

Off-Payroll Reform in the Public Sector – Technical annex

HMRC Research Report 487

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Technical annex

- 1.1 In April 2017, the government reformed the off-payroll working rules in the public sector. IFF Research and Frontier Economics were commissioned by HMRC to gather evidence on experiences of the public sector bodies in implementing the reforms. The research looked at the key sectors of Public Administration & Defence, Education and Health & Social Work sectors, and considered implications for employment, costs incurred and any process changes required.
- 1.2 The research consisted of a quantitative survey of 117 central bodies¹ (covering 4,095 sites) and 100 individual sites in the public sector, all of which had recent engagement with off-payroll contractors, and qualitative follow-up interviews with 30 respondents whose responses indicated they had been affected by the reforms.²
- 1.3 Survey fieldwork took place between August and October 2017. Given that the off-payroll working reforms only came into effect in April 2017, the findings are focused on the bedding-in period immediately after the reform came into effect and so reflect public bodies' very early experiences.
- 1.4 The findings of the research were published in a research report in May 2018. The following technical annex provides more information about the survey methodology and follow up qualitative interviews.

Quantitative survey

Questionnaire development

- 1.5 To inform the content of the quantitative questionnaire and the approach to sampling a scoping phase was conducted. This phase included analysis of the ONS Labour Force Survey to identify areas of the public sector where off-payroll contractors were most common, a literature review and two in-depth interviews with public sector bodies.
- 1.6 Following the scoping phase, the questionnaire was piloted between 2nd August and 10th August 2017 to test that the language used was appropriate and that the questions were understood.
- 1.7 At the end of the pilot interview respondents were invited to take part in a cognitive interview to discuss how they found the questionnaire and whether there are any areas that could be improved.
- 1.8 Sixteen sites completed a pilot interview (6 in Public Administration and Defence, 6 in Education and 4 in Health and Social Work), of which 12 (5 in Public Administration and Defence, 4 in

¹ Throughout this report, the term 'central bodies' refers to organisations who deal with the administration of off-payroll working reforms for more than one site. For instance, an NHS trust could be responsible for managing the reforms across a number of different hospitals and practices. Research findings for central bodies are reported separately from individual sites that are only responsible for the administration of off-payroll working reforms at their own site.

² Site survey figures used in this report are based on interviews among Public Administration & Defence and Education sites only. Eight Health & Social Work sites were excluded for reporting purposes (108 interviews were achieved in total on the site survey).

education and 3 in Health and Social work) went on to complete an additional cognitive interview.

1.9 Following the pilot phase, HMRC were provided with a short report that recommended changes to the questionnaire and the approach to sampling ahead of the main phase of fieldwork. The most substantive recommendations related to not contacting or screening out central bodies that administered off-payroll reforms on behalf of sites. These changes included:

- Removing prisons, courts and probation services from the starting sample as they were found to be public bodies where the administration of off-payroll reforms was typically done by a central body rather than the site.
- Adding a question to the beginning of the questionnaire to identify central bodies that deal with the administration of off-payroll reforms for multiple sites and temporarily screening them out of the survey.

1.10 During mainstage fieldwork, it was found to be relatively common for the administration of off-payroll reforms to be taken care of by a centralised body for a number of different sites; for example, a single NHS trust might be responsible for off-payroll administration for a number of hospitals. In some cases, central bodies represented sites across a variety of sectors (e.g. local councils). It was crucial that a consistent sampling unit was used for analysis purposes, therefore a separate survey was set up for central bodies dealing with multiple sites, to ensure their data could be analysed separately from single sites.

Approach to sampling

1.11 A total of 7,527 sites were sampled for this study:

- 7,000 were purchased from Market Location (a third-party provider);
- 306 were provided by HMRC; and
- 221 were obtained through desk research.

1.12 After a process of de-duplicating and cleaning each sample file, 6,450 sites were available. Of these, 5,340 sites were invited to participate in the research. Table 1.1 presents a breakdown of the sites invited to participate by sector and size.

