

Bennett, Fran; Brewer, Mike; Shaw, Jonathan

Research Report

Understanding the compliance costs of benefits and tax credits

IFS Report, No. R70

Provided in Cooperation with:

Institute for Fiscal Studies (IFS), London

Suggested Citation: Bennett, Fran; Brewer, Mike; Shaw, Jonathan (2009) : Understanding the compliance costs of benefits and tax credits, IFS Report, No. R70, ISBN 978-1-903274-62-0, Institute for Fiscal Studies (IFS), London,
<https://doi.org/10.1920/re.ifs.2009.0070>

This Version is available at:

<https://hdl.handle.net/10419/64576>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

Understanding the Compliance Costs of Benefits and Tax Credits



Fran Bennett
Mike Brewer
Jonathan Shaw

Understanding the Compliance Costs of Benefits and Tax Credits

**Fran Bennett
Mike Brewer
Jonathan Shaw**

Copy-edited by Judith Payne

The Institute for Fiscal Studies
7 Ridgmount Street
London WC1E 7AE

Published by
The Institute for Fiscal Studies
7 Ridgmount Street
London WC1E 7AE
Tel: +44 (0)20 7291 4800
Fax: +44 (0)20 7323 4780
Email: mailbox@ifs.org.uk
Website: <http://www.ifs.org.uk>

Printed by
Pureprint Group, Uckfield

© The Institute for Fiscal Studies and Fran Bennett, July 2009
ISBN: 978-1-903274-62-0

Preface

First, and most importantly, we are very grateful to the Nuffield Foundation for its financial support of the project, and also for hosting the seminar that we held in June 2008. Those who attended the seminar contributed many helpful observations. We would also like to thank Professor Robert Walker of the Department of Social Policy and Social Work, University of Oxford, for acting as consultant to the project.

We were helped by many advisers and other experts whom we consulted, including Citizens' Advice Bureau (CAB) advisers, both by email and in various meetings; participants in the Tax Credits Consultation Group which liaises with HM Revenue and Customs (HMRC); and members of the National Association of Welfare Rights Advisers. Katie Lane from Citizens' Advice and Sue Royston from Ripon CAB have given invaluable support.

We would like to thank all those who sent in information, views and/or case studies, as well as those who shared information and views with us, including staff from the Department for Work and Pensions; Graeme Cooke (then at the Institute for Public Policy Research); and Milan Jansen and Peter Rem from the Ministry of the Interior and Kingdom Relations in the Netherlands. Michael Adler provided information about administrative grievances. Ken Jones sent us relevant material from the *Social Policy Digest* (<http://journals.cambridge.org/spd/action/home>).

The House of Commons Work and Pensions Select Committee mentioned the project in its report on benefit simplification. We were also invited to present our initial ideas to a seminar of stakeholders organised by the Social Security Advisory Committee.

Last but not least, we are very grateful to those who read and commented on the draft of our report, including some of those listed above, as well as Paul Dornan (Child Poverty Action Group), Dan Finn, John Hasseldine, David Piachaud, and civil servants from the Department for Work and Pensions, HM Revenue and Customs, and the Cabinet Office.

The responsibility for any errors of course remains with us.

Fran Bennett is a Senior Research Fellow in the Department of Social Policy and Social Work, University of Oxford; *Mike Brewer* is a Programme Director at the Institute for Fiscal Studies; and *Jonathan Shaw* is a Senior Research Economist at the Institute for Fiscal Studies.

This project is funded by the Nuffield Foundation. The Nuffield Foundation is a charitable trust established by Lord Nuffield. Its widest charitable object is 'the advancement of social well-being'. The Foundation has long had an interest in social welfare and has supported this project to stimulate public discussion and policy development. The views expressed are, however, those of the authors and not necessarily those of the Foundation.

Contents

	Executive Summary	1
1.	Introduction, Background and Motivation	7
	1.1 Introduction	7
	1.2 Definitions and discussions	8
	1.3 The case for measuring compliance costs	10
	1.4 Policy context: the UK and other EU countries	12
	1.5 Methods	14
	1.6 Contents of this report	15
2.	What Are the Compliance Costs of Benefits and Tax Credits?	16
	2.1 Aim of investigation	16
	2.2 Types of compliance costs	17
	2.3 Stages of a benefit or tax credit claim	18
	2.4 When things go wrong, and challenging a decision	32
	2.5 Getting help, advice or advocacy	36
	2.6 Groups with high costs	36
	2.7 Disentangling the causes?	40
	2.8 Issues arising for measurement of costs of compliance for claimants	45
	2.9 Conclusions	54
3.	How Have Compliance Costs Been Measured?	55
	3.1 Introduction	55
	3.2 Large-scale random surveys	55
	3.3 The Standard Cost Model	57
	3.4 In-depth or qualitative studies	65
	3.5 (Non-)take-up studies, and 'revealed preference' arguments	67
	3.6 Measuring the costs of compliance: reflections	69
	3.7 Conclusions	71
4.	Relevant Recent Policy Developments	72
	4.1 Introduction	72
	4.2 Quality as part of public services productivity	72
	4.3 Benefits simplification	73
	4.4 Transformational Government and Service Transformation	76
	4.5 Customer satisfaction	81
	4.6 Welfare reform, conditionality and 'co-production' of services	83
	4.7 Human rights approach	84
	4.8 Conclusions	84
5.	Conclusions and Recommendations	85
	5.1 The case for taking costs of compliance for claimants seriously	85
	5.2 The challenges for measurement	85
	5.3 What would be achieved by measuring compliance costs?	86
	5.4 What should happen next?	87
	5.5 Conclusions	88
	Annex 1. Consultations with Advisers and Others	90
	Annex 2. Crisis Loans for Items	91
	Annex 3. Claiming My (Deferred) Pension	92
	Annex 4. Request Sent to Citizens' Advice Bureaux etc. Asking for Case Studies	95
	Bibliography	98

Executive Summary

Chapter 1: Introduction, background and motivation

This report describes a scoping study to understand more about the nature of the ‘costs of compliance’ that claimants of social security benefits and (personal) tax credits incur, and discusses possible ways of measuring such costs. ‘Costs of compliance’ refers to the costs – time, money and psychological costs – that are imposed on applicants for, and recipients of, benefits and tax credits and on others by meeting all the various requirements placed on them by social security and tax credit law and statutory authorities. Our main purpose in this report is to make the case for taking compliance costs into account in considering the impact of, and changes to, benefits and tax credits.

The study aimed to investigate the extent to which the principles underlying methods of establishing ‘costs of compliance’ in other areas can be applied to applicants for, and recipients of, benefits and tax credits. These existing methods include valuing individuals’ and companies’ administrative costs of complying with the tax authorities; valuing companies’ costs in complying with government regulations; and estimating the time spent by individuals in complying with government regulations of various kinds. But we also think it is important for governments to consider claimants’ own perceptions and priorities in terms of the ‘costs of compliance’.

Currently, the government recommends that cost-benefit analysis should be used when assessing the impact of potential policy changes and it produces guidance for departments on how to put this into practice. New impact assessments have been introduced recently, which, in principle, should take into account the monetary value of all the effects of changes, including allocating a value to non-market items such as people’s time. This kind of assessment should therefore include analysis of the ‘costs of compliance’ for benefits and tax credits claimants. In practice, however, impact assessments do not usually include such exercises. It is important to know about the scale and distribution of the compliance costs of benefits and tax credits, as well as taxes, for several reasons. Time spent by recipients fulfilling their obligations cannot be spent engaged in other activities; a more rounded measure of the productivity of the benefits and tax credits system would include such costs; and we could understand more about the reasons behind non-take-up of entitlements. There could be advantages, too, in terms of improving citizens’ relationship with government.

A concern about the ‘burdens on citizens’ imposed by their interactions with government is now moving quickly up the policy agenda in the UK, and a few attempts to measure claimants’ compliance costs were initiated whilst this scoping study was being undertaken. Within the European Union, member states have also begun to exchange information and experiences about reducing burdens on citizens more generally. The Netherlands has developed both its policies and its measurement methods further than many other countries.

This is a scoping study and does not set out to measure the costs of compliance incurred by benefits and tax credits claimants. Instead, it explores the nature of the costs of compliance for claimants of benefits and tax credits; assesses whether such costs can be measured and, if so, to what extent; and discusses whether impact assessments of policy changes could include such measurements. We also hope that this report will act as a catalyst for the further development of these techniques to improve policy assessment in the benefits and tax credits systems.

Chapter 2: What are the compliance costs of benefits and tax credits?

As this is a scoping study, we did not undertake detailed research, but instead drew on the relevant literature and on the views and experience of experts in the field (including advisers on benefits and tax credits). We also explored the issues in a consultative seminar. But we have not consulted directly with claimants themselves. We recognise the limits of these methods. They will tend to direct attention to issues of delivery rather than design; they are likely to highlight more problematic cases; and they give only an indirect and partial picture of claimants' perspectives. We hope future research will build on and expand this study.

Our exploration of the nature of compliance costs for claimants investigated the time, money and psychological costs involved in the various stages of a claim, from finding out about benefits and tax credits and potential eligibility, through claiming, getting the payment, maintaining entitlement, and leaving benefits or tax credits or moving from one to another.

Time costs can include, for example, time filling in forms, making telephone calls, visiting government offices and using the internet. Several of these activities also involve spending money, but, in addition, money costs can include fees and charges that may be incurred in the process. Psychological costs can include stigma, hassle, intrusion, stress, worry, fear and uncertainty. In addition, challenging a decision, or getting help, advice or advocacy at any stage of the claim, may involve any of these types of costs.

Some groups (such as disabled people, those with literacy problems and people who have frequent changes of circumstances) may incur higher costs. There may be various possible causes of compliance costs, including not only the delivery of benefits and tax credits but also their design and the nature of particular types of benefits and tax credits (for example, those requiring means tests).

This exploration of the nature of compliance costs for benefits and tax credits claimants revealed issues which need to be discussed in any consideration of how to measure such costs. First, there is a wide range of costs, meaning that an average would not be sufficient by itself. The costs incurred by intermediaries (both informal and formal) are clearly an important part of the overall costs of compliance but, as they are not part of claimants' costs, an assessment of their nature and consideration of how they might be measured fall outside the scope of this report. We argue that conditionality should be included as a cost of compliance, but that any advantages derived by claimants from the imposition of conditionality should be discounted. On the other hand, we conclude that other behavioural effects of compliance costs should probably be excluded. We acknowledge that disentangling the psychological costs of living on a low income from the compliance costs of benefits and tax credits may be hard. Finally, we argue that any exercise designed to measure the costs of compliance should be guided by claimants' own perceptions and priorities.

Chapter 3: How have compliance costs been measured?

Compliance costs have been measured in existing studies in various ways, including large-scale random surveys, the 'Standard Cost Model' (see below) and in-depth or qualitative studies. 'Revealed preference' studies infer the size of costs incurred by claimants by examining the pattern(s) of (non-)take-up of benefits.

Large-scale random surveys have been used to assess the costs of compliance involved in paying tax in particular; we do not know of any to date that have studied benefits and tax credits. Existing studies have suffered from low response rates, and therefore non-response bias may be a problem.

Unlike surveys, the Standard Cost Model (SCM) does not intend to be statistically representative. It is a method of estimating potentially recurring 'administrative burdens' (information obligations which lead to data requirements, which in turn result in activities having to be performed). When applied to businesses, this method estimates the costs for a 'normally efficient' business. The Netherlands government has used SCM to measure burdens on citizens since 2003, and estimated that, by the end of 2007, burdens had been reduced by 17 per cent. With the advent of the new Dutch Cabinet in 2007, the aim of addressing the 'top 10 irritations' – the worst or most irritating burdens from citizens' perspective – was added. More importance was accorded to citizens' own priorities and to improvement of the quality of public services delivery.

In-depth or qualitative studies explore detailed information from smaller numbers of people – for example, through interviews or focus groups. Some studies of benefit (non-)take-up take this form, but there has been little research on the costs of tax compliance of this kind. The 'Balance Model' used in the Netherlands employs qualitative methods and emphasises citizens' perceptions, and, unlike the Standard Cost Model, it is used to measure costs that are wider than just administrative costs.

There is a qualitative and quantitative literature on (non-)take-up, which identifies various barriers, including costs of compliance, to taking up benefits. 'Revealed preference' studies posit that the costs involved in getting a benefit must be no greater than the amount of benefit received if someone is to take it up (claim it). In principle, such studies value all costs, including information costs. In practice, they have emphasised psychological costs, especially stigma.

Arising from our consideration of measurement methods are further issues relevant to measuring the costs of compliance of benefits and tax credits. These include the timing and period of measurement, which may affect the volume of response to any such exercise and its quality. Valuing time is complicated; the value of time can vary depending on citizens' own perceptions. Response rates to large-scale random surveys can be low and may reveal bias. It is difficult to disentangle activities causing costs of compliance from others. Measuring psychological costs is difficult.

Each method has its advantages and disadvantages. So far, large-scale surveys of the costs of compliance of taxation have been better at estimating total and average costs and the distribution of costs in a statistically reliable way than at providing nuanced findings, and better at exploring time and money costs rather than psychological costs. Previous examples, though, have suffered from low response rates, and may be subject to recall error if addressing events not in the immediate past. Qualitative studies can never provide statistically robust findings but can easily be fine-tuned to meet policymakers' needs; they can highlight claimants' own perspectives and priorities; and they may be able to give more information about potential causes of the costs. The Standard Cost Model potentially provides a detailed 'bottom-up' estimate of total compliance costs and their causes and is well suited to addressing policymakers' key concerns. But the precision of its estimated costs is unclear; it is hard to reflect the distribution of costs across claimants; and psychological costs, and the behavioural impacts of compliance costs (known as the 'substantive costs' of compliance in the Standard Cost Model methodology), are normally excluded.

Chapter 4: Relevant recent policy developments

The government has become increasingly involved in policy measures that relate to issues relevant to this study, such as including the claimant perspective on benefits and tax credits and, in a few examples, measuring some costs of compliance.

First, the claimant experience and the user responsiveness of the system have been put forward as key to the measure of quality in the productivity of the Department for Work and Pensions (DWP), following up the Atkinson Report on public sector productivity. Second, the DWP has shifted from its initial focus on benefit simplification of a few years ago, and the idea of devising a complexity index, to placing a higher priority on considering the burden on claimants.

‘Transformational Government’ and the Service Transformation agenda have resulted in more emphasis on service users and their time and perceptions, and are being applied to social security and taxation as well as other areas of government. ‘Customer insight’ and ‘journey mapping’ are being used to find out more about claimants and their experiences (although other priorities compete, including pressure to cut operating costs, and there are mixed views about the applicability of such business concepts to public services). The DWP has a lead role, and pilots include projects to smooth transitions into and out of work and to reduce the requirements for reporting changes of circumstances. HM Revenue and Customs (HMRC) has a new communications strategy and is working on including customers’ costs in interacting with it, as well as its own costs, in its ‘Total Cost to Serve’ project.

These initiatives all suggest that the costs of compliance for claimants are becoming increasingly important to the achievement of a range of government objectives and that measurement of such costs should be seen as key to pursuing these objectives.

Customer satisfaction has also become a more central concern for public services and is going to be used to help measure performance; for claimants, customer satisfaction may be affected by the costs of compliance. The increase in the depth and breadth of conditionality in welfare reform, and a growing emphasis on ‘co-production’ of services by their users, may increase ‘burdens on citizens’ but are also likely to increase awareness of them. Finally, a human rights approach (put forward in a recent Ministry of Justice discussion document) provides an alternative perspective which emphasises the psychological costs that vulnerable claimants may incur if they do not feel that they are being treated with respect. The government is considering a ‘claimant’s charter’, which would embody rights for claimants.

Costs of compliance are clearly relevant to each of these areas, and measurement of such costs would be valuable in following through their objectives. In the context of the intense pressure on public expenditure that is likely to characterise the next period of government, it is particularly important to ensure that burdens on claimants are recognised and taken into account. The momentum of change is (by and large) in a helpful direction; but there is still some way to go before compliance costs themselves, or their measurement, are seen as a key focus of policy.

Chapter 5: Conclusions and recommendations

We do not underestimate the difficulties involved in measuring the costs of compliance for claimants of benefits and tax credits. But with the evidence that we and others have gathered, and the growing emphasis on the user perspective within public services, we believe that further work should be undertaken to understand better and to measure

these costs of compliance, and that they should be fully taken into account in the consideration of policy changes.

Having reviewed the way that existing studies have measured the costs of compliance, or administrative burdens, and having sought to understand better the nature and range of compliance costs imposed by benefits and tax credits, we have concluded that none of the existing methods is ideal in all circumstances, and we have therefore made recommendations for future research.

Large-scale surveys can provide statistically reliable estimates of average compliance costs; how these costs are distributed; and with what other characteristics the costs are correlated. Previous postal surveys suffered from low response rates, and face-to-face surveys are expensive. Surveys are not suitable for establishing the determinants of high compliance costs or assessing which burdens are more irritating than others. The DWP is currently developing a telephone questionnaire for 900 jobseeker's allowance (JSA) claimants, to find out about their experiences from their first enquiry to the first payment. This seems a sensible use of a large-scale survey method, since it covers a discrete event of recent date and is restricted to a very specific claimant group. We also suggest that HMRC use its panel survey of child benefit recipients to ask questions about the costs of complying with the (child benefit and) tax credits system. The use of fortnightly diaries could be investigated further for its value in studying claimants' compliance costs in situations of frequent changes of circumstances.

The *Standard Cost Model* seems to be a very practical tool for policymakers, especially in setting a baseline against which policy impact can be measured. But not all costs are included (such as, for claimants, those involved in satisfying conditionality). It is also clear that the Netherlands, a pioneer in this area, has recently moved towards greater use of qualitative methods. Using the SCM may bring about a culture change in departments; but such a culture change appears to be taking place in the UK in any case, and might also result from other methods of quantifying compliance costs. If the DWP or HMRC is attracted to using the SCM to estimate the administrative burdens placed on citizens by the benefits and tax credits systems, they should learn lessons from other European countries that have done this and try to avoid some of the pitfalls of existing SCMs. This suggests allowing for variation in costs between citizens and estimating the costs not just of normal transactions but also when things go wrong.

In-depth studies and other qualitative methods are never going to give statistically reliable measures of the costs that can provide information to go into a cost-benefit analysis. However, they can help policymakers see the system from the perspective of the user, and highlight claimants' own perspectives and priorities. We suggest that the government commission qualitative research to discover more about claimants' perspectives and experiences – and in particular what they think are the most irritating or stressful aspects of dealing with the authorities.

Quantification, and measurable targets as political objectives, are key to any initiative to reduce 'burdens on citizens'; but citizens' perceptions are also needed to make it meaningful to the public. A combination of methods may be required for policy and political reasons – because, whilst measuring costs in money and hours is very worthwhile, it does not tell us what claimants feel, think or perceive; and this may be more important to policymakers who are seeking to improve the quality of public services, which seems to us to be the main motivating factor in the UK context. Given the vital importance of getting claimants' perspectives, we recommend that DWP and HMRC, involving local authorities as necessary, commission research to discover what their customers think are the most irritating or stressful aspects of dealing with them.

We hope that this scoping study can convince policymakers of the need to take this issue forward, with further discussion and research, so that the costs of compliance faced by claimants will be taken into account in impact assessments of proposed changes in policy and practice.

CHAPTER 1

Introduction, Background and Motivation

1.1 Introduction

This report is the conclusion of a scoping study which aimed to:

- understand more about the nature of the costs that claimants of benefits and (personal) tax credits incur;
- discuss possible ways of measuring such costs. In particular, it aims to investigate to what extent the principles underlying methods of establishing 'costs of compliance' in other areas can be applied to social security benefits and tax credits. These existing methods are used to value individuals' and companies' costs of complying with the tax authorities; value companies' costs in complying with government regulations; and estimate the time spent by individuals in complying with government regulations of various kinds.

When used in connection with benefits and tax credits, the word 'compliance' often refers to purely legal requirements (that is, compliance with the law to avoid fraud). That is not the sense in which it is used in this report – although it is clear that some of the costs of compliance incurred by benefits and tax credits claimants do involve actions required in order to avoid fraud, such as the need to prove identity. Neither do we use 'compliance' just to mean the need for claimants to let the authorities know about changes in circumstances that they are obliged to report because they know these will affect their benefit (House of Commons *Hansard*, Oral Answers, 5 February 2007, cols 562–563).

As we explain below, we use the phrase 'compliance costs' to refer to the costs that applicants for, and recipients of, benefits and tax credits incur in meeting all the various requirements placed on them by social security and tax credits law and statutory authorities – costs which would not be incurred in the absence of these payments. This definition comes from the economics literature, and there is a well-established literature, some of which is assessed in Chapter 3, that defines and measures these costs as they relate to aspects of tax law.

The types of costs explored in this report include time, money and psychological costs. We try to map the variety of costs of compliance and start to explore the ways in which they are experienced by claimants. The processes involved are not limited to finding out about and applying for benefits or tax credits (i.e. those involved in 'take-up') but may also include taking part in any interviews required, fulfilling reporting and other requirements, receiving the money, dealing with any issues involved in maintaining the claim – such as reporting changes of circumstances – and any actions needed in order to leave benefits or tax credits or to move from one benefit or tax credit to another. For all these costs, it is also important to understand claimants' priorities, in particular their perceptions of which costs are the most onerous.

Those who benefit from other types of 'welfare' fulfilling similar purposes – such as occupational benefits, and fiscal provisions such as tax reliefs – may also incur such costs, although it is probable that these are much smaller (see, for example, Davidson and Kemp (2008)). We focus solely on benefits and tax credits in this report and do not include occupational or fiscal welfare.

1.2 Definitions and discussions

Our definition of compliance costs outlined above follows the existing literature that measures the compliance costs of taxation: those costs incurred by the private sector (individuals and companies) in fulfilling tax-related obligations that would disappear if the tax were abolished (Sandford, Godwin and Hardwick, 1989, p. 10; Sandford, 1995, para. 17.67, p. 394).

Costs incurred by the public sector in running the benefits and tax credits systems can be called ‘operating costs’ (see Sandford et al. (1989, pp. 3–5) and Sandford (1995, para. 1.3, p. 2) for a discussion of these costs from the tax literature – though note that they do not use the phrase ‘operating costs’).¹ The fact that this report is about compliance costs rather than these operating costs is not because we think that compliance costs are more important than operating costs: they are not, and in principle it is desirable to have both as low as possible, as both represent wasteful costs or expenditure. The focus of this report is on compliance costs because we believe that operating costs – all financial costs incurred by public bodies – are easier to measure than compliance costs incurred by individuals (which, as we discuss in Chapter 2, are often non-financial); we therefore suspect that the government already knows a considerable amount about operating costs. Furthermore, the distributional impact of compliance costs is unknown, but probably weighs more heavily on the poor than on the rich, whereas the distributional impact of operating costs is equal to the distributional impact of the total net tax burden, because this is how government costs are financed; it is already in principle known, and usually weighs more heavily on the rich than on the poor.

We also argue below that the government sometimes pays less attention to compliance costs than to operating costs. In practice, there may be a trade-off between operating costs and compliance costs. Over two decades ago, for example, Walker (1987) argued that in order to cut staff, the then Conservative government had transferred some areas of responsibility from the benefits system to claimants, in a privatisation of administration (or the operational costs of the benefits system) which put more onus on claimants and amounted to ‘do-it-yourself social security’ (p. 108).

In the taxation literature, compliance costs can be divided into:

- ‘internal’ costs – those costs incurred by individual benefit or tax credit recipients themselves, which include time spent complying with obligations (both learning what the requirements are and fulfilling them), money costs (phone calls, postage, travel, etc.) and psychological costs (stigma, stress or frustration, for example);
- ‘external’ costs – the money costs incurred by individuals in buying expertise from others, such as from accountants. This category will not be very important for most benefit recipients but can be an issue for some, mostly self-employed, tax credit recipients.² However, as we discuss in Chapter 2, individuals may receive help, advice or advocacy from friends, family or others when claiming benefits or tax credits, even if they do not have to pay directly for it.

A distinction is also sometimes made between *unavoidable costs* and *costs incurred voluntarily* (for example, extra time or money spent attempting to reduce tax liability or

¹ In these sources, and generally in the tax literature, operating costs are usually referred to as ‘administrative costs’. We have not done so in this report, however, as we want to distinguish these costs from the administrative costs or burdens experienced by individuals (discussed in later paragraphs of this chapter).

² However, it is increasingly common to come across commercial enterprises charging for giving advice on benefits and tax credits, often over the internet (see examples reported by Gary Vaux in *Community Care*, 5 February 2009).

increase entitlement to benefits), with some insisting that only unavoidable costs are a legitimate part of compliance costs (Johnson, 1963). However, as Sandford, Godwin and Hardwick (1989, p. 12) point out, the boundary between the two in the context of the tax system is not always clear: tax systems commonly offer voluntary allowances and reliefs that most taxpayers would claim but which have associated compliance costs, and excluding these from any measure of compliance costs seems unreasonable. More importantly, however, both unavoidable costs and those incurred voluntarily are an equally wasteful use of resources from society's point of view. This suggests that the two should be considered alongside each other. We discuss later – but reject – the argument that because it is not compulsory to claim benefits and tax credits, the costs of compliance for claimants can be discounted; governments enact policies in order to achieve goals which in general cannot be achieved if claimants do not engage with these policies. But in any case, as noted here, the same argument could be applied to tax allowances and reliefs, which are very similar to tax credits and benefits (but which we do not consider in detail in this report).

It is sometimes argued that *benefits* – in the sense of *advantages* – can arise from the activities undertaken as part of complying with government regulations. For example, managerial or organisational improvements may result for businesses from the requirement to keep accounts for tax purposes. Similarly, as we discuss in Chapter 2, claimants may benefit from some of the obligations attached to benefit or tax credit receipt, such as job-search activities. However, we would argue that this does not obviate the need to examine the costs of compliance involved for individuals.

A concept related to compliance costs is *administrative burdens*, closely linked with the Standard Cost Model measurement methodology (discussed in Chapter 3). Administrative burdens are defined as the costs of activities that businesses or individuals are required to undertake in order to comply with obligations set by central government regulation (Cabinet Office, 2005a, p. 12). But they are narrower than compliance costs, because they start by assessing what legal requirements are placed upon individuals or businesses, and then seek to estimate the cost of complying with these requirements. In contrast, compliance costs include all costs that would not be incurred if the regulation were abolished, without seeking to link each to a particular legal requirement. Costs that are likely to be captured by the notion of compliance costs, but not by the notion of administrative burdens, include:

- the cost of dealing with change;
- the cost of uncertainty;
- the cost of working out whether particular requirements apply to you (or discovering which benefits and tax credits you are entitled to).

This is the reason we prefer the term 'costs of compliance' and use it in this report.

Lastly, although we do discuss the costs to intermediaries (such as advice agencies that the claimant might consult), these are not the focus of our report. Similarly, whilst employers may bear costs of compliance directly related to benefits and tax credits – as in the UK, for example, between 2003 and 2006, when having to pay out working tax credit to employees who qualified (Godwin and Lawson, 2009) – that was not the focus of our scoping study. The major focus of this report is the costs of compliance incurred by claimants (or potential claimants) themselves. Obviously, any study that tried to measure all compliance costs incurred by the private sector would need to go further than claimants themselves; but this report does not assess the nature or range of compliance

costs incurred by people other than claimants, nor does it discuss how these should be measured.

