

# **The Disability Element of Working Tax Credit**

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**HM Revenue and Customs**

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# Abbreviations and acronyms

CAB	Citizens Advice Bureau
CTC	Child Tax Credit
DE	Disability Element of Working Tax Credit
DLA	Disability Living Allowance
DPTC	Disabled Person's Tax Credit
DWA	Disability Working Allowance
WTC	Working Tax Credit

## Glossary of terms

**Disadvantage test** – To receive the disability element of WTC, claimants must have a physical or mental disability which puts them at a disadvantage of getting a job. Disadvantage is assessed by the disadvantage test; a list of disabling behaviours or limitations.

**Positively benefiting** - The amount of money received from tax credits is dependent on a person's gross annual income. As income rises, the amount of tax credits reduces. Tax credits have a number of elements, such as childcare and disability; each element adds to the total tax credit paid. In working out how much to pay in tax credits, HM Revenue and Customs add up all the elements that a person is eligible for. This is then set against the amount of income they have. If their income is above a certain level, then the amount paid in tax credits is tapered away. Consequently, it is possible for a person to be eligible for tax credits but have it tapered away due to their income. As a result not all of those *eligible* for WTC and the disability element will actually be *entitled* and *positively benefiting* from a claim in monetary terms because their income is such that it has been tapered away.

**Three-month back-dating rule** – If claimants meet the qualifying conditions, tax credit claims can usually be backdated for a maximum of three months.

There are special back-dating rules for the disability element of tax credits, which cater for those who have to wait longer than three months for their application for a qualifying benefit to be approved. If claimants notify HM Revenue and Customs within three months of applying for a qualifying benefit then inform HM Revenue and Customs within three months of it being awarded, once the qualifying benefit is awarded the disability element may be back-dated to the point from which the benefit is payable (or the point at which tax credits were first awarded, whichever is most recent), even if this exceeds three months.



# Executive summary

## Background

Working Tax Credit (WTC) was introduced in April 2003 and includes a disability element to provide additional support for people who have a disability which puts them at a disadvantage of getting a job.

Prior to this study, no research had been conducted to examine the experiences of those claiming the disability element of WTC or those who are eligible to claim but are not currently doing so. HM Revenue and Customs therefore commissioned BMRB Social Research to carry out qualitative research to explore the experiences of people who are eligible for the disability element of WTC.

## Aims of the research

The overarching aim of this research was to examine the characteristics and behaviour of people who were eligible for the disability element of WTC and to explore the relationship between respondents' disabilities, the tax credits system and paid employment. The specific objectives were to:

- develop knowledge of the experiences and motivations of people currently claiming the disability element of WTC, in particular the effect of tax credits and the disability element on working patterns and household decision-making;
- and to develop knowledge of the experiences and motivations of those eligible to claim the disability element but not currently doing so; both those who had claimed in the past and those who had not.

## Methodology

The research used a qualitative methodology consisting of in-depth face-to-face interviews with those currently claiming, who had once claimed, or were eligible to claim the disability element of WTC. Qualitative research is used to explore issues in-depth and understand a wide range of perspectives and experiences. However, it is not possible to reflect the findings of qualitative research in statistical terms or generalise findings across the entire tax credits claimant population.

Purposive sampling<sup>1</sup> was used to structure a sample of 47 respondents around their disability element claim status, as follows:

- **those who were currently claiming the disability element**
  - and had done so for less than a year
  - or more than a year
- **those who had claimed the disability element in the past** but who were now either:
  - unemployed
  - no longer positively benefiting (see glossary for explanation) from WTC and the disability element
  - or claiming WTC but no longer claiming the disability element
- **those who were potentially eligible to claim the disability element** and who were
  - working and claiming tax credits but not the disability element
  - or working and claiming a qualifying benefit, but not tax credits.

Additional recruitment criteria were used to ensure a diverse sample. These were **type of disability** (physical / sensory; mental health problem); **employment status** (unemployed; working full-time; working part-time); **household characteristics of respondent** (single without children; couple without children; single or couple with children) and **age** (18 to 35; 36 to retirement age).

## Key findings

### Perceptions of disability

- The extent to which respondents perceived their disability to have an impact on their life was key to whether respondents identified themselves as having a disability. Disability was particularly couched in terms of ability to work.
- Respondents spontaneously looked to the circumstances of other people in defining their own disability. If they perceived themselves to be at a disadvantage compared to other people, they would consider themselves to have a disability.

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<sup>1</sup> A purposive sample is one that is chosen by intentionally seeking respondents with a range of characteristics such as age, employment status and tax credits claim status to provide greater understanding of the research topic.

- Physical disabilities were more readily perceived as disabilities compared to mental health problems, due to being more visible. Correspondingly, respondents were reluctant to consider mental health problems as disabilities.
- Perceptions of disability altered as the nature of respondents' disabilities changed. Such changes included a persons' disability becoming permanent or more severe.

### **Awareness and understanding of the disability element of WTC**

- Customers in receipt of the disability element of WTC had generally been made aware of this through calling HM Revenue and Customs' tax credits helpline.
- As might be expected, awareness of the disability element of WTC was especially low among those who were potentially eligible, but who had never claimed it. Lack of awareness was a key reason for having never claimed the disability element. Respondents suggested that the disability element should be incorporated into the WTC television and radio advertising campaigns.
- Respondents had a very basic understanding of the disability element and there was only a vague awareness of the eligibility criteria.

### **Process of claiming and receiving WTC and the disability element of WTC**

- Where WTC and the disability element were not initially claimed together through the tax credit claim form, the disability element was claimed in other ways, namely through calling HM Revenue and Customs' tax credits helpline.
- There were respondents who found the tax credit claim form relatively easy to fill in and required no assistance in doing so. In contrast, others had more difficulty completing the form, particularly if they had a mental health problem.
- Those who recalled completing the section of the tax credit claim form that specifically referred to disability felt that the process was simpler and less onerous than other disability benefits.
- Awareness that HM Revenue and Customs could ask disability element claimants to nominate a health practitioner to confirm their disability was high and was either based on respondents' experiences of applying for the DLA or assumed to be common practice.
- Whilst there was some awareness of the disadvantage test by those who had claimed the disability element in the past, the guidance notes, which explain the disadvantage test, had generally not been used by the respondents who were currently claiming it.

- As might be expected, awareness of the disadvantage test was especially low among those who were potentially eligible for, but not currently claiming, the disability element.
- Views of the disadvantage test were generally negative; it was felt that the list of disabilities did not describe the range of disabling behaviours that people could exhibit or limitations they could experience. It was also felt to neglect particular mental health problems, as it disproportionately listed physical or sensory disabilities.
- Mental health problems were also listed last and therefore felt to be easily missed. One respondent, diagnosed with manic depression and who was potentially eligible for the disability element, described how he was not very patient reading long lists and would not have seen the criteria that captured his disability.
- The following improvements regarding the WTC and disability element claim process were suggested by respondents:
  - condense the length of the disadvantage test, or else split the list into headed sections
  - list actual mental health conditions in the disadvantage test, such as depression and anxiety, as these words were felt to be less stigmatising than the terms currently used
  - incorporate the disadvantage test into the disability element section of the tax credit claim form
  - and give the option to apply for WTC and the disability element online.
- Respondents were generally aware that they should report a change of circumstances in their financial or employment situation to avoid an overpayment. Reporting a change in their disability or condition was not mentioned spontaneously by respondents, however on further exploration some respondents demonstrated understanding of this requirement<sup>2</sup>. Regardless of whether they were aware of this, or became aware in the course of the interview, it was felt that there should be lenience with regards to reporting changes in health or disability. Respondents envisaged a situation whereby a claimant immediately reported an improvement in their condition, only for it to

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<sup>2</sup> The tax credits system relies on claimants providing accurate information on their income and household situation and timely reporting of any changes in circumstance to ensure they receive

deteriorate again after the change was reported. This was thought to potentially cause the respondent stress if prematurely reporting an improvement led to having to reclaim the disability element.

- There was considerable discontent surrounding overpayments by those who had experienced them, and this applied to respondents claiming the disability element specifically and also tax credits in general. Some respondents felt that the stress experienced as a result of having to pay back an overpayment could have an impact on their health or disability. However, as the primary focus of this research was to explore views and experiences of claiming the disability element of WTC the issue of overpayments generally was not explored in depth.
- Respondents were generally unaware of the three-month backdating rule and even less so of the longer backdating rules specific to the disability element. Where respondents were aware, this was due to having had their claim backdated.

### **Impact of WTC and the disability element on household decision-making**

- Receiving WTC and the disability element was generally thought to give a better standard of life than receiving out-of-work benefits. Respondents who were potentially eligible for the disability element also acknowledged that receiving it could have a positive impact on the opportunities available to their household, such as improving their standard of living and enabling them to reduce their working hours in order to manage their disability.
- Respondents generally did not distinguish between the differing contributions of WTC and the disability element as they perceived and used their tax credits entitlement as one sum. Whilst respondents claiming the disability element were largely unaware of how much it contributed, it was understood that the disability element constituted an additional payment. There were exceptions to this, as some respondents described themselves as being very reliant on the additional contribution that the disability element made to their income and therefore did differentiate between the money received as part of WTC and that received as part of the disability element.
- Respondents - lone parents in particular - described themselves as being very reliant on the money they received as part of their total tax credits entitlement, whether they were claiming the disability element or not. However, other

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the correct award and therefore avoid any overpayment. In addition, the disability / severe disability element of WTC requires claimants to report any changes in their condition.

respondents who were already receiving WTC when they started to claim the disability element were unaware of exactly how much money they received for the disability element, but as they perceived the additional amount to be small in relation to their WTC payment, they were not reliant on it<sup>3</sup>.

- Working Tax Credit and the disability element had acted as an incentive to work in some instances, primarily due to the additional financial support it provided. Being financially better off was a major determinant in deciding whether to move into work.
- There was a preference for claiming WTC - either with or without the disability element - rather than out-of-work benefits, due to the perceived lack of stigma attached to its receipt.
- The disability element of WTC also acted as an incentive to stay in work as it provided a means by which the respondent could stay in employment when their health condition began to have an impact on their work, rather than having to give up work entirely.
- In particular, respondents with mobility problems and those who described themselves as being in constant pain due to their disability explained that receiving the disability element meant they were able to reduce their working hours. Without the disability element, they felt that they would have had to give up work completely and claim out-of-work benefits so as not to compromise their health.
- Non-financial factors also influenced respondents' decisions regarding work; increasing self-confidence being a key driving force. Ultimately however, decisions around work were dictated by respondents' health; if working lessened the impact of the disability on their lifestyle, then they would work regardless of whether they thought themselves worse off financially as a result. Similarly, an improvement in health allowed respondents to increase their hours.

### **Reasons for no longer receiving the disability element of WTC**

- Ineligibility for the disability element due to a change in circumstances was the primary reason for respondents no longer receiving the disability element. Such

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<sup>3</sup> Working Tax Credit comprises several elements, such as the disability and childcare elements. Claimants' total WTC entitlement can therefore include payments from different elements of WTC. In 2007 the annual award for the basic element of WTC was £1,730 and £2,310 for the disability element.

changes included an increase in earnings, unemployment and an improvement in health or disability.

- Perceived ineligibility similarly meant that respondents no longer claimed the disability element. Respondents stopped claiming even when they were still experiencing symptoms for which they made their original claim, if they felt that their condition had improved enough to make them ineligible. They did this by calling HM Revenue and Customs' helpline and informing them that they no longer had a disability.
- There were respondents who no longer wanted to be part of the tax credit system and had stopped claiming tax credits by not renewing their claim. This stemmed from the stress incurred from repaying overpayments and was felt to outweigh the financial gain of claiming both WTC and the disability element. Respondents perceived that this worry could also have an adverse impact on their disability.
- Concerns about overpayments among both those who had experienced them and those who had been made aware of them through media coverage had led some respondents to stop claiming the disability element of WTC, while continuing to claim WTC or CTC. The reason for not claiming the disability element specifically was due to a perception that they would have to pay back money received for the disability element if HM Revenue and Customs were to doubt claimants' eligibility on health grounds.
- Views regarding making a future claim for the disability element varied among those who had terminated a claim. Among respondents who had experienced an overpayment, the stress that this had caused reduced the likelihood of them claiming the disability element in the future. Those who had experienced an increase in earnings also felt that they were unlikely to claim again as the increase meant that they were no longer eligible.
- However, there were also respondents who had considered themselves no longer eligible to claim the disability element based on their perception of disability. On being shown the disadvantage test these respondents thought that they may still be eligible and considered making further enquires regarding their eligibility.

### **Reasons for potentially eligible respondents not claiming the disability element of WTC**

- Lack of awareness of the disability element of WTC was the key reason for potentially eligible respondents not claiming it; respondents were generally not aware that it existed until they took part in the research.

- The perceived stigma attached to having a disability was a barrier to claiming the disability element of WTC in some instances, particularly for those with mental health problems. It is unclear why perceptions of stigma should have this effect when these respondents were already claiming a qualifying benefit like the DLA. However, the issue of stigma overlapped with the perception that the monetary gain from claiming WTC and the disability element might not be large enough to make the application process worthwhile. However, these respondents were not necessarily aware of the actual financial gain of claiming tax credits.
- There were respondents who were aware of the disability element but did not consider themselves to be eligible as they felt their condition did not meet the criteria; this was prior to being referred to the disadvantage test in the interview. This was particularly the case for those with mental health problems, as there was a concern that such conditions were not widely considered to be disabilities.
- Income was another reason why respondents thought themselves ineligible as they considered their income to be too high to receive the disability element.
- There were a number of perceptions that this group of respondents held about the disability element that acted as a barrier to making a claim. These included a view that making a claim would be complicated; a perception that the financial gain from claiming the disability element might not be large enough to make the application process worthwhile; concern about the surveillance they imagined they would be subjected to once they claimed the disability element; and a concern about having to repay any overpayments that might occur due to the view that HM Revenue and Customs might doubt their eligibility. Concerns about overpayments appeared to be based on a lack of trust in the system, based on reports in the media and experiences of friends and family.
- Despite the various reasons that were given for not pursuing a claim for the disability element, those who were potentially eligible generally felt they might consider claiming in the future, particularly if their income was low.

## **Conclusions**

- Claim behaviour was influenced by respondents' perceptions of their condition. Respondents who were aware of the disability element did not always consider themselves to be eligible as they felt their condition did not qualify as a disability, particularly in the case of those with mental health problems. Where respondents did consider themselves to have a disability, they were unsure whether their specific disability met the eligibility criteria.



- Whilst the basic WTC generally acted as an incentive to move into work due to the additional financial support it provided, the scope for the disability element to do this appeared limited due to the lack of awareness of its existence.
- WTC and the disability element provided a means by which the respondent could stay in employment when their disability began to have an impact on their work, rather than having to give up work entirely. Respondents were able to reduce their hours and manage financially. WTC and the disability element therefore provided an incentive to stay in work.
- Respondents found it very difficult to distinguish between the effect of WTC and the disability element of WTC on household decision-making. This was partly because it was rare for the disability element to be considered separately and also because the amount from the disability element was felt to be proportionately small compared to WTC.

# 1 Introduction

## 1.1 Background

Tax credits aim to tackle child poverty and make work pay. The tax credits system is based on annual income and other household circumstances such as number of children, childcare costs, and whether claimants have a disability. It is designed to be responsive to changes in claimants' circumstances, which claimants have a responsibility to report to HM Revenue and Customs, with some changes requiring notification within one month. HM Revenue and Customs can backdate any increase in entitlement as a result of changes in circumstances or for a new claim for up to three months. At the end of the claim period, HM Revenue and Customs compares claimants' entitlement with what they have been paid. Consequently, end of year adjustments to resolve overpayments and underpayments acquired within the claim period are an intrinsic part of the responsive system.

Since the early 1990s, current and previous governments have introduced a succession of in-work benefits to meet the needs of disabled people who work or would like to work, but who have limited earning capacity in the labour market. The first specific in-work benefit for workers with disabilities was introduced in April 1992 with the launch of the Disability Working Allowance (DWA). This benefit was intended to provide both incentives to move into work for those on out-of-work disability benefits, as well as an incentive to remain in work in the longer term. DWA was replaced by Disabled Person's Tax Credit (DPTC) in 1999. Although many of the eligibility criteria remained the same, DPTC was more generous with a higher maximum level of support, a higher threshold at which tapering began and a lower taper rate.

In April 2003, DPTC was replaced by Working Tax Credit (WTC), which included a disability element to provide additional support for people who have a disability which puts them at a disadvantage of getting a job. An element was also included for those with more severe forms of disability. For the first time, support for workers with disabilities was integrated into the wider tax credits system.

Research<sup>4</sup> in 2001-2 considered the extent to which those claiming under the previous DPTC system benefited from this support and how it could be improved. However, prior to this project, no research had been conducted to explore the experiences of those claiming the disability element of WTC or those who were eligible to claim but were not currently doing so. HM Revenue and Customs therefore commissioned BMRB Social

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<sup>4</sup> Corden, A. & Sainsbury, R. (2003) Evaluation of the Disabled Person's Tax Credit: Views and experiences of Recipients. SPRU: York

Research to carry out qualitative research that explored the experiences of people who were eligible for the disability element of WTC.

## 1.2 Aims of the research

The overarching aim of this research was to examine the characteristics and behaviour of people who are eligible for the disability element of WTC and to explore the relationship between respondents' disabilities, the tax credits system and paid employment for those who have a disability. The specific objectives were to:

- develop knowledge of the experiences and motivations of people currently claiming the disability element of WTC,
  - in particular the effect of tax credits and the disability element on working patterns and household decision-making;
- and to develop knowledge of the experiences and motivations of those eligible to claim the disability element but not currently doing so; both those who had claimed in the past and those who had not.

The primary focus of this research was to explore views and experiences of claiming the disability element of WTC. However, other issues, such as overpayments, were also raised by respondents. While respondents' experiences of overpayments are discussed in this report where they relate to views on the disability element of WTC, it is worth highlighting that the research did not seek to explore this issue more generally. Therefore the report does not seek to give a detailed account of the reasons why some claimants had received overpayments.

