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# **Exploring the Dynamics of Tax Credits Renewal Behaviour**

**Longitudinal analysis of the  
Panel Survey of Tax Credits  
and Child Benefit  
Customers**

**HMRC Revenue and Customs Research Report 185**

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**Prepared for:** HM Revenue and Customs

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# Executive Summary

## Aims of report

Tax credits have been designed to be flexible and correspond to a number of individual circumstances. If customers do not keep HMRC updated about their changes in circumstances this can lead to an over or under-payment of tax credits. Behaviours that put individuals at risk of receiving an over or under-payment are not renewing tax credit claims on time and not reporting changes in circumstances that should be reported. Measures that make customers aware of the renewal and reporting requirements and encourage them to follow these can thus contribute to reducing the number of errors in tax credit claims.

This report explores customers' renewing behaviour over time in order to identify factors that drive change in the renewal process, via secondary analysis of data from the first two years of the Panel Study of Tax Credit and Child Benefit Customers<sup>1</sup>. Having data from the same customers, at two time points a year apart (2009 and 2010) referred to as year 1 and year 2, allows the identification and comparison of groups of customers who have changed – in attitudes, knowledge and behaviour - and those who remained the same.

The report explores two key research questions<sup>2</sup>:

- i) Have customers' knowledge, attitudes and engagement with the tax credit system changed over time?
- ii) What factors are associated with customers renewing on time or speeding up their renewals?

## Key findings

One of the aims of the research was to explore whether customers' knowledge, attitudes and engagement with the tax credit system had changed from one year to the next.

There was relatively little change in overall views of the tax credit system. Of those whose views did appear to change, more customers were seen to have an increasingly favourable view. For example, 31 per cent appeared to find the renewal process easier in the second rather than first year (compared to 18 per cent who did not).

Overall customers' attitudes were more likely to improve than worsen. More customers appeared to know what they had to do to get their claim right in the second year (34 per cent compared to 26 per cent in the first year). And fewer customers in the second year thought that HMRC made things difficult for them (13 per cent compared to 19 per cent) - in fact customers were more inclined to say that it was easier to get in touch with HMRC (81 per cent compared to 75 per cent).

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<sup>1</sup> Note that data from a third face-to-face survey has been conducted, and some exploratory analysis of that data is presented in Appendix F.

<sup>2</sup> After an initial exploration of the data the research questions became more focused than those originally specified in the Invitation To Tender. This is explained further in Chapter 1 below.

## Renewal behaviour

Customers generally had good knowledge of the renewal deadline, and this increased slightly from year 1 (82 per cent) to year 2 (88 per cent). Very few customers were unaware of the deadline in both years (five per cent).

There was relatively little difference in customer engagement in the renewal process across the years. There was a slight decline in customers using the annual renewal pack (56 per cent to 52 per cent) and with getting any advice or help with the renewal process (20 per cent to 14 per cent). In terms of getting advice or help with the renewal process, the majority of customers said they did not in both years (73 per cent).

In terms of actual renewal behaviour, only a minority of customers renewed late in year 1 (five per cent) and slightly fewer in year 2 (four per cent).

## Tracking change at the individual level

The real strength of the Panel Study is that it can observe information from the same customers over time. For example, it records customers' tax credit renewal behaviour from one year to the next. Very few customers renewed their tax credit claim late in both years (1 per cent). Some customers improved their behaviour by renewing on time in year 2 having renewed late in year 1, and these customers were looked at in more detail in the report.

Identifying factors associated with customers who improve their renewal behaviour may provide HMRC with pointers to reducing error in the system. Trying to understand customers' change in renewal behaviour was explored by looking at associations with their changes in knowledge, attitudes and engagement over the same time period. For example, customers were asked in both years of the Panel Study whether they knew the renewal deadline. Someone who reported being unaware of the renewal deadline in year 1, but when asked in year 2 knew when the deadline was, is identified as having an 'improved knowledge of the renewal deadline'. One might hypothesise that customers who renewed late in year 1 but who then improved their knowledge of the tax credit system might be more likely to renew on time in year 2. The Panel Study allows the exploration of this and other factors that may contribute to such changes in behaviour<sup>3</sup>.

There were six factors associated with **customers' improving their renewal behaviour** (defined as renewing after the deadline in year 1 but on time in year 2). Factors associated with customers *more* likely to improve their renewal behaviour were:

- Improved knowledge of the renewal deadline
- Increased confidence in the renewal process
- Favourable opinion of information provided by HMRC
- Not having to be reminded to renew award

Factors associated with customers *less* likely to improve their renewal behaviour were:

- Someone in the household having a limiting long standing illness
- Lack of IT confidence

Another customer group are those who renewed their tax credits claim on time but close to the deadline – this means that they may receive an over- or under-payment. The

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<sup>3</sup> It is important to note that the report can only look at associations – albeit is not possible to conclusively say that a change in attitudes has *caused* a change in behaviour.

report looked at customers who **renewed their tax claim close to the deadline in year 1 but sped up their renewal in year 2**. There were eleven factors associated with customers speeding up their renewal. Customers *more* likely to speed up their renewal were those who had:

- Improved knowledge of the renewal deadline, compared to those who knew the deadline in both years;
- A more favourable opinion of the time period between receiving the renewal pack and the renewal deadline, compared with those who had the same opinion;
- A more favourable opinion on whether HMRC make things difficult for them;
- A more favourable opinion of whether HMRC treated them fairly when it comes to tax credits.

Customers *less* likely to speed up their renewal behaviour were:

- Lone parents, whether working or not;
- Those not employed, and those whose income varies;
- Those with a less favourable opinion on the ease of the renewal process;
- Those with a less favourable opinion on knowing what to do to get their tax credit claim right;
- Those with a less favourable opinion of whether HMRC give them the correct information;
- Those with a less favourable opinion of whether HMRC treated them fairly when it comes to tax credits;
- Those who had received advice or help with the renewal process in both years.

## Conclusions

Customer knowledge of the renewal process appears key to improving renewal behaviour along with favourable opinions of both the tax credit process and HMRC. Measures that help to increase awareness of the renewals deadline, and engagement with the tax credit process, could have a beneficial effect and which suggests that HMRC should continue to communicate information about renewing tax credits. Toomse and Maplethorpe (2011) showed that awareness of renewals deadline is related to length of tax credit receipt. If increased experience with the tax credit system is a factor that increases knowledge, then targeting measures at new recipients may be a sensible approach.

### Methodological note

It is important to stress that although longitudinal surveys, such as the Panel Study, provide a much more powerful way of exploring customer behaviour, it is still very difficult, if not impossible, to provide evidence of what *causes* changes in behaviour. Although the report has shown that customers who changed their renewal behaviour also changed their attitudes towards the tax credit system, it is not possible to be sure which, if any, impacted on the other. It may be that customers' attitudes towards the tax credit system became more favourable and led to them renewing on time, or it could be that they renewed on time and because of that had a positive attitude to the system. This is especially difficult to ascertain with data from only two time points, as with more years of data it is easier to identify the timing of events. Hence it is recommended that further longitudinal analysis is undertaken on more years of the survey, where some of the patterns identified in this report can be explored further.

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# 1 Introduction

This chapter outlines the background to the project and the research questions. It begins by describing the data used – the Panel Study of Tax Credits and Child Benefit Customers. Because this is one of the first reports to utilise the longitudinal element of the data, the benefits of using dynamic analysis are explained, as is the analytical approach used.

## 1.1 Background

Child Tax Credit (CTC) and Working Tax Credit (WTC) were introduced in April 2003. They are a flexible system of financial support designed to deliver support as and when a family needs it, tailored to their specific circumstances. HM Revenue & Customs (HMRC) have estimated that error and fraud is 7.4 per cent of finalised tax credits entitlements<sup>4</sup>. This was a decrease from a year before (error and fraud was 8.9 per cent of finalised tax credit entitlement in 2008/09). HMRC have a target to reduce error and fraud in the tax credits system to five per cent.

Tax credits have been designed to be flexible and correspond to a number of individual circumstances. This has led to the development of a fairly complex system, where customers can make errors without intending to do so. The behaviours that are most likely to put individuals at risk of making errors are not renewing tax credit claims on time and not reporting changes in circumstances that should be reported. Measures that make customers aware of the renewal and reporting requirements and encourage them to follow these can thus contribute to reducing the number of errors in tax credit claims.

The aim of this report is to explore customers renewing behaviour over time in order to identify factors that drive change in the process, via secondary analysis of data from the Panel Study of Tax Credit and Child Benefit Customers. The project aims to answer the following research questions<sup>5</sup>:

1. Have customers' knowledge, attitudes and engagement with the tax credit system changed over time - do they understand more and are they more aware of what they need to do?

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<sup>4</sup> Child and Working Tax Credit National Statistics: (<http://www.hmrc.gov.uk/stats/personal-tax-credits/cwtcredits-error0910.pdf>)

<sup>5</sup> After an initial exploration of the data the research questions became more focused than those originally specified in the Invitation To Tender (ITT), as this was where change was found to have occurred and there were enough incidents of change to warrant further analysis. The original questions in the ITT were risk factors of errors in reporting changes of circumstances and renewals:

- i) Do customers become more engaged and knowledgeable over time? Do they understand more and are they more aware of what they need to do?
- ii) What is the importance of attitudes and knowledge?
- iii) What is the importance of information sources?

However, the refined questions do cover most of these issues with the focus on renewals as this was where change occurred. The first of these three questions is explored in chapter 2 by looking at knowledge, attitude and engagement in each of the two years, and then by examining changes between years. The second and third questions are examined in chapter 3, which explores whether attitudes, knowledge and information sources are related to renewal behaviour. In particular, 'improved' renewal behaviour (renewing on time having renewed late in the previous year) was explored in relation to attitudes, knowledge and engagement. Note that the report also briefly explored customers who changed their behaviour in reporting a change in circumstance. However there were not enough incidents in the data to warrant further analysis. See Appendix E for further details.

- What types of attitudes, knowledge and engagement (for example, lack of understanding, motivation, knowledge of when to report or attitudes to error and fraud) drive errors in the system?

2. What factors are associated with customers renewing on time or speeding up their renewals?

- Do those that have read guidance, or engaged with communications, or are aware of advertising make less errors?

The project builds on other work NatCen Social Research has carried out in the area of tax credits for HMRC; on the journey through the renewals process (Toomse & Maplethorpe, 2011), the experience of the tax credits helpline (Maplethorpe, 2011) and risk factors for error and fraud in the tax credits process (Maplethorpe & Toomse, 2011).

## 1.2 The data

Behaviour of tax credit customers that can lead to error is has not been analysed longitudinally before. The new Panel Study of Tax Credits and Child Benefit Customers (the Panel Study) now provides data that makes these investigations possible.

The Panel Study was commissioned by HM Revenue and Customs (HMRC) and carried out by the NatCen Social Research (NatCen). NatCen took responsibility for determining the design of the sample in collaboration with HMRC, conducting fieldwork, and coding and editing of data. Along with researchers at HMRC, NatCen was also responsible for reporting the results of the first year of the survey.

