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Measuring customer experience: Customers find HMRC straightforward to deal with

HM Revenue and Customs

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Background

For the 2010 spending review period (SR10), HMRC set out Strategic Objective 2 (SO2) to 'improve the customer experience and the UK business environment by reducing the costs on customers and making our products and processes more simple and straightforward'. The headline customer experience measure for SO2 is 'customers find us straightforward to deal with'.

The SR10 HMRC Customer Survey was redesigned to take account of the change in headline measure from the 2007 spending review period (SR07), to make improvements to the coverage of each customer group and to broaden the scope of the survey. A development project¹ was commissioned to review the previous SR07 survey and to make recommendations for improvement.

This working paper explains how customer experience is measured using information from the HMRC Customer Survey for SR10.

HMRC Customer Groups

The customer experience measure is derived from the HMRC Customer Survey which tracks perceptions of customer experience quarterly by telephone surveys across four customer groups: Personal Tax, Benefits and Credits, Small and Medium sized Enterprises (SME Businesses) and Financial Agents. With the exception of large businesses, who are surveyed separately, these represent HMRC's main customer groups.

Individuals – Personal Tax and Benefits and Credits

All UK residents above the age of 16 are eligible for the HMRC Customer Survey of Individuals. The SR10 development project's survey review recommended making changes to the sampling method for individuals. The sample review recommended that we move from Equal Probability of Selection (EPSEM) to list-assisted Random Digit Dialling (RDD) in order to reduce costs and improve efficiency.

¹ The full report is published here: <http://www.hmrc.gov.uk/research/report153.pdf>

The EPSEM method involved sampling from all 10,000 number blocks that are assigned for residential allocation. The new list-assisted RDD method involves sampling from all 100 number blocks that have at least one 'known' residential number ('known' means in the telephone directory or in other large databases of individuals).

More than 98% of interviews completed between December 2009 and September 2010 from the SR07 Customer Survey were via numbers that could have been sampled via the more efficient method. This means that the new method has a 2% non-coverage rate for residential landlines; however, the development project estimated that this is too small to introduce detectable bias to the survey estimates.

Moving to the more efficient method means we now sample 18% of the volume of numbers we sampled under the previous method. This saves money and field time as there are fewer numbers to screen out.

Households that do not have a landline phone are currently excluded from the survey (approximately 15% of households in 2011, up from 13% in 2009²). Exclusion of these households could potentially introduce some selection bias as people in households without a landline phone tend to be younger, within socio-economic groups DE³ and have lower than average annual income.

The sample review for the SR10 survey estimated the possible impact of non-coverage bias of only sampling individuals via landline numbers. They did this by comparing the responses of customers with a similar socio-demographic profile to people who are mobile-only (based on analysis of the British Crime Survey who include mobile-only respondents) to customers without this profile using data from the SR07 Customer Survey. It found no significant difference to any of the 14 key scores for recent experience; the maximum difference was 0.2 percentage points and the most frequently observed difference was zero. This indicated that the possible extent of any bias for most topline measures due to non-coverage of households without a residential landline would be limited.

The addition of the Tax Credits sample boost, which contains some mobile contact details, mitigates this non-coverage to some extent. But this only applies to one group of customers, Benefits and Credits customers who have dealt with us on a Tax Credit issue.

² OfCom Communications Tracking Survey Q1, 2011 and OfCom Communications Tracking Survey Q2, 2009

³ Social grades D and E are defined by the National Readership Survey as containing semi-skilled and unskilled manual workers (grade D), as well as State pensioners, casual and lowest grade workers, unemployed with state benefits only (grade E). See the National Readership Survey website: <http://www.nrs.co.uk/lifestyle.html>

The survey review recommended continuing with the current sample as the limited impact on the headline measure is outweighed by the potential cost of a mobile-phone Random Digit Dialed sample. It also recommended conducting research into likely non-coverage bias at survey intervals (e.g. once for each Spending Review period) to ensure that the decision with regard to the inclusion/exclusion of mobile-only individuals is based on up-to-date evidence.

Previously both Personal Tax and Benefits and Credits customers were grouped together and reported as the Individuals customer group. For this spending review period we wanted to be able to analyse and report on Benefits and Credits customers separately. Because there are fewer Benefits and Credits than Personal Tax customers; the sample review recommended using a booster sample. For the first two waves of the SR10 survey we used an RDD sample for this boost however, it was difficult to recruit sufficient numbers of Benefits and Credits customers with a recent dealing on these products in Quarter 3 (fieldwork in November to December). Therefore from the third wave we have used the Tax Credits customer database as the sampling frame for this boost to improve sample efficiency.