## 1.3 Research design

The methods used in this research were wholly qualitative in nature. In-depth interviews were deemed most appropriate as they allow for individual experiences and views to be explored in detail. The purposive nature<sup>5</sup> of the sample design means that the research cannot and does not aim to provide any statistical data relating to the prevalence of these views, experiences or reflections in the general population. Any attempt to provide numerical evidence of this kind would require a quantitative research methodology. The aim of qualitative methods is to define and describe the range of emergent issues, rather than to measure their extent. As is usual in qualitative research, the sample was designed to ensure coverage of the key sub-groups within the target population in order to identify and explain variations in the experiences and

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<sup>5</sup> A purposive sample is one that is chosen by intentionally seeking respondents likely to provide greater understanding of the research topic.

views between them. Purposive sampling was used to structure a sample of 47 respondents around their disability element claim status as follows:

- **those who were currently claiming the disability element:**
  - and had done so for less than a year
  - or more than a year
- **those who had claimed the disability element in the past** but who were now either:
  - unemployed
  - no longer positively benefiting from WTC and the disability element
  - or claiming WTC but no longer claiming the disability element
- **those who were potentially eligible to claim the disability element** and who were:
  - working and claiming a qualifying benefit and tax credits but not the disability element
  - or working, claiming a qualifying benefit but not tax credits.

Additional recruitment criteria were used to ensure a diverse sample. These were:

- **type of disability:**
  - physical or sensory
  - mental health
- **employment status:**
  - unemployed
  - working full-time
  - working part-time
- **household characteristic of respondent:**
  - single without children
  - couple without children
  - Single or couple with children
- **age:**
  - 18 to 35

- 36 to retirement age (RA)<sup>6</sup>.

## 1.4 The interviews

All of the in-depth interviews were exploratory and interactive in form and were based on topic guides (see Appendix C), which allowed questioning that was responsive to the issues which arose in the course of the interview. Using depth interviews allowed for detailed exploration regarding the behaviour of people who were eligible for the disability element of WTC and the relationship between respondents' disabilities, the tax credits system and paid employment.

The interviews lasted approximately 60 minutes and were undertaken during November 2006 through to January 2007. Respondents were interviewed in their home, or wherever was most appropriate for them. They could opt to have an advocate, such as a partner or parent, present at the interview. This was taken up particularly by respondents with mental health problems or those who had had difficulty making a claim. Respondents were shown the tax credits claim form and guidance notes for reference where appropriate.

All interviews were digitally recorded, with permission, and transcribed verbatim to allow detailed analysis.

## 1.5 Analysis and presentation of findings

The transcribed interviews were subject to a rigorous content analysis (Matrix Mapping), which involved systematically sifting, summarising and sorting the verbatim material according to key issues and themes within a thematic framework. Further classificatory and interpretative analyses were then derived from the analytic charts and these formed the basis of the evidence reported in the following chapters. Further details of the analytical process used may be found in the Technical Appendix (Appendix A).

The findings have been illustrated and illuminated with the use of verbatim quotations, case studies and examples. The quotations have been edited for clarity but care has been taken not to change the respondents' meaning in any way - alterations are shown using parenthesis and ellipses. There are instances where the respondent's advocate has been quoted and this has been highlighted in the text.

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<sup>6</sup> State Pension age.

## 1.6 Sample profile

A total of 47 respondents took part in the research. The achieved sample is shown in the table below:

Total	47
DE of WTC Status	
Claiming DE of WTC	15
No longer claiming DE of WTC	15
Potentially eligible to claim DE of WTC	17
Nature of disability	
Physical	35
Mental health	12
Employment status	
Not working	7
Working part-time	14
Working full-time	26
Household characteristic	
Single	5
Couple	10
Single / Couple with children	32
Age	
18-35	13
36-RA	34
Gender	
Male	23
Female	24

It had been intended that a higher number of both 18 to 35 year olds and respondents with mental health problems would be interviewed. However, despite the efforts made during recruitment this was not possible, partly due to the numbers of such respondents being relatively small in the sample provided.

A more detailed sample matrix may be found in the Sample Structure (Appendix B.)

## 1.7 Report outline

Following this overview of the objectives, design and conduct of the research, the subsequent seven chapters discuss in detail the research findings:

- **Chapter 2** examines respondents' perceptions of their disabilities

- **Chapter 3** describes respondent awareness and understanding of tax credits and the disability element
- **Chapter 4** focuses on the process of claiming and receiving WTC and the disability element
- **Chapter 5** examines the impact of WTC and the disability element on working patterns and household decision-making
- **Chapter 6** addresses the question of why respondents no longer claim the disability element of WTC
- **Chapter 7** considers why people who are potentially eligible to claim the disability element of WTC do not do so
- **Chapter 8** reflects upon the key messages raised throughout the report and draws conclusions arising from the research.

## 2 Perceptions of Disability

This chapter examines respondents' perceptions of their disability or long-term health condition. These perceptions varied extensively among the respondents. Their view about how their disability affected everyday life and comparisons with other people heavily influenced respondents' perceptions of whether or not they had a disability. Other factors influencing perceptions of disability included whether the disability was physical or related to their mental health and if the disability was perceived to be temporary or permanent.

### 2.1 Impact of disability on lifestyle

**The extent to which respondents perceived their disability to have an impact upon their everyday life was key to whether respondents identified themselves as having a disability.**

Perceptions of having a disability were based on the impact that a health condition had on a person's lifestyle and the extent to which it was considered '*disabling*' in terms of reduced mobility, everyday tasks taking longer to complete and needing help to perform them such as dressing, maintaining personal hygiene and walking.

Disability could also be couched in terms of work. This included both an inability to work a 35-hour week or increase their current part-time hours to full-time:

'Well it does incapacitate me to the extent where I couldn't get a normal working job, so yes, I have got a disability.'

(Interview 21: potentially eligible for the DE of WTC, physical / sensory disability, 36-RA, working part-time, couple with children)

'Well it has really upset it [working life] because for one I can't work any more hours, I can only do part-time because any more and I get very mithered [irritated].'

(Interview 4: potentially eligible for the DE of WTC, mental health problem, 36-RA, working part-time, couple with children)



## 2.2 Impact of the circumstances of others

**Respondents spontaneously looked to the circumstances of other people in defining their own disability. If the respondent perceived themselves to be at a disadvantage compared to other people, they would identify themselves as having a disability.**

Respondents assessed the impact that their disability had on their life by comparing their own circumstances with other people, both with and without disabilities.

The extent to which respondents considered themselves able to participate in *'normal'* life was in part dependent on how respondents felt their lifestyle compared to that of someone without a disability. In making such comparisons, there were respondents who reasoned that they could not do *'normal things'* because of their disability, such as:

- walk without a walking aid,
- have a *'proper'* job or work a *'normal'* working week,
- perform small tasks by themselves,
- and be independent.

'I can't go to work on my own, my friend goes with me, we work together, I don't go out on my own, she comes with me.'

(Interview 32: currently claiming the DE of WTC, mental health problem, 36-RA, working full-time, couple without children)

Respondents also looked to other people with disabilities in assessing their own condition. Respondents who did not identify themselves as having a disability often spontaneously compared themselves to people who had a severe physical or sensory disability and felt that their own disability was less visible, less conventional or had less of an impact on their everyday life. As a result these respondents concluded that they did not have a disability.

## 2.3 Impact of type of disability

**The nature of respondents' conditions influenced their perceptions of their disability. Physical disabilities were more readily perceived as disabilities**

**compared to mental health problems, due to being more visible.  
Correspondingly, respondents were reluctant to consider mental health problems as disabilities.**

- **Mental health conditions**

Mental health problems were generally not considered to be disabilities by the respondents in this study, primarily because conditions such as depression and anxiety were not physical conditions and were therefore less visible. This was true for people who were physically disabled as well as those with mental health conditions. People with mental health problems had difficulty describing themselves as having a disability because they felt their condition was not validated by other people due to its lack of visibility:

‘If you said to me, “you are disabled”, I would say no ... I don’t know, probably (not) because it’s not physical. It’s probably because, you can’t see it, so, I would say no.’

(Interview 16: currently claiming the DE of WTC, mental health problem, 18-35 years old, working part-time, single with children)

This could be coupled with the perception that mental health conditions were stigmatising which affected respondents’ claim behaviour; although they were potentially eligible for the disability element they either did not consider themselves to be disabled because they did not regard their condition as a disability or they were concerned about the stigmatising effect of acknowledging a mental health problem. See chapter seven for further discussion.

There were some exceptions to this:

- respondents who had been diagnosed with manic depression. As their condition had a considerable impact on their life they were more likely to see their mental health problem as a disability.
- respondents who discovered that they were eligible for Disability Living Allowance (DLA) and the disability element began to perceive themselves as having a disability as this helped to confirm that their condition was a disability:

‘I said to her “how do you define that I’m disabled?”, and she said “well you’re getting Disability Living Allowance, so if you’re getting Disability Living

Allowance you're classed as disabled”, so I said “okay then, but does it matter that I’ve got a mental illness?”, she went “oh yes, that’s all part of it.”

(Interview 19: has claimed the DE of WTC in the past, mental health problem, 36-RA, unemployed, couple with children)

**Case Study 1:** potentially eligible for the DE of WTC, mental health problem, 18-35 years old, working full-time, couple with children.

James was diagnosed with depression two years ago and since then has been on sick leave intermittently. He received sick pay for the first three months he was off work. Once the sick pay had finished, James and his wife found they could not afford to pay the household bills and resorted to a bank loan and savings to cover the mortgage repayments.

Occupational Health suggested that James apply for WTC and the disability element but James felt uncomfortable claiming these as he and his wife wanted to ‘*work for their money*’ and did not want to be ‘*scroungers*’. Although James was receiving DLA, he only claimed it in order to support his family financially. The idea of claiming WTC and the disability element made James very uncomfortable as it would mean saying he had a ‘*mental illness*’ which he felt was very stigmatising. As James and his family are still struggling to pay the household bills, he will consider applying for the disability element. However, he finds it humiliating and if he does claim will not admit it to anyone.

- **Physical**

Respondents with physical disabilities were much more likely to perceive themselves as having a disability, primarily because their condition was visible. As with mental health problems, the severity and visibility of the disability had an impact upon whether the respondent, and their family, considered their condition to be a disability.

‘I don't really think of her [his wife] as disabled, she's got a problem but she's not like in a wheelchair or stuff like that.’

(Interview 20: currently claiming the DE of WTC, physical / sensory disability, 36-RA, working full-time, couple without children)

## 2.4 Impact of changes to disability

**Perceptions of disability altered as the nature of respondents' disabilities changed. This included a persons' disability becoming permanent, or more severe, as well as the changing day-to-day effects of their disability.**

- **Permanence of a person's disability**

Respondents tended to identify themselves as having a disability once their disability changed from being temporary to permanent:

'Once I'd had the operation I thought like everything would start to mend, it was only after when I went up the hospital and they said "look, make an appointment now with your Doctor because your back will never get any better than what it actually is", and that's when the Doctor said to me, he said "you have got a disability now and your back will never get better."

(Interview 10: potentially eligible for the DE of WTC, physical / sensory disability, 36-RA, working full-time, couple with children)

- **Severity of a person's disability**

Respondents were more likely to consider themselves as having a disability where their condition was severe and as a result, the impact upon their lifestyle became greater. For example, a respondent who had diabetes only considered himself to have a disability when, as a result of his condition, he began to lose his sight:

'I'm more at home with the word disability now than what I was before I lost my sight, because I know there are certain things I can't do now and I do find harder.'

(Interview 9: currently claiming the DE of WTC, physical / sensory disability, 36-RA, working part-time, single without children)

Many of the disabling conditions that people discussed varied from day-to-day in their severity and the impact that they had on their life. Consequently, perceptions of disability also varied, with respondents indicating that on '*bad days*' they felt disabled and on good days they did not.

### 3 Awareness and understanding of tax credits and the disability element

This chapter examines how respondents were made aware of tax credits, including the disability element, and their understanding of the mechanics of both. The chapter is limited to those who were claiming tax credits at the time of the interview, but provides a context for the claiming behaviour of people who are eligible for the disability element of WTC but have not claimed.

#### 3.1 Customer awareness of tax credits

**Respondents had mainly become aware of tax credits through television and radio advertisements and described how these had encouraged them to make a tax credits claim. Awareness was also raised through word of mouth, Jobcentre Plus, the Citizens Advice Bureau, health visitors, charities and the HM Revenue and Customs' website.**

Respondents generally had difficulty remembering precisely how they first became aware of tax credits, although a television and radio advertisement campaign - which was thought to have run in 2003 or 2004 - featured most prominently in their recollections. Although they could not remember the content of the advertisement with any precision, their general impression was that they might be eligible to claim tax credits and as a result had called the telephone number cited in the advertisement and requested a tax credit claim form. Single parents, in particular, felt that the advertisement was particularly aimed at them:

'[The advertisement] seemed to hit out at single parents that were struggling with children ... and people who were working that were single parents with children. And I thought "that's me" and maybe they could help me. And they did.'

(Interview 11: potentially eligible for the DE of WTC, physical / sensory disability, 36-RA, working part-time, single with children)

The television advertisement also reassured respondents that financial help was available to them if they decided to move into work:

'It was saying that if you want to go back to work you don't have to worry much [because] tax credits will help you ... Seeing it on the telly really, really helps. It lays your mind at rest ... there's something there that can support you and your family.'

(Interview 27: has claimed the DE of WTC in the past, mental health problem, 36-RA, working full-time, single with children)

Informal sources of information about tax credits were also apparent, including family and friends who were familiar with the tax credits system themselves and in similar circumstances as well as formal sources including: Jobcentre Plus; the Citizens Advice Bureau (CAB); health visitors; carers; charities that help people with disabilities find employment, such as the Shaw Trust; and HM Revenue and Customs' website.

## 3.2 Customer understanding of tax credits

**Respondents had an accurate, but basic, understanding of tax credits. Tax credits were generally recognised as topping up income earned through employment.**

Customer understanding of tax credits was generally very rudimentary but accurate. Apart from being a *'top up'* income paid to people who were working and on a low income, they knew little more about how tax credits worked or the range of elements available. They did however recognise that tax credits were also designed to encourage people to move into and stay in work.

A more enhanced understanding of tax credits was demonstrated by those who had been made aware of them through television and radio advertisements; these respondents distinguished between WTC and Child Tax Credit (CTC). However, detailed knowledge was generally still limited.

## 3.3 Customer awareness of the disability element of WTC

**Customers in receipt of the disability element of WTC had generally been made aware through calling the HM Revenue and Customs' helpline. However, there were also customers who were receiving the disability element without realising that they had applied for it.**

**Awareness of the disability element of WTC was especially low among those who were potentially eligible, but who had never claimed it. Respondents suggested that the disability element should be incorporated into the WTC television and radio advertising campaigns.**

Customers who were aware of the disability element of WTC had primarily become aware through calling HM Revenue and Customs' helpline. Respondents had made this initial telephone call for one of three reasons:

- to report a change of circumstances

Respondents described calling the helpline to inform HM Revenue and Customs that their circumstances had changed. These included changes to their health, employment status, and benefit claim. For example, respondents were made aware of the disability element by Contact Centre staff after they had called to inform HM Revenue and Customs that they had started claiming DLA. Respondents had called to report receipt of DLA as they had considered this a change of circumstance, and they were keen to report these to HM Revenue and Customs in order to ensure that they received the correct entitlement and so avoided any possible overpayments.

- to renew their WTC claim

‘We didn’t actually know it was available until somebody said on the phone, “does anybody in your household have a disability?”’

(Interview 49: currently claiming the DE of WTC, physical / sensory disability, 18-35 years old, working full-time, couple with children)

- to query their level of payment to ensure that they were not being overpaid.

‘I read through the paperwork, the booklet that comes with it. I read through that, purely because I thought maybe I’m being overpaid ... And it was like, let me go through it properly, as in what I’m getting and what I shouldn’t be getting and how it’s worked out ... And this was quite a while ago, so I can’t remember how it’s worked out now. ... And I just asked the advisor over the phone. And she said, “just hang on one moment and I’ll just check”. And she said “...dyslexia<sup>7</sup>, that is under disability.”’

(Interview 46: currently claiming the DE of WTC, mental health problem, 18-35 years old, working part-time, couple with children)

Other sources of information mentioned about the disability element of WTC included: Jobcentre Plus advisors, health visitors, nurses who had helped respondents complete the tax credits claim form, HM Revenue and Customs’ website, charities that help people with disabilities find employment, and generally through word of mouth with friends who were in work, had a disability and were currently claiming the disability element.

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<sup>7</sup> Details of the functional disabilities which put someone at a disadvantage in getting a job are set out in the notes that accompany the tax credits claim form. Please note that actual health conditions such as ‘dyslexia’ are not included in this list.

Across the sample of disability element recipients there was a call for future television and radio advertising to mention the disability element, as it had been very successful in initially alerting them to the existence of WTC.

Awareness among those who were potentially eligible for the disability element of WTC, but who had never claimed it was very low – and a key reason for having never claimed the disability element (for further discussion see chapter seven).

More unusually, there were also some respondents who had been receiving the disability element but did not recall claiming it. This seemed to be associated with the simplicity of claiming the disability element on paper via the tax credits claim form, which only required a box to be crossed. For example:

- One respondent described how he only discovered he was receiving the disability element when he received notice of his tax credit award and had not been aware that he had originally made a claim for the disability element by crossing the relevant box on the tax credits claim form:

‘We never applied. I swear to God we never made out an application [for the disability element] ... I didn’t give them [HM Revenue and Customs] any information ... I was surprised because, I think it was when the [award statement] came through I thought ... it was more money than it was before ... I looked through and it said ... the disability element.’

(Interview 20: currently claiming the DE of WTC, physical / sensory disability, 36-RA, working full-time, couple without children)

- Similarly, another respondent had called HM Revenue and Customs’ helpline as she thought she was being overpaid; she had not realised that the additional money she was receiving was the disability element of WTC, and she did not recall crossing the box on the tax credits claim form.

For both respondents, the simplicity of the paper application procedure, which only required a box on the tax credits claim form to be crossed, meant that they were unaware of applying for the disability element.

### 3.4 Customer understanding of the disability element

**Respondents had a very basic understanding of the disability element; that is it could be claimed as part of WTC and by people with a disability. There was only a vague awareness of the eligibility criteria. There was confusion surrounding how the disability element of WTC was administered, with some respondents suggesting there was a need for more effective communications.**



Where respondents were aware of the disability element, they demonstrated only a basic understanding of the eligibility criteria. It was considered to be a *'top-up'* or *'bonus'* that could be claimed as part of WTC by people who have a disability.

