



Communicating via employer and pension providers

Presentation of Qualitative Research

March 2008



Background to the research

- HMRC has identified what the new employee and new pensioner audiences need to know about tax and National Insurance and is now preparing targeted communication materials which will include basic messages to address the knowledge gap. The communication materials will:
 - Help customers navigate tax and NI issues more effectively
 - Improve understanding of customers' new tax situations
 - Reduce low value calls to call centres
 - Save costs
 - And improve the relationship between HMRC and its customers

Research Objectives

- To gain insight into **what information new employees/those starting new/additional jobs need to improve their understanding of the tax code system** to ensure that the correct tax code is applied to them
- To gain insight into **pensioners' understanding of taxation of pensions** and what codes/rates should apply to them
- To determine where the **knowledge gaps** lie within the target audience
- To understand the best method **to devise leaflets to communicate the appropriate information to the target audiences**

Method and sample

- **4 mini groups (6 respondents, 1.5 hours duration) and 12 depth interviews (1 hour duration) with new pensioners**
 - 1 mini group and 4 depth interviews with those who had received their occupational pension within the past 3 months
 - 4 depth interviews with respondents receiving a State Pension and an occupational pension within the past 2 years
 - 1 mini group and 4 depth interviews with those who had received their occupational pension for up to a year who are also employed

Method and sample (2)

- **4 mini groups (6 respondents, 1.5 hours duration) and 12 depth interviews (1 hour duration) with new employees**
 - 1 mini group and 4 depth interviews with employees who had started a new job within the past 3-6 months
 - 1 mini group and 4 depth interviews with employees who also have an additional source of taxable income or benefit
 - 4 depth interviews with employees who have accommodation provided by their employers as a taxable benefit

Method and sample (3)

- The research was conducted during w/c 3rd March 2008 in:
 - Sutton Coldfield
 - Oldham
 - London
 - Harlow
 - St Albans
 - Chorley Wood



Overview



Overview

- **A clearly positive research outcome:** the draft information succeeded in educating customers, who willingly admitted that they now understood more about tax and NI than they had prior to reading the leaflet
- **Providing information was not only about informing the audience, but also encouraged them to take responsibility for tax and NI.** The message urging customers to read the information is important since customers need to realise that it is in their interests to check that their details are correct
- The resource improved customers' understanding of tax and NI issues and is therefore **likely to alert them to potential problems, ask for help more readily and navigate tax and NI issues more effectively in future**
- The style of the resources changed perceptions of HMRC. **Customers are more likely to make contact with an organisation they now perceive as more 'approachable' than before**

Overview (2)

- **Typically, customers were not proactively seeking out information about tax and NI.** Therefore it is important that the resource is appealing and accessible in order to encourage customers to read it and *discover* just how much they need to know about tax and NI
- **That said, it is equally important that the resource has gravitas.** This is important information from an official source and respondents need to be encouraged to keep the information for future reference (to reduce low value calls to call centres in future)



New pensioners



New pensioners – sample comments

- **Pension providers included some big names - but the *pension provider relationship* was with respondents' employers**
 - The transition from being paid one's wages and being paid one's pension via PAYE was experienced as seamless (for all but one respondent who was put on an emergency tax code)
 - There was a very high level of reliance on employers and HMRC to ensure that tax and NI contributions were accurate: *“My employer's always dealt with my tax for me.”* *“We have the mentality of being in work so we don't think that NI will be a problem or what our allowance will be.”*

New pensioners – knowledge gaps

- **Although basic knowledge was good, very few had a more sophisticated understanding about tax on pensions**
 - All were aware that both their state and occupational pensions were taxed: *“It’s general knowledge really.”*
 - And most had a fair understanding of what tax codes and NIC’s are, as well as what would happen if their tax code was incorrect
- **However, a more detailed understanding of how tax is calculated was lacking. For example, details about personal allowances and rates of tax was sketchy**
 - A minority – all of whom had been employed by large firms – had much better knowledge. This had been established via face-to-face meetings designed to prepare employees for retirement

