemes were less likely than smaller employers to be very confident both ahead of rollout and after the first one or two submissions, although employers of all sizes were much more confident that they *had* in fact been prepared, after their initial experience.

4.2.3. Burden of implementation: experience compared with expectations

Implementing RTI was more likely to be rated a low burden once a user had made one or two RTI submissions compared with expected burden. While 42% of Stage 1 employers had expected a low burden of only one or two out of five, after the one or two submissions, this rose to 59% (Figure 3).

Figure 3. Burden of implementing RTI – expected vs. the experience



4.2.4. Insights into preparation burden from qualitative research

The qualitative research conducted with Stage 1 employers after their first one or two submissions sheds some light on what may or may not have been seen as a burden in preparing for RTI. This found most reporting that their data was already good and relatively little data cleansing was necessary, although larger employers had found the process time consuming. However, they recognised that this was a one-off process and that ideally the data they held on their employees should be 100% accurate.

'Data cleansing is something that you should be doing anyway, but you don't have time to do normally.'

Where the employer employed people large numbers of casual workers or staff working overseas this presented problems in collecting all the information, although this was mainly in terms of the time it took for employees to send through the corrected information.

'We have a number of payrolls. One is quite small and everyone works on this site – that was simple and quick. One of other payrolls deals with people who are jobbing [media industry professionals] and they are often out of the country...it took longer simple because it is difficult to get hold of them.'

The data cleansing stage was seen as essential and threw up a range of issues, including:

- mistakes in birthdates/addresses;
- moving people from PAYE to self-employment;
- lack of NI number;
- errors in the names of foreign staff; and
- spouses of overseas deceased pensioners without addresses.

It was clear from the qualitative research that software providers had a considerable role in ensuring a smooth transition to RTI. They were highly praised in the qualitative research for:

- not charging for the software changes;
- being in regular (often weekly) contact with employers;
- liaising with HMRC and reporting back on discussions with HMRC;
- resolving issues and “ironing out glitches” when initial EAS and FPS submissions did not work.

In terms of dealing with any technical aspects of RTI migration, the software provider was seen as the first port of call rather than HMRC.

'I believe HMRC and the software providers must be meeting regularly to sort out any problems. We usually hear back from our software guys about any updates.'

4.3. Experience of dealing with PAYE under Real Time Information

4.3.1. Dealing with RTI Submissions

Employers operating PAYE and moving on to RTI must submit employee details to HMRC so that HMRC can match employees with their records. For large employers or those with a complex payroll system this has to be done using an Employer Alignment Submission (EAS) before the first Full Payment Submission (FPS). Other employers can make the employee details submission within their first FPS or they can use an EAS if they wish.

Employers were asked after one or two RTI submissions whether they had submitted a separate EAS before their first FPS. Seventy five per cent said that they had done so and 20% that they had not. The remainder did not know.

Not all EAS and FPS submissions went through smoothly at the first attempt. Forty-three per cent of EAS submissions had to be re-submitted, with 62% these successfully going through on the second attempt. FPS was less problematic to submit, with only 27% having to be re-submitted, with 78% of these successfully going through on the second attempt (left hand graph of Figure 4).

The **qualitative research** after one or two submissions indicated that reasons for EAS and FPS submissions not going through at the first attempt was usually because of small errors in data formatting. Typically there were: commas appearing in the middle of addresses; spaces appearing at the start of an address line; missing information; leading zeroes in birth dates; and incorrect birth date formats. These issues were usually sorted out very quickly, primarily by the software provider. However, those employers that contacted HMRC commented on how they had been provided with a high level of customer service in the support and advice provided and that HMRC were seen as understanding (even when submissions were late), and solution-oriented.

In the qualitative research, a couple of employers had technical issues with their payroll software, which their provider sorted out very swiftly. Overall, however, experiences were not all problematic:

“There has been nothing to do. It’s been as simple as anything.”

Among those who had to re-submit an EAS or an FPS, the vast majority received an acknowledgement of successful submission from HMRC the same day. Eleven per cent of EAS and 6% of FPS re-submissions took longer than a day to be confirmed as successful (right hand graph of Figure 4). These data are based on small numbers of employers and so should be treated cautiously.

Figure 4. Whether first EAS/FPS submission was successful and time taken by HMRC to acknowledge a successful re-submission

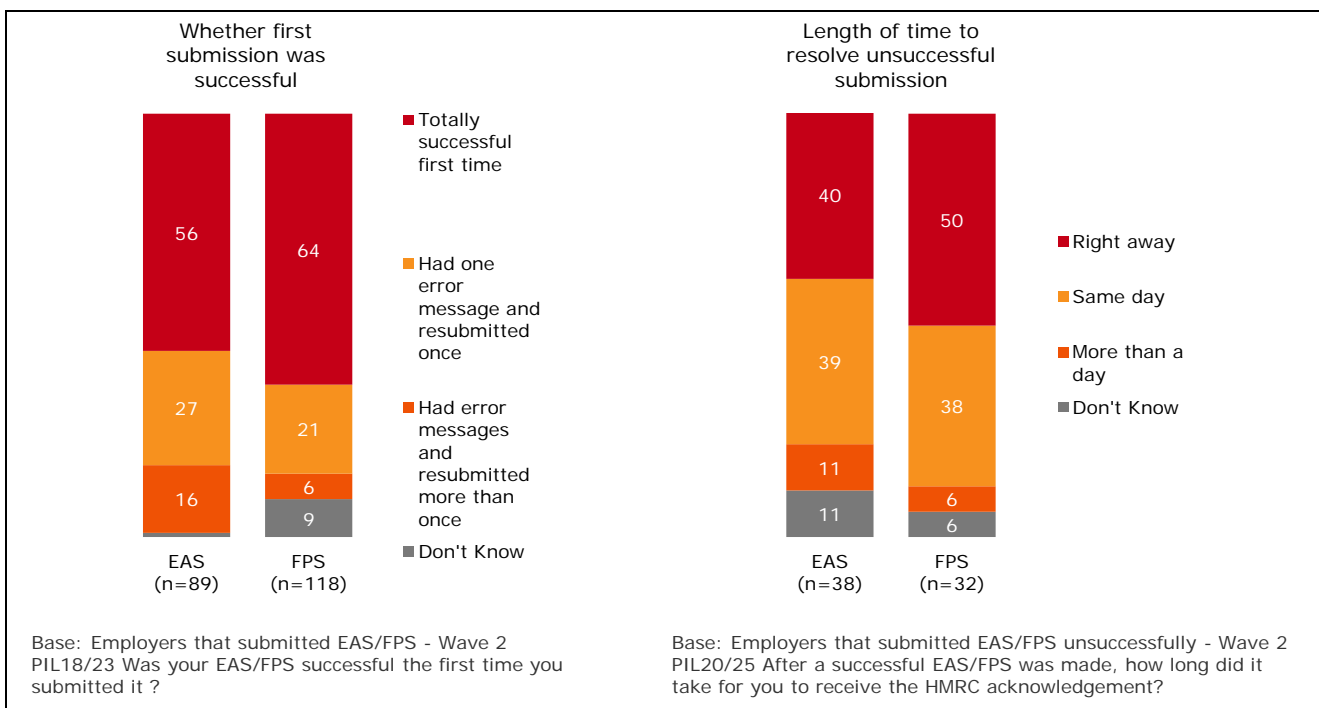
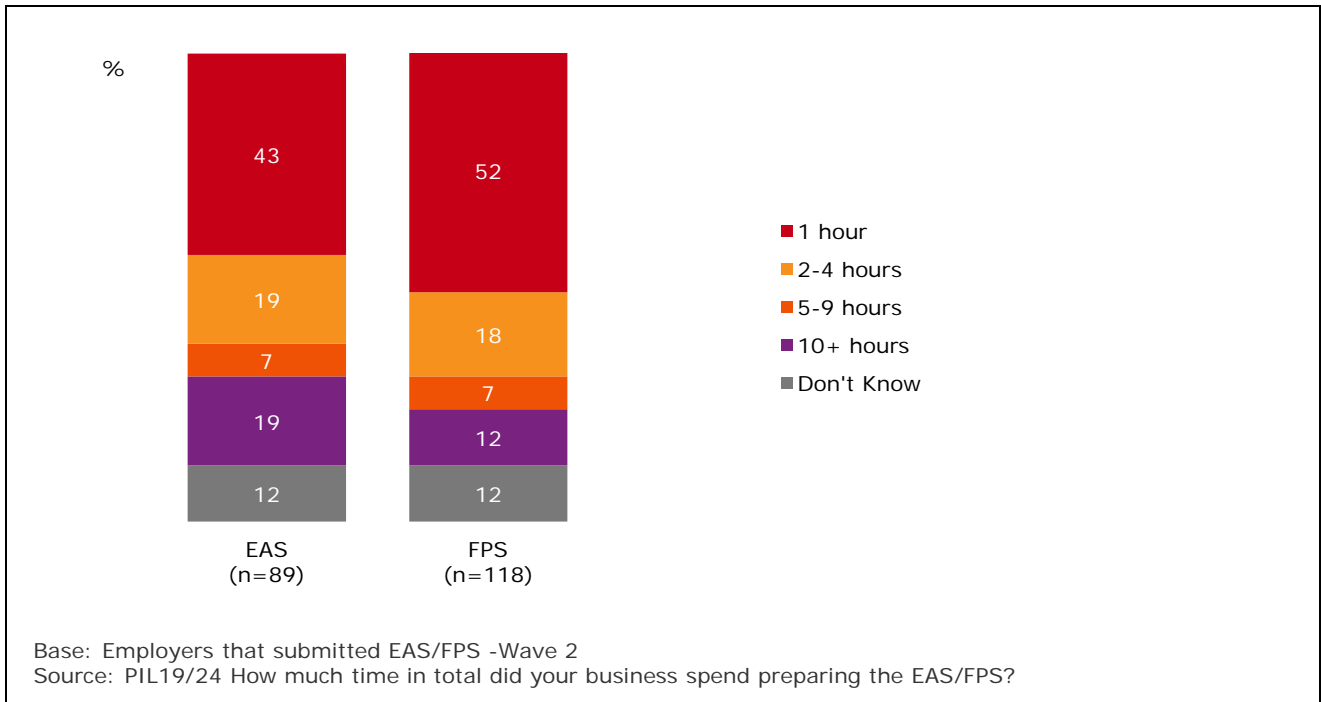


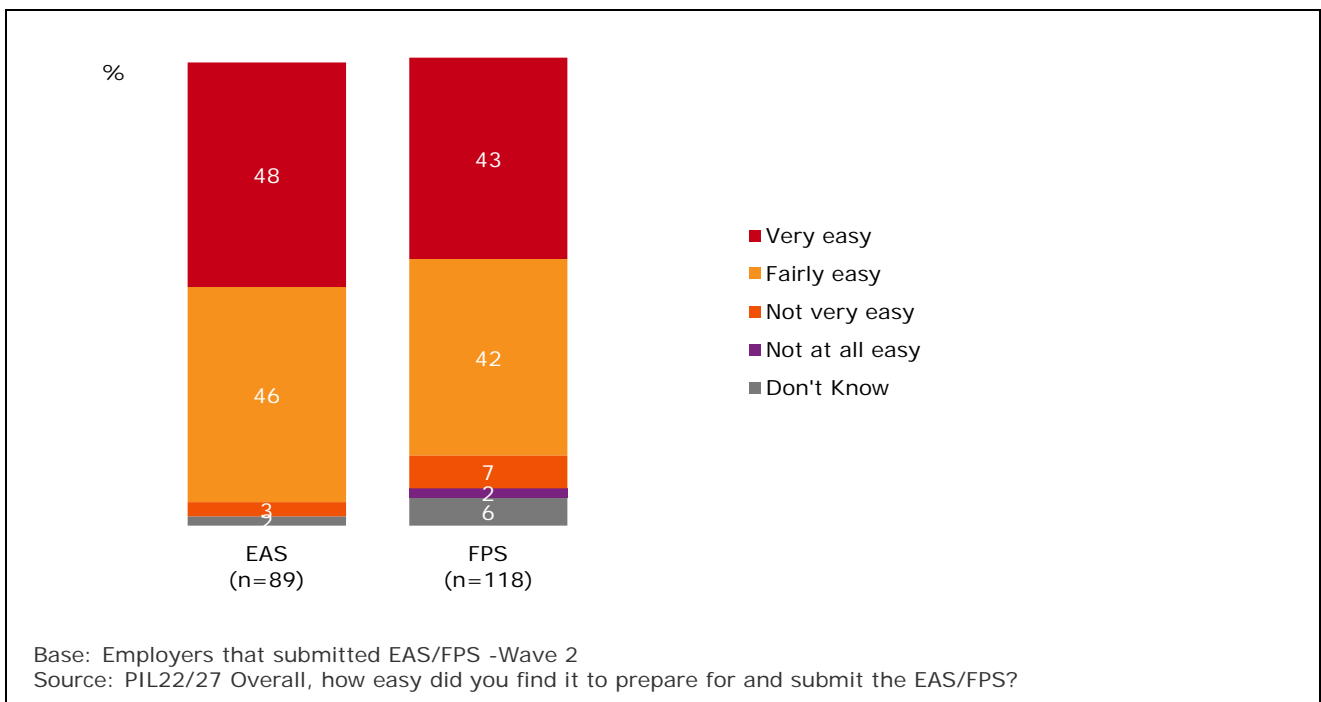
Figure 5 compares the time spent on EAS and FPS based on employers’ experience after one or two RTI submissions. The EAS tended to take slightly longer than FPS, with fewer employers saying it took one hour or less (43% vs. 52%).

Figure 5. Comparison of time spent on EAS and FPS once RTI embedded



Overall, FPS and EAS were judged easy to submit by the vast majority of Stage 1 employers (Figure 6).

Figure 6. Ease of preparing for and submitting EAS and FPS



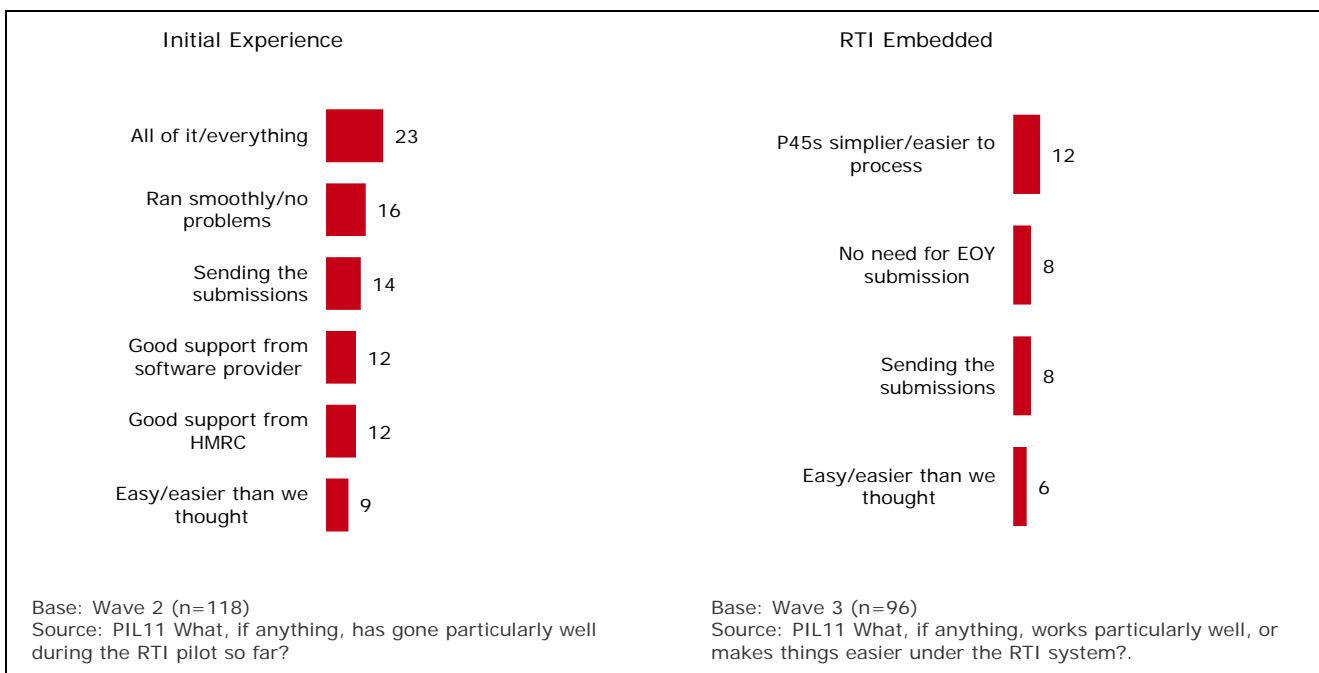
Even though 43% of those who submitted an EAS experienced an error (see Figure 4), almost all (94%) said the process was easy, with 48% saying very easy.

Although those submitting FPS experienced fewer errors than those submitting EAS, fewer rated the process as easy compared to EAS (86% vs. 94%). Eight per cent found it not very easy or not at all easy.

4.3.2. General impressions of RTI experience

After one or two RTI submissions, employers were asked to say in their own words what, if anything, had gone particularly well, during the RTI pilot so far. Twenty three per cent of those surveyed spontaneously said “all of it” had gone well. Other common comments were that it ran smoothly, that it was easy/easier than expected and that there was good support from HMRC and/or from software provider (left hand side of Figure 7).

Figure 7. What has gone well under RTI (top mentions)



Some verbatim quotes from the survey illustrating this are:

- o *“It [is] automated very well and flows very easily.”*
- o *“The whole thing. Just about paying employees rather than concentrating on other tasks for HMRC.”*
- o *“It’s all quite easy.”*

After at least three RTI submissions, the question wording was altered slightly to focus on what actually makes things easier. The responses to this question were less easy to categorise, with 20% falling into “other”. The most common responses after three or more submissions were that P45s were simpler/easier to process, that there was no need for an EOY return, and (as after the first couple of submissions) that it was easy/easier than expected (right hand side of Figure 7). Some verbatim quotes from the survey illustrating this are:

- o *"The fact that we don't have to deal with P45s and P46s anymore. We can deal with those separately."*
- o *"End of tax year, I foresee things being a lot easier. Less forms to submit."*

RTI users were also asked about the problems they had encountered. After one or two RTI submissions, employers were asked to say in their own words what difficulties, if any, they had encountered during the RTI pilot so far. Forty two per cent said "nothing". The most common difficulties were a software bug/fault (13%), understanding error messages (11%) and with submissions/payments being rejected (10%).

After at least three RTI submissions, the question wording was altered slightly to focus on the on-going issues and not just the teething problems. Employers were asked "what, if anything, is problematic or difficult under the RTI system". This time, 59% said "nothing", suggesting that some problems had been ironed out or were occurring less frequently. The most frequently mentioned problems were getting used to the new system (6%), rejected submissions or payments (4%), dealing with leavers and joiners (3%) and software problems (3%).

The employers participating in the **qualitative research** also found that their expectations were exceeded and any negative views they may have had about RTI were dispelled. Overall, migration to RTI was much simpler than they thought it would be and they experienced fewer difficulties than they had anticipated.

These employers were very positive about the software companies, reporting that the software companies were very much "on top of things", that they were having regular update meetings with their software company and that software companies were often passing on information from their last discussions with HMRC.

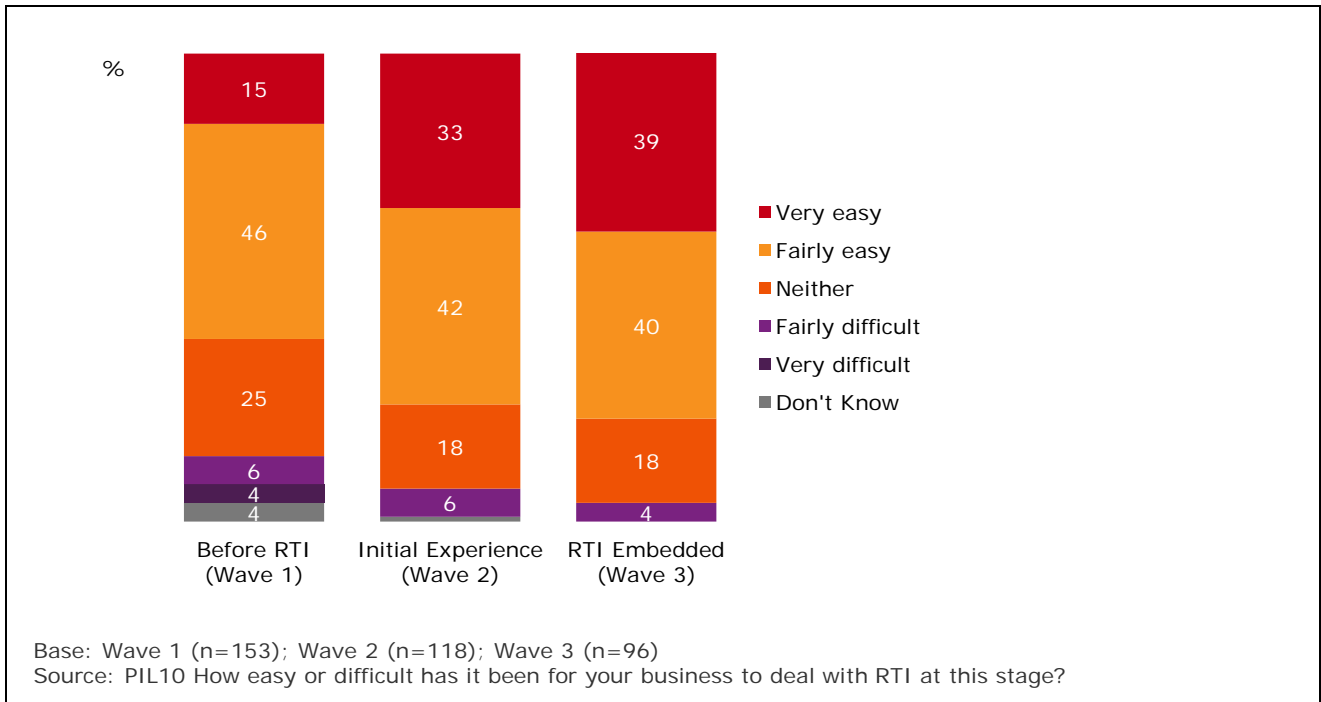
'I was a bit nervous at first but it has run really smoothly. Once we understood what we had to do and how we had to prepare it was okay...the submission went through first time, no problems at all...now I've done it once I think it will be okay for the rest of the year.'

4.3.3. Overall ease of preparing for and dealing with RTI

As RTI has been embedded, users have found it increasingly easy to deal with. Pre-RTI, 61% of employers said that it had been very or fairly easy to prepare for the RTI pilot. Figure 8 shows that the majority of these answered "fairly" as opposed to "very" easy. Around 10% judged it to have been fairly or very difficult.

By the time they had completed one or two RTI submissions, the proportion finding RTI very easy to deal with had doubled to 33% and none had found it very difficult. After at least three RTI submissions, 39% of users rated it as very easy and a similar number as fairly easy, a total of 79%.

Figure 8. Ease of preparing for/dealing with RTI



Large employers were less likely than small employers to rate RTI as easy at each wave of research. This is probably connected with the greater size of PAYE scheme, and sometimes larger number of schemes, run by bigger employers. The degree of difference by size diminished as RTI became more embedded for Stage 1 employers.

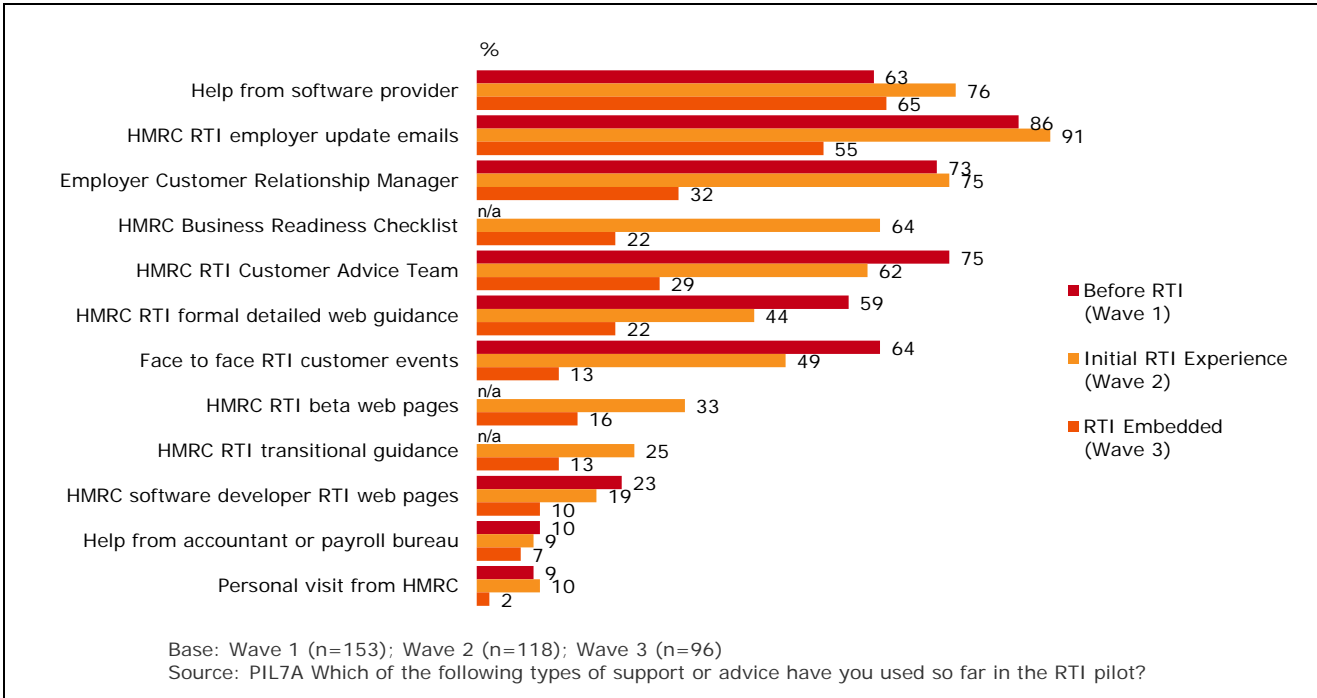
4.4. Use of support

Stage 1 employers were offered considerably more support than will be the case at full migration. It is therefore important to assess the role that this support played.

At each wave of Stage 1 research, employers were read a list of support sources and asked if they were using them (pre-RTI and after one or two submissions) or which ones they were still using (after 3+ submissions). There was a change to the list between waves so the comparisons are not strictly valid.

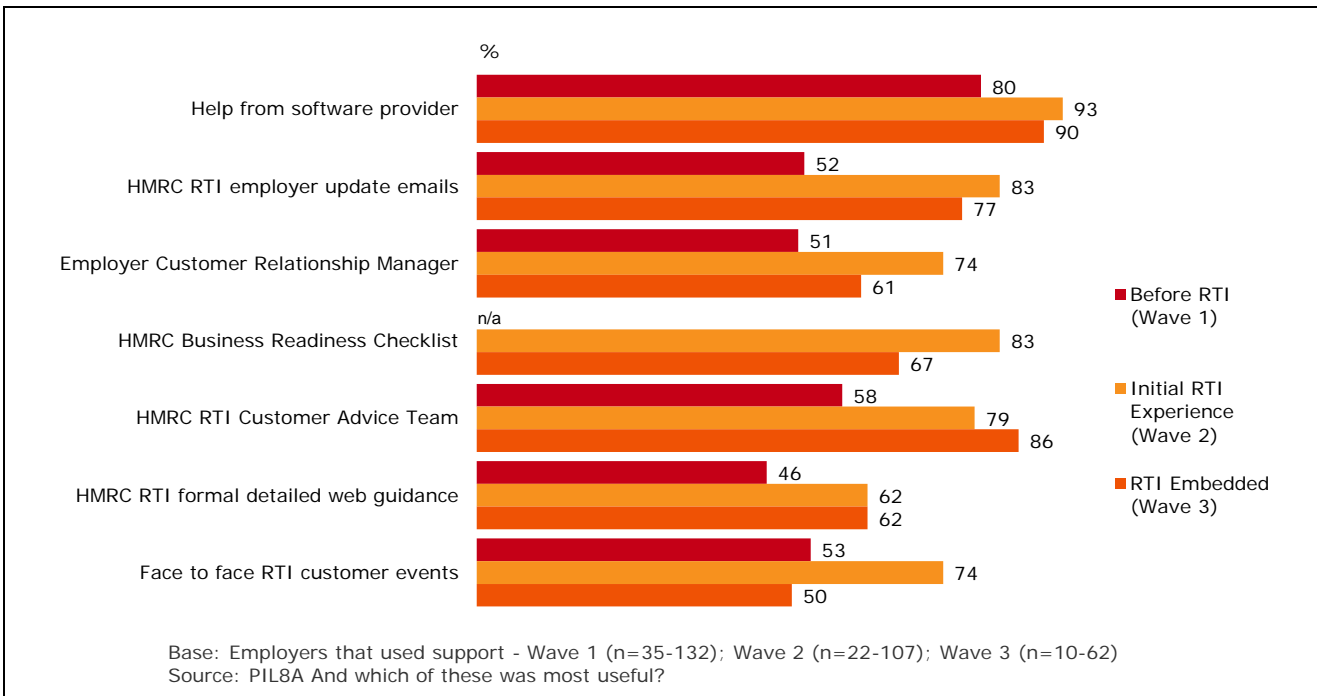
The use of each type of support was high at before RTI was rolled out to Stage 1 employers. They made particular use of a number of HMRC sources including employer update emails, ECRMs, RCAT web guidance and face to face events. Sixty three per cent used help from their software provider. After the first one or two submissions use of the software provider increased, and use of the HMRC emails and ECRM remained high. Other HMRC sources dropped in use at this stage, but 64% used the new HMRC Business Readiness Checklist. Use of the HMRC web guidance dropped, and other use of online information remained fairly low. Once RTI was embedded the use of HMRC support dropped substantially, but use of help from a software provider remained high (Figure 9).