The study is a major survey of tax credits and Child Benefit recipients. It has collected information on how people approach claiming tax credits, what they thought about the process and the importance of tax credits.

The purpose of the Panel Study was to collect information for long term evaluation as well as for fast turn-around operational assessment. The key aims of the study were to:

- identify the intended outcomes of tax credits and Child Benefit;
- identify and locate operational problems;
- monitor the performance of the tax credit and Child Benefit systems; and
- test new approaches to delivering services.

The Panel Study consists of six survey waves carried out between 2008 and 2011 (where two surveys are show for a year, fieldwork for the Face-to-Face waves commenced before fieldwork for the reduced-sample telephone wave) . There were three waves of face-to-face interviews with the whole sample and another three waves of telephone interviewing with a smaller sub-sample:

- Wave 1: Face-to-face survey, 2009;
- Wave 2: Telephone survey, 2009;
- Wave 3: Face-to-face survey, 2010;
- Wave 4: Telephone survey, 2010;
- Wave 5: Face-to-face survey, 2011;
- Wave 6: Telephone survey, 2011.

This report uses data from the first two face-to-face surveys only - hereon in referred to as year 1 (or 2009) and year 2 (or 2010). Table 1.1 shows the sample size of the datasets used in this report. A total of 3,706 interviews were achieved in the first year. The second year was conducted a year later and included the sample from the first year as well as a new sample of Child Benefit recipients. This meant that 3,302 interviews were achieved in the second year. In this report the 'panel sample' is defined as people who took part in both year 1 and year 2. This means that there

are two sets of information, collected one year apart, from the same 2,722 respondents which allow the possibility of observing changes in respondents' circumstances, attitudes and behaviour.

Year	Sample size
Year 1 sample (2009)	3,706
Year 2 sample (2010)	3,302
Panel sample (customers in both year 1 and year 2)	2,722

As with any other panel study there can be problems with respondents dropping out of the sample in the second and subsequent years (termed "attrition") which can lead to the panel becoming either too small or unrepresentative of the population from which the sample was drawn. Panel weights were calculated for the sample who took part in both years of the study to compensate for this loss and to ensure that analysis of the data continues to produce representative findings. The panel weights also take account of the survey oversampling people receiving Working Tax Credit only and those receiving both Working Tax Credit and Child Tax Credit.

This report uses the respective year's cross-sectional weight when analysing data from all those who took part in each of the annual surveys, and the year 2 panel weights when analysing data from respondents who took part in both years. For example, when analysing respondents who renewed late in year 1, the year 1 cross-sectional weight is used; whereas analysis of respondents who renewed late in both years used the year 2 panel weights.

### 1.3 Statistical methodology

The report uses a combination of descriptive and more complex analyses to interrogate data from the first two years of the Panel Study. Given this is the first time longitudinal analysis of the Panel Study has taken place, there is a need to explore the data descriptively before attempting more complex analysis. Indeed, even before any analysis can be undertaken longitudinal datasets have to go through a detailed process of data management, including decisions and procedures to match together data from different years for the same respondents, at a specified 'level' (usually either person-level, containing as many records as people, or period-level, where each person has a record for each measurement occasion). Then new variables need to be derived. These new variables will be more intricate measures of tax credit behaviour or attitudes, for example longitudinal summaries of knowledge (taking into account responses from the same person in year 1 and year 2) which identify customers who were not aware of the tax credit renewal deadline at both interviews.

Having longitudinal data on customers allows for the identification and exploration of circumstances, knowledge, attitudes and behaviour not possible from just one year of data. For example, capturing customers' tax credit renewal behaviour at two time points allows the identification of customers who have improved behaviour – that is, they renewed late in year 1 but on time in year 2. Because the Panel Study contains lots of other information about customers' circumstances, knowledge, attitudes and behaviour, it is possible to explore whether certain types of customer were more likely to improve their renewal behaviour. And using the date order of events allows one to hypothesise what may be driving this change in behaviour. For example, it is possible to explore whether customers whose attitudes towards the tax credit system became more favourable, over time, were more likely to improve their renewal behaviour.

It is important to stress that although longitudinal surveys provide a much more powerful way of exploring respondents' lives, it is still very difficult, if not impossible, to provide evidence of cause and effect. Continuing the example about customers improving their renewal behaviour; even if it is possible to show that these customers also changed their attitudes towards the tax credit

system, it is difficult to be sure which, if any, impacted on the other. It may be that customers attitudes towards the tax credit system became more favourable and led to them renewing on time, or it could be that they renewed on time and because of that had a positive attitude to the system. This is especially difficult to ascertain with only two time points, as the timing of events are more easily identified with more years of data.

As with analysis of one year of data (also called ‘cross-sectional’ or ‘point-in-time’ data analysis), descriptive analysis of data over multiple years plays an important role in understanding the research findings. Descriptive analysis of longitudinal data provides headline statistics on how things change from one year to the next, for example, the percentage of customers that changed their tax credit renewal behaviour. Descriptive analysis also provides an important stepping-stone to more detailed and complex analysis. It can help identify interesting patterns in the data that are worthy of further investigation, or the confirmation of relationships that appear at a cross-sectional level.

The key summary descriptive statistics used in the report are:

- **Frequencies**

A record of how often each response to a question is given by customers. It is usually presented as percentage – for example, the percentage of customers that were aware of the deadline for renewing tax credits.

- **Crosstabulations**

Used to show the relationship between two variables, such as customers’ characteristics and their response to a question. Again percentages are often used – for example, to compare the percentage of male and female customers who were aware of the deadline for renewing tax credits. Where variables are analysed to see whether they are related to each other the association is tested to see whether it is statistically significant at the 95 per cent level. That means that there is a 95 per cent chance that the difference is real and not just due to sampling error. The report focuses on the interpretation of the analyses that are statistically significant<sup>6</sup>.

The more complex statistical techniques used in the report are:

- **Logistic regression**

This technique enables the exploration of the effect of a number of factors (such as customer characteristics, attitudes and knowledge) on an outcome (such as change in renewal behaviour). Importantly this technique allows an estimate of the ‘independent’ effect of each individual factor on the outcome when controlling for the effect of the other factors. The factors used in this analysis are listed in Box A below.

The results of logistic regression take the form of odds ratios (OR) which describe the ratio of the odds of the outcome (for example, behaviour change) for categories of a particular factor to the odds of no change in behaviour for the reference, or comparison, category of the same factor. An OR greater than 1 indicates an increased chance of behaviour change, and an OR less than 1 indicates a decreased chance. An OR of 2 for ethnicity would therefore indicate that a non-white recipient had twice the odds (i.e. were more likely) of being in the group who improved renewal behaviour compared with White recipients. Likewise an OR of 0.5 for ethnicity would indicate that non-white recipients had half the odds (i.e. were less likely) of improving their renewal behaviour compared with White recipients.

### **A note on sample sizes**

It is important to note that sample sizes are generally small for the issues looked at in this report. Although the panel sample used comprises 2,722 respondents, the number of respondents of

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<sup>6</sup> All findings are presented, whether showing statistically significant differences or not, in the appendices.

interest in this report – for example the number of recipients who fail to renew on time or report a change of circumstance – is relatively small. This limits the chances of finding statistically significant findings and hence the analysis in this report should be treated with appropriate caution. It also means it is not possible to explore interesting sub-groups, because there are not enough of these respondents in the data to provide robust analysis. However, there is sufficient data to explore the key objectives of this report. And in doing this the report describes and demonstrates the benefits of using the Panel Study for longitudinal analysis. All differences discussed in the report are statistically significant.

#### **Box A. Factors used in the regression analysis**

##### **Socio-demographic characteristics (measured at year 1)**

- Ethnic group
- Limiting longstanding illness or disability
- Employment status and household type
- Self employment status
- Main respondent income varies
- Total annual household income
- Type of tax credits received
- Length of tax credits receipt
- Literacy level (2 groups)
- Financial capability
- 'I am confident using a computer'
- 'I often need help understanding official forms'
- Numeracy skills

##### **Change in knowledge (measured from year 1 to year 2)**

- Awareness of renewals deadline
- Knowledge of consequences of late renewals
- Knowledge of changes of circumstances that need to be reported

##### **Change in attitudes (measured from year 1 to year 2)**

- Confident about what to do during renewals
- Ease of renewing tax credits
- Opinion of renewals deadline
- Opinion of renewals process
- Would like to make changes to renewals process
- Requirement to renew will affect whether claims tax credits in the future
- I know what I have to do to get my Tax Credit claim right
- I feel that HM Revenue and Customs make things difficult for me
- It is easy to get in touch with HM Revenue and Customs when I need to
- If I need help HM Revenue and Customs give me the correct information
- I cannot trust HM Revenue and Customs to get things right
- I feel that HM Revenue and Customs treat me fairly when it comes to Tax Credits

##### **Change in engagement (measured from year 1 to year 2)**

- Reminded to renew award
- Used guidance notes
- Sought help or advice with renewals

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## 2 Did customers' knowledge, attitudes and engagement change over time?

This chapter explores a range of factors that describe customer views and behaviour associated with the tax credit system. The chapter looks at trends in these issues for year 1 and year 2 of the Panel Study, illustrating how the customer population as a whole have changed from one year to the next. The longitudinal element of the Panel Study is used to explore whether customers changed their views and behaviour over time.

### 2.1 Knowledge

This section presents results on customers' knowledge of renewing and reporting changes of circumstances. The types of knowledge explored are:

- i) Awareness of renewals deadline;
- ii) Knowledge of consequences of late renewals; and
- iii) Knowledge of changes of circumstances that need to be reported

Knowledge across the two years of the Panel Study is compared first, to see if overall knowledge among customers got better or worse ('trends'). Then changes among individual customers are explored to show how many customers became more or less knowledgeable from one year to the next ('change').

#### 2.1.1 Knowledge trends

Table 2.1 reports trends in customer knowledge of renewing and reporting changes of circumstances in 2009 and in 2010.

**Table 2.1 Trends in customer knowledge of renewing and reporting changes of circumstances, 2009 and 2010**

	Year	
	2009	2010
<b>Aware that 31st July was the deadline for renewing Tax Credit award</b>	%	%
Yes	82	88
No	19	12
<i>Weighted base</i>	2949	2271
<b>Knowledge of consequences of late renewals<sup>1</sup></b>		
0 or 1 correct answers	6	7
2 correct answers	55	60
3 correct answers	32	25
4 or more correct answers	7	7
<i>Weighted base</i>	2685	2106
<b>Knowledge about reporting changes<sup>2</sup></b>		
0-12 correct	22	18
13-14 correct	44	44
15-17 correct	35	38
<i>Weighted base</i>	3612	2539

Base: Customers who took part in year 1, customers who took part in year 2.

<sup>1</sup> Measured through asking what would happen in the case of tax credits not being renewed on time. There are six situations, and customers are awarded a mark for each that they correctly identify. See Appendix A for details.

<sup>2</sup> Measured through asking whether seventeen different circumstances need to be reported, with a mark awarded for each correct answer. See Appendix A for details.