'[The DE of WTC does] pretty much what it says on the tin really, it's a part of your Working Tax Credit, and there's another bit to it that you get for being disabled.'

(Interview 51: potentially eligible for the DE of WTC, physical / sensory disability, 18-35 years old, working full-time, couple with children)

Other than this, respondents were generally unaware of any of the additional eligibility criteria that they were required to meet, although a number of factors were thought to be taken into account. These were:

- the extent to which a person's condition would have an impact on their ability to work
- the number of hours worked, and
- receipt of a qualifying benefit.

Despite the range of criteria mentioned, individual respondents' knowledge was generally limited to one of these factors.

Customers who used an advocate, partner or parent to make a claim on their behalf usually had very little understanding of the disability element specifically and WTC generally. This was particularly the case for respondents with mental health problems.

There were also misunderstandings about the disability element. For example:

- A respondent decided to apply for DLA in order to receive the disability element as he assumed the purpose of the disability element was solely to help pay for medication for his disability.
- Though not a common misunderstanding, another respondent described how he thought that the amount of tax credit he received would increase if he did not receive the disability element, so that he would get the same total amount regardless of whether or not he had a disability:

'Well, if they done away with the disability premium they would probably have to up the other premium wouldn't they? ... They work a tax credit on what income you've got coming in [and] if you've got a low income of X amount of pounds they make it up to the average wage with the tax credit. But I get the disability

premium in with it, which is included, to make it up to that amount ... If they done away with the disability element that basic would probably be higher.'

(Interview 14: currently claiming the DE of WTC, physical / sensory disability, 36-RA, working part-time, couple without children)

## 4 Process of claiming and receiving WTC and the disability element

This chapter focuses on the process of claiming and receiving WTC and the disability element. As well as making the initial claim for WTC and the disability element, other aspects of the claim process will also be considered, such as the disadvantage test and administrative aspects such as reporting changes of circumstances.

### 4.1 How customers made a claim for WTC and the disability element

**Claims for WTC were made by completing the paper application form or by telephone. Respondents received assistance from a third party where difficulty was experienced, from partners, parents, nurses, HM Revenue and Customs and charities.**

**Where the disability element was claimed separately from WTC, it was generally claimed through calling HM Revenue and Customs' helpline.**

Claims for WTC (and the disability element, when the two were claimed simultaneously) were generally made by completing a paper application form. Assistance from a third party was enlisted where difficulty was experienced, from partners, parents, nurses, HM Revenue and Customs and charities. The difficulties experienced will be discussed in more detail in section 4.1.1.

Where WTC and the disability element were not initially claimed together through the tax credits claim form, the disability element was claimed in other ways; namely through calling HM Revenue and Customs' helpline. As discussed in section 3.3, respondents initially called to report a change of circumstances, renew their WTC claim or query an overpayment.

#### 4.1.1 Views of claim process

**There were respondents who found the tax credit claim form easy to fill in and required no assistance. In contrast, other claimants had more difficulty completing the form; this could be complicated by the nature of the respondent's disability.**

**Awareness that HM Revenue and Customs could ask disability element claimants to nominate a health practitioner to confirm their disability was high.**

The tax credit claim form was considered *'hugely detailed'*. This was of no consequence for some respondents, who found it relatively easy to complete and required no assistance in doing so. However these respondents described how they did have to put time aside to ensure they filled the form in accurately.

In contrast, the form was found by others to be *'daunting'* and therefore complicated and difficult to complete. Similarly, the guidance notes were considered long and confusing and as a result respondents were discouraged from reading them:

'The forms they give you, you think "for god's sake". And you get them every, I think it's every year that you get them, yes ... and that bloody great booklet ... It's confusing enough to fill in those forms.'

(Interview 11: potentially eligible for the DE of WTC, physical / sensory disability, 36-RA, working part-time, single with children)

Completing the tax credit claim form could be made more difficult by the nature of the respondent's disability, particularly if they had a mental health problem. Respondents with depression found the process of filling the form in confusing and tiring; and another respondent described how completing complex forms exacerbated his condition:

'It did make me ill; filling forms in. And having telephone conversations about important stuff that I need to remember.'

(Interview 41: currently claiming the DE of WTC, mental health problem, 18-35 years old, working part-time, couple with children)

This had led the mother of this respondent to take responsibility for completing forms and making telephone calls with regards to tax credits.

Those who recalled specifically completing the section of the tax credits claim form that referred to disability felt that the process was simpler and less onerous than the one required for the DLA:

'I think they [the forms] were actually easier for the tax credits than I anticipated they would have been. Especially with claiming the disability part of it ... because I'd just filled in the Disability Living Allowance forms [and they were] a lot more complicated. So yes it was much easier than I thought.'

(Interview 26: has claimed the DE of WTC in the past, physical / sensory disability, 36-RA, working full-time, couple with children)

Awareness that HM Revenue and Customs could ask disability element claimants to nominate a health practitioner to confirm their disability was high, and was either based

on their experiences applying for the DLA or else assumed to be common practice. If respondents had been unaware, such a practice was not a surprise to them as they had undergone more stringent checks when applying for the DLA and Incapacity Benefit. Such checks were therefore considered quite acceptable. The only concern expressed was a preference for HM Revenue and Customs to contact the respondent's own GP or consultant as they would know their medical history better than one selected by HM Revenue and Customs.

## 4.2 Awareness of the disadvantage test

**There was some awareness of the disadvantage test by those who had claimed the disability element in the past. However, the guidance notes had not been used by the respondents who were currently claiming the disability element.**

**Awareness of the disadvantage test was especially low among those who were potentially eligible for the disability element.**

Whilst there was some awareness of the disadvantage test demonstrated by those who had claimed the disability element in the past and had read through it, generally the guidance notes, which explain the disadvantage test, had not been used by the respondents who were currently claiming the disability element. There were three reasons as to why respondents had not referred to the disadvantage test:

- where the respondent felt able to describe their condition as a disability without obtaining confirmation from the disadvantage test;
- in cases where the respondent had called HM Revenue and Customs' helpline (for the reasons discussed in section 3.3) and this had led to the respondent applying for the disability element by telephone and therefore not coming across the disadvantage test. Respondents with mental health problems who were 18 to 35 years old were particularly likely to have experienced this;
- and where an advocate had filled in the respondent's claim form on their behalf, such as a partner or parent. Charities that help people with disabilities find employment, such as the Shaw Trust, also completed claim forms for respondents, as had HM Revenue and Customs. Again, these situations had arisen particularly for respondents with mental health problems.

Awareness of the disadvantage test was especially low among those who were potentially eligible for the disability element but not claiming it. However, although awareness was low, on being shown the disadvantage test in the interview respondents generally felt that they were familiar with its content as they had seen similar documentation in relation to the DLA.

#### 4.2.1 Views of the disadvantage test

**Views of the disadvantage test were generally negative as it was felt that the list did not capture the range of disabilities that people could experience. Those who were especially negative about the disadvantage test were respondents who had referred to it when completing a past claim for the disability element.**

**The disadvantage test was generally felt to neglect specific mental health problems, as it disproportionately listed physical or sensory disabilities.**

In general, respondents had negative views about the disadvantage test whether they had referred to it when completing the claim form or had read it for the first time during the in-depth interview.

It was felt that the list did not capture the range of disabilities that people could experience and was therefore too restrictive; this was felt even by those whose disabilities were captured adequately under the disadvantage test. When reading through the disadvantage test in the interview, respondents commented how, whilst they could generally relate their disability to at least one of the criteria listed, their specific condition was not captured by the disadvantage test. There was a call for respondents' specific disabilities or conditions to be included, despite an acknowledgement of the practical problems that would be inherent to compiling a disadvantage test of this nature:

'I know you've got to have some form of defined questions that you need to ask people, but "when standing you cannot keep your balance unless you continue to hold on to something" ... I know it may sound like I'm nit picking here, but it depends what you're standing on; if you're standing on flat ground it's easy, if you're standing on cobble stones it's difficult ... If I'm wearing the shoes I've got on at the moment, with a built up heel, it's not a problem. If I'm not wearing them then standing up for any period of time, no matter how short, it is difficult without hanging onto something.'

(Interview 51: potentially eligible for the DE of WTC, physical / sensory disability, 18-35 years old, working full-time, couple with children)

Respondents who felt particularly strongly about the disadvantage test considered it offensive because the listed criteria were considered to be so narrow in scope:

'I thought it was really, really patronising and really offensive actually ... "due to a lack of manual dexterity you cannot with one hand pick up a coin which is not more than 2.5 cm in diameter" ... I mean does that mean that if you can pick something up slightly larger than that, that means you are somehow not

disabled? I just don't understand how they can be so specific. I thought it was really offensive.'

(Interview 28: has claimed the DE of WTC in the past, physical / sensory disability, 18-35 years old, working full-time, couple with children)

Interestingly, those who were especially negative about the disadvantage test were those who had referred to it when completing a past claim for the disability element rather than those who were shown it during the course of the interview.

The disadvantage test was largely felt to neglect particular mental health problems, as it disproportionately listed physical or sensory disabilities. Mental health problems were also listed last and therefore felt to be easily missed. One respondent, diagnosed with manic depression and who was potentially eligible for the disability element, described how he was not very patient reading long lists and would not have seen the criteria that captured his disability.

### **4.3 Awareness and understanding of the administrative aspects of their claim**

**There was a general awareness that changes of circumstances needed to be reported to HM Revenue and Customs in order to receive their correct entitlement and thus avoid an overpayment. Changes mentioned spontaneously were ones relating to employment, children, partnerships and benefit claims. Changes in health or disability were mentioned after prompting.**

**There was considerable discontent surrounding overpayments. Respondents felt that the stress experienced as a result of having to pay back an overpayment could have an impact on their disabilities and also their claim behaviour.**

**The renewals process was felt to be very simple and an improvement over having to complete the initial tax credits claim form.**

**Respondents were generally unaware of the three-month backdating rule and even less so of the backdating rules specific to the disability element.**

- **Reporting changes of circumstances**

There was a general awareness that changes of circumstances needed to be reported to HM Revenue and Customs as soon as the change had occurred, though respondents were not necessarily aware of the complete range of changes they needed to report. The changes spontaneously mentioned were ones related to:

- **employment**, such as moving into or out of work, a change in their working hours, or an increase or decrease in salary;
- **child(ren)**, such as if their child were to leave full-time education or cease to live with them;
- **partnerships**, such as marriage, divorce, or if a partner were to start living with them full-time; and
- **benefit claims**, such as receipt of the DLA.

Interestingly, when spontaneously discussing what changes potentially needed to be reported to HM Revenue and Customs, mention of changes in their health or disability were not forthcoming. Though, upon further exploration of this issue there were respondents who understood the requirement to report changes to their health. However, awareness of this related to how respondents perceived their disability; if they felt that their health or condition was permanent, and therefore not going to improve, they would not recognise it as a circumstance that could potentially change and that needed to be reported.

It was felt that there should be '*some kind of lenience*' with regards to reporting changes in health or disability. Respondents envisaged a situation whereby a claimant immediately reported that their condition had improved, only for it to deteriorate again after the change was reported. This was thought to potentially cause stress and worry if reporting an improvement prematurely led to having to reclaim the disability element. Four weeks was felt to be a suitable period in which to be able to report a change.

Some claimants recognised the need to report changes of circumstance in order to receive their correct entitlement and thus avoid an overpayment. This was due partly to experience of paying back overpayments as a result of not reporting a change in circumstance. Messages taken from advertising campaigns had also reinforced the need to report changes:

'I think an advert on TV [said] ... you know, any changes, phone up. Well, contact them ... when you get your award notice you go through it to check everything's okay and we've got the right information.'

(Interview 23: has claimed the DE of WTC in the past, physical / sensory disability, 36-RA, unemployed, couple with children)

The process of reporting changes of circumstances was generally thought to be '*dead easy*'. Those who did not know the exact procedure still knew to contact HM Revenue and Customs to inform them:



‘What I would do is ring them up and say “me and my wife have got divorced” or whatever “what do I need to do?” ... Like so many things it’s often not necessary to know all the proceedings as long as you know who to speak to.’

(Interview 51: potentially eligible for the DE of WTC, physical / sensory disability, 18-35 years old, working full-time, couple with children)

However, the process of reporting changes of circumstances by telephone concerned some respondents, who worried that there was no way for them of recording that they had contacted HM Revenue and Customs to report the change. Respondents were therefore unaware that all calls made to the helpline were recorded.

- **Overpayments**

There was some awareness of the importance of reporting changes of circumstances, however not all respondents were aware that overpayments could stem from their late reporting of changes of circumstances. Instead, overpayments were widely perceived as being the ‘*fault*’ of HM Revenue and Customs and respondents felt that they should not have to pay back the money through future tax credit payments. Such feelings were magnified in instances where respondents considered themselves to be at the receiving end of poor communication from HM Revenue and Customs regarding the extent of the overpayment and when the overpayment would cease to be subtracted from their tax credits entitlement.

In general, awareness that people could receive overpayments was high, either through personal experience of receiving an overpayment or alternatively through negative media coverage. There was considerable discontent surrounding overpayments by those who had experienced them and had to pay them back. However, the primary focus of this research was to explore views and experiences of claiming the disability element of WTC and therefore the issue of overpayments generally and the reasons why some respondents had received them was not explored in detail. Instead the research focused on where this had an impact on their experience or views of claiming the disability element of WTC.

The stress experienced as a result of having to pay back an overpayment had two important ramifications;

- Some respondents felt it could have a negative impact on their disabilities, especially in instances where the respondent had a mental health problem. One respondent with epilepsy felt that his condition grew worse as a result of having to deal with an overpayment; and
- Other respondents in this group felt that it would influence their future claim behaviour. As will be discussed in section 6.3, experience of overpayments led

some respondents to want to leave the tax credits system and was a reason for respondents no longer claiming the disability element.

On the other hand, there were respondents who acknowledged that a past overpayment had occurred because they had failed to report a change of circumstance on time to HM Revenue and Customs. These respondents understood that their actions had led to the overpayment:

‘Yes we did [receive an overpayment], that was why we got in such a muddle. It must have made a difference to us when you [respondent’s partner] came to live here because that is why they [HM Revenue and Customs] got all hot under the collar ... and then they paid me too much ... because you [respondent’s partner] moved in here in March and I didn’t let them know probably until May ... that seemed to make it much more complicated.’

(Interview 13: potentially eligible for the DE of WTC, 36-RA, working full-time, couple with children)

- **Renewals**

The renewals process was felt to be very simple and a vast improvement over having to complete the initial claim form. Claims were generally renewed by telephone and this was reported to be an unproblematic process:

‘Fine, no problem ... It’s easy. The longer you’re with [HM Revenue and Customs] the easier it is. It’s just the very first time it’s daunting.’

(Interview 11: potentially eligible for the DE of WTC, physical / sensory disability, 36-RA, working part-time, single with children)

- **Three-month back-dating rule**

Respondents were generally unaware of the three-month back-dating rule and whether or not their claim had been backdated, and even less so of the back-dating rules specific to the disability element. However, they were not surprised that their claim could be back-dated as this had occurred when they had claimed the DLA.

Where respondents were aware of the three month back-dating rule, they described being pleasantly surprised at receiving their back-dated entitlement:

‘I tell you what was nice, to get that lump sum of stuff that they owed you while they were processing it, because it came out at quite a lump sum ... That was really nice ... I paid for the fireplace with it ... And there was no quibble about having it or anything.’

(Interview 6: has claimed the DE of WTC in the past, physical / sensory disability, 36-RA, unemployed, couple without children)

#### 4.4 Suggested improvements to the WTC and disability element claim process

**The following improvements regarding the WTC and disability element claim process were suggested: condense the length of the disadvantage test or split it into headed sections; list actual mental health problems in the disadvantage test; incorporate the disadvantage test into the tax credits claim form; and provide the option to apply for WTC and the disability element online.**

A number of improvements regarding the WTC and disability element claim process were suggested. They fell under three main categories:

- **The disability element section of the tax credits claim form**

Respondents who felt the disadvantage test should include a greater range of criteria described how they would prefer a blank space in the disability element section of the claim form in order to describe fully how their disability affects them. This was suggested by respondents with both physical disabilities and mental health problems:

‘Rather than the few questions what are there, which really don’t tell you much ... if it was an individual basis and you could ask this question on the phone and we could answer in depth instead of just being a yes or no answer.’

(Interview 1: has claimed the DE of WTC in the past, mental health problem, 18-35 years old, unemployed, couple with children)

It was also felt this could replace the disadvantage test, which was felt to be too prescriptive, as discussed in section 4.2.1.

Being able to explain the nature of their disability and how it had an impact on their life was very important and felt by some respondents to be best articulated face-to-face. Respondents who were initially rejected from claiming the DLA and as part of their appeal had discussed how their disability affected them in front of a panel felt that they were better able to describe this impact in words than in writing:

‘It was easier to have this face-to-face [meeting], because, you know, anyone speaking to [my son] can tell his memory is not very good and it’s easier to explain [verbally] how it affects his daily life, rather than, of course he can pick a pound coin up, but then if he puts it down he might not remember where he’s put it, that sort of thing.’

(Interview 41: currently claiming the DE of WTC, mental health problem, 18-35 years old, working part-time, couple with children)

Respondents therefore suggested they should be given the opportunity to speak face-to-face with a representative from HM Revenue and Customs. It became clear from these suggestions that there was great concern about having to validate their claim for the disability element to HM Revenue and Customs, as with the DLA. This appeared to stem from concern that if HM Revenue and Customs were to doubt the authenticity of their claim after having paid them the disability element, they would have to pay back any money they were not entitled to, which they thought of as an overpayment. Due to experiences of repaying overpayments, as well as negative press coverage, this was something that respondents were keen to avoid. Concerns about having to validate their claim meant that any advantages of a less onerous application process were generally not recognised.

- **The disadvantage test**

As discussed in section 4.2.1, views about the disadvantage test were generally negative. As respondents felt discouraged from reading it due to its length, the suggestion was made to condense the length, or else at least split the list into headed sections so that potential claimants could find their disability or condition more easily.

Furthermore, there were suggestions made regarding the way mental health problems were presented in the disadvantage test. Respondents who had mental health problems commented that they would prefer actual conditions to be listed, such as depression and anxiety, as these words were less stigmatising than the terms 'mental illness' or 'mental disability' used in the disadvantage test.