A related concept in economics is ‘transaction costs’, including search costs involved in transactions (the costs of locating information about opportunities for exchange); negotiation costs (the costs of negotiating terms); and enforcement costs (the costs of enforcing the contract) (North and Thomas, 1973, p. 93). However, ‘transaction’ tends to imply that costs are incurred at a specific time, rather than being ongoing (Kleven and Kopczuk (2009) also use this term for the costs incurred at the point of applying for a means-tested benefit); in addition, such costs do not usually include psychological costs such as stress and intrusion. We prefer the term ‘costs of compliance’, as it recognises that when associated with benefits and tax credits, these costs can continue after the initial claim and may occur within a series of ongoing ‘transactions’.

However, as explained in Section 1.4.1, the term ‘burdens on citizens’ is also increasingly being used to describe the interactions between citizens (and other residents) and the government, central or local. These ‘burdens’ may be divided into those due to compliance and other ‘administrative’ burdens, as in the case of the current work on measuring and reducing citizens’ burdens in the Netherlands (see Section 1.4.2).

1.3 The case for measuring compliance costs

A key framework for thinking about compliance costs is cost-benefit analysis. This recognises that any government intervention will impose costs on some people and organisations (businesses, other organisations, government departments etc.) and bring benefits to others. It provides a set of rules on how they should be compared (see, for example, Boardman et al. (2006) for more details). It is important to know about the scale and distribution of the compliance costs of benefits and tax credits because any cost-benefit analysis of changes to these payments that ignores such costs is necessarily partial. The bottom line is that compliance costs are a waste of resources: time and money spent by recipients fulfilling their obligations cannot be spent engaged in other activities; on the other hand, this does not mean that compliance costs should always be reduced, as there may be trade-offs between compliance and operating costs or between other costs and benefits.³ But this does mean that a reduction in compliance costs holding all other things equal is a desirable outcome. Box 1.1 discusses some aspects of the UK government’s guidance on cost-benefit analysis.

But there are other advantages to knowing about the scale and distribution of the compliance costs of benefits and tax credits:

- This knowledge could be used to develop a more rounded measure of the productivity of the benefits system, following recommendations in the Atkinson Review (2005), which could be extended in a similar way to tax credits; this is discussed in more detail in Chapter 4 of this report.
- It could help us to understand more about the reasons behind non-take-up of entitlements – and perhaps also other behavioural responses to the operation of benefits and tax credits.

³ For example, Kleven and Kopczuk (2009) set out a model where the government cannot perfectly target a benefit on its desired beneficiaries. In such a world, high costs of compliance (although the authors do not use this term) can deter people in groups to which the government does not intend to redistribute from claiming; the downside is that they will also deter some people in groups to which the government does intend to redistribute from claiming. This is similar to the model in Besley and Coate (1992) about work requirements in anti-poverty programmes.

Box 1.1

Cost–benefit analysis and compliance costs

The Green Book (HM Treasury, 2003) provides comprehensive guidance on appraisal and evaluation in central government in the UK. It states (p. 1)

All new policies, programmes and projects, whether revenue, capital or regulatory, should be subject to comprehensive but proportionate assessment, wherever it is practicable, so as best to promote the public interest ... The Green Book describes how the economic, financial, social and environmental assessments of a policy, programme or project should be combined.

The Green Book argues that assessment should take account of the wider social costs and benefits of proposals – and should, wherever feasible, attribute monetary values to all impacts of any proposed policy, project or programme. Therefore, it recommends the use of cost–benefit analysis, which it defines as (p. 4)

Analysis which quantifies in monetary terms as many of the costs and benefits of a proposal as feasible, including items for which the market does not provide a satisfactory measure of economic value.

The guidance suggests using the concept of opportunity costs, including (for example) alternative uses of an employee's time to the one proposed in the new initiative under consideration. A section considers the inclusion of 'unvalued costs and benefits', including (for example) 'time saved' from an improvement in transport. Annex 2 ('Valuing non-market impacts') provides technical advice on the valuation of time to society, amongst other factors. The example given (again, transport) includes the recommendation that a national average standard value should be used for 'non-working' time – that is, in this case, the time of transport users rather than employees. But it also suggests that saving on some sorts of time (for example, time spent walking or waiting) should be valued more highly than saving on others (time spent in a vehicle), because of the way members of the public feel about this. In other words, instead of giving each unit of time the same value, it suggests giving monetary values to non-market factors which may vary according to users' preferences. (It does not suggest that the time of those who are paid more should be valued at a higher rate, however.)

The results of government departments' cost–benefit analyses should be published in impact assessments. These were revamped in 2007, replacing the previous regulatory impact assessments, with the aim to be more transparent about the costs and benefits of individual policy proposals (Cabinet Office press release, 2 April 2007). The word 'regulatory' was dropped, to indicate that impact assessment was needed not only when new regulations were to be introduced but was instead a tool with more general applicability to be used to assess the effect of policy and practice changes. An impact assessment is now formally required for any policy proposal that imposes or reduces costs on businesses or the third sector, and on the public sector unless the costs fall below a certain threshold; or for proposals that redistribute costs and benefits or change administrative costs (or in certain other situations).

Impact assessments are usually published for the consultation and final stages of a policy proposal (see, for example, Department for Work and Pensions (2007a)). The DWP published four impact assessments in 2007–08 (Department for Work and Pensions, 2008d, p. 87). But the impact assessment for the Pensions Bill, for example, although it includes statements about the transfer of consumption from one period of life to another as a result of the proposed pensions measures, does not comment on the impact of the measures on the burden on citizens, although it does consider the burden on employers. Equality impact assessments are now published as well, and are intended

to examine the effects of the proposed changes on various groups (such as ethnic minorities, women and men, and disabled people).

The guidance on impact assessments (<http://www.berr.gov.uk/files/file44544.pdf>) states that they are not required where policy changes will not lead to costs or savings for consumers, as well as the other bodies listed (this is the first mention of the impact on consumers). Many impact assessments in practice do include the effects of proposed policy changes on individuals, but they are not required specifically to examine the 'costs of compliance' or administrative burdens on individuals which any such changes may impose (although the guidance does state that the government's aim is to identify proposals that best achieve their objectives while minimising costs and burdens). Impact assessments do not usually currently include, to our knowledge, an evaluation of whether proposed changes will have the effect of transferring costs in terms of time and/or access from the statutory authorities to claimants.

It is very welcome that the government's official guidance on cost-benefit analysis of policy proposals suggests including a costing of users' own time. However, we do not know of any existing examples of cost-benefit analysis in practice in which the time of benefits and tax credits claimants has been valued in this way, or in which any other compliance costs they may incur have also been considered as part of a stringent cost-benefit analysis constructed according to the guidance (though Chapter 4 lists some examples of current work by the DWP and HMRC which are moving in this direction).

- More broadly (as argued in the Netherlands when trying to reduce burdens on citizens imposed by the government), consideration of the costs of compliance for individuals could help to provide a response to citizens' growing distrust of government.

The Department for Work and Pensions (2007d, pp. 24–5) argued recently that it is

interested in assessing the feasibility of an administrative burdens measurement exercise similar to that carried out for businesses, but for citizens.

However, the DWP document immediately went on to state that

Early work suggests that this is extremely difficult.

We would agree that there are difficulties involved in such an exercise, and the remainder of this report discusses some of these. But we would argue that the government should be collecting information on the costs of compliance in general, and on those of benefits and tax credits claimants in particular, in part because the implication of the guidance given in *The Green Book* (HM Treasury, 2003) is that this should be one of the costs included; the guidance explicitly argues that costs without a market value should not be excluded and it cites evidence from studies of transport users to demonstrate how calculations of time can be done in a more sophisticated way.

1.4 Policy context: the UK and other EU countries

1.4.1 The UK

The concept of 'costs of compliance' is well known within the literature on taxation and business regulation, but it is not usually applied to benefits or tax credits. Whilst this scoping exercise was being conducted, the Department for Work and Pensions (DWP) in the UK began to use the phrase 'burdens on citizens' to describe what claimants have to

do to access benefits; started to investigate such burdens in various pilot projects; and proposed that they should be reduced. But the idea of costing such burdens on citizens is only just beginning to be discussed, both by the DWP and HM Revenue and Customs (HMRC).

A concern about the 'burdens on citizens' imposed by the interaction of citizens with government is moving quickly up the policy agenda, however. In 2003, the National Audit Office (NAO) recommended that the government should aim to minimise the compliance burden that its forms impose on citizens (National Audit Office, 2003a) and noted that by far the longest forms were in the welfare and education fields, picking out the (then) attendance allowance form as costing the DWP (not the claimant) £40 to process. The NAO's call was endorsed by the Public Accounts Select Committee (2004b, p. 3):

If official forms are badly designed, hard to understand, difficult to complete and onerous in their demands, then the public are less likely to perceive progress being made towards more responsive and accessible services.

The Public Accounts Committee (PAC) explicitly mentioned the 'compliance costs' of citizens – but in relation to the Inland Revenue's⁴ introduction of the short tax return (Public Accounts Select Committee, 2004b, para. 10, p. 5) rather than in relation to benefits or tax credits. More recently, Sir David Varney's review (2006)⁵ of 'Service Transformation' for the government has highlighted the importance of providing services in ways that are more convenient for citizens as well as businesses. This and other relevant recent policy developments in the UK which would benefit from further progress in the measurement of the costs of compliance for claimants are discussed in Chapter 4.

Some compliance requirements are being reduced (for example, the requirement for most lone parents on income support to name the non-resident parent in order for child support to be pursued is being removed). However, some forces are acting in the direction of increasing compliance costs. There is considerable pressure within government to find efficiency savings in the budgets for operating benefits and tax credits, and there have been reductions in staff numbers and closures of local Jobcentres and HMRC offices (though closures of Jobcentres were suspended from November 2008 and will not be pursued whilst current economic conditions persist). As noted above, there can often be a trade-off between reducing compliance costs for the claimant and reducing operating costs for the government.⁶ And, as many commentators have noted, in line with the current government's 'rights and responsibilities' agenda, some requirements (such as the number of work-focused interviews to be attended) are increasing for some groups, whilst certain types of conditionality are being extended for the first time to others.

In 2008, the government also consulted on the introduction of 'regulatory budgets', which would set out the costs to businesses, charities and public organisations of new regulation that could be introduced within a given period; there would also be a rolling limit on the annually recurring costs of new regulation. This could perhaps have been a model for a similar undertaking in relation to claimants of benefits and tax credits or the public more generally. But the government has now decided not to proceed with this proposal, because of the need for more regulation in some areas in the context of the

⁴ The Inland Revenue administered the income tax system before the merger of departments that resulted in the creation of HM Revenue and Customs.

⁵ For an overview and analysis, see Patterson (2008); there is more detail in Chapter 4.

⁶ The Treasury Select Committee (2008) suggested in a recent report that the government should only record efficiency savings if service standards are maintained.

current recession (House of Lords *Hansard*, Written Ministerial Statement, 2 April 2009, cols WS99–WS100).

The Social Security Advisory Committee (SSAC) has a remit to consider most benefit regulations for the DWP and a memorandum of understanding with HMRC to consider changes in regulations on tax credits. It publishes its reports, which often consider the impact of regulations on claimants, though not necessarily the ‘costs of compliance’ in the sense understood here. However, it has recently also asked policymakers putting forward proposals for changes in benefits to consider their implications for benefit simplification (see Chapter 4 for more detail); and it has expressed concern about proposals to increase conditionality for some groups of claimants. Again, there is an opportunity here to create a mechanism to monitor and analyse the impact on the ‘costs of compliance’ for benefits and tax credits claimants of proposals for changes in policy and practice.

1.4.2 Other European Union (EU) countries

At the EU level, exchanges are taking place between member states, including the UK, about how to deal with ‘burdens on citizens’ (reported on in the website <http://www.whatarelief.eu>). A ‘learning team’ on administrative burdens for citizens has been formed, with members from different countries, to look into methodologies to measure and reduce administrative burdens for citizens and to exchange best practices in order to improve public service delivery (see European Public Administration Network (2008)). The topics under consideration are much wider than, but do include, benefits and tax credits.

The Dutch Programme on Administrative Simplification is a leader in this area of policy and contains the Reduction in Administrative Burdens for Citizens Programme (see Chapter 3 for more detail; also see <http://www.lastvandeoverheid.nl/LVDO2006/English>). As we discuss in Chapter 3, the government of the Netherlands was the first to apply the Standard Cost Model to measure the administrative burdens placed by government on citizens. These were measured in hours and out-of-pocket costs and no account was taken of what citizens felt. The current approach adopted in the Netherlands, known as the Balance Model, takes much more account of citizens’ own perceptions and priorities. Furthermore, because government’s and citizens’ perceptions of burdens did not necessarily coincide, there is a new focus on doing something about the ‘top 10’ irritants for citizens concerning public service delivery (making sure that waiting times are transparent, the use of mediation techniques to reduce the number of formal complaints procedures, etc.).

We do not discuss here initiatives in non-EU countries to assess and measure the ‘costs of compliance’ for claimants of benefits and tax credits, or more generally for citizens in their interactions with government. However, in Chapter 3 we give several examples of measurement methods from countries outside the EU.

1.5 Methods

The research outlined in this report included investigation of the literature on take-up of benefits and tax credits and on their administration and delivery, as well as studies on measuring the costs of compliance for taxpayers (using self-assessment) and businesses. The analysis of relevant policy drew on a range of government documents.

The authors also consulted with advisers (in particular, Citizens’ Advice Bureau (CAB) advisers, but also members of the National Association of Welfare Rights Advisers) and with members of the Tax Credits Consultation Group which liaises with the government

about tax credits. Meetings were held with advisers, in order to obtain their expert views about the nature and range of costs of compliance of benefits and tax credits for claimants – and in particular to ask about groups that might experience higher costs than others and about those costs of compliance that might be more onerous for claimants. CAB advisers sent in case studies to Citizens' Advice or directly to the researchers, and other case studies were contributed by interested individuals. These case studies therefore reflect that focus, rather than being in any sense intended to be seen as typical or average. The request sent to advisers is set out in Annex 4.

We gave oral and written evidence to the House of Commons Work and Pensions Select Committee for its inquiry into benefit simplification, and met with the Benefit Simplification Unit at the DWP and the secondees from Ripon Citizens' Advice Bureau working with them. We have met with other people from the DWP working on better regulation, National Audit Office staff, and civil servants from HMRC and the Treasury, as well as advisers at Number 10. We organised a seminar in June 2008 in central London for civil servants, advisers, social researchers and others interested in the topic, in order to exchange views and ideas. We have also liaised with people both inside and outside government involved in relevant new developments in the administration of benefits and tax credits. And we learned a great deal from the team of civil servants involved in the project to measure and reduce burdens on citizens in the Netherlands.

1.6 Contents of this report

The contents of the rest of the report are as follows:

- Chapter 2 outlines the results of the investigations that we have undertaken into the nature and range of compliance costs incurred by claimants of benefits and tax credits, and discusses some of the issues which arise that have implications for measurement.
- Chapter 3 describes the different methods that have been used to date to measure compliance costs, drawing on both the well-developed tax literature and the more limited experiments with benefits and tax credits and other interactions of citizens with governments in the UK and elsewhere; it includes discussion of some of the complex measurement issues that arise from examining these methods.
- Chapter 4 describes some initiatives taken recently by the UK government which are relevant to the consideration of claimants' compliance costs and which we believe would benefit from further progress in the measurement of such costs.
- Chapter 5 draws some conclusions and makes recommendations.

This is a scoping report. It is intended to provide results from our exploration of the nature and range of the costs of compliance for claimants of benefits and tax credits; assess the extent to which such costs can be measured; and discuss whether impact assessments of policy changes could include such measurements. Our main purpose is to make the case for taking compliance costs into account in considering the impact of, and changes to, benefits and tax credits, and we hope that this scoping report will provide a useful starting point for such explorations.

CHAPTER 2

What Are the Compliance Costs of Benefits and Tax Credits?

2.1 Aim of investigation

The aim of this study was to investigate the nature and elements of the costs of compliance associated with benefits and tax credits. We also wanted to discover which costs might be found most burdensome by claimants. As this is a scoping report, we did not undertake detailed quantitative research. Instead, in order to find out about the range of compliance costs and their implications for claimants, we drew on the relevant literature and on the views of practical experts in the field – including in particular CAB advisers, as well as other welfare rights advisers and members of the consultation group of client representatives that liaises with HMRC about tax credits. We also explored these issues in a consultative seminar with advisers and others.

We recognise the limitations of these methods. In particular, the relevant literature tends to focus on certain stages of the process of claiming/receiving benefits or tax credits when considering compliance costs – especially on initial (non-)take-up – and/or on problems with delivery, rather than on policy and design; thus our attention is directed to administrative issues rather than to the structure of the social security and tax credits systems.

Advisers also often focus largely on problems with take-up and/or delivery and, because of their role, they are most likely to come across those claimants with the worst problems rather than claimants for whom the system runs smoothly. As well as asking for their experience of which costs of compliance are common for claimants, we asked advisers to give us specific examples of groups with particularly high costs of compliance, and of the areas of the benefits system that they thought created particular costs of this kind and/or were seen as more burdensome by claimants. The case studies cited in this report are intended to be examples of such burdens, rather than typical experiences: this should be borne in mind when reading this chapter.

Finally, the major gap in our methodology is, of course, the lack of research or consultation with claimants themselves about the costs of compliance that they incur and their priorities for the burdens that they would wish to see reduced. Such an exercise was unfortunately beyond a scoping study of this scale. However, we believe that there are valuable insights to be gained from the literature and from advisers. These must be supplemented with analysis of the design and delivery of benefits and tax credits, and in the longer term augmented by qualitative research with claimants themselves, as well as quantitative research, to explore the causes and scale of the costs of compliance borne by claimants. This is just starting, in that the DWP is investigating the burdens on claimants who apply for jobseeker's allowance.

At the end of this chapter, we draw out some of the issues arising from exploring the nature and range of costs of compliance for claimants which need to be considered when investigating how to measure such costs.

2.2 Types of compliance costs

We believe that the costs of compliance associated with benefits and tax credits can be seen as comprising, at a minimum, time costs, money costs and psychological costs. Some examples are given below. (These lists are not exhaustive.)

Time costs

These could include time spent on such activities as:

- travelling;
- making telephone calls;
- using the internet;
- filling in forms;
- collecting information for claims, proving identity etc.;
- interviews and other activities required to meet conditions;
- waiting;
- making arrangements (for caring etc.).

Money costs

These could include money spent on such items as:

- travelling;
- making telephone calls;
- using the internet;
- posting documents;
- loss of benefit due to problems in claiming/renewal etc.;
- fees / bank charges / interest on loans etc. due to delays in payments;
- obtaining evidence (on income, medical condition etc.);
- cash machine charges;
- court costs (fees).

Psychological costs

These costs could include:

- stress and worry;
- stigma / shame / feeling disrespected;
- intrusion into privacy;
- feeling of lack of control;
- frustration / feeling 'knocked back' when trying to improve one's situation;
- fear/confusion/uncertainty;
- depression/disengagement;
- sense of dependence (on state/advisers/family/friends/others).

Sometimes, as is clear from the above, the same activity (such as travelling or making telephone calls) results in both time and money costs, although sometimes there can be trade-offs between the two. Sometimes, claimants may experience time, money and psychological costs simultaneously. In the sections below, therefore, activities placed in one category (time, money or psychological costs) could sometimes have been placed in another as well.

2.3 Stages of a benefit or tax credit claim

There are various ways in which information about the costs of compliance of benefits and tax credits could be structured. We decided to group them below under the various stages of a claim. This is sometimes called a ‘customer journey’, in a phrase borrowed from the commercial sector (Stafford, 2009; and see Chapter 4).

In the rest of this chapter, we:

- combine evidence from the relevant literature and the advisers we consulted (see Annexes 1 and 4) to examine the time, money, psychological and other compliance costs for each of these stages;
- highlight any specific costs for certain benefits and tax credits;
- describe groups that are likely to have particular (and particularly high) costs;
- consider other, broader issues that arise.

Then, in Section 2.7, we broach the topic of the causes of ‘compliance costs’. Our approach has been to scope the costs of compliance of benefits and tax credits whatever their cause(s), as these are what affect claimants and are therefore what we think should be costed if possible; however, if a government were concerned to reduce such costs, it would be important to define their causes. Subsequently, Section 2.8 discusses some issues arising from our investigations with particular implications for the measurement of claimants’ compliance costs.

First, therefore, Section 2.3 considers various stages of the benefits or tax credits claim:

- finding out about benefits or tax credits and potential eligibility;
- making a claim for benefits or tax credits (including reclaiming, or renewing a claim), leaving benefits or tax credits, or moving from one to another;
- getting the payments;
- maintaining the claim.

We recognise that it is somewhat artificial to divide claimants’ experiences into these stages and that associating examples with the various stages is inevitably sometimes rather arbitrary. But this seemed on balance preferable to alternative ways of structuring this large volume of material. We do include two sections that are not divided in this way, however: Section 2.4 examines what happens when things go wrong and when claimants challenge a decision and Section 2.5 considers the process of getting help, advice or advocacy – each one of these being events that may occur at various stages of a claim.

2.3.1 Finding out about benefits or tax credits and potential eligibility

Time

The current government is engaged in an attempt to increase and improve interaction with claimants and potential claimants via the internet (see Chapter 4). The ‘My DWP’ project is developing a secure customer account on the internet. The DWP is also in charge of the Directgov project, which is trying to rationalise government websites ‘with citizen-facing content’, with a vision of being ‘the citizen-focused digital channel for government ...’ (House of Commons *Hansard*, Written Answers, 22 April 2009, cols 765W–766W). The ‘money, taxes and benefits’ section of the Directgov site is the third most popular part of that site. But there is a well-known bifurcation in use of the internet

(hence the phrase 'digital divide'): some people prefer to avoid direct face-to-face contact with the authorities, and hence prefer to use methods of communication such as the internet, whilst for others this will be frightening – and the latter may be found particularly amongst benefit claimants (Hudson, 2009).

Some CAB advisers told us that, for the computer literate who read the small print, internet access works – though the quality of government websites varies. But only some three in five households have access to the internet (Tuckett, Aldridge and Lamb, 2008); and those who do not may not feel confident or familiar enough with using the internet to access it in libraries or internet cafes. (Note, however, that Directgov content is now available via Freeview Teletext – House of Commons *Hansard*, Written Answers, 22 April 2009, col. 766W.) In addition, Finn et al. (2008) found that many claimants felt the computer system was shaping the nature of their interactions with staff.

Some advisers thought that alternative sources of information are now fewer (with, for example, fewer leaflets available at the doctor's surgery or in the post office). The National Audit Office (2006a) found that many leaflets were not available at DWP sites and were difficult to obtain elsewhere; even where they were available, they were not always up to date (though their content may now have improved, given the extension of the Social Security Advisory Committee's remit to include vetting of publicity materials for the DWP). The National Audit Office (2006a) recommended that the DWP should go further to make leaflets easier for the public to get hold of.

As a result of the NAO report, and recommendations from the SSAC, the DWP has significantly reduced the number of leaflets it publishes. The smaller range of leaflets are available to order for third parties such as Citizens' Advice Bureaux, through an online catalogue or a telephone order service. Pension Service leaflets are available through the contact centres, the local service outreach teams, a telephone order line and on the internet; and Jobcentre Plus leaflets are available to claimants in Jobcentre Plus offices, on the internet and on request during telephone interviews.

Money costs

Internet access is one way for potential claimants to explore their eligibility for benefits or tax credits from home. But, as noted above, over two-fifths lack access to the internet; and a recent report said that over one-third of adults did not have access to a computer (Tuckett, Aldridge and Lamb, 2008). So, as well as the time and money costs of using the internet, people in this situation may need to travel if they are going to go to a library or advice agency to use the internet; this may be more difficult or costly for rural dwellers in particular. (The government's response to this problem of limited access is outlined in Section 2.6.5.)

Psychological costs

Sykes et al. (2005, p. 10) found that the very pace of change in the structure and administration of pensions and benefits more generally could cause difficulties for pensioners in knowing what they might be entitled to or how to go about claiming. The team working on 'citizen burdens' in the Netherlands counts the time needed to familiarise oneself with regulations as a cost.

Case study: *A man who is in his seventies and living on state pension only. His wife has suffered from severe and enduring mental health problems for over 20 years and is now permanently living in a residential care home. He has been and continues to be his wife's main informal carer, both before and after his retirement, and currently struggles to deal with the anxieties of daily living himself. The couple have been regular clients of the CAB.*

For some years the CAB advisers have been trying to encourage him to claim council tax benefit and pension credit (savings) as calculations have indicated that he would be entitled

to both. He has been reluctant to do so, partly because of a general reluctance to claim means-tested benefits which he still feels have a stigma attached, and partly because of the 'hassle factor' that he envisages – his own anxieties mean that he has a very low threshold for being able to cope with complications and paperwork.

A couple of years ago he did contact the Pension Service to make enquiries, but was put off when told that in order to claim he would have to work out the value of his capital, with no help being offered by the officer he spoke to. (His capital consists of a small number of shares dating back to the privatisation of British Gas, which are likely to total far below the lower capital limit.) While his wife was living with him, he felt the complications of having to include her state benefit in the claims would be too onerous. (His wife receives severe disablement allowance.) Now that he would be treated as a single person for benefit purposes, the advisers have again been pointing out the potential entitlement he has – he recently came [to the CAB] to make a first attempt at claiming council tax benefit. He is still struggling to provide the necessary information about the number of shares he holds. He generally spends some of the winter months in India and the complication of having to start and stop his pension credit claim each time is likely to prevent him going ahead with the claim. For this client, the 'costs of compliance' are psychological.

CAB adviser, October 2008

In a consultation carried out by voluntary organisations and others with people on low incomes about the government's strategy to tackle poverty and social exclusion (UK Coalition against Poverty, 2006), pensioners highlighted the stigma of means-tested benefits. As CAB advisers told us, one way in which stigma may be felt by potential claimants is in relation to the methods of finding out about benefits. It may be intimidating to go to the public library to use a computer; and it may be almost as shameful to admit 'computer illiteracy' as to admit illiteracy itself. We look at groups with particularly high costs in Section 2.6; but lack of knowledge about IT may be a problem for older and middle-aged claimants in particular.

2.3.2 Claiming benefits or tax credits

Time

Take-up of benefits (and now also tax credits) has been a long-standing topic of concern in the UK. 'Take-up' can be conceptualised as the proportion of people who claim the payments they are entitled to and/or the proportion of potential expenditure that is claimed. Our knowledge of the factors affecting take-up of benefits and tax credits is examined in Chapter 3; major elements have been found to include stigma, intrusion and 'hassle' (time):

... that one I haven't even filled out the form for because again I can't work out whether ... [it's] worthwhile doing, worth the headache of spending six weeks sending the form off backwards and forwards.

Quoted in Turley and Thomas (2006, p. 28)

Even claiming the retirement pension can entail significant amounts of time. (The details of the experience of one person claiming their deferred pension are attached as Annex 3.) And, as tax credits advisers told us, the more complex the case, the more costly it is to provide evidence.

Finn et al. (2008), in their interviews and consultations with service users, were told by some people that they had difficulties obtaining claim forms. CAB advisers also told us that advice agencies find claim forms more difficult to obtain now. It is not possible to telephone the local benefits office for information and people are not encouraged to visit offices – but not every benefit has a dedicated enquiry line. Opposition MPs have described the new arrangements for claiming benefits as the 'faceless state' (see, for

example, Andrew Selous MP, House of Commons *Hansard*, Oral Answers, 8 October 2007, col. 10).