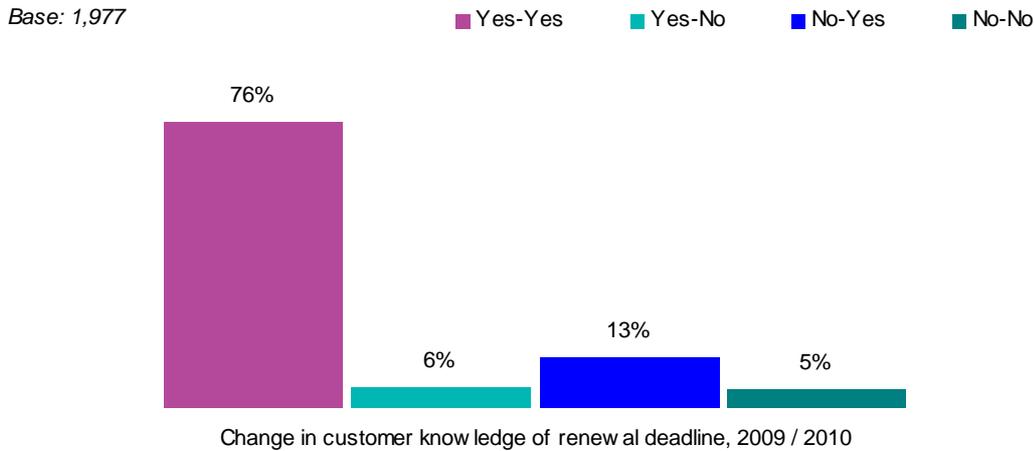
- Table 2.1 suggests that customers became more aware of the renewal deadline across the years. For example, 82 per cent were aware of the tax credit deadline in 2009 and this increased to 88 per cent in 2010.<sup>7</sup>
- There was little change in overall knowledge of the consequences of renewals and reporting changes. The percentage that got four or more correct answers to questions about renewals stayed the same (7 per cent) and the percentage with the most correct answers about reporting changes went up only marginally.

## 2.1.2 Change in knowledge

Figure 2.1 shows customers' change in knowledge of the renewal deadline from year 1 to year 2. Customers who were aware of the deadline in both years are listed in the category 'Yes-Yes', and those who were aware of the deadline in the first year but not the second are in the category 'Yes-No' and so on.

<sup>7</sup> This increased to 94 percent in 2011. See Appendix F for further details.

Figure 2.1 Whether customers were aware of the tax credits renewal deadline in year 1 (2009) and year 2 (2010)

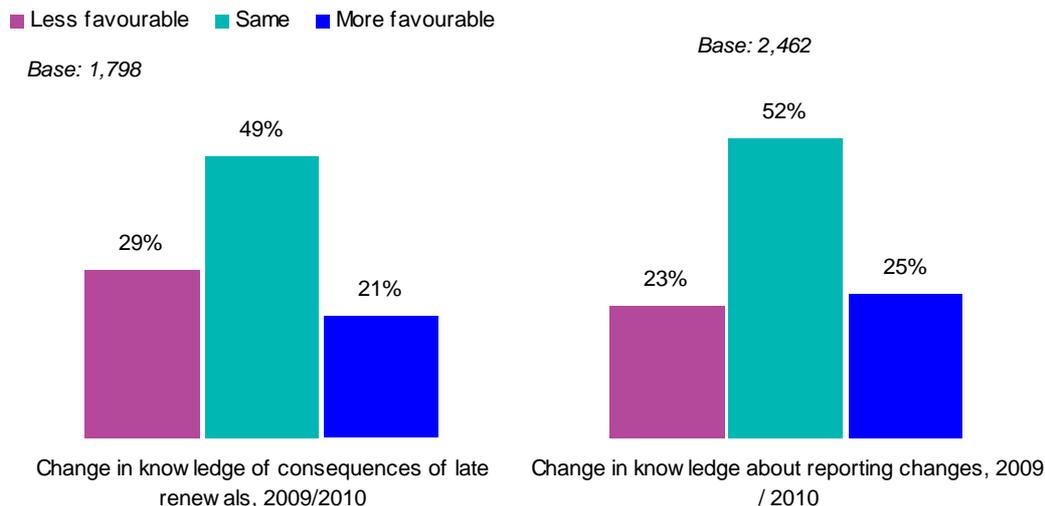


Base: Panel sample of customers who took part in year 1 and year 2.

- The majority of customers (76 per cent) were aware of the renewal deadline in both years, and only a minority (five per cent) were unaware of the deadline both times.
- More customers were seen to improve (13 per cent) rather than worsen (six per cent) their knowledge.

Figure 2.2 looks at the other knowledge questions and categorises customers who moved up a category of correct answers (see Table 2.1) into the 'Better' group. Customers are also categorised as the 'Same' and 'Worse' using similar methods.

Figure 2.2 Whether customers' knowledge of tax credits system changed between year 1 (2009) and year 2 (2010)



Base: Panel sample of customers who took part in year 1 and year 2.

1 Measured through asking what would happen in the case of tax credits not being renewed on time. There are six situations, and customers are awarded a mark for each that they correctly identify.

2 Measured through asking whether seventeen different circumstances need to be reported, with a mark awarded for each correct answer.

- Approximately half of customers (49 per cent and 52 per cent respectively) were in the same knowledge category in both years.

- For knowledge regarding consequences of late renewals the proportion of customers who had improved their score between years (21 per cent) was slightly lower than the proportion whose score had worsened (29 per cent).
- For knowledge about reporting changes, the proportion who had improved their number of correct answers (25 per cent) was slightly higher than the proportion whose knowledge had worsened (23 per cent).

## 2.2 Attitudes

This section presents results on customers' attitudes to renewing, reporting changes of circumstances, and opinions of HMRC. It first compares overall attitude across the two years of the Panel Study and then shows how customer attitudes changed from one year to the next. The attitudes considered were:

- Confidence about what to do during renewals
- Ease of renewing tax credits
- Opinion of renewals deadline
- Opinion of renewals process
- Whether would like to make changes to renewals process
- Requirement to renew will affect whether claims tax credits in the future
- Knows what to do to get tax credit claim right
- Feels that HM Revenue and Customs make things difficult
- Thinks it is easy to get in touch with HM Revenue and Customs
- Thinks that HM Revenue and Customs give correct information when needed
- Whether can trust HM Revenue and Customs to get things right
- Feels that HM Revenue and Customs treat them fairly when it comes to tax credits

## 2.2.1 Attitude trends

Table 2.2 presents trends in customer attitudes in 2009 and in 2010.

Table 2.2 Trends in customer attitudes, 2009 and 2010		
	Year	
	2009	2010
	%	%
<b>Did you feel confident about what to do during the last renewal process?</b>		
Yes	89	92
No	10	8
<i>Weighted Base</i>	2957	2168
<b>Ease of renewing tax credit(s)</b>		
...very easy	40	51
...quite easy	42	37
...neither easy or difficult	9	7
...quite difficult	6	4
...or very difficult?	2	1
<i>Weighted Base</i>	2941	2168
<b>Whether the time period between receiving your Annual renewal pack and deadline to renew your award was too short</b>		
...too long	10	10
...too short	5	2
...or about right?	85	88
<i>Weighted Base</i>	2932	2263
<b>Rating of renewal process</b>		
Much better than expected	10	5
Better than expected	27	16
About as expected	57	74
Worse than expected	5	3
Much worse than expected	2	2
<i>Weighted Base</i>	2949	2270
<b>Any other changes to renewal process</b>		
Yes	24	21
No	76	79
<i>Weighted Base</i>	3213	2387
<b>Requirement to renew will affect whether claims tax credits in the future</b>		
Yes	6	4
No	94	96
<i>Weighted Base</i>	2948	2268

- Customers appeared to find the renewal process easier in the second year - 51 per cent found the tax credits renewal process “very easy” in 2010 compared to 40 per cent in 2009.
- However, customers seemed to rate the renewal process higher in 2009 compared to 2010 (37 per cent thought that renewal process was “much better than expected” or “better than expected” in 2009 compared to 21 per cent in 2010). This could have been because their expectations have changed. By year 2 most customers would have been through at least two renewals, so would have known what to expect.

Table 2.3 presents more trends in customer attitudes across the two years. The general picture is of more favourable views of the tax credit process and customers interactions with HMRC.

**Table 2.3 Trends in customer attitudes, 2009 and 2010**

	Year	
	2009	2010
	%	%
<b>I know what I have to do to get my tax credit claim right</b>		
Agree strongly	26	34
Agree	61	58
Neither agree nor disagree	6	5
Disagree	5	3
Disagree strongly	2	1
<i>Weighted Base</i>	3645	2442
<b>I feel that HM Revenue and Customs make things difficult for me</b>		
Agree strongly	5	3
Agree	14	10
Neither agree nor disagree	18	16
Disagree	55	60
Disagree strongly	8	12
<i>Weighted Base</i>	3647	2441
<b>It is easy to get in touch with HM Revenue and Customs when I need to</b>		
Agree strongly	17	22
Agree	58	59
Neither agree nor disagree	13	12
Disagree	9	6
Disagree strongly	3	1
<i>Weighted Base</i>	3631	2437
<b>If I need help HM Revenue and Customs give me the correct information</b>		
Agree strongly	13	15
Agree	58	60
Neither agree nor disagree	18	17
Disagree	7	6
Disagree strongly	3	1
<i>Weighted Base</i>	3622	2435
<b>I cannot trust HM Revenue and Customs to get things right</b>		
Agree strongly	6	4
Agree	12	9
Neither agree nor disagree	17	17
Disagree	53	56
Disagree strongly	11	14
<i>Weighted Base</i>	3639	2440
<b>I feel that HM Revenue and Customs treat me fairly when it comes to tax credits</b>		
Agree strongly	12	15
Agree	66	67
Neither agree nor disagree	13	12
Disagree	7	5
Disagree strongly	3	1
<i>Weighted Base</i>	3,636	2,436

- Customers were more likely to strongly agree that they knew what they had to do to get their claim right in the second year (the proportion who strongly agreed that they knew what

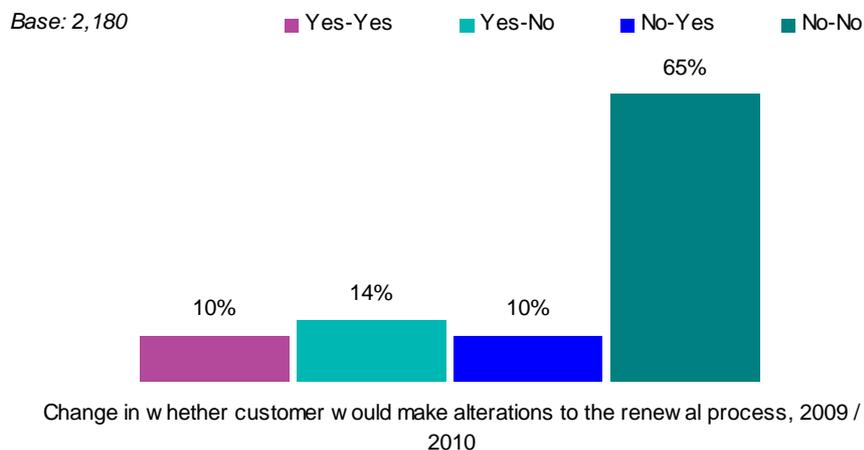
to do to get their tax credits claim right was 26 per cent in 2009 and 34 per cent in 2010). This could be related to their increased experience with the tax credit system.