New pensioners – information needs

- **Initially, new pensioners had few questions about tax on pensions which they had *assumed* was a fairly straightforward process**
 - There were a few concerns about what age one could stop paying NI contributions
 - Those continuing in employment also had questions about how their income would affect their occupational and State Pensions in the future
- **On further prompting it became clear that few were aware of basic information including:**
 - The role of one's tax code - and how this is calculated
 - What deductions were made from pensions - and how this is calculated

New pensioners – information needs (2)

- **On reflection, respondents agreed that information about tax codes, tax thresholds and NI would be useful when one starts to receive one's pension**
- When they first started to receive their pensions, customers wanted to know the basics:
 - whether they were on the right tax code
 - and therefore how much tax they were paying on their pension
- **Respondents seemed eager for knowledge about tax on pensions because they wanted their financial affairs to be correct, simple and easy**

New pensioners – checking one's details

- **A majority claimed that they had checked their tax code and what tax they would be paying when they had first started to receive their pension**
 - However, the accuracy of this check is questionable
 - A lack of specific knowledge about tax on pensions meant that new pensioners were unlikely to be able to check their pension payslip accurately. As one respondent put it, most are simply *“looking out for something surprising”*
- **Overall, there was an element of confusion about the process of setting up tax and NI details on both State and occupational pensions which needs to be addressed if new pensioners are to conduct reliable checks**

New pensioners – sources of information

- **Typically, respondents asked their employers any questions they had about their tax and their pensions**
 - Employers were perceived to be an accessible and reliable source of information about pensions
 - Friends already receiving pensions were also cited as a good source of information
- **Although respondents felt that their employer was a natural and logical source of pension information, information direct from HMRC and/or DWP was also considered appropriate**



What you really need to know about
... your new pension



New pensioners – initial reactions

- **There was an extremely positive response to the idea of being provided with information about tax on pensions and NI**
 - Overall, it was widely agreed that this resource would have been very useful when respondents had first received their pensions
 - In particular, the *‘What will happen next?’* section was considered a very good way of helping people to understand the process and putting them at their ease
- **Pensioners wanted as much time as possible to come to grips with this information - even up to one year before they are due to start receiving their occupational and/or State Pension**

New pensioners - reactions to layout

- **The clarity of the layout was a key strength. Respondents felt that they could easily see *exactly* what they needed to know**
 - Q&A format presents information logically, step-by-step
 - Use of examples aided interpretation and comprehension
 - Separation of details in side bar works well
- The amount of information was also considered appropriate - informative, but not overwhelming
- **The style of presentation was also applauded: for this audience, plain and simple was the preferred approach**

New pensioners - reactions to language and tone

- **The language and tone was also spontaneously commended:**
 - The language was easy to read and jargon-free, spontaneously described as 'Plain English'
 - The tone was also felt to be pitched appropriately: *"It's speaking to us at our level."*
 - HMRC presents itself as approachable, offering help and support
- **Ultimately, the information was considered helpful – and very different to the HMRC forms with which many were familiar!**

New pensioners - reactions to content

- **Respondents were interested to read about:**
 - Income tax rates
 - How tax codes are worked out
 - Information about personal allowances, including
 - That your basic personal allowances can be reduced
 - Clarification about being aged 65 or over entitles you to increased personal allowances
 - Married Couples Allowance details
 - That you could see an adviser for help about tax and NI issues

New pensioners – suggested improvements

- **Information about age related allowances being subject to income limits was more difficult to understand.** Respondents suggested clearer references to ages and presenting the information in a chart
- Wherever possible, **examples were considered useful in clarifying points**
- **Respondents rejected the idea of looking up HMRC details in The Phone Book, as well as an 0800 number.** They wanted more specific signposts towards help and support. A signpost to more general information about pensions (DWP for example) would also be well received

New pensioners – suggested improvements (2)

- **More explicit references to the following issues would be welcome:**
Why State and private pensions are taxed differently? What happens to tax on multiple pensions?
- **Better spacing was also recommended.** Respondents felt that more white space between sections would aid usability, as well as prominent headings
- **More accurately the title of the leaflet should be “*What you really need to know about ... tax on your new pension*”.** The current title encouraged some to ask more general questions about pensions which lie outside of the scope of this leaflet