SME Businesses

The SME Business Survey covers all organisations or self-employed individuals or partnerships that pay income tax or are VAT registered or pay corporation tax or use PAYE. The SR07 survey used 2 sample sources: the Inter-Departmental Business Register (IDBR), held by the Office for National Statistics, and HMRC's database compiled from returned Self Assessment (SA) forms (where at least 50% of income came from self-employment). The IDBR is a list of 2.1 million UK businesses, covering 99% of economic activity in the UK. The list includes all businesses with declared revenue above the VAT threshold and any others operating a PAYE scheme. The SA database covers a further 2.4 million businesses trading below the VAT Threshold and not included on the IDBR. These businesses are very small: mostly self-employed individuals and small partnerships.

IDBR provided our sample of larger businesses that operate PAYE schemes and/or trade over the VAT threshold and the SA sample enabled us to include self-employed customers who run smaller businesses. However, for the SA sample there is a time lag of up to 15 months between establishing a new business, completing an SA return and then the data being available to sample from. This means that the survey was missing the newest and potentially smallest businesses.

The only source we have identified that comprehensively covers the self-employed (whether sole traders or members of a partnership) is the National Insurance & PAYE System (NPS) which records Class 2 NI liabilities as soon as an individual informs

HMRC that he/she is self-employed. This sample enables us to include newer businesses who are not yet covered by SA. Because the date of registering as self-employed is available, the NPS sample is drawn only from those registering after the tax year for which SA returns data is available. This enables us to supplement the SA sample with a sample from the NPS for the SR10 survey.

Currently, there are 4.25 million individuals with Class 2 NI liabilities but HMRC staff consider that about 0.8 million are no longer self-employed, despite the lack of confirmation from the individual. Consequently, any sample drawn from the NPS includes around 20% 'deadwood' although some of these are screened out before the sample is drawn (e.g. those who have not paid any contributions, those who may have claimed a Small Earnings Exemption, those with an address recorded as "Dead Letter Office" etc.)

The results from the new SR10 survey provide some evidence that our improved sample frame is picking up more newer and smaller businesses. In Quarter 3 2011/12, under the new approach using NPS in addition to SA and IDBR; 8% of our sample of SME businesses with recent dealings with HMRC had been trading for fewer than 2 years compared with 5% for the whole of year 2010/11. This increase can be attributed to the change in the sampling - more than half (54%) of the NPS sample in Quarter 3 said they had been trading for fewer than 2 years.

The NPS, SA and IDBR samples are estimated to cover nearly all UK SMEs, however incorporated businesses (companies) with no employees and turnover below the VAT registration threshold are not included in any of these lists. This is likely to be a minimal gap as it is limited to companies dealing only with Company Tax (as those dealing with SA, VAT and PAYE would be covered by the other sample frames).

The current SA sample frame recruits SMEs for whom 50% or more of their income comes from self-employment. This definition was used to ensure that these respondents were likely to have had a recent dealing, and to ensure coverage of business taxes and service (as it may be difficult for people running hobby businesses to separate their business and personal tax dealings).

The IDBR sample now includes businesses classified under the agricultural SIC codes so these SMEs are now part of our sample for SR10.

Agents

In the previous spending review survey; the Agents sample was drawn entirely from the IDBR and based on Standard Industrial Classification (SIC) codes: 69201

(Accounting and Auditing), 69202 (Bookkeeping activities) or 69203 (Tax consultancy). This meant that any Agent that was not VAT registered (or with a PAYE scheme) was excluded from the sample. The sample review couldn't estimate how many were missing but the proliferation of very small Agents (the vast majority have fewer than 5 employees) suggested that it could be a substantial number. The National Insurance & PAYE database (NPS) would not work as an alternative source for very small businesses (in line with the SME sample) as the list does not contain industry sector details.

However, the SA returns database contains an industry sector code for 83% of sole traders. These codes are not the same as SIC codes but we estimate that these sector codes cover the vast majority of tax agents: 6201: Accountants (Chartered or Incorporated) and 6615: Auditors, book keepers, financial advisors and accountants (not Chartered or Incorporated).

We therefore changed the Agents sample for SR10 and now combine the IDBR sample with an SA sample of individuals in sector codes 6201 and 6615 whose revenue is below the VAT threshold. In line with the previous Agents sample, a qualifying minimum level of income (50 %+) should come from self-employment, whether through sole trading or a partnership.

We still have a problem of timeliness as any Agent that started trading after the end of the last tax year for which SA returns are available will be omitted from the sample. However, early results from the first two waves detect an increase in the numbers of self employed agents that are smaller in terms of employees, number of clients and turnover and therefore suggests an improvement in coverage from the previous approach.

The IDBR sample now includes businesses classified under the agricultural SIC codes so these Agents are now part of our sample for SR10.