- Fewer customers in the second year thought that HMRC made things difficult for them (19 per cent strongly agreed or agreed in 2009 compared to 13 per cent in 2010).
- Customers were more inclined to say that it was easier to get in touch with HMRC (75 per cent agreed or strongly agreed in 2009 and 81 per cent in 2010).
- Customers were more likely to trust HMRC to get things right in the second year than the first year (65 per cent in 2009 and 70 per cent in 2010)<sup>8</sup>

## 2.2.2 Change in attitudes

The following figures and tables show the change in attitudes on an individual level between year 1 and year 2. Customers who answered 'Yes' in both years are listed in the category 'Yes-Yes' and those who responded 'Yes' in 2009 and then 'No' in 2010 are in the category 'Yes-No' and so on. Figure 2.3 shows the change in whether customers would make alterations to the renewal process.

Figure 2.3 Whether customers would make alterations to the tax credit renewal process, year 1 (2009) and year 2 (2010)



Base: Panel sample of customers who took part in year 1 and year 2.

- The majority of customers (65 per cent) would not make a change to the renewal process in either year
- Twenty-four per cent of customers changed their response from one year to the next, with 14 per cent saying they would have made a change to the renewal process in 2009, but would not have in 2010

Table 2.4 shows more evidence of changes in customer attitudes across the two years.

<sup>8</sup> For analysis of trends in attitudes in 2011 please see Appendix F

**Table 2.4 Change in customer attitudes, 2009 / 2010**

	Yes-Yes %	Yes-No %	No-Yes %	No-No %	Weighted base
<b>Did you feel confident about what to do during the last renewal process?</b>	85	4	8	3	1,869
<b>Would you like any changes made to the renewal process, [annual review form or annual declaration form/or annual review form]?</b>	10	14	10	65	2,158
<b>Does the requirement to renew your tax credits award affect whether you will continue to claim tax credits in the future?</b>	1	4	3	92	1,927

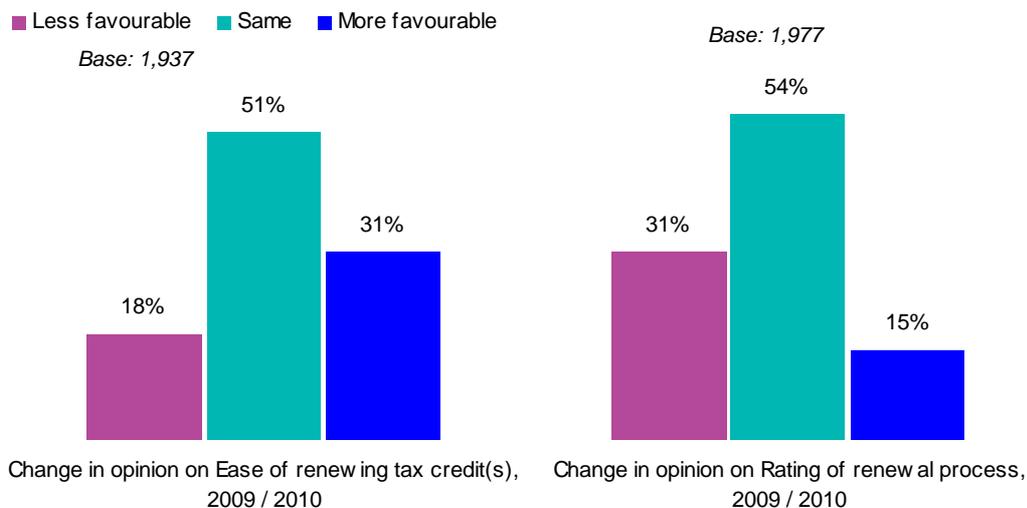
Base: Panel sample of customers who took part in year 1 and year 2.

- The majority of customers did not change their attitudes to compliance and reporting behaviour.
- Eight per cent of customers felt confident about the renewal process in 2010, having not felt confident about it in 2009.

The following analyses consider customers' changes in attitudes between 2009 and 2010, categorised by whether the attitude had become 'Less favourable', 'More favourable', or the 'Same'. This categorisation was calculated by assessing whether the response in 2010 was more positive, less positive, or the same as the response in 2009. For example, someone who agreed that HM Revenue and Customs treated them fairly in 2009, and strongly agreed in 2010, is categorised as having a 'More favourable' attitude. If they had instead agreed again in 2010, then the customer would be categorised as having the 'Same' attitude, or if they had chosen 'Neither agree nor disagree', 'Disagree', or 'Strongly Disagree' in 2010 they would be categorised as having a 'Less favourable' attitude. For 'negative' statements such as "I cannot trust HM Revenue and Customs to get things right", this pattern would be reversed, with someone who agreed in year 1 and disagreed in year 2 categorised as having a 'More favourable' attitude<sup>9</sup>. Figure 2.4 shows two of these attitudes - change in opinion on ease of renewing tax credit(s) and change in opinion on rating of renewal process.

<sup>9</sup> Customers may have adjusted their expectations between years, perhaps as a consequence of greater experience of the system, and this could impact on a change of attitude - but this is not captured in the data.

Figure 2.4 Customers' changes in opinion of 'ease of renewing tax credits' and 'rating of renewal process', year 1 (2009) and year 2 (2010)



Base: Panel sample of customers who took part in year 1 and year 2.

- Nearly a third (31 per cent) of customers thought renewing tax credits was easier in 2010 than they had in 2009. This may be a consequence of having been through the system at least once.
- Almost one third (31 per cent) of customers recorded a lower rating of the renewal process in 2010 than they had in 2009. This may be explained by customers being more knowledgeable about the renewal process and therefore having a more realistic understanding of what is involved.

Table 2.5 presents more changes in customer attitudes across the two years.

Change in opinion on:	Less favourable %	Same %	More favourable %	Weighted base
Ease of renewing tax credit(s)	18	51	31	1,871
Time period between receiving your Annual renewal pack and deadline	8	82	10	1,914
Rating of renewal process	31	54	15	1,932
I know what I have to do to get my tax credit claim right	15	59	26	2,343
I feel that HMRC make things difficult for me	17	54	29	2,343
It is easy to get in touch with HMRC	19	52	29	2,329
If I need help HMRC give me the correct information	19	56	25	2,321
I cannot trust HMRC to get things right	21	51	28	2,335
I feel that HMRC treat me fairly when it comes to tax credits	17	63	21	2,329

Base: Panel sample of customers who took part in year 1 and year 2.

- Customers' attitudes were more likely to improve than worsen. For eight of the nine measures customers' attitudes became more favourable.
- The one measure which went against this trend was the question regarding customers' opinion of the renewals process (third row in Table 2.5), with nearly one third (31 per cent) of customers having a less favourable review of the renewal process in year two compared to year one.

## 2.3 Engagement with the tax credit process

This section presents results on customers' engagement with the tax credit process. It first compares overall engagement across the two years of the Panel Study, then shows how customer engagement changed from one year to the next. The engagement characteristics considered were:

- Reminded to renew award by friends or relatives
- Used guidance notes
- Sought help or advice with renewals

### 2.3.1 Engagement trends

Table 2.6 presents trends in customer engagement with the tax credit process in 2009 and in 2010.

Table 2.6 Trends in customer engagement with the tax credit process, 2009 and 2010		
	Year	
	2009	2010
<b>Reminded to renew tax credit award: Friends or relatives</b>	%	%
Not mentioned	97	98
Mentioned	3	3
<i>Weighted Base</i>	2860	2169
<b>Did you use the guidance notes that came with the Annual Renewal Pack?</b>		
Yes	56	52
No	44	48
<i>Weighted Base</i>	3207	2381
<b>Got any advice or help with renewal process</b>		
Yes	20	14
No	80	86
<i>Weighted Base</i>	2945	2168

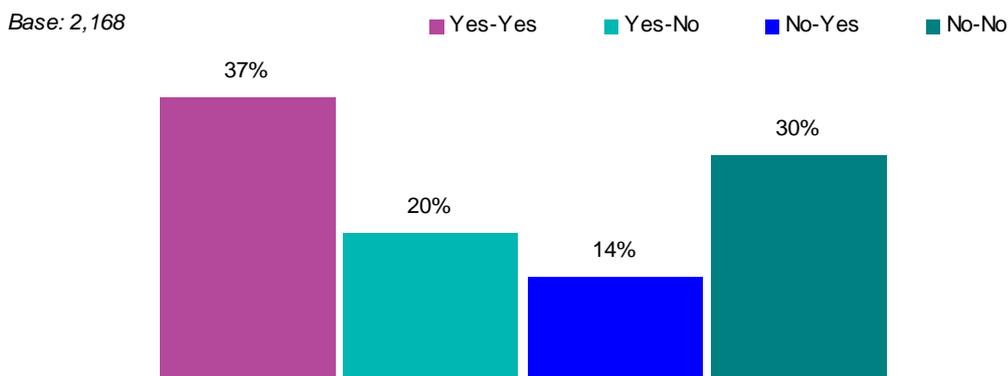
Base: Customers who took part in year 1, customers who took part in year 2.

- Table 2.6 shows that there was relatively little difference in customer engagement across the years.
- Very few (three per cent) customers mentioned having friends or relatives to remind them to renew their award in either year.
- There was a slight decline in customers using the guidance notes in the annual renewal pack and with getting any advice or help with the renewal process.

## 2.3.2 Change in engagement

This section explores changes in customers' engagement with the tax credit process over the two years.

Figure 2.5 Change in whether customer used guidance notes, year 1 (2009) and year 2 (2010)



Change in whether the customer used the guidance notes that came with the Annual Renewal Pack, 2009 / 2010

- Figure 2.5 shows that the use of guidance notes was varied, with 37 per cent of customers using them in both years and slightly fewer (30 per cent) not using them in either year.

Table 2.7 presents more changes in customer engagement with the tax credit process.

Table 2.7 Change in customer engagement with the tax credit process, 2009 / 2010					
	Yes-Yes %	Yes-No %	No-Yes %	No-No %	Weighted base
Friends or relatives reminded to renew tax credits?	1	2	2	95	1,838
Did you use the guidance notes that came with the Annual Renewal Pack?	37	20	14	30	2,149
Got any advice or help with renewal process?	7	14	7	73	1,872

Base: Panel sample of customers who took part in year 1 and year 2.

- The vast majority of customers (95 per cent) said that they had not been reminded to renew their tax credits in either year, whilst only one per cent had been reminded in both years.
- In terms of getting advice or help with the renewal process, the majority of customers (73 per cent) said they did not in both years, while seven per cent said they were helped in both years.