On the other hand, Stafford (2009) reports that many people appreciate the new arrangements which prioritise telephone contact; and for many, this removes the need to travel to a local Jobcentre to claim benefit. Nunn et al. (2008), in a quantitative survey of first contacts with Jobcentre Plus, found that nearly 78 per cent of respondents were either 'fairly' or 'very' satisfied with the new claims service (this does mean nearly one in four were not). Most of those of working age will now have to go to a work-focused interview at the point at which they claim an out-of-work benefit (Stafford, 2009, p. 265). This is an additional 'cost of compliance' for many groups – except unemployed claimants, who already had to fulfil availability and job-search conditions in order to get benefit. Conditionality is discussed further in Section 2.8.4.

A Cabinet Office report on public services reform (Cabinet Office, 2007d – see Chapter 4) confidently states that (p. 11)

Evidence suggests that people in the UK prefer phones to face-to-face contact.

But this statement is too sweeping. The National Consumer Council (2008a) found that people in deprived areas preferred face-to-face contact and were less confident about telephone advice and information. The government argues that those who have difficulty using the telephone when claiming a benefit from Jobcentre Plus can request a face-to-face interview, or where appropriate a home visit; they can also use a clerical claim form (House of Commons *Hansard*, Written Answers, 9 October 2007, cols 468W–469W). At the DWP annual forum in 2008, it was also emphasised that Jobcentre Plus now had a new service specifically to help vulnerable customers, which would arrange appointments etc.

A tax adviser at our research project seminar pointed out the tension between closing offices for efficiency reasons and the pledge to ensure face-to-face contact for those who need this. The latest Jobcentre Plus customer satisfaction survey (Johnson and Fidler, 2008) found some claimants feeling that Jobcentre Plus offices are inconvenient to get to. (A moratorium on the programme of closures of Jobcentre Plus offices was announced in November 2008, however, because of the recession (House of Commons *Hansard*, Written Answers, 2 June 2009, cols 385W–386W).) Tax credit advisers pointed out that there are even fewer HMRC enquiry centres; so for emergency claims, tax credit claimants may have to travel even further. The Child Poverty Action Group has suggested basing tax credits staff in local Jobcentres (Lakhani, 2008); and the government has started placing them in locations such as children's centres in order to encourage tax credits take-up as part of pilot projects in its strategy to tackle child poverty.

Three groups do not go through the standard telephone claims service for working-age benefits: rapid reclaim claimants, those who claim at a Jobcentre Plus office and those who start their claim on the telephone but continue it in another way; the last two groups are likely to experience slightly longer waiting times (Nunn et al., 2008). Walker (2005) notes that prior dissatisfaction can cause some people to prioritise face-to-face contact, because of the perception that it offers applicants and recipients more control.

Hawkins, Goldstone and Bhagat (2007) found that the most frequently cited communication problems for the claimants of disability and carers' benefits they interviewed related to difficulty in getting through on the telephone, and then in finding the relevant department to answer their query. CAB advisers told us that access to the telephone to claim benefits can be difficult; people have to queue, or find it engaged. In

2006, an NAO report (National Audit Office, 2006b) found that despite significant progress, 21 million telephone callers seeking advice on unemployment and disability benefits still failed to get through each year. A parliamentary answer showed that in September 2008, Jobcentre Plus call centres answered nearly nine out of ten calls, on average after 1 minute 45 seconds; but 153,971 calls were abandoned (House of Commons *Hansard*, 24 November 2008, cols 993W–995W).⁷ Another NAO report (National Audit Office, 2008a), about the introduction of the Jobcentre Plus network, concluded that the quality of customer service may initially have declined, particularly for customers unable to make contact by telephone.

Recent changes have led to improvements in the design of forms, but also stricter requirements on providing supporting documentation, so that claims without all the relevant evidence are not processed until it is supplied (Stafford, 2003). CAB advisers said that tests for proof of identity may be more or less onerous, and may cause difficulty for particular groups (see Section 2.6). A tax adviser told us that tax credit payments are held up by HMRC risk assessments, which are now done before payment because of previous experience with organised fraud (Hudson, 2009).

A common problem is that many people do not want to send valuable documents in the post (Royston, 2007) – despite staff in Jobcentre offices trying to persuade claimants to do just this, in order to reduce demands on front-line staff; but at the same time, some authorities will only accept originals of documents (for example, for housing benefit claims). This means that these claimants feel they must travel to the relevant office – and may have to return if they are asked for additional information. Finn et al. (2008), in their interviews and consultations with service users, found that several reported that their documents had been lost after submission or that there had been delays in processing them. So it appears that people's fears are not unfounded, although the numbers affected in comparison with the volume of material dealt with may be quite small. In 2007, child benefit data were mislaid by HMRC (Cabinet Office, 2007b; Hudson, 2009), and this may have added to people's sense of insecurity about submitting information (Hudson, 2009) – although new measures were put in place by both HMRC and the DWP following this incident to try to ensure the security of personal information.

Money costs

Finn et al. (2008), in their interviews and consultations with service users, found that respondents thought it unfair that they had to pay for telephone calls – especially mobile-phone users, who were charged for numbers which were free to others (see Stafford (2009) and House of Commons *Hansard*, Written Answers, 20 October 2008, cols 143W–144W for an explanation). A consultation with people living on low incomes around the UK about the government's strategies to tackle poverty and social exclusion found that

They would like an end to the customer management system that requires people on low incomes to pay for expensive telephone calls or be left unable to get through and get the information they need.

UK Coalition against Poverty, 2006, p. 12

CAB advisers stressed that this was a psychological cost for claimants as well, as they saw the bill mounting up. A report by the government's advisory body on benefits (Social Security Advisory Committee, 2007) recounted the history of recent developments, which include the introduction of a national 0800 number and the expectation that a claim can be completed without a call-back (DWP press release, 29 May 2007). (HMRC currently

⁷ Information over time about abandoned calls is not available because it has only been gathered from mid-2008.

uses mostly 0845 rather than 0800 numbers, which for some claimants can cost more than ordinary telephone calls.) There has also been an Early Day Motion (1285) expressing the concern of MPs about the cost of calls for some claimants.⁸

Crisis loans from the Social Fund have caused specific problems of this nature in the recent past (Social Security Advisory Committee, 2007). CAB advisers told us that telephone lines for crisis loans are largely cheap rate or free, but that this does not apply to mobile telephones.⁹ They also told us, at the time we consulted them (mid- to late 2008), that crisis loans were themselves 'in crisis': claimants were having to spend hours on the telephone trying to get through to the relevant office, and often local offices would not take applications. Moreover, being told that someone will ring back the next day was not helpful for advisers who had the claimant in front of them then. Yet around 45 per cent of crisis loan applications are for 'alignment payments', meaning advance payments of benefits because people do not have enough money to live on until their benefit payment is due (House of Commons *Hansard*, Written Answers, 23 February 2009, col. 87W).¹⁰

Case study: *A woman with ME on incapacity benefit which has been temporarily suspended, and living as a lodger with no security of tenure, needs to apply for a crisis loan to pay for her lodging; but she cannot get through to the Social Fund on the telephone. She only has a mobile telephone, which means that she is charged for making an 0800 call. It would be possible to pay a large amount of money and not even get through. At the CAB we called the line and waited 30 minutes before giving up. If the client had done this on her phone, it would have cost as much as £3 to £15, depending on the network. It is also psychologically stressful, because you have to pay close attention in case they suddenly answer.*

The client has ME and finds completing a 14 page application form too onerous to contemplate, even with help. The very person who needs a telephone application system is unable to use it, due to prohibitive costs ... The very nature of the crisis loan is that it is an urgent need. It defeats this purpose when the client cannot get through and apply in her time of need.

CAB adviser, September 2008

Annex 2 gives another example of the difficulties with crisis loan payments, and the time and money that these difficulties could cause claimants to spend. In a recent consultation document about the Social Fund, the government proposed that crisis loans to cover periods whilst claimants wait for their first benefit payment to be made will no longer exist and that instead an advance payment of the relevant benefit should be paid (Department for Work and Pensions, 2008c, para. 3.7a). This change (leaving aside other issues) would be likely to relieve some of the pressures on the Social Fund.

If a client's circumstances change (for example, they fall ill), their entitlement changes from one benefit to another, and they have to put in a new claim. CAB advisers report that their old benefit (jobseeker's allowance, for example) is stopped immediately; but that the new claim (for incapacity benefit, for example – now employment and support allowance) may not be resolved for several weeks, which leaves them without any income in the meantime.

⁸ In principle, the situation as at March 2009 is that claimants should be told how long new claims calls are likely to last; call-backs to customers calling DWP call centres are offered at the customer's request; and if staff establish that customers are ringing from a mobile telephone, they should offer to call them back. Short breaks can be used, with a call-back by the staff member if necessary.

⁹ SSAC's report also notes that calls may be charged to landlines if the customer has certain types of package.

¹⁰ Changes made in April 2009 included the adjustment of pay days for benefits; a move to payment in arrears rather than advance; and a change from weekly to fortnightly payments.

Case study: A single woman client 20 weeks pregnant signed off jobseeker's allowance and claimed incapacity benefit because of increasing epileptic fits. She had had no money for 11 weeks. She was told she had to have a special medical examination as she had recently been turned down for incapacity benefit. The CAB adviser helped the client to phone to get a crisis loan; this took an hour and several attempts. She was eventually awarded one week's money which she then had to travel 6 miles to collect.

When the client had still not had the special medical some time later, the adviser was told she should claim jobseeker's allowance instead; but this was impossible as she was not available for work but 'signed off'. Eventually it was agreed that she could get incapacity benefit without a special medical examination; but the office could not find the medical certificates which had been sent.

Case study from CAB, August 2008

A similar process can happen with tax credits. It used to be the case that if a couple separated, the previous tax credit claim stopped immediately, but the new claim might take a long time to be processed, whilst the person left in the family home still had to pay bills etc. The government has now implemented measures to address this problem, providing a telephone claim service for these claimants, with the aim of arranging their award much more quickly. The experience of lone parents after separation is therefore likely to have improved. However, claimants having to start a new claim because they have entered a new couple relationship may still have similar problems.

Another problem that CAB advisers described was people coming off incapacity benefits to go into employment, and then finding that, if they could not cope with the job, they had to go through the process of claiming benefit all over again. In this situation, money would not be immediately available to them because of the need to reclaim. Various schemes have been put in place by the government in recent years to try to deal with this problem.

Psychological costs

Finn et al. (2008), in their interviews and consultations with service users, found that several respondents found completing forms stressful and felt that they were too complicated. Some also complained about having to provide identical information to that given previously – which could be interpreted as demonstrating a lack of respect for claimants' time.¹¹ Others felt they had not been kept sufficiently informed about the progress of their case.

More generally, in a consultation with people on low incomes carried out by voluntary organisations around the government's strategy on poverty and social exclusion, the focus on the need for claimants to be treated with dignity and respect was clear, and repeated by different claimant groups:

Claimants should be treated with respect and not like children. It's a service and customers should be treated with respect. Workers may have to deal with abuse, but we're not all the same and should be given a chance.

UK Coalition against Poverty, 2006, p. 13

As Walker (2005, p. 229) put it when discussing administrative efficiency in social security,

¹¹ On the other hand, Nunn et al. (2008, p. 4) found that, despite the fact that many new benefit claimants were in contact with other parts of the DWP or other government departments, and were required to provide the same or similar information, they did not mind providing this; and Johnson and Fidler (2008) reported that in the 2007 Jobcentre Plus customer satisfaction survey, the majority did not see it as a problem to provide the same information to Jobcentre Plus and other DWP agencies.

... one might want to add that the service should be delivered in a way that shows respect and consideration to benefit applicants, recipients and other users ...

And Walker notes that benefit applicants themselves lay great stress on being treated with respect. This was also a key theme in the Social Exclusion Unit (SEU) publication about how public services were experienced by disadvantaged adults (especially those with literacy problems, disabled people and those with long-term health conditions, and people from certain ethnic groups) (Social Exclusion Unit, 2005). People from these groups reported poor understanding and 'attitude' among some front-line workers (p. 7) – which, as the SEU pointed out, can lead to lower take-up.

The plan to introduce voice risk analysis technology (commonly known as 'lie detectors') in some local authority housing benefit offices is being pursued, as Gary Vaux wrote in *Community Care* (22 May 2008; see also Department for Work and Pensions (2005)); Vaux suggested that this would deter many genuine claimants, especially those who find claiming stressful. A TUC report had argued in similar terms (Trades Union Congress, 2007). CAB advisers told us that they thought staff attitudes had generally improved since the 1980s, and there is research evidence of many positive interactions between claimants and staff. But Finn et al. (2008) found that some users felt stigmatised by staff who appeared to suspect them of benefit fraud or of lying about their circumstances; and that a vicious circle could develop, with some service users being rude to staff, which resulted in retaliating action (etc.).

Some tax credits claimants also complained to researchers about staff attitudes on the tax credits helpline in qualitative research carried out for HMRC (Hall and Pettigrew, 2008). In the 2006–07 customer satisfaction survey conducted by ORC International (2007), which involves quantitative research and large numbers of people, very high levels of satisfaction were recorded across four different HMRC helplines – but there were statistically significant differences in various perceptions of staff attitudes and attributes between the employers' and tax credits helpline, with somewhat lower satisfaction levels amongst tax credits claimants.

Case study: *A woman in her 20s suffers from mental health problems. She has been accused of fraudulently claiming income support and housing benefit / council tax benefit by not declaring paid work. She maintains she did declare the work – but by the sound of it, probably to the wrong office who took no action. Following interview under caution, she was called to a further interview to discuss accepting a caution.*

She had previously been referred to a solicitor for legal advice as she does not admit the offence; but she attended the second interview alone. She accepted the caution because the Jobcentre Plus staff told her this would not be admitting to deliberate fraud but only that she had been overpaid. Accepting the caution means she has admitted committing the offence. For this client, the 'costs of compliance' are having a caution against her.

CAB adviser, October 2008

Finn et al. (2008) reported that some users found the Jobcentre a stressful and even dangerous place. Some also found the lack of privacy in open-plan Jobcentre Plus offices problematic (though, in principle, staff will use a private interview room if they can¹²). CAB advisers also told us that people often did not want to use the telephones in Jobcentre Plus offices (for example, to apply for benefit or to enquire about the progress of a delayed claim) because of the lack of confidentiality. (Some claimants in the latest Jobcentre Plus customer satisfaction survey had also had problems getting through when

¹² As set out in the Customer Service Standards for Jobcentre Plus offices. The approach to working with vulnerable customers means that privacy needs can be considered at the initial point of contact.

using the telephones (Johnson and Fidler, 2008).) The report of the consultation with people on low incomes about the government's strategy to tackle poverty and social exclusion carried out by voluntary organisations also cited a lone parent who wanted a 'one-stop shop' for reasons of privacy, because

... it is embarrassing and degrading having to talk about sensitive issues to lots of different people.

UK Coalition against Poverty, 2006, p. 13

Uncertainty and lack of clarity can also be a psychological cost. A research report for the DWP about the experiences of Disability and Carers Service users found that they often did not know whether they would receive the award once they had made a claim (Hawkins, Goldstone and Bhagat, 2007). Tax credits advisers told us that one of the most annoying features of tax credits claims is delay in processing claims and the difficulty of finding out about the progress of a claim; it is also impossible to check the calculation of entitlement from the tax credits award notice, as it contains insufficient information. Benefit systems that are discretionary and/or have a limited budget, such as the discretionary Social Fund, are likely to cause greater uncertainty about outcome, as they are supply- rather than demand-led and do not have clear rules. The shift towards increased discretion in the benefits system as a result of welfare reform may also result in less certainty about outcomes in other areas.

Finn et al. (2008) also found that some people who had experienced problems with their payments no longer trusted the relevant agencies to get things right. A number, particularly those suffering from mental health problems, felt that the stress of dealing with the problems with their claim had a negative effect on their health. CAB advisers also told us of a case in which someone in work had rung up HMRC to say they thought they were being overpaid the childcare element of the working tax credit, but nothing was done; the deductions when the overpayment was discovered meant they could no longer stay in work, and in turn this meant that they felt they could not trust the authorities again.

Welfare rights advisers stressed that reclaiming could be worse than claiming in terms of psychological impact. For example, disability living allowance, even if it is awarded for a lifetime, seldom lasts a lifetime in practice. Instead, it has to be reapplied for periodically. These advisers reported that the recurrence of the burden of claiming is very stressful.

2.3.3 Getting the payments

Time

Ninety-eight per cent of benefit payments now go directly into bank or building society accounts (Department for Work and Pensions, 2008d, p. 17). There are two aspects involved in getting the payments: ensuring that the benefit or tax credit is paid into the bank / building society (or post office) account and getting the money out. Each of these may involve costs if they go wrong; and getting the money out may involve time even if nothing goes wrong. (In Section 2.7.3, we describe the costs involved in obtaining a specific benefit payment – a crisis loan from the Social Fund.)

Money costs

Processing times for benefit claims were a constant theme in our consultations with advisers. This may have been because advisers were more likely to deal with complex claims, which were more likely to be subject to delays. The government has targets for payment of benefits within certain times. But where delays in processing times occurred,

they could mean that bills were not paid, spending on credit cards had to be incurred and debt levels increased. Tax credits advisers pointed out that compliance costs are also incurred by claimants in managing their debt (including having to provide information about incomings, outgoings etc.). Some may argue that this is not a 'normal' cost of compliance, but claimants do incur actual monetary costs because of delays in processing their claims:

Our main problems with the benefit system are the delays and poor administration. Often our clients have to wait 6–12 weeks before a claim is approved and they start receiving benefit. They will probably get back-paid to the date of the claim, but in the meantime they had had no income, and will most likely have been running up debts. Often they need to get a crisis loan to tide them over, and the process of applying for these is a nightmare for most clients.

Communication from CAB adviser, October 2008

Finn et al. (2008), in their interviews and consultations with service users, found that for some claimants poor service delivery had more serious consequences than inconvenience alone, including severe financial hardship:

Some reported that they had to live on little or no money for sustained periods ... Most had fallen into debt, borrowing on credit cards or from family and friends or spending their savings to cover their living costs.... A few claimants had been threatened with eviction as a result of rent arrears ...

Finn et al., 2008, p. 48

Finn et al. (2008, p. 8) also note that

Cultural change has been extended to service users whose responsibilities have been redefined and who are now expected to adapt their behaviour. For example, few now have a choice about whether to open a bank account ...

People who do not have a bank account already are being encouraged to open basic bank accounts (which do not have an overdraft facility), in order to increase financial inclusion. But in some cases which CAB advisers told us about, bank staff may persuade people to open current accounts instead, because staff do not get bonuses for basic bank accounts being opened. This can cause problems for claimants if everything does not work smoothly. If benefit is delayed for some reason, or paid on the wrong day, and direct debits go out of the account on certain dates, charges may be incurred because the account is overdrawn. In addition, even if payments are not delayed, benefits may be paid weekly or four-weekly – but direct debits are paid by calendar month, as are the local housing allowance (housing benefit) and private rents. Council tax is often paid to local authorities by claimants in 10 instalments a year, but council tax benefit is paid to claimants weekly. For all these reasons, the payments to cover a liability may not coincide with the liabilities.

Psychological costs

Some advisers told us that delays in benefit payments not only caused financial costs to claimants but could also result in depression (due to debt levels increasing) and people coming to the CAB in a panic. Stress or anxiety is the most common consequence of financial difficulties, according to Kempson (2002, p. 36, cited in Williams, 2004), with one in twelve households in financial difficulty reporting mental health problems. Claimants can also often feel powerless to change their situation.

We discuss in Section 2.8.5 whether delays such as these and other problems experienced by claimants may have behavioural effects (such as risk aversion). We also acknowledge that it is hard to separate the psychological costs of complying with the benefits system and the psychological costs of having a low income (costs which would presumably be much higher in the absence of the benefits system).

2.3.4 Maintaining the claim

Time

Claimants have to (continue to) fulfil the conditions of entitlement to the benefit or tax credit they are receiving, and report any relevant changes of circumstances, in order to maintain or renew their claim. A recent study of time and income poverty (Burchardt, 2008) includes a category of 'fulfilment of duties to sustain entitlement' as one of the uses of time that are measured. This covers conditionality such as actively seeking work, but also the fulfilment of information requirements etc.:

... the conditions which are attached to receiving benefits can have important effects on time budgets, too, for example requirements to seek work or attend training courses ...

Findings, ref 2311, Joseph Rowntree Foundation, November 2008, p. 3
(<http://www.jrf.org.uk/sites/files/jrf/2311.pdf>)

Burchardt's model of time and income capability gives public policy an important place, because it

can constrict people's time-income capability, for example by imposing additional conditions on eligibility for benefits and services.

Burchardt, 2008, p. 89

This echoes one of the main arguments of this report.

CAB advisers reported that for pensioners the costs of compliance have been reduced:¹³ the new, shorter claim form for housing benefit and council tax benefit and the need to report fewer changes in circumstances were found to be helpful (though for some this might be confusing, as some changes did still have to be reported).¹⁴ Boath and Wilkinson (2007), in a recent report for the DWP, identified claimant confusion (because of the differing rules that apply to different benefits and tax and pension credits) as an obstacle to reporting changes of circumstances (see also Fimister et al. (2009) for recent research into reporting changes of circumstances).

Finn et al. (2008) reported that claimants thought it should be unnecessary to complete the same form repeatedly (because of a change of circumstances, or because of annual renewal, or for other reasons) with identical information. Some advisers also told us that many people on benefits and tax credits believe that information given to one statutory authority is shared across government; and Griffin (2007), in a research report for HMRC, reported that claimants in the interviews and focus groups she carried out wanted the introduction of automatic information sharing across government. However, in practice, often more than one body has to be alerted about any changes.

¹³ The changes were announced in December 2007 (see House of Commons *Hansard*, Written Answers, 3 June 2008, col. 806W and 12 June 2009, col. 43W; and Stafford (2009, p. 266)).

¹⁴ From October 2008, the short claim form has been dispensed with; instead, the Pension Service collects the claim information for council tax benefit and passes it direct to the local authority for assessment (House of Commons *Hansard*, Written Answers, 18 February 2008, col. 229W). However, this was part of a package of measures that also included changing the backdating of pension credit claims from 12 to 3 months – reducing the 'costs of compliance' for some pensioners, in exchange for reducing the amount of benefit others could receive.

The benefits and tax credits systems operate on different principles. For example, tax credits pay childcare costs based on an annual average. But Royston (2007) points out that housing and council tax benefits are weekly benefits, and are based on actual income and expenditure in a particular week; the obligation on claimants is therefore to inform the local authority on a weekly basis how much they have earned if their hours have fluctuated, every time their childcare costs change etc. And the 'one-stop shop' nature of Jobcentre Plus no longer applies, because tax credits have been separated from benefits. Separating children from adults in benefit claims (because children now attract child tax credit) immediately increases the number of agencies a family on benefit has to deal with (i.e. HMRC as well as DWP and the local authority).¹⁵ Claimants now need to telephone call centres; and it is not possible for either the claimant or the call centre to talk to the people who actually process the benefits.

For the bulk of tax credits claimants, the main costs in maintaining the claim arise from reporting changes of circumstances (which imposes money and time costs, and perhaps uncertainty about what they are meant to report) as well as the annual renewal of the claim form (which will involve similar costs). Griffin (2007), in research on tax credits, found that claimants wanted the onus to be put more on HMRC in terms of reporting changes of circumstances (rather than thinking they should be equipped with the means to take more responsibility for this themselves, the alternative option presented).

Welfare rights advisers told us that having to repeat the same information to different agencies was not the only problem. Claimants sometimes had to repeatedly tell the same people the same piece of information, because telephone calls were not always recorded or letters sent out; in one (admittedly extreme) case, a claimant reported having rung six times over a period of eight months, with none of the calls being recorded.

For many people of working age, the conditions they have to meet in order to continue to receive an out-of-work benefit have increased, and they are likely to increase further for many if recent government proposals are implemented (Department for Work and Pensions, 2008b). We examine this in Section 2.8.4.

Money costs

CAB advisers told us that there was no financial help to cover travel to the Jobcentre Plus office or local authority (although reimbursement is available if the DWP asks a claimant to come in specially for some reason and the journey is above a certain distance or travel time). Those who have to fulfil 'actively seeking work' conditions will need to travel regularly to the Jobcentre Plus office to 'sign on' etc.

Case study: *One (isolated, out-of-work) claimant with no mobile phone walks 3 miles to the CAB in order to get a £5 chit to take across the road to a charity in order to get a grant each time to pay to go 7 miles by bus or train to the Jobcentre Plus office. Sometimes he gets a lift instead – but this is not always possible.*

CAB adviser, at meeting with advisers in Oxford, July 2008

The DWP does have arrangements to allow people to maintain their claim by post, but this applies only if the claimant lives over an hour door-to-door by public transport from the nearest office, or attendance means being away from home for over four hours; if they have a mental or physical disability that restricts mobility; or in other exceptional circumstances. For those claiming benefits other than jobseeker's allowance, travel

¹⁵ Child benefit is also now administered by HMRC, like child tax credit; but it tends to require less ongoing contact, unless a new child is born or an existing child leaves school, because of its non-means-tested nature.

expenses are reimbursed for pre-arranged interviews, medical examinations etc. (House of Commons *Hansard*, Written Answers, 16 June 2008, cols 735W–736W).

Reporting changes in circumstances is key to the statutory authorities' understanding of 'compliance' – remaining within the rules of entitlement – and can result in money costs such as the cost of transport or telephone calls.

Many tax credits claimants have incurred overpayments (sometimes due to claimants' failure to notify changes in time, but sometimes occurring even if claimants reported changes immediately, due to the structure of tax credits), which were then recovered by HMRC (see, for example, *Tax Credit Casualties* (2008)). Qualitative research by three voluntary organisations demonstrated how claimants were surprised to incur overpayments when they had been careful about notifying HMRC about their circumstances (Community Links, Low Incomes Tax Reform Group and Child Poverty Action Group, 2007, p. 26). And a Citizens' Advice online survey in 2007 found that 80 per cent of respondents had been overpaid, and 80 per cent of these did not know why.

Sometimes the cost is that the benefit is lost or reduced – forms are so hard to understand that a deadline gets missed and the benefit is lost – e.g. it is frequent for people to lose their entitlement to tax credits and get huge overpayments because they fail to finalise in time, or to lose their entitlement to housing benefit / council tax benefit for a period because they fail to provide everything needed for the verification process in time.

Communication from CAB adviser, July 2008

In 2005, the government announced reforms to reduce the scale of overpayments and subsequent recovery. As Brewer (2006, p. 133) pointed out, however, these changes had a quid pro quo meaning that some families would wait longer to receive their money, and compliance costs would be increased, by both adding to the number of changes of circumstances to be reported and reducing the reporting time. Tax credits advisers told us that when tax credits were first introduced, fewer changes in circumstances had to be reported to HMRC than for benefits, but now there is little difference.

The Treasury Select Committee (2006, para. 23) was concerned about the fines to be levied on those who did not report changes of circumstances on time. And, although overpayments have fallen, with 1.3 million rather than 1.9 million families affected, MPs are concerned about the impact of the provision whereby, if an award is not finalised within the set deadline (31 July), the total amount paid during the year is recoverable (House of Commons *Hansard*, Debates, 22 October 2008, cols 131WH–138WH). The tax credits transformation programme (HM Treasury and HM Revenue & Customs, 2008) includes a scheme to help vulnerable claimants to renew their awards.

A tax credits adviser also told us that court costs could be a 'cost of compliance' for claimants; although HMRC states that these could only arise when people have not contacted them, in this adviser's experience they had also occurred in cases where people had not been informed that they could offer instalments to repay an overpayment or had still been trying to get explanations from HMRC.