Lack of awareness of the disadvantage test led to the suggestion that it should be incorporated into the disability element section of the tax credits claim form. It was felt this would result in more potential claimants reading it. In turn, this could help those who thought they were ineligible for the disability element to redefine their condition as a disability, enabling them to make a claim and receive the financial help that they were entitled to. This is discussed further in section 7.3.

- **Method of submitting the tax credit claim form**

Having the opportunity to apply for WTC and the disability element online was suggested:

'I would like to do it online. I do virtually everything I can on the Internet so to me online would be fantastic.'

(Interview 22: potentially eligible for the DE of WTC, 18-35 years old, working full-time, couple without children)

## 5 Impact of the contribution of WTC and the disability element on household decision-making

The impact of WTC and the disability element on household decision-making will be examined by first revealing how customers used their entitlement and the impact this money had on the opportunities available to them. In the light of this, reliance on WTC and the disability element will also be considered. This provides a context for exploring the extent to which WTC and the disability element act as a work incentive, which will be discussed later in the chapter.

### 5.1 Distinguishing between the contributions of WTC and the disability element

**Respondents generally did not distinguish between the distinct contributions of the WTC and the disability element as they perceived and used their tax credits entitlement as one sum.**

Before examining the impact that WTC and the disability element had on respondents' household decision-making, it is necessary to establish how each of these were viewed. Respondents who were currently claiming, or who were reflecting on a past claim, generally did not distinguish between the differing contributions of the WTC and the disability element as they saw their tax credit entitlement as one sum. They also did not differentiate with regards to how they used the money. One reason for this was a lack of awareness surrounding the contribution from each component. However tax credits were still generally discussed as a '*lump sum*' even when respondents were aware how much each contributed:

'It just all sort of lumps together. So I don't say "that's my disability element, so I'll spend that ten pound on me" ... I just sort of bung it all together.'

(Interview 46: claiming the DE of WTC, mental health problem, 18-35 years old, working part-time, couple with children)

Respondents who had been claiming WTC and the disability element for more than a year recalled that tax credits used to be paid by their employer and so they would see the different components - WTC, CTC and the disability element - listed separately on

their pay slip<sup>8</sup>. They would therefore view them as separate from one another. When tax credits were paid *'all at once'* into the claimant's bank account, they were viewed as one sum rather than different components. However, given the description of this it is unclear whether these respondents were recalling their pay slip or their award notice.

## 5.2 Use of money received from WTC and the disability element

**Tax credits entitlements were used in two different ways in that they were either put into the pot or allocated to a specific purpose. Regardless of how the money was spent, decisions around its use were based on household motivations rather than individual ones.**

Essentially, tax credits entitlements were used in two different ways. These were:

- **Putting the money *'into the pot'***

Respondents who used their entitlement in this way did not allocate the money for a specific purpose and so it was difficult for them to specify precisely what they used the money for. However there was a general awareness that they spent it on *'basic living'* and expenses such as household bills and also *'essentials'* such as groceries and clothing for their children:

'It's in the general fund, but I mean it basically pays for the basics, the things you need, the rent ... the BT bill, television license, [and] travel is important.'

(Interview 20: currently claiming the DE of WTC, physical / sensory disability, 36-RA, working full-time, couple without children)

The impact of not receiving this money is discussed in section 5.4.

- **Allocating the money to a specific purpose**

As opposed to putting their tax credits entitlement *'into the pot'*, there were respondents who allocated the money to a specific purpose, such as mortgage repayments or medication. A process of dividing the money up for a range of specific purposes was also described:

'It gets split three ways. If I get £300 a month tax credit, I will put £100 away for saving, £100 towards the bills which will usually cover the electricity bill or whatever and then £100 for emergencies or stuff that I can't foresee if you like.'

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<sup>8</sup> Tax credits were paid through employers until 31 March 2006. Tax credits are now paid directly by HM Revenue and Customs into a claimant's bank account, building society or savings account.

(Interview 25: currently claiming the DE of WTC, physical / sensory disability, 18-35 years old, working full-time, single without children)

Regardless of what the money was spent on, decisions around how it was used were based on household motivations as opposed to individual ones.

### 5.3 Impact of WTC and the disability element on household opportunities

**Receiving WTC and the disability element was generally thought to give a better standard of life. Respondents who were potentially eligible for the disability element also acknowledged that receiving it could have a positive impact on the opportunities available to their household.**

Receiving WTC and the disability element was generally thought to give a *'better standard of life'*. There were a range of ways in which it did this. It meant for some respondents that they were able to dress the children *'nicely'* and could afford *'the extras'* for their household; such as buying brand names when grocery shopping:

'We were able to buy extra things ... you can go out and buy brand names ... it just helps you raise standard of living a bit.'

(Interview 35: has claimed the DE of WTC in the past, physical / sensory disability, 36-RA, unemployed, couple without children)

For others, receiving WTC and the disability element meant they had peace of mind that they would be able to afford to pay the household bills:

'It just means you can pay your bills without having to sort of scrimp and scrape ... you pay the bills and just get by. You can get by without actually having sleepless nights.'

(Interview 34: currently claiming the DE of WTC, physical / sensory disability, 36-RA, working full-time, couple with children)

Receiving WTC and the disability element also had an impact on household opportunities by ensuring respondents did not have to take out a loan to supplement their income. Receiving the disability element in addition to their basic WTC also allowed respondents to reduce their working hours so as not to compromise their health. This will be examined in more detail in section 5.5.2.

#### 5.3.1 Potential impact of the disability element to those not currently receiving it

Despite a lack of awareness regarding the amount of money the disability element could contribute, respondents who were potentially eligible to claim the disability

element, but not doing so acknowledged that receiving it could have a positive impact on the opportunities available to their household as *'more money is always going to be helpful'*. The following were envisaged:

- **Improvements to standard of living:**

Respondents who were claiming WTC imagined that receiving the disability element would allow them to make small improvements to their standard of living, such as the type of groceries they were able to afford, or they would be able to buy *'extras'* for their children. One respondent described how his standard of living would improve because he would be able to travel more widely than he did as he could spend the additional money on taxi fares; he was not able to drive due to his disability.

- **Reduction in working hours:**

Respondents who were working full-time and claiming WTC would consider reducing their working hours if they could receive additional money through the disability element. These respondents found working full-time difficult due to their disability:

'I suppose if you'd got more disability [entitlement] it would help out and then maybe you know you wouldn't have to work like 35 hours or whatever ... maybe I could cut down my hours of working again.'

(Interview 10: potentially eligible for the DE of WTC, physical / sensory disability, 36-RA, working full-time, couple with children)

## 5.4 Reliance on money received from WTC and the disability element

**Respondents described being very reliant on the money they received as part of their total tax credits entitlement, regardless of whether they were claiming the disability element or not. Their level of reliance was largely related to what their entitlement was used for. However, it was also acknowledged that people make do with whatever entitlement they receive.**

- **Working Tax Credit**

Respondents - lone parents in particular - described themselves as being very reliant on the money they received as part of their total tax credits entitlement, whether they were claiming the disability element or not. The level of reliance described was largely related to what they used their entitlement for. Those who used it in order to pay for the *'essentials'*, their mortgage or any form of utility bill emphasised how reliant they were on the money and how they would be *'gutted'* and would struggle to maintain their current lifestyle without it:



'If that money didn't come in, then I would be stuck ... the bills wouldn't get paid ... shopping, food, you know, all that kind of stuff ... I would have to change the whole lifestyle.'

(Interview 16: currently claiming the DE of WTC, mental health problem, 18-35 years old, working part-time, single with children)

Respondents also felt that they would '*have to finish at work*' and claim out-of-work benefits if they did not receive WTC (and their income were to remain the same) due to the way in which WTC, and the disability element, supplemented their low income. This was emphasised by respondents who were self-employed as the income earned through their business could be so variable:

'We couldn't carry on the business without the tax credits at the moment, to be honest with you. I don't like to have to say it ... but you have to be realistic. You have to take help from where you can get it as a small business.'

(Interview 20: currently claiming the DE of WTC, physical / sensory disability, 36-RA, working full-time, couple without children)

However, despite this general reliance it was also acknowledged, particularly by those who had their WTC reduced due to paying back an overpayment, or those who were no longer receiving the disability element, that people '*make do with*' and grow accustomed to, whatever entitlement they receive:

'I don't rely [on tax credits] because if the Government changes and it gets taken away, I don't think you should rely on anything ... I was taught you don't rely on anything but yourself and that's it. So it's lovely while it's there, and yes I do use it, and yes I would miss it, but if it was taken away you'd have to tighten your belt.'

(Interview 9: currently claiming the DE of WTC, physical / sensory disability, 36-RA, working part-time, single without children)

Respondents who thought they would grow used to whatever the amount they received were also those who valued the non-financial benefits of moving into work, such as enhancing self-esteem (for further discussion see section 5.5.3).

- **The disability element of WTC**

Due to the way in which respondents generally treated their WTC and disability element money as a '*lump sum*', they correspondingly tended to rely on it as such. However, there were exceptions to this. Respondents who were aware of how much money they received specifically for the disability element indicated that the amount it contributed was proportionally small compared with their basic WTC and therefore they

did not rely on it as much. One respondent thought that her disability element entitlement was approximately ten pounds a month and so reasoned that losing this entitlement would not have much of an impact on her.

Respondents who were already receiving WTC when they had started to claim the disability element described how, though they were unaware of how much money they received for the disability element, the additional money had not made ‘a big difference’ to them and so they were not reliant on it:

‘If I didn’t have it [the disability element], I wouldn’t miss it. I couldn’t even tell you how much I get.’

(Interview 33: currently claiming the DE of WTC, mental health problem, 36-RA, working full-time, couple with children)

However, in contrast to this there were respondents who described themselves as being very reliant on the additional contribution that the disability element had made to their income:

‘The disability element ... bumps it [WTC] up. If I had to manage on [WTC] ... and they done away with disability element, no, I couldn’t survive.’

(Interview 14: currently claiming the DE of WTC, physical / sensory disability, 36-RA, working part-time, couple without children)

This will be discussed further in section 5.5.2.

## **5.5 Making decisions regarding movement into work**

When making decisions regarding movement into work, respondents generally took into account the total income acquired through working, including their WTC and disability element entitlement. However, financial considerations were not the only issue with respondents across the sample for whom a range of non-financial factors also influenced their work-related decisions. This will be discussed in section 5.5.3.

### **5.5.1 Do WTC and the disability element act as incentives to move into work?**

**Working Tax Credit and the disability element had collectively acted as an incentive to work for some, due to the additional financial support they provided. Being financially better off was a major determinant in deciding whether to move into work.**

**There was also a preference for claiming WTC due to the perceived lack of stigma attached to its receipt. This is in contrast to the shame felt claiming out-of-work benefits. Although there was felt to be no stigma attached to claiming**

**WTC, the perceived stigma attached to having a disability was a barrier to claiming the disability element, which will be discussed further in section 7.2.**

Working Tax Credit and the disability element had acted as an incentive to work in some instances, primarily due to the additional financial support it provided:

‘As a mother of three, I think it’s so easy to just go into a rut and not go back to work and just go onto income support or some other sort of benefit. But I think that Working Tax Credit enables you to go back into work. It encourages you to think that well actually if I do 16 hours then I will still get some sort of support.’

(Interview 46: currently claiming the DE of WTC, mental health problem, 18-35 years old, working part-time, couple with children)

In these instances, respondents had generally calculated, or had a calculation carried out for them at the Jobcentre for example, how much WTC and disability element they would receive if they took a job. Being financially better off was a major determinant in deciding whether to move into work and these respondents prioritised increasing their income in considering whether to move into work over non-financial factors like impacts on their health or self-esteem, which will be discussed in section 5.5.3.

‘I think [WTC and disability element] help because you know, you’ve got that income coming in each week ... and it was through that that I went back to work; I wouldn’t have gone back to work if I could receive no benefit.’

(Interview 14: currently claiming the DE of WTC, physical / sensory disability, 36-RA, working part-time, couple without children)

**Case Study 2:** currently claiming the DE of WTC, mental health problem, 18-35 years old, working part-time, single with children.

Lisa has depression and as a result has found it difficult to work full-time. Her husband had supported her financially through periods of unemployment, but in 2006 Lisa and her husband separated and she took responsibility for their four children. She considered staying out of work and claiming Income Support in order to look after the children as she was concerned about the cost of childcare should she move into work. She went to the Jobcentre for advice and they calculated how she would be financially better off in work, through support from WTC, as opposed to claiming Income Support. Lisa decided to work 16 hours a week so that she qualified for WTC and the disability element. She had previously always worked fewer than 16 hours a week.

The impetus for Lisa moving into work and increasing her hours was financially motivated. She does not distinguish between the contribution of WTC and the disability element but says that ‘*every single bit*’ helps.

However, basic WTC was more likely to have acted as an incentive to move into work than the disability element. The scope for the disability element to do so was limited due to respondents' lack of awareness of its existence prior to moving into work.

As well as being seen as a financial incentive to move into work, there was also a preference for claiming WTC rather than out-of-work benefits due to the perceived lack of stigma attached to its receipt. Respondents distinguished between WTC and out-of-work benefits as WTC was considered a '*reward*' for working where as out-of-work benefits were viewed as a handout:

'The words 'tax credit' insinuates that you pay something back to society where as 'benefits' don't. 'Benefits' sound like society supporting you rather than you supporting yourself.'

(Interview 25: currently claiming the DE of WTC, physical / sensory disability, 18-35 years old, working full-time, single without children)

For this reason there was felt to be no stigma attached to receiving WTC; respondents felt that they had earned their entitlement to the money by working. In contrast, respondents described feeling ashamed, degraded and '*horrible*' when they had claimed out-of-work benefits. This view was held by respondents across the sample. In this respect the reduction in stigma involved in claiming WTC rather than out-of-work benefits had also acted as an incentive to move into work. However, whilst there was seen to be no stigma attached to claiming WTC, the perceived stigma attached to having a disability was a barrier to claiming the disability element, which will be discussed further in section 7.2.

### 5.5.2 Do WTC and the disability element act as incentives to stay in work?

**Working Tax Credit and the disability element were described as acting as an incentive to stay in work as they provided a means by which the respondent could stay in employment when their disability or condition began to have an impact on their work, rather than having to give up work entirely.**

Working Tax Credit and the disability element were more likely to be described as having acted as an incentive to stay in work than an incentive to move into work. This was particularly the case for those who were already in work prior to claiming WTC and the disability element. It is important to acknowledge that due to the lack of awareness surrounding the disability element, as discussed in chapter 3, respondents were generally already in work before first being made aware of it. However, once they were receiving it they saw it as an incentive to stay in work.

The disability element also provided a means by which the respondent could stay in employment when their health condition began to have an impact on their work, rather

than having to give up work. The respondents who had found working full-time problematic due to the nature of their disability were able to reduce their hours and still 'get by' financially as a result of receiving the disability element of WTC in addition to their basic WTC. By way of example, a respondent with osteoporosis had felt it necessary to reduce her hours as a result of her condition and the only way she could afford to do this was by claiming the disability element of WTC, otherwise she would have claimed out-of-work benefits instead:

'Basically what I'd lost in my hours ... going down from say 100 hours a month to 60 or 50, I only lost about 20 pound a month. So I was working less hours but I was getting more for it, you know?'

(Interview 23: has claimed the DE of WTC in the past, physical / sensory disability, 36-RA, unemployed<sup>9</sup>, couple with children)

This was the experience particularly of respondents with mobility problems and those who described themselves as being in constant pain due to their disability. Had they not been receiving the disability element they would have been unable to afford to reduce their hours and felt that they would have had to give up work and claim out-of-work benefits so as not to compromise their health. One respondent who had been advised by his doctor to give up work, or at least reduce his hours, described receiving the disability element as a 'lifeline' that enabled him to stay in work.

**Case Study 3:** currently claiming the DE of WTC, mental health problem, 18-35 years old, working part-time, couple with children.

David was diagnosed with epilepsy in 2002. His condition affects his day-to-day life quite considerably as he tires and confuses easily and is very forgetful. He cannot drive or use a computer and as a result is not able to work in roles which necessitate using these skills. David has always had a job and currently works thirty hours a week in the warehouse of a supermarket and claims WTC. More recently he has started to claim the disability element of WTC on top of his WTC, as he had not been aware of it when he first claimed WTC.

David's GP had suggested he give up work altogether due to his epilepsy or at the very least reduce his hours. David cannot imagine not working "*I couldn't just sit at home, there's only so much cleaning you can do*" and so wanted to carry on working if possible. Claiming the disability element enabled David to reduce his hours at work; he now works four rather than five days a week and as a result has found he is better able to control the symptoms of his epilepsy. David felt that had he not received the disability element on top of his WTC, he would have continued to work full-time as he would not have been able to afford to reduce his hours. He feels this eventually would have had a very adverse effect on his health and may have led to him giving up work completely. The disability element therefore allowed David to stay in employment.

### 5.5.3 Non-financial factors influencing decisions regarding movement into work

**Non-financial factors also influenced respondents' decisions regarding work with increasing self-confidence being a key driving force. Ultimately however, decisions around work were dictated by respondents' health; if working lessened the impact of the disability on their day-to-day life, then they would work irrespective of whether they were worse off financially as a result. Similarly, an improvement in health allowed respondents to increase their hours.**

Apart from the financial incentive to work provided by WTC and the disability element, there were other factors that influenced respondents' decisions regarding movement into work. The extent to which these non-financial factors were taken into account varied across respondents.

- **Self esteem**

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<sup>9</sup> The respondent had left work due to matters unrelated to her disability.

Increasing self-confidence and feeling *'useful'*, both to the household and society in general, were key driving forces behind movements into work. Respondents described how they would have moved into work regardless of whether or not they received WTC:

'In the ten months that I wasn't working I was climbing the walls, I really was. I hated being at home, and I would have gone back to work whether [WTC and the disability element] existed or not.'

(Interview 9: currently claiming the DE of WTC, physical / sensory disability, 36-RA, working part-time, single without children)

For these respondents it was the impact that working would have on their confidence and self esteem that was seen as the incentive to work, rather than any financial gain stemming from WTC. One respondent believed that he was better off financially claiming out-of-work benefits than working and claiming tax credits, but had been so bored during the ten years he had been unemployed that he had returned to work:

'I was bored to be honest. I'd been off near enough ten years it was, so ... I thought right, now's the time, things aren't going to get any better with your arm ... and I've got to get out and do something. Which is exactly what I did do. You know, obviously we were better off before, but now I'm happier earning my own money. And all right we struggled ... but it gives me the satisfaction that I've done something and paying my part.'