### 3 What explains changes in renewal behaviour?

This chapter explores whether customers changed their tax credit renewal behaviour from one year to the next. It explores what drives changes in renewal behaviour, with a particular interest in customers whose behaviour has improved – for example, customers who renewed late in year 1 but on time in year 2. The chapter also looks at customers who renewed on time but who sped up their renewal behaviour. Importantly, this chapter builds on the analysis in the previous chapter by looking at dynamic factors associated with changes in behaviour – that is, exploring whether changes in customers knowledge, attitudes and engagement were linked to changes in behaviour.

#### 3.1 Change in renewal behaviour

##### 3.1.1 Customers who renewed after the deadline

Tax credit recipients who have received a declaration form in their renewal pack had to send it back or call the Tax Credit Helpline and renew over the phone by 31 July. If tax credits were not renewed by that time the tax credit payments would stop. If tax credits were not renewed within a further 30 day period then HMRC may recover the payments that have been made between April and July. Late renewals may therefore introduce errors to the tax credit system.

Previous research has shown that renewing late is relatively rare (Toomse & Maplethorpe, 2011); and this is confirmed in the Panel Study (Table 3.1).

	Year	
	2009	2010
	%	%
On time	95	97
Late	5	4
<i>Weighted base</i>	<i>2866</i>	<i>2247</i>

Note: Some respondents were not asked about their tax credit claim, either because they were on auto-renewal or because they no longer received tax credits – and hence these respondents are excluded from the analysis.

Table 3.1 shows that only a minority of customers said they renewed late in year 1 and slightly fewer in year 2<sup>10</sup>. It is not clear however whether these were the same customers in each year and hence how persistent this behaviour was year-on-year. This is explored in Table 3.2 by categorising customers according to their behaviour in both years:

- Not late – Not late: customers who renewed on time in both years

<sup>10</sup> The number was even fewer in 2011 (3 per cent). See Appendix F for details.

- Late – Late: customers who renewed after the deadline in both years
- Not late – Late: customers who renewed on time in year 1 but after the deadline in year 2
- Late – Not late: customers who renewed after the deadline in year 1 but on time in year 2

	%
Not late – Not late	92
Late – Late	1
Not late – Late	3
Late – Not late	4
<i>Weighted base</i>	1880

Table 3.2 shows that the vast majority of customers renewed on time in both years (92 per cent), whilst only one per cent of customers renewed their tax credit claim late in both years. Some customers had a change in behaviour between years; approximately four per cent improved their renewal behaviour, whilst for approximately three per cent their renewal behaviour worsened.

### Analysis of improved renewal behaviour

The customers who improved their renewal behaviour are of particular interest to HMRC, as further analysis of the Panel Study may point to factors associated with improved behaviour. Ideally the Panel Study would be used to compare customers who improved their behaviour to customers who failed to renew on time in both years, as both sets of customers were similar in the first year (i.e. they all failed to renew on time). Analysis could then explore the key factors that explain why some of these customers changed their renewal behaviour and some did not.

However, as Table 3.2 shows there are even fewer customers who failed to renew on time in both years. Hence it is only possible to compare customers who improved their renewal behaviour with the whole panel sample. Factors that are significantly associated with improved renewal behaviour are presented in Table 3.3 to Table 3.6 below<sup>11</sup>.

		Late - Not late %	Whole panel sample %
<b>Tax Credits received in year 1</b>	Previously received tax credits <sup>1</sup>	2	12
	WTC and CTC	26	30
	CTC only	71	53
	WTC only	1	6
	<i>Weighted base</i>	82	2638
<b>Financial capability in year 1<sup>2</sup></b>	High financial capability score	23	26
	High fin capability score but uncomfortable dealing with tax	22	27
	Mid financial capability score	5	20
	Low financial capability score	50	28
	<i>Weighted base</i>	78	2468

<sup>1</sup> Those who received tax credits in the past but do not currently

<sup>2</sup> Capability score constructed using 4 questions: Planning finances; Keeping up-to-date with tax issues; Comfort dealing with tax; Confidence dealing with finances.

There was a significant difference between those who improved their renewal behaviour and the whole panel sample for two of the social demographic characteristics: type of tax credits received;

<sup>11</sup> It should be noted that this analysis is limited by the small sample size, with the 'Late-Not late' group comprising of only 83 respondents. Hence the findings, although pointing to relationships in the data, should be treated with caution.

and financial capability. Compared to the whole panel sample, customers who renewed on time having previously been late were:

- more likely to receive CTC only;
- more likely to have a low financial capability score<sup>12</sup>.

Table 3.4 presents the knowledge factors that were significantly associated with improved renewal behaviour.

Table 3.4 Changes in knowledge of customers who improved their renewal behaviour, 2009 / 2010			
		Late-Not late %	Whole panel sample %
<b>Were you aware that 31st July was the deadline for renewing your Tax Credit award?</b>	Yes-Yes	64	77
	Yes-No	8	6
	No-Yes	27	13
	No-No	1	5
	<i>Weighted base</i>	83	1929

Being aware of the renewal deadline was significantly associated with improved renewal behaviour. Customers who renewed on time having previously been late were:

- Twice as likely to have improved their knowledge of the renewal deadline; they knew the renewal deadline in year 2 having not known it in year 1 (27 per cent compared with 13 per cent of the whole panel sample);
- Less likely to be unaware of the renewal deadline in both years (one per cent compared with five per cent).

Table 3.5 presents changes in attitudes of customers who improved their renewal behaviour.

Table 3.5 Changes in attitude of customers who improved their renewal behaviour, 2009 / 2010			
		Late-Not late %	Whole panel sample %
<b>Did you feel confident about what to do during the last renewal</b>	Yes-Yes	67	85
	Yes-No	6	4
	No-Yes	19	8
	No-No	9	3
	<i>Weighted base</i>	81	1868
<b>Change in opinion on Ease of renewing tax credit(s)</b>	Less favourable	12	18
	Same	38	51
	More favourable	49	31
	<i>Weighted base</i>	81	1871
<b>Time period between receiving your Annual renewal pack and deadline</b>	Less favourable	2	8
	Same	77	82
	More favourable	20	10
	<i>Weighted base</i>	84	1915
<b>Change in opinion on I feel that HMRC make things difficult for me</b>	Less favourable	9	17
	Same	49	54
	More favourable	42	29
	<i>Weighted base</i>	81	2343

There was a significant difference between those who improved their renewal behaviour and the whole panel sample for four of the attitude variables: confidence about renewing; opinion of the

<sup>12</sup> Table B2 in Appendix B shows changes in customers' financial capability from 2009 to 2010. This suggests that those who improved financial capability were more likely to improve renewal behaviour. However, the relationship was not statistically significant (at the five per cent level).

renewal process; opinion of the time period between receiving the renewal pack and the deadline; and opinion on whether HMRC make things difficult.

- Customers who improved their renewal behaviour were over twice as likely to have improved in confidence about the renewal process (19 per cent compared with 8 per cent);
- Customers who improved their renewal behaviour were more likely to have a more favourable opinion of the renewal process (49 per cent compared with 31 per cent) and less likely to have the same or less favourable opinion (50 per cent compared with 69 per cent);
- Customers who improved their renewal behaviour were more likely to have a more favourable opinion of the time period between receiving the renewal pack and the deadline (20 per cent compared with 10 per cent), and less likely to have the same or worse opinion (79 per cent compared with 90 per cent);
- Customers who improved their renewal behaviour were less likely to agree with the statement on whether HMRC make things difficult (9 per cent compared with 17 per cent), and were more likely to disagree with the statement (42 per cent compared with 29 per cent).

Table 3.6 presents changes in the engagement of customers with the tax credit system and their renewal behaviour.

		Late-Not late %	Whole panel sample %
<b>Whether friends or relatives reminded to renew tax credits?</b>	Yes-Yes	0	1
	Yes-No	8	2
	No-Yes	1	2
	No-No	91	95
	<i>Weighted base</i>	79	1839
<b>Whether got any advice or help with renewal process</b>	Yes-Yes	10	7
	Yes-No	26	14
	No-Yes	9	7
	No-No	56	73
	<i>Weighted base</i>	81	1872

There was a significant difference between customers who improved their renewal behaviour and the whole panel sample for two of the engagement variables: whether friends reminded them to renew their tax credits; and whether they received any advice or help with the renewal process.

- Customers who improved their renewal behaviour were over twice as likely to not have been reminded to renew their tax credit award in year 2, having been reminded in year 1 (eight per cent compared with two per cent);
- Customers who improved their renewal behaviour were more likely to not have required help or guidance in year 2 having received it in year 1 (nine per cent compared with seven per cent).

## Isolating the factors associated with improved renewal behaviour

The previous section showed how each factor was related to improved renewal behaviour, but not taking into account that factors may be related to each other. For example, knowledge of the renewal deadline may be related to confidence in what to do during the renewal process. Having explored the two-way relationship between factors and behaviour, more complex analysis is used to allow for relationships across multiple factors. The key benefit of such analysis is that the impact

that a factor has on behaviour is calculated whilst all the other factors are held constant. This means that the independent impact of each factor is shown, assuming all other relevant factors are fully controlled for. The factors used in this analysis are all those explored in Chapter 2, including measures of whether customers' attitudes, knowledge and engagement changed from year 1 to year 2, and all are listed in Section 1.3 above.

Factors associated with customers who improved their renewal behaviour were:

- Improved knowledge of the renewal deadline;
- Increased confidence in the renewal process;
- A more favourable opinion of HMRC giving the correct information;
- Not being reminded to renew their award

Factors associated with customers less likely to improve their renewal behaviour were:

- Having at least one adult in the benefit unit with limiting long standing illness; and
- Not confident using a computer.

### 3.1.2 Customers who renewed close to the deadline

This section explores the factors associated with customers who renewed on time but close to the renewal deadline. Customers who renew their tax credit award on time but close to the deadline (31<sup>st</sup> July) may receive an over/under-payment. Tax credit payments made from April until the customer renews are based on the information from the previous year, until tax credits are renewed. This means that the information provided during renewal may result in the recipient's tax credit entitlement changing – which would also mean that the amount that has been paid to them to that point has been incorrect. Therefore HMRC encourages recipients to renew promptly to avoid situations where they have been paid too much tax credits and be in a situation where an amount needs to be recovered.

Table 3.7 illustrates trends in customers renewing close to the deadline in 2009 and 2010. Renewing 'early' means renewing within 1 month of receiving the renewal pack, while customers who took a month or longer before renewing are categorised as renewing 'close to deadline'.

	Year	
	2009	2010
	%	%
Early	84	85
On time but close to the deadline	16	15
<i>Weighted base</i>	<i>2718</i>	<i>2168</i>

- Of customers who renewed on time, the majority renewed early (84 per cent of customers in 2009 and 85 per cent in 2010).
- Only around 15 per cent renewed close to the deadline.

Again, the longitudinal aspect of the Panel Study is utilised to be able to identify whether it was the same people who renewed close to the deadline in each year. Table 3.8 looks at changes in renewal behaviour for customers across the two survey years.