Measure Design

Straightforward

The customer experience measure for the 2010 spending review period is 'customers find us straightforward to deal with'.

The Straightforward customer experience measure is a composite score made up of 12 separate survey results – the results for the experience dimensions listed below for each of the four customer group surveys (Personal Tax, Benefits and Credits, SME businesses, and Agents). Customers are asked to identify which HMRC tax(es)

or benefit(s) they have dealt with and then to rate their experience of one dealing with HMRC (selected at random if they have had more than one) for each of the dimensions on a five-point scale (i.e. Very Easy to Very Difficult, or Very Good to Very Poor).

	Personal Tax	Benefits and Credits	SME	Agents
How easy was it to understand what you had to do?	√	√	√	-
How easy was it to complete the processes?	√	√	√	√
How easy was it to get in touch ?	√	√	√	√
How good were HMRC at getting things right ?	-	-	-	√

The measure is produced by combining the survey results for the percentage of respondents with a positive perception of each customer group's three experience dimensions to produce a score for each customer group based upon a simple average. Applying equal weights to all dimensions ensures that the measure is simple and transparent. The four customer group scores are combined with equal weighting to provide a single overall score for the straightforward customer experience measure. The score will be a rolling annual measure combining four quarterly measures that report in October, January, April and July.

Each of the four dimensions was chosen because of their association with delivering a straightforward experience of dealing with the tax system. The subset for Agents is slightly different because we know from experience that 'ease of understanding' is not something that HMRC has the same ability to influence, since Agents feel their job is to understand what they have to do. During the previous 2007 Spending Review period this dimension consistently scored very highly for Agents, so we decided that 'getting things right' would be a better dimension since it aligns more closely with priorities for Agents and is something which HMRC can influence.

Reporting the Straightforward score

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

	Performance (Q4 10/11-Q3 11/12)			
	Personal Tax	Benefits and Credits	SME	Agents
Customer Experience Score				
Customer Group Score	70.3	75.2	79.5	65.4
Overall Straightforward Score	72.6			

Sample Sizes

The headline measure from the previous SR07 survey used data from two quarters rolled together. This meant that a change of 3 points in the score at customer group and overall level would be statistically significant. We have reduced quarterly sample sizes for the SR10 survey, so the headline measure now uses 4 quarters rolled together (a rolling annual measure) to get the same level of accuracy.

Comparing scores between the SR07 and SR10 survey periods

The department's long-term ambition to stabilise and improve customer experience means that we need the ability to compare scores across the old and new survey periods.

The initial results for the SR10 survey period are not directly comparable with the previous survey because the sample now includes groups who were not previously sampled e.g. newer and smaller SME businesses and Tax Agents. To enable comparisons between the old and new scores we have calculated the likely difference in scores caused by changes to the sample.

No changes were made to survey coverage for Personal Tax so the 2007 scores remain the same. The only change to the Benefits and Credits sample is the possible inclusion of some mobile-only customers. The SR10 development report suggested the likely impact would be minimal. As the addition of the Tax Credits sample was made after 2 waves we will not be able to fully estimate any effect until we at least 2 quarters of data using this sample frame. We therefore have not recalculated the scores for Benefits and Credits customers at this stage.

The process

This process involves three stages.

The first stage involves calculating what the SR10 survey scores would be if we had continued using the previous sample methodology. This is done by calculating a continuity weight to match the old survey sample structure.

- For Tax Agents this means weighting the IDBR sample to exclude agriculture and excluding the SA sample.
- For SME businesses this is more complex and involves weighting the SA and NPS SME samples to approximate the previous SA sample and excluding businesses under 2 years old and those above the VAT threshold. It also involves weighting the IDBR sample excluding agriculture.

The next step is to produce a second weight based on the new sample design (accounting for the inclusion of newer businesses, and agriculture, and to account for any non-response bias) and comparing the results of the different weights for all the measures being tracked across time.

The final step is to calculate the 'odds ratio' between both weights in order to estimate an adjustment factor for each dimension in the measure. This is the amount by which each dimension score differs due to the change in sample. We use these factors to adjust the SR07 survey scores and create a best estimate score for each service dimension. The maximum adjustment factor was 0.21% and the minimum was 0.11%. The adjusted SR07 scores now take into account the likely impact of the sample changes and can be compared to the SR10 survey scores.

Issues

The adjusted SR07 scores are based on estimates and therefore are indicative. The current adjustment calculations are based on only two quarters of data (Q2 and Q3 2011/12). This means that they are based on relatively small sample sizes and may be subject to seasonal variation in scores. We will repeat this process with four quarters of data to assess if there are statistically significant differences between the adjustment factors. This will improve our confidence in the estimated scores for the SR07 survey period.