Figure 9. Support types used



Those who had used more than one type of support were asked to identify which was the most useful. The proportion choosing each type as the most useful of the ones they used is shown in Figure 10.

Figure 10. Most useful support among users of each type



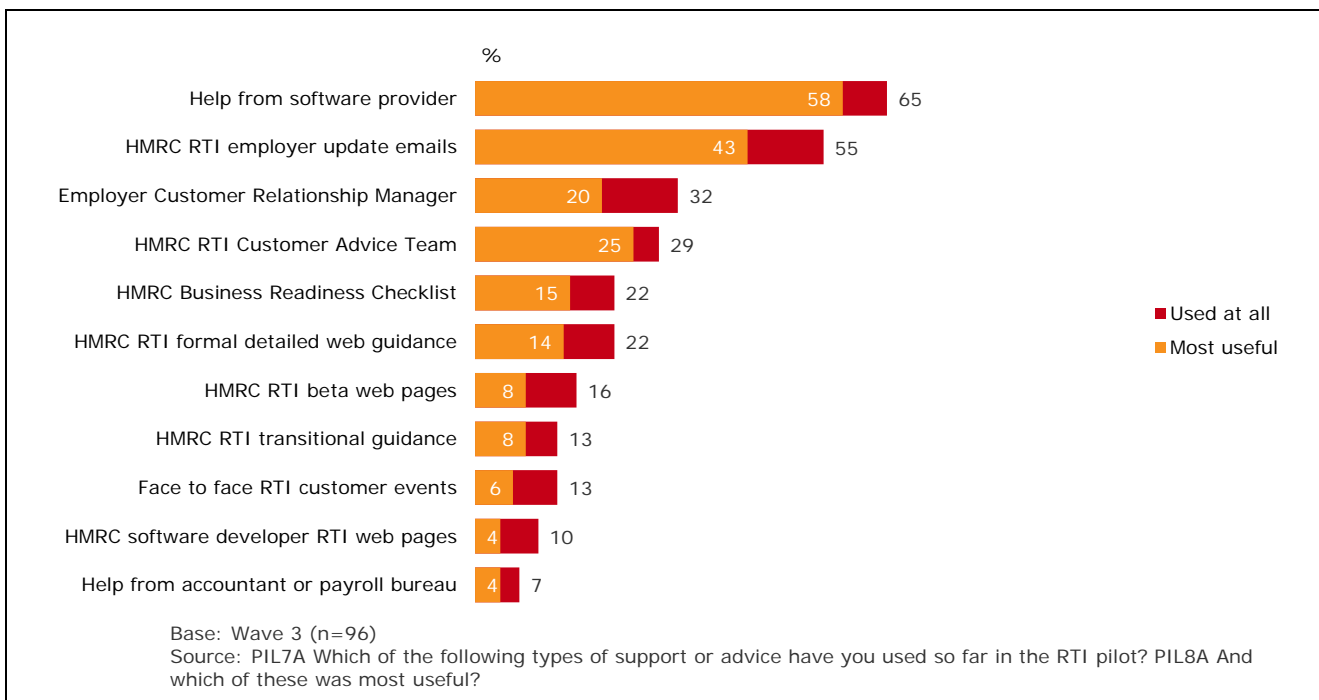
Some of the figures in Figure 10 (the ones with the lowest usage levels in Figure 9) are based on small numbers of individuals. This means that they should not be relied upon. In particular, wave on wave

changes in usefulness ratings are likely to be spurious for these types of support. Nevertheless, Figure 10 gives a feel for the relative usefulness of the various types of support amongst their users.

Support from the software provider was among the most useful, for 90% of users after three or more submissions. The usefulness of HMRC emails and RCAT was also high. The perceived usefulness of all sources of support increased from pre-RTI, once RTI was rolled out.

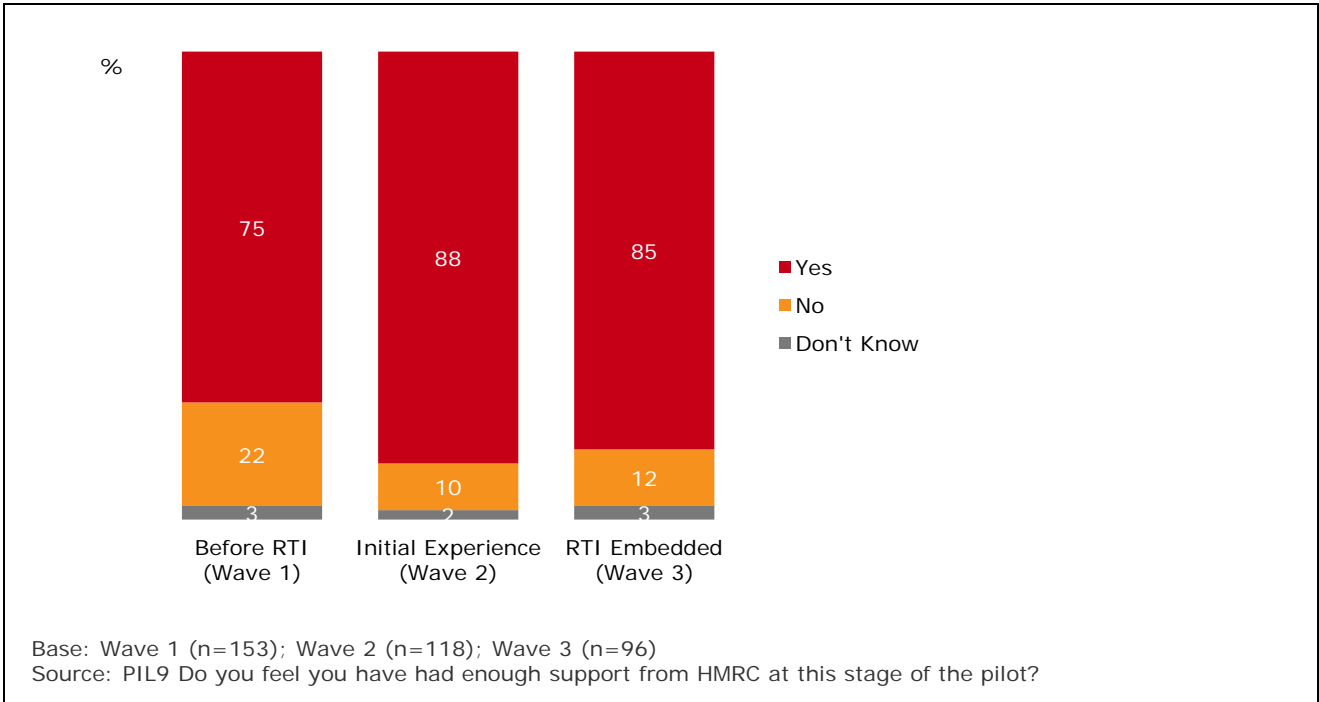
Figure 11 focuses on usage levels and usefulness rating of each type of support after three or more submissions. This shows which types of support were most useful among *all* Stage 1 employers (not just those using each source) once RTI was embedded, so gives a better indication of overall scale of usefulness. This analysis again emphasizes the high usage and usefulness ratings for software provider support and HMRC update emails.

Figure 11. Support used and found useful – after three or more submissions



Employers were also asked specifically whether they felt that they had had enough support from HMRC. Pre-RTI, 75% of the sampled employers said they had had enough support and 22% said they had not. After one or two RTI submissions, the proportion who perceived that they had had sufficient support from HMRC rose to 88%, and remained similar at 85% after three or more RTI submissions (Figure 12). This reflects the earlier finding that confidence in having been prepared was higher post implementation, than confidence beforehand.

Figure 12. Whether had enough support from HMRC



Employers with larger schemes or a mix of scheme sizes were more likely to say that they had had insufficient support, with this feeling also more likely to persist once RTI was embedded.

After three or more submissions, the eleven employers who said that they had not had enough support from HMRC were asked what sort of support they would have liked. Two main themes emerged. One was around the need for confirmation that the submission was correct and not just received. The other was around the need for more personal contact, for example via conference calls or somebody on site.

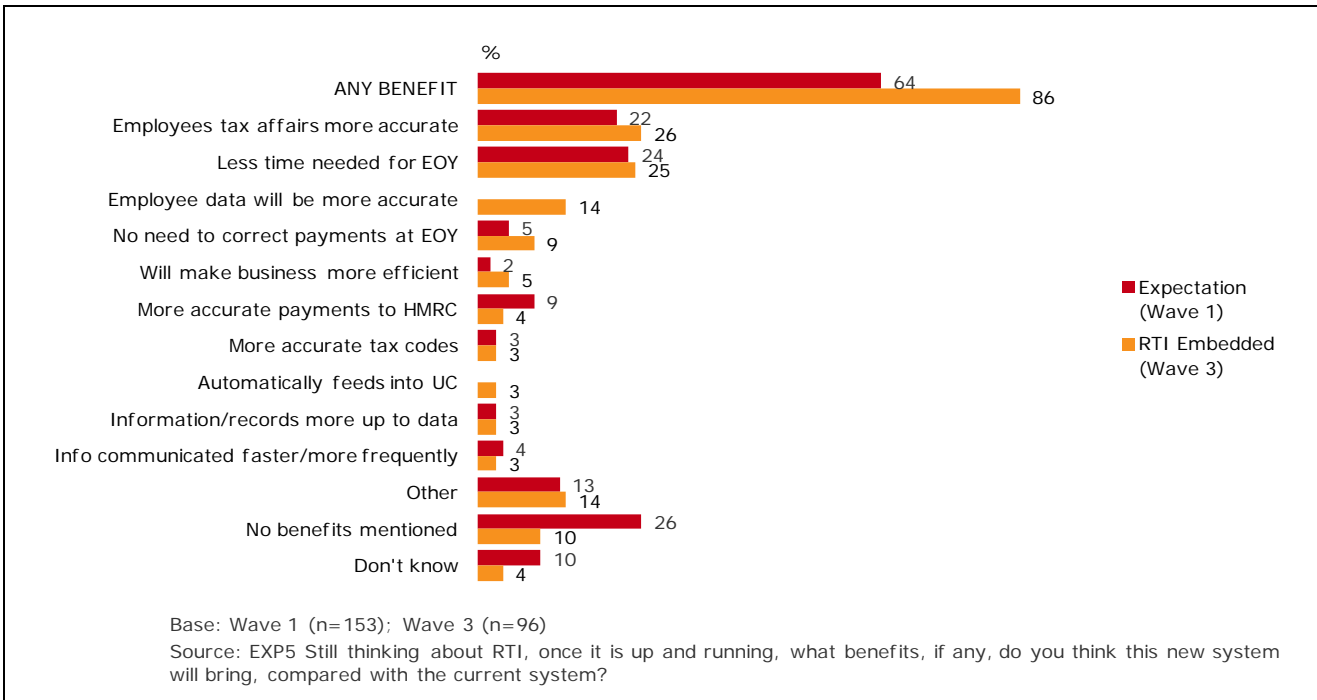
4.5. Impact of RTI and implementation – experience compared with expectations

4.5.1. Benefits and downsides: expectations versus experience

The benefits of RTI were more likely to be recognised once RTI was embedded than they were to be anticipated pre-RTI. Eighty six per cent of employers appreciated a benefit of some kind once RTI was embedded compared with only 64% who had anticipated some benefit pre-RTI (Figure 13). The most commonly perceived benefits were that employees’ tax affairs would be more accurate resulting in fewer queries to employers (22% expected, 26% when embedded) and that less time would be needed for the EOY return (22% expected, 25% when embedded).

One unanticipated benefit was raised once RTI was embedded. This was that the data on employees would be more accurate, which was mentioned by 14% at after three or more submissions (Figure 13).

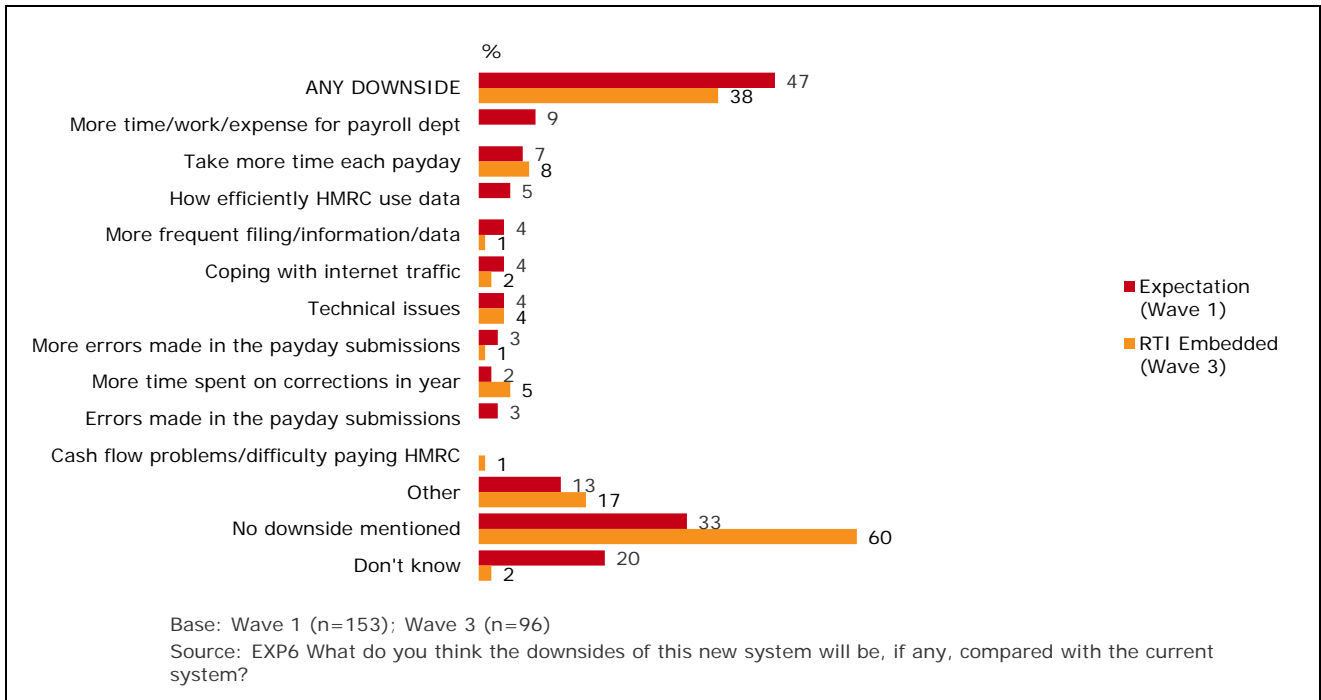
Figure 13. Benefits of RTI – expected vs. the experience



Fewer employers surveyed saw any downsides to RTI once it was embedded than had anticipated a downside before implementation. After three or more RTI submissions, only 38% could see a downside, down from 47% pre-RTI. Perhaps more importantly, 60% could see *no* downside once RTI was embedded: double the proportion pre-RTI (Figure 14).

Prior to RTI, the most frequently anticipated downside was that RTI would involve more time, work or expense for the payroll department (9%) or that it would take more time each payday (7%). The latter complaint remained once RTI was embedded, but the former did not. This suggests that, whilst each payday is more time-consuming for a minority of employers under RTI, the overall net effect is that the payroll department’s work level is not adversely affected. Technical issues were a downside for 4% of users surveyed once RTI was embedded (Figure 14).

Figure 14. Downsides of RTI – expected vs. the experience



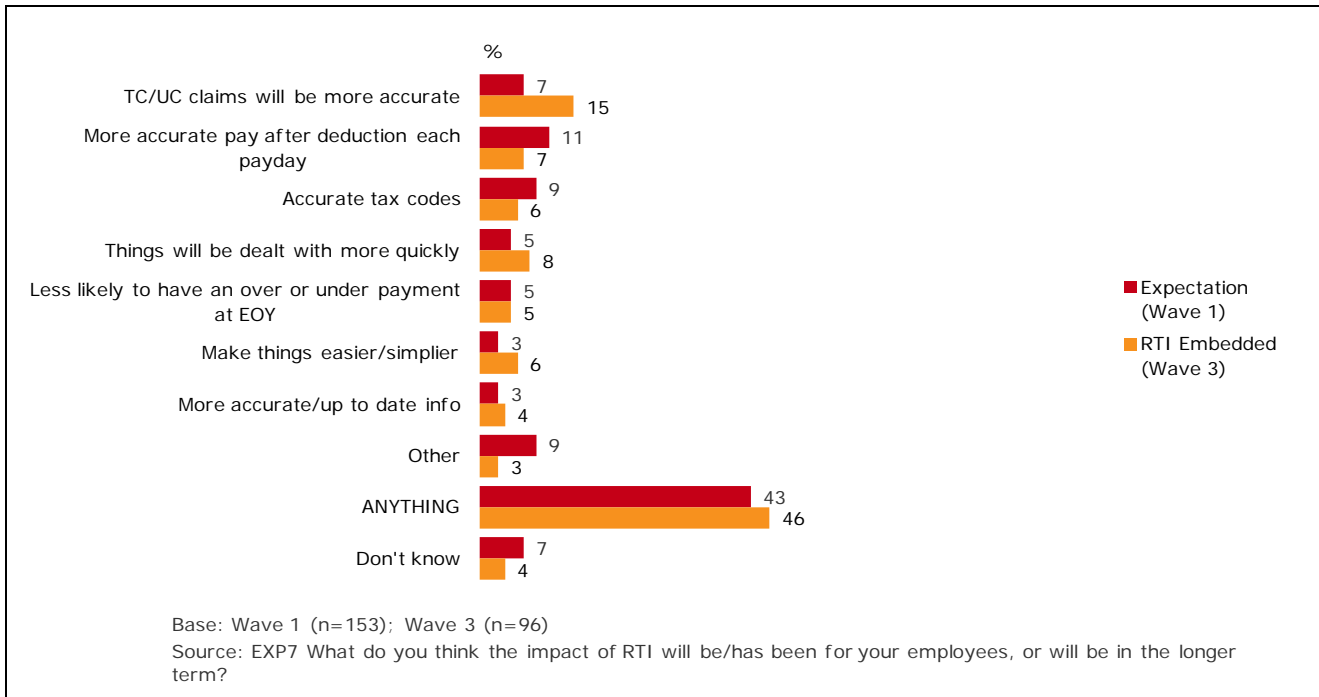
4.5.2. Impact on employees: expectations versus experience

Once RTI was embedded, all Stage 1 employers said that they did not think any employees had noticed a difference, up from the 85% who had had anticipated that this would be the case pre-RTI.

Prior to RTI, only 40% of the surveyed employers had told their employees that the business was participating in the pilot. By the time they had completed one or two RTI submissions, this had risen to 66%. The lack of anticipated impact on employees may explain why a large proportion did not inform staff about the pilot.

While most employers thought before implementation of RTI that employees would not notice any impact, 43% of employers could see some potential impact, and in particular the benefits for employees. For example, 7% said Tax Credit or Universal Credit claims would be more accurate, while one in ten said payday deductions would be more accurate. Once RTI was embedded, a similar proportion of employers cited the same positive impacts on employees (Figure 15).

Figure 15. Impact on employees – expected vs. the experience



When asked a similar, but slightly different question after the first one or two submissions (“How, if at all, has the RTI pilot affected your employees?”), 92% responded that RTI had had no effect. The small numbers of verbatim answers citing an effect were similar in flavour to those displayed in Figure 15 arising from the “impact” question.

Employers in the **qualitative research** echoed these findings. Apart from having to ask some employees to update their personal details (such as adding middle names), checking the spelling of names, and checking addresses or adding postcodes, employers did not expect RTI to have any impact on employees. Indeed, because of this, not all of them had told their employees about RTI. Those that did so usually communicated RTI migration as part of usual communications to staff, and generally only if they needed additional information from staff. In these cases they gave staff simplified /adjusted HMRC material to employees and offered them opportunities to discuss the changes. Overall, there was very limited feedback from staff; there were minor concerns about personal data being shared with HMRC, although the employer in this instance considered that the employees knew so little about how PAYE worked that they did not realise that HMRC already had this information.

In thinking about the material they produced to give to employees, a number of employers would like HMRC to produce materials specifically for employers to communicate with their employees about RTI.

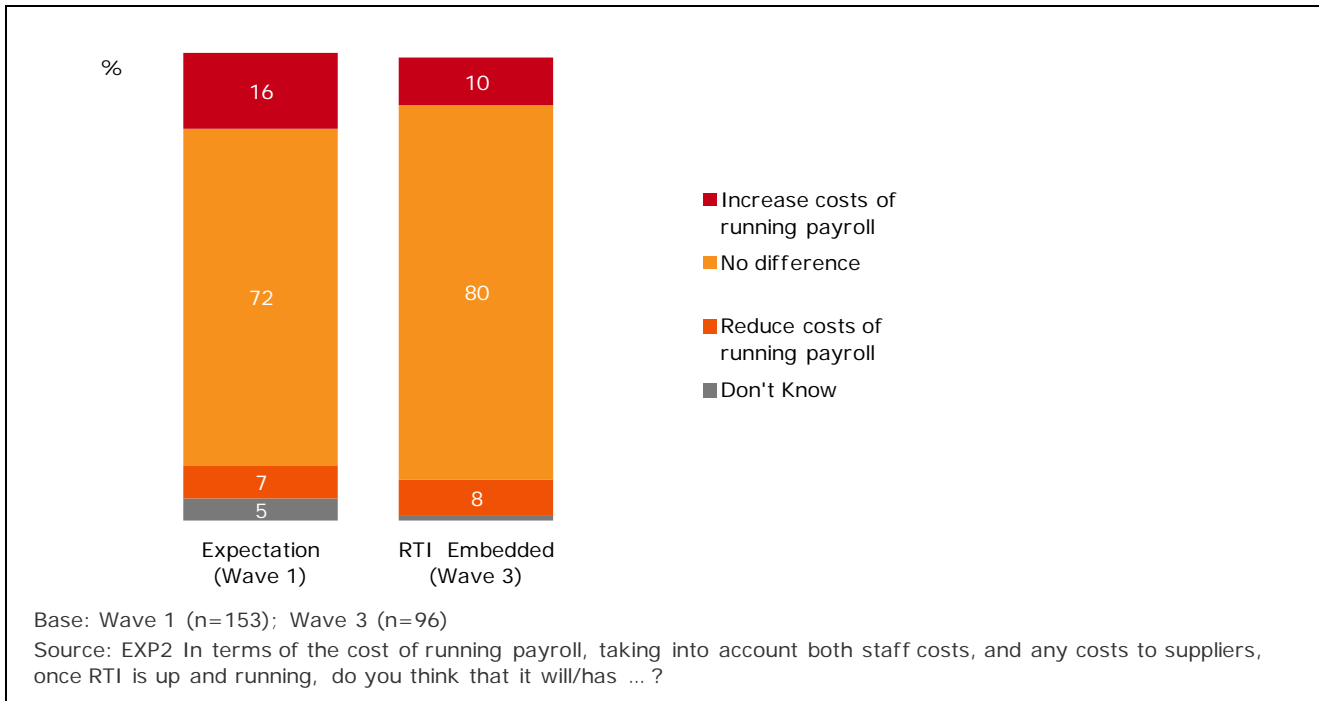
4.5.3. Impact on use of an agent: expectations versus experience

Migrating to RTI did not seem to influence employer’s use of an agent to deal with PAYE. Prior to RTI, however, only one respondent said that they thought they would use an agent less as a result of RTI. Once they had started to use RTI, after one or two submissions no Stage 1 employer expected to change to using an agent or to change the extent to which they use an agent for payroll tasks.

4.5.4. Impact on running costs: expectations versus experience

Fewer Stage 1 employers reported an increase in payroll costs once RTI was embedded than had anticipated an increase pre-RTI (10% down from 16%). RTI made no difference in the vast majority of cases (Figure 16).

Figure 16. Impact on payroll running costs



Before RTI, employers with smaller PAYE schemes were more likely to anticipate a decrease in payroll running costs, whereas those with larger and a mix of scheme sizes were more likely to foresee an increase. Once RTI was embedded, smaller employers were more likely than larger employers to say running costs had changed - either upwards or downwards.

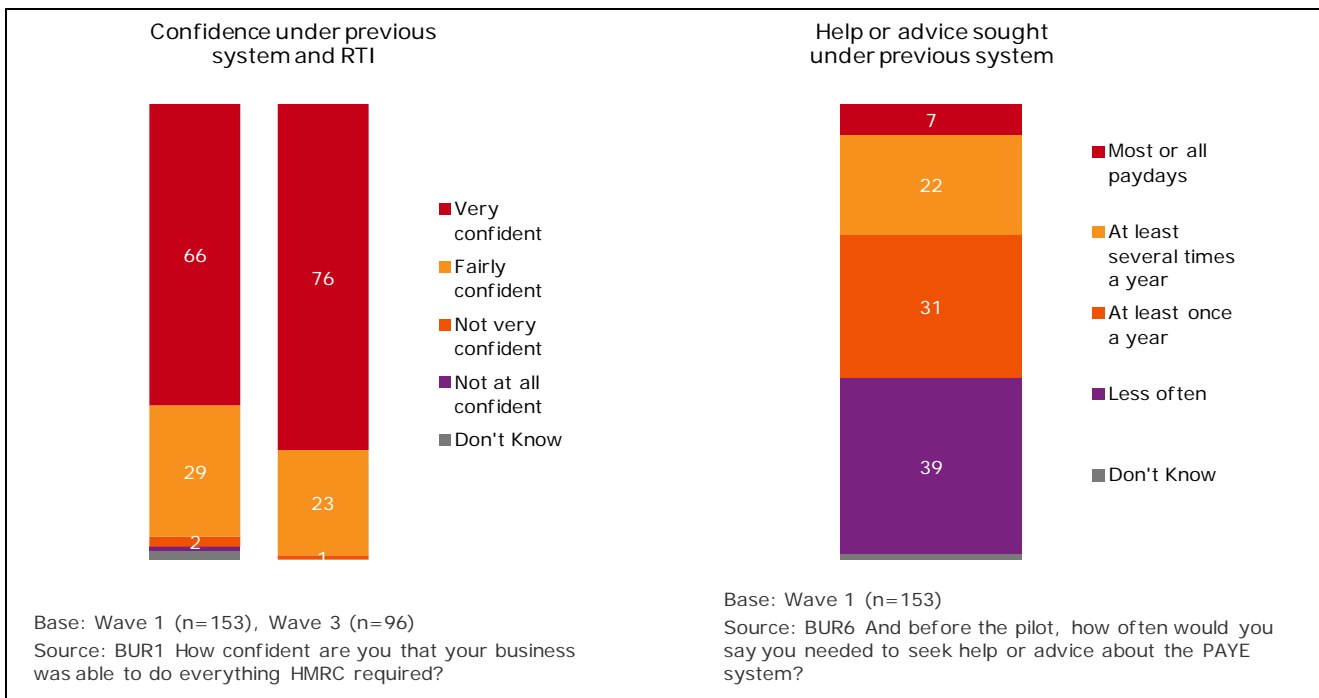
It was not clear if software upgrades would have any cost implications for employers. After one or two submissions, the vast majority of employers (82%) said that the business had not had to pay for their software upgrade (expectations were not asked pre-RTI, so no comparison can be made with experience here). The remainder were evenly split between those who said the business had been charged and those who did not know if it had or not. Those who said they had been charged for the upgrade (10 employers) were then asked what it had cost. Nine employers did not know.

4.6. Impact on confidence and burden under RTI compared with the previous system

4.6.1. Impact on confidence

Prior to RTI migration, 95% of employers surveyed were at least fairly confident that they were able to do everything that HMRC required in relation to Income Tax and National Insurance under the existing PAYE system. Only 31% said that they needed help or advice (from HMRC or elsewhere) several times a year or more often, although 60% needed help at least annually (Figure 17). Larger employers were more likely than smaller employers to have sought help or advice under the previous system pre-RTI.

Figure 17. Confidence and help/advice sought under previous system



After at least three submissions under RTI, 76% of employers said they felt very confident that their business was able to do everything HMRC required and 99% were at least fairly confident. This is ten percentage points more than pre-RTI under the previous PAYE system, which suggests that RTI worked well at Stage 1.

Compared with the previous system, confidence under RTI seemed higher for small and medium employers and for those with mixed scheme sizes, but slightly lower for the largest employers in the pilot.