**Table 3.8 Changes in renewing on time but close to the deadline, 2009 / 2010**

	%
Early-Early	76
Close to deadline- Close to deadline	8
Early- Close to deadline	7
Close to deadline-Early	9
<i>Weighted base</i>	<i>1736</i>

- Three quarters (76 per cent) of customers renewed early in both years, while eight per cent renewed near the deadline in both years.
- A minority of customers changed their renewal behaviour; seven per cent renewed near to the deadline having previously renewed early, while nine per cent renewed early having previously renewed near to the deadline.

Multivariate analysis was undertaken to determine the impact that a factor has on behaviour, holding all other factors constant. The factors used in this analysis were all those explored in Chapter 2, including measures of whether customers' attitudes, knowledge and engagement changed from year 1 to year 2, and all are listed in Section 1.3 above.

Customers *more* likely to speed up their renewal were those who had:

- Improved knowledge of the renewal deadline;
- A more favourable opinion of the time period between receiving the renewal pack and the renewal deadline;
- A more favourable opinion on whether HMRC make things difficult for them;
- A more favourable opinion of whether HMRC treated them fairly when it comes to tax credits.

Customers *less* likely to speed up their renewal behaviour were:

- Lone parents, whether working or not;
- Those not employed, and those whose income varies;
- Those with a less favourable opinion on the ease of the renewal process;
- Those with a less favourable opinion on knowing what to do to get their tax credit claim right;
- Those with a less favourable opinion of whether HMRC give them the correct information;
- Those with a less favourable opinion of whether HMRC treated them fairly when it comes to tax credits;
- Those who had received advice or help with the renewal process in both years.

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## 4 Conclusions

This report has explored customers' renewing behaviour over time in order to identify factors that drive change in the process, via secondary analysis of data from the first two years of the Panel Study of Tax Credit and Child Benefit Customers. Having data from the same customers, at two time points a year apart, allows the identification of groups of customers who have changed – in attitudes, knowledge and behaviour - and of customers who remained the same, and to compare and contrast their similarities and differences.

### Change in knowledge, attitudes and engagement

One of the aims of the research was to explore whether customers' knowledge, attitudes and engagement with the tax credit system had changed from one year to the next. Customers generally had good knowledge of the renewal deadline, and this increased slightly from year 1 to year 2 (82-88 per cent). Very few customers (5 per cent) were unaware of the deadline in both years. Knowledge of the consequences of late renewals and reporting changes was more varied, with about a quarter of customers' knowledge worsening, and the same proportion's knowledge improving.

There was relatively little change in overall views of the tax credit system. Of those whose views did appear to change, more customers were seen to have a more favourable view. For example, they appeared to find the renewal process easier in the second rather than first year (51 per cent found the process very easy in 2010). However, customers seemed to rate the renewal process lower than expected in the second year. This may be explained by customers being more knowledgeable and therefore having a more realistic understanding of the renewal process.

More customers said they knew what they had to do to get their claim right in the second year (34 per cent strongly agreed in 2010). Furthermore, fewer customers in the second year thought that HMRC made things difficult for them - in fact, customers were more inclined to say that it was easier to get in touch with HMRC. Overall customers' attitudes were more likely to improve than worsen.

There was relatively little difference in customer engagement across the years. There was a slight decline in customers using the guidance notes supplied with the annual renewal pack (52 per cent in 2010) and getting advice or help with the renewal process (very few - seven per cent - got advice or help in both years).

### Changes in renewal behaviour

In terms of actual renewal behaviour, only a minority of customers renewed late in year 1 and slightly fewer in year 2, and hence very few renewed their tax credit claim late in both years (one per cent). Some customers improved their renewal behaviour – they renewed on time in year 2 having renewed late in year 1 (four per cent of customers). There were six factors associated with customers' changing their renewal behaviour. These factors may help HMRC understand how to reduce errors in the system.

Factors associated with customers *more likely to improve their renewal behaviour* included having improved knowledge of the renewal deadline, increased confidence in the renewal process, favourable opinion of information provided by HMRC, and not having to be reminded to renew their award. Factors associated with customers *less likely to improve their renewal behaviour* were lacking IT confidence, and having someone in the household with a limiting long standing illness.

It is also possible to look at customers who sped up their renewal. Of customers who renewed on time in both years, around one in ten renewed early (within a month of receiving the renewal pack) in year 2 having renewed late in year 1. Customers *more likely to speed up their renewal* were those who improved their knowledge of the renewal deadline and had a more favourable opinion of the renewal process and HMRC. Particular groups of customers were less likely to speed up their renewal behaviour, including lone parents, those not employed and those whose income varies. This supports evidence from Toomse and Maplethorpe (2011), who also found that customers with variable income, such as the self-employed, were more likely to find renewals more challenging.

One issue that clearly stands out from the analysis is that of customer knowledge, along with favourable opinions of the tax credit process and HMRC. Customers who become aware of the renewal deadline were less likely to miss it or renew close to it. This suggests that measures that help to increase awareness of the renewals deadline could have a beneficial effect in reducing renewal delay.

Toomse and Maplethorpe (2011) showed that awareness of the renewals deadline is related to length of tax credit receipt - with those who have been receiving tax credits for longer than five years are more likely to be aware of the renewal deadline. If increased experience with the tax credit system is a factor that increases knowledge, then targeting measures at new recipients may be a sensible approach.

#### Methodological note

It is important to stress that although longitudinal surveys provide a much more powerful way of exploring customer behaviour, it is still very difficult to provide evidence of what causes changes in behaviour. Although the report has shown that customers who changed their renewal behaviour also changed their attitudes towards the tax credit system, it is difficult to be sure which, if any, impacted on the other. It may be that customers' attitudes towards the tax credit system became more favourable and led to them renewing on time, or it could be that they renewed on time and because of that they had a positive attitude to the system. Extending the analysis conducted here to include three or more data points would enhance our understanding of renewal behaviour. With more than two years of data it is possible to more easily align the timing of events, such as seeing whether a change in knowledge really pre-dates a change in behaviour. Hence it is recommended that further longitudinal analysis is undertaken on more years of the survey, where some of the patterns identified in this report can be examined further.

# Bibliography

Toomse, M and Maplethorpe, N. (2011) Tax Credits Renewals: Findings from the 2009 Panel Study of Tax Credits and Child Benefit Customers, London: National Centre for Social Research

Maplethorpe, N. (2011) Customers' experience of the Tax Credits Helpline: Findings from the 2009 Panel Study of Tax Credits and Child Benefit Customers, London: National Centre for Social Research

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# Appendix A Customer knowledge questions

## Knowledge of consequences of late renewals

Customers are asked “What if anything will happen if tax credits are not renewed on time?” and are given six consequences, choosing all which they think apply:

1. Payments will stop
2. Payments will be reduced
3. May receive an overpayment
4. Will be fined
5. Will have to make a new claim
6. None of these

A mark is awarded for each consequence correctly identified, and for each correctly not chosen, resulting in a maximum score of 5, and a minimum of 0. This was then recoded so that customers were grouped by whether they had "0 or 1 correct answers", "2 correct answers", "3 correct answers", or "4 or more correct answers".

## Knowledge about reporting changes in circumstance

Customers are read the following statement:

People who claim Tax Credits are asked to tell HM Revenue & Customs about changes that happen to them throughout the year.  
The next set of questions is about reporting changes in circumstances.  
Please answer whether you think each the following changes needs to be reported?

The customers are then asked to respond either “Yes, they need to notify HM Revenue & Customs”, “No, they don't need to notify HM Revenue & Customs”, “Don't Know”, or “Don't want to answer”, to the following circumstances:

- Whether should be reported: Someone starts working more hours
- Whether should be reported: Someone s child leaves home
- Whether should be reported: A couple break up and one person moves out
- Whether should be reported: Someone s childcare costs change
- Whether should be reported: Someone has a baby
- Whether should be reported: Someone s 16-year-old child leaves full-time education
- Whether should be reported: Someone lends money to a friend or relative
- Whether should be reported: Someone s child starts claiming Tax Credits in their own right

- Whether should be reported: Someone leaves the UK for more than eight weeks
- Whether should be reported: A lone parent moves in with a new partner
- Whether should be reported: Someone becomes pregnant
- Whether should be reported: Someone s elderly parent moves in
- Whether should be reported: Someone gets a pay rise
- Whether should be reported: Someone s 16-year-old child continues in full-time education
- Whether should be reported: Someone moves home
- Whether should be reported: Someone s child changes school
- Whether should be reported: Someone starts working

A mark is awarded for each circumstance correctly identified, and for each correctly not chosen, resulting in a maximum score of 17, and a minimum of 0. This was then recoded so that customers were grouped by whether they had "0-12 correct answers", "13-14 correct answers", or "15-17 correct answers".

# Appendix B Descriptive analysis of improved renewal behaviour

Appendix Table B.1 Background characteristics of customers who improved their renewal behaviour, 2009 / 2010

		Late - Not late %	Whole panel %
Ethnic group of main respondent	White	88	90
	Non-white	12	10
	Total	100	100
At least 1 adult in benefit unit with limiting long standing illness	Yes	21	20
	No	80	80
	Total	100	100
Derived: Employment status and household type	Single: Working over 16 hrs	18	23
	Single: Working 0-15 hrs	16	12
	Couple: Both working over 16 hrs	25	35
	Couple: One working over 16 hrs	33	25
	Couple: Both working 0-15 hrs	8	5
	Total	100	100
Whether self-employed	No	85	87
	Yes	16	13
	Total	100	100
Variable income of main respondent	Not employed	38	29
	Income varies	18	19
	Income does not vary	44	52
	Total	100	100
Derived: Total annual household income 5 bands	Up to £5,199 per annum	3	4
	£5,200 to £10,399 per annum	14	13
	£10,400 to £25,999 per annum	44	43
	£26,000 to £41,599 per annum	24	25
	£41,600 or more per annum	15	15
	Total	100	100
Tax Credits received in year 1	Previous	2	12
	WTC and CTC	26	30
	CTC only	71	53
	WTC only	1	6
	Total	100	100
Length of tax credit receipt, 4 groups	1 year or less	8	14
	2-3 years	6	9
	4-5 years	25	21
	More than 5 years	60	56
	Total	100	100
Literacy level, 2 groups	Can read and write	89	89
	Cannot either read or write	11	11
	Total	100	100
Financial capability in year 1	High financial capability score	23	26
	High fin capability score but uncomfortable dealing with tax	22	27
	Mid financial capability score	5	20
	Low financial capability score	50	28
	Total	100	100
I am confident using a computer	Tend to disagree	21	20
	Tend to have neutral views	12	16
	Tend to agree	68	64
	Total	100	100
I often need help	Tend to disagree	45	46

understanding official forms	Tend to have neutral views	21	26
	Tend to agree	34	28
	<i>Total</i>	100	100
Numeracy skills: Can tell whether got correct change at shop	Yes, easily	98	95
	With difficulty or not at all	2	5
	<i>Total</i>	100	100

Two of the variables were significant, and these are highlighted in grey.