1.13 In comparison to the Inter-Departmental Business Register (IDBR) population, fewer sites in the Education and Health and Social Work sectors were sampled because they were relatively homogeneous groups. A higher number of sites in the Public Administration and Defence sector were sampled because there were more sub-groups of interest in this sector.

Table 1.1 Sample selection for mainstage fieldwork, by sector and size

	Public Administration & Defence	Education	Health & Social work	Total
Between 1 and 9 employees	94	55	243	392

Between 10 and 49 employees	710	352	249	1,311
Between 50 and 99 employees	435	209	289	933
Between 100 and 249 employees	343	210	172	725
Between 250 and 499 employees	263	306	278	847
Between 500 and 999 employees	139	111	111	361
1000 employees or more	153	73	249	475
Number of employees unknown in sample	295	0	1	296
Total	2,432	1,316	1,592	5,340

1.14 All 5,340 sites were sent an advance letter which introduced the research and provided the opportunity to opt-out. The letter also included a datasheet to help participants prepare the numerical data collected in the survey.

Achieved quantitative interviews

1.15 In total, 108 interviews were achieved with sites and 117 interviews were achieved with central bodies.

1.16 On average, interviews with sites took 27 minutes and interviews with central bodies took 24 minutes.

1.17 Table 1.2 presents the number of interviews completed with sites by sector and table 1.3 presents the site coverage of the central bodies that completed an interview. The survey covered 4,203 in sites in total.

Table 1.2 Site survey interviews achieved, by sector

Industry	No. of interviews
Public Administration & Defence	50
Education	50
Health & Social work	8
Total	108

Table 1.3 Site coverage of the central bodies interviewed (117 bodies)

Industry	No. of sites covered
Public Administration & Defence	868
Education	927

Health & Social work	1,041
Other	212
Unassigned ³	1,047
Total sites	4,095

Response rate

1.18 Table 1.4 presents the call outcomes and the response rate for all sample records that contact was attempted to be made with (5,340). It also shows the same analysis for all valid sample records that contact was attempted to be made with.⁴

1.19 For all sample records where contact was attempted, a response rate of 9% was achieved. For all valid sample records where contact was attempted, a response rate of 10% was achieved.

Table 1.4 Breakdown of call outcomes and response rate

	All sample		Valid sample	
	<i>n</i>	%	<i>n</i>	%
Resolved	472	9	472	10
<i>of which: Off-payroll</i>	289			
<i>of which: No off-payroll</i>	183			
Refusals (including abandoned interviews)	382	7	382	8
Screened out (Private sector)	639	12		
Unresolved	3,589	67	3,589	80
<i>of which: Central body</i>	65			
<i>of which: referrals to centralised HR</i>	1,397			
Not available in fieldwork period	68	1	68	2
Bad numbers/ unobtainable	190	4		
Total sample	5,340	100	4,511	100

³ Central bodies may represent sites across a variety of sectors, therefore we have shown total site coverage by sector across central bodies to indicate the spread of sites represented. Some sites are 'unassigned' because some central bodies did not provide enough information to determine the sector of all of their sites.

⁴ Valid sample records do not include sites which were private sector organisations or those that had unusable/unobtainable numbers phone numbers.

- 1.20 However, the final response rate is higher than 9% as some of the sites where no definitive outcome was reached have been represented by the central bodies participating in the research.
- 1.21 At the end of the survey central bodies were asked to share a list of the sites that they dealt with the administration of off-payroll contractors for. 27 central bodies provided lists of sites. In total, these included the details of 433 sites. Of these, 79 were mapped to the starting sample, equating to 18% of the sites provided.
- 1.22 Following this analysis, this proportion was applied to the remaining 90 central bodies that had not provided a list of sites. It was known from their responses to the survey that in total these sites represented 3,668 sites. It can therefore be assumed that if these central bodies had also provided a list of sites, it would have been possible to map back an additional c.660 records to the starting sample.
- 1.23 Considering the above, it can be assumed that if all central bodies had provided a list of the sites that they dealt with the administration of off-payroll contractors there would be a total of 1,132 resolved sample records (472 from completes and confirmed mapping back and 660 which hypothetically can be mapped back to the original sample).
- 1.24 As Table 1.5 shows, this means while the initial response rates appeared to be 9% (Row A), it is more likely to be closer to 21% (Row B) when the hypothetical site coverage of central bodies is taken into account.