4.6.2. Impact on burden

Prior to the implementation of RTI, the Stage 1 employers were asked to rate the overall administrative burden of dealing with Income Tax and National Insurance under the previous system on a scale of one (low) to five (high) relative to all the other things their business has to do. Three-quarters rated it either

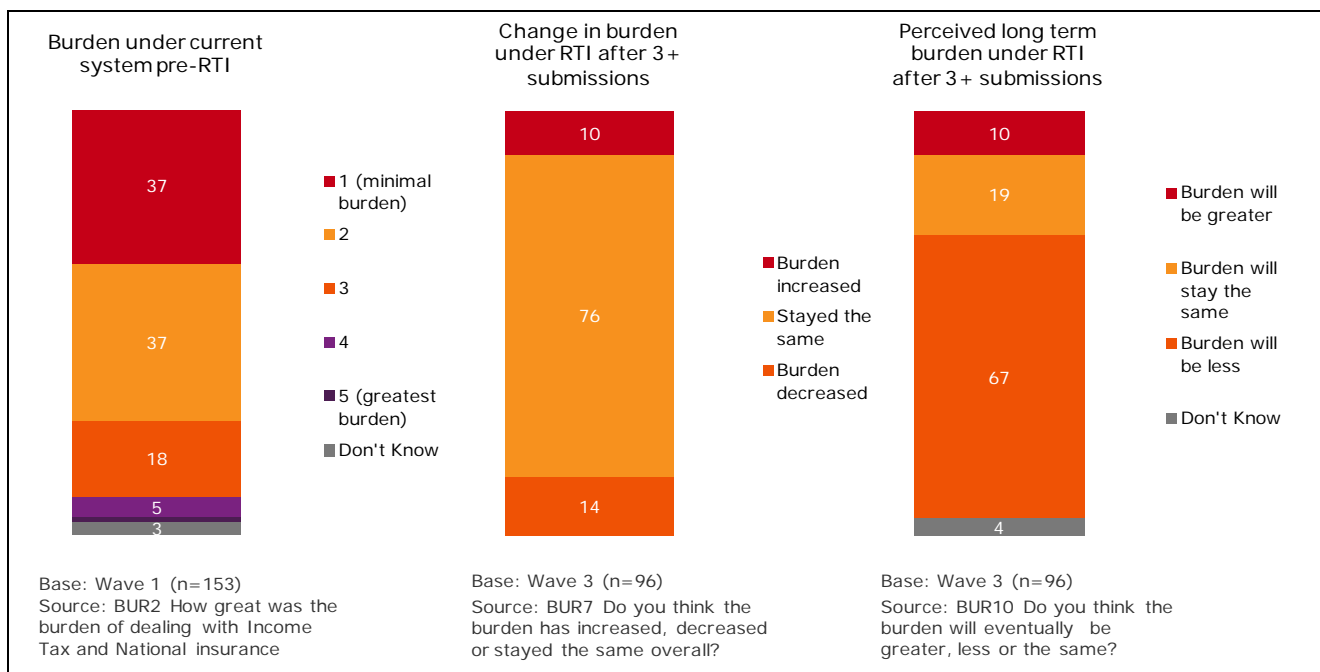
one or two i.e. a relatively low burden. Eighteen per cent rated it as three. Very few said four or five (left hand column of Figure 18).

By the final wave of Stage 1 research, employers had made at least three RTI submissions and the process was assumed to be embedded. At this point, employers were asked whether they felt the burden of dealing with income tax and national insurance had increased, decreased or stayed the same compared to under the previous system. Seventy six per cent felt it was no different to before. Ten per cent said the burden had increased, while 14% said it had decreased (middle column of Figure 18).

Since the final interview for Stage 1 employers was conducted before an end of year return would have been due under the previous system, employers were also asked whether they thought the eventual burden would be higher, lower or the same under RTI compared to the previous PAYE system and taking into account the End of Year processes. Sixty seven per cent thought that the burden would be lower. Only 10% thought it would be higher.

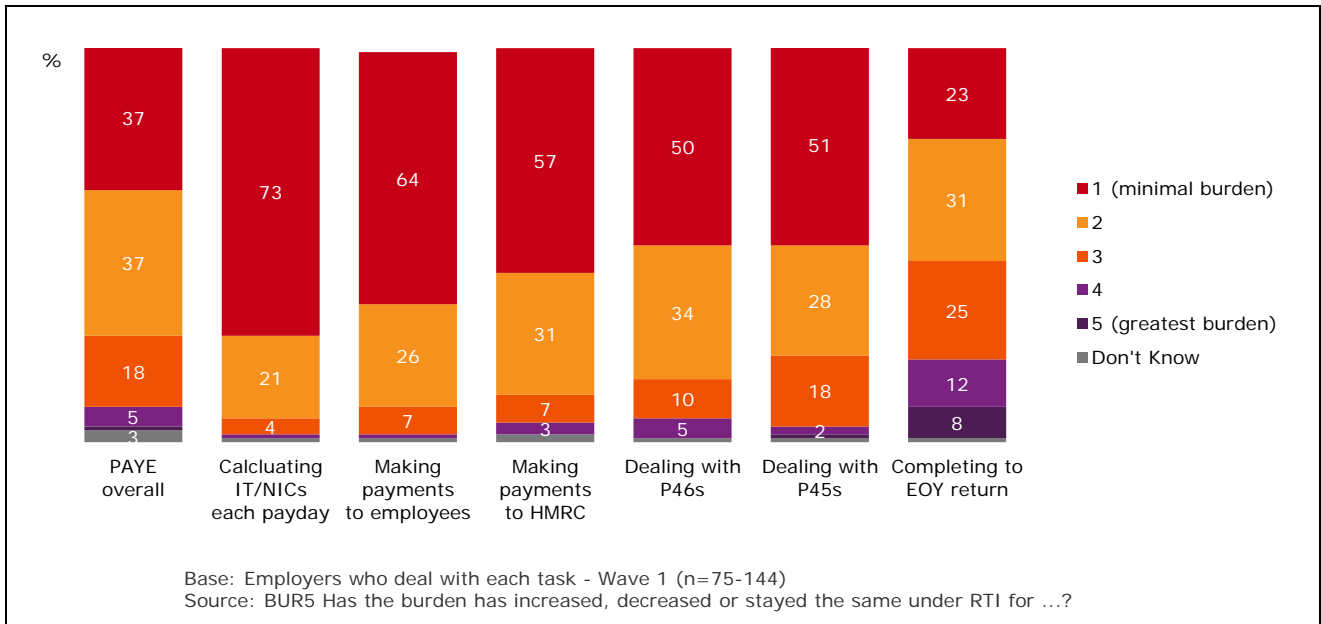
On balance this suggests RTI will reduce the burden on employers in the long term, but that there are likely to be concerns from a minority of employers. There were no differences in these findings by size of employer.

Figure 18. Burden of dealing with PAYE



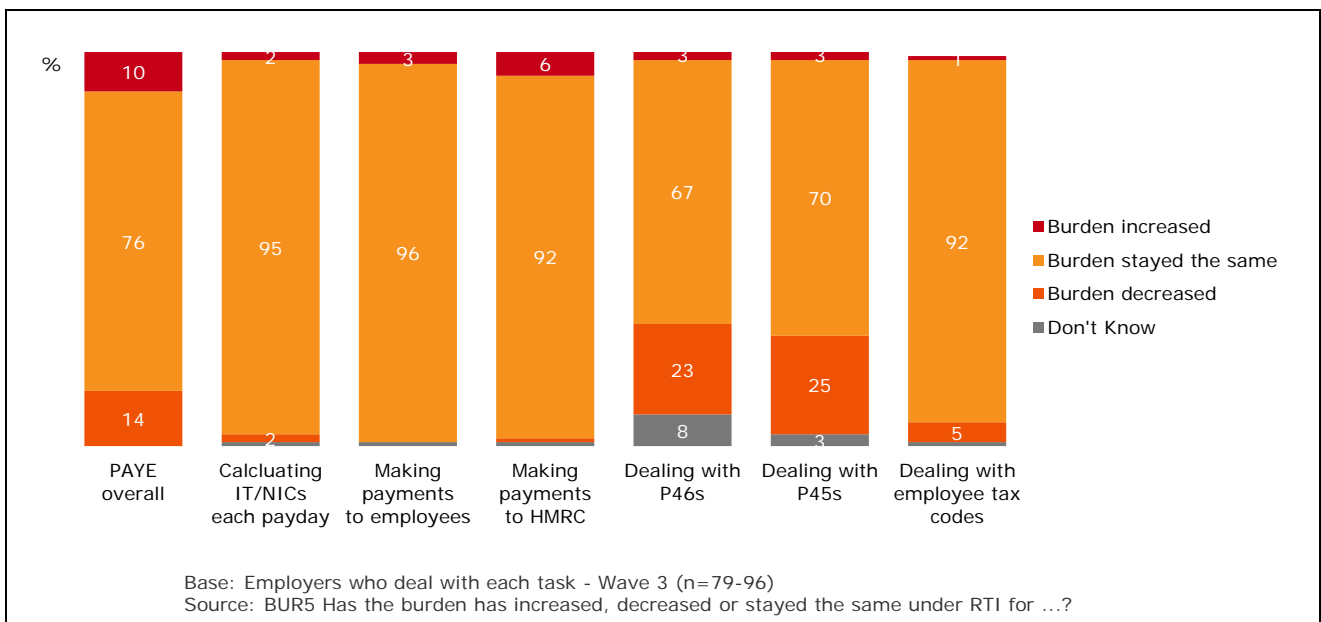
The burden associated with particular payroll tasks was also explored. Under the current PAYE system, the most burdensome task was perceived to be completing the EOY return, followed by dealing with P45s/P46s. National insurance and income tax calculations were seen as the least burdensome (Figure 19).

Figure 19. Perceived PAYE burden before RTI



After three or more submissions, when RTI had become more embedded in the business, employers were asked whether there had been any change in burden under RTI for a similar list of payroll tasks, excluding end of year tasks. The majority answer in each case was that the burden had stayed the same (Figure 20). A small minority for each task reported finding it an increased burden, reflecting the 10% who assessed that RTI had increased the PAYE burden for them overall, with paying HMRC most likely to be the problem.

Figure 20. Change in PAYE burden under RTI after three or more submissions



On the other hand, 23% of the sampled RTI users reported a decrease in the burden associated with P45s and 25% for P46s, presumably reflecting the fact that, under RTI, employers no longer send forms P45 (part 1) or P46 to HMRC. The burden of dealing with employee tax codes was felt by 5% of

employers to have decreased under RTI. These decreases in burden are reflected in the 14% of employers who assessed that RTI had decreased the PAYE burden for them overall (Figure 20).

The small number of RTI users surveyed who felt that the burden under RTI had either decreased or increased were asked why. There are too few responses to examine statistically, but the flavour of the reasons given for a decreased burden was that RTI was quicker and simpler than the previous system. Some verbatim quotations from the survey which illustrate this are:

- o *"Everything is now done with one submission"*
- o *"All automated, so it makes life easier"*
- o *"The simplicity of filing P45s and P46s and the prospect of very simple year end"*
- o *"Sending everything off every week so there'll be less to do at the end of the year"*

The key reasons given for an increased burden were that RTI requires more frequent attention compared to the previous system, and also represents a change in processes that has to be mastered. Some verbatim quotations from the survey which illustrate this are:

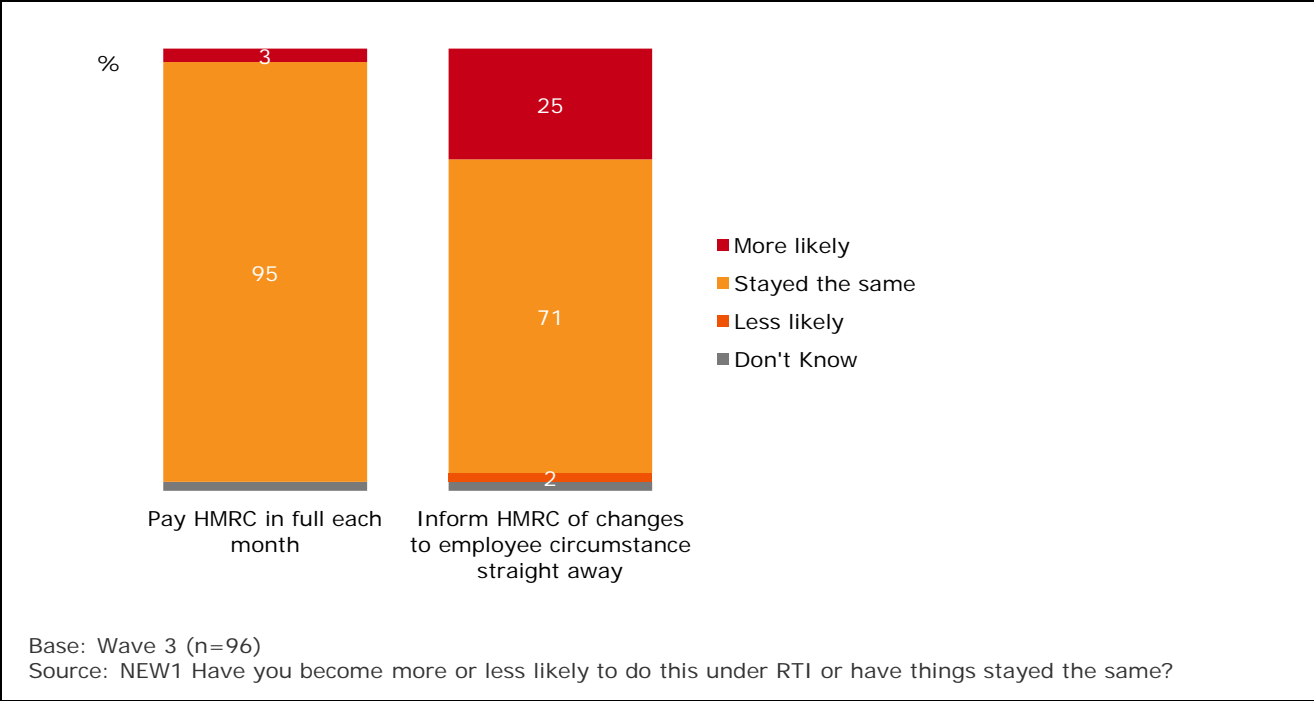
- o *"The fact that a return has to be done every week instead of every month. In case I'm not here and someone forgets, it's a serious concern"*
- o *"Before we had to submit it once a year and now we have to submit every week"*
- o *"Having to do different processes. A higher volume of steps in the process of calculating and finalising payrolls"*

4.7. Self-reported impact on behaviour

A potential concern for employers under RTI is the need to submit their return before or at the same time as they pay employees (for example, it might not be possible to submit a return in advance or on the day for an employer with casual Saturday employees paid on the day or called in a short notice). When employers were asked about this requirement after three or more submissions, 12% said this could be a problem. This covered a wide mix of sectors.

RTI has the potential to influence other employer behaviours. After three or more submissions, employers were asked whether they had become more or less likely under RTI to pay HMRC in full each month and to inform HMRC of changes in employee circumstances straightaway. Ninety-five per cent of the sampled employers said there had been no change in their likelihood to pay HMRC in full each month. Three per cent admitted that under RTI they were more likely to do so. Twenty five per cent of employers felt that they were more likely to report changes in employee circumstances straightaway. However, the majority (71%) said there had been no change in their behaviour in this respect (Figure 21).

Figure 21. Reported behaviours after three or more submissions



Small and medium employers were slightly more likely to report increased likelihood of paying HMRC and in informing HMRC of changes in circumstance.

5. Stage 2 findings

Stage 2 employers were recruited via software providers, or by nominating themselves, including a greater number of BPT users than at Stage 1. They were offered less personal support than Stage 1 employers but still more than was planned for the full migration.

The RTI rollout for Stage 2 employers was staggered over several months, but the baseline interviews were all carried out before the roll out started. This means that many Stage 2 employers were interviewed a month or more in advance of their migration date, and so were likely to be less advanced in their preparation for RTI, compared with Stage 1 employers at the equivalent interview.

5.1. Nature of employers at Stage 2

Most Stage 2 employers had only one PAYE scheme (93%) and only 7% had more than one scheme (lower than at Stage 1). Employers were also considerably smaller than at Stage 1: 82% had small schemes only, although this was slightly lower at 75% for the three groups of commercial software users.

Under the previous system, 90% of the employers sampled performed all PAYE tasks in-house. Only 10% totally or partially outsourced any of the work to an external agent. This is a slightly lower level of outsourcing than for Stage 1 employers.

The employers sampled were generally using more than one method to pay their staff. The most prevalent method used (either at all or most often) by Stage 2 employers was internet banking (56%). Compared with Stage 1 employers, they were less likely to use BACS, particularly external, and more likely to use internet banking. They were also less likely to pay by cheque. The employers in the BPT Group were more likely than average to use cash and cheque and internet banking and less likely to use BACS.

Three-quarters of Stage 2 employers pay staff monthly. A third of employers pay staff weekly (so some have more than one frequency of payment – less common for BPT users).

Ninety per cent of the employers reported having PAYE calculations to perform beyond processing basic pay, at a similar level to Stage 1. Beyond statutory pay, however, they were less likely than Stage 1 employers to deal with the other calculations, such as expenses, student loans, pensions, benefits and salary sacrifice schemes (under half dealt with each). BPT users were less likely to deal with each task beyond basic processing.

After one or two submissions, most employers had carried out the three basic payroll tasks using RTI – paying employees, paying HMRC and sending HMRC an EPS. After at least three RTI submissions the proportion of employers who had dealt with each task had risen substantially. This gives Stage 3

employers a reasonable range of experience on which to evaluate their RTI experience, although they were less likely to have dealt with such a wide range of tasks as Stage 1 employers after three or more submissions. This reflects the smaller and less complex nature of Stage 2 employers PAYE affairs.

When making comparisons with results at Stage 1, as well as taking into account the differing levels of support offered, it is also important to note the differences in the nature of these groups, with Stage 2 employers slightly smaller, with less complex PAYE affairs. These differences are particularly marked for BPT users which are presented separately.

5.2. Preparation for and implementation of RTI: experience compared with expectations

5.2.1. Stage of preparedness pre-RTI implementation

Employers were required to undertake a number of tasks prior to RTI implementation, and as for Stage 1, Stage 2 employers were at varying stages of readiness pre-RTI. Fifty six per cent of Stage 2 employers had completed all their data cleansing, although only 11% had got as far as submitting the data to HMRC. Pre-RTI, 15% of Stage 2 employers had started data cleansing. Twenty seven per cent had not started at all. Stage 2 employers were generally less advanced in their preparation at this stage than had been the case at Stage 1, and this reflects the staggered roll out of RTI to Stage 2 employers over a number of months; many of those interviewed still had some time to prepare before they would start RTI.

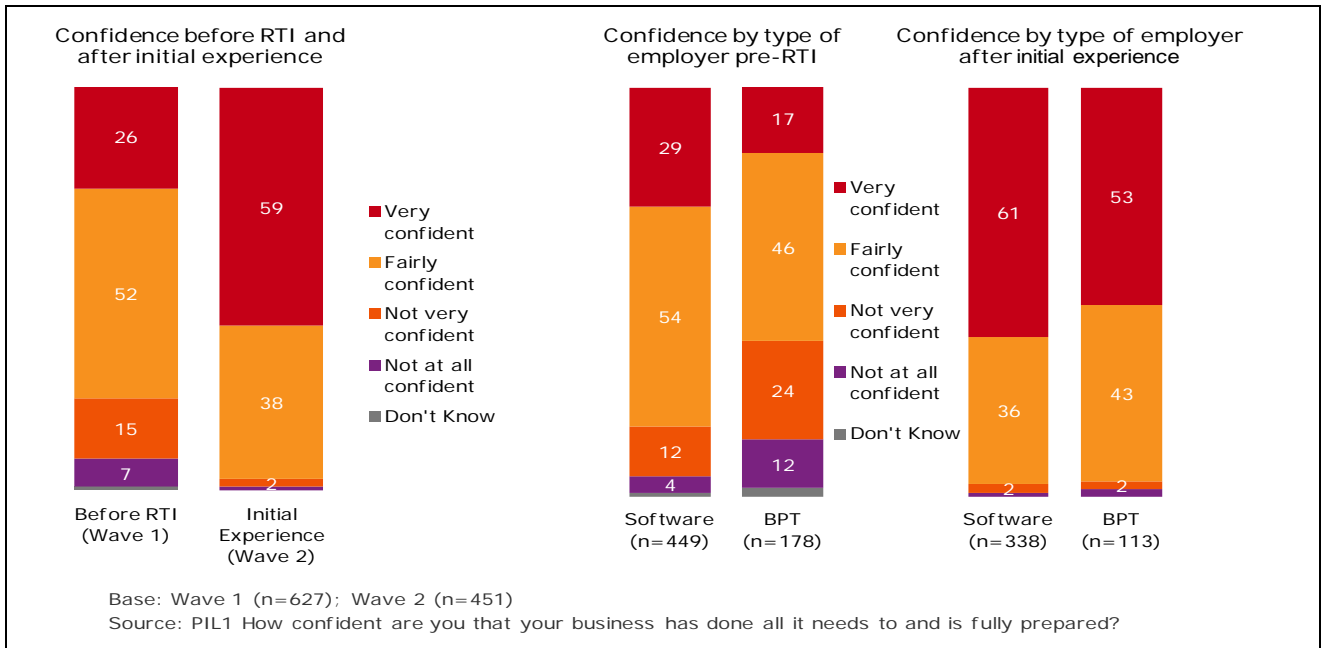
In terms of software updates, prior to RTI, Stage 2 employers were at varying stages of progress, but were generally less advanced than Stage 1 employers had been pre-RTI. Twenty five per cent of Stage 2 employers had updated their software and were ready for RTI. A further 15% were in the process of having it updated. Fifty one per cent had not started updating their software yet. Those in the BPT sub-group were less likely than software users to have completed or started their software update.

Only 43% of Stage 2 employers had trained someone on RTI by the time of the first wave of research pre-RTI. A further 37% were planning to do so imminently. As for other preparedness measures, Stage 2 employers were less advanced than Stage 1 employers at the pre-RTI interview (84% had trained someone at this point). Fewer BPT employers than average had trained at least one person. This might be linked to the generally later migration of BPT users. Employers with large or medium-sized schemes were more likely than average to have trained someone (71% and 63% respectively vs. 43%).

5.2.2. Confidence in preparedness: experience compared with pre-RTI confidence

The level of confidence among Stage 2 employers in their readiness for RTI was high. Seventy eight per cent of employers were at least fairly confident that they had done all they needed to before RTI was implemented, which increased to almost all being confident that they had been fully prepared after one or two submissions. The biggest increase was from 26% being very confident ahead of RTI rollout, to 59% being very confident that they had been prepared after the first submissions (left hand side of Figure 22). Compared with Stage 1 employers (Figure 2), Stage 2 employers were less confident pre-RTI, probably reflecting their less advanced state of preparedness as described above, but they were just as confident after one or two submissions.

Figure 22. Level of confidence in preparation for RTI

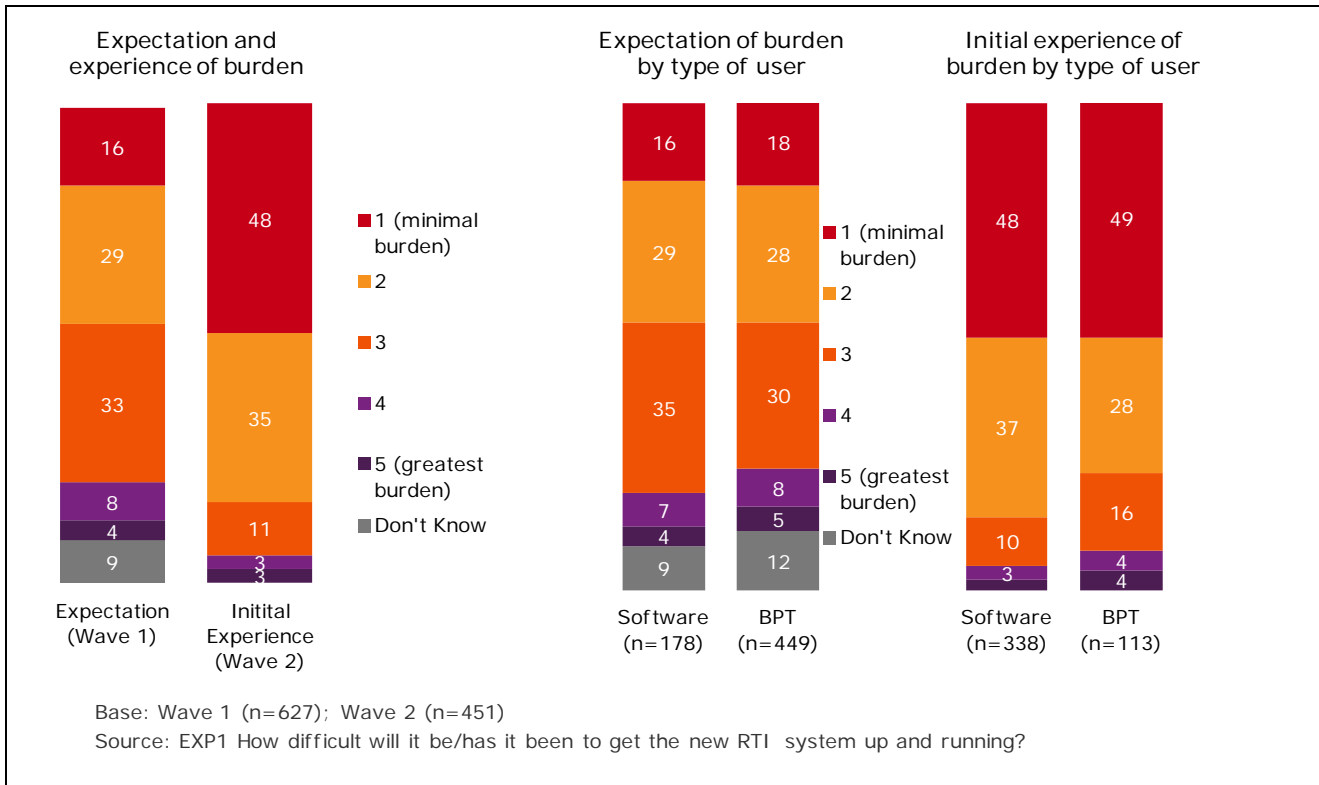


The BPT sub-group was less likely than average to be confident pre-RTI (only 17% were very confident vs. 29% of software users). After one or two submissions, the level of confidence amongst the BPT group was still lower than amongst software users, but by a smaller factor (right hand side of Figure 22).

5.2.3. Burden of implementation: experience compared with expectations

The experience of RTI tended to exceed initial expectations in various respects. Implementing RTI was more likely to be rated a low burden once a user had made one or two RTI submissions compared with the anticipated burden before implementation. Before implementation 45% of Stage 2 employers had expected a minimal burden of only one or two out of five, but after one or two submissions, 83% reported an actual burden of only one or two (left hand side of Figure 23). The expected level of implementation burden was similar pre-RTI amongst Stage 1 and Stage 2 employers, but Stage 2 employers reported a lower level of actual burden after one to two submissions: at Stage 1, 49% had reported a burden of one or two and 27% a burden of three.

Figure 23. Burden of implementing RTI – expected vs. the experience



The expectation pre-RTI and perception of burden in getting RTI up and running after one or two submissions was similar among software users and the BPT group (right hand side of Figure 23).

Larger employers were more likely rate the expected burden of implementation as high (19% rated it four or five out of five vs. only 12% of employers on average) and this carried through in terms of experience after one or two submissions (14% rated it four or five out of five vs. only 6% of employers on average).

5.3. Experience of dealing with PAYE under Real Time Information

5.3.1. Dealing with RTI Submissions

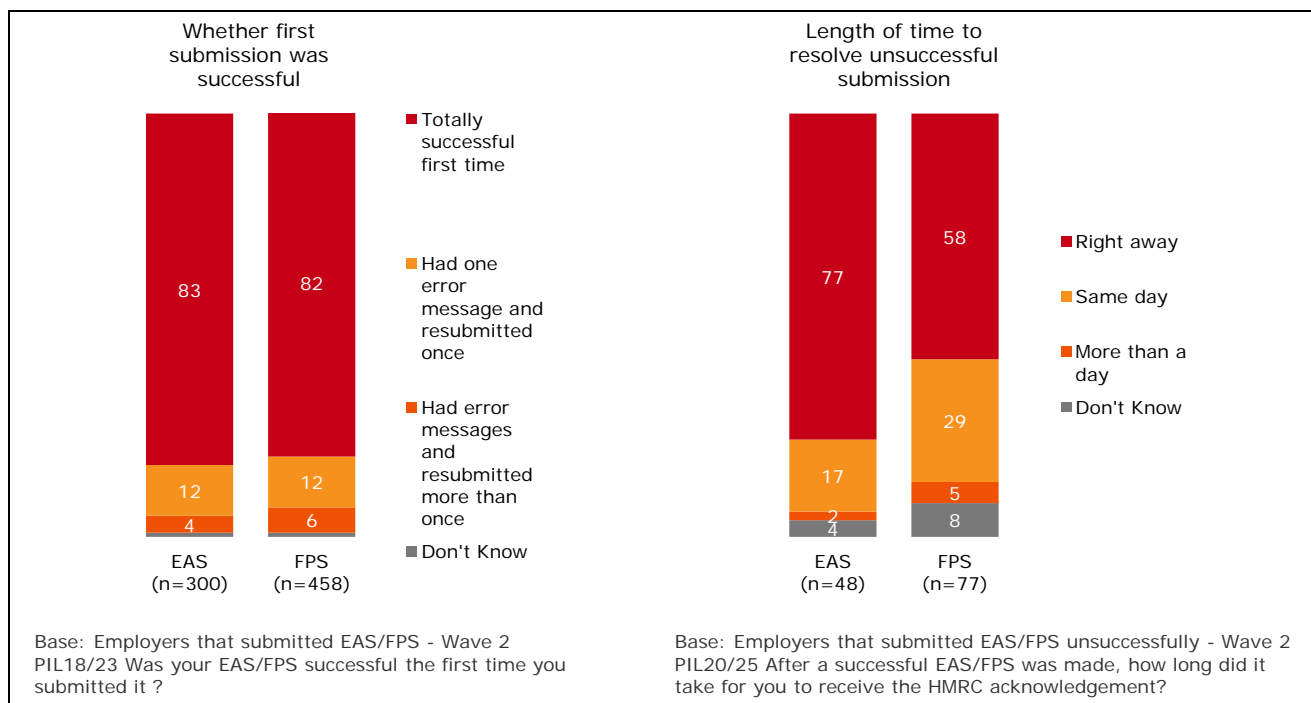
Employers operating PAYE and moving on to RTI must submit employee details to HMRC so that HMRC can match employees with HMRC’s records. For large employers or those with a complex payroll system this has to be done using an Employer Alignment Submission (EAS) before the first Full Payment Submission (FPS). Other employers can make the employee details submission within their first FPS or they can use an EAS if they wish.

