



HM Revenue
& Customs

HMRC Lone Parent Migration to Child Tax Credits

Qualitative research to understand the Lone Parent customer experience of migrating to CTCs, identifying problem areas and highlighting possible changes for 2009 and 2010 waves

About the Individuals Customer Directorate (ICD)

ICD is part of Personal Tax which has responsibility for personal tax policy and operations as well as some work streams with personal and business customers.

Our role is to work with Directorates across the Department, whether they are involved in designing, delivering or operating services to individual customers, even indirectly, to help them make it as easy as possible for our customers to get it right. We also manage cross HMRC areas that affect our customers such as complaints strategy.

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Research requirement (background to the project)

A recent change in legislation means that most Lone Parents with a child aged 7 or over can no longer claim Income Support on the sole grounds of being a lone parent and must claim JSA if they are able to work and ESA if they have a health condition that prevents them from working.

These changes will be undertaken in three phases. The first Lone Parents affected being those whose youngest child is aged 12 or over (from November 2008). The changes will then be extended to those whose youngest child is aged 10 or over (from 26 October 2009) and finally to those whose youngest child is aged 7 or over (from 25 October 2010).

The first phase of the LPO changes saw 70,000 Lone Parents with a youngest child of the age of 12 and over moving off Income Support to claim Jobseekers Allowance or Employment Support Allowance. This impacts on HMRC as a significant proportion of these Lone Parents will need to claim Child Tax Credits before they lose their entitlement to Income Support.

DWP and HMRC have worked closely together to introduce processes to migrate customers to Child Tax Credits before their Income Support entitlement is ended. The aim is to ensure that Lone Parents do not experience a gap in payments for their children.

Previous qualitative research in 2006 provided insight into individuals who voluntarily migrated to CTC yet to date no research has been done into the experiences of customers who have been formally migrated.

A need was identified for further qualitative research work into this process/experience to identify improvements that could be made to the pending phases of migration.

Main project objectives:

- To understand the customer experience of migrating to CTCs, identifying problem areas and highlighting possible changes for 2009 and 2010 phases:
- To understand customer awareness of the migration process and their new obligations in the CTC system, and to understand their journey through the tax system
- To evaluate the CTC factsheet and the Tax Credits folder
- To provide insight into how information/communication could be improved
- To identify significant issues, migration problem areas, and areas for improvement
- To understand what help and advice lone parents need from HMRC
- To discover how motivated customers are to find out about the migration process and the implications for them personally

Who did the work (research agency)



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Manbre Road
London
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When the research took place

All fieldwork, analysis and reporting took place between 2nd February and 8 April 2009

Method, Data and Tools used, Sample

30 x 1hr 15 min individual depths interviews in-home

To fully explore customer experiences and information received, linking to individual contexts and circumstances.

100 x 10 min Phone interviews

To add further robustness to the sample – concentrating on a few key questions

Sample: A mix of respondents

- Geographically (Manchester, Liverpool, Birmingham, Kent, Essex, & London)
- Spread of ages
- 'Deemed' and 'Signed' migrants to CTC
- With children 12 – 19 years of age (and spread of other children's ages)
- Female bias but approx 10% males
- Spread of length of time receiving Income Support prior to moving to CTC system
- All respondents had migrated to CTC recently and were recruited from a database provided by HMRC

Main Findings

Experience of Migration

The experience of migration to CTCs has on the whole been a positive one. Although some parts of the changeover have caused anxiety there is a general sense of satisfaction with the move from one system to another. Most people have felt that the handover has gone without hitches, with almost no reports of missed payments, or large or unexpected monetary changes. This has been a very pleasant surprise for customers, as there was expectation of lengthy delays, wrong payments or gaps in delivery (mainly due to negative media coverage around government systems). The anxiety and problems there have been have been caused by Lone Parents not thinking through the implications of the changeover e.g. paying bills on a different day than they used to.

Initial introduction to the migration process for Lone Parents has generally been via Lone Parent Advisers, usually as part of a general interview or meeting at JC+. Anecdotally, they have provided step-by-step guidance to form filling and are in many cases, the first point of call if something unexpected happens (with any type of payment, not just CTCs). Therefore, the LPAs play a really crucial role and are very heavily relied upon as a source of information and reassurance (even by deemed customers).

Overall there is a general, but basic, understanding of a change in the system, which involves a division of weekly Income Support payments (now paid fortnightly) into two separate amounts, which now involve Child Tax Credits. Beyond this, however, many have not thought through the implications for their lives. In practical terms this new split payment can arrive as a real surprise to routines. Payments will often arrive on different days of the week (JSA on one day and CTCs on another), which has meant that bill paying has had to change and shopping is now often split over two days. This has led to high level of anxiety over how to reorganise finances and Lone Parent customers have become distracted from seeking out or absorbing broader information on the CTC system, how it works and the implications for them.

The timing of the handover *has* caught some customers out. The general expectation after meeting LPAs was of a change happening some vague time in the future, usually interpreted to mean in a *few months* time rather than a *few weeks*. Where payments have arrived before customers were expecting them, bank accounts have been left untouched while claimants waited for an explanation or searched for information to clarify why they had received CTC payments.

This means that customers are distracted from seeking out broader information on CTCs, and there is little interest in finding out about HMRC or the mechanics of the Tax Credit system.

Awareness of the CTC factsheet was minimal with many insisting they had never read or received it. Where they did acknowledge receiving it, very little attention was paid to it. The factsheet in its current format is perceived as just another layer of bureaucracy to be forgotten.