Hills, Smithies and McKnight (2006) found that the incomes of many of the low- to middle-income families with children whom they followed in a study fluctuated through the year more than might have been expected, and that tax credits increased income volatility for some families, rather than reducing it.¹⁶ Families tended to cope by budgeting carefully and tailoring spending to income, often over very short periods.

¹⁶ The period of study was shortly after tax credits had been introduced, when there were particular problems with payments, and so may not have been typical of claimants' experiences in later years.

Psychological costs

The 'costs of compliance' can clearly be felt as more onerous in certain circumstances. Having to spend much time and/or money to sort out benefits and tax credits at difficult times carries a psychological cost in itself. For example, a report for the government on Service Transformation (Varney, 2006, p. 16 and annex C) repeated a case study from a previous official report, in which 44 contacts with government were made over 180 days in connection with a family death, with the majority of contacts relating to various benefits – and still some issues remained unresolved at the end of that period, including housing benefit. CAB advisers also told us that there could be a lack of sensitivity from the authorities in such situations.

Royston (2007), in a report for the DWP, said that claimants found having to put down all their personal details again in (for example) a renewal form for disability living allowance could be very stressful, particularly where this involved claims on behalf of children; she argued that this also represents a waste of resources.

CAB advisers told us that when benefits increase, this can also cause anxiety to some claimants, particularly older people, who are concerned that they are not entitled to the increase. Campaigns against benefit fraud may result in greater difficulty in proving identity, with local authorities in particular wanting more details about bank accounts; they can also add to psychological costs as a result of increased stigma.

As noted in Section 2.2, it is often difficult to disentangle time, money and psychological costs. Advisers found this when they sent us case studies. For many claimants, this would also probably be impossible.

Case study: *A couple who have faced a variety of difficulties claiming new benefits and dealing with change of circumstances in existing awards. The woman is off work sick with a back injury, and the man's severe mental health problems have recurred and he is also off sick. They have a 7 year old daughter. The woman is coping as best she can with her own illness and caring duties.*

First, existing awards of housing benefit and council tax benefit need to be revised as the man's pay has reduced from full to half. The woman has provided evidence but the local authority lost it despite her having receipts – so she is having to provide the evidence again. They are in rent arrears to the same local authority landlord, and the housing department asked for a copy of the same evidence of the man's reduced income. When the woman took the evidence again, the housing benefit department refused to make a second copy for their housing colleagues, quoting the Data Protection Act as preventing them doing so.

The man's employer did not provide timely notification of his statutory sick pay ending after 28 weeks and he only became aware of his eligibility to claim incapacity benefit 2 months after his statutory sick pay ended. His wife contacted HMRC when his pay reduced, to ask for their current year tax credit award to be revised and based on an estimate of the lower income for the rest of the year. She provided all the details by phone. Nothing happened, and when she phoned to chase she discovered that no record had been made of the change of circumstances. She has had to provide all the details again and is still waiting for an amended tax credit award.

Once their award has been amended, the housing benefit and council tax benefit awards will need to be reviewed again, likely to cause more confusion. They are also trying to deal with debt problems which have occurred as a result of their loss of income. On their own, each of these issues would probably be irritating or frustrating, but all added together, at a time when these clients are struggling with serious health problems, has made them much more serious. For these clients, the 'costs of compliance' are the time and costs incurred in having to provide duplicate information and make duplicate requests, as well as the psychological impact.

CAB adviser, October 2008

A study by three voluntary organisations described the uncertainty created by tax credits:

The advent of tax credits, in particular, has changed what was previously a relatively reliable, fixed system of benefits into one that is constantly changing with alterations in claimants' circumstances. No one knows what is going to happen to them from day to day; it follows that no one knows what their tax credit and benefit entitlement will be next month, next week, or even the next day.

Community Links, Low Incomes Tax Reform Group and Child Poverty Action Group, 2007, p. 29

Tax credits advisers emphasised the same point:

... the phrase I often hear is 'my life is put on hold while the tax credits office gets round to giving me an answer' ... Other factors mentioned are frustration, hopelessness, lack of control – this is in part 'the system' and partly the delays from the tax credits office in dealing, and lack of sense of urgency.

Tax credits adviser, by email, June 2008

2.4 When things go wrong, and challenging a decision

2.4.1 When things go wrong

A significant proportion of claimants' costs of compliance appears to be caused by something going wrong with the benefits and/or tax credits systems; we do not want to ignore these costs, because claimants cannot do so (see Finn et al. (2008) for some examples).

... the other problems of the Jobcentre Plus giving the wrong advice/information about benefit entitlement, or just getting the award calculation wrong ... Add to this the difficulties experienced in getting through to the right person to complain and get things put right, and you can see how stressful claiming benefits can be for vulnerable clients on very low income with no reserves.

Communication from CAB adviser, October 2008

Out of the 47 in-depth cases which I have handled this year as a welfare rights adviser, there have been 11 cases with 24 events when the DWP 'did not receive' documents, failed to reply to correspondence, deleted records or misfiled documents.

Letter from Neil Bateman about benefit fraud cases, published in The Guardian, 30 June 2008

Both benefits and tax credits advisers told us that when something goes wrong and/or there is poor decision-making by officials, this often causes very substantial costs for claimants in terms of time and direct expenses (for example, in sending recorded delivery letters). One adviser gave us a case study:

Case study: Couple on income support. During 2007/08, they received multiple incorrect tax credit award notices – e.g. one child not two, no baby rate, prior year income incorrectly recorded, baby's birthday wrong – and in correcting one, another error gets put in. They couldn't afford calls (they only have a mobile), so each time he walks the couple of miles to the nearest HMRC office to phone. As he said, it's lucky it's within walking distance or they'd never get it straight.

Adviser, by email, June 2008

The experience of administrative error can thus be traumatic in itself, and add enormously to the costs of compliance for claimants. As the National Audit Office (2003b, p. 2) stated in a report on improving decision-making and appeals in social security,

Incorrect decision-making ... costs customers money and may deprive them of benefit altogether.

The National Consumer Council (2008b, p. 4), in deliberative research with people from deprived neighbourhoods, also found that because many were both cash and time poor, it was harder and more expensive for them to tackle problems, with the result that they were unlikely to be successful in getting redress when they got a raw deal (see also Burchardt (2008)).

2.4.2 Challenging a decision

Some claimants do choose to challenge a decision when they believe it to be wrong. We have included 'challenging a decision' as a core part of the claiming experience, as many claimants may do this in some way, and it should of course be an option for all. However, we have not divided this subsection into time, money and psychological costs, but instead considered them all together.

In the Netherlands, it was found that one out of every 25 hours spent by citizens in compliance interactions with the authorities is spent appealing decisions.¹⁷ At least for those decisions that are changed in favour of the customer, having to go through the appeal stage would seem to be an unnecessary cost. Welfare rights advisers also told us that the increasing centralisation of appeal tribunals meant that the time costs involved in getting to the appeal were higher; it was possible to claim travel expenses, but this only reduced the money costs for claimants and not the time costs involved.

The Office of Fair Trading (OFT) (2000) sees the stress involved in resolving consumer disputes as a cost borne by consumers – though this is hidden, and the OFT is not able to put a cash value on it (Williams, 2004, p. 10). Hawkins, Goldstone and Bhagat (2007) found in their qualitative research that claimants of disability and carers' benefits found attendance at the tribunal hearing 'harrowing' (p. 7) and that 'regardless of the outcome of the appeal, the process was described negatively' (p. 8):

Appellants who attended tribunal hearings reported feeling as if they were on trial and describe being made to feel small or guilty, commonly finding the process humiliating and/or degrading.

Hawkins et al., 2007, p. 8

This is clearly a psychological cost (though the appeal tribunal experience was much less problematic when coordinated and attended with professional assistance) (Hawkins et al., 2007).

The National Audit Office (2003b, p. 8) noted that improving decision-making standards would reduce the number of appeals:

Investing more time in identifying wrong decisions early should provide both a better service to customers, by reducing the need for lengthy and stressful appeals, and a more cost-effective use of resources.

This statement implicitly recognises the costs of compliance for claimants. It was repeated in virtually the same words in the NAO's more recent report on complaints against the DWP (National Audit Office, 2008b), which noted that the DWP's agencies do

¹⁷ According to a civil servant from the Netherlands, who spoke at our project seminar on 13 June 2008.

not carry out research into why up to 40 per cent of customers (claimants) who had made a complaint remain dissatisfied, and added that if the organisation learned more from those who complained, it could improve its procedures and thereby save money itself.

Following the NAO's 2003 report (National Audit Office, 2003b), a Select Committee report (Public Accounts Select Committee, 2004a) and a White Paper on reform of the tribunals services (Department for Constitutional Affairs, 2004), Adler and others investigated administrative problems and grievances in research which was, like this report, funded by the Nuffield Foundation (Adler, 2005; Adler et al., 2006). The research categorised types of grievance; but it was also intended in part to identify factors that encourage or inhibit people's attempts to resolve grievances, and is therefore relevant to a consideration of the 'costs of compliance'. The categories of grievance (Adler et al., 2006, pp. 5–6) included delays, information and communication problems; decisions and actions perceived to be unfair; errors in administration; staff manner and attitude; access to services; quality of services; and policy issues. Whether individuals attempted to resolve their grievances or not depended on their assessment of the seriousness of the issue; their expectations of a positive outcome; their knowledge of how to proceed, and access to the right procedure; their personal and financial resources; and their previous experience of successfully resolving a grievance.

The researchers recommended that if a survey were carried out to investigate administrative problems and grievances, it should aim not only to compare the incidence of different types of grievance, and measure their prevalence, but also to investigate their impact, the processes used to resolve them and their outcomes. This research was much wider in its focus than benefits and tax credits. But it is a useful reminder that grievances and the pursuit of their remedy also have 'costs of compliance' – and that the perceptions of service users, including claimants, do not always match those of policymakers or administrators. This lesson has also been learned by the Netherlands, which has perhaps progressed the furthest with work on burdens on citizens, and which has recently decided to place more emphasis on citizens' own priorities, as we describe in Chapter 3.

In their longitudinal qualitative interviews with claimants about reporting changes of circumstances, Irvine, Davidson and Sainsbury (2008) found that some people's prior experiences of dealing with a system they found complex and frustrating led them to accept decisions *without* challenge, even when they did not understand or agree with the outcome. The NAO also discusses this possibility in a recent report, and suggests that the true level of dissatisfaction with DWP services is therefore higher than it appears from the number of actual complaints; claimants often feel that complaining will make no difference (National Audit Office, 2008b, p. 5). This is one symptom of the feelings of powerlessness which we described earlier.

CAB advisers told us that some claimants who are refused disability living allowance not only do not challenge the decision but also do not reclaim the benefit. They said that there is a significant fear of being thought to be a 'scrounger', especially with this benefit. Hawkins, Goldstone and Bhagat (2007, p. 7), referring to disabled and carer claimants, also found that some unsuccessful applicants

... chose not to proceed to appeal as they did not want to pursue an application process that had already proved complicated and intrusive.

This bears out evidence from other previous studies about claimants being deterred from appealing against a decision they saw as unfair (see, for example, Preston (2005)). In these cases, the secondary behavioural effects of the 'costs of compliance' experienced by claimants include the (self-)denial of substantive and procedural rights. We consider the behavioural impacts of compliance costs for claimants in Section 2.8.5.

This deterrent effect should be distinguished from inherently low expectations of a service leading to a tendency not to complain (see, for example, Sykes et al. (2005) and National Consumer Council (2008a)) – though this in itself is of course also problematic. Johnson and Fidler (2008) found that, whilst 14 per cent of Jobcentre Plus customers had felt like complaining about the service in the previous six months, only 3 per cent made a complaint. And Hudson et al.'s (2006) qualitative research with ethnic minority users of Jobcentre Plus found signs of a lack of faith in the system for complaints and of these users feeling that they had no means of expressing their frustrations and concerns.

Case study: *Unemployed woman who has been severely depressed. She lives with her adult sons but does not want to be beholden to them. She is deaf so she cannot use the telephone. The client was put on a course, part of which was working in a kitchen for 8 hours per week. However the kitchen only worked in term time; so while she only needed 'top up' jobseeker's allowance in the term, she needed full JSA in the holidays. The client managed to come off medication and was progressing well, but then was not paid in the Christmas, and then the Easter, holiday. Because full JSA was not paid, her housing and council tax benefit were not paid.*

The client has tried to write to Jobcentre Plus and finally came to the CAB for help. She followed the advice that the CAB was given by the JC+ but they seem to have mislaid her communications. She believes she has sent multiple copies of payslips and such like and at least once they were even signed for but the problem has not been resolved. In addition she says that the local ... jobcentre kept calling her for interviews on the days she was supposed to be going to lectures, so the course leader told her she had missed so much time that she would not be able to pass the exams and she left the course. In addition, her manager in the kitchen says that he is fed up with having to make weekly returns of her hours to JC+ and that it will be more trouble than it is worth to take her back on in September.

She is back on medication, is extremely depressed, to the extent of breaking down in the interview. She is stressed because she thinks she will lose her job and she fears she may lose her house because of the rent and council tax arrears. She has spent vast amounts of time and energy writing to JC+ and trying to get her full entitlement. She has spent money on photo-copying and registered postage. She has been to the CAB and advisers here have spent a lot of time ringing JC+ and helping her write letters and writing letters on her behalf.

CAB adviser, October 2008

Case study: *Woman with 'severe depression and moderate to severe anxiety' (GP's letter) has failed three personal capability assessments [PCAs] in a row – each time having the decision overturned, once by a decision maker and twice by a tribunal. Every time we see her she is very clearly and noticeably anxious, whether in the process of appealing or in the in-between stage. The tribunals clearly feel she is very anxious, her GP who sees her regularly clearly believes she is very anxious and depressed. Yet according to the examining medical practitioner's report when she attended the medical '... there was no sign of this [anxiety] today she was talkative and self confident' – despite knowing how important they are and having failed two in a row.*

Each time she fails the PCA and has to appeal her anxiety/depression gets worse again. The system seems to be succeeding in keeping her permanently ill. Encouragement and support would be much more useful in helping her to return to work. She also loses her income for the several months it takes to appeal and each time ends up in debt. The costs in bank charges etc. are not covered of course by the backdating.

CAB adviser, September 2008

In 2007 and 2008, the Parliamentary and Health Services Ombudsman published principles to guide public services in responding to complaints (Parliamentary and Health Services Ombudsman, 2007a, 2007b and 2008) and the National Audit Office (2008b, p. 5) has reported that the DWP is taking steps to embed these good practice principles across all its agencies.

2.5 Getting help, advice or advocacy

Getting help, advice or advocacy is relevant to several different stages of the claiming process, as was the previous topic (challenging a decision). Again, we have not divided this subsection into time, money and psychological costs.

Getting help, advice or advocacy could be seen as reducing the claimant's involvement with the application or appeals process, and hence reducing their 'costs of compliance', as someone else engages on behalf of the claimant (see, for example, Hawkins, Goldstone and Bhagat (2007) in connection with claims and appeals for disability and carers' benefits). On the other hand, the costs involved in terms of (at least) time and money in obtaining help, advice or advocacy are certainly part of the overall costs of compliance of the benefits system, and the equivalent costs incurred by taxpayers are seen in the economics literature as part of the compliance costs of taxation. So we consider that the time, money and psychological costs involved for claimants in getting help and advice about benefits and tax credits should count as compliance costs imposed by the benefits and tax credits system.

Many government leaflets and claim forms mention Citizens' Advice Bureaux as a source of advice. Telephoning or going to a CAB or other advice centre constitutes an additional cost for claimants. CAB advisers described a scenario to demonstrate the costs to claimants of getting advice:

Someone goes to the Jobcentre, tries to fill in a form, goes to the CAB for help, goes back to the Jobcentre ... They probably tried to phone up the CAB [and found it] hard to get through. They may have to queue up to get an appointment and then come back for the appointment itself. They may need child care for each of these visits (and time off work perhaps for some – more likely for tax credits).

Northamptonshire CAB advisers, September 2008 meeting

One CAB adviser told us about a claimant who lives on his own, and has alcohol and heart problems, who walks eight miles to the CAB and Jobcentre Plus when his benefit does not arrive or he has another problem to sort out.

At our research project seminar in June 2008, participants discussed the enforced dependence on someone else which may be caused by claimants having to obtain help with making or maintaining a claim to benefits or tax credits. This was seen as a potential psychological cost of obtaining help, advice or advocacy.

In some cases, commercial organisations do charge a fee for giving advice about benefits or for representing claimants at appeal tribunals, and this practice is apparently increasing (reported by Gary Vaux in *Community Care*, 5 February 2009).

2.6 Groups with high costs

In studies of consumers, it has been recognised that some groups face higher costs. As noted in Section 2.4.1, the National Consumer Council (2008b, p. 4) argues that the people living in deprived neighbourhoods who took part in its deliberative research

... were both cash poor and time poor. This had a huge impact on their lives as consumers, making it harder and more expensive for them to tackle problems. They are, as a result, unlikely to be successful in getting redress when they get a raw deal.

Similarly, amongst benefits and tax credits claimants, not everyone faces the same costs; the costs of compliance may be higher for particular groups.

Other studies have also noted that benefit claimants have a wide range of experiences of the benefit system. For example, Finn et al. (2008) argue that, while many people have found that the recent changes in the delivery of benefits and tax credits made the new services less complicated, problems have emerged for disadvantaged users, including:

- failure to meet agreed service standards, resulting in lengthy waits for payments, appointments and telephone responses;
- barriers due to the design of the system, ranging from complexity of forms to having to contact multiple agencies when a change of circumstances occurs;
- administrative errors, including incorrect benefit suspensions and information being lost in the system.

Stafford (2009, p. 259) points out that it is often the most vulnerable people who because of their complex needs often have to make links between different areas of service provision. And Sykes et al. (2005, p. 10) stress the dislocating effect of change in itself for some claimants.

Tax credits advisers told us that within the tax credits system, the costs of compliance were much higher for low-income groups than for high-income families who were only entitled to the family element of child tax credit, many of whom would find their claims renewed automatically.

In our consultations, welfare rights advisers identified certain groups of claimants as likely to have high costs. These are listed below, with some comment on each group. But advisers also emphasised to us that whatever the group, everyone's experiences would be different, depending on their particular circumstances (for example, their housing tenure, age and ethnic origin). One stressed that in their view, compliance costs are 'relentless' when claiming benefits; the main issue to emphasise is the shared experience of being a benefit claimant, which may be exacerbated for some particular groups.

2.6.1 Disabled and elderly people

Advisers told us that some doctors may charge a sum such as £25 for the medical evidence needed by claimants for disability benefits (perhaps for an appeal). This is often up to the practice manager, with some practices refusing to provide free medical evidence.

Nunn et al. (2008) found that new claimants with limiting health conditions had lower satisfaction with their contact with Jobcentre Plus than others had; and Johnson and Fidler (2008) identified people with a disability (as well as men) as being less likely to be satisfied with Jobcentre Plus services. Hawkins, Goldstone and Bhagat (2007) found that disabled and carer claimants found claim forms to be lengthy and confusing to varying degrees, but also that the need to be transparent about the nature of their illness, disability or caring duties could feel very negative, especially for parents completing forms on behalf of children; it militated against 'looking on the bright side'. This issue is emphasised by Royston (2007). On the other hand, if claiming is done via the telephone, Sykes et al. (2005, p. 11) note that it may be hard for staff to identify disabilities, especially if they want to avoid intrusive questioning.

Stafford (2009, p. 264) cites reports showing that some people with specific communications barriers, including hearing impairments (as well as those whose first language is not English – see Section 2.6.2), have difficulties with contacting Jobcentre Plus by telephone, although others prefer it. Turley and Thomas (2007), investigating the

tax credits renewal process for HMRC, found that paper forms and the telephone were preferred by different groups; and that claimants wanted more face-to-face interaction for disabled people (and those with English as a second language) in particular.

Deaf people claiming benefits may need sign-language interpreters. The government provides alternatives to using the telephone, such as home visits or face-to-face interviews; and HMRC offers a texting service for tax credits claimants. But the welfare rights advisers we consulted pointed out that deaf clients might find a texting facility helpful, but that this was not offered for benefits claims at that time, despite the fact that the health service now regularly uses texting. Instead, deaf people may have to depend on someone else to help them with their claim.

2.6.2 People whose first language is not English

Tax credits advisers report that migrant worker claimants have many problems with tax credits, particularly in relation to the language barrier and the often higher costs of gathering evidence. For those whose first language is not English, costs can fall on friends or family members as well. For example, advisers told us of one case of a boy aged 7 who had to interpret for his mother in a domestic violence case; and they said that elders within a community might know about people's personal business, because the interpreters are also members of that community. (These examples also raise the issue of psychological costs, in terms of privacy issues.) Finn et al. (2008) highlighted problems for new communities in particular, including difficulties in the use of English; and Nunn et al. (2008) found lower levels of satisfaction amongst new Jobcentre Plus claimants who were Asian or Asian British.

The government provides leaflets in a small range of languages and also has a telephone interpreting service (and face-to-face interpreting through partnerships with the voluntary sector) (House of Commons *Hansard*, Written Answers, 10 January 2008, cols 721W–722W). But advisers told us that staff were not always aware of the telephone interpreting facilities. Hudson et al. (2006) found that some staff found the (then) Language Line challenging to use, and reported that resource constraints affected their use of formal interpreting support; they were therefore using informal interpreting (family and friends of the claimant), sometimes in a context that caused them some concern. (Language Line has now been replaced by the Big Word translation service for HMRC and DWP.)

2.6.3 People with immigration or proof-of-identity problems

For foreign nationals, and some British nationals, the overlap between nationality/immigration and benefit rules, and the lack of understanding of these rules by some staff, can create additional hurdles. The lack of understanding by staff of what various Home Office documents mean, and how often officials require passports to be supplied, can also create problems for some claimants. Cross-border workers in Ireland / Northern Ireland can have particularly high compliance costs as 'migrant workers', according to tax credits advisers.

When there are immigration issues, even the simplest benefits such as child benefit can sometimes cause high costs of compliance.

Case study: *An Afghan family settling in the UK via the Netherlands where they have lived for 10 years. The father is still in Holland, with the mother, twins of 18 and a 15-year-old living in this country. The twins are now at further education college studying business studies and accountancy and the younger child is now at the local school. They have been trying to get child tax credit and child benefit since they arrived here in May 2008. They are still waiting to get the benefits and their money is running out. The CAB has rung both*

Departments to try and find out why there is such a delay but no one seems to be able to make the process any quicker. The family is getting very worried and frustrated at the bureaucracy they are caught up in. Their money is running out ...

The Child Benefit Office seems to take a long time to process immigrant applications in spite of the fact that they have all the information they asked for and are keeping copies of the passports and birth certificates at the moment – worrying ... This Office does not link with HMRC [in connection with child tax credit] so the family have to report to each when they are trying to get news of the benefits. Now the twins are at college they need to have proof of this, but ... they only knew about this when the CAB rang up. The Child Benefit Office are very unhelpful in that they can't give any indication as to when child benefit will be processed and child tax credit cannot be paid until this is done.

CAB adviser, October 2008

Proof of identity may be more difficult for some groups. CAB advisers described a case to us of a traveller who had no documented registration of the date and place of their birth.

2.6.4 People with literacy and numeracy problems

Stafford (2003) cited findings to show that literacy and numeracy problems are more common amongst benefit recipients than amongst the general population. The Skills for Life survey in 2002–03 estimated that 38 per cent of benefit claimants were below Level 1 in literacy (House of Commons *Hansard*, Written Answers, 4 March 2008, cols 2427W–2428W); and the government reports that an estimated 26 per cent of tax credit claimants with an income of under £10,000 per year have a reading age below 11 years old (HM Government, 2007). The National Audit Office (2006a), in research for its report on DWP leaflets, asked 28 ‘customers’ to complete simple tasks using the information provided in leaflets for their customer group; only four of the 16 tasks were successfully completed (p. 6). It also tested the readability of 13 core leaflets and found that they all required a reading age higher than the national average.

Hall and Pettigrew (2008), in qualitative research for HMRC with tax credits claimants, did not examine illiteracy or innumeracy as such; but they did report that, for some people, obtaining the claim form was simple, but the language of the form was found to be complicated and something they needed help with, and the written information provided was complex for people who were not financially astute. CAB advisers also told us that illiteracy is a common problem – but they said that it is also difficult for some people to ‘think on their feet’ when using the telephone (confirmed by Stafford (2009, p. 264)). (If they are being asked lots of questions, they may feel as though they are being suspected of fraud.) It may also be hard for people to admit that they find either of these common activities – reading and using the telephone – difficult.

The Public Accounts Select Committee (2004b) recommended that when considering the design of forms, departments should consult directly customers with specific needs such as basic literacy and numeracy, language barriers or other practical problems or incapacities.

2.6.5 People living in rural areas

As noted in Section 2.3.3, benefits and tax credits are normally paid into bank / building society accounts now; and with some post offices closing, many people – especially those living in rural areas, but also some in peripheral estates and urban areas poorly serviced by banks etc. – may have to use a cashpoint instead. In such areas, this can involve paying a charge to withdraw money (welfare rights advisers told us about charges of £1.25 and £1.50 per transaction). Rural areas in particular may also be disproportionately likely to lack access to broadband, which is fast becoming a key way to access the internet to find

out about benefits / tax credits and to manage personal bank accounts, as well as to search for other information etc. The government is concerned about both these problems, and is taking action to try to resolve them – including plans for a digital universal service commitment to be effective by 2012 (House of Commons *Hansard*, Written Answers, 24 February 2009, cols 728W–729W) – but this has not yet led to a comprehensive solution in all areas.

2.6.6 People with mental health problems

People with mental health problems may find it particularly stressful to have long interviews or telephone calls and may therefore not pursue a claim. They may find it difficult to keep appointments and may therefore miss interviews etc. Privacy laws can sometimes cause problems, because a doctor or a social worker may not be able to give details of someone's clinical condition to a third party, such as an adviser.

Case study: *A woman in her sixties living on basic state pension and disability living allowance has suffered from severe and enduring mental health problems for many years and is a regular client of the CAB. She has savings that prior to the introduction of pension credit exceeded the upper capital limit and prevented her from claiming minimum income guarantee. For the last couple of years, the CAB advisers have been pointing out that she is likely to be entitled to a substantial amount of pension credit (guarantee). But her health problems include severe obsessive and compulsive behaviour and severe anxiety and she has been unable to tackle making a claim.*

She cancelled one proposed home visit by the Pension Service because of anxiety. She then received renewal disability living allowance forms and could not cope with the pension credit claim until that had been dealt with and decided, which took 4 months in total. When she eventually finds herself able to make the pension credit claim she will only be able to get it backdated for 3 months, due to the new rules from October 2008. For this client, the 'costs of compliance' are psychological.

CAB adviser, October 2008

2.6.7 People with many changes of circumstances

Advisers told us that for those who had a straightforward claim and no regular changes in circumstances, the process of claiming benefits or tax credits could run quite smoothly. This was true even for low-income families on tax credits. But frequent changes in circumstances were likely to result in higher costs.

Those who have temporary jobs or work variable hours, who have a new baby or whose marriage breaks up – or lone parents trying out paid employment or new relationships, or disabled people experimenting with paid work, but unable to cope – have the potential to incur much higher costs of compliance. The phased national roll-out from late 2008 of the 'In and Out of Work' scheme, which builds on a pilot in Wallsend trying to reduce the contact with different authorities when working status changes, would help some of these groups.