Stage 2 employers were asked after one or two RTI submissions whether they had submitted a separate EAS before their first FPS. Sixty seven per cent said that they had done so. Twenty nine per cent said that they had not. Five per cent did not know.

Not all EAS and FPS submissions went through smoothly at the first attempt. Eighty three per cent of EAS and 82% of FPS submissions did go through smoothly in the first instance. Sixteen per cent of EAS

and eighteen percent of FPS had to be re-submitted, most of these successfully going through on the second attempt (left side of Figure 24). This success rate is a considerable improvement on that seen in Stage 1, where only around six in ten submissions went through first time (Figure 4). This would suggest that the software problems experienced by some Stage 1 employers had been addressed.

Figure 24. Whether first EAS/FPS submission was successful and time taken to resolve



Among those who had to re-submit an EAS or an FPS, the vast majority received an acknowledgement of successful submission from HMRC the same day. Only 2% of EAS and 5% of FPS re-submissions took longer than a day to be confirmed as successful (right side of Figure 24). These data are based on small numbers of employers and so should be treated cautiously. However, if the data were to accurately predict the experience of RTI users at roll out, this finding represents a considerable improvement on performance at Stage 1. The less complex nature of PAYE affairs at Stage 2 may, of course, also played a small role here.

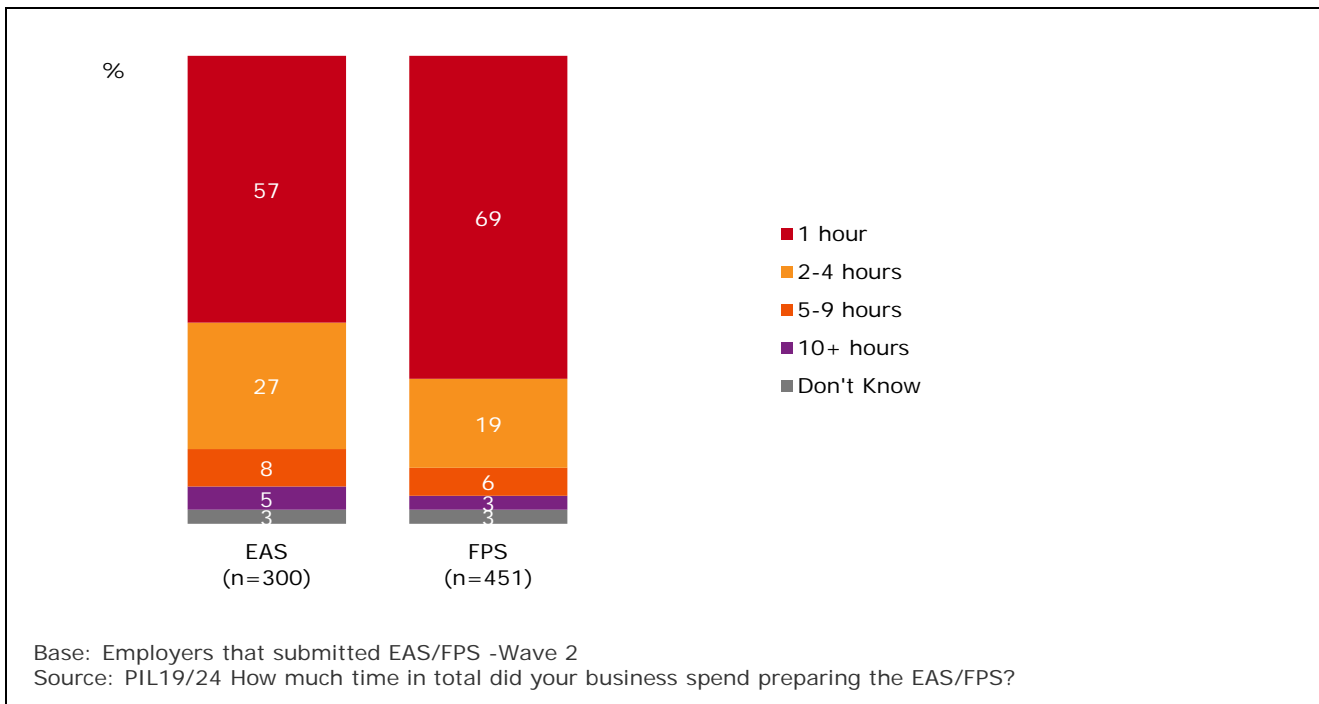
The BPT group experienced much lower success rates for FPS submission than software users. Only 55% of BPT users were successful first time in submitting FPS (Table 6).

Table 6. Whether first FPS submission was successful

After 1-2 submissions	Software users	BPT users
Submission totally successful first time	91%	55%
Had one error message and re-submitted once	5%	31%
Had error messages and had to re-submit more than once	3%	13%
Don't know	0%	1%
Base	338	113

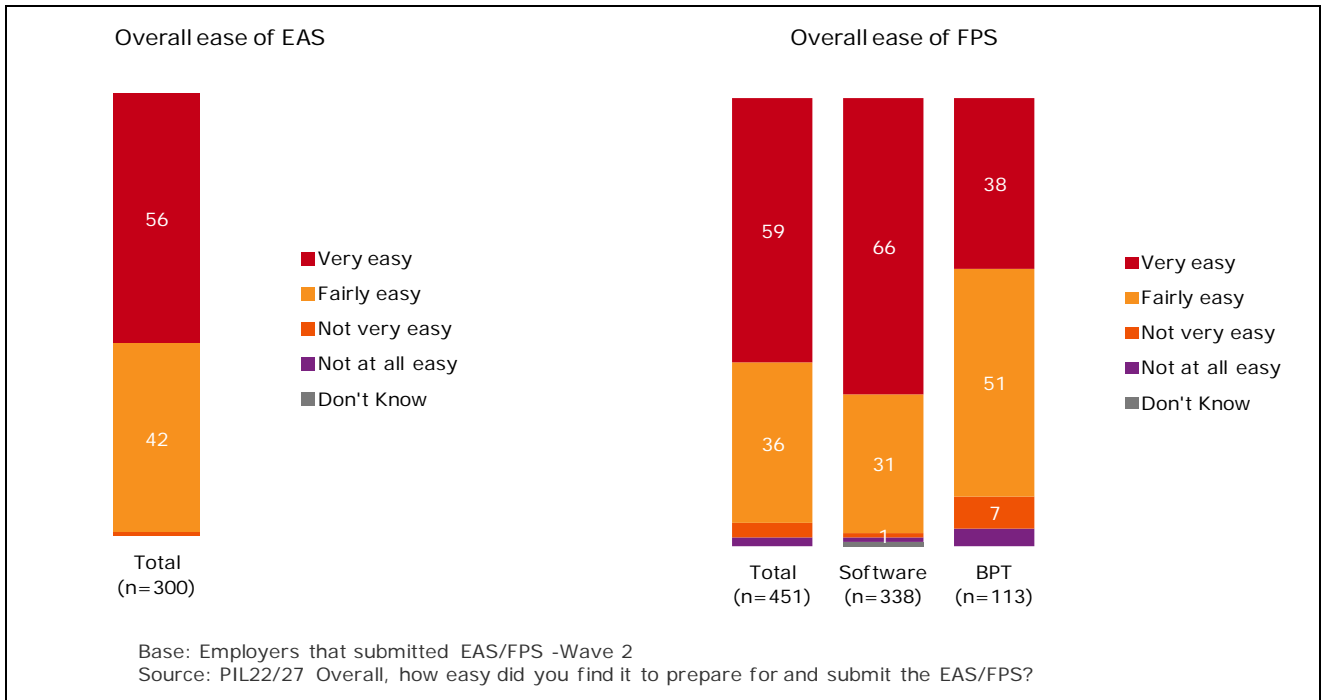
Figure 25 compares the time taken by EAS and FPS based on employers' experience after one or two RTI submissions. EAS tended to take longer than FPS with fewer employers in the one hour or less category (57% vs. 69%). Stage 2 employers reported spending less time on each process than Stage 1 employers, which may reflect some streamlining in the processes, but this is also likely to reflect the smaller and less complex nature of Stage 2 employers.

Figure 25. Comparison of time spent on EAS and FPS after first one or two submissions



Overall, FPS and EAS were judged as very or fairly easy to submit by almost all surveyed employers (Figure 26).

Figure 26. Ease of preparing for and submitting EAS and FPS



Employers using BPT were less likely than software users to rate submission of the FPS as very easy (38% compared with 66%).

5.3.2. General Impressions of RTI experience

After one or two RTI submissions, employers were asked to say in their own words what, if anything, had gone particularly well, during the RTI pilot so far. The most common comments were that sending the submissions had gone well (14%); it was easy/easier than expected (14%) and that it ran smoothly/there were no problems (13%). Nine per cent of those surveyed spontaneously said "all of it" had gone well (left hand side of Figure 27).

The employers in this stage of the qualitative research (after one or two submissions) all reported that migration to RTI had been easier than expected and had not had any impact on the time it had taken to undertake their regular payroll.

'Much easier than I thought it would be.'

'The process is not as complicated as you may think. I thought the monthly submissions might be like year-end submissions. I was really surprised it was so easy.'

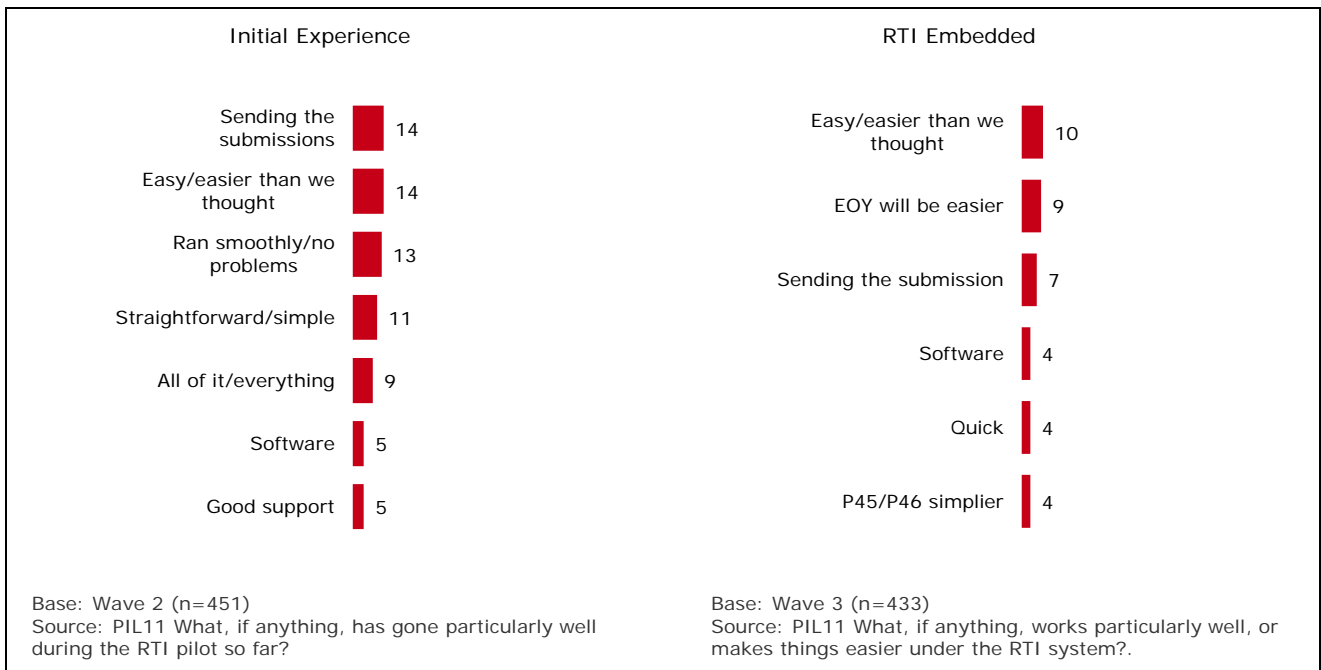
'Nothing has changed really under RTI, apart from pressing the button and sending the FPS.'

With a successful FPS submission in hand the employers in the qualitative research all thought it was now 'business as usual':

'Business as usual after one submission. It seems normal now. Overall, RTI is a good change. It takes away the year-end headache.'

BPT users were more likely than software users to say that they had had “good support” (12% compared with 2%), which presumably means support from HMRC, since they lack a software provider to give them support.

Figure 27. What has gone well/makes things easier under RTI (top mentions)



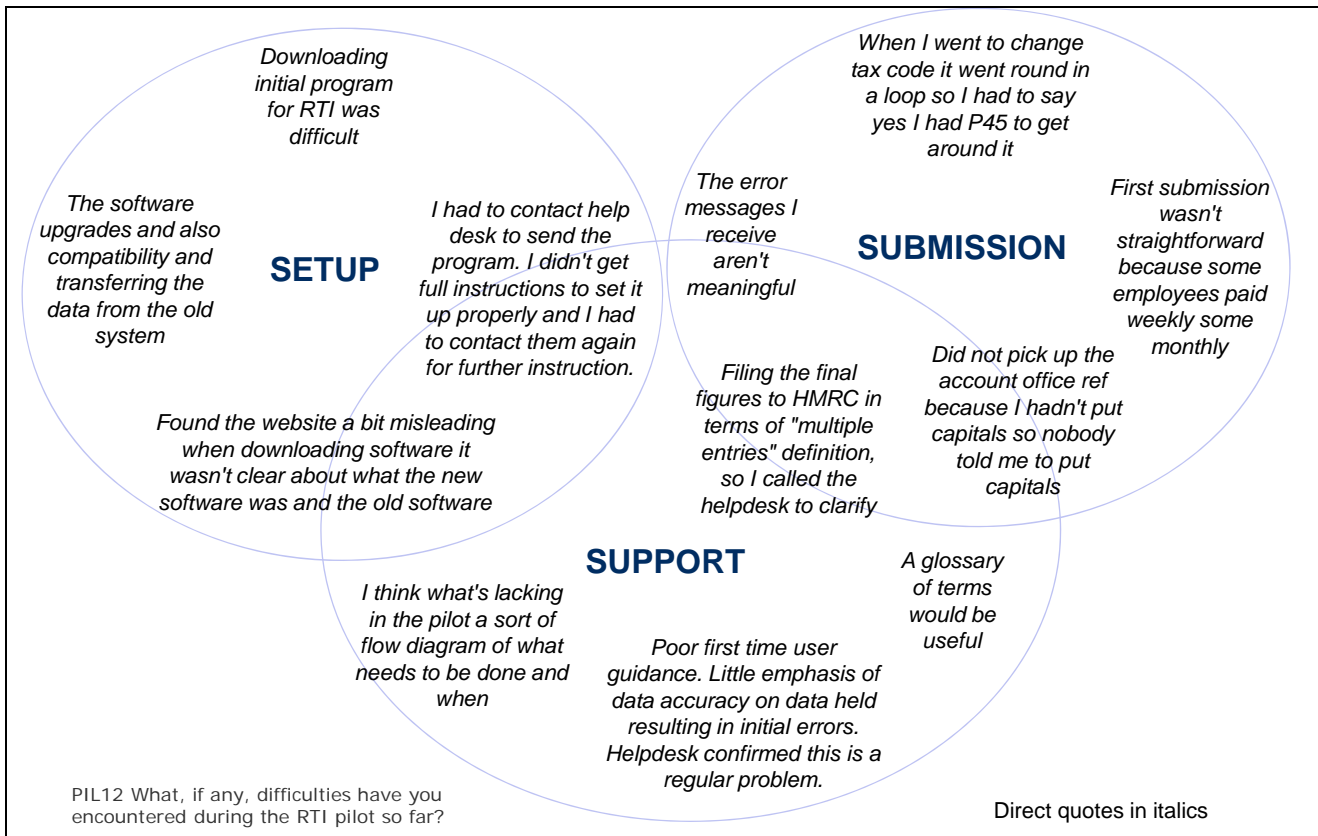
After at least three RTI submissions, the question wording was altered slightly to focus on what actually makes things easier. The most common responses after three or more submissions were that (as after one or two submissions) that it was easy/easier than expected (10%) and that EOY will be easier/simpler (9%, Figure 27).

BPT users were more likely than software users to say that RTI was easy/easier than they expected (18% compared to 6%-9%).

Stage 2 RTI users were also asked about the problems they had encountered. After one or two RTI submissions, employers were asked to say in their own words what difficulties, if any, they had encountered during the RTI pilot so far. Fifty seven per cent said “nothing”, which was slightly lower than at Stage 1 (59%).

BPT users were less likely to say that they had encountered no difficulties (36%). They were more likely than software users to say that they had had problems with submissions/payments (14%). Analysing BPT users’ verbatim answers in more detail suggests that their unique difficulties tended to fall into two main areas (Figure 28). These were set-up (which includes initial download of the software/transferring their existing data to the new system/and upgrading the tool) and submission (which includes problems with different employee circumstances/and more technical issues). Figure 28 displays some example quotations to illustrate these themes. These set-up and submission issues were usually solved with a bit of support. For non-BPT users, such issues would probably come under the software provider’s remit.

Figure 28. Difficulties experienced by BPT users – analysis of verbatim comments – After one or two submissions



After at least three RTI submissions, the question wording was altered slightly to focus on the on-going issues and not just the teething problems. Employers were asked “what, if anything, is problematic or difficult under the RTI system”. At this point, 73% said “nothing”, suggesting that some of the implementation problems had been ironed out or were occurring less frequently. This was also an improvement on Stage 1 where 59% had said ‘nothing’ at this point.

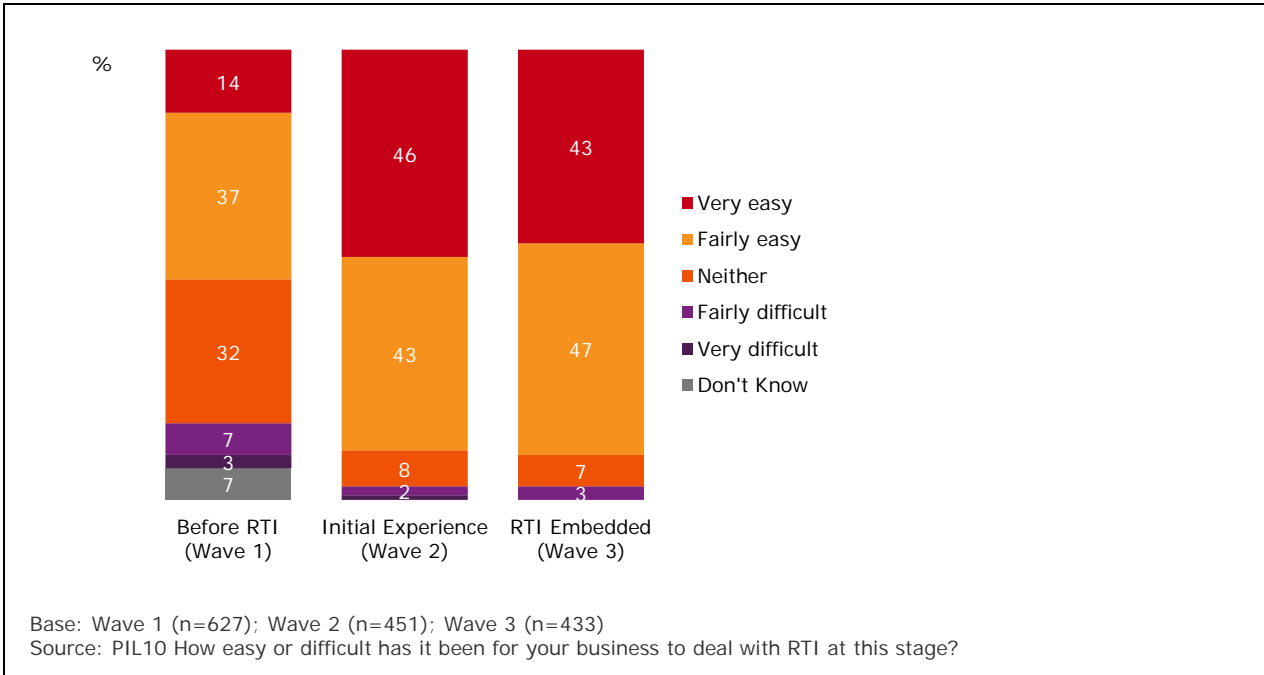
BPT users were less likely to say “nothing” (64%). The most frequently mentioned problem was filing on a specific date or adhering to specific timings (4%). This is likely to relate to submitting the return before or at the same time as paying employees.

5.3.3. Overall Ease of implementing and dealing with RTI

As RTI became embedded, users found it increasingly easy to deal with than they had to prepare for pre-RTI. Prior to launch, 51% of employers said that it had been very or fairly easy to prepare for the RTI pilot. Figure 29 shows that the majority of these answered “fairly” as opposed to “very” easy. Only around 10% judged it to have been fairly or very difficult.

By the time they had completed one or two RTI submissions, the proportion finding RTI very easy had more than tripled from 14% to 46% and only 3% found it fairly or very difficult. These levels remained similar after three or more submissions. There were no statistically significant differences in ease of dealing with RTI after three or more submissions between BPT and software users.

Figure 29. Ease of preparing for/dealing with RTI



5.4. Use of Support

At each Wave of Stage 2 research, employers were read a list of support sources and asked if they had used them so far in the RTI pilot (pre-RTI and after one or two submissions) or which ones they were still using (after three submissions).

Prior to RTI, HMRC update emails were the most frequently used source of support, cited by 67% of employers. Help from software supplier was the next most common source of support, used by around half of employers.

For almost all the types of support, support usage peaked after one or two RTI submissions and then reduced substantially after three or more submissions. The exception was HMRC employer emails, where usage was as high during the pre-RTI phase and also after one or two submissions.

After one or two submissions, help from software provider was the most common source of support, overtaking HMRC update emails pre-RTI.

Employers in the **qualitative research** after one or two submissions made very limited use of HMRC sources of information and advice with the software provider being the main source. Where advice was sourced from HMRC they were aware that they should contact the RTI Customer Advice team rather than the Employer helpline, although amongst this small group of employers there was limited use of the HMRC RTI Customer Advice Team. Where they were contacted for advice they were said to be helpful and solved issues quickly. HMRC's email updates were *'nice to have'* and *'reassuring'*, but not essential:

'They were just reassuring email updates; Sage were more useful.'

HMRC's RTI guidance web pages were also little used, partly because of a lack of awareness of them, and partly because the first port of call was generally the software providers manuals (that provided easily accessible step-by-step guidance, with plenty of screen shots and FAQs), or their dedicated support helpline:

'Sage helped through the first submission. We agreed a time and they could see what I was doing on screen and they talked me through...It would have taken longer without Sage.'

'We pay Sage for extended support...I would contact them first and if they could not help I will call HMRC.'

Support usage by the BPT sub-group was markedly different to that of software users.

Understandably few BPT users mentioned getting help from a software provider and instead were much more reliant on HMRC sources, in particular the update emails and Business Readiness Checklist pre-RTI and additionally the Customer Advice Team, RCAT and web guidance after one or two submissions.

For software users help from a software provider was the primary source of support at all points, but the majority used the HMRC update emails pre-RTI and after one or two submissions, with use of the Business Readiness Checklist increasing after one or two submissions. Use of all sources decreased after three or more submissions for both groups. Pre-RTI and after three or more submissions, BPT users used fewer types of support than did software users.

Those who had used more than one type of support were asked to identify which was the most useful.

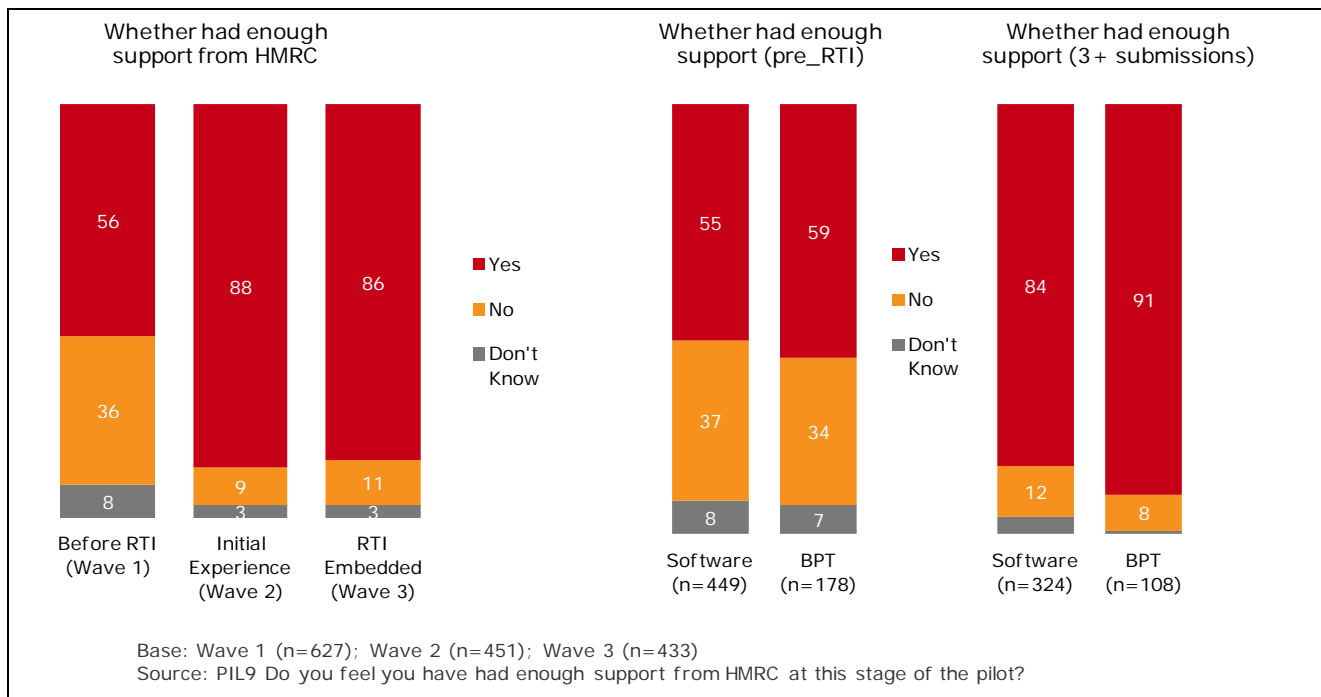
Pre-RTI, help from software providers was most useful for the majority but HMRC email updates were also most useful for 33%. After one or two submissions, a range of HMRC sources were found useful although help from software providers remained the most useful source for the majority.

Pre-RTI a software provider was the most useful for software users, whereas BPT users found the employer update emails and business readiness checklist most useful. After one or two RTI submissions, the most useful form of support for software users remained their software provider. For the BPT users, update emails remained among the most useful but were joined by a number of other HMRC sources, particularly the Customer Advice Team and the Business Readiness Checklist.

After three or more submissions, the most useful support for software users remained their software provider, followed by employer update emails. The most useful support for BPT users remained the Customer Advice Team, followed closely by employer update emails.

Employers were also asked specifically whether they felt that they had had enough support from HMRC. Pre-RTI, 56% of the Stage 2 employers said they had had enough support and 36% said they had not. After one or two RTI submissions, the proportion who perceived that they had had sufficient support from HMRC rose to 88%, and remained similar at 86% after three or more RTI submissions. BPT users (who rely on HMRC) were slightly more likely than users of externally-provided software to say that they had received enough support from HMRC (Figure 30).

Figure 30. Whether had enough support from HMRC



After one or two submissions, the thirty nine employers who said that they had not had enough support from HMRC were asked "What types of support would you like to have received from HMRC?" The most common responses were that they would have liked more information/advice/training (28%) and more feedback (26%). The following verbatim quotations from the survey illustrate these points:

Feedback:

- o *The acknowledgement of that we are correctly doing our correctly, and really looking for one stop shop for our support*
- o *Contact from a human being to confirm that the first FPS was correct*
- o *Receive feedback to ensure what we are doing is correct*
- o *Basically a call that we are doing it correctly*

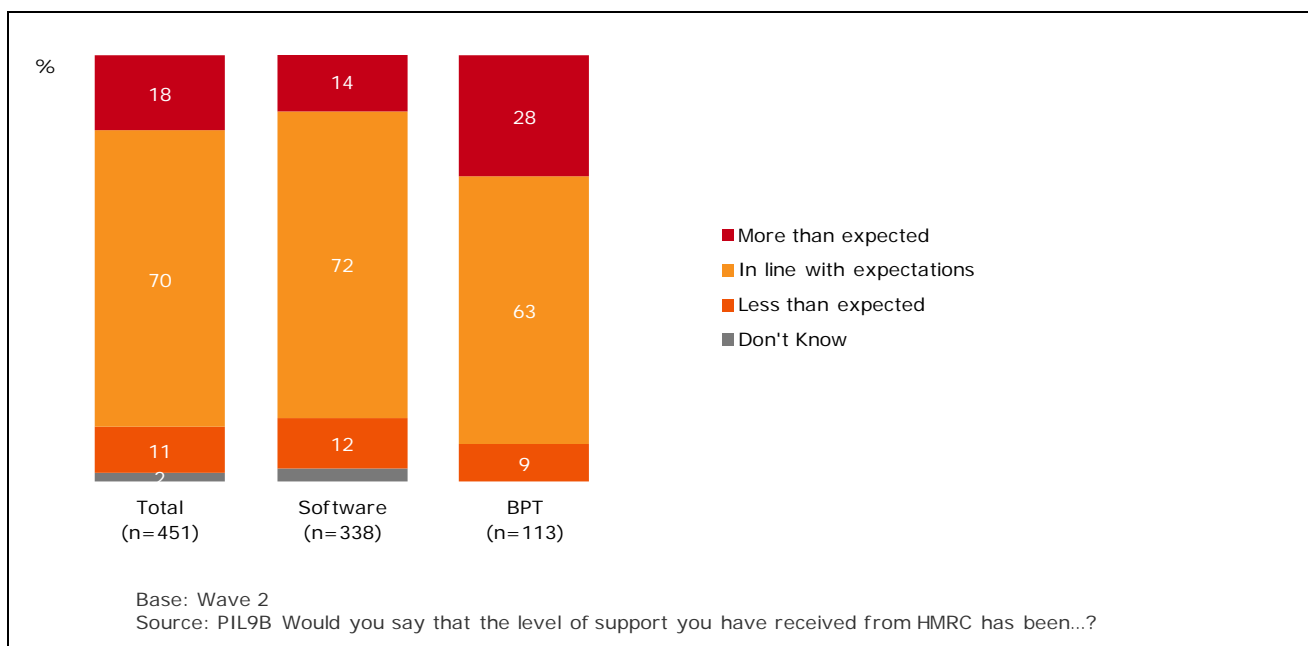
More information/advice/training:

- o *Training days, e-mail and more information via post*
- o *Detailed document giving blow by blow explanations and what to do when I get changes and amendments*
- o *Step-by-step guidance*
- o *I needed more details than were available on either the web page or via the help desk*

After three or more submissions, the forty nine employers who said that they had not had enough support from HMRC were asked to say in their own words what they would have liked more support with, and when it would have been most helpful. The most common response was that they would have liked more initial help/training (41%). Other common responses were that they would have liked “feedback” (14%) and telephone support (12%).