(Interview 47: potentially eligible for the DE of WTC, physical / sensory disability, 18-35 years old, working full-time, couple with children)

It is difficult to say, however, whether improvements in self-esteem would always have been rated quite so highly had respondents not been financially better off in work. One respondent described how whilst, in theory, he prioritised the non-financial benefits to working, he could not deny that in practice he would not be able to afford to work without the financial assistance of WTC and the disability element:

'I think [working] keeps you sane. I mean I cannot understand for the life of me anybody who would want to stay at home 24 hours a day 7 days a week because you know, you've got to have some sort of stability in life ... [otherwise] how are you going to socialise and things like that ... you'd just waste your life away, wouldn't you? ... I definitely want to stay in work ... But on the other hand I could not afford to stay in work if they done away with tax credits.'

(Interview 14: currently claiming the DE of WTC, physical / sensory disability, 36-RA, working part-time, couple without children)

- **Health**

Health was another influence surrounding decisions to move into work. For respondents with mental health problems, such as depression, working was seen as a way of improving their state of mind. For example:

- One respondent with depression described how working kept her occupied and as such helped combat her depression. She therefore considered it essential to stay in work for the sake of her health and prioritised this over financial factors as she felt she would have been better off financially receiving out-of-work benefits.
- Similarly another respondent had to leave work due to a physical disability and became depressed as a result. She moved back into work to relieve this depression:

‘When I stayed at home for them six months after my surgery I was very depressed. So I think [the decision to work] was more to relieve the depression. Because I found it a bit, when you’ve worked full-time all your life and then all of a sudden it stops, I found that as difficult to cope with as much as my illness, sort of thing.’

(Interview 3: potentially eligible for the DE of WTC, physical / sensory disability, 36-RA, working part-time, couple without children)

Ultimately, decisions around work were dictated by respondents’ health; if working lessened the impact of the disability on their lifestyle, then they would work regardless of whether they thought themselves worse off financially as a result. Similarly, an improvement in health allowed respondents to increase their hours:

‘I was doing two days a week up to last year and then I felt better because they brought out some new drugs you could inhale. It was quite a turning point for me really ... originally [I worked] full-time and then I went down to two days a week, part-time, and then I got better again.’

(Interview 28: has claimed the DE of WTC in the past, physical / sensory disability, 18-35 years old, working full-time, couple with children)

Equally, if working became ‘*too hard*’ as a result of a disability or the respondent could foresee this situation occurring, then the respondent would give up work and claim out-of-work benefits. This is explored further in section 6.2.



## 6 Reasons for no longer receiving the disability element

This chapter examines the reasons why customers were no longer receiving the disability element of WTC. Ineligibility due to a change in their circumstances was the primary reason for respondents no longer receiving it. Such changes included an increase in earnings, improvement in health or disability or moving out of work entirely. Perceived ineligibility due to an improvement in their health or disability was another reason why respondents were no longer claiming the disability element. A further reason was respondents wanting to leave the tax credit system due to their past experiences of the tax credits process and concerns about overpayments (see section 4.3 for further details). Each of these reasons will be discussed in turn.

### 6.1 Ineligibility

**Ineligibility due to a change in circumstances was the primary reason for respondents no longer receiving the disability element, including an increase in earnings, unemployment and improvements in health or disability.**

- **Increase in earnings**

An increase in salary was a key reason for respondents no longer receiving the disability element. Such increases in salary were a result of movement from part-time to full-time employment, promotions and pay rises. Respondents did not attribute this increase in earnings to the receipt of the disability element in terms of it acting as an incentive to move into or to stay in work.

- **Unemployment**

Becoming unemployed had left respondents ineligible to claim WTC and therefore the disability element. Reasons for moving out of work included caring responsibilities and also dissatisfaction with their job:

‘It was very quiet. You know, he [the boss] was out of the office most of the time and I was there on my own, no one else in the office. I’d sit there looking at four walls, you know. So the palaver to get there in the morning anyway, you know, and then to sit there and be bored ... that seemed like a never-ending day to me. So I basically handed my notice in then and gave up work.’

(Interview 23: has claimed the DE of WTC in the past, physical / sensory disability, 36-RA, unemployed, couple with children)

- **Improvement in health / disability**

Ineligibility for the disability element due to an improvement in their health or disability had led respondents to inform HM Revenue and Customs that they were no longer disabled, and as such their claim had been terminated.

## 6.2 Perceived ineligibility

**There were instances where respondents had stopped claiming the disability element when they were still experiencing symptoms related to their disability as they felt their condition had improved enough to make them ineligible.**

Respondents also stopped claiming the disability element where they were still experiencing symptoms related to the disability they had originally claimed the disability element for, as they felt that their condition had improved ‘*enough*’ to make them ineligible.

**Case Study 4:** has claimed the DE of WTC in the past, mental health problem, 36-RA, working full-time, single with children.

Jill is a single parent, has four children and works full-time. She claims WTC and the DLA, but stopped claiming the disability element when she moved into full-time work two years ago.

Jill has depression and whilst the medication she has been prescribed alleviates the worst of the symptoms, she has periods where she does not feel able to go into work. When her depression was at its worst in 2003 and Jill was working part-time, her district nurse completed a tax credits claim form and applied for the disability element on her behalf, which Jill received for a year or so.

When Jill moved into full-time work she felt that it was ‘*not right*’ to claim the disability element as she was ‘*capable*’ of working full-time, despite still being on medication for her depression and having to take time off work. She informed HM Revenue and Customs that she was no longer disabled and so does not receive it anymore.

For these respondents experiences of overpayments had provided further impetus to terminate their claim. This will be discussed further in section 6.3.

## 6.3 Concerns about remaining in the Tax Credits System

**Negative experiences of the tax credits process and receiving overpayments meant that some respondents did not want to be part of the tax credits system.**

**The stress incurred from claiming tax credits and repaying overpayments was felt to outweigh the financial gain of claiming WTC and the disability element. In certain cases respondents felt that this could have an adverse impact on their disabilities.**

There were respondents who no longer wanted to be part of the tax credits system due to general frustration associated with claiming tax credits and stress incurred from repaying overpayments, as discussed in sections 4.3 and 6.2. These concerns were felt to outweigh the financial gain of claiming both WTC and the disability element:

‘To be honest, I just don’t want to be involved with it any more, because even if I could claim it I don’t want to be because it is just too much hassle.’

(Interview 28: has claimed the DE of WTC in the past, physical / sensory disability, 18-35 years old, working full-time, couple with children)

For some respondents, such experiences were perceived as having an adverse impact on their disabilities and reduced the likelihood of them making a claim in the future:

‘Sometimes they [GP and Consultant] encourage me to continue [to claim the disability element] but I said no. Because the hassle and the pressure with it, I can’t take it because of my depression. I don’t want anything that is going to depress me.’

(Interview 27: has claimed the DE of WTC in the past, mental health problem, 36-RA, working full-time, single with children)

This respondent stopped claiming the disability element by informing HM Revenue and Customs that she no longer had a disability.

## 6.4 Likelihood of claiming the disability element in the future

**Views regarding making a future claim for the disability element varied according to the reasons respondents gave for terminating their claim.**

**Respondents who had negative experiences of overpayments and those whose earnings had increased were less likely to claim in the future, while those who had terminated their claim on health grounds considered contacting HM Revenue and Customs to check their eligibility.**

Those who had terminated a claim for the disability element following stress they felt to have been caused by an overpayment were less likely to claim again in the future.

Those who had experienced an increase in earnings also felt that they were unlikely to claim again as an increase in earnings would mean that they were no longer eligible and they expected that their income would gradually continue to rise.

Other respondents terminated their claim because they had considered themselves ineligible on health grounds. However, after being shown the disadvantage test in the interview, respondents thought they may still be eligible and said they would consider contacting HM Revenue and Customs to make further enquiries.

## 7 Reasons for potentially eligible respondents not claiming the disability element

This chapter examines the reasons why respondents who were potentially eligible for the disability element were not claiming it at the time of the research. Potentially eligible respondents were divided into two sub-groups; those working, claiming a qualifying benefit and tax credits but not the disability element, and those working, claiming a qualifying benefit but not tax credits. Where possible, any differences between the sub-groups will be highlighted.

Lack of awareness was a key reason for potentially eligible respondents not claiming the disability element; respondents were generally not aware that it existed until they were recruited to take part in the research. Of those who were aware, reasons for not claiming included perceptions of ineligibility, the perceived stigma related to claiming, concerns about overpayments, and thinking that the financial impact would not be high enough to warrant the effort involved in making a claim.

### 7.1 Lack of awareness

**Lack of awareness was a key reason for potentially eligible respondents not claiming the disability element; respondents were generally not aware that it existed until they took part in the research. This was the case for both those who were and those who were not claiming WTC.**

As discussed in chapter three, awareness among those who were potentially eligible for the disability element of WTC but who had never claimed it was very low and a key reason for having never claimed the disability element. This lack of awareness appeared to be as a result of the section titled ‘the rest of this page is about disability’ on the tax credit claim form going largely unnoticed:

‘I can’t remember ever seeing that - I would have filled it in if it had had been there - but I can’t remember seeing that.’

(Interview 40: potentially eligible for the DE of WTC, physical / sensory disability, 36-RA, working full-time, couple with children)

Respondents described how they would have completed this section had they been aware of it, suggesting that this part of the claim form may need to be more visible and better signposted.

## 7.2 Stigma attached to claiming

**The perceived stigma attached to having a disability was a barrier to claiming the disability element, particularly for those with mental health problems and also those not claiming WTC.**

The perceived stigma attached to having a disability acted as a barrier to claiming the disability element among those who were aware of it, and potentially eligible. The perceived stigma acted as a barrier particularly for those not claiming WTC.

For people with mental health problems this was a particular barrier to claiming the disability element; respondents said that they would find it embarrassing and humiliating to make a claim for the disability element on the basis of their depression, for example.

Furthermore, there were also respondents for whom the stigma of having a mental health problem was compounded by having to make a claim for financial assistance, as this was considered to be '*scrounging*'. The combined effect proved to be a deterrent to making a claim for the disability element.

It is unclear why perceptions of stigma should have this effect when these respondents were already claiming a qualifying benefit like the DLA. However, perceptions of the stigma attached to receiving the disability element overlapped with the view that the monetary gain from claiming WTC and the disability element might not be large enough to make the application process worthwhile. Therefore if there was thought to be a larger financial incentive to claiming, perceptions of stigma might be less of a barrier.

## 7.3 Perceptions of being ineligible

**There were respondents who were aware of the disability element but considered themselves ineligible as they felt their condition did not meet the criteria. This was particularly the case for those with mental health problems, as there was a concern that such conditions were not considered disabilities.**

**Income was another reason why respondents thought themselves ineligible as they considered their income to be too high.**

Even though there were respondents who were aware of the disability element they did not consider themselves to be eligible as they felt their condition did not qualify as a disability, as discussed in chapter two. Where they did consider themselves to have a disability, they were unsure as to whether their specific disability met the eligibility criteria for the disability element. This was particularly the case for those with mental health problems, as there was a concern that such conditions were not widely

considered to be disabilities. Respondents with physical disabilities also queried their eligibility in terms of the severity of their condition:

'I think I skipped that [section] because I thought it ... if you were in a wheelchair or something like that. That's why I didn't fill it in.'

(Interview 11: potentially eligible for the DE of WTC, physical / sensory disability, 36-RA, working part-time, single with children)

This uncertainty surrounding eligibility links to the lack of awareness of the disadvantage test, as discussed in chapter four.

Income was a further reason why respondents thought themselves ineligible as they considered their income to be too high to receive the disability element, though respondents had not had this confirmed. This was particularly so for respondents who were claiming qualifying benefits but not WTC rather than respondents who were already claiming WTC.

## 7.4 Perceived problems with claiming the disability element

**A number of perceptions held about the disability element acted as a barrier to claiming. These included a view that making a claim would be complicated, concern about the surveillance they imagined they would be subjected to once they claimed tax credits; a concern about their eligibility and having to repay any overpayments that might occur.**

There were a number of perceptions that this group of respondents held about the disability element that acted as a barrier to making a claim. These included:

- A view that making a claim for WTC and the disability element would be complicated,
- A corresponding perception that the financial gain from claiming WTC and the disability element might not be large enough to make the application process worthwhile,
- Concern about the surveillance they imagined they would be subjected to once they claimed tax credits, a concern that is unique to those who were not claiming tax credits as respondents who were currently claiming the disability element were widely accepting of checks that might be made, as discussed in chapter 4, and
- Among those claiming tax credits, worry about having to repay any overpayments that might occur. Concern seemed to be directed at validating their claim for the disability element as they thought that if HM Revenue and

Customs were to doubt the authenticity of their claim after having paid the disability element, they would have to pay back any money they were not entitled to, which they viewed as an overpayment.

## 7.5 The likelihood of claiming the disability element in the future

**Those who were potentially eligible generally felt they would consider applying for the disability element in the future, particularly if their income was low.**

Despite the various reasons that were given for not pursuing a claim for the disability element, those who were potentially eligible generally felt they might consider making an application in the future, particularly if their income was low.

Some, however, would wait until the next renewal period and would claim for the disability element then as they had found the initial claim forms *'daunting'*. Being shown the claim form and guidance notes in the interview did not alter this view. Respondents did not demonstrate any awareness that current claimants only have to notify HM Revenue and Customs that they are eligible for the disability element of WTC as opposed to completing a tax credit claim form.

While there were respondents who considered their income currently too high and therefore would not make a claim, others who did not consider themselves disabled or were troubled about the stigma of making a claim thought that it *'doesn't hurt to try'* and that their entitlement to financial help through the disability element would ultimately override any stigma they might feel.



## 8 Conclusion

Owing to limited research in this area, this study sought to explore the experiences of those claiming the disability element of WTC or those who are eligible to claim but not currently doing so.

This conclusion reflects upon the key messages raised throughout the report; the influences on respondents' claiming behaviour with regards to tax credits and the disability element of WTC, and the extent to which they act as an incentive to move into or stay in work.

### 8.1 Influences on claim behaviour

An overriding finding emerging from the research is a lack of awareness of the disability element of the WTC, particularly among those who were potentially eligible to claim it, but had never done so, regardless of whether they were receiving WTC or not.

It was suggested by respondents that incorporating the disability element into WTC television and advertising campaigns would assist in raising awareness as this was felt to have been very successful in alerting respondents to the existence of WTC. That the disability element section of the tax credit claim form went largely unnoticed also suggested that this section of the form could be made more visible and better signposted.

Claim behaviour was influenced by respondents' perceptions of their condition. Even though respondents were aware of the disability element, they did not always consider themselves to be eligible as they felt their condition did not qualify as a disability, particularly the case for those with mental health problems. Where they did consider themselves to have a disability, they were unsure whether their specific disability met the eligibility criteria because the disadvantage test was felt to be incomplete and to not reflect the total range of disabling conditions.

Importantly, experiences of overpayments had led to some respondents wanting to minimise their involvement in the tax credits system, leading some to terminate their claim for WTC and the disability element, and discouraging others from claiming the disability element in the first place. In these cases the financial incentive to claim the disability element was not perceived to be large enough to make the application process worthwhile. Respondents felt that there was a need to improve communications about reporting changes in circumstance in terms of how to avoid receiving overpayments and the procedure for paying them back, and that this may help restore confidence in the tax credits system and encourage take up of the disability element of WTC.

## 8.2 Tax credits and the disability element as a work incentive

A central objective of the research was to examine the effect of WTC and the disability element on working patterns. In order for them to have an impact on decisions surrounding movement into work, the availability of WTC and the disability element and their potential contribution to household income need to be recognised by those seeking employment. Whilst the basic WTC generally acted as an incentive to move into work due to the additional financial support it provided, the scope for the disability element to do this was limited due to the lack of awareness of its existence.

The Working Tax Credit and the disability element also provided a means by which respondents could stay in employment by reducing their working hours when their health condition began to have an impact on their work, rather than having to give up work. Respondents were able to reduce their hours and still manage financially; in this sense, WTC and the disability element provided an incentive to stay in work. However, it was clear that respondents found it very difficult to distinguish between the effect of WTC and the disability element of WTC on household decision-making. This was partly because it was rare for the disability element to be considered separately but also because the amount from the disability element was felt to be proportionately small compared to WTC.

# Appendices

## Appendix A: Technical Appendix

A brief outline of the research design and conduct is given in chapter 1 of this report. This appendix provides further details of the research methods used in this study. A copy of the topic guides used can be found in Appendix C.

### Research Design

The research was qualitative in design, adopting in-depth interviews in order to understand the behaviour of people who are eligible for the disability element of WTC. A qualitative approach to the research enabled respondents to raise issues of importance in their own words and vocabulary, in the context of their own circumstances and, with probing by the interviewer, ensured issues were explored and examined in full. As qualitative methods permit researchers to adapt their approach during the interviews, interviewers were able to be sensitive to the needs and circumstances of the respondents.

### Sample design and selection

As is usual in qualitative research, the sample was designed to ensure full coverage of the key sub-groups within the target population, in order to identify and explain variations in behaviour and views. As noted in the introduction, purposive sampling was used to structure the sample of respondents around their disability element claim status as follows:

- **those who were currently claiming the disability element**
- **those who had claimed the disability element in the past**
- **those who were potentially eligible to claim the disability element**

Additional recruitment criteria were used to ensure a diverse sample. These were:

- **type of disability:**
  - physical or sensory
  - mental health
- **employment status:**
  - unemployed
  - working full-time
  - working part-time

- **household characteristic of respondent:**
  - single without children
  - couple without children
  - single or couple with children
- **age:**
  - 18-35
  - 36-retirement age (RA)

The sample was constructed around respondents' disability element claim status and the additional recruitment criteria were distributed across this. Forty-seven respondents were interviewed across four areas in the United Kingdom: London; Bristol, Cardiff and Swansea; Greater Manchester and the North East. The full profile of the sample is included in section 1.6 of this report and a more detailed sample matrix can be found in Appendix B.

The sample of those currently claiming the disability element and those who had claimed the disability element in the past was drawn from tax credits administrative data supplied by HM Revenue and Customs. The sample of respondents who were potentially eligible to claim the disability element, but not currently claiming, was drawn from sample data supplied by HM Revenue and Customs and matched with Department for Work and Pensions (DWP) data. Matching to DWP data was necessary because one of the eligibility criteria for the disability element is claiming another 'qualifying benefit' provided by the DWP, such as the DLA.