The Award Letter was viewed as far more crucial and almost all customers claimed to remember receiving it. However, the information on the Award Letter can be hard digest; there is a complex breakdown of information, payments are provided as annual and weekly sums which makes ascertaining the amount to be received weekly (the crucial time period for lone parents' budgets) difficult. The letter is seen as important and is always kept but its complexity can hinder its use or benefit in explaining CTCs.

Understanding of the Tax Credit System

At present, there is little awareness or recall of HMRC's role in delivering CTCs. Some customers are aware that a different Government department is involved, but refer to the 'Child Tax Credits people' or 'Inland Revenue'. The fact that in our sample there have been very few missed payments means that we found little desire or need to engage with HMRC at present.

That said knowledge and awareness of informing about change in circumstances is relatively good. Customers make common sense deductions based on the rules of their previous benefits, and knowledge shared amongst their social peers and gleaned from media sources. Customers are confident they know what changes they need to inform about but this is built around an idea of *benefits* rather than CTCs.

There is less clarity around *who* to tell about changes. People assume that Government departments will automatically share information or that their LPA will proactively tell the customer exactly who they need to contact. The information gap therefore is not on *what* to inform about, but rather to make clear that it is HMRC that needs to be notified of any change in circumstance, contacted directly through the Tax Credits Helpline mechanism.

Some of the lone parent customers have found the wider Tax Credit System to be confusing. In many cases, it had been years since our customers had been in work and so taxes, Tax Credits and the financial year were all unfamiliar territory. Where there is knowledge about the Tax Credits system, it is often confused, being mainly based on media discourse and bits picked up from friends or family experience. There is also minimal awareness that CTCs mean integration and support into system of work, or that they belong in the bigger 'family' of Tax Credits, although by no means is this lack of awareness unique to Lone Parent Tax Credit customers. The existence of Working Tax Credits is often unknown or misunderstood.

Almost no customers in our sample recall having been told about the need to renew at their JC+ interviews, and the renewals process is poorly understood. We hypothesise that

the timing of renewal may be a shock when it comes, especially as Lone Parent customers have just switched systems (and the financial calendar year is not at the top of their mind).

Challenges for the future: tactical

There is a need to re-consider the format and style of CTC migration communications – much of it is not being digested at present. At the moment the factsheet is rarely recalled, but even on further assessment, information is not being retained. The wording is official and dense and can simply feel a bit overwhelming.

The format and style of the folder suggests a way forward. The information is more accessible and the information is simpler. Additionally it acts as a focal point to keep all information together. Lone Parent customers need to be addressed in an ‘everyday’ manner, with information relayed in small and relevant chunks, and communicated with in a colloquial, conversational style. This is the way they are used to being addressed (ie. what they’re used to from their LPA). The folder works because it effectively mimics informal, face-to-face information sources.

Changes for the future: strategic

There is a big issue to confront over LPAs. Left to their own devices, it seems from our evidence that Lone Parents will continue to use LPAs for all enquiries, advice and reminders.

LPAs are perceived as a more accessible point of contact for CTCs than any other current HMRC option. HMRC need to reduce Lone Parent customers’ reliance off this single source by promoting the Tax Credit helpline as a support system equal to LPAs.

The LPAs have a multi-faceted role; they are the face of the system and provide one-on-one pastoral care. They identify barriers to employment and provide the appropriate help to customers. They monitor and review progress when necessary to help JC+ customers find or move closer to sustainable employment. They provide reassurance and security, act as a ‘translator’ of complicated Government communications, and are there to remind customers when they need to get something done. There are clearly challenges for HMRC then, in taking over the role of the LPA. HMRC need to bring a sense of trust and reassurance and become an accessible place for general enquiries – offering informal guidance rather than official discourse.

The HMRC Tax Credits helpline seems underused by the lone parent customers interviewed because customers are by default turning to their LPA for advice. The low awareness of HMRC means that there is a strong need to communicate the helpline as *the* source of information regarding CTCs.

Finally, it is important to bear in mind that the current transition to CTCs is sitting within a wider engagement with change by customers. The early teenage years of their child(ren) is a transitional time anyway; there is the move from primary to secondary school resulting in more flexibility, more time for work and self-improvement. For future migrations, when



the child age limit shifts downward, the transition needs to be timed to coincide with other key moments of transition in Lone Parent customers' lives.

Conclusions and Recommendations

Overall, the migration process is working well, with just a few immediate issues to be addressed:

- The move to a dual, split-day payment, which is initially causing anxiety over personal routine changes.
- The timing of the handover, which is sometimes completely unexpected.
- CTCs are not understood as part of tax system and the renewals process is not on Lone Parents' radar (they don't remember being told about it at their interviews).

Whether provided for by LPAs or HMRC, there is a need for all future communications to be provided in short, digestible form. HMRC needs to:

- Help better prepare customers for practical changes.
- Notify claimants of imminent potential start date, even if they can't commit to a specific period. Perhaps HMRC can give the likely span of start date?
- Highlight the need to renew, and why this comes so soon (i.e. it's start of tax year).

For the longer term, there are some more strategic considerations; firstly, how does HMRC make people less reliant on LPAs for CTC advice? There is a need to ensure that HMRC support provides a sense of trust/reassurance/care and that communications are simple to understand. Furthermore HMRC must provide ad hoc reminders to inform on changes and renewals.

Currently there is little knowledge of how CTCs fit into wider system of work and tax credits; a decision needs to be made on whether to enlighten customers (to help further understanding on payments, changes, tax system obligations etc), or will this further complicate (raise worries/objections that aren't there at present) matters?