As seen above the majority felt they had enough support. After one or two submissions seven in ten Stage 2 employers said that the support they received from HMRC was in line with their *expectations*. Eighteen per cent said they had received more support than they expected and eleven per cent less support than they expected. BPT users were more likely than software users to say that they had received more support than they were expecting (Figure 31).

Figure 31. Experience vs. expectation of level of support (after one or two submissions)

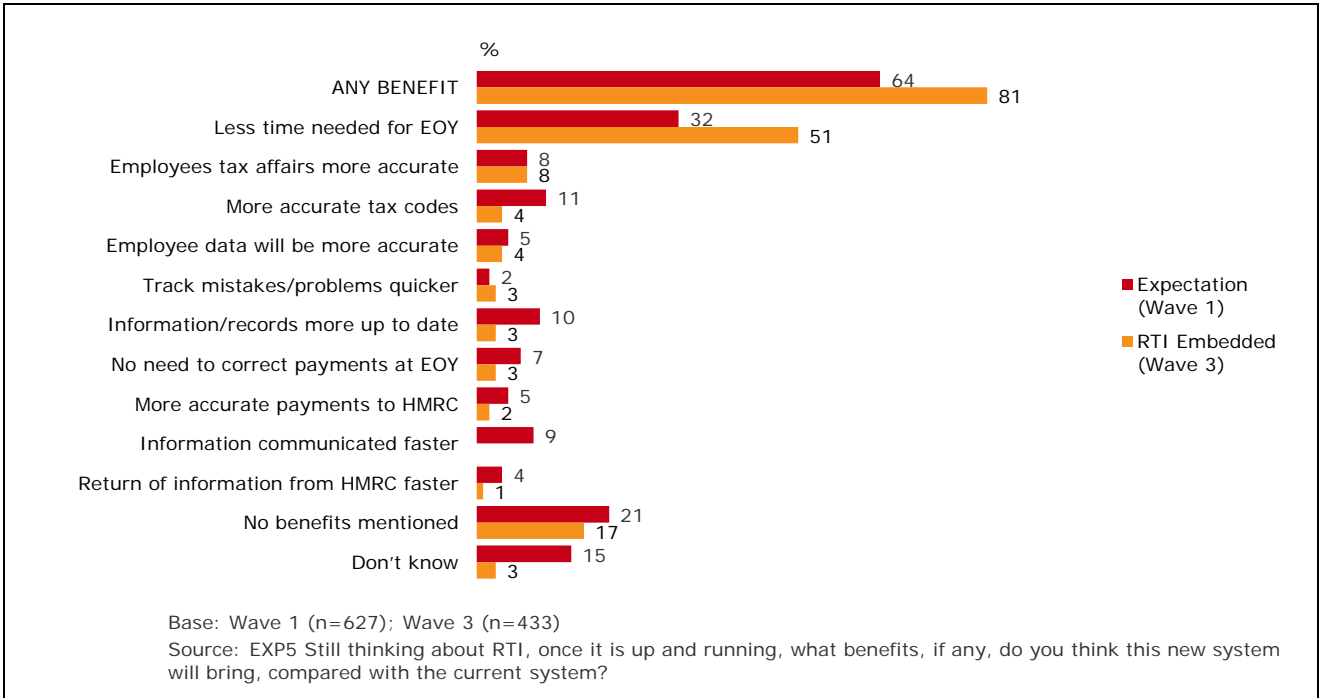


5.5. Impact of RTI and implementation – experience compared with expectations

5.5.1. Benefits and downsides of RTI: experience versus expectations

The benefits of RTI were more likely to be recognised once RTI was embedded than they were to be anticipated pre-RTI. Eighty one per cent of Stage 2 employers appreciated a benefit of some kind once RTI was embedded compared with only sixty four per cent pre-RTI (Figure 32). This is similar to the pattern observed at Stage 1. The most commonly perceived benefit was that less time would be needed for the EOY return, and mention of this increased from pre-RTI to after three or more submissions. While this increase had not been seen at Stage 1, this probably reflects the timing of fieldwork for the two stages in relation to the employers’ year end dates. This specific benefit seems to have displaced mentions of other benefits after one or two submissions for Stage 2 employers. There were no sub-group differences in the levels of anticipated/recognised benefits of RTI.

Figure 32. Benefits of RTI – expected versus experience after 3+ submissions



The **qualitative research** with this group of employers after one or two submissions echoes the survey findings: most businesses thought there would be a time saving at end of year.

'I am confident it will be easier and quicker. I probably will not be checking for mistakes as much at the end of year as we are doing it monthly.'

Administratively, year-end would be much the same as previous years (printing P60's, etc.), but faster and easier:

'Year end not much different as you still have to print out P60's, P11D's.'

'All part of one system... This is better as in the past you could forget to post the P46 forms off as submission is separate from the forms.'

Employers were relieved that year-end would be less stressful:

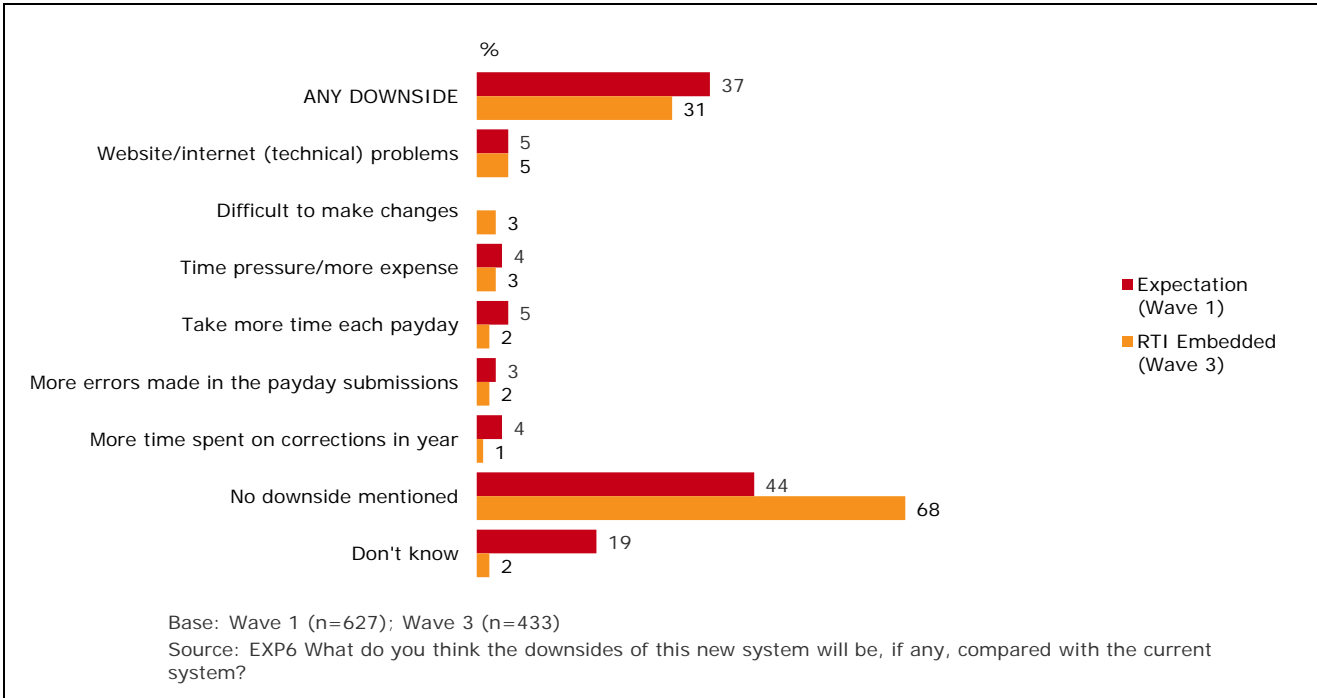
'Normally I stress at year end and leave myself a day. Under RTI it should be less stressful as [we are] submitting information every month.'

However, there would be some checking to ensure that the totals *'looked right'*, either by the payroll personnel or accountant. Two businesses were very nervous about new systems and very fearful of making errors. They would undertake a complete P35 calculation and so there would not be any time saving:

'I like to check and double check everything.'

Once RTI was embedded, 68% of employers surveyed could not identify any downsides to RTI compared with 44% who could not anticipate any downsides pre-implementation (driven by movement from 'don't know' pre-RTI to 'no downside after one or two submissions'). Among the downsides mentioned were website and internet problems, difficulties in making changes and time pressures (Figure 33).

Figure 33. Downsides of RTI – expected versus experience after 3+ submissions



BPT users were more likely than average to mention website/internet downsides after three or more submissions (11% vs. 5% for all Stage 2 employers).

The website and internet issues common to both software and BPT users were fears over the possibility of the internet going down. For example:

- o *“If the internet is down how do I send my return?”*
- o *“Once, the Internet went down. I would have missed payment due to technical problem.”*

BPT users mentioned a few specific, technical issues. For example:

- o *“At the end of the calculations there was a link to submit or recheck and once I went to re-check, it wasn't obvious how I got back to the submit link.”*
- o *“I don't like the fact that it doesn't remember your login number for submissions. You have to keep logging in.”*

5.5.2. Impact on employees: expectations versus experience

Once RTI was embedded, almost all Stage 2 employers said that they did not think employees had noticed any difference (99%) which was up slightly from 94% who had anticipated that this would be the case pre-RTI.

Prior to RTI, only 34% of the employers surveyed at Stage 2 had told their employees that the business was participating in the pilot. By the time they had completed one or two RTI submissions, this had risen to 69%. BPT users were more likely than average to have informed employees about the pilot (85% had done so after one or two submissions).

This is similar to the finding at Stage 1. Again, the lack of anticipated impact on employees may explain why a large proportion did not inform staff about the pilot.

Employers participating in the **qualitative research** after one or two submissions were not generally informing employees about RTI as they did not think it will be of interest to them:

'This would not interest them; they would not be bothered really.'

This sentiment was borne out by employers that did inform employees about RTI who did not seem to be interested:

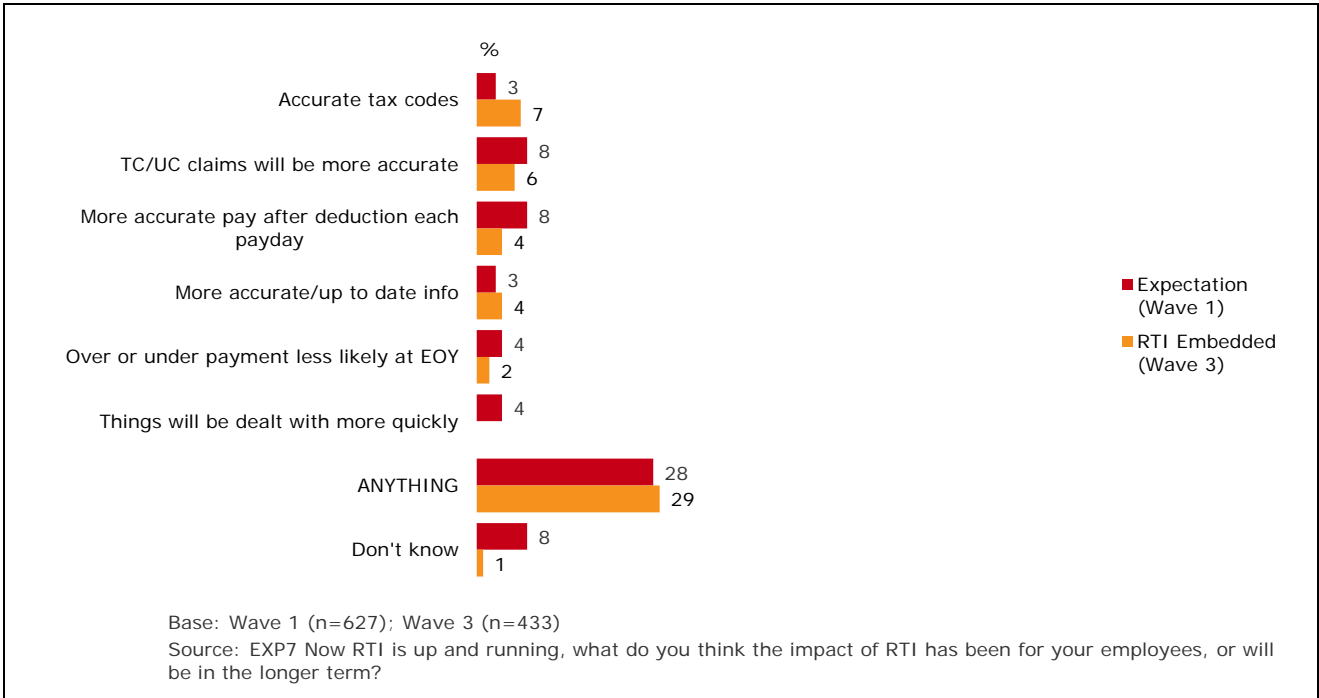
'We did inform them but they weren't interested; just blank looks.'

'Blank looks. They are only concerned about the salary they get at the end of the day.'

Although most Stage 2 employers thought before implementation of RTI that employees would not *notice* any impact, 28% of employers anticipated that there would be some beneficial impact for employees pre-RTI. This remained steady after three or more submissions (29%, Figure 34). The most commonly mentioned impacts on employees after three or more submissions were that tax codes would be more accurate and that Tax Credit or Universal Credit claims would be more accurate. There was no difference by size of employer. Stage 2 employers were, however, less likely to anticipate a benefit for their employees than at Stage 1, where 46% had seen some benefit after one or two submissions. This may again reflect the less complex PAYE affairs at Stage 2.

When asked a similar question after one or two submissions ("How, if at all, has the RTI pilot affected your employees?"), 93% responded that it had had no effect. The relatively small numbers of verbatim answers citing any effect were similar in flavour to those displayed in Figure 34 arising from the "impact" question.

Figure 34. Impact on employees – expected versus experience after 3+ submissions



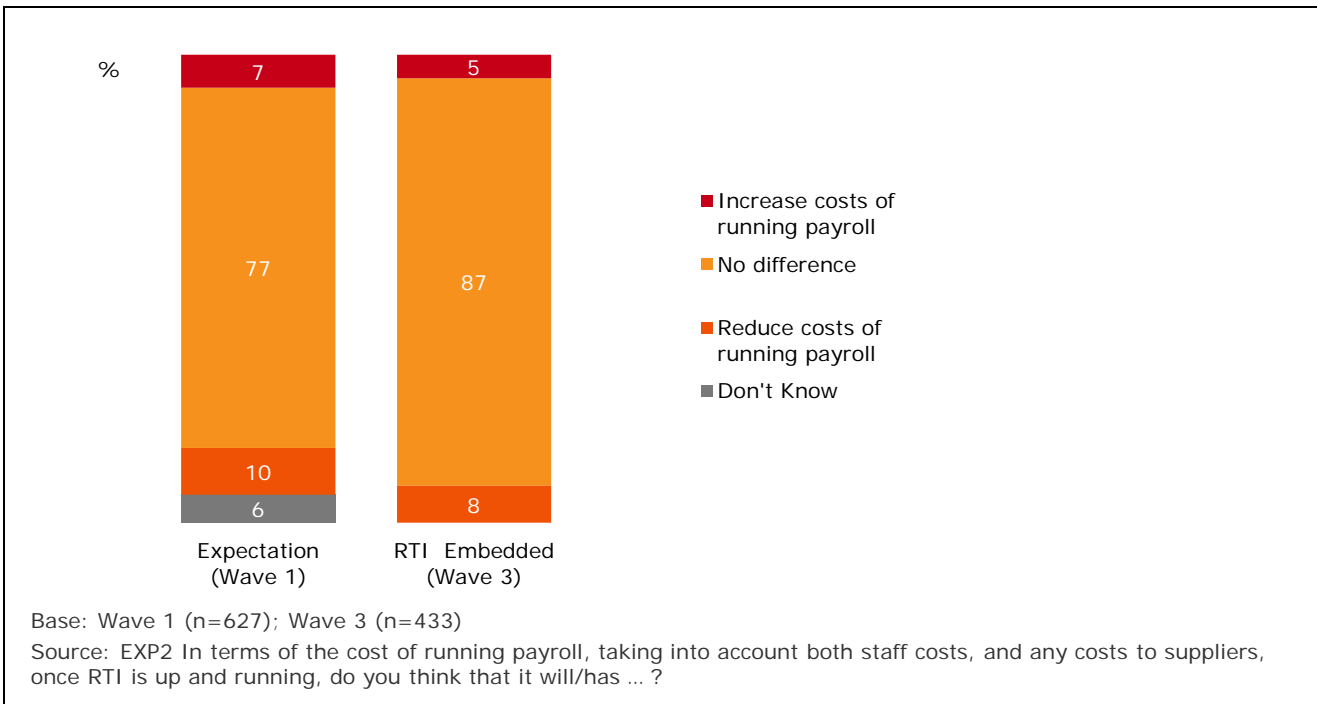
5.5.3. Impact on use of an agent: expectations versus experience

Pre-RTI implementation, 90% of employers performed all payroll tasks in-house and little change was anticipated by employers with only five employers (1%) said that they planned to change their arrangement due to RTI. After one or two submissions, only one respondent said they planned to change. It should be noted that pilot employers were assumed not to be representative of all employers in terms of their use of an agent.

5.5.4. Impact on running costs: expectations versus experience

In terms of any increase or decrease in the costs of running payroll, there was no statistically significant change between what had been expected pre-RTI and what was reported to be the case after three or more submissions; the same proportion at each wave of research expected costs to increase or decrease. The main difference after three or more submissions was that there were no “don’t know” responses, which accounted for much of the rise proportion saying that there was no change in costs pre-RTI to after three or more submissions (Figure 35). There were no sub-group differences in this finding. Stage 1 employers had been slightly more likely to report an increase in costs after three or more submissions (10%).

Figure 35. Impact on payroll running costs – expected versus experience after 3+ submissions



When asked after one or two submissions, the vast majority of Stage 2 employers (92%) said that the business had not had to pay for their software upgrade (expectations were not asked pre-RTI so no comparison can be made with experience). Six per cent said the business had been charged, and 2% did not know if it had or not. Those who said they had been charged for the upgrade (25 respondents) were then asked what it had cost. Around half of them did not know. Most of the amounts that were mentioned were below £1,000.

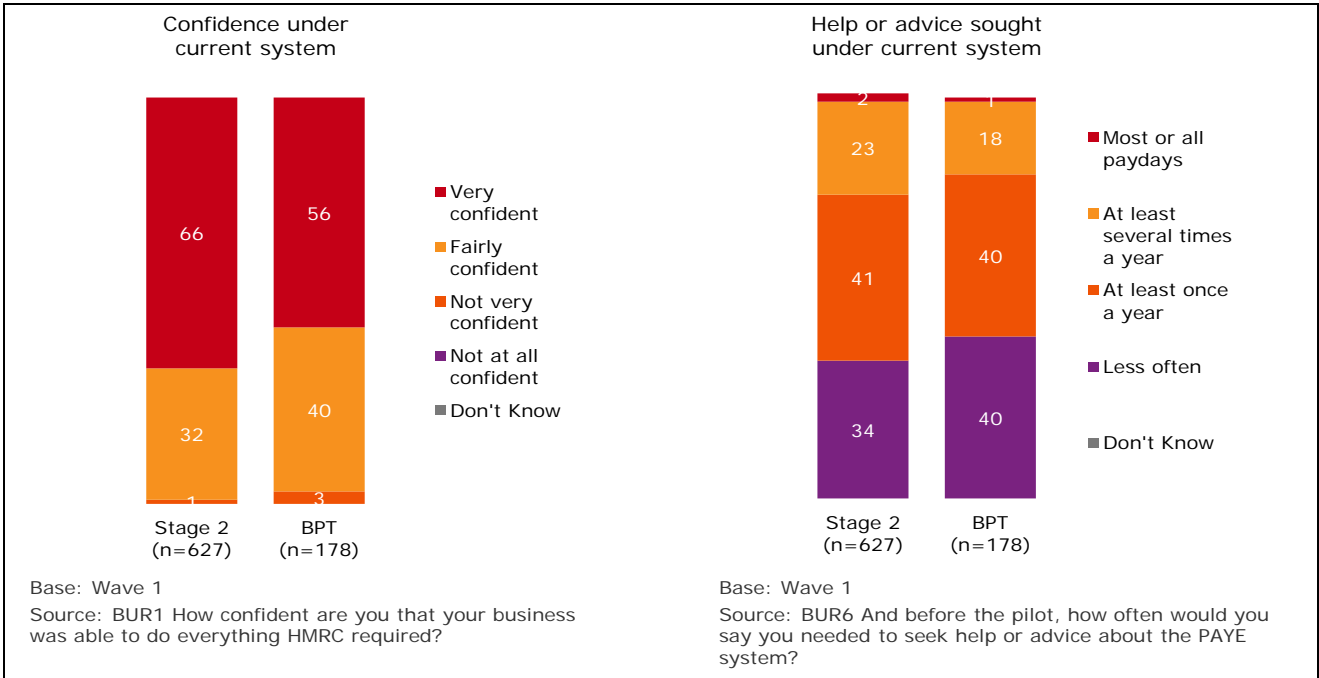
5.6. Impact on confidence and burden under RTI compared with the previous system

5.6.1. Impact on confidence

Prior to the RTI pilot, 98% of employers surveyed in Stage 2 were confident that they were able to do everything that HMRC required in relation to income tax and national insurance under the existing PAYE system. Only 25% said that they needed help or advice (from HMRC or elsewhere) several times a year, although 64% needed help at least once a year (Figure 36). These levels were similar to those seen at Stage 1.

BPT users were less likely than average to be very confident about doing everything required under the current PAYE system, although the vast majority were at least fairly confident. The frequency of help sought by BPT employers was not statistically different from the average, though (Figure 36).

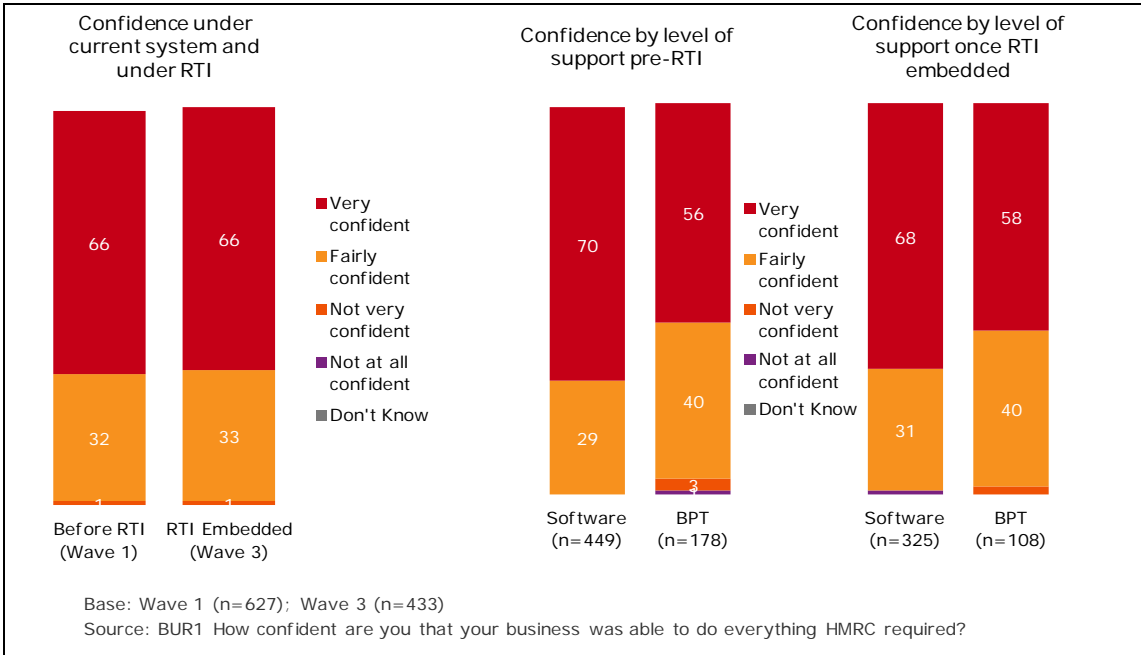
Figure 36. Confidence and help/advice under previous system



After at least three submissions under RTI, 66% of Stage 2 employers said they felt very confident that their business was able to do everything HMRC required in relation to income tax and national insurance (left hand side of Figure 37), the same level seen for the current PAYE system prior to RTI migration. While levels of confidence with the previous system were similar at Stage 1 and Stage 2, confidence under RTI was slightly lower for employers at Stage 2: at Stage 1, 76% had been very confident at this stage. Nevertheless almost all employers were at least fairly confident under RTI at Stage 2.

Stage 2 BPT users were less likely to be very confident pre-RTI and after three or more submissions (58%).

Figure 37. Confidence under previous system and under Real Time Information



5.6.2. Impact on burden

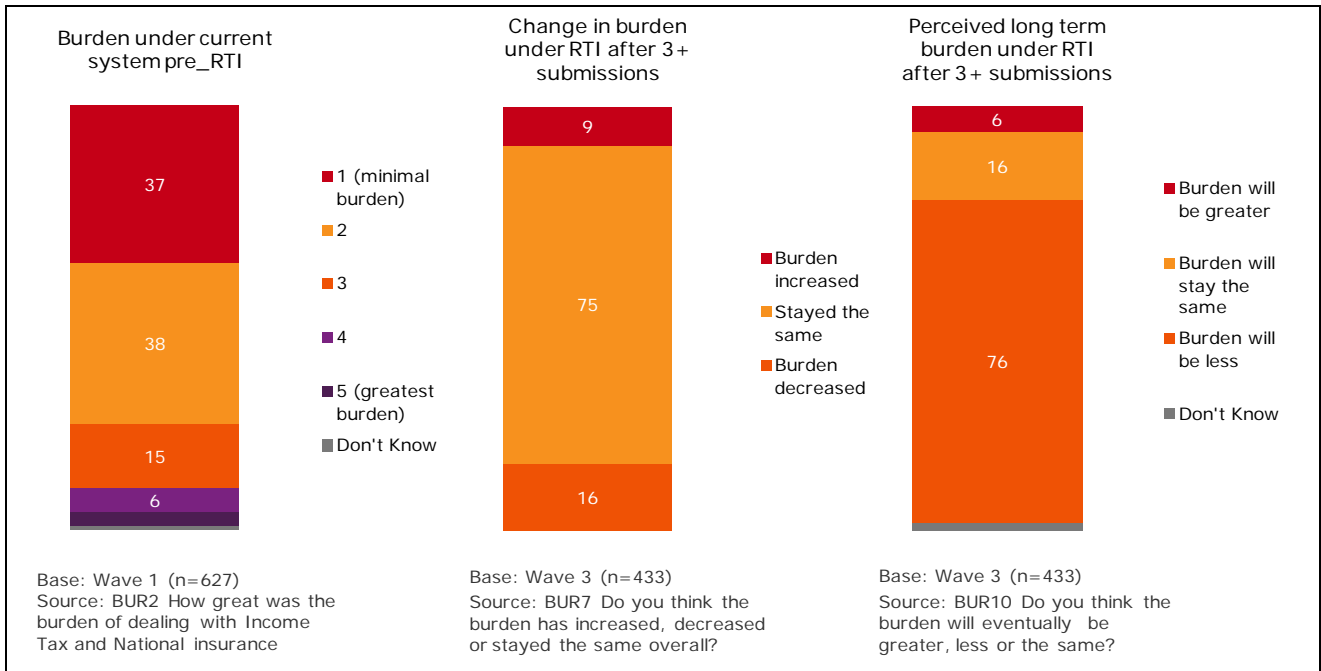
Pre-RTI, Stage 2 employers were asked to rate the overall administrative burden of dealing with Income Tax and National Insurance under the previous system on a scale of one (low) to five (high) relative to all the other things their business has to do. Seventy five per cent rated it either one or two i.e. a relatively low burden; 15% rated it as three. Very few said four or five (left hand column of Figure 38). These figures were very similar to those seen at Stage 1.

By the final wave of the research, the Stage 3 employers had made at least three RTI submissions and the process was assumed to be embedded. At this point, employers were asked whether they felt the burden of dealing with income tax and national insurance had increased, decreased or stayed the same compared to under the previous system. Seventy five per cent felt it was no different to before. Nine per cent said the burden had increased, while 16% said it had decreased (middle column of Figure 38). These figures are almost identical to those seen at Stage 1.