New pensioners – information channels

- **There was a preference for receiving this information directly through the post**
 - Firstly so that it would not be missed
 - But also because, for this age group, post was also perceived as an appropriately ‘official’ channel: *“It’s an important time of your life. It just seems more appropriate to receive this information officially, as it were, in a letter.”*
- **New pensioners were open to receiving this sort of information via their pension provider, particularly for those with an established channel of communication with their employer regarding pensions**

New pensioners – information formats

- **Pensioners strongly preferred a paper (as opposed to an electronic) version of the information**
 - They were most comfortable with reading the information on paper and wanted to be able to refer back to it, once filed
- **There was little enthusiasm for electronic information (either via an email or via a website)**
 - Only a small minority were comfortable with using either email or the web – and even these few had concerns about security

New pensioners – information formats (2)

- **Pensioners prioritised: A5, as few pages as possible and large font**
 - Formats smaller than A5 were strongly disliked as ‘gimmicky’ and inappropriate for important information from an official source such as HMRC
 - By contrast, an A4 format was considered off-putting, giving the impression of providing too much complex information
- **For this audience, the format must be familiar and have gravitas, avoiding anything ‘throwaway’ or ‘fiddly’**
 - Respondents expected HMRC to produce a resource that looked classic and official, for example the classic blue or green HMRC leaflet

New employees - conclusions

- Overall, the information was very well received and addressed most of the questions respondents asked about their pensions
- More generally, it also gave new pensioners confidence that they understood about how their pensions were taxed
- The language and layout were consistently identified as particular strengths
- In future, the customers expressed a strong preference for a plain, simple format that does not compromise the current clarity of the information



New employees



New employees – sample comments

- **As a group, employees were laissez-faire about their tax and NI details – much more so than new pensioners**
 - Similarly to new pensioners, all relied on their employers to ensure that their tax and NI details were correct: *“I suppose I just thought they would sort it out. But if I ended up paying thousands too much that would be a cause for concern wouldn’t it?”*
 - Many amongst this sample clearly felt that tax and NI was more their employers’ responsibility than their own: *“I have no idea how they work it out. I’ve just got to trust them. I just take off 23%.” “I know nothing about it. I always believe the boss will do right by me.”*
 - A minority reported having experience of emergency tax, but again, had relied on their employer to ‘sort things out’

New employees – knowledge gaps

- **Basic levels of knowledge about tax and NI were lower amongst new employees than new pensioners**
 - It rapidly became apparent that new employees actually knew very little indeed about tax and NI: *“I have no other excuse but ignorance. It’s bad, but I just don’t know or worry that not knowing is bad for me.”*
 - This group did not know what they needed to know – but, once presented with the information, were motivated to find out!
 - The appetite for information grew as the interview progressed: *“I’m going to read up on this because I now realise how little I know about my tax.”*
“I’m pretty ignorant about this.”
- **The idea that one could be paying an incorrect amount of tax and NI had not been considered before**

New employees – information needs

- **When they first started their jobs, new employees had very basic questions such as:**
 - What is my tax code – and how is this calculated? *“How you get to that tax code I have no idea.”*
 - What is deducted – and how is this calculated?
 - What are tax bands? *“Are there different tax codes for married people?”*
 - How does NI work? What are NI contribution levels?
 - What about second jobs? (Do I have to pay NI? Do I have to pay emergency tax?)

New employees – checking one's details

- **Although some had checked their payslips, equally, others had not**
 - Once again, the quality of this check was highly questionable: *“If your wages went down then you’d question it but I’ve never had any problems so I just go along with things.”*
- **A majority had a straightforward transition to their new employer via a P45. A small minority needed to complete a P46**
 - Handing over a P45 was assumed to suffice: *“Isn’t all the information they need on your P45? I suppose things might go wrong if you fill in a P46 wrong, but not with a P45.”*

New employees – sources of information

- **Employees' main source of information was their employers (accounts departments or managers)**
 - However, even the minority who had questions had not asked them:
 - Starting a new job is a very busy time
 - Some were hesitant to ask their employers questions about tax and NI
 - A minority had friends or relations who were knowledgeable about finance and used these individuals as sources of information
- **When starting employment employees needed to be encouraged to ask questions, since tax and NI issues were not top-of-mind**