On the other hand, Hawkins, Goldstone and Bhagat (2007) found that, for those who did not experience much change, some disabled claimants with a health condition – or those caring for someone with a condition that was not likely to improve – saw periodic reapplication for benefits as a waste of time (i.e. as having a high cost of compliance from their perspective).

2.7 Disentangling the causes?

In the sections above, the immediate cause(s) of the costs of compliance identified may be obvious, but the underlying reasons are not necessarily apparent. In this section, we try

to disentangle some of these. As explained in Section 2.3, we have not attempted to explore these underlying causes, as this is not relevant to a focus on measurement: regardless of how the costs have arisen, it is important to discover their extent and investigate their incidence. However, if policymakers are interested in such an exercise because of a prior interest in reducing the costs of compliance for benefits and tax credits claimants – which we believe they should be – then tracing causation becomes crucial.

2.7.1 Design, delivery and administrative error

It is not always easy to disentangle design and delivery issues. We could suggest that most costs of compliance will be caused by either design or delivery and that often more than one may be implicated at the same time. However, in addition, as we demonstrated in Section 2.4, administrative error within the system can increase compliance costs.

Consultation with advisers, who are experts in the difficulties of delivery, is likely to emphasise issues of delivery and administrative error rather than those of design, and this is what we have focused on above. As we noted earlier, by drawing on advisers' experience and expertise, we are likely to have focused on the more problematic cases of benefits or tax credits delivery. However, other authors have also found substantial minorities of claimants experiencing problems with benefits and tax credits delivery. For example, although Finn et al. (2008) acknowledged that well over 80 per cent of users were satisfied or very satisfied with the overall service they received (see also Stafford (2009, p. 259) and ORC International (2007) on tax credits), minorities did express dissatisfaction. They wanted improvements, such as claiming and forms being easier to understand, having better information and staff having more knowledge.

Similarly, Nunn et al. (2008) found that the new system of administration has improved the experience of claiming for many people, but that there are still areas for further improvement and that some groups have lower satisfaction. A participant in our project seminar argued that errors can be associated with claimants' lack of understanding as well as the complexity of the system, and that this may involve poor-quality information from helplines or staff. Specialisation within Jobcentre Plus means that there are no longer all-round benefit specialists who can help with all queries (Work and Pensions Select Committee, 2007). Not all these sources of problems result in compliance costs; but, as noted above, many do – and they are likely to result in costs that claimants find burdensome.

A consultation carried out by voluntary organisations and others with people on low incomes about the government's social inclusion strategy revealed that the administration of benefits and tax credits is more important to claimants than is often realised (UK Coalition against Poverty, 2006). But as we have focused in the rest of this chapter on delivery issues, we outline below some ways in which we believe that the *design* of the benefits and tax credits systems affects the costs of compliance for claimants. Nunn et al. (2008), in their survey of new Jobcentre Plus claimants, found that some important determinants of claimants' satisfaction *did* relate to the legislative framework around benefit eligibility. And whilst Finn et al. (2008) focused on problems in the delivery of benefits, tax credits and employment services, they also pointed to some issues about design. Service users whom they consulted wanted less complexity, for example, and would prefer a tax and benefits system that was simpler and less changeable. Similarly, the Parliamentary and Health Services Ombudsman has been careful to distinguish design from other issues in her reports on tax credits etc. (as noted by one MP in a recent debate: House of Commons *Hansard*, Debates, 14 January 2009, col. 115WH).

Here we look at the type of benefit or tax credit, in particular the design issues associated with means testing; particular benefits and tax credits; and the interaction of benefits and/or tax credits. The amount of benefit paid is also a key element of design in terms of its impact on compliance costs. But we deal with this in Section 2.8.6.

2.7.2 Type of benefit or tax credit: means testing

When examining benefit design, Walker (2005) usefully outlines three different routes to entitlement: insurance, citizenship and means testing. He argues that means testing usually entails greater complexity and in many settings is associated with higher levels of stigma and lower take-up (p. 236):

Applicants access a residual, social assistance system with different expectations and feelings of self-worth than they would claim an insurance pension or a non-contributory war pension. They are therefore likely to behave and respond differently in their dealings with officials.

Insurance benefits carry less stigma than means-tested benefits, and eligibility is usually more certain; but the assessment of entitlement may be complicated for the administration. Citizenship benefits typically have fewer barriers to access, but with increased international migration more people may be denied benefits on the grounds of residence or citizenship (Walker, 2005).

A comparison between child benefit and child tax credit can demonstrate some of the differences between types of benefits or tax credits. Universal, non-means-tested, non-contributory child benefit 'follows the child' and does not change with changes of employment or partnership status. But a claim for child tax credit (calculated on the basis of a means test, which involves joint assessment in the case of couples) has to be terminated and a new one started when a partnership ends or starts (Bennett with Dornan, 2006). Although a new claim for child benefit is required for each child, this is likely to be less complicated than the actions associated with a new claim for child tax credit resulting from changes of partnership or employment status.

Deacon and Bradshaw (1983), amongst others, have drawn attention to the stigma often attached to claiming benefits, especially those that are means tested. Hedges (2005, p. 32) argues that means testing substitutes a culture of 'claiming' for a culture of automatic entitlement, which was seen to have various drawbacks in the research he carried out – including being intrusive or humiliating, and having to provide private information and lay yourself open to official scrutiny. Henman and Marston (2008, p. 194) describe this graphically:

The social assistance system has a long history of highly intrusive, detailed and ongoing surveillance of claimants and recipients to minimise fraud and ensure eligibility. A deep suspicion pervades the system.

Sinfield (2001) argues that governments in the UK have sometimes reinforced this stigma as a matter of policy. The recent US welfare reforms seem to have included various techniques aimed at raising the costs of applying for welfare, including adding to the demands on claimants when claiming for the first time and increasing the 'hassle factor' by imposing additional conditions.

One stated reason for the Labour government's introduction of tax credits was its recognition of the stigma associated with means-tested benefits. For example, in 2005 the Treasury cited five key principles set out in 2000 to guide the programme of tax-benefit integration, which included the following:

to reduce stigma and maximise take up the income test should not be intrusive and the hassle of claiming should be minimised.

HM Treasury, 2005, para. 3.19

This shows an official recognition of the 'costs of compliance'.

Hall and Pettigrew (2008), in qualitative research by Ipsos MORI for HMRC, found that tax credits claimants felt no stigma and did see tax credits differently from other forms of state support. Qualitative interviews conducted for a study by three voluntary organisations confirmed that

... once aware of entitlement ... there was little sign of stigma associated with the receipt of tax credits.

*Community Links, Low Incomes Tax Reform Group and
Child Poverty Action Group, 2007, p. 20*

However, whilst take-up of working and child tax credits in the UK is higher than for the equivalent pre-existing benefits (HM Revenue and Customs, 2008a), child tax credit still has a lower take-up rate than (universal) child benefit; and the take-up rate of working tax credit amongst childless people is very low. In addition, it could be argued that separating tax credit recipients from benefit claimants might have the side effect of adding to the stigma of claiming benefits.

2.7.3 Particular benefits and tax credits

The advisers we consulted also identified specific benefits as causing particularly high compliance costs. The current systems of means-tested benefits and tax credits (as well as disability benefits) were thought to be particularly costly due to their design. Although the main means-tested benefits were streamlined in 1988 by having the same rules, subsequent reforms have meant that they have grown apart again, thus making the benefits (and now also tax credits) system more complex. The rules for qualifying for the benefit premiums given for disability and caring are particularly difficult to understand.

Means-tested benefits obviously involve investigations of income. A tax adviser told us that bank statements often had to be produced to give details of income and circumstances for certain periods for tax credits, and that if these had not been kept they could cost £5 each. Some older people were thought by advisers to resist claiming pension credit because they did not want to get 'charity'; pension credit was seen differently from the retirement pension because it was necessary to prove need and it was means tested and intrusive. Tax credits are different, in that no 'up-front' evidence is required. However, instead, HMRC carries out random checks; claimants chosen for these face significant compliance costs, as they have to produce a large volume of paperwork, including council tax and utility bills etc.

Because tax credits have to be jointly claimed, and are jointly owned, both partners must be present if HMRC wants to discuss the claim on the telephone; this may cause additional costs. The joint means test for various benefits (and tax credits) that applies to couples was thought by advisers to cause particular psychological problems for men who were used to being breadwinners and who found that they had insufficient contributions for a contributory benefit when incapable of work, but were also disbarred from means-tested benefit because of their partner's earnings. This resulted in their having no possibility to continue enjoying an independent income.¹⁸

¹⁸ The Civil Partnership Act (2004) means that joint assessment and the cohabitation rule now apply to same-sex partners as well as man/woman couples.

However, it is not just means testing that creates high costs of compliance; any benefit that requires regular reassessment also does so to some extent, including benefits for incapacity or unemployment. Contribution records can take even longer to work out than means-tested entitlement, according to some advisers. Although this cost falls on the administration rather than on the claimant, Annex 3 details one person's experience in claiming their (deferred) retirement pension, which clearly took up a significant amount of their own time as well. But benefits such as child benefit and contributory retirement pension are (except for age-related changes) unlikely to generate the need for repeated contact once claimed.

Disability and health benefits also cause specific problems in terms of psychological costs. CAB advisers thought that the claim form for disability living allowance is 'very depressing as you have to go through everything you can't do' (Gloucestershire advisers' meeting, October 2008). Because of this, they found that disabled people often tended to 'put a brave face on', and therefore failed to qualify. Others also noted that it was very intrusive and that advisers always apologised to the claimant when asking (for example) how many times they had to visit the toilet in the night (Northamptonshire advisers' meeting, September 2008). The claiming process for attendance allowance for older people is very similar. Royston (2007) also draws attention to the embarrassment of claimants with health conditions having to talk about these in an open-plan Jobcentre and suggests that interview rooms should be offered in this situation.

Welfare rights advisers and CAB advisers also suggested that crisis loans were particularly problematic. As shown in the case studies about crisis loans in Section 2.3.2, this was in part because of the length of time that often had to be spent on the telephone and how much this might cost for a mobile-phone user. But it was also because people had to travel to actually get their loan when the Jobcentre Plus office does not have a secure area to keep money (meaning that sometimes, from advisers' experience, it may cost £11 to obtain a crisis loan of £15). In theory, they could get a travel warrant; but there is often no explanation of this right. People may have to travel a long way, especially in rural areas; yet, leaving aside the monetary cost, there is no acknowledgement of the time involved for claimants having to do this. Welfare rights advisers told us that, for example, there are only three collection offices in Suffolk to cover the whole county. (A crisis loan can be paid into a bank account; but welfare rights advisers pointed out that if, as is likely in the circumstances, this is already in the red, the loan would be swallowed up immediately.) An office visit is also still required for the claimant to accept the crisis loan agreement, though this requirement may change in future.

2.7.4 Costs arising from the interaction of benefits and/or tax credits

Royston (2007), in a report for the DWP on benefits simplification, had a whole chapter on reducing the complexity caused by interactions between benefits. Claimants are often confused by the interrelationships between different benefits and between benefits and tax credits. Qualifying for some benefits or tax credits relies on qualifying for others (for example, carer's allowance relies on the person being cared for getting disability living allowance or attendance allowance). Some claims are made on the same form; so, for example, deciding not to claim working tax credit means not claiming child tax credit either. Other benefits or tax credits may be offset against one another because of means testing, the 'overlapping benefits' rule etc. Benefits for which claimants have to go through the claiming procedure in order to trigger entitlement to premiums, but which do not themselves result in any additional money, are (not surprisingly) particularly hard for claimants to understand.

Gary Vaux also noted in *Community Care* (8 January 2009) that claimants of the income-related (means-tested) part of employment and support allowance, the new benefit for those with long-term health conditions affecting their capacity to work, qualify automatically for passported benefits such as free prescriptions and full housing benefit – but claimants of the contributory equivalent do not, although they may qualify on grounds of low income. The policy decision to pay these two elements at the same level, but to give one category automatic rights to additional benefits and not the other, creates additional costs of compliance for some claimants. On the other hand, the quid pro quo of the ‘passporting’ of one benefit or tax credit to others is the multiplying effect, in that the loss of one benefit means the simultaneous loss of others.

Three voluntary organisations published an overview of the interactions between various benefits, and between benefits and tax credits, and the impact that these had on claimants’ likelihood of moving into employment (Community Links, Low Incomes Tax Reform Group and Child Poverty Action Group, 2007). They made various suggestions about reforms to remedy this, including the ‘proofing’ of proposed changes to benefits, tax credits or tax rules for possible interactions with other existing systems.

2.8 Issues arising for measurement of costs of compliance for claimants

Here we draw out the implications of some of the issues arising from our exploration of the nature and range of costs of compliance for claimants when considering how to measure such costs.

2.8.1 Variation in costs

It is clear from the discussion of groups of claimants with high costs in Section 2.6 that some claimants, because of their personal characteristics, or for structural and other reasons, may have higher (or lower) compliance costs than others. There may also be local variations in costs, depending on (for example) location and transport facilities – and perhaps also different cultures in particular local Jobcentres or HMRC offices etc. Local authorities’ procedures and administration processes for housing benefit and council tax benefit are likely to differ (Davidson and Sainsbury, 2008). The increase in provision by private and voluntary sector providers will mean that benefits claimants’ experiences will probably vary more in future. Furthermore, we argued earlier that those facing the largest costs are also likely to be those claimants facing other forms of disadvantage. This means that an ‘average’ cost will not give a complete picture, and will certainly be insufficient in understanding the distributional impact of compliance costs; a range will be needed.

2.8.2 Whose costs to include

We discussed in Chapter 1 the fact that costs of compliance associated with benefits and tax credits may affect people other than claimants, and we analysed these in relation to benefits and tax credits in Section 2.5 (‘Getting help, advice or advocacy’) in terms of compliance costs *for the claimant*.

In addition, however, the examples given in Section 2.6.2 of interpreting being provided by family or others demonstrate that costs of compliance can fall on people *other than the claimant* in relation to a claim for benefits / tax credits. This may also apply to advice agencies and others helping someone with their claim:

It has also occurred to me that de facto, every case you get from us involves the 'costs', to the client, of having to go to the CAB. And, by the by, that itself is an added cost to the CAB and the community.

Communication from CAB adviser, October 2008, our emphasis

The design of the benefits / tax credits system and the nature of government forms have implications for advice agencies' time. For example, if a disabled person requests help with completing a disability living allowance or attendance allowance claim form, this can take a long time to fill in, as the form is 40 pages long and the guidance runs to 32 pages. Such help can be available from the DWP; but some claimants will choose to turn instead to friends or family, or to advice agencies, who will then incur the costs themselves instead of the DWP doing so. It may also take time for advisers to try to get different parts of departments or government to coordinate.

CAB advisers told us that a third party (i.e. an adviser) can negotiate with the DWP without letters of authority in relation to benefits that it administers; but with tax credits and housing benefit, a letter is needed. However, this authorisation is not recorded – so the process has to be gone through each time, with the adviser repeatedly getting permission from the claimant to act on their behalf. This adds to advisers' time costs. (This problem is reported to be decreasing now, however.)

Many DWP forms mention Citizens' Advice Bureaux as a source of advice and information. But some advisers have told us that they now have to download claim forms from the internet, as they can no longer obtain them from the government (though these are made available to claimants through Jobcentre Plus offices and pension centres, and many claims are now made over the telephone instead). This was seen by these advisers as transferring the cost of providing forms from the government to advice agencies.

Tax credit advisers told us that some advice agencies had now stopped taking on tax credit overpayments cases, because the volume of work involved for them was so heavy; an overpayments case might take two days of initial analysis to clarify the situation. There was some feeling amongst tax credit advisers that operating costs had also been transferred to them.

Case study: *Single parent – she works and claims tax credits. Two years ago an adviser on the Tax Credits Office (TCO) helpline made a mistake in the way they recorded a change of circumstance she had reported. This mistake led to two awards running in the same year and became increasingly complicated as different people sought to solve it. She was asked to repay an overpayment but couldn't understand how it arose. She sought our help when she could get no sense from the TCO.*

At various times she has been given five different figures for the overpayment, including one at nearly £4000. This client was very well organised, had kept the TCO fully informed of changes in circumstances and kept all the relevant correspondence. Despite this it took a year and a half of our involvement, numerous letters and contacts from us and eventually an appeal before it was established that the overpayment was actually just over £1000. That overpayment has now been written off, as the TCO accepted there was no way that she could have realised she was being overpaid. If we hadn't been involved, it is probable that this lady would have ended up paying the TCO nearly £4000, even though she had only been overpaid just over £1000 and even that was not recoverable.

CAB adviser, September 2008

Advice agencies receive some of their funding from the taxpayer, at either local or national level or both, thus blurring the picture of where the cost ultimately falls. However, it is also clear that the costs of compliance that claimants have to meet because of the ways in which government is organised and/or conducts its business have a knock-on effect for advice agencies and others, and this is what we have explored here. A recent study (AdviceUK, 2008) described much of the work of advice agencies as 'failure

demand' – work that should not need doing, which was caused by failings further back in the system of public service administration. It argued that these failings are creating unnecessary work and costs, not only within advice organisations but also in public services themselves.

The role of advice agencies and other intermediaries, including informal helpers, should certainly be included in any assessment of the overall costs of compliance of benefits and tax credits. Furthermore, employers or other agencies have sometimes been involved in administering various benefits and tax credits on behalf of the government, thus also incurring costs of compliance. However, these are not costs of compliance for claimants, but costs that fall on others, so we have not analysed the nature of these costs, nor how they would be measured.

As explained earlier, we do believe that the costs to claimants of getting help, advice or advocacy should be included in the costs of compliance that are measured. This is only doing the same thing for claimants as for taxpayers: in the economics literature on the costs of compliance of tax, costs to the individual taxpayer of using accountants or similar would be included as a so-called 'external' cost of compliance, as explained in Chapter 1.

However, two difficult issues do arise that make the boundaries of such costs rather fuzzy and decisions on how to treat them difficult. The first is that costs of compliance may fall upon the claimant's immediate family, in particular their partner. To take one example, whether a claim is technically joint or individual, means-tested benefits and tax credits are likely to involve the accumulation of evidence from both partners in couples about income and savings, and often about hours of work etc. as well. The lack of financial independence from one's partner could be seen as one of the costs of compliance of means-tested benefits and tax credits. (Moreover, the increasing prevalence of joint claims for jobseeker's allowance requires both partners to engage in job-seeking behaviour in order for one partner to receive benefit on behalf of both of them; if the partner does not fulfil the conditions, the claimant's benefit will be reduced.) We believe that this issue should be discussed in any consideration of the costs of compliance of benefits and tax credits and how to measure them.

Second, as welfare rights advisers noted, the costs of compliance for claimants obtaining advice or advocacy may vary because of different agencies' different ways of giving advice. Some help the claimant to complete a form, for example, while others will complete it for them; some ask the claimant to complete the form first and then check it for them. A decision would need to be taken on how to deal with this in terms of measurement.

2.8.3 Claimants' priorities – and most annoying costs of compliance

It is clear that not all costs with the same monetary value, or not all tasks requiring the same input of claimants' time, are perceived equally by claimants. In our consultations with advisers, we therefore asked what they saw as examples of the worst or most frustrating costs of compliance for claimants of benefits and tax credits.

The following were some of the issues that advisers identified from their wide experience of claimants' problems:

- hanging on the telephone until your mobile phone credit is exhausted;
- reliance of the system on telephones and computers, which is discriminatory for people who find this hard;
- the benefits office saying that they will ring back, but not doing so (or ringing back too late);

- the telephone not being answered (and ringing off means going to the back of the queue);
- having to start all over again if it is a new person who rings you back about your claim;
- telling the authorities information more than once (especially likely for tax credits), especially if the full conversation is not recorded;
- loss of documentation;
- questions that make you feel as though your integrity is being questioned.

Some additional issues they mentioned may not appear to be straightforward costs of compliance – such as claimants feeling that HMRC is judge and jury, it being difficult to appeal about tax credits, and overpayments of working tax credit being deducted from child tax credit.

Case study: *A woman was getting child tax credit and her partner was on working tax credit. HMRC did not take on board that the couple had separated, so working tax credit was still paid to him as though he had a family. So there was an overpayment – which was then taken off the child tax credit the woman was getting. This can be challenged. But the delay in getting the mistake sorted out left the woman without money.*

From adviser at meeting of CAB advisers, September 2008

But these may nonetheless be experienced as sources of frustration, which can therefore clearly be seen as psychological costs. (See the ‘top 10’ citizens’ irritations discovered by the Dutch government, described in Chapter 3.)

This was not intended to be a formal survey of the most irritating aspects of benefits and tax credits; but we do suggest that such research be carried out more regularly by the DWP and HMRC, as part of any exercise to estimate the costs of compliance for claimants of benefits and tax credits.

2.8.4 Conditionality as a cost of compliance

The activities involved in maintaining a benefit or tax credit claim can often include fulfilling conditions imposed by government. We argue that such conditionality should be included as a cost of compliance. It could be argued that such conditions should not be included as costs of compliance, as they are different in nature from those involved in simply claiming and maintaining the claim. In addition, some conditions may not involve any costs for the claimant; and some may arguably result in claimants getting an additional advantage beyond the actual benefit or tax credit. The clearest example of this is someone managing to get a job because they are obliged to actively seek work in order to (continue to) get jobseeker’s allowance. To include conditionality as a cost of compliance would, from this perspective, suggest that instead of being necessary in order to get this advantage, it was an unnecessary burden.¹⁹

Some people who study compliance costs would therefore not include conditionality within their concept of the ‘costs of compliance’.²⁰ We are of the view, however, that it should be included, because we believe that the claimant’s perspective is important and that conditionality is experienced as part of the costs of compliance by claimants. Conditionality may not only be conferring potential advantages on claimants; sometimes,

¹⁹ Karagiannaki (2009), on the other hand, suggests that there is a risk that integrated benefit and employment services, with a focus on entry into paid work, may not address the needs of benefit claimants who are further from the labour market.

²⁰ In Chapter 3, we note that one way of measuring costs of compliance – the Standard Cost Model (SCM) – distinguishes ‘administrative costs’ that fall on individuals (or companies) from ‘substantive costs of compliance’. Aspects of conditionality in the benefits system would probably be counted as substantive costs of compliance by the SCM.

it – or its outcomes – can result in psychological costs for claimants or even deter people from claiming benefits altogether. In the US, indeed, Midgley (2008, p. 28) argues that

... some states have deliberately used the [new welfare] programme's conditionalities and strict requirements to achieve rapid caseload reductions ... [T]hey measure success through the number of clients who are expelled from the caseload ... [S]tates committed to a caseload reduction approach have trained their staff to use various tactics to deter needy people from applying for benefits and to facilitate exit from the programme. These 'hassle' techniques as they are known include unresponsiveness, excessive demands for documentation and even rudeness and intimidation.

However, there is still an issue about what to include, which on the one hand involves recognition of some fuzzy boundaries and on the other involves offsetting benefits (in the sense of advantages) against costs:

- First, the fuzzy boundaries. It is difficult to think of all conditions of entitlement as pure costs of compliance (for example, being a lone parent in order to qualify for a benefit for lone parents), and it therefore seems sensible not to include these. But fulfilling continuing obligations during the course of the claim (for example, visiting the Jobcentre to 'sign on' or participate in a work-focused interview) seems to be seen by claimants as a cost of compliance. And for many claimants, there is no choice about fulfilling the requirements – such as continuing job search – if they want to have enough money to live on. This could perhaps mean distinguishing between requiring the claimant to 'do' something and merely 'be' something (although, with the proliferation of work-focused interviews as the gateway to a claim for more working-age claimants, as noted in Section 2.3.2, this distinction is becoming more blurred). One possibility would be to consider what the person would have done in the absence of the benefit – though this counterfactual is not always going to be easy to establish.
- Second, the argument that conditions can result in advantages for claimants. If claimants do gain an advantage as a result of the conditions imposed on them, this can in principle be deducted from the costs of compliance, as in any cost-benefit analysis.

We recognise that there are arguments for and against including conditionality costs in the costs of compliance, and we would not want to see progress on measuring other costs of compliance delayed because their inclusion was contested.

Conditionality has varied over time, especially for unemployed claimants; but there would probably be general agreement that conditionality in the UK benefits system, if not in tax credits, has been both deepened and extended to other groups in recent years – a process which is also now being taken further (Griggs and Bennett, 2009). With more work-focused interviews being introduced, including as part of the initial claiming process, CAB advisers told us that many people have to attend the Jobcentre Plus office for interviews more regularly. The proposals in the recent welfare reform White Paper (Department for Work and Pensions, 2008b) are likely to increase this, with some people having to 'sign on' more frequently as well.

2.8.5 Possible behavioural effects of compliance costs

We have already noted, under 'Conditionality' in Section 2.8.4, that costs of compliance may have behavioural effects. These can in turn sometimes have deleterious effects for claimants, including additional financial costs.

Non-take-up of entitlements to benefits or tax credits can arise because claimants want to avoid the costs of compliance (in other words, they think the potential costs outweigh the financial benefits; Chapter 3 examines 'revealed preferences' based on non-take-up as one method of trying to measure compliance costs). CAB advisers told us that there is now resistance among some people to claiming tax credits, because they have suffered from overpayments; some even say that the trauma of the experience means that they will never claim tax credits again. This has been echoed by MPs in parliamentary debates.

In a Citizens' Advice online survey in 2007, almost half the respondents said that their experience of tax credits meant they were less likely, or definitely did not want, to claim tax credits in the future. This then creates financial costs for them, because of missing out on benefits or tax credits to which they are entitled. (See also House of Commons *Hansard*, Oral Answers to Questions, 18 October 2007, col. 943.) CAB advisers also told us that some pensioners would not make a claim for pension credit if they had had problems in claiming previously.

High costs of compliance can lead to non-take-up, which clearly has a financial cost to the individual. Although the latter is not in itself a cost of compliance – rather, a result of avoiding such costs – cost-benefit analyses of changes to the design or delivery of benefits and tax credits should take account of any changes in take-up behaviour that result from changes in the costs of compliance for (potential) claimants. Similarly, another reason for losing money, according to CAB advisers, is that claimants do not challenge overpayments of benefits or tax credits because they do not understand and do not realise that they can be challenged. Reportedly, many people also repay at rates they cannot afford because they are not routinely advised that they can negotiate a more affordable rate.

High transaction costs, and the risks involved in reporting changes of circumstances, can also lead people to avoid reporting them. Irvine, Davidson and Sainsbury (2008), investigating claimants' reporting of changes in circumstances to the DWP, found that knowledge or perceptions of benefit rules, and the way changes could affect benefits, could lead people to delay reporting changes or to decide not to report them at all; this behaviour could be driven by people's anxieties that reporting a change could lead to a reduction or termination of a benefit or to unwanted 'hassle'. Davidson and Sainsbury (2008), in a report on housing benefit, note that the time and money costs involved constitute barriers to reporting changes in circumstances for some claimants. This means that (anticipated) costs of compliance are directly implicated in decisions which the authorities may see as non-'compliance' (i.e. fraud).

There were also less tangible effects of reporting changes, such as worry, stress, anxiety and confusion that made the experience of receiving benefits an unwelcome negative experience.

Irvine et al., 2008, p. 3

Another possible behavioural impact, however, is that instead of not reporting changes of circumstances, people actually avoid changing their circumstances:

Managing a complex claim of different benefits and tax credits can be very time-consuming when a change in circumstances occurs and can lead people to avoid changing their circumstances because they fear the repercussions in terms of lost benefit through mix-ups, delays or official error.