Once RTI had become embedded, employers were also asked whether they thought the eventual burden would be higher, lower or the same under RTI compared to the previous PAYE system and taking into account the End of Year processes. Three-quarters thought that the burden will be lower. Only 6% thought it would be higher. Stage 2 employers were more likely than those at Stage 1 to believe the burden would be less (76% vs. 67%).

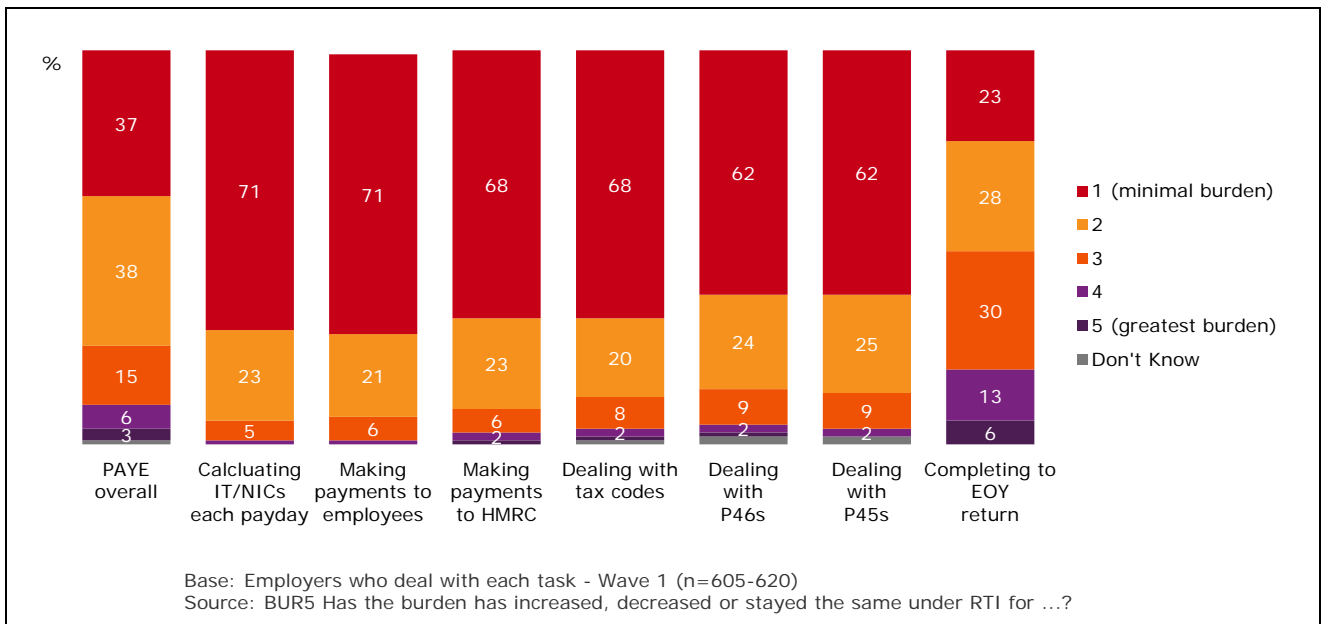
There were no differences in these findings by software use or by size of employer.

Figure 38. Burden of dealing with PAYE



The burden associated with particular payroll tasks was also explored. Under the current PAYE system, the most burdensome task was perceived by employers as completing the End of Year return, followed by dealing with P45s/P46s. National insurance and income tax calculations were seen as the least burdensome (Figure 39).

Figure 39. Perceived PAYE burden before RTI

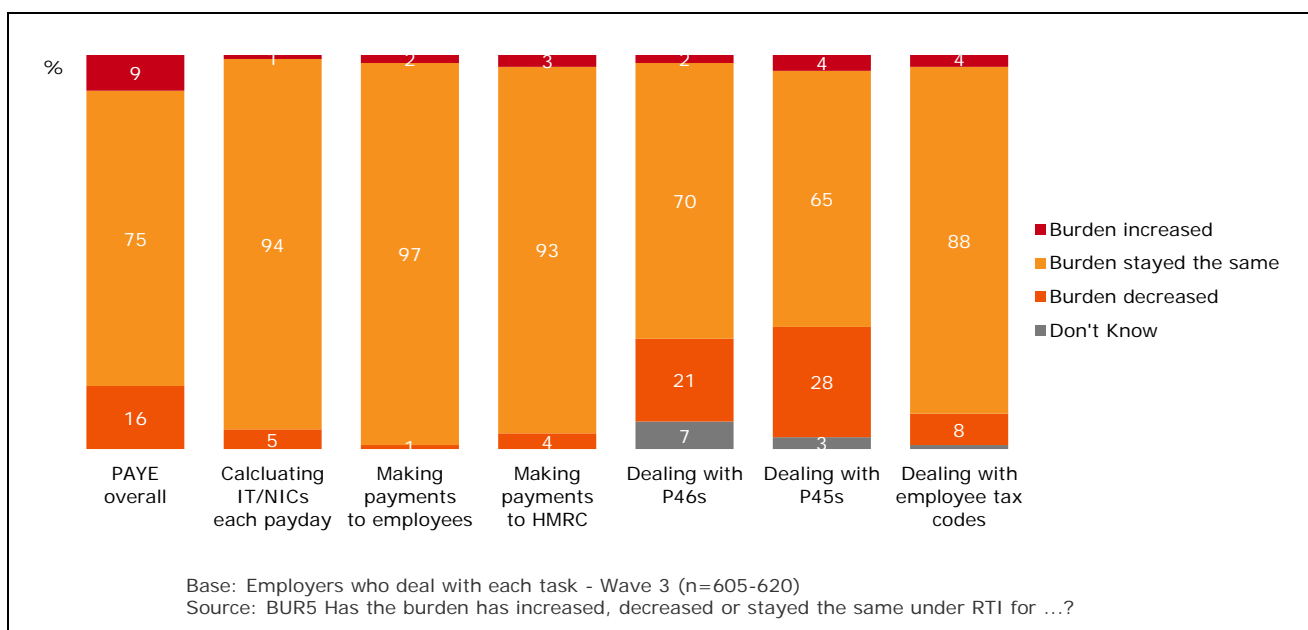


Compared with Stage 1, Stage 2 employers tended to find most tasks slightly less burdensome, perhaps reflecting the less complex nature of their PAYE affairs.

After three or more submissions employers were asked whether there had been any change in burden under RTI for a similar list of payroll tasks. The majority answer in each case was that the burden had stayed the same. A small minority for each task reported finding it an increased burden, reflecting the 9% who assessed that RTI had increased the PAYE burden for them overall.

On the other hand, 24% of the sampled RTI users reported a decrease in the burden associated with P45s and 25% for P46s, presumably reflecting the fact that, under RTI, employers no longer send forms P45 (part 1) or P46 to HMRC. The burden of dealing with employee tax codes was felt by 8% of employers to have decreased under RTI. These decreases in burden are reflected in the 16% of employers who assessed that RTI had decreased the PAYE burden for them overall (Figure 40). Very similar figures were seen at Stage 1.

Figure 40. Change in PAYE burden under RTI – after 3+ submissions



The small number of RTI users surveyed who felt that the burden under RTI had either decreased or increased were asked why. There are too few responses to examine statistically, but the most frequent reason given for a decreased burden was that RTI reduced the EOY workload compared to the previous system. Reasons given for an increased burden tended to be that RTI requires more work or time compared to the previous system.

5.7. Self-reported impact on behaviour

Under employers are required to submit their return before or at the same time as they pay employees which may require changes to payroll processes for some employers - for example, it might be difficult to submit a return in advance or on the day for an employee with casual Saturday employees paid on the day or called in at short notice.

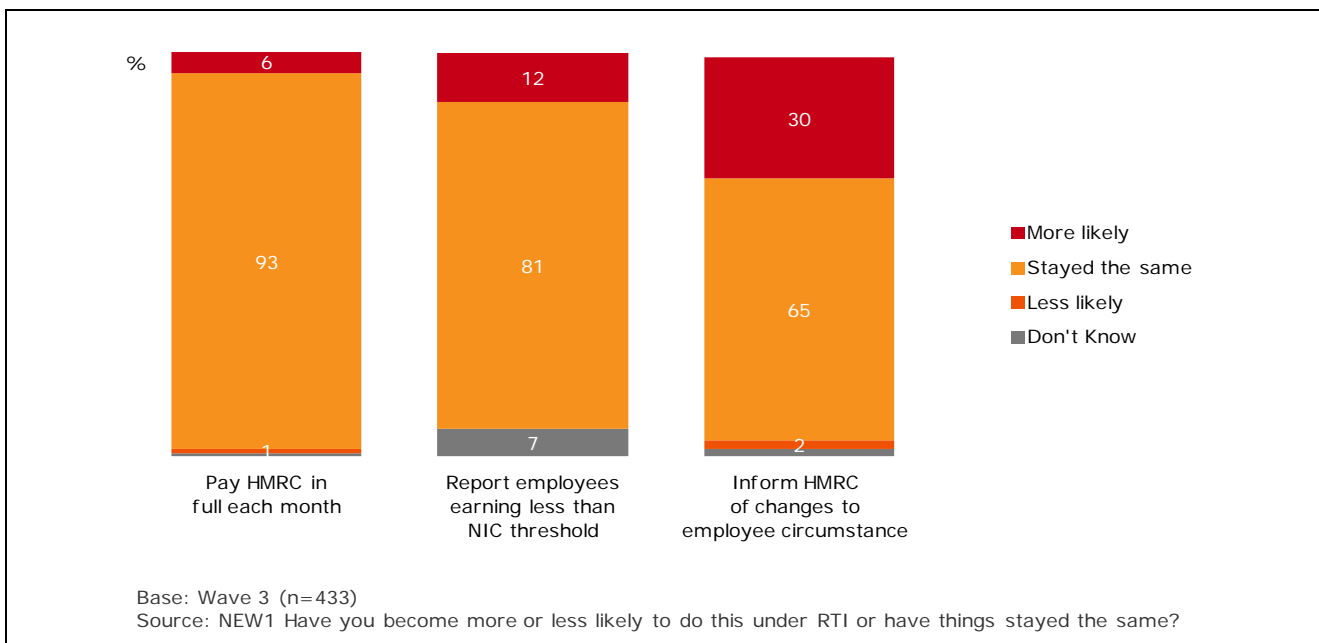
When Stage 2 employers were asked after three or more submissions about this requirement, 12% said this could be a problem. This covered a range of including charities, education, farming and hairdressing.

There was no statistically significant difference by method of paying employees in the proportion of employers saying it is a problem to submit their return before or at the same time as they pay employees. However the indications were that cash and cheque payers might be more likely to find it a problem (16% and 15% respectively said it was a problem vs. only 10% of BACS payers).

The 12% reporting that submitting their return before or at the same time as paying employees was a problem were less likely than those for whom it was not a problem to rate their overall experience of dealing with RTI as "very easy" (only 24% vs. 46%).

RTI has the potential to influence other employer behaviours. Stage 2 employers were asked after three or more submissions whether they had become more or less likely under RTI to pay HMRC in full each month, to inform HMRC of changes in employee circumstances straightaway and to report details of employees earning under the lower earnings limit for NI contributions (Figure 41).

Figure 41. Self-reported impact on behaviour levels after 3+ submissions



Ninety three per cent of the sampled employers said there had been no change in their likelihood to pay HMRC in full each month. Six per cent reported that under RTI they were more likely to do so. Eighty one per cent of employers said there had been no change in their likelihood to report details of

employees earning under the lower earnings limit for NI contributions. Twelve per cent said they were more likely to do so under RTI.

Employers were most likely to report that RTI had increased their likelihood of informing HMRC of a change in employee circumstances straight away (30%, Figure 41). There were no sub-group differences in these results, and findings were similar to those at Stage 1.

6. Stage 3 findings

Stage 3 employers were those recruited to take part in the soft launch phase of the RTI pilot. Approximately 56,000 PAYE schemes joined the pilot in Stage 3, migrating from November 2013. Employers in Stage 3 volunteered to take part in the pilot or were recruited through their software developer. These employers were given the level of support that was planned for the full migration in April 2013.

At Stage 3, there was only one wave of research. Unlike in Stages 1 and 2, most Stage 3 employers interviewed were BPT users as opposed to users of external software. The views and experiences of these two sub-groups are the focus of this chapter, rather than the experiences of the whole group, since the results for all employers would merely reflect the views of BPT users. BPT users are of particular interest to HMRC as they do not have an independent payroll software provider to give them support, and instead are likely to rely on HMRC for guidance.

6.1. Nature of PAYE schemes at Stage 3

The Stage 3 sample was dominated by BPT users (87%). The remaining 13% used commercial software. Of these, the vast majority used off the shelf software. Only 2% used customised software.

The vast majority of the Stage 3 employers were businesses with fewer than ten employees, reflecting the dominance of BPT users in the sample. Seventy three per cent of the Stage 3 employers who were software users had fewer than 50 employees. This means Stage 3 employers were, on the whole, smaller than those at Stages 1 and 2.

Fifty nine per cent of software users and 47% of BPT users at Stage 3 had been an employer for more than ten years. Almost all had been an employer for at least one year.

The vast majority of the Stage 3 employers sampled performed all PAYE tasks in-house as opposed to totally or partially outsourcing any of the work to an external agent (85% of software users and 94% of BPT users). This is broadly similar to Stages 1 and 2.

Stage 3 employers generally used more than one method to pay their staff. The most prevalent method used by Stage 3 employers was internet banking. Software users were most likely to use either internal BACS transfer (49%) or internet banking (51%), whereas BPT users were by far most likely to use internet banking (68%). This is consistent with software users and BPT users in Stages 1 and 2.

Eighty five per cent of software users and 78% of BPT users at Stage 3 pay staff monthly. Thirty four per cent of software users and 34% of BPT users pay staff weekly (so some have more than one frequency of payment, particularly software users).

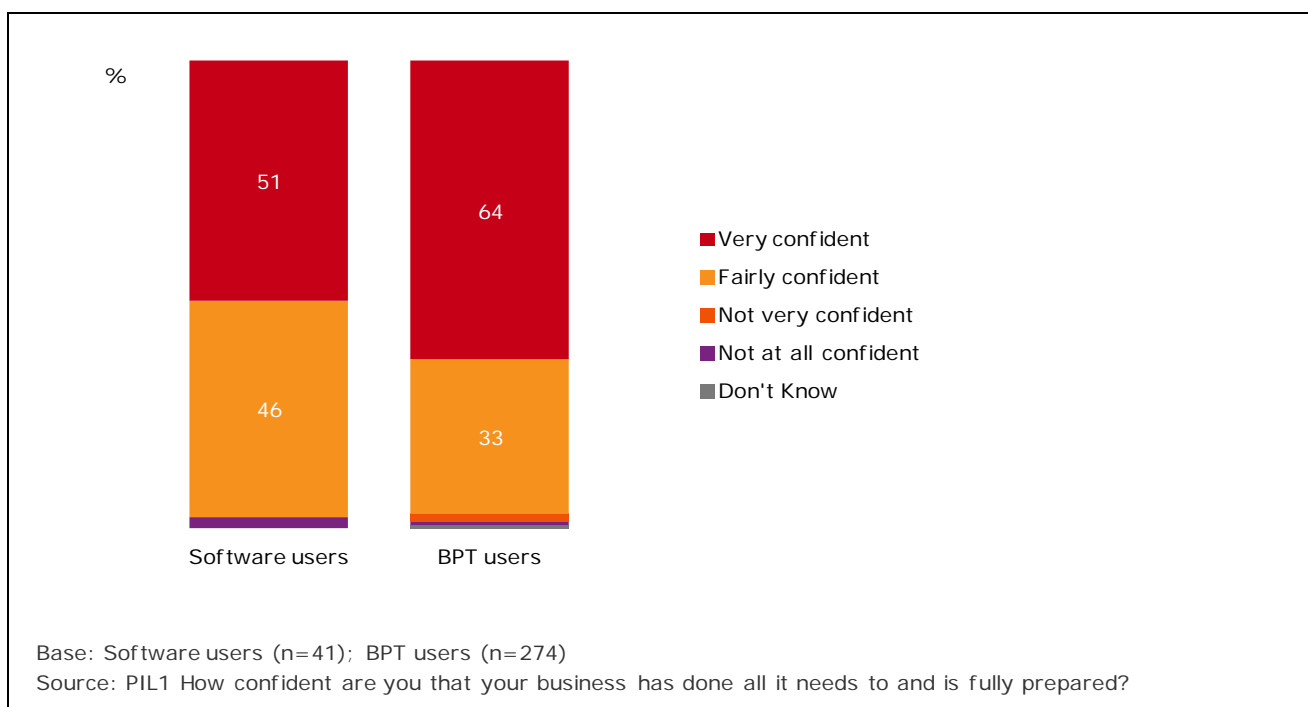
The majority of the employers reported having PAYE calculations to perform beyond processing basic pay, most commonly statutory pay. The prevalence of these additional tasks was higher amongst software users (95%) than amongst BPT users (66%). This difference is likely to be linked to the size of business. Software users were similar to those at Stage 2 in the tasks they undertook. By the time of interview (after the first few submissions) most Stage 3 employers had carried out the three basic payroll tasks using RTI – paying employees, paying HMRC and sending HMRC an EPS. Software users were much more likely than BPT users to have dealt with a joiner or a leaver, or to have dealt with statutory payments reflecting their relatively larger size and PAYE complexity. This means BPT users' evaluation of RTI at this stage is based on a narrower range of experience than software users.

6.2. Preparation for and implementation of RTI: experience

6.2.1. Confidence in preparedness: experience

Almost all employers at Stage 3 were at least fairly confident that the business had done all it needed to prepare for RTI (Figure 42). This was also the case at the equivalent point in Stage 1 and Stage 2 BPT users were more likely than software users to be very confident (64% vs. 51%). Stage 3 BPT users were slightly more confident than those included at Stage 2 (53% had been very confident).

Figure 42. Level of confidence in preparation for RTI

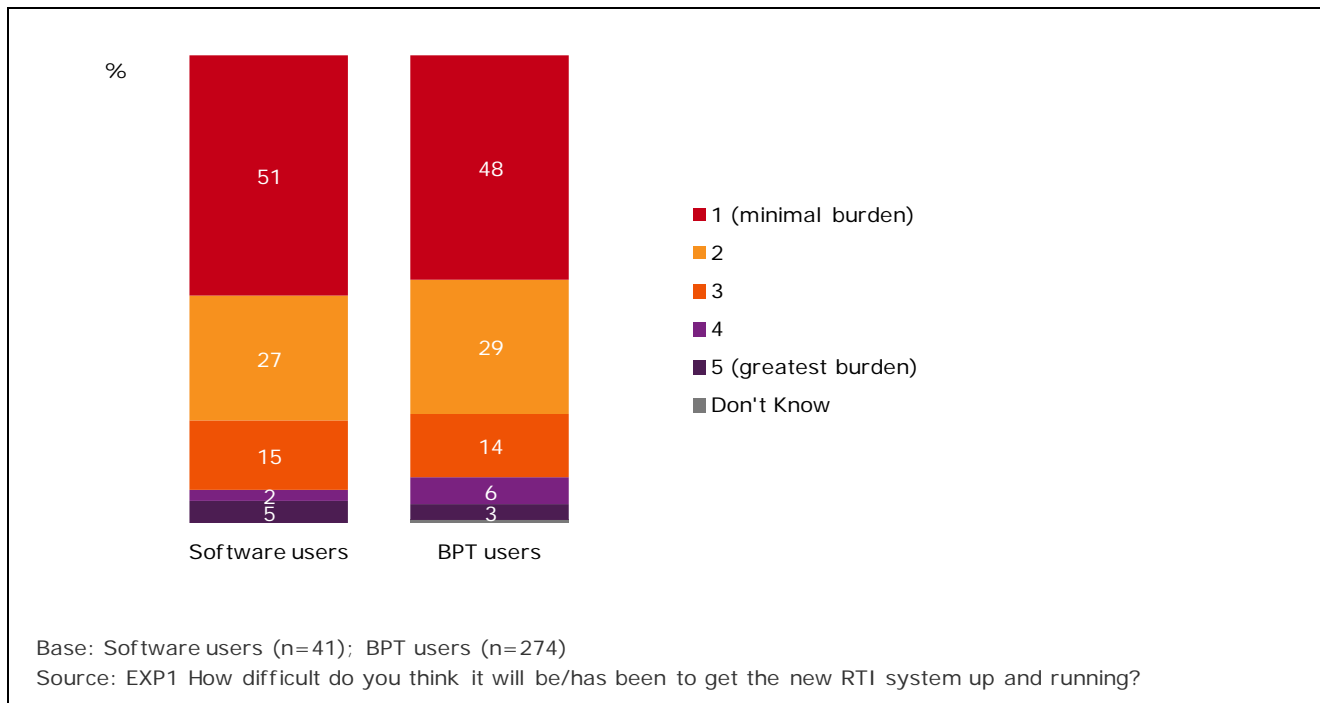


6.2.2. Burden of implementation: experience

The burden of implementing RTI was rated as minimal by around half of Stage 3 employers; 51% of BPT and 48% of software users scored it as only 1 on a 1 to 5 scale of burden. A further 27% of software users and 29% of BPT users rated the burden as a 2 on the 1-5 scale. Fewer than 10% rated it as a 4 or a 5. BPT and software user sub-groups were similar in this respect. These levels of burden are similar to

those seen amongst Stage 2 employers and lower than those seen at Stage 1 (Figure 43). This was possibly because the transitional burden of being first to migrate was higher, with problems being ironed out in the initial months of the pilot, although it may also be related to Stage 1 employers having relatively more complex PAYE affairs than employers at subsequent stages.

Figure 43. Burden experienced by employers in implementing RTI



Employers who run payroll more frequently tended to have found the burden greater. Thirteen per cent of employers in Stage 3 with weekly payroll rated the burden as 4 or 5 compared with only 7% of those with a monthly payroll.

6.3. Experience of dealing with PAYE under Real Time Information

6.3.1. Dealing with RTI Submissions

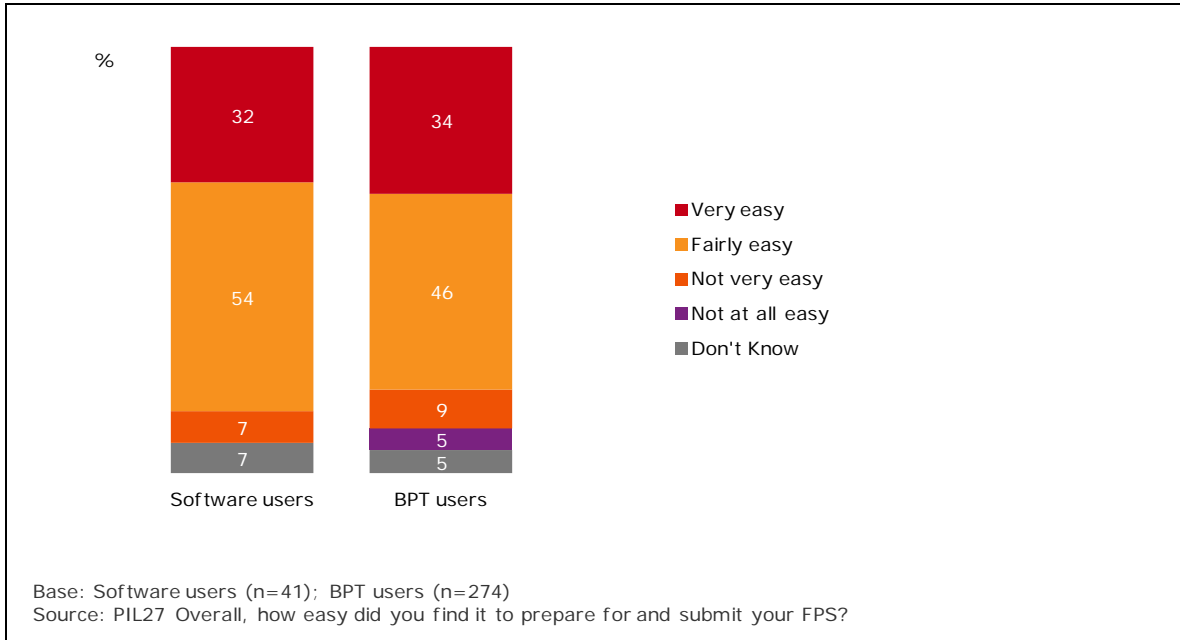
Employers operating PAYE and moving on to RTI must submit employee details to HMRC so that HMRC can match employees with HMRC's records. For large employers or those with a complex payroll system this has to be done using an Employer Alignment Submission (EAS) before the first Full Payment Submission (FPS). Other employers can make the employee details submission within their first FPS or they can use an EAS if they wish.

The surveyed employers were asked whether they had submitted a separate EAS before their first FPS. Eight in ten (78%) software users said they had submitted an EAS. It is not compulsory for BPT users to do so. Given the small number of software users it is not possible to evaluate their EAS experience further at Stage 3.

Most Stage 3 employers found the FPS very or fairly easy to prepare and submit: 80% of BPT users and 86% of software users (Figure 44). Around a third of each group found it very easy. Compared with

Stage 2, where 89% had found it easy, BPT users at Stage 3 were less likely to find it easy. Software users were also slightly less likely to find the FPS easy: at Stage 2 97% had found it easy and 66% very easy.

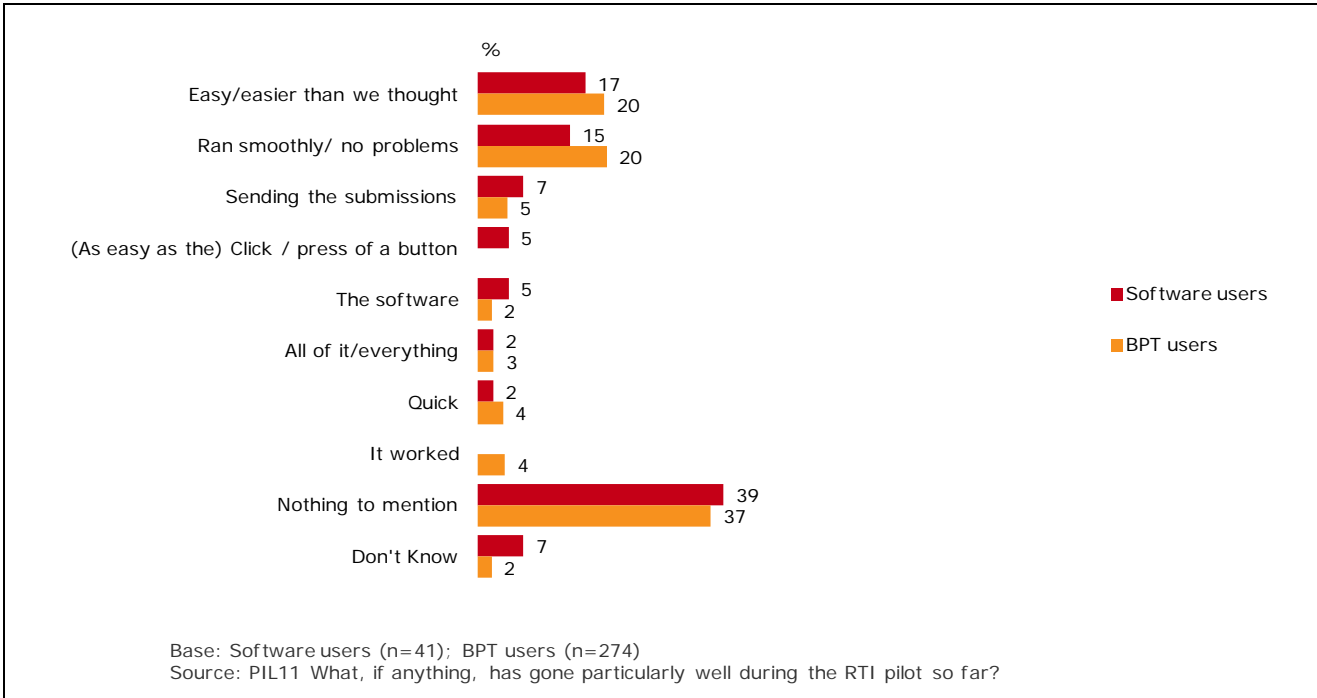
Figure 44. Ease of preparing for and submitting FPS



6.3.2. General Impressions of RTI experience

Employers were asked to say in their own words what, if anything, works particularly well or makes things easier under the RTI system. Employers were most likely to say that RTI was easy/easier than expected and that it ran smoothly/there were no problems (Figure 45). Thirty nine per cent of software users and 37% of BPT users said that nothing in particular stands out. This should not be interpreted as negative, but probably reflects that RTI is working fine, but that nothing in particular stands out about it.