Table 1.5 Weighting profile for site survey

	All sample	
	<i>n</i>	<i>Response rate %</i>
A: Resolved in survey and mapping of central body coverage	472	9
B: Resolved after hypothetical mapping of central body coverage	1,132	21
Total sample	5,340	-

Analysis and weighting

- 1.25 The site data and central body data have been analysed separately. Due to the low number of interviews achieved among sites in the Health and Social Work sector, this data was excluded for reporting purposes.
- 1.26 The data was weighted to the total population according to the latest available data from the IDBR, as shown in Table 1.6. Due to a lack of available population data, central body data was not weighted.

Table 1.6 Weighting profile for site survey

Industry	Completes	IDBR population
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	n	%	n	%
Public Administration & Defence	50	50%	17,815	38%
Education	50	50%	29,110	62%
Total	100	100%	46,925	100%

Qualitative follow-up interviews

Approach to sampling

- 1.27 At the end of the quantitative survey, sites and central bodies were asked whether they would be willing to take part in follow-up interviews to explore the impacts of off-payroll reform in more detail.
- 1.28 Overall, 67 sites and 97 central bodies were willing to participate in qualitative follow-up interviews. This sample was then filtered on responses from the quantitative survey so that only public bodies that reported that the off-payroll reforms had specific effects were invited to participate. These effects and the target numbers of interviews to achieve with public bodies that reported each effect were determined by HMRC and the research partners prior to the start of fieldwork (see Table 1.7).

Table 1.7 Follow-up interview quotas, effects of the off-payroll reforms

Effect of off-payroll reforms	Target number of interviews
Change in gross hourly rates	8
More difficult to fill contract vacancies	10
Difficulty in complying with the legislation	10
Off-payroll reforms had been burdensome	10
Had re-written contracts so they could be declared outside IR35	3
Had disputes with contractors over assessments	10
Reforms led to an increase in the use of umbrella companies	5
Experienced a change in the number of employees	20
Experienced a change in the number of off-payroll contractors	12
Experienced a change in the number of self-employed workers	5
Administration costs for off-payroll contractors increased	5

Achieved qualitative follow-up interviews

- 1.29 In total, 30 qualitative follow-up interviews were conducted between 20th September and 9th October 2017. 21 follow-up interviews were conducted with sites and 9 follow-up interviews were conducted with central bodies.

1.30 Table 1.8 presents the number of qualitative interviews achieved by sector and Table 1.9 presents the number of interviews achieved in each of the effect quotas. Public sector bodies can fall into more than one of the effect quotas.

Table 1.8 Number of follow-up interviews achieved, by sector

Industry	No. of interviews
Public Administration & Defence	17
Education	8
Health & Social work	5
Total	30

Table 1.9 Follow-up interviews achieved, by effects of the off-payroll reforms quotas

Effect of off-payroll reforms	Number of interviews achieved
Change in gross hourly rates	10
More difficult to fill contract vacancies	15
Difficulty in complying with the legislation	16
Off-payroll reforms had been burdensome	20
Had re-written contracts so they could be declared outside IR35	6
Had disputes with contractors over assessments	18
Reforms led to an increase in the use of umbrella companies	5
Experienced a change in the number of employees	25
Experienced a change in the number of off-payroll contractors	18
Experienced a change in the number of self-employed workers	10
Administration costs for off-payroll contractors increased	14

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