Communication from social policy researcher who attended research project seminar, 13 June 2008

Some individuals may be more risk averse than others, and so high costs of compliance have more impact on their behaviour. But people living on low incomes are, in any case, likely to be more risk averse – especially if they have children whom they are trying to protect from adverse circumstances.

The impact of this avoidance behaviour may be felt in, for example, a lower long-term income for a claimant (and their family) if this means that they do not take up paid employment when they could otherwise do so (see Citizens' Advice (2008)). Evidence from WorkDirections UK to the Work and Pensions Select Committee highlighted the 'costs of compliance' involved in entering part-time paid employment for a lone parent:

... it is not unusual to have to complete seven different forms: for housing and council tax benefit; to stop income support; to claim in-work credit; to claim a job grant; to claim 4 weeks housing benefit run on; a form for extra help with childcare costs and a form to claim working tax credit. Each of these needs evidence, and it is not possible to claim them all concurrently ... These forms cannot be completed in advance.

Evidence cited in Work and Pensions Select Committee (2008, p. 80)

And Finn et al. (2008), in their interviews and consultations with service users, found a number of people who had experienced problems with their benefits or tax credits who said they felt unable to return to work because they worried that they would not receive the payments they were entitled to (or that their current benefits would not be reinstated if they stopped working because the job did not work out). This can be characterised as a behavioural response to the costs of compliance associated with claiming benefits and tax credits.²¹

Similarly, Collard and Atkinson (2009) report a 'handful' of one-earner couples in their qualitative research who had experienced problems with bonuses or overtime payments in relation to their tax credits which had resulted in the working partner being reluctant to take on any additional hours of work. They also report a small number who saved into their children's accounts, or avoided saving altogether, apparently in order to simplify their housing benefit claims. Royston (2007) argues that the obligation to report changes in income on a weekly basis for housing and council tax benefits impinges most on those who have least to gain from paid work, and suggests it is highly likely that some customers would rate a reduction in complexity as more valuable than a rise in income. (See Citizens' Advice (2008, pp. 20–21), which highlights this issue.)

Tax credits advisers told us that low-income people in particular want certainty, and that they find it difficult to plan a move back into work because of the uncertainty around tax credit awards. A study by three voluntary organisations also discussed the impact of the interaction of benefits and tax credits on the likelihood of claimants moving into paid employment (Community Links, Low Incomes Tax Reform Group and Child Poverty Action Group, 2007) (see also Section 2.7.4 above). In particular, in addition to quality of service, they highlighted the double layer of complexity (both benefits and tax credits, which are complex in themselves, and the complexity of their interaction), which leads to claimant confusion about entitlements and the impact of changes. They also pointed to the constantly changing nature of tax credits, which made it hard for people to make informed decisions about employment or hours of work. In addition, they identified a lack of both a customer-focused perspective and oversight of inconsistencies and contradictions in the agencies concerned.

²¹ It is important to distinguish decisions not to enter paid work based on the relative generosity of the benefits and tax credits system, which would count as an efficiency cost to the benefits system in a cost-benefit analysis, from those decisions not to enter paid work that are responses to the costs of compliance.

Case study: *I have been supporting someone through the trauma caused by a catalogue of errors in the tax credit system. I have spent hours analysing her tax credit awards and trying to reconcile them to her change of circumstances as she reported them. Although my profession was accountant I am unable to work out the logic of some of the figures that appear on her awards. Her award was picked up by a tax credit compliance officer with regard to child care costs (which were incorrect). It was only because I was able to prove through case notes that the client had tried to tell tax credits many times the figures were wrong that the client was not prosecuted for fraud.*

The whole experience upset her so much that she gave up work because she could no longer cope with all the tax credit errors. Her final award for the year 2005/06 shows an overpayment of £4929.52 of which '£4794.43 is not being collected at present'. That statement is not enough to put her mind at rest. In any case my own calculations show that the figure is completely wrong. At this moment in time we are not taking any further action but are aware that the problem may come back to haunt her.

CAB adviser, June 2008

It was suggested to us that the costs to society as a whole of the consequences of the behaviour of some individuals trying to avoid compliance costs should also be considered. This was endorsed by the welfare rights advisers we met with to discuss the costs of compliance. One specific example of such costs to society might be the forgone revenue resulting from individuals choosing to (continue to) claim out-of-work benefits but also work in the 'informal economy' without declaring their earnings. It has been argued that this is often related to 'need not greed' – meaning that, in response to low benefit levels and the low levels of 'disregarded' (ignored) earnings for many people living on benefits, some may top these up by cash-in-hand jobs to try to achieve a decent living standard (Katungi, Neale and Barbour, 2006; ATD Fourth World and Community Links, forthcoming, 2009). This outcome is seen as more likely because of the inflexibility of the benefits system in relation to short-term, low-paid employment contracts (Cooper and May, 2007; Millar, Ridge and Bennett, 2006) and a feeling by claimants that benefit rules such as earnings disregards are holding them back rather than helping them get on.²²

Few policy simulation or other economic models can predict behavioural change as a result of changes in policies or practices. In particular, including societal costs such as those described above in cost-benefit analyses of changes to the benefits and tax credits systems would clearly be very complex. However, even if this were not possible, we believe that some consideration of the individual behavioural responses described in this subsection should be attempted in any comprehensive cost-benefit analysis of changes to benefits or tax credits.

2.8.6 Separating the psychological costs associated with benefits and tax credits from those of living on a low income

It could be argued that if the amount of benefit or tax credit that is paid is low, this can in itself create additional 'costs of compliance', in that costs will be incurred by the claimant because income is insufficient to meet obligations:

The only one other ... point I'd make here is that, from a claimant perspective, one of the major costs of being on benefit can be poverty.

*Communication from social policy researcher
who attended project seminar, 13 June 2008*

²² The government has since announced a disregard for child benefit income in housing and council tax benefits, which acts much like an earnings disregard for some people, and it will also be piloting policies to encourage lone parents to work fewer than 16 hours a week. But neither of these changes will affect unemployed claimants on jobseeker's allowance.

A particular example of a (one-off) payment that might be seen in this way is the low level of the funeral payment from the regulated Social Fund.

Case study: *A widower on pension credit. One of his three sons died ... The man applied for a funeral payment [from the regulated Social Fund] but was not given anything like enough to cover the cost. The client felt that this was because [he had not provided sufficient information] ... In fact he had got the maximum allowed which was cremation fees + £700. He is very distressed. He is now, in fact, in debt. He has found it hard to access the system and understand the rules and guidelines. He is spending time and money trying to appeal. He will have to go from the CAB which serves [X] to an agency in [Y] to complete the appeal papers. He will have to go to another agency to get help to negotiate repaying the debt at a reasonable rate. He will then have the stress of the debt and have to spend the time trying to sort it out.*

The funeral payments are insufficient to cover the costs of the most basic funeral. The general public is not aware of how limited the help is. Nor, it would seem, are the funeral parlours. It is stressful having to complete all the forms and paperwork at a time when people are already distressed. The application/appeal process is complicated and 'unsympathetic'.

CAB adviser, 2008

The concept of a 'poverty premium' has gained recognition in recent years. This is a phrase used to describe the fact that people living on low incomes often have to pay higher prices than other people for the same goods (such as prepayment meters for utilities) or have to pay more for credit etc. (Strelitz and Kober, 2007); they are often disadvantaged in relation to other consumers because they cannot pay in advance, cannot buy in bulk or do not have creditworthiness. Low levels of benefit can lead to higher costs in this sense. Although it could be argued that they are not strictly compliance costs, the level at which benefit is paid can influence the amount of such costs.

It may be difficult when trying to measure costs of compliance to separate the psychological costs associated with claiming and living on benefits and tax credits from those of trying to live on a low income. But welfare rights advisers were clear that there were particular costs associated with the way in which applying for, and fulfilling the conditions for, benefits and tax credits affects people's lives, above and beyond the impact of living on a low income. They emphasised the impact on claimants' human rights, especially in terms of privacy in their family life.

They argued that the worst effect is intrusion, and never being safe from the scrutiny of the state, with the threat of damaging consequences hanging over one's head through no fault of one's own. This impact applies in particular to the kinds of benefits / tax credits that claimants are likely to seek help with from advisers. The cohabitation rule, which applies joint assessment for means-tested benefits and tax credits if a couple is living together, was also thought by CAB advisers to give space for the actions of malicious neighbours; if cohabitation is suspected, payment of the benefit or tax credit may cease and an appeal has to be launched. This makes it more likely that claimants have less trusting relationships with both their neighbours and officialdom.

The advisers we consulted thought that the psychological 'costs of compliance' associated with benefits and tax credits were a key issue, and that it was therefore very important to look beyond practical issues such as time and money. The concept of a 'contract', which is now being applied to increasing numbers of claimants, is meant to be seen as one of mutual rights and obligations; but according to advisers, it is usually not experienced in this way by claimants, because they rely on the income they claim and so feel they must do as they are told. One welfare rights adviser described some claimants' (and low-paid workers') experiences as feeling that they had no control over their own

destiny. Another adviser said it was the 'cumulation of experience within the benefits system' that had the most devastating effect. The strength of advisers' descriptions bears witness to their own experiences of trying to help claimants access their rights and resolve the problems they face. We would argue that this strengthens the case for taking psychological costs seriously in any attempts to measure claimants' compliance costs.

2.9 Conclusions

We believe that the evidence presented here, based on our reading of the literature and our consultation with experienced advisers, provides valuable information about the nature of the costs of compliance faced by potential claimants, claimants and appellants. The next stages of research should be, on the one hand, to explore these costs further from claimants' own perspective and, on the other, to try to measure the costs of compliance of benefits and tax credits identified.

The final section above drew out the implications of some of the more complex issues arising from this initial exploration of claimants' costs of compliance for questions about the measurement of such costs. The next chapter describes various ways in which costs of compliance have been measured to date.

CHAPTER 3

How Have Compliance Costs Been Measured?

3.1 Introduction

This chapter reviews how compliance costs have been measured in practice. We discuss the advantages and disadvantages of the alternative measurement methods, and the contexts in which they have been used: the appropriate methodology to employ depends crucially on the purpose of the study (Sandford, 1995, p. 402). Because the concept of compliance costs has been used for many decades in the tax literature, our review naturally focuses on this area in particular, although other studies are also included.

We have divided the studies into four categories:

- large-scale random surveys;
- the Standard Cost Model;
- in-depth or qualitative studies;
- (non)-take-up studies, and ‘revealed preference’ arguments.

In Section 3.6, we compare the methods and offer an assessment of their strengths and weaknesses.

3.2 Large-scale random surveys

As far as we know, no large-scale surveys have yet been used to estimate the costs of compliance involved in the receipt of benefits and tax credits. Large-scale surveys are used in the UK by government departments, including DWP and HMRC, to estimate customer satisfaction (e.g. Sanderson, Fidler and Wymer, 2005; ORC International, 2007; Johnson and Fidler, 2008), but this is not the same as estimating the costs of compliance. A study in progress at the time of writing was intending to use a large-scale telephone survey to estimate the compliance costs of making a new claim for jobseeker’s allowance. (There is more information about this study in Chapter 4.) Below, then, we discuss the use of large-scale random surveys to estimate the compliance costs of taxes.

The vast majority of studies of the compliance costs of tax have used large- (or moderately large-)scale surveys. Typically they have been conducted on a randomly selected group of taxpayers, who have been asked a small number of retrospective questions about the amount of time spent by the taxpayer (if an individual) or by internal staff (if a business) on complying with the tax authorities’ requirements, and the hourly value of this time (usually separately for different types of staff), annual fees to advisers for tax work, and annual incidental or other costs. Most of the large-scale surveys have been conducted using bespoke postal questionnaires, though a number have employed face-to-face or telephone interviews, some of which have been part of omnibus surveys. Examples include Slemrod and Sorum (1984), Evans et al. (1997), Inland Revenue (1998), BMRB International (2004) and Colmar Brunton (2005); see Evans (2006) for a recent overview. Box 3.1 gives more detail on a recent UK study.

Box 3.1

BMRB's work on self-assessment income tax form

BMRB International (2004) is a recent example of the use of a large-scale random survey to estimate compliance costs in the UK. The subjects of the study were individuals who had filed a self-assessment form for income tax, and the purpose of the study was to evaluate the difference between the usual self-assessment form and a new short form, which was being piloted by HMRC. The study aimed to interview by telephone individuals who had recently filed their self-assessment form. Questions were asked about individuals' perceptions of the process and about compliance costs (time and money, but not psychological). As a result of the study, it was concluded that (p. 4)

The median total compliance time for those completing the short return was 120 minutes compared with 162 minutes for taxpayers who used the main return.

BMRB also reported that (p. 3)

Taxpayers who had completed the short return were much more likely to say the tax return was 'very easy to use' and 'very easy to understand' than a comparable group of taxpayers who completed a main return. Overall, 94% of users of the short return were satisfied with the whole process of completing their tax return, (including 55% who were 'very satisfied'), compared with 82% of those who completed a main return who were satisfied, (38% who were 'very satisfied').

Evans (2006) and Sandford (1995, p. 382) state that many studies of the compliance costs of tax achieved very low response rates. Evans et al. (2001, p. 244) conclude:

as a rule of thumb, a response rate of about 30 per cent is generally regarded as satisfactory.

Responses have tended to be highest from individual (personal) taxpayers, but still below that achieved by the major household surveys. In the UK, for example, Sandford, Godwin and Hardwick (1989) achieved a response rate of 43 per cent among personal income tax payers, compared with around 65 per cent for the Family Resources Survey and 70 per cent for the first wave of the Labour Force Survey. For businesses, 25 to 40 per cent seems to be the norm.

One exception is a study by the US tax authority, the Internal Revenue Service (IRS), which seems to have succeeded in estimating income tax compliance costs using a large-scale survey (15,000 responses to a 10–15-minute telephone interview or a 10–12-page mail questionnaire) – see Guyton, O'Hare and Stavrianos (2003) for details. Response rates of 61 and 56 per cent were achieved for the two groups of taxpayers considered.

These generally poor response rates raise questions about whether sensible conclusions about the compliance costs of taxes can be drawn from existing work. This is sometimes addressed by examining non-response bias (where some information is known about the non-responders): see Tran-Nam et al. (2000), for example. Godwin (1995, paras 4.35 and 4.52) says that, in surveys of firms, response tends to be lowest among small firms (where the proprietor's time is often the chief asset). Non-response bias can occur if taxpayers choose to respond to surveys because they have a particular view about compliance costs (for example, they respond because they are frustrated at the high compliance costs they suffer). Evidence for the impact of this on estimates of compliance costs is limited, however (see Sandford (1995, pp. 380–1)).

For studies that involve interviewing individuals, the precise timing of such studies relative to the events being studied, and the period of time covered by the questions, can

both have important effects on response rates (for large-scale surveys) and the quality of data collected (for all methods). In the tax literature, it has been common for studies to investigate the cost of complying with events that happen periodically (such as annually or quarterly). For those taxes that have a filing deadline, it has proved sensible to survey taxpayers shortly after the deadline while information is still fresh in their minds: Slemrod and Sorum (1984) and Blumenthal and Slemrod (1992) sent out postal questionnaires in the week following the US income tax filing deadline; the UK evaluation of the short version of the self-assessment tax form involved interviewing taxpayers shortly after they had filed their tax return (BMRB International, 2004). The alternative is to rely on individuals' recollections at a later date, which raises the issue of recall error. The choice of timing and period of measurement can have important implications for the extent to which estimates capture both one-off costs and recurrent costs (see discussion of these issues in Section 3.6).

A few large-scale surveys have been used to measure, and even value, psychological costs. Díaz and Delgado (1995) evaluate the psychological cost to Spanish taxpayers of personal income tax, using four indicators: perception of time dedicated to the task; part of the fiscal obligation most disliked; state of mind on completing the process; and time occupied by tax return filing as a conversational topic. Psychological costs are not included in their figure for total compliance costs, and they state that these are 'incapable of being evaluated in monetary terms'. Colmar Brunton (2005) reports results from a postal survey of small and medium-sized enterprises in New Zealand which asked respondents how stressful they found meeting the requirements imposed on them by the Inland Revenue department (not including finding the money to pay tax liabilities). This was measured on a simple scale (1 = 'not at all stressful'; 7 = 'extremely stressful') and the survey was designed to be repeated in future years.

Recent work by Chittenden et al. (2005) tries to estimate the psychological costs imposed by the tax system by asking respondents how much they think the government should compensate them for administering the relevant tax(es). There may be some merit in this approach, although it will be more likely to measure total compliance costs, including psychological costs, rather than psychological costs alone (though this is not necessarily a drawback). On the other hand, previous attempts to use this sort of hypothetical question in the literature on the compliance costs of taxation have not been entirely successful (Pope, 1995, pp. 116–17); and it is not clear how it would be applied to measuring compliance costs for claimants of benefits and tax credits. Other work on psychological costs includes Woellner et al. (2001).

Finally, a related study, but one that is actually about the (lack of) benefits of complexity on official forms, is Dynarksi and Scott-Clayton (2006). Using a large data set of applications for federal aid for college students in the US, they quantify the value of individual questions on the application form in determining the overall distribution of federal aid. In principle, such studies provide a way of comparing the costs of compliance savings that would arise from scrapping questions on the application form with the cost to the government from having federal aid distributed differently.

3.3 The Standard Cost Model

The Standard Cost Model (SCM) is a methodology, initially developed in the Netherlands, for estimating the 'administrative burden' imposed on businesses and individuals by various sorts of government regulations.

Box 3.2

SCM and targets to cut administrative burdens for businesses in the UK

In 2006, the UK government used the Standard Cost Model to measure the administrative burden on businesses of regulation and found that businesses and third-sector organisations spent about £20 billion per year completing forms, dealing with inspections and providing information to third parties as required by government regulations (discussed in National Audit Office (2007); see also PriceWaterhouseCoopers (2006)).²³

The government then set itself a target of reducing this burden on business by 25 per cent by 2010. The means of monitoring this is through the impact assessments (see Chapter 1) for all regulatory changes: these are meant to include a calculation of the net effect of any proposal that has an impact on a department's administrative burden baseline. This work is monitored by the Better Regulation Executive, now part of the Department for Business, Enterprise and Regulatory Reform.²⁴

HMRC also used the SCM to assess the burdens it places on businesses separately, and has separate targets: to reduce the cost to business of complying with tax forms by 10 per cent and to reduce the cost to compliant businesses of complying with audits and inspections by at least 15 per cent by 2010–11. The Financial Services Authority also assessed the burden it placed on businesses (cited in National Audit Office (2007, para. 2.2)).

A recent assessment of this work summarised criticisms of it as follows:

- The 25% target is arbitrary;
- It is wrong to apply the same 25% target to all Government Departments;
- The standard cost methodology is flawed in that it does not provide statistically reliable data, and therefore savings figures based on it are also flawed;
- Too much stress on administrative costs misses the point that other costs might be more burdensome or that businesses might continue to undertake a certain administrative procedure for their own internal reasons, or because, for example, their clients or outside financing bodies require it;
- The programme is not having any noticeable impact;
- The UK should learn the lessons of the experience in the Netherlands, where the programme has not, as yet, changed perceptions of regulation in the way that was intended.

Regulatory Reform Select Committee, 2007–08, para. 59

The SCM can be used to estimate the total administrative burden, but it does not necessarily try to provide estimates that are statistically representative (which implies that they should not be seen as accurate). Instead, the SCM provides a 'bottom-up' model of the administrative burden and its causes, which both provides indicative figures for the total administrative burden and makes it easy for areas of high administrative burden to be identified and targets set for their reduction (see Cabinet Office (2005a), Standard Cost Model Network (undated), Ministry of the Interior and Kingdom Relations (2008a) and KPMG (2006) for more details).

²³ This number was produced using the SCM methodology. This measures only the cost of the 'information obligations' imposed by government regulations, and not the substantive costs incurred by businesses to ensure that they were actually complying with government regulations.

²⁴ Regulatory Reform Select Committee (2007–08) reviews the performance of the Better Regulation Executive, and National Audit Office (2007 and 2008c) review the government's performance in achieving the 25 per cent reduction of administrative burdens.

Box 3.3

The experience of the Netherlands in ‘measuring the administrative burdens on citizens’

The Netherlands started targeting burdens on citizens in 2003 (after work on burdens on businesses started in 2000). A commitment was made in a government coalition agreement to reduce burdens both for business and for citizens by 25 per cent. There were also specific aims to reduce burdens for certain groups of people (including some claimants) by 25 per cent.

Part of the motivation for the project was that the relationships between citizens and the government were felt to be poor, and there were complaints by citizens about high burdens. Moreover, it was thought that lower citizens’ burdens often mean reduced administrative costs for the government as well. The project was seen as not only about information obligations but also about the exercise of rights.

The Netherlands adopted the Standard Cost Model to measure administrative burdens on citizens and by the end of 2007 burdens had been reduced by 17 per cent (not the 25 per cent originally aimed at, although by the end of the current Dutch government, the 25 per cent target will be met).

There were some costs that were not included:

- costs arising from the (possibly poor) quality of service;
- perceptions of citizens (for example, that the service treats them with insufficient respect);
- costs incurred by the government itself;
- non-compulsory contacts between government and citizen.

At that stage, it became increasingly clear that a quantitative approach (i.e. the SCM methodology) did not always lead to noticeable results for citizens. The ‘Balance Model’, using citizen panels, was designed to include qualitative aspects in the measurement of burdens as well (see Section 3.4 for details). SCM is still used to measure the administrative burden of new regulations, in order to compare this with the baseline measurement; but qualitative consequences are also taken into account.

With the advent of the new Dutch Cabinet in 2007, the aim of addressing the ‘top 10 irritations’ – the worst or most irritating burdens from citizens’ perspective – was added. More importance was accorded to citizens’ own priorities and improvement of the quality of public services delivery.

The Netherlands is also a leading partner in the grouping of European countries trying to learn from one another’s experience of trying to reduce citizens’ burdens (<http://www.whatarelief.eu>).

In this section, we discuss the method in general. Applications of SCM are few and relatively recent. In the UK, the SCM is used to estimate the administrative burden on businesses imposed by government regulations (see Chapter 1 and Box 3.2 for discussion). It has also been used to provide a model of the administrative burdens of the whole tax system on businesses (KPMG, 2006). SCMs are also playing a role in monitoring progress towards various targets set by the government in the light of these baseline estimates (see Chapter 1). In the Netherlands, the SCM has been in use since 2003 to estimate the burden on individuals imposed by all central government regulations (see Box 3.3 for more detail). The Standard Cost Model Network (undated) reports its use to measure burdens on businesses in the Netherlands, Denmark, Norway, Sweden and the UK; European Public Administration Network (2008) reports that it is being used – or is about to be used – to measure burdens on citizens in Austria (see Federal Chancellery of

Austria (2008) for an example applied to the birth of a child), Belgium, Germany, Latvia and the Netherlands, and is being considered in Portugal, Romania, Slovenia and Spain.

3.3.1 What does the SCM try to measure?

An important point to note is that the various SCM manuals do not claim to estimate 'compliance costs'; instead, the SCM method seeks to estimate 'administrative burden' (or 'administrative costs'; see below for a distinction). For the 2005 exercise measuring the administrative cost to businesses of government regulation in the UK, the Cabinet Office (2005a, p. 12) provided the following definition:

The SCM ... defines [administrative costs] as the costs of administrative activities that businesses are required to conduct in order to comply with the information obligations that are imposed through central government regulation.

For its study of the burdens imposed on individuals, the government of the Netherlands offered the following definition:

Administrative burdens are the costs incurred by citizens in complying with information obligations ensuing from government regulations. This includes both compliance with obligations and exercise of rights.

Ministry of the Interior and Kingdom Relations, 2008a, p. 8

Guidance (written in English) produced by the government of the Netherlands about estimating administrative burdens (Ministry of the Interior and Kingdom Relations, 2008a and 2008b) defines administrative burdens as 'the costs incurred by citizens in complying with information obligations ensuing from government regulations', where an 'information obligation' is a requirement to provide (and/or verify) some personal details to the government. Administrative burdens are different from the 'substantive compliance costs', which are defined as 'the costs incurred by citizens in complying with the substantive obligations imposed by legislation and regulations'. Administrative burdens and substantive compliance costs together make up what the guidance refers to as 'compliance costs'. The example given of substantive compliance costs is the cost to the vehicle owner of repairing a motor vehicle so that it passes its MOT test; the administrative burden of the MOT test is the time and cost of taking the vehicle to a test centre.²⁵

3.3.2 How does the SCM measure administrative burdens?

The SCM involves mapping legislation to activities that have to be undertaken. This is done in three stages (shown in Figure 3.1):

- A piece of legislation or regulation is broken down into *information obligations* – blocks of information that must be submitted to the government or kept on record. Examples of tax-related information obligations for a company include issuing VAT invoices, making monthly payments of income tax and completing corporation tax self-assessment returns.
- Each information obligation may then be associated with a number of *data requirements*, which refer simply to the data that are required to comply with the information obligation, such as a particular figure to fill in on a form or a piece of supporting evidence.

²⁵ The discussion in Chapter 2 of the behavioural impacts of the benefits and tax credits system, and the cost of conditionality, are closely related to the concept in the Dutch manual of 'substantive compliance costs'.

- Finally, data requirements are met using a combination of different activities (for example, KPMG (2006) identified 16 generic activities – which are ultimately the things that people have to do – including retrieving information, calculation, internal meetings and payment).

Having mapped legislation to activities, the basis of the SCM is a simple formula:

$$\text{Cost} = \frac{\text{Price}}{(\text{Tariff} \times \text{Time})} \times \frac{\text{Quantity}}{(\text{Population} \times \text{Frequency} \times \text{Rate})}$$

For businesses, there are three main elements to the price:

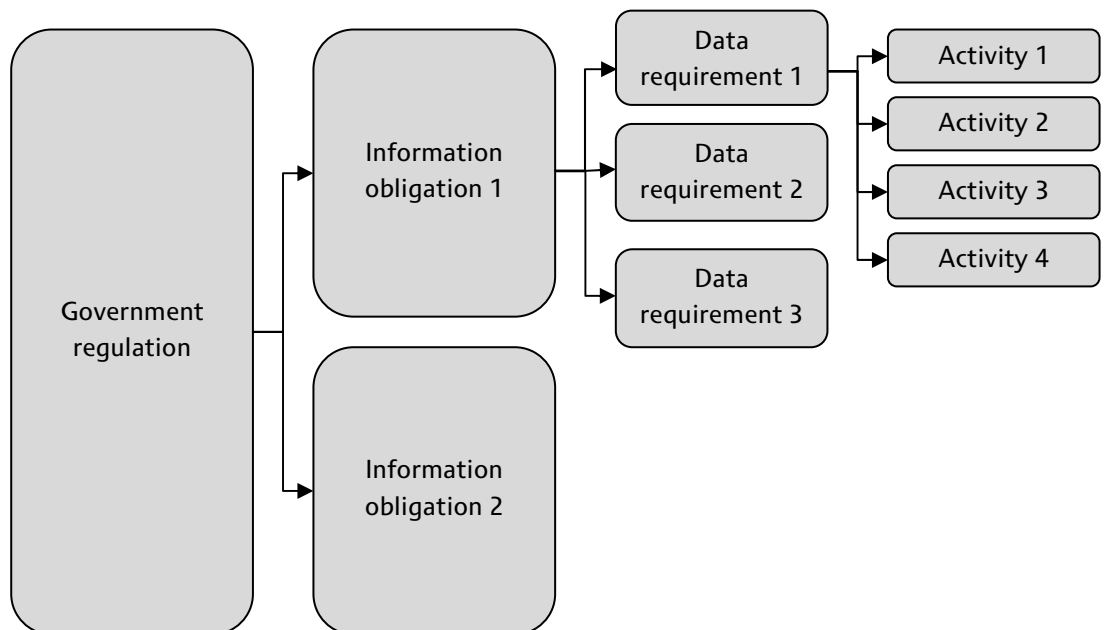
- *internal costs*: time-related costs incurred by the individual or organisation itself, calculated as Average labour cost per hour including overheads × Hours spent;
- *external costs*: time-related costs of buying in expertise from outside, calculated as Hourly rate for external service providers × Hours spent;
- *acquisition costs*: non-time costs such as software, postage, stationery and storage.