Figure 45. What has gone particularly well under RTI

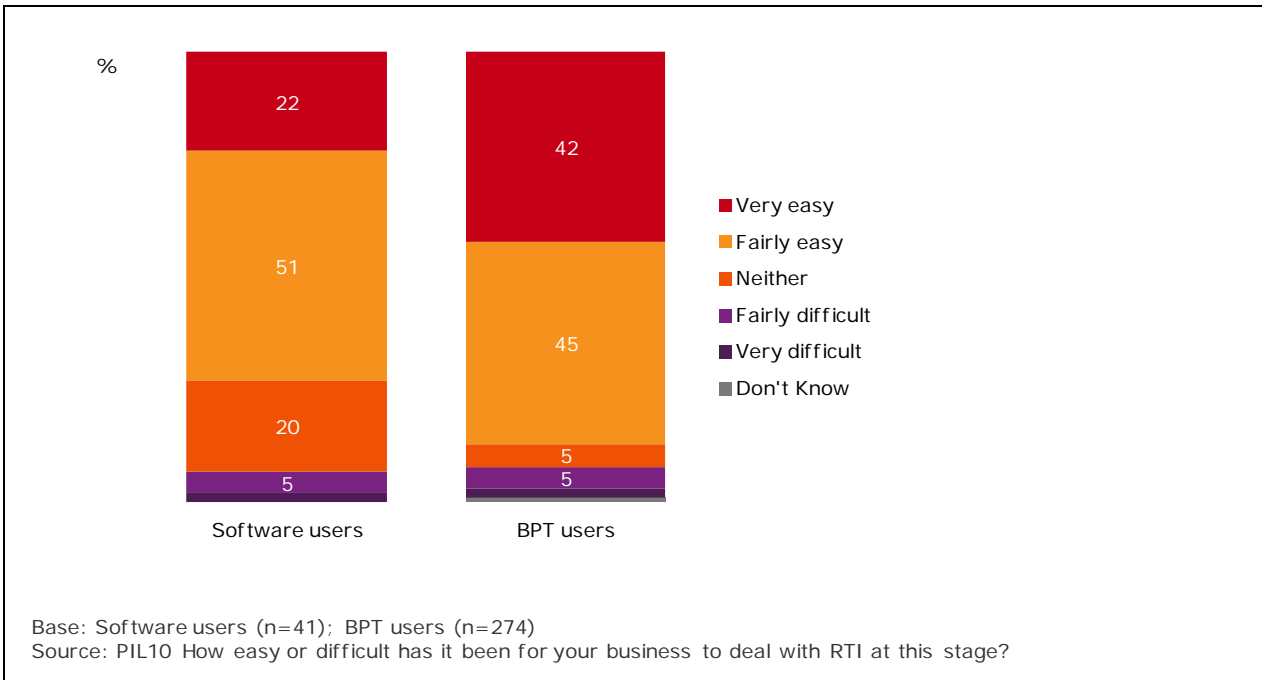


Employers were also asked “what, if anything, is problematic or difficult under the RTI system”. Fifty four per cent of software users and 43% of BPT users said “nothing”. This is in line with Stages 1 and 2, and at Stage 2, BPT users were also less likely than average to say “nothing” at this question (36%). For BPT users, the most frequently mentioned issue at Stage 3 was the initial set up (mentioned by 12%) which suggests that there were still some problems to be ironed out around this point in the process for this group. A range of other issues were raised at low levels

6.3.3. Overall ease of dealing with RTI

Most BPT users at Stage 3 found RTI very (42%) or fairly (45%) easy to deal with. This is similar to the results at Stage 2. Software users at Stage 3 were about half as likely as BPT users or Stage 2 employers to rate RTI as very easy to deal with (22%). Stage 3 employers were provided with lower levels of support by HMRC than those at Stage 1 or Stage 2 (Figure 46) but the majority still reported that RTI was easy to deal with.

Figure 46. Ease of dealing with RTI

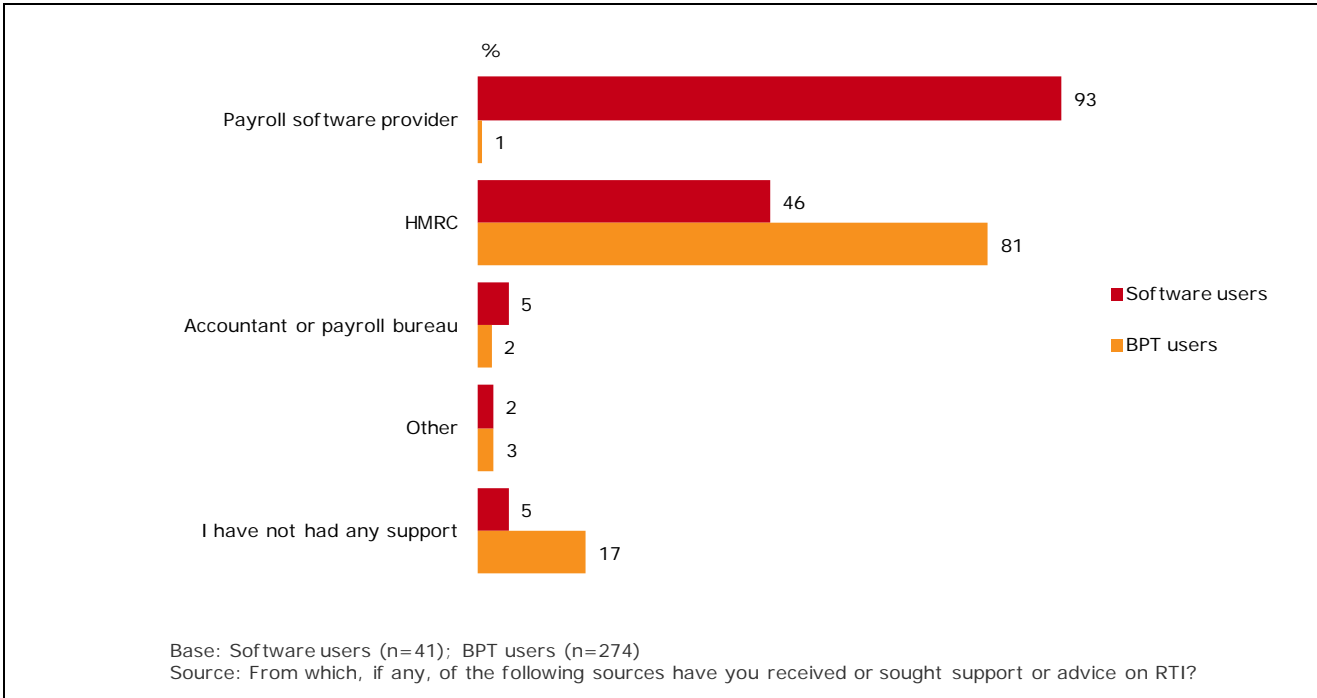


6.4. Use of support

Employers were asked from which sources they had received or sought support or advice on RTI. BPT users were overwhelmingly reliant on HMRC, as would be expected: 81% had sought or received advice from HMRC. Software users, on the other hand, were about twice as likely to have received support or advice from their software provider (93%) as from HMRC (46%). Agents such as accountants or a payroll bureau were infrequently a source of support or advice (Figure 47).

A relatively high proportion of BPT users said that they had not received any support or advice (17% vs. only 5% of software users). However, those BPT employers who had not used any sources of support or advice were as confident as the average Stage 3 employer that their business had done all it needed to prepare for RTI. They were also more likely than those who did receive support or advice to find RTI easy to deal with. This suggests that they did not need support or advice rather than that they were unable to source it.

Figure 47. Sources of support or advice used



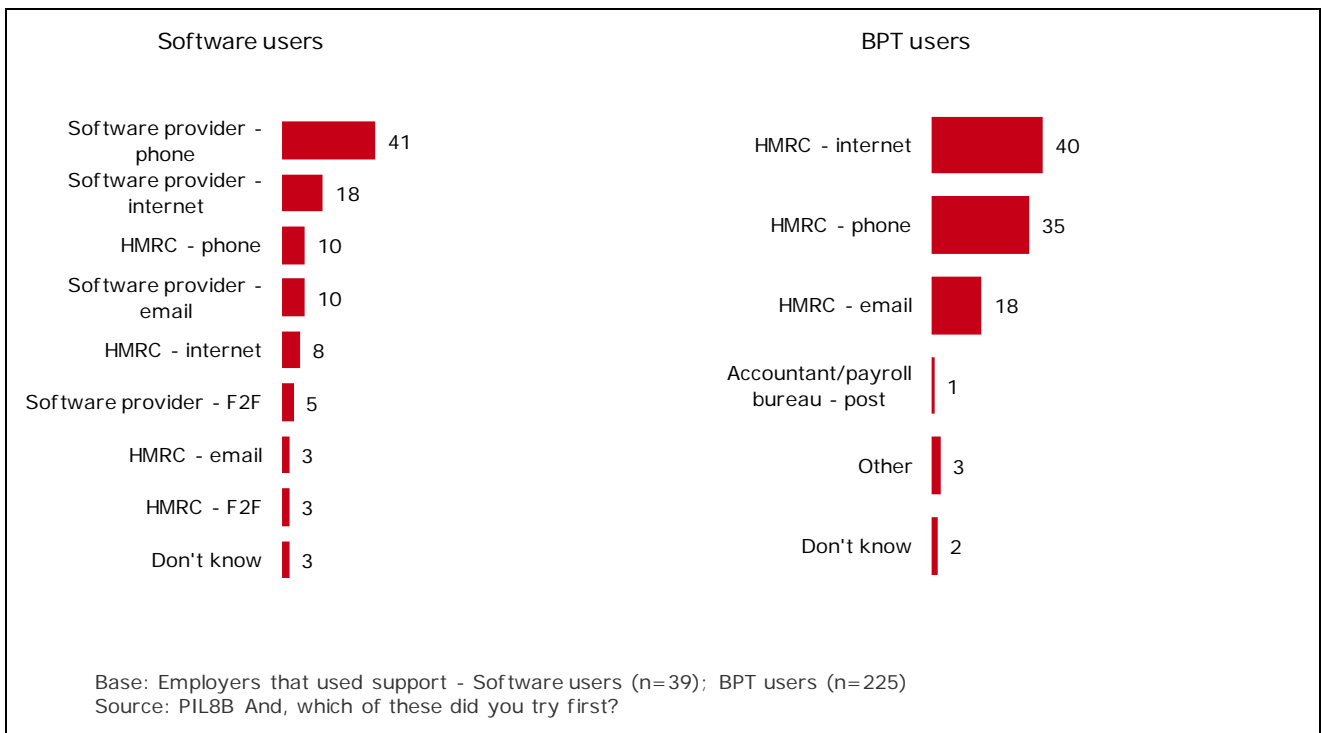
For each source of support or advice used, employers were asked in which ways they had received it.

Software users' contact with their most common source of support, their software provider, tended to be via the telephone. Sixty eight per cent of software users had used the phone to obtain support or advice from their software provider, while 49% had used the internet and 34% had used email. Forty six per cent of software users were supported by HMRC. Roughly half of those (24% of all software users) used the phone and a similar proportion used the internet to obtain advice or support from HMRC

Like software users, BPT users' contact with HMRC was roughly evenly distributed across the phone (50%) and the internet (45%).

Where employers had turned to more than one source of support/advice, or had used more than one channel to access that source (the majority had done this), they were asked which they had tried in the first instance. These software users were most likely to have contacted their software provider by phone as their first port of call (41%). The next most likely first port of call for these software users was to contact their software provider online – presumably by visiting their website (18%). Ten per cent had contacted HMRC by phone in the first instance.

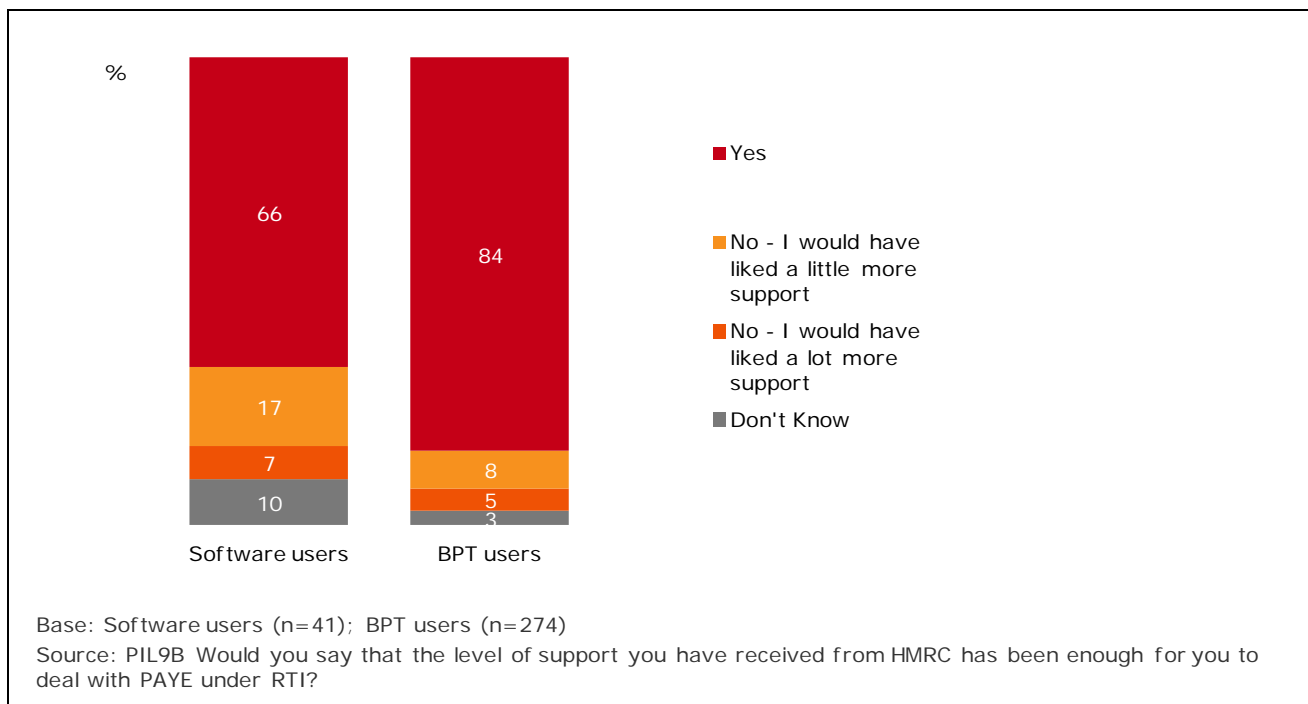
For BPT users who had turned to more than one source of support/advice or who had used more than one channel, 40% had contacted HMRC using the internet in the first instance. Thirty five per cent had sought HMRC's support or advice by phone (0). Which source/channel tried first (for support or advice)



Employers who had sought support were asked, where relevant, the number of times they had done so from HMRC, their software provider and their accountant/payroll bureau. Eighty one per cent of BPT users had sought HMRC's support up to three times. A similar proportion of software users (76%) had sought their software provider's support up to three times.

Employers were also asked specifically whether they felt that they had had enough support from HMRC to deal with PAYE under RTI. Most BPT users, who are reliant on HMRC for support, felt the support they received from HMRC was sufficient (84%) and only 13% would have liked either a little or a lot more support. Fewer software users thought the support they had received from HMRC was enough (66%). Twenty four per cent wanted either a little more or a lot more support (Figure 49).

Figure 49. Whether had enough support from HMRC



While the question was asked using a simple yes/no approach at previous stages, so is not totally comparable, at both Stages 1 and 2 almost nine in ten employers said they had received enough support. After three or more submissions at Stage 2, 91% of BPT users said they had enough, and 86% of software users with the lowest level of support. This is consistent with BPT users at Stage 3, but suggests that the software users at Stage 3 felt less supported. While small numbers of software users at Stage 3 make it hard to draw conclusions, it is possible that by Stage 3, software providers were providing less support for pilot employers in preparation for a sustainable level of support at full rollout.

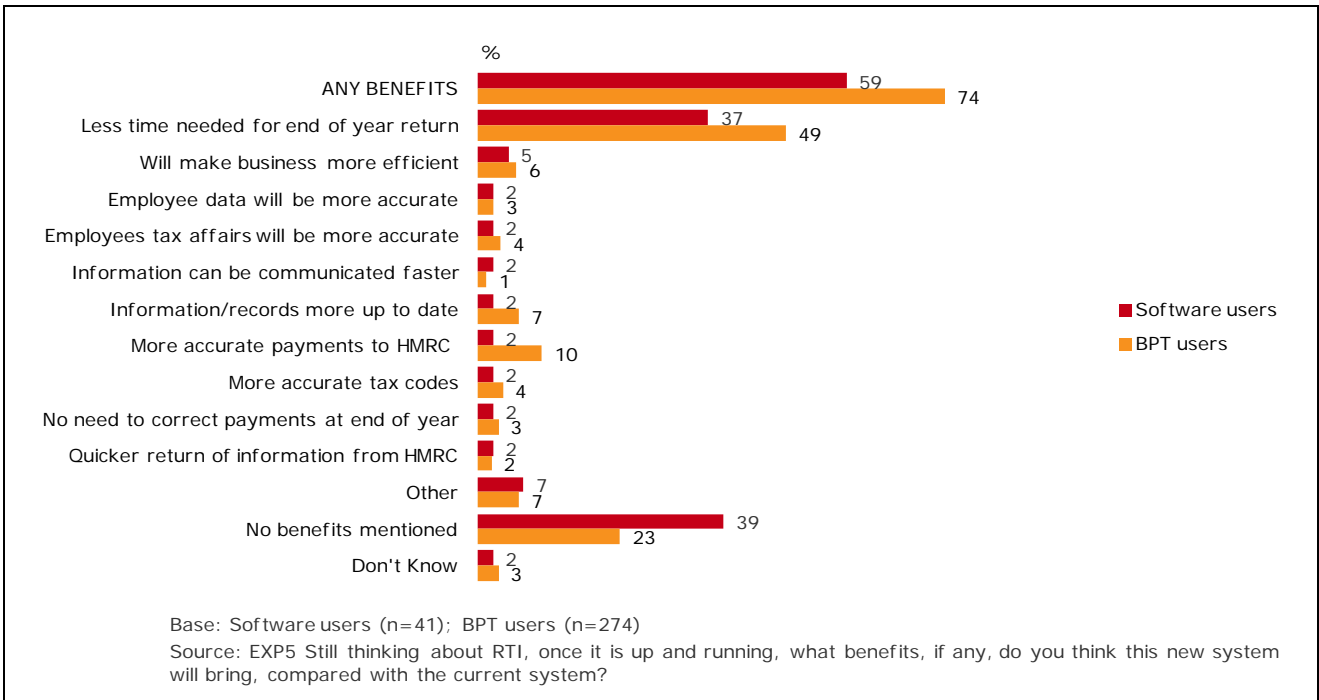
6.5. Impact of RTI and implementation

6.5.1. Expected benefits and downsides: after implementation

In terms of the expected benefits of RTI, 74% of BPT users and 59% of software users in Stage 3 could foresee a benefit (Figure 50). This is lower than in Stage 1 and in Stage 2 (86% and 81% respectively). It could be that a lower level of support and/or communication in Stage 3 meant that the benefits have not been as obvious to employers, especially if they have not yet experienced them. This suggests a possible role for communicating the benefits to employers in future.

Similar benefits of RTI have been mentioned at all three stages of the pilot. A reduced end of year burden was the most frequently mentioned benefit by far, with increased accuracy and efficiency the themes of many other mentions. BPT users were particularly likely to mention more accurate payments to HMRC.

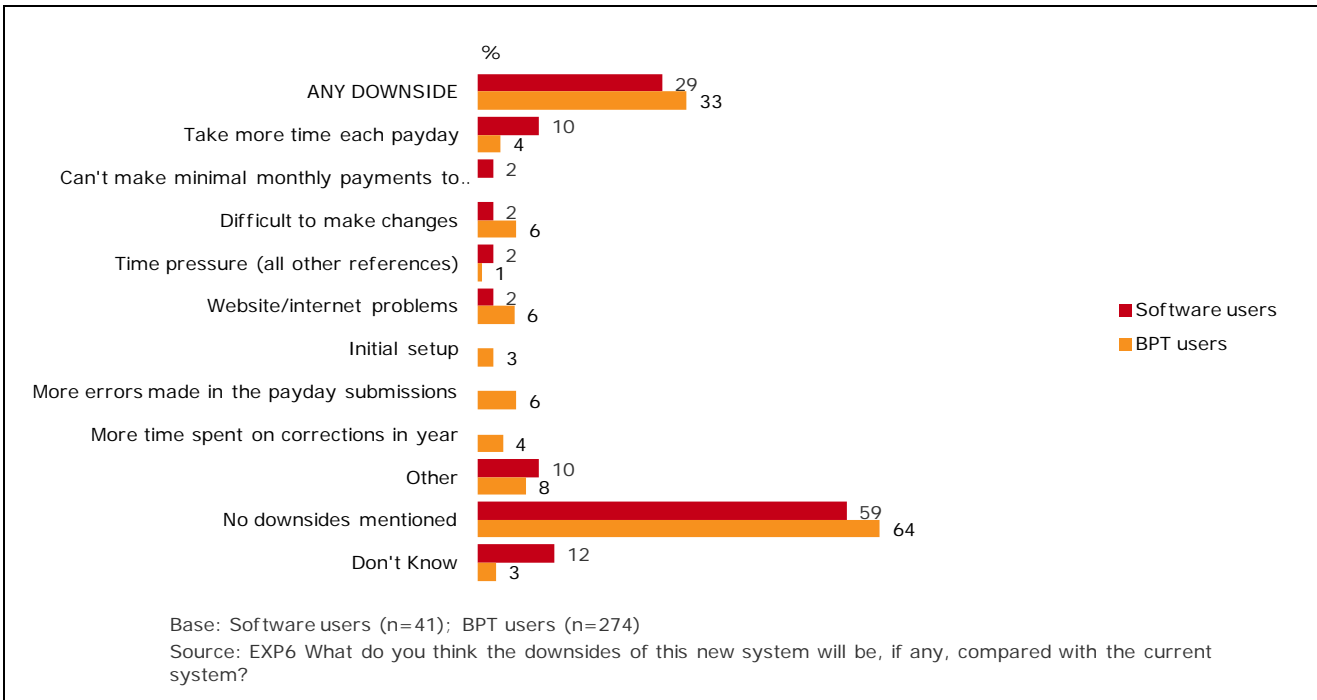
Figure 50. Expected benefits of RTI post implementation



At Stage 3, 59% of software users and 64% of BPT users could think of no downsides to the RTI system (Figure 51). This is in line with Stage 2 (68%) and slightly higher than at Stage 1 at the equivalent point (60%).

BPT users in Stage 3 were slightly more likely to report some downsides (33%) than software users (29%). The sorts of downsides mentioned seemed to reflect experiences during the first few submissions, such as it being difficult to make changes, errors in the submissions and internet problems. It is probable that these were top of mind. Realistically such problems are unlikely to be long-term; they are likely to be ironed out by HMRC, or overcome by employers as time goes on.

Figure 51. Expected downsides of RTI post implementation



At Stage 3, 85% of software users and 94% of BPT users handled all of their PAYE affairs in house, with only a minority using an agent at least for some tasks. As at Stages 1 and 2, nearly all Stage 3 employers said that they did not expect to change the amount of external help they use to administer PAYE.

6.5.2. Impact on employees: experience

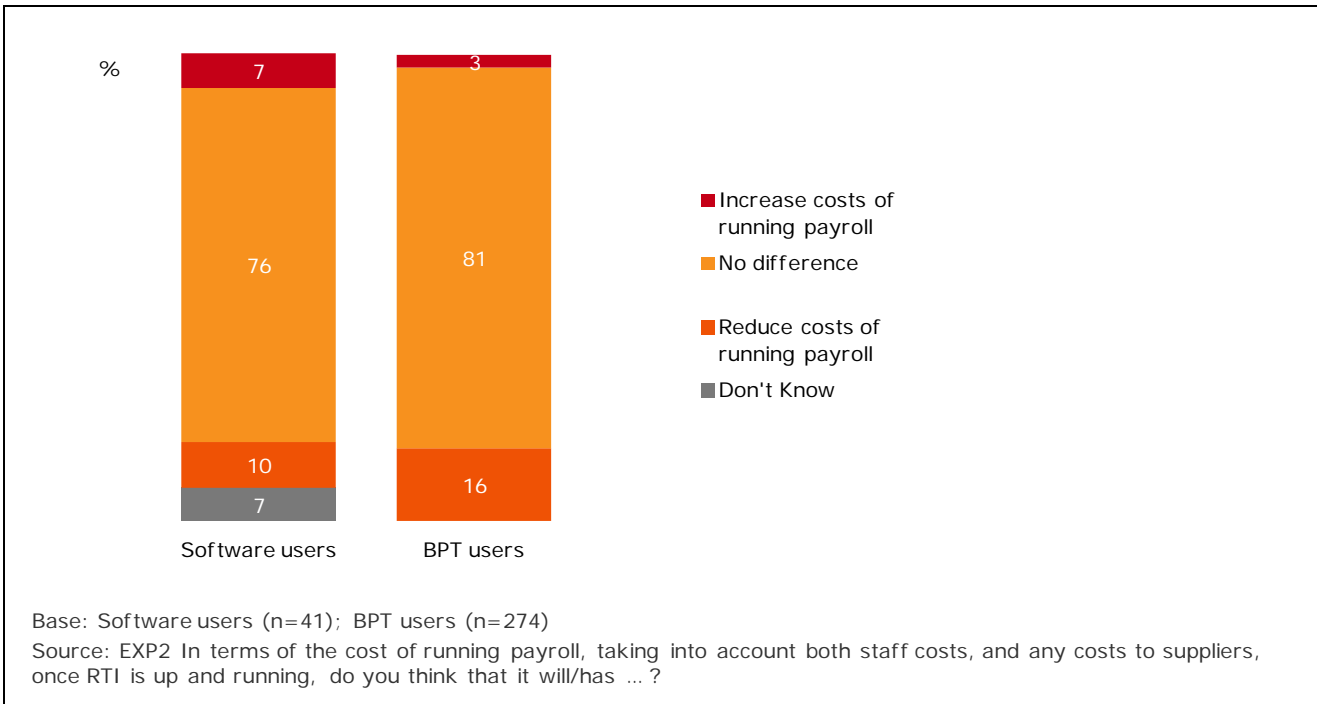
Sixty five per cent of BPT users at Stage 3 had told their employees that the business was participating in the pilot. This is similar to the proportions in Stage 1 and Stage 2. Only 39% of Stage 3 software users had informed their employees. In line with this difference between the two sub-groups at Stage 3, BPT users at Stage 2 were also more likely than average to have informed employees about the pilot (85%).

All software users and 95% of BPT users at Stage 3 said that the RTI pilot had had no effect on their employees. This is a similar result to that seen at Stage 1 and Stage 2.

6.5.3. Impact on running costs: experience

Most Stage 3 employers reported that they had experienced no change in payroll running costs under RTI. Sixteen per cent of BPT users from Stage 3 said that their costs of running payroll had decreased, which is double the level reported by Stage 1 and Stage 2 participants (Figure 52). Software users at Stage 3 were slightly more likely to report an increase in costs, but this was still low at 7%.

Figure 52. Experience of impact on payroll running costs



At Stage 2 after one or two submissions, the vast majority of employers (92%) had said that the business had not had to pay for their RTI software upgrade. Only six per cent said that the business had been charged. At Stage 3, the proportion of commercial software users saying that they had paid for an RTI software upgrade was 27%, higher than at Stages 1 and 2 (6% and 8%). The number of software users included in the Stage 3 research means caution is needed when interpreting this apparent increase. Furthermore, it is unclear whether software providers are charging specifically for the RTI upgrade or whether the cost is part of a general software maintenance fee.

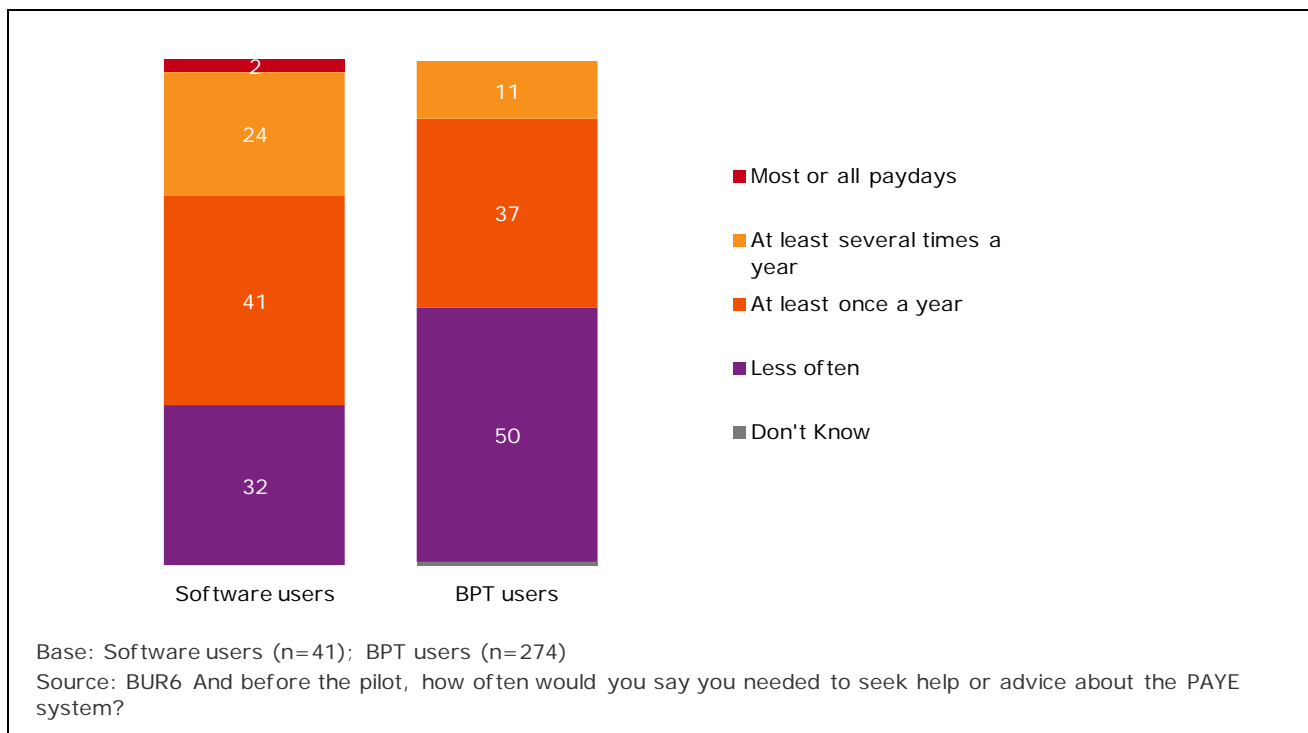
The Stage 3 software users who said that they had been charged for the software upgrade (11 employers) were then asked what it had cost. As in Stage 1 and 2 there was low awareness of the actual costs involved. Where it was known, the amount quoted was in the range of £249-£500.