**Appendix Table B.2 Change in financial capability of customers who improved their renewal behaviour, 2009 / 2010**

		Late-Not late %	Whole panel sample %
Change in Financial Capability, w1-w2	Worse	26	39
	Same	26	22
	Better	48	38
	<i>Total</i>	100	100

Due to a low financial capability score seeming to be related to those who improve renewal behaviour, customers' change in financial capability from 2009 to 2010 was explored. This suggests that those who improved financial capability were more likely to improve renewal behaviour. However, the relationship is not statistically significant (at the five per cent level).

**Appendix Table B.3 Changes in knowledge of customers who improved their renewal behaviour, 2009 / 2010**

		Late-Not late %	Whole panel sample %
Were you aware that 31st July was the deadline for renewing your Tax Credit award?	Yes-Yes	64	77
	Yes-No	8	6
	No-Yes	27	13
	No-No	1	5
	<i>Total</i>	100	100
Knowledge of consequences of late renewals, w1-w2	Better	21	21
	Same	48	49
	Worse	31	29
	<i>Total</i>	100	100
Knowledge about reporting changes, w1-w2	Better	24	26
	Same	54	52
	Worse	23	23
	<i>Total</i>	100	100

One of the variables was significant, and it is highlighted in grey.

Appendix Table B.4 Changes in attitude of customers who improved their renewal behaviour, 2009 / 2010

		Late-Not late %	Whole panel sample %
Did you feel confident about what to do during the last renewal	Yes-Yes	67	85
	Yes-No	6	4
	No-Yes	19	8
	No-No	9	3
	<i>Total</i>	100	100
Change in opinion on Ease of renewing tax credit(s)	Less favourable	12	18
	Same	38	51
	More favourable	49	31
	<i>Total</i>	100	100
Time period between receiving your Annual renewal pack and deadline	Less favourable	2	8
	Same	77	82
	More favourable	20	10
	<i>Total</i>	100	100
Change in opinion on Rating of renewal process, w1-w2	Worse	35	31
	Same	43	54
	Better	22	15
	<i>Total</i>	100	100
Change in opinion on I feel that HMRC make things difficult for me	Less favourable	9	17
	Same	49	54
	More favourable	42	29
	<i>Total</i>	100	100
Would you make changes to the renewal process?, w1-w2	Yes-Yes	13	10
	Yes-No	18	14
	No-Yes	5	10
	No-No	64	66
	<i>Total</i>	100	100
Will requirement to renew affect future tax credit claims?,w1-w2	Yes-Yes	1	1
	Yes-No	6	4
	No-Yes	6	3
	<i>Total</i>	87	92
Change in opinion on I know what I have to do to get my Tax Credit claim right, w1-w2	Worse	15	15
	Same	55	59
	Better	31	26
	<i>Total</i>	100	100
Change in opinion on It is easy to get in touch with HMRC, w1-w2	Worse	21	19
	Same	52	52
	Better	27	29
	<i>Total</i>	100	100
Change in opinion on If I need help HMRC give me the correct information,w1-w2	Worse	22	19
	Same	51	56
	Better	27	25
	<i>Total</i>	100	100
Change in opinion on I cannot trust HMRC to get things right, w1-w2	Better	27	28
	Same	50	51
	Worse	23	21
	<i>Total</i>	100	100
Change in opinion on I feel that HMRC treat me fairly when it comes to Tax Credits,w1-w2	Worse	16	17
	Same	65	63
	Better	19	21
	<i>Total</i>	100	100

Four of the variables were significant, and these are highlighted in grey.

Appendix Table B.5 Changes in engagement of customers who improved their renewal behaviour, 2009 / 2010

		Late-Not late %	Whole panel sample %
Whether friends or relatives reminded to renew tax credits?	Yes-Yes	0	1
	Yes-No	8	2
	No-Yes	1	2
	No-No	91	95
	<i>Total</i>	<i>100</i>	<i>100</i>
Did you use the guidance notes that came with the Annual Renewal Pack?	Yes-Yes	24	37
	Yes-No	18	20
	No-Yes	18	14
	No-No	40	30
	<i>Total</i>	<i>100</i>	<i>100</i>
Whether Got any advice or help with renewal process?	Yes-Yes	10	7
	Yes-No	26	14
	No-Yes	9	7
	No-No	56	73
	<i>Total</i>	<i>100</i>	<i>100</i>

Two of the variables were significant, and these are highlighted in grey.

# Appendix C Factors associated with customers who improved their renewal behaviour: Logistic regression analysis

Appendix Table C.1 Factors associated with customers who improved their renewal behaviour, 2009 / 2010

	Odds Ratio	95% Confidence Interval		
		Lower	Upper	
Ethnic group of main respondent	Non-white vs. White	1.757	.498	6.193
At least 1 adult in benefit unit with limiting long standing illness	YES vs. NO	.264	.094	.742
Derived: Employment status and household type	Single: Working over 16 hrs vs. Couple: Both working over 16 hrs	3.327	1.076	10.286
	Single: Working 0-15 hrs vs. Couple: Both working over 16 hrs	2.690	.484	14.944
	Couple: One working over 16 hrs vs. Couple: Both working over 16 hrs	3.657	1.235	10.827
	Couple: Both working 0-15 hrs vs. Couple: Both working over 16 hrs	1.181	.230	6.073
whether self-employed	No vs. Yes	.828	.339	2.020
Variable income of main respondent	Not employed vs. Income does not vary	1.276	.404	4.032
	Income varies vs. Income does not vary	1.249	.532	2.930
Derived: Total annual household income 5 bands	Up to £5,199 per annum vs. £10,400 to £25,999 per annum	.381	.036	4.059
	£5,200 to £10,399 per annum vs. £10,400 to £25,999 per annum	1.011	.362	2.828
	£26,000 to £41,599 per annum vs. £10,400 to £25,999 per annum	1.181	.505	2.759
	£41,600 or more per annum vs. £10,400 to £25,999 per annum	3.126	.973	10.047
W2 Tax Credits received	WTC and CTC vs. CTC only	.263	.087	.792
	WTC only vs. CTC only	.240	.028	2.063
Length of tax credit receipt, 4 groups	1 year or less vs. More than 5 years	.812	.228	2.892
	2-3 years vs. More than 5 years	.385	.087	1.698
	4-5 years vs. More than 5 years	1.248	.504	3.090
Literacy level, 2 groups	Cannot either read or write vs. Can read and write	1.521	.504	4.583
Financial Capability, w1-w2	Worse vs. Same	.666	.287	1.547
	Better vs. Same	1.375	.666	2.838
I am confident using a computer	Tend to disagree vs. Tend to agree	.238	.071	.792
	Tend to have neutral views vs. Tend to agree	.467	.188	1.158
I often need help understanding official forms	Tend to have neutral views vs. Tend to disagree	.511	.165	1.582
	Tend to agree vs. Tend to disagree	1.543	.693	3.435
Numeracy skills: Can tell whether got correct change at shop	With difficulty or not at all vs. Yes, easily	.243	.038	1.555
Were you aware that 31st July was the deadline for renewing your Tax Credit award?	Yes-No vs. Yes-Yes	1.970	.770	5.042
	No-Yes vs. Yes-Yes	4.973	2.668	9.271
	No-No vs. Yes-Yes	.560	.086	3.632
Knowledge of consequences of late renewals,	Better vs. Same	1.357	.628	2.931

w1-w2	Worse vs. Same	1.352	.692	2.640
Knowledge about reporting changes, w1-w2	Better vs. Same	.901	.351	2.312
	Worse vs. Same	1.234	.549	2.776
Did you feel confident about what to do during the last renewal,w1-w2	Yes-No vs. Yes-Yes	3.432	.660	17.841
	No-Yes vs. Yes-Yes	4.176	1.351	12.910
	No-No vs. Yes-Yes	13.290	2.162	81.678
Change in opinion on Ease of renewing tax credit(s), w1-w2	Worse vs. Same	1.086	.369	3.203
	Better vs. Same	2.305	1.146	4.636
Time period between receiving your Annual renewal pack and deadline, w1-w2	Worse vs. Same	.247	.022	2.791
	Better vs. Same	1.471	.581	3.727
Change in opinion on Rating of renewal process, w1-w2	Worse vs. Same	2.151	.981	4.717
	Better vs. Same	1.082	.430	2.726
Would you make changes to the renewal process?, w1-w2	Yes-Yes vs. No-No	.361	.102	1.274
	Yes-No vs. No-No	.652	.243	1.751
	No-Yes vs. No-No	.567	.177	1.812
Change in opinion on I know what I have to do to get my Tax Credit claim right, w1-w2	Worse vs. Same	1.417	.623	3.220
	Better vs. Same	1.047	.430	2.553
Change in opinion on I feel that HMRC make things difficult for me, w1-w2	Better vs. Same	1.380	.713	2.669
	Worse vs. Same	.328	.094	1.144
Change in opinion on It is easy to get in touch with HMRC, w1-w2	Worse vs. Same	.659	.237	1.830
	Better vs. Same	.754	.341	1.667
Change in opinion on If I need help HMRC give me the correct information,w1-w2	Worse vs. Same	2.914	1.334	6.365
	Better vs. Same	1.108	.495	2.480
Change in opinion on I cannot trust HMRC to get things right, w1-w2	Better vs. Same	1.246	.463	3.355
	Worse vs. Same	1.156	.461	2.899
Change in opinion on I feel that HMRC treat me fairly when it comes to Tax Credits,w1-w2	Worse vs. Same	.284	.074	1.087
	Better vs. Same	.475	.181	1.244
Friends reminded to renew tax credits?, w1-w2	Yes-Yes vs. No-No	.000	.000	.000
	Yes-No vs. No-No	8.464	2.053	34.885
	No-Yes vs. No-No	1.467	.293	7.337
Did you use the guidance notes that came with the Annual Renewal Pack?, w1-w2	Yes-No vs. Yes-Yes	1.065	.305	3.727
	No-Yes vs. Yes-Yes	3.960	1.108	14.152
	No-No vs. Yes-Yes	2.835	.853	9.427
Got any advice or help with renewal process, w1-w2	Yes-Yes vs. No-No	.317	.046	2.171
	Yes-No vs. No-No	2.283	.874	5.963
	No-Yes vs. No-No	2.263	.803	6.380

Six of the variables were significant overall, and these are highlighted in grey.