Internal costs are calculated for each administrative activity for each data requirement; external costs and acquisition costs are estimated for each information obligation. Box 3.4 discusses how the time spent by employees and others can be valued.

This process clearly excludes psychological costs. As the National Audit Office (2007, para. 2.11) notes:

[The SCM] does not capture the ‘costs’ to businesses of dealing with other administrative aspects of complying with regulation that are perceived as irritating, but that are not necessarily costly in monetary terms. These are generally related to how businesses perceive regulation and include issues such as the cumulative impact of regulations that businesses have to comply with; complexity of

Figure 3.1
Mapping legislation to activities



Box 3.4

Valuing time

The vast majority of empirical compliance costs studies for businesses have sought to arrive at a single monetary figure for compliance costs. (As we say in the text, the SCM for individuals in the Netherlands kept time and money costs separate, as did the study of benefit claimants in South Africa (Budlender, Rosa and Hall, 2005).)

Since time spent meeting tax-related obligations is a key component of compliance costs, the way in which it is valued is of central importance to a valuation of the costs of compliance of taxation. For example, time is spent in the following ways (this list and the discussion below closely follow Sandford, Godwin and Hardwick (1989, p. 35)):

- paid advisers doing work for their clients;
- employees doing tax-related work for an employer;
- self-employed individuals doing tax-related work for their own business;
- individuals doing their own tax work (or providing unpaid help to others) in what would otherwise have been leisure time.

Neither advisers' nor employees' time raises particular conceptual difficulties (though there may be some practical problems in separating the cost of tax work from the cost of other activities): advisers' time is included in the fees charged to clients, and the appropriate valuation of employees' time is the pre-tax wage rate plus other inescapable costs associated with employment (such as employer National Insurance contributions). In both cases, these valuations represent both the cost to the client/employer and the resource cost to the economy.

More problematic are self-employed individuals, individuals doing their own tax work and those providing unpaid help to others. If compliance activities substitute for work, it is commonly argued that the appropriate value of time is the before-tax wage rate; if they substitute for leisure, the after-tax wage rate is appropriate. In reality, the dividing line may often not be clear. Moreover, as Blumenthal and Slemrod (1992, footnotes 1 and 9) note, this is only valid if labour markets are competitive and compliance activities yield no utility (or disutility), both of which are questionable assumptions. Indeed, Sandford, Godwin and Hardwick (1989) state that arguments can be made in favour of using some fraction of the wage rate (on the grounds that not everyone is free to work additional hours) or some multiple of the wage rate (either because of overtime pay or because of the disutility attached to complying with tax obligations). Valuing claimants' time in this way is problematic in any case, especially for those who are not in the labour market.

One method that can be used is to ask individuals to value their own time. This has the advantage of being able to incorporate the utility (or disutility) derived from compliance work, and can deal with situations in which individuals do not have easy access to a wage rate, such as self-employed people and those not in paid work. It was employed by Sandford, Godwin and Hardwick (1989) in estimates of the compliance costs of personal income tax, where they validated self-reported information against data from other sources (the Survey of Personal Incomes and the New Earnings Survey). Nevertheless, there is a question mark over the reliability or meaning of self-reported information.

In the Netherlands, citizen burdens (the burdens imposed on citizens by the state) have been measured in terms of hours spent and out-of-pocket costs. The possibility of attaching a monetary value to citizens' time was explored, but was rejected on the grounds that it was too complicated and not intuitive for the general public, as reductions in the time spent on administrative burdens do not automatically lead to

them having more money to spend. An early study of the compliance cost of taxes also reported compliance time in terms of hours spent, rather than calculating a monetary value (Arthur D. Little Inc., 1988).

But expressing burdens in terms of hours is not without problems either. First, it does not necessarily solve the problem of valuing hours, merely postponing it: at some point, a policymaker may have to compare or trade off estimates of the cost in hours with the cost in financial terms. Second, just like the estimates discussed above which measure an hour spent by the before- or after-tax wage, different tax compliance activities may be disliked more than others, and individuals may vary in their attitudes (Sandford, 1995, para. 17.78, p. 398). More recently, as the government in the Netherlands acknowledged, citizens were found to be more willing to tolerate burdens in certain circumstances than others – completing a complex form might be seen as part of a citizen's duty, whereas providing the same information on multiple occasions, or waiting weeks for a response to something that had to be submitted within 14 days, caused considerable irritation. (Conversely, if you know that a named contact is dealing with your case, and you have some idea of when it is going to be resolved, the 'cost' of the time that you spend waiting for the outcome is likely to be lower, because it does not involve as much frustration and stress.)²⁶ This is something also recognised by HMRC, who ensured that the KPMG (2006) measurement exercise tried to quantify the burden imposed by high irritants. But as the KPMG report notes, not all irritants are directly related to the obligations placed on business, so they did not fit into the SCM framework.

Some studies, while not taking explicit account of the disutility of activities, have listed factors most often cited by respondents as being particularly burdensome or irritating (see, for example, Inland Revenue (1998); Box 3.2 described the Dutch government investigating its citizens' top 10 irritants).

Of course, valuing time is not an issue confined to studies of compliance costs: many cost-benefit analyses require time savings to be valued, and detailed guidance for policymakers is available from various government sources. Cameron (2000) provides an overview of technical methods for valuing time and focuses on the compliance costs of personal taxes.

regulation; instances where businesses perceive that they have to provide duplicate information to Government; and not knowing which regulatory requirements apply, especially because of frequent changes made to regulations. These 'irritation factors' contribute to the total perceived burdens of regulation on business but are not included in departmental baselines.

(It is interesting to note how similar some of these issues are to those facing claimants, described in Chapter 2.)

The SCM exercises undertaken in the Netherlands estimated time and financial costs separately; in other words:

$$\begin{aligned} \text{Total cost} &= \text{Cost for individual} \times \text{Quantity} \\ &\quad (\text{Population} \times \text{Frequency} \times \text{Rate}) \\ \text{Total time} &= \text{Time for individual} \times \text{Quantity} \\ &\quad (\text{Population} \times \text{Frequency} \times \text{Rate}) \end{aligned}$$

²⁶ These points echo some of the findings about benefits and tax credits in Chapter 2. Following this logic, Hawkins, Goldstone and Bhagat (2007) recommended, on the basis of their qualitative research with claimants of disability and carers' benefits, that once a certain threshold of communication had been passed, individual claimants should be assigned a single contact who deals with all subsequent communication.

For both businesses and individuals, Quantity is the product of three components:

- *Population*: the number of individuals or organisations affected by a given information obligation;
- *Frequency*: how many times a year the information obligation has to be complied with (assuming the SCM is estimating annual costs / time burdens);
- *Rate*: among individuals or organisations affected by an information obligation, the proportion that are affected by a given data requirement in a year (assuming the SCM is estimating annual burdens).

Population and Frequency are calculated separately for each information obligation; Rate is calculated for each data requirement.

SCM estimates for business are made for what is called a 'normally efficient business':

This is taken to mean businesses within the target group that handle their administrative tasks in a normal manner. In other words the businesses handle their administrative tasks neither better nor worse than may be reasonably expected.

Cabinet Office, 2005a, p. 21

Furthermore, the basic SCM assumes that there is a single estimate of each cost, but estimates can be calculated separately for different types of individual or organisation. For example, KPMG (2006) calculates estimates separately for companies of different sizes.

Fundamental to the SCM, though, is the process used to produce the estimates of the various prices, time and money costs for individuals, and quantities. Many methods have been used in practice, from so-called expert judgement to in-depth interviews and focus groups (there are references earlier in this section to particular SCM studies which contain precise details). But one feature common to all the studies is that there is no attempt to present the estimates of the costs, prices and quantities as statistically reliable or unbiased estimates, and often there is little or no acknowledgement that the costs might vary between individuals or organisations for legitimate and relevant reasons.

3.3.3 Reflections on the SCM

Several features of the SCM distinguish it from alternative approaches:

- *Focus on legal requirements*: The SCM aims to quantify 'administrative burdens/costs', defined as the costs of activities that individuals and organisations are required to conduct in order to comply with the information obligations imposed by government regulation. This does not include costs associated with understanding which information obligations have to be met, and may not include the costs of dealing with policy change. It excludes the substantive costs that individuals or firms incur in ensuring that they are compliant with government regulations.²⁷
- *Detailed breakdown of costs*: Costs are attached to individual activities that have to be undertaken. This allows individual burdensome obligations to be identified, as well as allowing *ex ante* and *ex post* estimates of the implications of reform to be calculated.
- *Unclear precision of estimates*: Samples are small and non-random (and the costs of some smaller activities are not measured), meaning that confidence intervals cannot

²⁷ KPMG (2006) excluded the cost of dealing with policy change, but the Ministry of the Interior and Kingdom Relations (2008a, p. 18) says that 'Costs resulting from trying to keep up with the frequently changing legislation and regulation are considered to be an administrative burden'. The aim of the KPMG report for HMRC was to measure administrative burdens that would not be incurred were the tax system not present.

be calculated. Biases may exist, but the SCM aims to be consistent across policy areas so that all estimates are affected similarly. An assessment of SCM by the National Audit Office (2007, para. 2.10) concluded that

the small sample sizes and non-random sample selection mean that the results should not be seen as representative in statistical terms.

- *Exclusion of psychological costs:* Existing SCMs have not measured or valued psychological costs, although it is not clear whether this is based on a fundamental principle of the SCM or a pragmatic decision based on the difficulties in measuring and valuing such costs.

SCM estimates of the total 'administrative burden' may have a narrower scope/focus than the concept of compliance costs, because of the way in which the SCM is generated/populated in practice. The SCM is a bottom-up estimate that starts by assessing what legal requirements are placed on individuals or businesses and then seeks to estimate the cost of complying with these. On the other hand, a measurement of compliance costs would include all costs that would not be incurred if the regulation were abolished, without seeking to link each to a particular legal requirement. But it may also overestimate total costs if there are important interactions between the obligations.

A civil servant with whom we consulted suggested the following:

While the Admin Burden measurement is just an estimate (as the HMRC report [KPMG, 2006] itself makes clear) the estimate has two important functions. Firstly it is internally consistent, allowing government to set priorities, and secondly it provides a baseline against which targets can be set and changes can be measured. The phrase 'what gets measured, gets done' is clichéd but appropriate in this case – the role of the target is to drive a culture change in departments by helping to focus their attention on what obligations mean for business.

Of course, such an argument might also hold for other methods of quantifying compliance costs; but the fact that the SCM can be used for *ex ante* policy assessments means that it might be easier to embed its use throughout the policymaking process.

Another civil servant, commenting in 2006, said:

I am a fan of the Standard Cost Model approach, but not for the most obvious reasons. It may seem entirely appropriate that an auditor who specialises in regulation will love the whole concept behind the Standard Cost Model – so many numbers! so many costs! so little time! – but in fact it's not the cost numbers that appeal to me. In fact, the numbers are a distraction and can be a risk.... But the real benefit of the SCM does not lie in the discipline of calculating the administrative cost of regulation using a common methodological approach. It is the discipline it provides to policy-making as a whole.

Ed Humpherson, Director of the Regulation (Value For Money) Team in the UK National Audit Office, <http://www.administrative-burdens.com/default.asp?page=1&article=73>

3.4 In-depth or qualitative studies

In-depth studies typically attempt to collect a large amount of detailed, and possibly specialist, information from a small number of respondents. Methods to gather this richer data include in-depth face-to-face interviews, time-and-motion studies and focus groups.

Box 3.5

Estimating the compliance costs of applying for the Child Support Grant

Budlender, Rosa and Hall (2005) estimate the compliance costs of applying for the means-tested Child Support Grant (CSG) in South Africa using a small-scale survey.

The study interviewed 55 individuals (all women) who had just made an application for the CSG. The questionnaire was designed to identify what activities the women had done in order to successfully make a claim and, for each activity, they were asked about the time costs, direct financial cost and opportunity costs. The study then estimated how many women nationally were applying for the CSG, in order to produce an estimate of the total compliance cost in South Africa.

The way that the study broke down the process of claiming the CSG into a number of small/specific/discrete tasks performed by the claimants and the government officials is very similar to the principle behind the SCM (but may, as argued in Section 3.3, mean that it does not capture some aspects of compliance costs).

The study also estimated the cost that the government incurs when individuals claim the CSG. In principle, this involved determining the tasks performed by government officials for each claim, estimating how long each took (in hours) and multiplying by an appropriate hourly cost.

Box 3.5 discusses a study with the explicit aim of measuring the compliance costs to recipients of claiming a means-tested benefit.

Studies about the take-up of benefits, although not explicitly or exclusively concerned with compliance costs, can suggest which groups are more likely to face higher compliance costs and which aspects of which benefits are likely to lead to higher compliance costs, and some of these are also included in the next section. (One difference between qualitative studies about non-take-up and qualitative studies about compliance costs is that the former often interview those who are not receiving benefits but who do appear to be entitled, whereas the latter will usually interview only those who are actually receiving the benefits.)

Few qualitative studies on the compliance costs of taxes have been carried out in the UK so far, though there are some examples, such as Verwaal and Cnossen (2001). On the other hand, there have been many qualitative studies on the experiences and views of recipients of benefits and tax credits, although these have not used the notion of compliance costs and have tended not to try to measure time or money costs.

The editors of a recent publication on what countries across Europe are doing to reduce administrative burdens on citizens²⁸ note:

... some countries are already measuring the administrative burdens in a quantitative way (e.g. using SCM) while other countries are working with a more qualitative way of getting insight in the administrative burdens of citizens (e.g. customer journey mapping).

Kootstra and Rem, 2008, p. 3

Another qualitative model being used is the Balance Model²⁹ (Ministry of Social Affairs, the Netherlands, with Sira Consulting, 2008). This is described as a development

²⁸ The initiative is marked by a lively sense of humour. The programme to reduce administrative burdens for citizens in Belgium is known as the 'Kafka approach'. The group of experts working on administrative burdens in the Netherlands is called 'the Kafkabrigade' and the Netherlands also has a 'museum of needless policies' (travelling, and on the internet).

²⁹ The Balance Model has been developed by the Dutch Ministry of Social Affairs in cooperation with Sira Consulting.

of the SCM (Box 3.2 described how this was used in the Netherlands to measure the burdens placed on individuals and progress in reducing these burdens). The Balance Model reflects the fact that the amount of frustration felt by individuals is not necessarily closely related to the amount of time they spend fulfilling governmental obligations. Instead, it

... maps out the balance or imbalance between the expectations of actors (citizens, businesses) on the one hand and the actual measured situation on the other hand.

Ministry of Social Affairs, the Netherlands, with Sira Consulting, 2008, p. 3

There is therefore a greater emphasis on citizens' perceptions of administrative burdens. But this model considers not just costs (like the SCM) but also service quality and performance indicators. All issues are explored through 'citizen panels'.

The approach taken now distinguishes between:

- administrative obligations, meaning the time and costs spent by citizens in fulfilling their obligations to provide information to the authorities;
- compliance obligations, which involve the time and costs spent by citizens in fulfilling the conditions attached to (for example) their benefit or tax credit;
- quality of service, which means a qualitative evaluation of public services;
- performance indicators, which are a more quantitative assessment of services.

In the Balance Model, these elements are measured to assess the actual situation and are compared with what citizens expect of public services, in order to arrive at a balance between expectations and the reality.³⁰

Because the Balance Model seeks to compare citizens' perceptions with the actual situation, one possible outcome is that the government might put more effort into altering citizens' perceptions, rather than into reducing the actual burdens (or improving the actual quality of service) – by, for example, explaining more fully why information is being collected or why a certain process cannot be done any faster.

3.5 (Non)-take-up studies, and 'revealed preference' arguments

Take-up (or, rather, the less-than-complete take-up) of benefits has long been a focus of concern in the UK (Sinfield, 2001).³¹ The government publishes regular estimates of take-up of the major means-tested benefits (Department for Work and Pensions, 2008a) and tax credits (HM Revenue and Customs, 2008a). One-off exercises are sometimes carried out to gauge take-up of other benefits, such as those to help with the additional costs of disability; it is also estimated that take-up of child benefit in 2006–07 was 96 per cent (HM Revenue and Customs, 2008b).

The focus on take-up issues in the UK has led to a substantial qualitative and quantitative literature on non-take-up of benefits and tax credits; the qualitative strand has tended to identify barriers to claiming, some (but not all) of which could be described as comprising costs of compliance. The quantitative strand has examined which

³⁰ Interestingly, Adler et al. (2005) argued that in late 2004, the Netherlands had the lowest level of online functionality in terms of the computerisation of social security benefits.

³¹ Though it is worth noting that in 2007–08, spending by the DWP on explicitly raising awareness of pension credit and other benefits for pensioners cost £1,380,000, whereas publicity aimed at tackling benefit fraud cost £6,900,000 (Department for Work and Pensions, 2008d, p. 91).

characteristics of households are associated with non-take-up. Most of these studies are not focused on measurement. But some economics papers have used 'revealed preference' arguments (explained in Section 3.5.2) and econometric models to estimate the total costs incurred by recipients when claiming benefits or tax credits.³² We now discuss each of these strands.

3.5.1 Qualitative studies

Sykes et al. (2005, p. 8), in qualitative research with pensioners with health or disability problems, found a range of barriers, including:

... pessimism about success; reluctance to take money which others might need more; wariness about forms and rigmarole; having to provide private and personal information; fears about limiting other entitlements; not wanting to appear greedy; and an I-can-manage culture which prizes self-reliance.

Additional barriers to claiming disability benefits included:

... people not regarding themselves as disabled, just old; thinking they are not disabled enough to warrant financial help; being anxious about appearing to make capital out of their health; thinking you need to be having professional attendance to claim; and fear that an admission of incapacity might lead to pressure to go into care.

Sykes et al., 2005, p. 9

Bunt, Adams and Leo (2006), investigating barriers and triggers to claiming pension credit, found that pensioners experienced three primary barriers, relating to beliefs about non-eligibility, concern about the interaction of pension credit with other payments and ignorance. But the secondary barriers to claiming related to the nature of the claiming process (and, we would argue, demonstrated the importance of 'costs of compliance'). These included an unwillingness to disclose financial information, fear of submitting documents, the complexity of the application form or claiming process, and fear of the impact of mistakes. (See also Craig (2004), who finds similar factors for older people.) CAB advisers told us that sometimes older people do not realise that they may be eligible for pension credit because they think their capital and/or occupational pension will disqualify them.

Bunt et al. conclude that because most pensioners said they would have been prepared to claim if they knew they were eligible or had a very good chance of eligibility, the focus of any action should be the primary rather than secondary barriers to claiming. Similarly, Zantomio (2008) suggests that raising financial incentives to claim increases the probability of take-up of pension credit, whereas no effect was found for policies to lower the (non-monetary) costs of claiming if not accompanied by concurrent financial incentives. This order of priorities suggests that the 'costs of compliance' for potential claimants need to be looked at in their own right, rather than just as barriers to claiming.

Hawkins, Goldstone and Bhagat (2007) investigated the experiences of claimants of disability and carers' benefits for the DWP and found many factors at play for people deciding whether to make a claim. These included the requirement for claimants to acknowledge their status (in this case, as 'disabled' or 'carer') and to consider the extent to which they wanted to be 'on benefits', which carried a stigma for some. On the other

³² In this case, we are using 'costs' to mean anything that deters or prevents an individual from claiming a benefit. This concept is probably very close to the concept of 'compliance costs', provided the latter are understood to include psychological costs and the effort involved in finding out about a benefit or deciding whether one is entitled.

hand, Wiggan and Talbot (2006) emphasise time and effort. They repeat a common finding from the literature on non-take-up (see, for example, Davies and Ritchie (1988)):

The potential size of award and expected rise in income is weighed against the time and effort involved in the process of claiming.

Wiggan and Talbot, 2006, p. 48; see also Stafford (2003, p. 219)

Hawkins et al. argue that for disabled people and carers, this can be a more complex process than it might seem, involving weighing up complicated and often emotional pros and cons.

3.5.2 ‘Revealed preference’ studies

One method for valuing the costs of claiming to recipients of means-tested benefits is to use ‘revealed preference’ arguments. The underlying argument is that, if an individual is receiving a benefit that is worth, say, £20 per week, then the cost to that individual of receiving that benefit must be worth no more than £20 per week. This reasoning does not try to say what causes the £20 worth of costs, but one can probably think of them as being very close to the concept of ‘compliance costs’, provided the latter are understood to include psychological costs and the effort involved in finding out about a benefit and/or deciding whether one is entitled.

It is then possible to infer something about the scale and distribution of these costs by examining the scale and distribution of the amounts of benefit received by individuals and, with additional assumptions, the scale and distribution of the amounts of benefit that eligible non-recipients would receive if they claimed. Ultimately, this requires one to believe that decisions about whether or not to claim benefits are the results of informed utility-maximising decisions by individuals: that individuals trade off the time, money, psychological and/or other costs of claiming a benefit or tax credit against the monetary benefit from claiming.

In general, this approach provides a method of valuing all the costs to claimants associated with receiving benefits, whether they be financial or psychological. In practice, the literature has tended to associate these costs with psychological stigma costs. An early model is set out in Moffitt (1983); relevant UK work includes Duclos (1995), Adam and Brewer (2005) and particularly Hernandez, Pudney and Hancock (2006), who estimate the costs to pensioners in receiving means-tested support; see Currie (2004) for a review of US work.

One difficulty in this work is that it is unclear to what extent the models are estimating *perceptions of* or *actual* costs. On the other hand, and unlike all the other methods discussed in this chapter, this method also estimates – or at least is informative about – the compliance costs that would have been incurred by entitled non-recipients of benefits or tax credits, were they to claim.

3.6 Measuring the costs of compliance: reflections

3.6.1 What is the objective?

The objective of much of the research into the compliance costs of taxation has been to measure the total burden, followed by attempts to determine what high compliance costs are associated with (characteristics of the company, or particular features of the design or delivery of the tax). This naturally leads those carrying out studies to choose large-scale surveys, which can in principle estimate these aggregate statistics/estimates and provide some evidence on the distribution of compliance costs.

But where policymakers have wanted finely-tuned instruments for exploring particular issues in detail – whether it be tax obligations, or the difference between actual and perceived burdens placed on individuals by government (such as the Balance Model) – in-depth, qualitative methods have rightly been seen as essential. Sandford (1995, para. 17.61, p. 393) acknowledges that in-depth interviews were

highly effective in producing useful conclusions which could be acted upon by policy makers and the tax administrators.

(Sandford and Hasseldine (1992) is an example of a mixed-methods study that tried to obtain the advantages offered by both large-scale surveys and in-depth interviews.)

SCM models tend to have several objectives. They are designed to provide estimates of the total burden; but they are also intended to give policymakers a practical tool with which to identify the most burdensome aspects of all regulations and to estimate easily the aggregate impact of changes to individual regulations or processes.

3.6.2 A comparison of the methods

This section gives our assessment of the advantages and disadvantages of the various methods. Overall, it is clear that no single method is appealing in all circumstances.

The key advantage of using *large-scale surveys* to estimate the costs of compliance is that they can provide statistically reliable estimates of average compliance costs (and therefore total costs as well); how these costs are distributed; and with what other characteristics the costs are correlated. They have proved to be particularly suited to investigating the compliance costs of discrete events, when the survey can be linked to that event in a timely manner.

But past studies have had a number of important limitations; for example:

- Few past surveys have tried to capture psychological costs.
- Existing surveys estimating the compliance costs of various taxes have tended to suffer from low response rates, and large-scale face-to-face surveys are expensive.
- All surveys, of course, rely on the understanding, recall and honesty of respondents.

However, postal surveys often do not have a high response rate. With the benefit of 10–20 years of hindsight, it may be more evident now that the reason for the low response rates of the existing surveys about compliance costs (of taxes) is that their design and funding left something to be desired. We do not have to conclude that a large-scale survey into compliance costs is doomed to failure through non-response bias. Furthermore, survey techniques have developed a lot since the 1980s and 1990s, and there are now techniques used for gauging psychological costs such as stress, frustration and displeasure.

The key advantages of using *in-depth studies* are that:

- they can easily be fine-tuned to discover what is of most interest to policymakers: the actual or potential effect of various policy reforms;
- they can highlight claimants' own perspectives and priorities;
- they may be able to give more information about potential causes of the costs.

Their disadvantage is that such studies do not set out to be statistically representative of an overall population, and the mechanism used to recruit participants may make it unclear how generally applicable are the findings from any one study.

The main strengths of the *SCM method* are the following:

- The fact that SCM studies are constructed from the 'bottom up' means that the measurement is sufficiently detailed to allow 'hotspots' to be identified and to facilitate policymaking.
- Once baseline estimates have been made, it is possible to make *ex ante* projections of the impact of different potential reforms.
- Given the amount of detail achieved, the SCM seems to be fairly cost-effective.
- It has proved to be a widely applicable and practicable method that can be used across different policy areas.

But there are also a number of important disadvantages:

- The precision of estimates is unclear. This is an unavoidable consequence of the non-random sampling strategy and the fact that, in practice, not all information obligations are measured. Fundamentally, it is only as reliable as the – very many – numbers that populate the spreadsheet.
- A number of costs are excluded, such as the time spent deciding whether an obligation needs to be performed, psychological costs and, in the jargon of SCM, the 'substantive compliance costs', which include some costs that we think ought to be valued, such as the costs to claimants of conditionality in the benefit system.
- It does not easily allow for variation across the population, as costs are usually restricted to a 'normally efficient business' or the average individual. This prevents any understanding of the range or distributional impact of compliance costs incurred by benefits and tax credits recipients, which would be a substantial omission.

From the point of view of the authors, who are academics outside government, it is hard to see that the advantages of using the SCM to estimate the costs of compliance outweigh the disadvantages. Proponents of the SCM would probably recognise our reservations, but it seems that its benefits are partly to do with the shift in culture within a government department that can be brought about by the presence of such a model. To cite one of the civil servants closely involved with the implementation of the SCM in the UK:

The phrase 'what gets measured, gets done' is clichéd but appropriate in this case – the role of the target [to reduce administrative burdens, as measured by the SCM] is to drive a culture change in departments by helping to focus their attention on what obligations mean for business.

3.7 Conclusions

This chapter has reviewed how compliance costs, whether for individuals or businesses, have been measured in practice.

Chapter 5 combines what we know about the nature of the costs of compliance incurred by recipients of benefits and tax credits (from Chapter 2) with what we know about the possible measurement methods (from this chapter) in order to make some recommendations on how the costs of compliance incurred by recipients of benefits and tax credits should be measured in future. But first we look in Chapter 4 at relevant recent policy developments, in order to support our argument that it is important to take the costs of compliance for claimants of benefits and tax credits into account, especially when considering possible policy changes.

CHAPTER 4

Relevant Recent Policy Developments

4.1 Introduction

As our scoping study progressed, it became clear that the government was involved in various policy initiatives which engaged with issues highly relevant to our concerns. These included, amongst others, efforts to develop a broader measure of productivity for the DWP's activities, benefits simplification and the 'Transformational Government' and 'Service Transformation' agendas.