6.6. Impact on burden under RTI compared with the previous system

6.6.1. Seeking advice under the previous system

Providing a measure of confidence under the previous system, at Stage 3 48% of BPT users said that, prior to RTI, they had needed to seek help or advice from HMRC or elsewhere at least once a year. Software users had tended to need help more often than BPT users with 67% seeking help at least annually (Figure 53). No further confidence measures were asked at Stage 3 so it is not possible to assess the impact of RTI on confidence.

Figure 53. Frequency of seeking help/advice under previous system

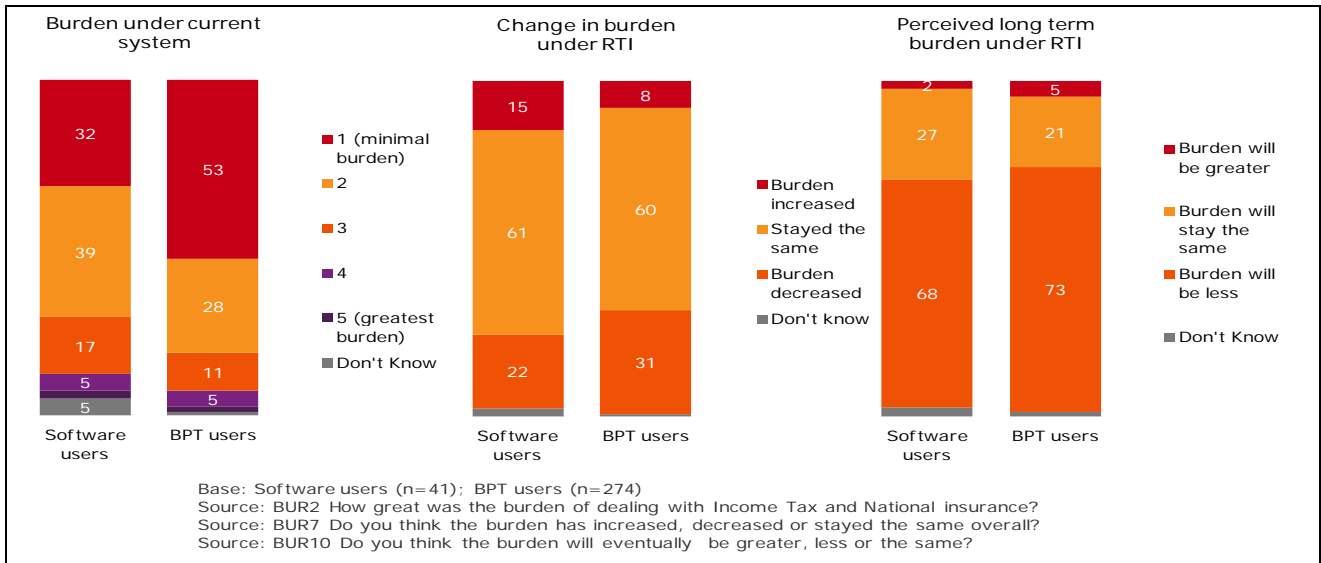


6.6.2. Impact on burden

Stage 3 employers were asked to rate the overall administrative burden of dealing with income tax and national insurance under the previous system (pre-RTI) on a scale of one (low) to five (high) relative to all the other things their business has to do. Among BPT employers 81% rated the burden as either one or two i.e. a relatively low burden, but this was lower at 71% of software users (left hand side of Figure 54). Very few of either group said four or five. BPT users in Stage 3 were particularly likely to rate the burden as only one out of five (53%) compared with software users in Stage 3 (32%) or Stage 1 or 2 employers (both 37%).

Employers were asked whether they felt the burden of dealing with income and national insurance had increased, decreased or stayed the same compared to under the previous system. At Stage 3, the majority of both BPT (60%) and software users (61%) felt it was no different to before. Software users were more likely to report an increase in burden (15%) than BPT users (8%). Both groups were more likely to report a decrease than an increase, particularly BPT users (31%, middle of Figure 54). Employers at Stage 3 were more likely to report a change in burden compared with Stage 1 and 2 employers.

Figure 54. Burden of dealing with PAYE



Employers were also asked whether they thought the eventual burden would be higher, lower or the same under RTI compared to the previous PAYE system and taking into account both payroll and the End of Year processes. The results for Stage 3 BPT employers were similar to those seen at Stage 2, with 73% thinking that the burden would be lower and most of the remaining not anticipating any change. Only 5% thought it would be higher (right hand side of Figure 54). Software users were slightly less likely to anticipate a decrease in burden (68%).

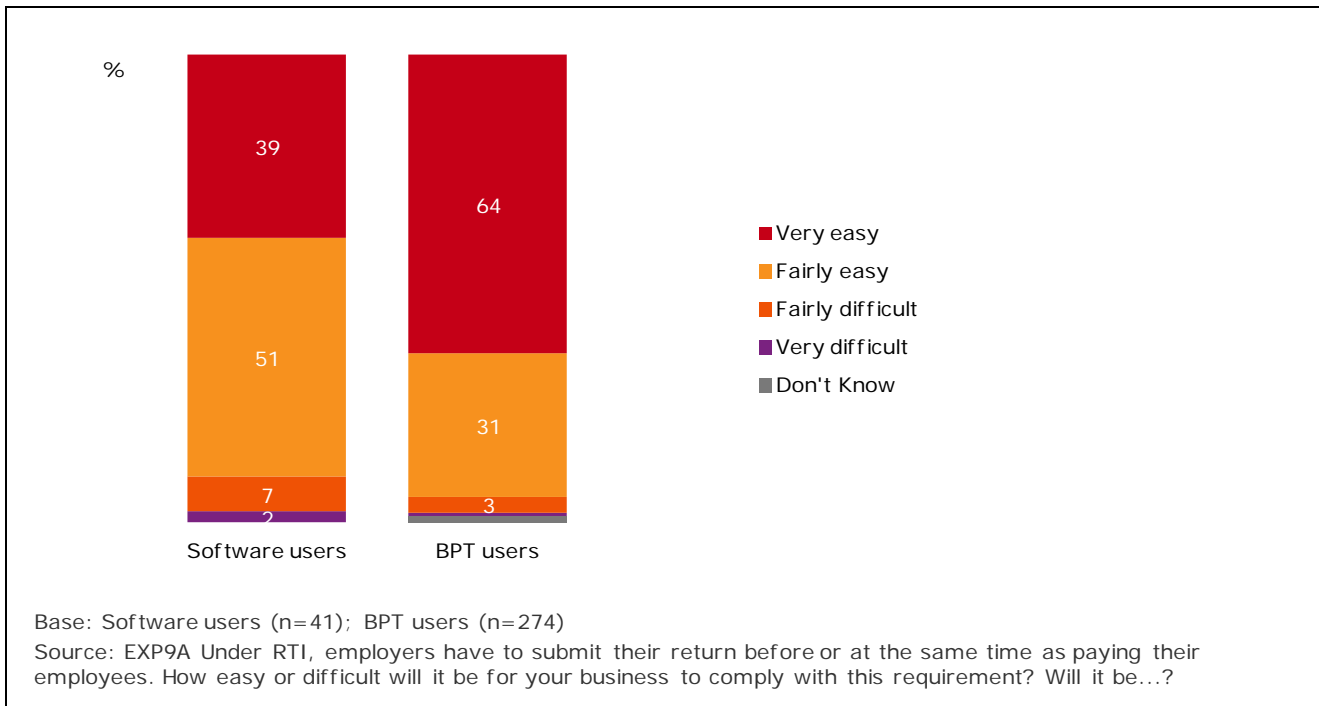
6.7. Self reported impact on behaviour

Under RTI employers are required to submit their return before or at the same time as they pay employees which may require changes to payroll processes for some employers - for example, it might not be possible to submit a return in advance or on the day for employers with casual Saturday employees paid on the day or called in at short notice.

When asked about this requirement, the majority of both software users and BPT users said it would be at least fairly easy for them to comply. BPT users (64%) were much more likely than software users (39%) to say it would be very easy (Figure 55). This question was asked as a yes/no question in Stages 1 and 2 and so the results are not directly comparable. At Stage 2, 12% said this issue could be a problem and 13% said so at Stage 1.

Employers paying staff in cash were less likely to say that submitting their return before or at the same time as paying employees would be very easy (43%) than those who paid only using non-cash methods (63%). This is in line with indications of a similar pattern at Stage 2. At Stage 3, there was no statistically significant difference by method of paying employees but the indications were that cash and cheque payers might be more likely to find it a problem (16% and 15% respectively said it was a problem vs. only 10% of BACS payers). There were no other differences by method of payment.

Figure 55. Ease of complying with requirement to submit return on or before paying employees



Stage 3 employers were asked whether they had become more or less likely under RTI to pay HMRC in full each month, to inform HMRC of changes in employee circumstances straightaway and to report details of employees earning under the lower earnings limit for NI contributions. BPT and software users reported very similar levels of change.

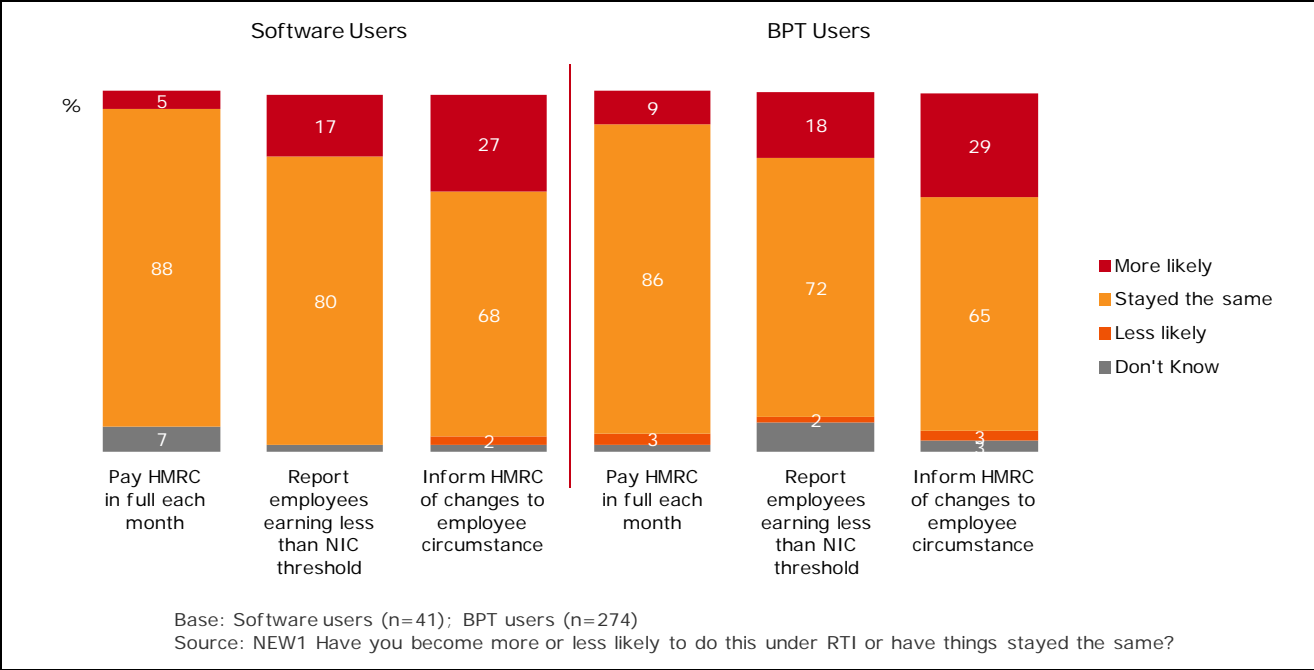
Five per cent of software users and 9% of BPT users at Stage 3 reported that under RTI they are more likely to pay HMRC in full each month, which is higher than at Stage 1 (3%) but similar to Stage 2 (6%). However, the vast majority of Stage 3 employers reported no change in their behaviour in this respect (left hand side of Figure 56).

At Stage 3 17% of software users and 18% of BPT users said that they were more likely to report details of employees earning under the lower earnings limit for NI contributions under RTI. Again most reported no change in their behaviour. These proportions are similar to those reported at Stage 2. The proportion saying "don't know" is relatively high for BPT users, suggesting that employers are less well informed about this requirement (right hand side of Figure 56).

Of the three requirements, the one which employers were most likely to report a change in behaviour under RTI was informing HMRC of changes to employee circumstances straight away. Twenty seven per cent of software users and 29% of BPT users said this was the case which was similar at Stage 1 and Stage 2 (middle column of Figure 56).

There were no sub-group differences in these results.

Figure 56. Self-reported impact on behaviour



7. Conclusions

7.1. Caveats based on nature of the sample and RTI pilot experience

The RTI pilot had a complex and iterative design in order to best develop processes and support for the full migration. The research reflects this design, meaning that there were differences at each of the three stages in terms of sample make up, and in terms of the level of support each cohort of employers received.

To summarise the key differences:

- At Stage 1, employers were mostly commercial software users and tended to be larger employers with more complex PAYE affairs than at later stages. All employers received considerable support from HMRC. Research was conducted before migration, after 1-2 submissions, and after at least three submissions. Migration was carried out over a short period, so employers were more prepared by the time of the baseline research.
- Stage 2 employers were slightly smaller, and included a larger number of BPT users. Employers received less support than at Stage 1. Three waves of research were conducted in line with Stage 3. Migration was spread over several months, so employers tended to be less prepared at the baseline interview.
- Stage 3 employers interviewed were mostly BPT users, were largely small employers, with relatively simple PAYE affairs, and all received less support than at Stages 1 or 2, in line with plans for full migration. Only one wave of research was conducted after at least three submissions, with questions about the system prior to RTI asked retrospectively.

Furthermore, all pilot participants had volunteered to take part. Their reasons for volunteering (e.g. to get specific help on particular PAYE issues) mean that they are not representative of the population of employers at full migration.

Our conclusions below take these caveats into account.

7.2. RTI preparation and implementation: experience compared with expectations

At all three stages, the experience of implementing RTI was less onerous than had been expected in terms of both ease and burden.

The implementation experience was largely positive, with employers reporting it was easier than expected and went smoothly. Employers received support from their payroll software provider, HMRC and where applicable their payroll bureau. Comparisons between stages and different levels of support show

that greater support produced a more positive response among employers, but most were positive even with minimal support.

Employers at all stages were at least fairly confident that they were fully prepared before migration. Employers tended to be more confident that they *had* actually been fully prepared *after* implementation, offering more evidence that the experience was better than expected and helped to allay fears.

The degree of confidence decreased stage by stage, along with the level of support received, particularly for software users. Again, this suggests a role for communications about the positive pilot experience to help reassure employers at the full migration. Larger employers may need more reassurance. However, it should be borne in mind that it is likely only employers with a high degree of confidence in their payroll processes would have volunteered for the pilot.

7.3. The experience of dealing with PAYE under RTI

There were clearly some teething troubles with the EAS and FPS submissions at Stage 1, but evidence that these had been largely sorted out by Stage 2. There is evidence from Stages 2 and 3 that additional support helps employers to find the process very easy, particularly for commercial software users. It seems likely that employers using off the shelf software, and BPT users who may receive less support could experience more minor problems, but the experience of the pilot was that these can be sorted out quickly.

There were a few problems reported, particularly software problems (which will presumably be smoothed out over time) and error messages and payments being rejected, partly because of insufficient data cleansing or typographical errors in data fields. BPT users were likely to report problems with the initial setup and with submission. Some Stage 1 employers had difficulty dealing with leavers and joiners. This suggests that a minority have experienced largely technical problems and it will be important to ensure these are fully fixed and employers are provided with the support they need to deal with any issues (whether in person, or through online guidance).

7.4. The impact of support

Support clearly played a hugely reassuring role for employers during the pilot.

Despite a large amount of personal support at Stage 1, there was still a call for more personal contact or feedback and this continued at Stage 2. ECRMs and RCAT played a big role in the pilot. It is therefore vital that the support and guidance available through other channels is sufficient and clear. There was a move towards the use of online guidance as personal support was reduced, but telephone contact still has an important role to play to help sort out errors..

For software users, their providers have an important role to play, and are seen as useful by employers. Advice by phone and online was most used. Based on limited evidence from Stage 3 (given small sample sizes) it seems likely that less support was offered by providers at this stage, perhaps because of greater use of the off the shelf software. In contrast, BPT users who rely on HMRC alone were hugely positive about the support available to them.

Support use peaked immediately after migration, and this is likely to remain the time of greatest need. A minority felt a need for more support. Aside from more personal feedback as discussed above, there was a call for confirmation of a successful submission to reassure them.

The primary form of support will be HMRC's website. The qualitative studies indicate that while the website does appear to provide sufficient support for employers to operate PAYE under RTI, there may be potential problems for employers understanding some of the basic requirements, such as how RTI differs for PAYE Online, data alignment and when to send an FPS.

7.5. Impact of RTI and implementation: experience compared with expectations

The actual experience of RTI during the pilot helped employers to understand the potential benefits of the changes (for them and their employees), and reduce fears of a downside compared with their initial expectations. Most downsides are likely to relate to short term teething troubles, and ironing these out should help remove negative opinions in the long term. Evidence from Stage 3 suggests that the communication and support at earlier stages helped to make employers more positive about RTI. This highlights the importance of communication with employers to reinforce the positive elements of their own experience, and to be able to see the longer term benefits during implementation.

As had been expected by employers, there was no indication that RTI would change employers' use of a financial agent to help with PAYE, or that the system would have any negative impact on employees. This meant that employers did not necessarily inform their employees about the new system particularly quickly (or sometimes at all). Employers did not think RTI had impacted on employees at all.

Few employers had expected RTI to have an impact on their running costs, and this was borne out by experience. A small minority (5% at Stage 2) did, however, report an increase in costs after the first few submissions.

7.6. Impact of RTI on employer burden

Levels of confidence in the current PAYE system were high among pilot participants before they migrated to RTI. These levels remained equally high under RTI.

The perceived burden of the old PAYE system was fairly low, particularly for BPT users. There was little evidence of any increase in burden under RTI, but a potential for a short term increase in burden at implementation for a minority, as evidenced by software users at Stage 3. There was a decrease in perceived burden even after a couple of submissions for a minority, but for most there was no immediate change, given the requirements of implementation. Since the most burdensome tasks under the previous system (End Of Year return, and P45/P46) will be removed under RTI, the majority anticipate a decreased burden in the longer term. This proportion increased from Stage 1, perhaps as end of year approached, suggesting communication about these benefits would help to cement this belief at full migration. There is little evidence that burden or costs will increase for the majority, but 6% anticipated burden would increase by Stage 2.

7.7. Potential impact on behaviour

There was some evidence of a minor potential impact on behaviour. Problems are anticipated by a minority (12% at Stage 2) in submitting returns before or on the same day as they pay employees. This affects those with more casual labour, particularly those paid on the day. This is an area that crosses a number of sectors.

Employers did not believe they were any more or less likely to pay HMRC in full each month under RTI, but around three in ten pilot employers said they were more likely to report changes to employee circumstances immediately. There was some evidence that employers may report employees under the NIC threshold more often, but evidence that some may be less likely to do so, so the picture here is unclear.

7.8. Overview

At all Stages of the pilot the experience of implementing RTI was less onerous than had been expected in terms of both ease and burden

There will inevitably be some short term implementation issues for employers, but the pilot has given the opportunity to smooth many of these out, and fine tune suitable guidance and support. Even with teething troubles in the pilot, the vast majority of pilot employers anticipated a reduced long term burden under RTI, particularly around end of year tasks. Greater communication of these benefits and of the positive pilot experience will help to reinforce these beliefs in the wider population even if their end of year is not imminent.

Smaller software users seem at risk of problems (particularly using off the peg software) and it will be important to ensure that this group knows how to get sufficient support. In contrast BPT users are likely to find HMRC support helpful, as long as technical problems are sorted out. HMRC offers a range of useful support for employers. This will play an important role for all employers alongside support from software providers and other sources.

There is little evidence of any impacts on payroll costs, the use of an agent, or any downside for employees. There is some confusion over costs from software providers that would benefit from clarification, and a potential fear of additional work for some employers with a weekly payroll, that would benefit from further attention.

The impact on behaviour should, on balance, be positive, with employers giving more timely updates on employee circumstances, facilitating the implementation of Universal Credit. A small minority report that difficulty with reporting on or before paying their employees. A temporary easement now in place for small employers should help in the full.

The over-riding impression of the pilot is of a largely positive experience that should be used to reassure employers in the full migration. It was clearly easier and less of a burden than pilot employers had expected. Even with decreasing levels of support, stage by stage, employer confidence levels remained as high as under the old system.

8. Appendix A

8.1. Quantitative Research

Three stages of research were conducted in line with the pilot structure:

- Stage 1 among the first tranche of employers who volunteered to start using RTI from April/May 2012. The universe for this research consisted of 179 unique employer contacts with usable contact details.
- Stage 2 among the second tranche of employers who volunteered to start using RTI from July 2012. The universe for this research consisted of 755 unique employer contacts with usable contact details.
- Stage 3 among the third tranche of employers who volunteered to start using RTI from November 2012 as part of the soft roll out stage. The universe for this research consisted of 635 unique employer contacts with usable contact details.

8.1.1. Research Waves

There were three waves of quantitative research for Stage 1 and 2 employers:

- Wave 1: Prior to RTI migration to provide a baseline
- Wave 2: After one or two RTI submissions to assess initial experience
- Wave 3: After at least three RTI submissions to assess experience once RTI had time to bed in

Stage 3 involved one wave of quantitative research two to three months after migration.

8.1.2. Sample Design and Response Rate

At all three stages the sample consisted of the individual at each employer who had most involvement with the RTI pilot and with implementing RTI. Financial agents including accountants and payroll bureaus were excluded, unless they were taking part in the RTI pilot in their capacity as an employer.

In Stages 1 and 2 HMRC provided an RTI contact name and telephone number for each sample record. Each record was a PAYE scheme (including pension schemes). In some instances, the contact provided was the same for more than one scheme i.e. they were an external payroll agent or accountant or an employer had more than one PAYE scheme. Wherever possible, the same individuals who were interviewed at Wave 1 were reinterviewed at Wave 2, and those interviewed at Wave 2 were reinterviewed at Wave 3.

In Stage 3 only the employer name and telephone number was supplied by HMRC. Unlike employers at Stages 1 and 2, Stage 3 employers were not aware that the research was taking place, so all valid businesses on the sample were sent a letter shortly before the start of fieldwork to give them advance warning. Each employer contacted before fieldwork had the opportunity to opt out of the research.

The sample size and response rate for each wave of each stage are shown in Table 7.

Table 7. Sample size and response rate

	Wave 1	Wave 2	Wave 3
Stage 1			
No of unique contacts interviewed	153	118	96
Response rate	85%	77%	81%
Stage 2			
No of unique contacts interviewed	627	451	433
Response rate	83%	74%	70%
Stage 3			
No of unique contacts interviewed	316		
Response rate	50%		

8.1.3. Questionnaires

The Wave 1 questionnaire for Stage 1 was developed by HMRC and TNS BMRB to address the research objectives. The Wave 2 questionnaire had some questions in common with Wave 1, but around half of the questions were different because Wave 2 needed to introduce questions about the experience of the pilot. The Wave 3 questionnaire was very similar to the Wave 1 questionnaire.

The three questionnaires were similar for Stage 1 and Stage 2. Minor changes were made in Stage 2 to reflect the evolving nature of the RTI pilot, for example Stage 1 and Stage 2 employers were offered different types of support so the support questions were changed to reflect this.

The Stage 3 questionnaire combined questions from Waves 2 and 3 of the previous stages to examine the experience of dealing with RTI. The support section of the questionnaire was tailored again for Stage 3 employers and additional questions on the characteristics of each employer were added as this data was not available on the sample as it had been in Stages 1 and 2.

The interviewing dates and questionnaire lengths for each wave of research are shown in Table 8.

Table 8. Interviewing dates and questionnaire lengths

	Timing	Average interview length
STAGE 1		
Wave 1	19 Mar 12 – 17 Apr 12	18 min
Wave 2	25 Apr 12 – 08 Aug 12	12 min
Wave 3	23 Jul 12 – 28 Sep 12	13 min
STAGE 2		
Wave 1	2 Jul 12 – 28 Sep 12	17 min
Wave 2	28 Aug 12 – 26 Oct 12	10 min
Wave 3	1 Oct 12 – 14 Dec 12	12 min
STAGE 3	11 Feb 13 – 8 Mar 13	17 min

In all stages employers with more than one PAYE scheme on the RTI pilot, the contact was asked to answer the questions with the answer that fitted best across all the schemes.

All questionnaires are in Appendix B.

8.1.4. Data Collection

The quantitative interviews were carried out with the aid of Computer Assisted Telephone Interviewing (CATI). CATI means that the questionnaire was displayed and responses captured on-screen. The CATI system also automatically calls respondents and alerts an interviewer when the call is answered, which improves efficiency. Interviewing was carried out in the controlled environment of the research agency's dedicated telephone interviewing centres. Rigorous interview quality control procedures prescribed in ISO 20252 were followed, including a supervisor listening into interviews remotely on a systematic basis.

8.1.5. Data Weighting

Employers in all three stages are not representative of the total population of employers due to the fact that they have volunteered to participate in the RTI pilot. No weighting was applied to the data.

8.2. Qualitative Research

8.2.1. Research designs

There were four stages of qualitative research:

1. Stage 1, Wave 2 employers: follow-on qualitative research from the quantitative survey with the aim of providing detailed information from companies participating in the RTI Pilot about how well the pilot was progressing, and to find out their views about the support and advice they had

received from HMRC. The study comprised 15 face to face interviews with a cross-section of companies selected based on sector, size, number of schemes, and initial views about RTI collected at the first quantitative survey. The topics covered included: background to the pilot; emerging issues concerning the RTI pilot; how relationships with employees had been affected, and views about the support and advice they had received;

2. Stage 2, Wave 2 employers: follow-on qualitative research from the quantitative survey to explore employer's customer journeys after one or two FPS submissions. The study comprised 18 face to face interviews with a cross-section of companies based on size, support provided by HMRC and ease of completing FPS (as reported by the survey). The topics covered included: payroll processes and software used; customer journeys; support and advice received; and views about HMRC's RTI guidance web pages;
3. Stage 2, Wave 2 employers: follow-on qualitative research from the quantitative survey to explore the experiences of RTI employers that indicated in the survey that they had problems in using HMRC's RTI guidance web pages, in terms of whether these employers could locate web pages relevant to their enquiry or information required, accessibility, and usability. Employers were given a series of web-based tasks to find and evaluate specific web pages. Once found they were asked to evaluate them in terms of navigation, language and whether it provided sufficient information to answer their enquiry/ understand what they had to do. The research comprised 18 face to face interviews with individuals that indicated in the survey that they did not have enough support and of those who used the web guidance said it did not provide sufficient information. All the employers used payroll software: 6 BPT users, 12 commercial software users.
4. Employers not yet operating under RTI. The research was designed to determine whether employers that were not operating under RTI and were unlikely to have prepared for RTI understood from a selection of RTI web pages what they had to do in order to operate their payroll under RTI. The study comprised 12 face to face interviews with employers of whom 4 were BPT users, 6 were commercial software users 2 used a paper-based payroll. Employers were given a series of web tasks to undertake evaluating specific web pages in terms of navigation, language and whether it provided sufficient information to answer their enquiry/ understand what they had to do.

The interview dates and interview lengths are shown in Table 20, below.

	Number of interviews	Interview length	Point in RTI pilot	Timing
STAGE 1 Wave 2	15	All interviews were conducted face to face and lasted 60 minutes	After one or two submissions - experiences	June 2012
STAGE 2 Wave 2	18	All interviews were conducted face to face and lasted 60 minutes	After one or two submissions - experiences	September 2012
Wave 2	18		After one or two submissions – RTI guidance web testing	December 2012
STAGE 3	12		Not yet operating under RTI – RTI guidance web testing	January 2013

8.2.2. Recruitment and fieldwork

The first three waves of qualitative research were conducted with employers taking part in the survey. At the end of the survey, employers were asked if they would be willing to participate in a further piece of work. Only those agreeing were subsequently contacted for the qualitative research. Employers participating in the fourth wave of research were recruited using 'free-find' methods, using databases such as Yellow Pages as a sample source.

The interviewee was recruited on the basis of having had direct experience of implementing RTI into the business (waves 1 – 3), or would be responsible for doing so (wave 4). In companies with less than ten employees this tended to be the owner / MD; in larger companies it tended to be a payroll manager or finance director.

All the interviews were structured using topic guides (see Appendix). Wave 1 and 2 interviews used a process-mapping exercise to ascertain precisely how RTI was implemented and how it differed from their pre-RTI payroll process. Waves 3 and 4 required the interviewee to have internet access and were asked to find and evaluate a series of web pages whilst being interviewed.

All the interviews were digitally recorded with encryption occurring at the point of recording.

8.2.3. Qualitative analysis

We used a content / matrix analysis approach to analysing the data. Content analysis is the traditional method of qualitative analysis, involving discussion between researchers, review of transcripts and intuitive identification of themes and connections in the findings. It is an ideal method for producing insightful outputs, as it draws on the experience of researchers, and the thoughts and hypotheses that occur to them during fieldwork as well as those that emerge during the formal analysis stage. Findings and insights were then ordered using a framework approach, known as 'Matrix Mapping', which provides analytical rigour and transparency without losing the benefits of intuition and creative thinking.