Research report

Quantifying Employers

Research conducted to understand the employer's opinions of HMRC products and services

Business Customer Unit

Her Majesty's Revenue and Customs Research Report Number 124

Quantifying Employers

About the Business Customer Unit (BCU)

Business Customer Unit (BCU) is part of Business Tax responsible for ensuring businesses pay the right amount of tax whilst improving our customer's experience and the overall UK business environment.

The BCU role is to help colleagues make customer focus a reality by understanding our Business Customer needs better and using that understanding to design better products, processes and service delivery.

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Research requirement (background to the project)

This research was undertaken in order to inform strategy, fill knowledge gaps and ultimately to conduct a segmentation of the employer community.

Following a thorough assessment of data held on the employer community, HMRC wished to enhance its understanding of employers, through a combination of both qualitative and quantitative research, to improve the customer experience.

The aim of this programme of research was to improve service delivery to customers by understanding whether services and products are fit for purpose, how they may be delivered more effectively as well as the identification of possible new areas for HMRC to explore and/or develop new services.

Who did the work (research agency)

GfK NOP conducted the research for this project.

When the research took place

Interviews for this study were conducted between February and March 2009.

Method, Data and Tools used, Sample

Both qualitative and quantitative research methods were used for this project.

The **qualitative** stage of the research comprised of both focus group discussions as well as depth interviews. In total, eight focus groups were conducted and 15 depth interviews across a range of different industry sectors and business size. Interviews were conducted with those individuals responsible for running the organisation's PAYE and National Insurance schemes and who had contacted HMRC in the last six months. Interviews were conducted in the South East, the Midlands and North England.

Within the qualitative research, employers using agents for all aspects of payroll and wages were *excluded*. However, for the quantitative research, all employers were included whether they used an agent or not.

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Interviews for the ***quantitative*** stage were conducted by telephone using CATI (Computer Assisted Telephone Interviewing) amongst employers. As in the qualitative research, respondents interviewed for the quantitative stage were those responsible for running the organisation's PAYE and National Insurance schemes.

The sample for the study was drawn from the Experian Business database using a stratified random sampling methodology based on employee size and SIC (Standard Industrial Classification) code. The number of large employers (250+ employees) was boosted in order to achieve a robust sample size amongst these businesses.
A total of 1,502 interviews were conducted, as follows:

Employee size	Number of interviews
1-4 employees	850
5-9 employees	200
10-49 employees	151
50-249 employees	150
250+ employees	151
Total	**1502**

The data was weighted to be representative of the UK population of employers based on SIC code and employee size.
Cluster analysis was conducted on the resulting data to identify different business segments which could be used to inform future strategy on communications and product/service requirements.

Main Findings

The main findings from the research are detailed below:

Interactions with HMRC
Just under half of employers (45 per cent) had not initiated any type of contact with HMRC in the last 12 months and of those who had, this was predominantly by telephone. Half of employers (51 per cent) had contacted HMRC by telephone in the last year, seven per cent had written and five per cent had used an online query form.

The experience employers have when contacting HMRC by telephone is generally very positive. Just under half of employers (46 per cent), who had telephoned HMRC, claimed to be 'very satisfied' with the experience. There are a few frustrations amongst employers when interacting with HMRC as found in both the qualitative and quantitative research and these tended to be concerned with knowledge, consistency of message and speed of response.

New Employers

The research found that many New Employers rely on Agents to conduct tasks related to PAYE and had used them to help them initially set up as an employer. Approximately two-fifths (38 per cent) of New Employers had not used any HMRC support service when they initially set up as an employer, but of those who did, the HMRC website and the New Employer Pack were being used to the greatest extent.

The qualitative research found that New Employers with little experience of payroll, find the process daunting, but the key concern is getting things right. As such, New Employers rely heavily on agents to set up PAYE processes and maintain them in the initial years.

PAYE Tasks

In general, PAYE tasks are considered easy to conduct by employers, but there are some differences in terms of level of ease. The PAYE tasks found the least easy to conduct are submitting and validating P11Ds (17 per cent found this task difficult) and general enquiries (seven per cent found this task difficult). Submitting and validating End of Year Returns was considered an easy task for 81 per cent of employers, but they were less likely to say this task was 'very easy' compared with other PAYE tasks such as making and recording PAYE deductions.

The qualitative research also found that the P11D was a key element of frustration amongst employers. Smaller businesses in particular found the form over-complex for what they were completing, whilst larger businesses found there to be a lack of knowledge amongst Helpline advisers regarding this particular form.

HMRC Support Products and Services

In general, HMRC support products and services achieve very high ratings in terms of effectiveness amongst employers. Over 90 per cent of employers rated the Employer CD-ROM, HMRC website, Employer Helpline and online query service as being 'very' or 'fairly effective'. Usage of HMRC support products and services is higher amongst larger businesses compared with smaller businesses.

The Employer CD-ROM is a key support product for many businesses, particularly those not using payroll software or an Agent and was mentioned to the greatest extent as being used for any PAYE tasks (32 per cent). The HMRC website is playing an increasingly significant role for employers, having the second highest usage for PAYE tasks (28 per cent), and the Employer Helplines are rated the most positively in terms of effectiveness amongst users (93 per cent rated them as 'very or fairly' effective).

The qualitative research revealed that smaller businesses and less experienced payroll managers, in particular, were often looking to the Helplines for reassurance that the information found on the website was what they needed.

Segmentation

Six distinct segments were identified through factor and cluster analysis of the data:

Segment1 is characterised as being 'very small businesses daunted by the PAYE process'. These businesses rely heavily on Agents and have the least contact with HMRC. They are the largest of all the segments, representing 25 per cent of the employer population.

Segment 2 is characterised as being 'businesses that are frustrated with HMRC problem resolution and support'. There are a higher proportion of larger businesses within this segment and they experience the most difficulty in getting in contact with HMRC by phone. They also find many of the PAYE tasks more difficult than other segments. They represent only four per cent of the employer population, but due to the higher proportion of larger businesses within this segment, they represent a significant number of employees.

Segment 3 is characterised as being 'well established businesses who don't believe the relationship (with HMRC) is fair' and represent nine per cent of the employer population. These businesses have negative perceptions about HMRC and the tasks they need the most support on are general enquiries and submitting and validating End of Year Returns.

Segment 4 is characterised as being 'businesses that are positive towards HMRC and play it safe' and they represent a fairly large proportion of employers with just over a fifth falling into this segment (22 per cent). They are less likely to be represented by agents than other segments and tend to find PAYE tasks easy to conduct.

Segment 5 is characterised as being 'confident businesses who feel able to challenge HMRC over tax issues'. These businesses are generally confident about running their PAYE system and will seek help if needed. They represent 18 per cent of employer population.

Segment 6 is characterised as being 'established companies that have an open mind to legal tax avoidance' and are the second largest segment, representing 23 per cent of the employer population. These businesses are not in need of a great amount of HMRC support and they make good use of the Employer CD-ROM. They are generally positive about HMRC and the tasks they need to conduct.

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