The recruitment was managed by our internal field team who used two recruiters to select the respondent sample. The field managers were fully briefed on the project and provided with detailed recruitment instructions and a screening questionnaire in order to assess respondents' eligibility to participate in the research. Respondents were recruited using telephone recruitment. The recruiters were members of the IQCS (Interviewers Quality Control Scheme) at the time of recruitment.

### **Conduct of the interviews**

The in-depth interviews were carried out by five qualitative researchers who have extensive experience and have been trained in the techniques of non-directive interviewing.

Each interview was exploratory and interactive in form so that questioning could be responsive to the experiences and circumstances of the individual respondent. Interviews were based on topic guides (see Appendix C), which listed the key themes and sub topics to be addressed and the specific issues for coverage within each.

Although topic guides help to ensure systematic coverage of key points across interviews, they are used flexibly to allow issues of relevance for individual respondents to be covered through detailed follow-up questioning.

The wording of the questions and the conduct of interviews were designed to be appropriate to the needs and circumstances of the people being interviewed. All members of the research team took part in a briefing to ensure the interviewing approach was consistent across the interviews.

The interviews were conducted at a venue convenient to the respondent; this tended to be the respondent's home, though there were respondents who opted to have the interview conducted at alternative venues. All interviews were digitally recorded and transcribed verbatim.

It is customary practice to use respondent payments when carrying out qualitative research and as such all respondents were given £25 as a 'thank you' for taking part in the research.

## **Analysis**

Material collected through qualitative methods is invariably unstructured and unwieldy. Much of it is text based, consisting of verbatim transcriptions of interviews. Moreover, the internal content of the material is usually in detailed and micro form (for example, accounts of experiences and inarticulate explanations). The primary aim of any analytical method is to provide a means of exploring coherence and structure within a cumbersome data set whilst retaining a hold on the original accounts and observations from which it is derived.

The analysis of the in-depth interviews was undertaken using a qualitative content analytic method called 'Matrix Mapping', which involves a systematic process of sifting, summarising and sorting the material according to key issues and themes.

The first stage of 'Matrix-Mapping' involves familiarisation with the data (in the form of verbatim transcripts) and identification of emerging issues. Based on this preliminary review of the data, as well as the coverage of the topic guide and the researchers' experiences of conducting the fieldwork, a thematic framework is constructed.

The subject headings that made up the thematic framework used for this research were as follows:

- 1) Background
- 2) Impact of tax credits and the disability element
- 3) Awareness and eligibility

- 4) Claiming tax credits and the disability element
- 5) Returning to work (for respondents who were unemployed)

The analysis then proceeded by summarising and synthesising the data according to this thematic framework that comprises a series of subject charts displayed in Excel.

Data from each interview transcript was summarised and transposed under the appropriate subject heading of the thematic matrix. The context of the information was retained and the page of the transcript from which it came noted, so that it was possible to return to a transcript to explore a point in more detail or to extract text for verbatim quotation. Once the data had been sifted a map was produced which identified the range and nature of views and experiences, sought associations and patterns within them and provided explanations and underpinning factors.

The mapping process is similar regardless of the topic being considered. The analyst reviews the summarised data; compares and contrasts the perceptions, accounts, or experiences; searches for patterns or connections within the data and seeks explanations internally within the data set. Piecing together the overall picture is not simply aggregating patterns, but weighing up the salience and dynamics of issues, and searching for structures within the data that have explanatory power, rather than simply seeking a multiplicity of evidence.

## Appendix B: Sample structure

		Claiming DE of WTC		No longer claiming the DE of WTC			Potentially eligible to claim the DE of WTC	
		Less than a year	1 year plus	Moved out of work	Working; no longer positively benefiting from WTC and the DE of WTC	Working; claiming tax credits but not the DE of WTC	Working; claiming tax credits but not the DE of WTC	Working; claiming qualifying benefit but not tax credits
<b>Nature of disability</b>	Physical	12		10			13	
	Mental health	3		5			4	
<b>Employment status</b>	Not working	N/A	N/A	7	N/A	N/A	N/A	N/A
	Part-time	7		N/A	1		6	
	Full-time	8		N/A	7		11	
<b>Household characteristic</b>	Single	3		0			2	
	Couple	5		2			3	
	With children	7		13			12	
<b>Age</b>	18-35	0	3	2	0	1	4	3
	36-RA	4	8	5	5	2	6	4
<b>Sub – total</b>		4	11	7	5	3	10	7
<b>Total</b>	<b>47</b>	<b>15</b>		<b>15</b>			<b>17</b>	

## Appendix C: Topic guides

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### HMRC - The Disability Element of Working Tax Credit (WTC)

#### Topic Guide – Currently claiming the Disability Element

General research aims:

- To develop knowledge of the experiences and motivations of people claiming the disability element of WTC;
  - And those eligible to claim but are not currently doing so
- To explore the relationship between respondents' disabilities, the tax credit system and paid employment for those who have a disability

Topic guide specific research aims:

***To explore:***

- whether tax credits and the disability element influenced respondents' decisions to move into work / stay in work;
- the effect of tax credits and the disability element on their working patterns and household decision-making;
- respondents' comparisons of the incentivising effect of tax credits and the disability element to other factors in influencing decisions regarding work

## INTRODUCTION

- About the research
- Commissioned by HMRC - the government department formed following the merger of Inland Revenue and HM Customs and Excise
- BMRB are an independent research agency working on behalf of HMRC
- Length of interview –1 hour
- Confidentiality and anonymity - recordings are confidential and available only to the research team
- Reassurance that claim for any current or future tax credits will not be affected in any way
- Explain that this is a piece of research and not part of the tax credits process. Claimant will need to inform HMRC about any changes in their circumstances



which may impact on their claim; this will not be done by the researcher as a result of the interview.

- Can stop the interview at any point (*note to researcher: this is in consideration of respondent's disability: approach sensitively*)

## DEMOGRAPHIC AND HOUSEHOLD PROFILE

*Note to researcher: construct timeline with respondent to help create a picture of the respondent's employment and claim history over the last couple of years. Include the following: when they started work; any change in jobs; any periods of unemployment; claim history regarding tax credits, the disability element and other benefits. Include partner's details too where relevant.*

- **Background information** - age of respondent, household composition
  - number of children, age(s) –if applicable
- **Employment status**
  - How long they have worked
    - what do they do
    - part time/ full time, self employed
    - how many hours a week do they work
- Explore what **benefits** they are currently claiming
  - *Probe for details*
  - How long have they been claiming these
- Have they claimed any 'out-of-work benefits' in the past three years (e.g. Incapacity Benefit)
  - What benefit(s) were they claiming
  - When were they claiming this benefit(s)
- Explore what **tax credits** they are claiming
  - How long have they been claiming tax credits
    - Do they know if they are claiming the disability element of WTC
    - How long have they been claiming the disability element
    - Explore whether they were already claiming tax credits before they started to claim the disability element, or whether they started to claim both at the same time
  - Explore whether they had claimed previous in-work disability payments e.g. Disabled Person's Tax Credit, Disability Working Allowance
- Explore the nature of their disability (*note to researcher: approach sensitively*)
  - Physical / sensory / mental health
  - How do they define their disability
    - Do they consider themselves to have a disability
    - If asked the question 'Do you have a disability?', how would they answer
    - How do they describe their disability
    - How does it affect their day-to-day activities
    - How does it affect their ability to work

## IMPACT OF TAX CREDITS AND THE DISABILITY ELEMENT ON HOUSEHOLD DECISION MAKING AND AS A WORK INCENTIVE

*If time is an issue ensure this is covered*

*Note that the claim for the disability element may have been part of a previous claim for DWA and DPTC. Ask about the incentive effect of the disability element of Working Tax Credit in this context*

- Why did they apply for tax credits
  - And the disability element
- *For those who were out of work prior to their WTC claim: Did the disability element act as an incentive to move from out-of-work benefits into paid work*
  - In what way; *probe for details*
    - Whether the disability element eased the transition; in what way
  - How detailed an analysis of potential income in work (including tax credits) versus benefits did they make
  - What factors did they take into account when considering taking work
  - How are tax credits and the disability element of Working Tax Credit prioritised when considering taking work compared with other factors:
    - Caring responsibilities
    - Household duties
    - Severity of impairment / disability
- *For those who claimed the disability element as part of a previous benefit claim: Does the disability element of Working Tax Credit provide an incentive to remain in work*
- Are they financially better off working and claiming the disability element of Working Tax Credit compared to when they were not working and claiming benefit
- To what extent are they better / worse off (probe fully):
  - financially
  - confidence levels
  - in terms of reduction in stigma
  - how do they define what is 'better' or 'worse'
- Explore the impact of the contribution that Working Tax Credit (including the disability element) makes to their household income
  - Are they aware of the amount that the disability element contributes
  - Was estimated income calculated; how; who by (**prompt:** Better Off Calculation by Jobcentre Plus, informal 'calculations' / considerations by claimant etc.)
  - Did the estimate match actual income
- What do they use the money from tax credits for
  - *Probe for details*
- The effect of tax credits on household income
- The effect of tax credits on individual motivations
- The effect of tax credits on household motivations (i.e. couples)

- Whether tax credits have made a difference to the opportunities available to the household; in what way
- How reliant are they on this money
  - Particularly the disability element
    - As an individual
    - As a couple, if applicable
- Overall contribution to household income
- Likelihood of remaining in work (Probe fully)
  - Effect of tax credits on this
  - Has the disability element enabled them to remain in the labour market
    - In what way
  - If they did not receive the disability element what would the effect be on their ability to remain in work
- Changes in hours worked as a result of tax credits (including the disability element)
  - Increase / decrease in working hours as a result of qualifying for the disability element
  - reasons for this change
  - Any other effect on working hours
- Views about claiming tax credits and benefits
  - Do they distinguish between benefits and tax credits; in what way
  - Have they any preference
    - Views on 'stigma' in relation to benefits and tax credits
      - *Probe for details*
  - Are there differences in how these are viewed
  - Explore whether they see DWP and HMRC as separate from each other
  - *For those who previously claimed out-of-work DWP benefits:* How has their experience of claiming tax credits and the disability element differed
    - Views about the transition from unemployment to moving into work
  - *For those previously claiming other HMRC in-work benefits:* How has their experience of claiming tax credits and the disability element differed

## **AWARENESS OF THE DISABILITY ELEMENT OF WORKING TAX CREDIT**

*Note to researcher: use the timeline constructed in section 2 to aid recall as to when they became aware of tax credits and the disability element*

- How did they first become aware of tax credits (**prompt:** Jobcentre Plus, HMRC, TV adverts, internet, 'word of mouth', other sources)
  - How were they described
  - What did they understand them to be
- How did they first become aware of the disability element of Working Tax Credit (**prompt:** Jobcentre Plus, HMRC, TV adverts, internet, 'word of mouth', other sources)
  - How was it described

- What did they understand it to be
- Explore whether they see the disability element as separate to WTC, or whether they are perceived to be the same

## **ELIGIBILITY FOR THE DISABILITY ELEMENT OF WTC**

- How did they first become aware that they were eligible for the disability element (prompt: Jobcentre Plus, HMRC, TV adverts, internet, 'word of mouth', other sources). *Note to researcher: use the timeline constructed in section 2 to aid recall as to when they became aware.*
- Which qualifying benefit did they use to obtain the disability element of Working Tax Credit
  - What do they think the eligibility criteria are; what makes someone eligible for the disability element
    - On what information is this perception based
    - Do they remember what they had to do to apply for the disability element
- Explore their awareness of the **disadvantage test** - spontaneous (*if not already mentioned*)
  - Their views of the disadvantage test (*show respondents claimant form for reference*)
    - Did they refer to the disadvantage test when completing their claim form
      - If not, explore reasons why not
    - Did they require assistance in reading the list; from whom
  - How well did the disadvantage test 'capture' their particular disability; *probe for details*
    - If not, why not
    - Explore whether their perceptions matched the experience of passing the eligibility criteria; in what way
  - Awareness that HMRC can ask them to nominate a professional who can confirm how their disability affects them
  - How it compares with eligibility criteria for other benefits;
    - *Probe for details* (which benefits)

*Note to researcher: respondents might not know the disadvantage test by this name; they may refer to it as the qualifying benefit test, 'a list' etc.*

## **THE PROCESS OF CLAIMING AND RECEIVING TAX CREDITS AND THE DISABILITY ELEMENT**

### ***Claiming – tax credits***

- How did they go about claiming tax credits
- How did they make their claim
  - Paper
  - On-line

- Did they have any help with making their claim
  - Intermediaries such as a partner, carer, CABx, etc.
  - Experience of working with an intermediary
- Views about claiming
- Experience of claiming
- *Probe for details*

### ***Claiming – disability element***

- Views about the claim process
  - Explore whether they were re-contacted regarding a problem with their claim form
    - Did they deal with this re-contact themselves; if not, who
    - What was the outcome
- Awareness of Helpline
  - Did they use it
  - Views about use
- Explore awareness and understanding of the administrative aspects of the disability element of Working Tax Credit:
  - Awareness of **reporting change of circumstances**:
    - Awareness of which changes they should report; including any improvements to their health
      - *Explore in a 'scenario' context*: If someone was claiming tax credits and the disability element and their health improved, do they know what that person would have to do; why; when and the implications / consequences of not doing so
    - Have they reported a change of circumstance in the past
- Awareness of **renewals process**
  - Have they renewed their claim in the past
  - Experience of doing this
  - Would anything have helped them renew more easily
- Experience of **overpayments**
  - Have they received an overpayment
  - Did they understand why this had occurred
  - Did it influence their behaviour in anyway
    - *Probe for details*
- Awareness of the **3 month back-dating rule** for Working Tax Credit
  - Explore their understanding of this rule
  - Whether their claim was processed under this rule
- *If respondent is aware of 3 month back-dating rule*: Awareness of the special (longer) back-dating rules for the disability element
  - Explore their understanding of this rule
  - Whether their claim was processed under this rule

### ***Receiving***

- Did initial perceptions of claiming differ from their actual experience
- In what way

- Any gaps in receipt of tax credits
- Overall experiences of receiving the disability element
- *Probe for details*
- Any improvements that could be made to the process

***Re-emphasise that this is a piece of research and not part of the tax credits process. Claimant will need to inform HMRC about any changes in their circumstances which may impact on their claim. Offer helpline number to respondent: 0845 300 3900.***

**Thank participant and close the discussion**

## HMRC - The Disability Element of Working Tax Credit (WTC)

### Topic Guide – Moved out of work (Not currently claiming the disability element, but have in the past)

#### General research aims:

- To develop knowledge of the experiences and motivations of those claiming or those who have claimed the disability element of Working Tax Credit
- To explore the relationship between respondents' disabilities, the tax credit system and paid employment for those who have a disability

#### Topic guide specific research aims:

- Respondents' reasons for moving out of work
- Which were the most important factors influencing this decision
- Whether the disability element was a factor in their decision to move out of work

## INTRODUCTION

- About the research
- Commissioned by HMRC - the government department formed following the merger of Inland Revenue and HM Customs and Excise
- BMRB are an independent research agency working on behalf of HMRC
- Length of interview –1 hour
- Confidentiality and anonymity - recordings are confidential and available only to the research team
- Reassurance that claim for any current or future tax credits will not be affected in any way
- Explain that this is a piece of research and not part of the tax credits process. Claimant will need to inform HMRC about any changes in their circumstances which may impact on their claim; this will not be done by the researcher as a result of the interview
- Can stop the interview at any point (*note to researcher: this is in consideration of respondent's disability: approach sensitively*)

## DEMOGRAPHIC AND HOUSEHOLD PROFILE

*Note to researcher: construct timeline with respondent to help create a picture of the respondent's employment and claim history over the last couple of years. Include the following: when they started work; any change in jobs; any periods of unemployment; claim history re tax credits, the disability element and other benefits. Include partner's details too where relevant.*

- Background information
  - Age of respondent
  - Household composition; number of children, age(s) –if applicable
- Check employment status (note recruited as not in work)
  - *Will be probed fully in section 3*
- Explore what benefits they are currently claiming
  - *Probe for details*
  - How long have they been claiming these
- Check that they received Working Tax Credit and the disability element in the past
  - How long were they in receipt of this
- Explore the nature of their disability (*note to researcher: approach sensitively*)
  - Physical / sensory / mental health
  - How do they define their disability
    - Do they consider themselves to have a disability
    - If asked the question 'Do you have a disability?' how would they answer
    - How do they describe their disability
    - How does it effect their day-to-day activities
    - How does it effect their ability to work

## **MOVING FROM WORK TO UNEMPLOYMENT**

- Explore reasons for the respondent moving out of work
  - Issues relating to disability
    - Worsened; became more variable, etc. and unable to work
    - Disability became less severe; lost disability element; financial reasons
  - Issues relating to work itself
    - The nature of the job
    - Relationship with employer
    - Work became more difficult because of disability / unable to accommodate disability at work
  - Issues relating to the family
    - Family / relationship reasons
    - Caring responsibilities
  - Financial reasons
    - Work did not pay enough (explore)
    - Loss of disability element of Working Tax Credit
  - Other factors
  - Explore the importance of each factor in the respondent's decision-making



## IMPACT OF TAX CREDITS AND THE DISABILITY ELEMENT ON HOUSEHOLD DECISION MAKING AND AS A WORK INCENTIVE

### *If time is an issue ensure this is covered*

*Note that the claim for the disability element may have been part of a previous claim for DWA and DPTC. Ask about the incentive effect of the disability element of Working Tax Credit in this context*

- Why did they apply for tax credits
  - And the disability element
- *For those who were out of work prior to their WTC claim:*
  - Did the disability element act as an incentive to move from out-of-work benefits into paid work
  - In what way; *probe for details*
    - Whether the disability element eased the transition; in what way
  - How detailed an analysis of potential income in work (including tax credits) versus benefits did they make
  - What factors did they take into account when considering taking work
  - How are tax credits and the disability element of Working Tax Credit prioritised when considering taking work compared with other factors:
    - Caring responsibilities
    - Household duties
    - Severity of impairment / disability
- *For those who claimed the disability element as part of a previous benefit claim:*
  - Did the disability element of Working Tax Credit provide an incentive to remain in work
    - Were they better off working and claiming the disability element of Working Tax Credit compared to when they were not working and claiming benefit
    - To what extent were they better / worse off (probe fully):
      - financially
      - confidence levels
      - in terms of reduction in stigma
      - how do they define what is 'better' or 'worse'
- Explore the impact of the contribution that Working Tax Credit (including the disability element) made to their household income
  - Were they aware of the amount that the disability element contributed
  - Was estimated income calculated; how; who by (**prompt:** Better Off Calculation by Jobcentre Plus, informal 'calculations'/ considerations by claimant etc.)
  - Did the estimate match actual income
- What did they use the money from tax credits for
  - *Probe for details*
- The effect of tax credits on household income