# Appendix D Factors associated with customers who sped up their renewal behaviour: Logistic regression analysis

Appendix Table D.1 Factors associated with customers who sped up their renewal behaviour, 2009 / 2010

	Odds Ratio	95% Confidence Interval		
		Lower	Upper	
Ethnic group of main respondent	Non-white vs. White	4.142	.170	100.768
At least 1 adult in benefit unit with limiting long standing illness	YES vs. NO	3.185	.801	12.672
Derived: Employment status and household type	Single: Working over 16 hrs vs. Couple: Both working over 16 hrs	.126	.033	.480
	Single: Working 0-15 hrs vs. Couple: Both working over 16 hrs	.015	.000	.592
	Couple: One working over 16 hrs vs. Couple: Both working over 16 hrs	.663	.068	6.452
	Couple: Both working 0-15 hrs vs. Couple: Both working over 16 hrs	.877	.083	9.287
whether self-employed	No vs. Yes	3.157	.661	15.085
Variable income of main respondent	Not employed vs. Income does not vary	.567	.036	8.871
	Income varies vs. Income does not vary	.123	.024	.629
Derived: Total annual household income 5 bands	Up to £5,199 per annum vs. £10,400 to £25,999 per annum	15.090	.672	338.812
	£5,200 to £10,399 per annum vs. £10,400 to £25,999 per annum	4.976	.429	57.784
	£26,000 to £41,599 per annum vs. £10,400 to £25,999 per annum	2.122	.515	8.742
	£41,600 or more per annum vs. £10,400 to £25,999 per annum	2.386	.371	15.331
W2 Tax Credits received	WTC and CTC vs. CTC only	3.558	.802	15.782
	WTC only vs. CTC only	3.981	.247	64.065
Length of tax credit receipt, 4 groups	1 year or less vs. More than 5 years	3.737	.189	73.855
	2-3 years vs. More than 5 years	1.568	.075	32.745
	4-5 years vs. More than 5 years	8.681	1.613	46.704
Literacy level, 2 groups	Cannot either read or write vs. Can read and write	7.685	.121	489.947
Financial Capability, w1-w2	Worse vs. Same	.624	.150	2.598
	Better vs. Same	.683	.169	2.754
I am confident using a computer	tend to disagree vs. tend to agree	.971	.183	5.154
	tend to have neutral views vs. tend to agree	.691	.096	4.999
I often need help understanding official forms	tend to have neutral views vs. tend to disagree	.814	.218	3.033
	tend to agree vs. tend to disagree	5.479	.496	60.538
Numeracy skills: Can tell whether got correct change at shop	With difficulty or not at all vs. Yes, easily	.103	.002	4.971
Were you aware that 31st July was the deadline for renewing your Tax Credit	Yes-No vs. Yes-Yes	.000	.000	.000
	No-Yes vs. Yes-Yes	1.352	.237	7.703

award?	No-No vs. Yes-Yes	.002	.000	.407
Knowledge of consequences of late renewals, w1-w2	Better vs. Same	.513	.113	2.333
	Worse vs. Same	1.247	.258	6.039
Knowledge about reporting changes, w1-w2	Better vs. Same	2.110	.534	8.334
	Worse vs. Same	.460	.093	2.290
Did you feel confident about what to do during the last renewal,w1-w2	Yes-No vs. Yes-Yes	3.608	.136	95.793
	No-Yes vs. Yes-Yes	9.118	.594	139.993
	No-No vs. Yes-Yes	16.226	.363	726.160
Change in opinion on Ease of renewing tax credit(s)	Worse vs. Same	.103	.030	.355
	Better vs. Same	.694	.189	2.548
Time period between receiving your Annual renewal pack and deadline	Worse vs. Same	1.838	.345	9.796
	Better vs. Same	68.252	2.071	2249.083
Change in opinion on Rating of renewal process, w1-w2	Worse vs. Same	.796	.249	2.542
	Better vs. Same	4.415	.472	41.254
Would you make changes to the renewal process?, w1-w2	Yes-Yes vs. No-No	.789	.116	5.351
	Yes-No vs. No-No	.720	.061	8.532
	No-Yes vs. No-No	.051	.004	.647
Change in opinion on I know what I have to do to get my Tax Credit claim right	Worse vs. Same	.818	.117	5.722
	Better vs. Same	.094	.018	.493
Change in opinion on I feel that HMRC make things difficult for me	Better vs. Same	3.865	.899	16.613
	Worse vs. Same	8.567	1.353	54.229
Change in opinion on It is easy to get in touch with HMRC, w1-w2	Worse vs. Same	.799	.160	4.000
	Better vs. Same	.910	.264	3.129
Change in opinion on If I need help HMRC give me the correct information	Worse vs. Same	.293	.062	1.380
	Better vs. Same	.138	.028	.681
Change in opinion on I cannot trust HMRC to get things right, w1-w2	Better vs. Same	1.130	.122	10.471
	Worse vs. Same	2.061	.313	13.574
Change in opinion on I feel that HMRC treat me fairly when it comes to Tax Credits	Worse vs. Same	.249	.036	1.717
	Better vs. Same	2.695	.865	8.392
Friends reminded to renew tax credits?, w1-w2	Yes-Yes vs. Yes-No	.051	.000	8.635
	No-Yes vs. Yes-No	3.071	.016	572.617
	No-No vs. Yes-No	.283	.018	4.562
Did you use the guidance notes that came with the Annual Renewal Pack?, w1-w2	Yes-No vs. Yes-Yes	1.175	.211	6.545
	No-Yes vs. Yes-Yes	.088	.008	1.010
	No-No vs. Yes-Yes	.346	.106	1.131
Got any advice or help with renewal process	Yes-Yes vs. No-No	.478	.044	5.152
	Yes-No vs. No-No	.038	.006	.228
	No-Yes vs. No-No	.717	.079	6.500

Ten of the variables were significant overall, and these are highlighted in grey.

## Appendix E Exploratory analysis: Change in reporting a change in circumstance

Tax credit recipients are required to report changes of their circumstances within one month of a change happening. Not reporting a change within one month or not reporting it at all puts a tax credit award at risk of being in error. Past research has shown that a substantial minority of tax credit recipients do not notify HMRC of changes on time (Maplethorpe & Toomse, 2011).

When exploring behaviour change amongst respondents to the Panel Study the report looked at the extent to which not reporting changes persists among customers from year to year. Table E.1 shows whether those who had a change of circumstance went on to notify HMRC of the change.

	Year	
	2009	2010
	%	%
Didn't notify	14	12
Notified	86	88
<i>Weighted base</i>	<i>1819</i>	<i>1414</i>

- In 2009 86 per cent of customers who had a change in circumstance notified HMRC, compared to 88 per cent in 2010.

Table E.2 explores whether it was the same customers who did not notify HMRC of their change in both years.

	%
No changes: Didn't notify - Didn't notify	3
No changes: Notified – Notified	79
Change: Didn't notify – Notified	10
Change: Notified - Didn't notify	8
<i>Weighted base</i>	<i>845</i>

- Only 845 customers experienced a change of circumstance in both years.
- The vast majority of these customers notified HMRC of changes in both years (79 per cent), whilst only 3 per cent of customers did not notify in both years.

- Some customers had a change in reporting behaviour between years, approximately ten per cent 'improved' by notifying in 2010 having not notified in 2009, whilst approximately eight per cent did not notify in 2010 having previously notified HMRC of changes of circumstances.

Due to the small number of customers who had a change of circumstance, the available data does not allow for further analysis. Any conclusions drawn would be limited by the small sample size. This analysis is further complicated because of the different change of circumstances that customers could have experienced, meaning that it is important to know why a change in circumstance happened before investigating whether it was reported or not. For example, a change of circumstance could include moving home, the customers' partner moving in or out the household, or a change in working hours. Any change in notifying status between years could in fact be due to the consequences of this type of circumstance being different, rather than a change in reporting behaviour. As is clear from the above table, the small sample does not allow for analysis by type of circumstance change.

## Appendix F Exploratory analysis of year 3 (2011) data

This appendix includes some brief exploratory analysis of the year 3 face-to-face survey, 2010-2011.

Appendix Table F.1 Trends in renewal behaviour, 2009 , 2010 and 2011

	Year		
	2009	2010	2011
	%	%	%
On time	95	97	97
Late	5	4	3
<i>Weighted base</i>	2866	2247	1348

- Table F1 shows that only a minority of customers said they renewed late in 2009 (5 per cent), and slightly fewer in 2010 (4 per cent) and fewer again in 2011 (3 per cent).

Appendix Table F.2 Trends in customer knowledge of renewal deadline, 2009 , 2010 and 2011

	Year		
	2009	2010	2011
<b>Were you aware that 31st July was the deadline for renewing your Tax Credit award?</b>	%	%	%
Yes	82	88	94
No	18	12	6
<i>Weighted base</i>	2949	2271	1361

- Table F2 suggests that customers became more aware of the tax credit deadline across the years. For example, 82 per cent were aware of the tax credit deadline in 2009, and this increased to 88 per cent in 2010, and then increased further to 94 per cent in 2011.

Appendix Table F.3 Trends in customer attitudes, 2009 , 2010 and 2011

	Year		
	2009	2010	2011
	%	%	%
<b>I know what I have to do to get my Tax Credit claim right</b>			
Agree strongly	26	34	42
Agree	61	58	51
Neither agree nor disagree	6	5	4
Disagree	5	3	2
Disagree strongly	2	1	1
<i>Weighted base</i>	3645	2442	1444
<b>I feel that HM Revenue and Customs make things difficult for me</b>			
Agree strongly	5	3	4
Agree	14	10	10
Neither agree nor disagree	18	16	22
Disagree	55	60	53
Disagree strongly	8	12	11
<i>Weighted base</i>	3647	2441	1443
<b>It is easy to get in touch with HM Revenue and Customs when I need to</b>			
Agree strongly	17	22	19
Agree	58	59	52
Neither agree nor disagree	13	12	14
Disagree	9	6	11
Disagree strongly	3	1	5
<i>Weighted base</i>	3631	2437	1444
<b>If I need help HM Revenue and Customs give me the correct information</b>			
Agree strongly	13	15	18
Agree	60	56	56
Neither agree nor disagree	17	19	19
Disagree	6	6	6
Disagree strongly	1	1	1
<i>Weighted base</i>	3622	2435	1441
<b>I cannot trust HM Revenue and Customs to get things right</b>			
Agree strongly	6	3	4
Agree	12	9	10
Neither agree nor disagree	17	17	20
Disagree	53	56	54
Disagree strongly	11	14	12
<i>Weighted base</i>	3639	2440	1443
<b>I feel that HM Revenue and Customs treat me fairly when it comes to Tax Credits</b>			
Agree strongly	12	15	17
Agree	67	63	63
Neither agree nor disagree	12	14	14
Disagree	5	5	5
Disagree strongly	1	1	1
<i>Weighted base</i>	3636	2436	1444

- Customers appeared to agree more strongly that they knew what they had to do to get their claim right over the years (proportion who strongly agreed that they knew what to do to get their tax credits claim right was 26 per cent in 2009, 34

per cent in 2010 and 42 per cent in 2011). This is probably partially related to their increased experience with the tax credit system.

- And fewer customers in the second year thought that HMRC made things difficult for them (proportion who strongly agreed or agreed was 19 per cent in 2009 and 13 per cent in 2010). There was only a small increase to 14 per cent in 2011.
- Customers were more inclined to say that it was easier to get in touch with HMRC (75 per cent agreed or strongly agreed in 2009 and 81 per cent in 2010), however this fell in 2011 to 70 per cent.
- Customers more likely to trust HMRC to get things right (65 per cent in 2009 and 70 per cent in 2010), but in 2011 this fell to just above the 2009 level (66 per cent).