What you really need to know about
... tax and National Insurance



New employees – initial reactions

- **New employees were very positive about being provided with more information about tax and NI**
 - Initially, some did not think they had any questions, but having read the information agreed that there was a benefit in knowing more
 - Starting a new job was considered a very relevant time to provide employees with this information
 - Some respondents were surprised by what they read! *“40% is shocking!”*

New employees - reactions to language and tone

- **Once again, language and tone was very well received:**
 - Respondents felt that this was ‘an easy read’ – comprehensible and informative: *“I don’t think it could be made any simpler really. It’s everything you need to know.”*
 - The tone was described as ‘friendly’ - which was not considered typical of HMRC - but made the information approachable: *“It makes me want to listen.”*
- **The language and tone successfully encouraged more reluctant customers to engage with the information**

New employees - reactions to content

- **Respondents were interested to read basic information about tax and NI of which they had not been previously aware including:**
 - What is PAYE?
 - NI contributions
 - What tax codes are and tax thresholds
 - Tax free allowances
 - How new employees tax is organised (emergency tax and P45)
 - Tax and NI on second jobs
 - Refunds

New employees - reactions to content (2)

- **Those with accommodation provided as a taxable benefit were encouraged to reflect on their situation as a result of reading the leaflet:**
 - In particular, one respondent was going to look into how much tax she was paying on her accommodation because living there was a convenience rather than a necessity (she already had a family home)
 - Another respondent realised that the accommodation was a taxable benefit from HMRC's point-of-view – he had hitherto only thought that it affected the relationship between him and his employer

New employees – suggested improvements

- **The resource lacks a further support/information contact number for tax** (although there is a number for NI issues)
- **There was some confusion about the National Insurance rates information** specifically the part which says that you have to pay 1% on earnings over £670 a week
- **There was irritation with abbreviations**, for example NINO – even when explained in a previous paragraph
- **There was a lack of clarity regarding the transfer of some or all of your tax free allowance** if working more than one job. More explanation would be appreciated

New employees – suggested improvements (2)

- **The new employees leaflet is longer than the new pensioners' leaflet. Layout will be an important factor in ensuring that interest levels do not flag**
- The Q&A format was successful in delivering the information in a straightforward manner which respondents found easy to scan
- The side bars were also a useful way of isolating interesting information away from the text
- **Respondents suggested different coloured sections (for example for tax, NI and the side bars), as well as clear section headings**

New employees – information channels

- **Employees felt that it would be appropriate to receive this information via their employers with their payslip**
 - Since employers were their main source of information about tax and NI employees felt that this channel was relevant, appropriate and practical
 - Including the information with their first payslip was considered likely to engage their attention
- **However, similarly to new pensioners, new employees were also open to receiving this information direct from HMRC**

New employees – information formats

- **Compared to the pensioner audience there was more interest in receiving tax and NI information via email**
 - Working respondents were more likely to be using email on a daily basis, and younger respondents were typically web literate
- **However, respondents felt that a paper copy would have more impact and that emails may be more easily overlooked**

New employees – information formats (2)

- **New employees also favoured an A5 format above larger A4 or very much smaller (for example credit card sized) formats**
 - For this audience, the yellow ‘Are you thinking of working for yourself?’ leaflet from HMRC particularly appealed: *“The yellow one doesn’t look scary. It’s the right size and sets the right tone.”*
 - However, slightly smaller formats were also well received. One appealing example was a resource 6 x 4 inches – slightly bigger than a £20 note
 - Very small, fiddly formats were disliked and were not considered appropriate for HMRC: *“That folded one is completely useless. It wouldn’t fold back and it would be tiring to hold that up. You’d need to put it on a table to read it.”*
- **Overall, the resource needs to look approachable - but professional**

New employees – conclusions

- Overall, the draft information was considered very useful for new employees who were surprised to realise how little they knew
- Capturing this audience when they first start their new jobs effectively increases the relevance of the information
- The information not only informed respondents about specific aspects of the process of starting a new job, it also raised awareness of the importance of checking tax and NI details
- It is important that the resource engages and maintains attention. Consider a stylish, modern format which maintains a professional tone