- The effect of tax credits on individual motivations
- The effect of tax credits on household motivations (i.e. couples)
  - Whether tax credits made a difference to the opportunities available to the household; in what way
- How reliant they were on this money
  - Particularly the disability element
    - As an individual
    - As a couple, if applicable
- Overall contribution to household income
  
- Views about claiming tax credits and benefits
  - Do they distinguish between benefits and tax credits; in what way
  - Have they any preference
    - Views on 'stigma' in relation to benefits and tax credits
      - *Probe for details*
  - Are there differences in how these are viewed
  - Explore whether they see DWP and HMRC as separate from each other

## **AWARENESS OF THE DISABILITY ELEMENT OF WORKING TAX CREDIT**

*Note to researcher: use the timeline constructed in section 2 to aid recall as to when they became aware of tax credits and the disability element*

- How did they first become aware of tax credits (**prompt:** Jobcentre Plus, HMRC, TV adverts, internet, 'word of mouth', other sources)
  - How were they described
  - What did they understand them to be
  
- How did they first become aware of the disability element of Working Tax Credit (**prompt:** Jobcentre Plus, HMRC, TV adverts, internet, 'word of mouth', other sources)
  - How was it described
  - What did they understand it to be
  - Explore whether they see the disability element as separate to WTC, or whether they are perceived to be the same

## **ELIGIBILITY FOR THE DISABILITY ELEMENT OF WTC**

- How did they first become aware that they were eligible for the disability element (**prompt:** Jobcentre Plus, HMRC, TV adverts, internet, 'word of mouth', other sources). *Note to researcher: use the timeline constructed in section 2 to aid recall as to when they became aware.*
  - Which qualifying benefit did they use to obtain the disability element of Working Tax Credit
  - Are they aware that there are eligibility criteria
    - What do they think the eligibility criteria are; what makes someone eligible for the disability element
      - On what information is this perception based

- Do they remember what they had to do to apply for the disability element
- Explore their awareness of the **disadvantage test** – spontaneous (*if not already mentioned*)

*Note to researcher: respondents might not know the disadvantage test by this name; they may refer to it as the qualifying benefit test, 'a list' etc.*

- Their experience of the disadvantage test (*show respondents claimant form for reference*)
  - Did they refer to the list when completing their claim form
    - If not, explore reasons why not
  - Did they require assistance in reading the list; from whom
  - How easy was it to obtain this assistance
  - What would have improved the experience
- How well did the disadvantage test 'capture' their particular disability; *probe for details*
  - What could / should have been included to ensure their disability was 'captured'
- Did the disadvantage test meet their expectations
  - Explore whether their perceptions matched the experience of passing the eligibility criteria; in what way
- Awareness that HMRC can ask them to nominate a professional who can confirm how their disability affects them
- How it compares with eligibility criteria for other benefits;
  - *Probe for details* (which benefits)

## **THE PROCESS OF CLAIMING AND RECEIVING TAX CREDITS AND THE DISABILITY ELEMENT**

### ***Claiming – tax credits***

- How did they go about claiming tax credits
  - How did they make their claim
    - Paper
    - On-line
  - Did they have any help with making their claim
    - Intermediaries such as a carer, CABx, etc.
    - Experience of working with an intermediary
- Views about claiming
- Experience of claiming
  - *Probe for details*

### ***Claiming – disability element***

- Views about the claim process
  - Explore whether they were re-contacted regarding a problem with their claim form
    - Did they deal with this re-contact themselves; if not, who
    - What was the outcome
- Awareness of Helpline

- Did they use it
- Views about use
- Explore awareness and understanding of the administrative aspects of the disability element of Working Tax Credit:
  - Awareness of **reporting change of circumstances**:
    - Awareness of which changes they should report; including any improvements to their health
      - *Explore in a 'scenario' context*: If someone was claiming tax credits and the disability element and their health improved, do they know what that person would have to do; why; when and the implications/ consequences of not doing so
    - Have they reported a change of circumstance in the past
- Awareness of **renewals process**
  - Have they renewed their claim in the past
  - Experience of doing this
  - Would anything have helped them renew more easily
- Experience of **overpayments**
  - Have they received an overpayment
  - Did they understand why this had occurred
  - Did it influence their behaviour in anyway
    - *Probe for details*
- Awareness of the **3 month back-dating rule** for Working Tax Credit
  - Explore their understanding of this rule
  - Whether their claim was processed under this rule
  - *If respondent is aware of 3 month back-dating rule*: Awareness of the special (longer) back-dating rules for the disability element
    - Explore their understanding of this rule
    - Whether their claim was processed under this rule
- Experiences of claiming previous in-work disability payments, *if applicable*
  - Disabled Person's Tax Credit (DPTC)
  - Disability Working Allowance (DWA)
- Experiences of claiming out-of-work benefits
  - *Probe for details* (which benefits)
  - Draw out differences

### ***Receiving***

- Experiences of moving from Incapacity Benefit to Working Tax Credit and the disability element if had been unemployed
  - Views about the transition from unemployment to moving into work
- Any gaps in receipt of benefit / tax credits
- Overall experiences of receiving the disability element
  - *Probe for details*
  - Any improvements that could be made to the process

## RETURNING TO WORK

- Would they want to return to work
  - Reasons for / against
- What would enable them to return to work
  - Probe:
    - Disability issues
    - Family issues
    - Job-related issues
    - Employer-related
    - Financial issues (including in-work payments)
- What role would tax credits play in their return to work
- What role would the disability element play in their return to work

***Re-emphasise that this is a piece of research and not part of the tax credits process. Claimant will need to inform HMRC about any changes in their circumstances which may impact on their claim. Offer helpline number to respondent: 0845 300 3900.***

**Thank participant and close the discussion**

## HMRC - The Disability Element of Working Tax Credit (WTC)

### Topic Guide – Working, not currently benefiting from Working Tax Credit and the disability element (but have in the past)

#### General research aims:

- To develop knowledge of the experiences and motivations of those claiming the disability element of WTC
- To explore the relationship between respondents' disabilities, the tax credit system and paid employment for those who have a disability

#### Topic Guide specific aims:

- Why they are no longer claiming
- Whether tax credits or the disability element enabled them to stay in work and increase their hours
- Whether the disability element enabled them to stay in work

## INTRODUCTION

- About the research
- Commissioned by HMRC - the government department formed following the merger of Inland Revenue and HM Customs and Excise
- BMRB are an independent research agency working on behalf of HMRC
- Length of interview –1 hour
- Confidentiality and anonymity - recordings are confidential and available only to the research team
- Reassurance that claim for any current or future tax credits will not be affected in any way
- Explain that this is a piece of research and not part of the tax credits process. Claimant will need to inform HMRC about any changes in their circumstances which may impact on their claim; this will not be done by the researcher as a result of the interview
- Can stop the interview at any point (*note to researcher: this is in consideration of respondent's disability: approach sensitively*)

## DEMOGRAPHIC AND HOUSEHOLD PROFILE

*Note to researcher: construct timeline with respondent to help create a picture of the respondent's employment and claim history over the past two years. Include the following: when they started work; any change in jobs; any periods of unemployment; claim history re tax credits, the disability element and other benefits. Include partner's details too, where relevant.*

- Background information
  - Age of respondent
  - Household composition; number of children, age(s) –if applicable
- Check employment status (Note: recruited as working)
  - Are they currently in paid employment
  - If they are in employment, then *probe for details*:
  - How long they have worked
    - What do they do
    - Part time / full time, self employed
    - How many hours a week do they work
- Explore what **benefits** they are currently claiming (if any)
  - *Probe for details*
  - How long have they been claiming these
- Check that they received Working Tax Credit and the disability element in the past
  - How long were they in receipt of this
- Explore the nature of their disability (*note to researcher: approach sensitively*) (*Note that disability may have lessened in severity*)
  - Physical / sensory / mental health
  - How do they define their disability
    - Do they consider themselves to have a disability
    - If asked the question 'Do you have a disability?', how would they answer
    - How do they describe their disability
    - How does it affect their day-to-day activities
    - How does it affect their ability to work

## **REASONS FOR NO LONGER CLAIMING TAX CREDITS**

- Why do they no longer claim Working Tax Credit
  - Explore:
    - Job-related reasons (earn more than the threshold)
    - Family-related
      - e.g. children are too old to claim Child Tax Credit and income is too high to claim WTC
      - e.g. change of marital status
    - Change in disability status
      - e.g. if no longer eligible for the disability element hours will need to increase from 16-30 hours to retain eligibility for WTC
    - Administration-related issue
      - Failed to return a renewal

- Reasons why
  - Probe for details
- Other

## **IMPACT OF TAX CREDITS AND THE DISABILITY ELEMENT ON HOUSEHOLD DECISION MAKING AND AS A WORK INCENTIVE**

### ***If time is an issue ensure this is covered***

*Note that the claim for the disability element may have been part of a previous claim for DWA and DPTC. Ask about the incentive effect of the disability element of Working Tax Credit in this context*

- Why did they apply for tax credits
  - And the disability element
- *For those who were out of work prior to their WTC claim:*
  - Did the disability element act as an incentive to move from out-of-work benefits into paid work
  - In what way; *probe for details*
    - Whether the disability element eased the transition; in what way
  - How detailed an analysis of potential income in work (including tax credits) versus benefits did they make
  - What factors did they take into account when considering taking work
  - How were tax credits and the disability element of Working Tax Credit prioritised when considering taking work compared with other factors:
    - Caring responsibilities
    - Household duties
    - Severity of impairment / disability
- *For those who claimed the disability element as part of a previous benefit claim:*
  - Did the disability element of Working Tax Credit provide an incentive to remain in work
    - Were they better off working and claiming the disability element of Working Tax Credit compared to when they were not working and claiming benefit
      - To what extent were they better / worse off (probe fully):
      - financially
      - confidence levels
      - in terms of reduction in stigma
      - how do they define what is 'better' or 'worse'
- Explore the impact of the contribution that Working Tax Credit (including the disability element) made to their household income
  - Were they aware of the amount that the disability element contributes
  - Was estimated income calculated; how; who by (**prompt:** Better Off Calculation by Jobcentre Plus, informal 'calculations' / considerations by claimant etc.)
  - Did the estimate match actual income



- What did they use the money from tax credits for
  - *Probe for details*
- The effect of tax credits on household income
- The effect of tax credits on individual motivations
- The effect of tax credits on household motivations (i.e. couples)
  - Whether tax credits made a difference to the opportunities available to the household; in what way
- How reliant they were on this money
  - Particularly the disability element
    - As an individual
    - As a couple, if applicable
- Overall contribution to household income
  
- What impact has the loss of Working Tax Credit had on the household

### **AWARENESS OF THE DISABILITY ELEMENT OF WORKING TAX CREDIT**

*Note to researcher: use the timeline constructed in section 2 to aid recall as to when they became aware of tax credits and the disability element*

- How did they first become aware of tax credits (**prompt:** Jobcentre Plus, HMRC, TV adverts, internet, 'word of mouth', other sources)
  - How were they described
  - What did they understand them to be
  
- How did they first become aware of the disability element of Working Tax Credit (**prompt:** Jobcentre Plus, HMRC, TV adverts, internet, 'word of mouth', other sources)
  - How was it described
  - What did they understand it to be
  - Explore whether they see the disability element as separate to WTC, or whether they are perceived to be the same

### **ELIGIBILITY FOR THE DISABILITY ELEMENT OF WTC**

- How did they first become aware that they were eligible for the disability element (**prompt:** Jobcentre Plus, HMRC, TV adverts, internet, 'word of mouth', other sources). *Note to researcher: use the timeline constructed in section 2 to aid recall as to when they became aware.*
  
- Which qualifying benefit did they use to obtain the disability element of Working Tax Credit
  - What do they think the eligibility criteria are; what makes someone eligible for the disability element
    - On what information is this perception based
    - Do they remember what they had to do to apply for the disability element
  
  - Explore their awareness of the **disadvantage test** (*if not already mentioned*)

*Note to researcher: respondents might not know the disadvantage test by this name; they may refer to it as the qualifying benefits test, 'a list' etc.*

- Their views of the disadvantage test (*show respondents claimant form for reference*)
  - Did they refer to the list when completing their claim form
    - If not, explore reasons why not
  - Did they require assistance in reading the list; from whom
- How well did the disadvantage test 'capture' their particular disability; *probe for details*
  - If not, why not
  - Explore whether their perceptions matched the experience of passing the eligibility criteria; in what way
- Awareness that HMRC can ask them to nominate a professional who can confirm how their disability affects them
- How it compares with eligibility criteria for other benefits;
  - *Probe for details* (which benefits)

## **THE PROCESS OF CLAIMING AND RECEIVING TAX CREDITS AND THE DISABILITY ELEMENT**

### ***Claiming – tax credits***

- How did they go about claiming tax credits
- How did they make their claim
  - Paper
  - On-line
- Did they have any help with making their claim
  - Intermediaries such as a carer, CABx, etc.
  - Experience of working with an intermediary
- Views about claiming
- Experience of claiming
- *Probe for details*

### ***Claiming – disability element***

- Views about the claim process
- Explore whether they were re-contacted regarding a problem with their claim form
  - Did they deal with this re-contact themselves, if not, who
    - What was the outcome
- Awareness of Helpline
  - Did they use it
  - Views about use
- Explore awareness and understanding of the administrative aspects of the disability element of Working Tax Credit:
  - Awareness of **reporting change of circumstances**:
    - Awareness of which changes they should report; including any improvements to their health

- *Explore in a scenario context:* If someone was claiming tax credits and the disability element and their health improved, do they know what that person would have to do; why; when and the implications / consequences of not doing so
- *Have they reported a change in circumstances in the past*
- Awareness of **renewals process**
  - Have they renewed their claim in the past
  - Experience of doing this
  - Would anything have helped them renew more easily
- Experience of **overpayments**
  - Have they received an overpayment
  - Did they understand why this had occurred
  - Did it influence their behaviour in any way
    - *Probe for details*
- Awareness of the **3 month back-dating rule** for Working Tax Credit
  - Explore their understanding of this rule
  - Whether their claim was processed under this rule
- *If respondent is aware of 3 month back-dating rule:* Awareness of the special (longer) back-dating rules for the disability element
  - Explore their understanding of this rule
  - Whether their claim was processed under this rule

### ***Receiving***

- Did initial perceptions of claiming differ from their actual experience
  - In what way
  - Any gaps in receipt of tax credits
- Overall experience of receiving the disability element
- *Probe for details*
- Any improvements that could be made to the process

***Re-emphasise that this is a piece of research and not part of the Tax Credit process. Claimant will need to inform HMRC about any changes in their circumstances which may impact on their claim. Offer helpline number to respondent: 0845 300 3900.***

**Thank participant and close the discussion**

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## HMRC - The Disability Element of Working Tax Credit (WTC)

### Topic Guide – Working, claiming Working Tax Credit but not currently claiming the disability element

#### General research aims:

- To develop knowledge of the experiences and motivations of those claiming or those who have claimed the disability element of Working Tax Credit
- To explore the relationship between respondents' disabilities, the tax credit system and paid employment for those who have a disability

#### Topic guide specific research aims:

- To consider why people are claiming Working Tax Credit but no longer claiming the disability element

## INTRODUCTION

- About the research
- Commissioned by HMRC - the government department formed following the merger of Inland Revenue and HM Customs and Excise
- BMRB are an independent research agency working on behalf of HMRC
- Length of interview –1 hour
- Confidentiality and anonymity - recordings are confidential and available only to the research team
- Reassurance that claim for any current or future tax credits will not be affected in any way
- Explain that this is a piece of research and not part of the tax credits process. Claimant will need to inform HMRC about any changes in their circumstances which may impact on their claim; this will not be done by the researcher as a result of the interview
- Can stop the interview at any point (*note to researcher: this is in consideration of respondent's disability: approach sensitively*)

## DEMOGRAPHIC AND HOUSEHOLD PROFILE

**Note to researcher: construct timeline with respondent to help create a picture of the respondent's employment and claim history over the past two years. Include the following: when they started work; any change in jobs; any periods**

***of unemployment; claim history re tax credits, the disability element and other benefits. Include partner's details too, where relevant.***

- Background information
  - Age of respondent
  - Household composition; number of children, age(s) –if applicable
- Check employment status (note recruited as employed)
  - Are they currently in paid employment
  - If they are in employment, then *probe for details*:
  - How long they have worked
    - What do they do
    - Part time / full time, self employed
    - How many hours a week do they work
- Explore what **benefits** they are currently claiming (if any)
  - *Probe for details*
  - How long have they been claiming these
- Check that they are receiving Working Tax Credit
  - How long have they in receipt of this
- Check that they received the disability element in the past
  - How long they were in receipt of this
  - Reasons for no longer claiming
    - Change in disability status (probe in depth)
    - Earnings raised them above the threshold;
    - Other reasons
    - *Probe for details*
  - How did they stop claiming the disability element
    - Called HMRC
    - Did not tick box on claim form
- Explore the nature of their disability (*note to researcher: approach sensitively*) (*Note that disability status may have changed*)
  - Physical / sensory / mental health
  - How do they define their disability
    - Do they consider themselves to have a disability
    - If asked the question 'Do you have a disability?', how would they answer
    - How do they describe their disability
    - How does it affect their day-to-day activities
    - How does it affect their ability to work

## **IMPACT OF TAX CREDITS AND THE DISABILITY ELEMENT ON HOUSEHOLD DECISION MAKING AND AS A WORK INCENTIVE**

***If time is an issue ensure this is covered***

*Note that the claim for the disability element may have been part of a previous claim for DWA and DPTC. Ask about the incentive effect of the disability element of Working Tax Credit in this context*

- Why did they apply for tax credits
  - And the disability element
- *For those who were out of work prior to their WTC claim:*
  - Did the disability element act as an incentive to move from out-of-work benefits into paid work
  - In what way; *probe for details*
    - Whether the disability element eased the transition; in what way
  - How detailed an analysis of potential income in work (including tax credits) versus benefits did they make
  - What factors did they take into account when considering taking work
  - How were tax credits and the disability element of Working Tax Credit prioritised when considering taking work compared with other factors:
    - Caring responsibilities
    - Household duties
    - Severity of impairment / disability
- *For those who claimed the disability element as part of a previous benefit claim:*
  - Did the disability element of Working Tax Credit provide an incentive to remain in work
    - Were they better off working and claiming the disability element of Working Tax Credit compared to when they were not working and claiming benefit
      - To what extent were they better / worse off (probe fully):
      - financially
      - confidence levels
      - in terms of reduction in stigma
      - how do they define what is 'better' or 'worse'
- Explore the impact of the contribution that Working Tax Credit (including the disability element) makes to their household income
  - Are they aware of the amount that the disability element contributed
  - Was estimated income calculated; how; who by (**prompt:** Better Off Calculation by Jobcentre Plus, informal 'calculations' / considerations by claimant etc.)
  - Did the estimate match actual income
- What do they use the money from tax credits for
  - *Probe for details*
- The effect of tax credits on household income
- The effect of tax credits on individual motivations
- The effect of tax credits on household motivations (i.e. couples)
  - Whether tax credits make a difference to the opportunities available to the household; in what way
- How reliant are they on this money
  - As an individual
  - As a couple, if applicable
- Overall contribution to household income

- Effect of no longer claiming the disability element of Working Tax Credit
  - Are they now receiving less money
  - Are they now receiving more money (earnings have risen)

## **AWARENESS OF THE DISABILITY ELEMENT OF WORKING TAX CREDIT**

*Note to researcher: use the timeline constructed in section 2 to aid recall as to when they became aware of tax credits and the disability element*

- How did they first become aware of tax credits (**prompt:** Jobcentre Plus, HMRC, TV adverts, internet, 'word of mouth', other sources)
  - How were they described
  - What did they understand them to be
- How did they first become aware of the disability element of Working Tax Credit (**prompt:** Jobcentre Plus, HMRC, TV adverts, internet, 'word of mouth', other sources)
  - How was it described
  - What did they understand it to be
  - Explore whether they see the disability element as separate to WTC, or whether they are perceived to be the same

## **ELIGIBILITY FOR THE DISABILITY ELEMENT OF WTC**

- How did they first become aware that they were eligible for the disability element (**prompt:** Jobcentre Plus, HMRC, TV adverts, internet, 'word of mouth', other sources). *Note to researcher: use the timeline constructed in section 2 to aid recall as to when they became aware.*
  - Which qualifying benefit did they use to obtain the disability element of Working Tax Credit
- What do they think the eligibility criteria are; what makes someone eligible for the disability element
  - On what information is this perception based
  - Do they remember what they had to do to apply for the disability element
- Explore their awareness of the **disadvantage test** (*if not already mentioned*)  
*Note to researcher: respondents might not know the disadvantage test by this name; they may refer to it as the qualifying benefits test, 'a list' etc.*
- Their views of the disadvantage test (*show respondents claimant form for reference*)
  - Did they refer to the list when completing their claim form
    - If not, explore reasons why not
  - Did they require assistance in reading the list; from whom
- How well did the disadvantage test 'capture' their particular disability; *probe for details*
  - If not, why not
  - Explore whether their perceptions matched the experience of passing the eligibility criteria; in what way

- Awareness that HMRC can ask them to nominate a professional who can confirm how their disability affects them
- How it compares with eligibility criteria for other benefits;
  - *Probe for details* (which benefits)

## THE PROCESS OF CLAIMING AND RECEIVING TAX CREDITS AND THE DISABILITY ELEMENT

### ***Claiming – tax credits***

- How did they go about claiming tax credits
  - How did they make their claim
    - Paper
    - On-line
  - Did they have any help with making their claim
    - Intermediaries such as a carer, CABx, etc.
    - Experience of working with an intermediary
- Views about claiming
- Experience of claiming
  - *Probe for details*

### ***Claiming – disability element***

- Views about the claim process
- Explore whether they were re-contacted regarding a problem with their claim form
  - Did they deal with this re-contact themselves, if not, who
    - What was the outcome
- Awareness of Helpline
  - Did they use it
  - Views about use
- Explore awareness and understanding of the administrative aspects of the disability element of Working Tax Credit:
  - Awareness of **reporting change of circumstances**:
    - Awareness of which changes they should report; including any improvements to their health
    - *Explore in a scenario context*: If someone was claiming tax credits and the disability element and their health improved, do they know what that person would have to do; why; when and the implications / consequences of not doing so
    - Have they reported a change in circumstances in the past
      - How did they know to do this
      - When did they do this in relation to the change
  - Awareness of **renewals process**
    - Have they renewed their claim in the past
    - Experience of doing this
    - Would anything have helped them renew more easily
  - Experience of **overpayments**
    - Have they received an overpayment



- Did they understand why this had occurred
- Did it influence their behaviour in any way
  - *Probe for details*
- Awareness of the **3 month back-dating rule** for Working Tax Credit
  - Explore their understanding of this rule
  - Whether their claim was processed under this rule
- *If respondent is aware of 3 month back-dating rule:* Awareness of the special (longer) back-dating rules for the disability element
  - Explore their understanding of this rule
  - Whether their claim was processed under this rule

### ***Receiving***

- Did initial perceptions of claiming differ from their actual experience
  - In what way
  - Any gaps in receipt of tax credits
- Overall experience of receiving the disability element
  - *Probe for details*
  - Any improvements that could be made to the process

***Re-emphasise that this is a piece of research and not part of the tax credits process. Claimant will need to inform HMRC about any changes in their circumstances which may impact on their claim. Offer helpline number to respondent: 0845 300 3900.***

**Thank participant and close the discussion**



## HMRC - The Disability element of Working Tax Credit

### Topic Guide – Potentially eligible, but never claimed the disability element

#### General research aims:

- To develop knowledge of the experiences and motivations of those claiming the disability element of Working Tax Credit
  - And those eligible to claim but not currently doing so
- To explore the relationship between respondents' disabilities, the tax credit system and paid employment for those who have a disability

#### Topic guide specific research aim:

- To explore respondents' reasons for not claiming the disability element

**Note to researchers:** *This topic guide is applicable to the following groups of respondents*

- 1) *Those **working, claiming WTC / CTC but have never claimed the disability element***
- 2) *And those **working, not claiming tax credits, but claiming DWP qualifying benefit***

**After section 2, the guide is split into two parts; one for each group.**

## INTRODUCTION

- About the research
- Commissioned by HMRC - the government department formed following the merger of Inland Revenue and HM Customs and Excise
- BMRB are an independent research agency working on behalf of HMRC
- Length of interview –1 hour
- Confidentiality and anonymity - recordings are confidential and available only to the research team
- Reassurance that claim for any current or future tax credits will not be affected in any way
- Explain that this is a piece of research and not part of the tax credits process. Claimant will need to inform HMRC about any changes in their circumstances

which may impact on their claim; this will not be done by the researcher as a result of the interview

- Can stop the interview at any point (*note to researcher: this is in consideration of respondent's disability: approach sensitively*)

## **DEMOGRAPHIC AND HOUSEHOLD PROFILE (for all)**

*Note to researcher: construct timeline with respondent to help create a picture of the respondent's employment and claim history over the last couple of years. Include the following: when they started work; any change in jobs; any periods of unemployment; claim history re tax credits, the disability element and other benefits. Include partner's details too where relevant.*

- **Background information** - age of respondent, household composition
  - number of children, age(s) –if applicable
- **Employment status**
  - How long they have worked
    - what do they do
    - part time / full time, self employed
    - how many hours a week do they work
  - If unemployed, how long have they been unemployed
    - Any specific circumstances leading to unemployment
- Explore what **benefits** they are currently claiming
  - *Probe for details*
  - How long have they been claiming these
- Have they claimed any 'out-of-work benefits' in the past three years (e.g. Incapacity Benefit)
  - What benefit(s) were they claiming
  - When were they claiming this benefit(s)
- Explore what **tax credits** they are claiming, if any
  - How long have they been claiming tax credits
- Explore whether they had claimed previous in-work disability payments e.g. Disabled Person's Tax Credit, Disability Working Allowance
- Explore the nature of their disability (*note to researcher: approach sensitively*)
  - Physical / sensory / mental health
  - How do they define their disability
    - Do they consider themselves to have a disability
    - If asked the question 'Do you have a disability?' how would they answer
    - How do they describe their disability
    - How does it effect their day-to-day activities
    - How does it effect their ability to work

### **FOR GROUP 1:**

## **IMPACT OF TAX CREDITS AND THE DISABILITY ELEMENT ON HOUSEHOLD DECISION MAKING AND AS A WORK INCENTIVE**

***If time is an issue ensure this section is covered***

- Why did they apply for tax credits
  - Probe for details

***ACTUAL IMPACT (OF TAX CREDITS):***

- Explore awareness of the impact of the contribution that tax credits make to their household income
  - Are they aware of the amount that tax credits contribute
  - Do they consider tax credits a work incentive
    - In what way; probe for details
- What do they use the money from tax credits for
  - *Probe for details*
- The effect of tax credits on household income
- The effect of tax credits on individual motivations
- The effect of tax credits on household motivations (i.e. couples)
  - Whether it has made a difference to the opportunities available to the household; in what way
- How reliant are they on this money
  - As an individual
  - As a couple, if applicable
- Overall contribution to household income
- Likelihood of remaining in work
- Effect of tax credits on this
- Changes in hours worked as a result of tax credits
  - Increase / decrease in working hours as a result of qualifying for tax credits; reasons for this change
  - Any other effect on working hours
- How detailed an analysis of potential income in work (including tax credits) compared to benefits did they make
  - What factors did they take into account when considering taking work
  - How are tax credits prioritised when considering taking work compared with other factors:
    - Caring responsibilities
    - Household duties
    - Severity of impairment / disability

***POTENTIAL IMPACT (OF THE DISABILITY ELEMENT):***

- Explore awareness of the impact of the contribution that the disability element could make to their household income
  - Are they aware of the amount that the disability element could contribute
    - How does this relate to their current income
  - Do they consider the disability element a work incentive (*if aware*)
    - In what way; *probe for details*
- Have they had their estimated income calculated re receiving the disability element (*if aware*)
  - How; who by (**prompt:** Better Off Calculation by Jobcentre Plus, informal 'calculations' / considerations by claimant etc.)

- What impact did this calculation have
- If they were to make a claim for the disability element, what impact do they think it would have
  - *Probe for details*
- Would they consider claiming in the future
- Views about claiming tax credits and benefits
  - Do they distinguish between benefits and tax credits; in what way
  - Have they any preference
    - Views on 'stigma' in relation to benefits and tax credits
      - *Probe for details*
  - Are there differences in how these are viewed
  - Explore whether they see DWP and HMRC as separate from each other

## **AWARENESS OF DISABILITY ELEMENT OF WTC**

*Note to researcher: use timeline constructed in section 2 to aid recall as to when they became aware of tax credits and the disability element*

- How did they first become aware of tax credits (**prompt:** Jobcentre Plus, HMRC, TV adverts, internet, 'word of mouth', other sources)
  - How was it described
  - What did they understand it to be
- Explore whether they are aware of the disability element of WTC
- How did they first become aware of the disability element of WTC if applicable (**prompt:** Jobcentre Plus, HMRC, TV adverts, internet, 'word of mouth', other sources)
  - How was it described
  - What did they understand it to be
  - Explore whether they see the disability element as separate to WTC, or whether they are perceived to be the same

## **ELIGIBILITY FOR THE DISABILITY ELEMENT OF WTC**

- Explore whether they think they are eligible for the disability element
  - Why / why not
- Thinking about the disability element of WTC, did they consider they had a disability, or not
  - Explore reasons for this
- Are they aware that there are eligibility criteria
  - What do they think the eligibility criteria are; what makes someone eligible for the disability element
    - On what information is this perception based
- Explore whether they read the background notes on the definition of disability that accompanied the claim form for tax credits

- If No:
- Why not
- Why did they not consider themselves to be disabled
- *Note to researcher: refer back to their definition of disability*
- **Probe:**
  - Improvement in condition
  - Qualified via a previous benefit (e.g. Incapacity Benefit)
  - Disallowed under a previous benefit
    - Explore circumstances of this
  - Other reasons
    - Explore
- If Yes:
  - , Explore views about guidance notes
    - How easy were they to understand
    - Did they need assistance reading them; who from
  - Explore their awareness of the **disadvantage test** - spontaneous (*if not already mentioned*)
    - Their views of the disadvantage test, if aware of it
      - Explore their awareness that they might be asked to nominate a professional who can confirm how their disability affects them, if aware of disadvantage test
  - What do they think of the eligibility criteria for other benefits
    - *Probe for details* (which benefits)
    - How does the eligibility criteria for other benefits compare to what they know of the criteria for the disability element
    - *Probe for details* (which benefits)

*Note to researcher: respondents might not know the disadvantage test by this name; they refer to it as the qualifying benefit test, 'a list' etc.*

## **THE PROCESS OF CLAIMING AND RECEIVING TAX CREDITS (IF APPLICABLE)**

### ***Claiming***

- How did they go about claiming tax credits
- How did they make their claim
  - Paper
  - On-line
- Did they have any help making their claim
  - Explore use of intermediaries in claiming, **probe:**
    - Partner
    - Carer
    - CABx
    - Experience of working with an intermediary
- Views about claiming
- Experience of claiming
- *Probe for details*

- Explore awareness and understanding of administrative aspects of WTC:
  - Awareness of **reporting change of circumstances**
    - Which changes should they report; why; when; consequences of not
- Awareness of **renewals process**
  - Have they renewed their claim in the past
  - Experience of doing this
  - Would anything have helped them renew more easily
- Experience of **overpayments**
  - Have they received an overpayment
  - Did they understand why this had occurred
  - Did it influence their behaviour in anyway
    - *Probe for details*
  - Awareness of the **3 month back-dating rule** for Working Tax Credit
    - Explore their understanding of this rule
    - Whether their claim was processed under this rule
  - *If respondent is aware of 3 month back-dating rule:* Awareness of the special (longer) back-dating rules for the disability element
    - Explore their understanding of this rule
    - Whether their claim was processed under this rule
- Experiences of claiming out-of-work benefits
- *Probe for details* (which benefits)

### ***Receiving***

- Experiences of moving from Incapacity Benefit to tax credits if had been unemployed
  - Views about the transition from unemployment to moving into work
- Any gaps in receipt of tax credits
- Experiences of receiving tax credits
  - *Probe for details*
- Any improvements that could be made to the process
- Why have they not applied for the disability element, **prompt:**
  - Others' experiences;
  - Feeling that their particular disability would not be applicable under the disadvantage test;
  - Feeling that the level of their impairment would not be applicable under the disadvantage test;
  - Lack of awareness;
  - Other reasons
  - *Probe for details*

### **FOR GROUP 2:**

## POTENTIAL IMPACT OF TAX CREDITS AND THE DISABILITY ELEMENT ON HOUSEHOLD DECISION MAKING AND AS A WORK INCENTIVE

*If time is an issue ensure this section is covered*

### TAX CREDITS:

- Explore awareness of the impact of the contribution that tax credits and the disability element could make to their household income
  - Are they aware of the amount that tax credits and the disability element could contribute
    - How does this relate to their current income
  - Do they consider tax credits and the disability element a work incentive
    - In what way; *probe for details*
  - What factors did they take into account when considering taking work
- Have they had their estimated income calculated re receiving tax credits and the disability element (*if aware*)
  - How; who by (**prompt:** Better Off Calculation by Jobcentre Plus, informal 'calculations' / considerations by claimant etc.)
  - What impact did this calculation have
- If they were to make a claim for the disability element, what impact do they think it would have
  - *Probe for details*
- Would they consider claiming in the future

### AWARENESS OF TAX CREDITS

*Note to researcher: use timeline constructed in section 2 to aid recall as to when they became aware of tax credits and the disability element*

- Explore whether they are aware of tax credits
- How did they first become aware of tax credits if applicable (**prompt:** Jobcentre Plus, HMRC, TV adverts, internet, 'word of mouth', other sources)
  - How were they described
  - What did they understand them to be
- Explore whether they are aware of the disability element of WTC
- How did they first become aware of the disability of WTC if applicable (**prompt:** Jobcentre Plus, HMRC, TV adverts, internet, 'word of mouth', other sources)
  - How was it described
  - What did they understand it to be
  - Explore whether they see the disability element as separate to WTC, or whether they are perceived to be the same

### ELIGIBILITY FOR THE DISABILITY ELEMENT OF WTC



- Explore whether they think they are eligible for tax credits
  - Why / why not
  - Explore perceptions of the eligibility criteria
    - Are they aware that there are eligibility criteria
    - What do they think the eligibility criteria are; what makes someone eligible for disability element
      - On what information is this perception based
    - Any concerns about the eligibility criteria
  - Explore their awareness of the **disadvantage test** (*if not already mentioned*)
    - Views, if aware of it
  - What do they think of the eligibility criteria for other benefits
    - *Probe for details* (which benefits)
    - How does the eligibility criteria for other benefits compare to what they know of the criteria for the disability element

## **REASONS FOR NOT CLAIMING FOR TAX CREDITS AND THE DISABILITY ELEMENT**

- Why are they not claiming tax credits and the disability element, **prompt:**
  - Not eligible;
  - Others' experiences;
  - Have previously tried to claim but have been unsuccessful;
  - Lack of awareness;
  - Started completing claim form but did not finish;
    - Reasons for this
      - *Probe for details*
    - How did they go about starting to make the claim; paper; on-line
  - Feeling that their particular disability would not be applicable under the disadvantage test;
  - Feeling that the level of their impairment would not be applicable under the disadvantage test;
  - Missing 'deadline' (*Note to researcher: Incapacity Benefit leavers have only a 6 month window to claim the disability element, after which the qualifying benefit conditions exclude them*)
  - Other reasons
  - *Probe for details*

*Note to researcher: at this point, show respondents the claim form for reference*

- Explore whether they would consider claiming now having seen the form
  - Why / why not
  - Probe for details

***Re-emphasise that this is a piece of research and not part of the tax credits process. Claimant will need to inform HMRC about any changes in their circumstances which may impact on their claim. Offer helpline number to respondent: 0845 300 3900.***

Thank participant and close the discussion

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