In all these areas, the claimant perspective on benefits and tax credits services appears to be being taken more seriously, and costs of compliance may be one of the issues under consideration. By and large, measurement is still not being explored, but, in two initiatives – the DWP's investigation of the process of claiming jobseeker's allowance and HMRC's 'Total Cost to Serve' project to assess customer costs – the government is also beginning to undertake actual measurement exercises.

This chapter describes the various initiatives and programmes, and assesses their relevance to our scoping study.

4.2 Quality as part of public services productivity

The Atkinson Review of productivity in public services (Atkinson, 2005) recommended that public service output be measured in a way that adjusts for quality and quality change. In documents published in 2008, the UK Centre for the Measurement of Government Activity (UKCeMGA), which was set up as a result of the review, discussed the measurement of quality as part of the output and productivity of public services (Office for National Statistics, UKCeMGA, 2008a and 2008b). These papers updated the original strategy paper (Office for National Statistics, 2007), which identified the extent to which a service is responsive to users' needs as a key concept in measuring service quality.

In each policy area, quality can be considered for 'impact on intended outcome' (for social security, this means payments reaching eligible recipients on time, without error or fraud) and for 'user responsiveness' (for social security, this means ease of making claims, getting information and resolving problems) (Office for National Statistics, UKCeMGA, 2008b, p. 14). The first concept is summarised as accuracy and timeliness. Neither of these is exactly the same as the 'costs of compliance' for claimants of benefits and tax credits; but both clearly do overlap with them to some extent. The explanation of 'inaccuracies' (Office for National Statistics, UKCeMGA, 2008b, p. 15), for example, emphasises losses for recipients caused by underpayment of benefits, in terms of both money and time (to resolve it); overpayment is also said to lead to potential difficulties for recipients. 'Timeliness' refers to processing time for applications and information.

To measure overall service quality, decisions have to be made on weightings and on the relative importance of quality and quantity. There is no single measure at present that does this. But recently there has been further development of 'quality adjustment for social security administration output' in relation to timeliness and accuracy as measures of quality (Office for National Statistics, UKCeMGA, 2008a, pp. 18–19). Another publication (Office for National Statistics, UKCeMGA, 2008c) reports on productivity change in social security administration, but without adjusting output for quality.

Unadjusted productivity grew on average by 8.4 per cent per year between 2003 and 2007 (largely as a result of inputs falling), compared with falling productivity on average in the five years before that (Office for National Statistics, UKCeMGA, 2008c, p. 2). A further article (Office for National Statistics, UKCeMGA, 2008d) sets out a framework and development work to pursue the aim of adjusting the measure of productivity for quality.

Lack of quantifiable data that are comparable over time means that the measure of quality that is analysed reflects only the timeliness and accuracy of claims; but the report states that analysis of quality in future will be expanded to include measures of 'user responsiveness', such as ease of making claims, getting information and resolving problems:

Usable data are currently unavailable on responsiveness to users' needs. *Ad hoc* surveys have been undertaken as part of performance management ... but these surveys are generally incomparable over time, and unsuitable for use as a quality adjustment.

Office for National Statistics, UKCeMGA, 2008d, p. 5

This further development to include measures of user responsiveness would, in our view, be likely to increase the relevance of this work to the measurement of the 'costs of compliance' of benefits. However, these documents appear to make no reference to tax credits, although similar considerations clearly apply to measurement of productivity in that policy area as well.

4.3 Benefits simplification

Benefits simplification is not a new issue. For example, Bellamy (1996, p. 169) notes that in the early 1990s, government intended to ensure that 'social security was to be simplified and become more customer oriented', as well as targeting groups with the greatest need. Complexity increasingly became an issue for benefits and tax credits policy from 2003, however, though rather more for the DWP than for the Inland Revenue / HMRC.³³ The initial focus was on information and communication; but over time, this shifted to include benefit rules and regulations. The National Audit Office (2005) highlighted the complexity of benefit regulations as contributing to losses from fraud and error;³⁴ this was echoed by the Public Accounts Select Committee (2005).

In 2005, the DWP set up an internal Benefit Simplification Unit, which (amongst other things) vets proposals for changes before they go to ministers (Department for Work and Pensions, 2006a); the Social Security Advisory Committee also now requires the DWP to provide it with a statement of the complexity impact of new benefits measures. The DWP published a Simplification Plan (Department for Work and Pensions, 2006b), which has since been reported on and updated each year. A guide to best practice in benefits simplification for policymakers was revised in 2007.

The aim of benefits simplification was expressed in a way that resonates with the goal of reducing the costs of compliance for benefit claimants or burdens on citizens. In its progress report in 2007, for example, the Department for Work and Pensions (2007c, p. 5) said that the focus of its work to date had been

³³ See the journal *Benefits*, vol. 13, issue 1 (2005) (special issue on complexity in the social security system). (*Benefits* is changing its name to the *Journal of Poverty and Social Justice* and is published by the Policy Press.)

³⁴ No official calculation of the cost of error for claimants is carried out.

... to try to appreciate what would make the benefit system simpler from a customer perspective.

This work was led in part by Sue Royston, a secondee from Ripon Citizens' Advice Bureau, who focused on benefits for working-age 'customers' and their families (Royston, 2007). Her report emphasised:

- the importance of looking at simplification of the system as a whole, rather than just individual benefits;
- the need for more effective ways of obtaining information about entitlement;
- the possibility of masking complexity by sharing information;
- the need for accessibility for all;
- the priority to be given to simplification of areas of complexity that could not be masked.

She included short- and medium-term as well as longer-term recommendations for action. However, some of the simplifications achieved to date (Department for Work and Pensions, 2008d, p. 29) – described variously as 'ad hoc and reactive' by Stafford (2009, p. 266) or 'quick win' by the Department for Work and Pensions (2007c, p. 6) – appear rather minor in nature. This suggests that delivery rather than design issues may have been the main focus – changes that 'smooth operations and service' to claimants, as the Department for Work and Pensions (2007c, p. 6) expresses it. In this report, we have tried instead to examine both delivery and design issues.

In addition, as Stafford (2009, p. 265) argues,

radical reform of the system, to produce a simpler one, is not necessarily in the best interests of all users.

Indeed, simplification as an end in itself seems rather limited – or potentially even harmful, as it could of course be achieved by (for example) abolishing some benefits altogether. This is what happened in 2006, for example, when the Pre-Budget Report announced the removal of adult dependency increases in carer's allowance for new claims from 2010, a move that was claimed as an increase in consistency across different benefits (Department for Work and Pensions, 2007c, p. 6).

The Work and Pensions Select Committee (2007) conducted an inquiry into benefit simplification, to which the researchers submitted written and oral evidence on the costs of compliance for benefit claimants. The inquiry conclusions suggested (recommendation 8) that the DWP should examine the suggestions on measuring the 'costs of compliance' of benefits emerging from our research if it went ahead with plans (which it had at the time) to investigate the possibility of devising a benefits 'complexity index'.

What appears to have happened since then is that the DWP has abandoned the idea of drawing up a benefits complexity index, because of the difficulties involved in finding a single metric with which to do so (Department for Work and Pensions, 2007c, pp. 6–7). It has instead decided to focus on measuring complexity from the 'customer's' point of view, which includes examining time and financial burdens on claimants (Department for Work and Pensions, 2007c, p. 7 and 2008e, p. 18). The 2006–07 simplification plan also mentions 'stress' on claimants as something that reforms are reducing, thereby including psychological costs as well as time and money costs.

So, in effect, the DWP seems to have become increasingly interested in trying to measure the 'costs of compliance' or 'burdens on customers' (despite conducting an administrative burdens measurement exercise which focused only on administrative costs for business, charities and the voluntary sector (Department for Work and

Pensions, 2008d, p. 86) and having an aim to reduce these by 25 per cent by 2010). As Millar (2005, p. 14) noted,

... as far as possible, complexity should fall on the system and not on the people seeking support. Thus the aim of simplification should be to create a system with low compliance costs for claimants.

The DWP is also committed to simplification in order to reduce error (HM Treasury, 2007, p. 100). Irvine, Davidson and Sainsbury (2008), in their investigation of reporting changes in circumstances through longitudinal qualitative interviews with benefit claimants, proposed that structural responses to reducing error could include simplifying the benefits system, by tackling complexity in the rules of benefits and/or by changing the reporting requirements placed on claimants. Either of these could be seen as relevant to the 'costs of compliance' of the social security system. However, the DWP's strategy to reduce error (DWP press release, 24 January 2007) seems instead to emphasise the piloting of reminders to claimants to report changes in circumstances that might affect their benefits.

Research being carried out by the DWP is examining the potential burdens placed on claimants of jobseeker's allowance (JSA), from their first enquiry at the Jobcentre or call centre to the point when the first payment of benefit is made (Department for Work and Pensions, 2008e, p. 18). Qualitative research was due to be carried out first, in order to inform the contents of a questionnaire that will be used with some 900 new claimants contacted by telephone.³⁵ The aim is to find out about the time it takes an individual to apply for JSA (including which elements take the most time) and what financial costs they incur etc., as well as whether some groups experience more of a burden than others. The claimants will be asked whether there are any burdens that they find particularly irritating and whether they consulted a third party. Some questions will look at the psychological aspects of claiming. The results of the research will be used in part to investigate the feasibility of a headline figure against which to measure reductions in the level of the administrative burden on claimants.

The benefits simplification strategy had appeared to focus largely on processes, and on alignment or simplification of rules when reforms are taking place, rather than on reform of benefit design that might have a more radical impact, such as the reduction of means testing. It is also sometimes arguable whether the examples given of the redesigning of benefits cited in the DWP's reports (e.g. Department for Work and Pensions, 2008e, p. 18) have in practice resulted in simplification. However, this may now be changing. Proposals in the recent White Paper on welfare reform (Department for Work and Pensions, 2008b) included the abolition of income support, with most claimants of working age on either employment and support allowance or jobseeker's allowance (though this would still leave the problems of the transition between these two benefits and the position of carers unresolved). There has been a history of attempts both within and outside government in the past to try to create one single benefit or tax credit that could fulfil all the functions of social security provision. These have included most famously negative income tax on the one hand and basic or citizens' income on the other. In 1992, according to Bellamy (1996, p. 170), a strategy for information systems in social security envisaged

³⁵ Some of the information here is taken from a presentation by Jane Francis, DWP, at a seminar held at the Nuffield Foundation on 13 June 2008, which was organised by the researchers.

the possibility of replacing significant numbers of existing benefits by a 'generic' or integrated benefit which might eventually encompass most of an individual's social security entitlement.

In 2009, the government is developing proposals for a 'single working-age benefit' in the longer term. This involves one benefit for those out of work, which would mean that claimants would not have to move from one benefit to another if their relationship with the labour market changed (for example, if they became incapacitated whilst unemployed). However, depending on the design of the benefit, whilst this might remove or reduce some 'costs of compliance' for claimants, it could also create or increase others (for example, drawing more people into means-tested benefits, with their more complex and intrusive procedures).

This problem was recognised by Bellamy (1996, p. 176) over a decade ago:

... rationalising benefits could not but reinforce trends towards means-tested benefits, because income deficiency is the only principle which can be universally applied.

The government is right to be cautious about the apparent allure of such a benefit.

Tax credit advisers pointed out to us that, while the DWP is attempting to simplify the benefits system, there does not seem to be a similar imperative for HMRC in relation to the tax credits system. In addition, it may be that the wider spread of in-work credits (payable on top of tax credits, under different rules, and available from the DWP rather than HMRC), whilst simpler in and of themselves than the tax credits scheme introduced in 2003, may complicate the system still further for claimants.

4.4 Transformational Government and Service Transformation

4.4.1 Development of the strategy

Begley (2008) highlights the UK's recent Service Transformation Agreement (HM Government, 2007), which underpins the new Public Service Agreement framework, as central to the goal of changing public services so that they are tailored more to the needs of the people using them. One of the key tenets of this Agreement relevant to this study is that citizens' time is not free; and reform is intended to reduce the frustration and stress of accessing public services – a clear, if implicit, recognition of the 'costs of compliance', including psychological costs as well as time costs.

This Agreement followed the 'Transformational Government' strategy (Cabinet Office, 2005b) – the government's strategy for using IT to transform government and deliver more modern public services more effectively – and Sir David Varney's review (2006), *Service Transformation*. The Service Transformation strategy related public service reform to the 2007 Comprehensive Spending Review. The 2007 CSR is intended to deliver services that allow citizens to benefit from reduced hassle; a more personalised service; and greater dignity when using public services (Cabinet Office, 2007d, p. 15).

Varney (2006) emphasised that in the absence of transformation, more citizens would be put off by the indifference to their needs shown by public services – and that the most vulnerable groups in society are often most put off by this. He also stressed (p. 3) what could be seen as 'costs of compliance' for users of public services:

Citizens and businesses increasingly see their time as a limited resource. They rightly demand that their interactions with public services deliver value and that problems are resolved first time.

He also mentioned physical and emotional costs to customers and organisations, and the concept of the burden on the citizen.

The Gershon Review (2004), which identified potential efficiency savings in government services, had of course preceded the Varney Report, and recently the emphasis on transforming government services has proceeded hand in hand with efforts by the government to save on operational costs. Gershon had suggested that if more customers were to use electronic channels of communication, this would mean that some face-to-face services could be closed (Hudson, 2009). Following the Gershon Review, the Budget in 2004 included an announcement of planned savings in 'back-room' staff in the Inland Revenue (now HMRC) and DWP of 54,000 by 2008 (or 40,500 after redeployment).

Although some of his recommendations sounded similar, Sir David Varney tried to distinguish his report from those that emphasise only the issue of efficiency. So he wrote, for example:

The focus of this review is how to save government, citizen and business time and money by examining the scope for integrating front-line service delivery.

Varney, 2006, p. 4, our emphasis

The Delivery Council is now responsible for coordinating cross-government activity related to Service Transformation. Patterson (2008) gives an overview, describing how this agenda has moved on from the former focus on 'e-government' (described in Adler et al. (2005)).

There are various principal parts to the Service Transformation Agreement, including two broad measures of progress, one of which is reductions in 'avoidable contact' with call centres (aiming at a 50 per cent reduction over three years):

[Avoidable contact] includes unnecessary clarification calls, follow-up calls, repeat calls, calls caused by rework, redials when the service is not answering, and wrong numbers caused by confused information.

Cabinet Office, 2007d, p. 24

Royston (2007, p. 33), in her report on benefits simplification for the DWP, reported that 'customers' have a total 290 million contacts with the DWP in a year, with an estimated 70–80 million of these involving progress chasing. The aim of reducing avoidable contact is also incorporated in National Indicator 14, which is one of the 198 national indicators against which local government will be assessed under the new performance management framework. (Note that reducing avoidable contact – i.e. contact that represents a poor use of staff and customer time – is not necessarily or always the same as reducing regulation per se, which may be the goal of other EU countries involved in the learning team about burdens on citizens.)

The other measure of progress for the Service Transformation Agreement is to do with the streamlining of government websites. 'Customers' are meant to be matched to the best communication channels for them – including face-to-face contact (Patterson, 2008).³⁶ The *Transformational Government* report (Cabinet Office, 2005b) and the Varney Report (2006) could perhaps be interpreted as embodying a tension between this message and a clear preference for online communication as the cheapest and least labour intensive. This continues to be evident in government documents, with some

³⁶ A recent Written Answer stated that information is not collected centrally on the proportion of benefit claims dealt with through different channels (House of Commons *Hansard*, Written Answers, 10 July 2008, col. 1765W).

policymakers appearing to imply that there is one preferred channel of communication for users.

However, other factors and priorities have affected what was perhaps an initial view that increasing internet communication was the key solution to many public service problems. These include the indefinite withdrawal of the online applications process for tax credits following fraud by organised criminals (House of Commons *Hansard*, 4 March 2008, col. 2328W) and the difficult progress of the government's original plans for an identity card.

And more recently, there has been a public recognition that the same 'customer' may use a variety of communication 'channels' (for example, face-to-face, paper, telephone, email, internet) at different points of their 'journey'. This is evident, for example, in HMRC's 'Total Cost to Serve' initiative, which aims to calculate the cost of each stage of the 'customer journey' to both HMRC and the 'customer' themselves – including not just visible costs, but also hidden costs such as wasted time and hassle. This HMRC initiative is clearly highly relevant to the measurement of compliance costs, although it focuses on the costs of communication rather than on other costs and is as interested in the operational costs as in the costs to the 'customer'. It is not focused on tax credits but envisages various different types of HMRC 'customers'.

As part of the Service Transformation Agreement, a 'change of circumstances' service is proposed across government for 2010, starting with death, birth and change of address, and in the longer term a 'cross-government identity management system' is planned. However, the main drivers of the strategy appear to be technological developments on the one hand and rising public expectations of services on the other, with 'costs of compliance' implicated in each of these rather than being the major focus; and the focus on 'avoidable contact' outlined above has been adopted without any detailed measurement of the costs of compliance faced by citizens to date.

As mentioned in Chapter 1, in the foreword to his report on Service Transformation Sir David Varney emphasised that he had found that

... departments which provide services focus predominantly not on the citizen, but on an aspect of the citizen called 'the customer'. This allows the department to focus on the delivery of their service – a transactional relationship. The end result is that the citizen who needs multiple services is left to join up the various islands of service to meet his or her needs.

Varney, 2006, p. 1

This warning sometimes appears to have been forgotten in the more recent focus on the 'customer', which is a concept and wording borrowed from business – although the term 'citizen' is sometimes used instead. The UK is developing 'customer insight' research within government departments, which is intended to help greater understanding of the 'customer's' needs and behaviours in order to design better services, as already happens in some businesses. This entails a more developed focus on the interaction between services and 'customers'.

The cross-government Customer Insight Forum describes customer insight as covering more than customer research (understood, apparently, as market research); it includes not only customers' opinions but also their behaviour, hopes and desires. The Forum has provided guidance and a toolkit to departments for 'customer journey mapping', which is a qualitative method of examining the various steps that a service user takes from their own perspective (Begley, 2008). Journey-mapping approaches include

focusing on the customer experience; mapping the process; and a more quantitative approach, aiming to give information on how many people are affected and at what cost.

The Forum is also helping departments to improve the monitoring of customer satisfaction (see Section 4.5). Whilst the Forum argues that customer insight will enable services to assess what should be measured, this appears to be largely focused on customer satisfaction, rather than on the 'costs of compliance' which we explore in this report. However, it is clear that the concepts of 'customer insight' and 'customer journey mapping' could be used as part of an initiative to measure compliance costs.

4.4.2 Benefits and tax credits

Although the Transformational Government and Service Transformation agendas are much broader reform programmes, they are clearly relevant to the 'costs of compliance' of benefits and tax credits for claimants. The DWP is also leading on some elements, including the development of Directgov, the government internet project (Hudson, 2009). Key proposals within these agendas involve benefits and tax credits (Varney, 2006); and some have already been piloted (including the sharing of data between HMRC, DWP and local authorities in the pilot project in Wallsend described in Section 2.6.7).³⁷ The working paper on customer insight published by the Cabinet Office (2007a) includes a section profiling the DWP and HMRC (p. 10) as an example of closer working between different government departments. The DWP also describes its work on benefits simplification as forming part of Service Transformation (Department for Work and Pensions, 2008e).

As a result of recommendations emerging from its 'Capability Review', the DWP developed plans for a focus on 'insight' into its customers' needs and preferences, in an attempt to improve its knowledge and to use this when designing its services (Department for Work and Pensions (2006b), updated in Cabinet Office (2008a)). The DWP's strategic objectives include paying the right benefits at the right time and making the DWP an exemplar of effective service delivery (Department for Work and Pensions, 2008d). It also aims for there to be 'no wrong door' for people who contact it (House of Commons *Hansard*, Written Answers, 16 January 2008, col. 1386W). This is reminiscent of previous attempts to create a one-stop service, organised around providing a

single contact point which customers can, if they wish, use as a comprehensive gateway to the full range of Benefits Agency services.

Bellamy, 1996, p. 167, citing a Benefits Agency document of 1992

However, despite the prominence of aims to reduce overpayments and delays in benefit in the DWP's Public Service Agreements, it is not clear to what extent they have been formulated on the basis of claimants' priorities, including reductions in the costs of compliance. Stafford (2009) also argues that 'customer insight' is currently provided more by stakeholder organisations and providers to the DWP, rather than by claimants themselves. Moreover, the Varney Report (2006) tended to suggest well-worn solutions which those who have worked in this area for some time recognise as rather more difficult than they seem at first glance – or indeed as a series of rather familiar Holy Grails (a single simultaneous assessment for multiple benefits and services, the standardisation of forms across the benefits system, comprehensive helplines etc.); and, as with many such proposals, the focus is on the process of obtaining benefits, i.e. delivery, rather than on the rules of entitlement themselves, i.e. design.

³⁷ Patterson (2008) notes that notification of changes in circumstances to different parts of government in one electronic transaction was already part of the 'Modernising Government' agenda in 1999.

The government is already making some changes in this direction. For example, in addition to ensuring that council tax benefit can be claimed alongside income support and jobseeker's allowance, 'In and Out of Work' pilots (Adams, Kelly and Fish, 2008) between the DWP, local authorities and HMRC have experimented from October 2008 onwards with claimants only having to make one call to update their benefit details when they move between work and joblessness; previously, according to the DWP, some claimants had to make more than 28 separate contacts with three organisations: the Inland Revenue / HMRC, their local council and Jobcentre Plus. This is reportedly intended to make it easier for people to take up short-term work (*The Guardian*, 18 October 2008) – but is also clearly relevant to the aim of reducing costs of compliance for claimants of benefits and tax credits.

In addition, the DWP led on the 'Tell Us Once' project, which piloted the feasibility of a 'one-stop shop' service for people to report key changes of circumstances across government (Department for Work and Pensions, 2008d; DWP press release, 14 November 2008), rather than having to contact different parts of central and local government, sometimes many times. This appears to have arisen in part out of a report about bereavement from the Cabinet Office Regulatory Impact Unit (2005), which examined 'unnecessary bureaucratic burdens' facing not only front-line staff but also bereaved people themselves, and recommended simplified claim processes etc.; and in part from Sir David Varney's recognition of this issue in his report (Varney, 2006), noted earlier. Tell Us Once, however, deals with birth as well as bereavement. It should be being rolled out nationally later in 2009. This is clearly of direct relevance to claimants' costs of compliance.

It should be said, however, that this is not a new issue – or, indeed, a new solution. Bellamy (1996, p. 162), for example, notes that as far back as 1980 the then Department of Health and Social Security recommended that

Information about changes of circumstances reported to one specific point would be applied without further action by the beneficiary to all processing points.

Department of Health and Social Security, 1980, p. 7

To date, problems with data sharing across government departments have tended to bedevil this kind of initiative in the UK (although benefit matching must already presumably be being used for anti-fraud work, and the Welfare Reform Act 2007 was intended to introduce some powers for information sharing between the DWP and local authorities).

The DWP has been developing a secure online service for personal data ('My DWP') and recently the government has announced (*The Guardian*, 15 January 2009) that it will bring in powers to remove barriers to the widespread bulk sharing of personal data across government departments and through the public sector. Ministers would have to issue an information sharing order, which would be subject to consultation and parliamentary approval. But the government's claim is that this will obviate the need to give information about changes of circumstances more than once. Again, this is clearly relevant to claimants' costs of compliance.

HMRC has a goal to provide better support for compliant taxpayers (HM Treasury, 2007, p. 126). As discussed in Chapter 3, it has commissioned a project estimating in detail the administrative costs for businesses of all HMRC-administered taxes (KPMG, 2006), although this did not extend to individuals (other than self-employed people, who were included as businesses, though their personal tax affairs were not covered). Its departmental strategic objectives include improving customer perceptions of dealing

with HMRC, and the accuracy and timeliness of processing, both of which could be argued to be relevant to compliance costs (HM Revenue and Customs, 2008b).

Public Service Agreement (PSA) 6 appears potentially relevant to the costs of compliance for claimants of tax credits. The targets within this objective focus largely on businesses; but one aims to increase to at least 85 per cent the proportion of individuals who find their tax credit award notices (and various tax documents) easy to understand. PSA7 aims to increase to at least 95 per cent the rate of accuracy achieved in administering tax credits (and other things). But neither of these goals was achieved by the end of 2007 (Cabinet Office, 2007b); and, although PSA6 is expressed in terms of minimising costs, the targets do not really deal explicitly with costs of compliance.

HMRC developed a tax credits transformation programme in 2008 (see HM Treasury and HM Revenue & Customs (2008) and Lakhani (2008)), including a communications strategy to maintain relationships with tax credit claimants. The programme tackles some of the major administrative issues that have dogged the tax credits system (some of which are covered in the previous sections of this report), aiming to improve both services and communication. The relevance to our concerns about the 'costs of compliance' is that the intention is to be more proactive and to focus on claimants who have the most difficulties in their interactions with HMRC (known as 'customer segmentation' in the commercial sector). This could be seen as overlapping with those who have the highest costs of compliance, in terms of both time and money and psychological costs (see Chapter 2). However, research for HMRC by Hall and Pettigrew (2008) concluded that it was not possible to develop a typology of tax credits claimants, because they were so diverse, and that it was only possible to identify key influences on them (including personal attitudes, behaviours, life experiences and personal circumstances). Hall and Pettigrew concluded that these could not be used directly to help inform communications. 'Customer segmentation' therefore did not seem to be the best way forward.

HMRC has also embarked on the early stages of a panel survey of tax credits and child benefit claimants, in order to understand more about the 'customer' experience over time, including tracking the 'customer journey' in tax credits, analysing the drivers of claimants' needs, attitudes and preferences, and understanding how claimants' experiences may alter their behaviour. HMRC also hopes to look at who seeks help and from whom. This kind of survey could be used to explore the 'costs of compliance' involved in child benefit and tax credits, though this is not currently one of the aims of the research.

4.5 Customer satisfaction

The government declared in the Budget Report in 2007 (HM Treasury, 2007) that it would ensure that customer satisfaction was a key priority for front-line professionals and would be used in performance management to ensure that service deliverers paid proper attention to the user experience. (One example is the Public Service Agreement target for HMRC that aimed to achieve an 80 per cent satisfaction rate for customers achieving success at first point of contact.) The government referred to the Varney Review on Service Transformation (2006), which emphasised the need for services to be provided in a way that is more convenient for citizens as well as businesses. Guidance on promoting customer satisfaction, and a toolkit on how to measure it (Cabinet Office, 2007c), have also been published. There are clearly overlaps and links between

measuring the degree of 'satisfaction' of claimants of benefits or tax credits and measuring their costs of compliance, although these are by no means the same thing.

Both the DWP and HMRC regularly investigate the satisfaction of individuals who use their services (Sanderson, Fidler and Wymer, 2005; Johnson and Fidler, 2008), and in future they plan to use customer satisfaction indicators in performance management (HM Treasury, 2007, ch. 6). Johnson and Fidler (2008) found that the key service factors that appeared to drive Jobcentre Plus customer dissatisfaction in 2007 included office conditions, provision of incorrect or contradictory information, limited access to services, excessive time taken to deal with their issues, missing or incorrect benefit payments and the feeling that they were not being treated with respect as individuals. Some of these factors are clearly related to 'costs of compliance' and were explored in Chapter 2.

Herdan (2006) wrote an independent report for the government about the Charter Mark – in existence since 1992 as a motivation to achieve higher public service standards – and customer satisfaction, and 'improvements in terms of outcomes for citizens as users of public services' more generally (p. 3). This is relevant to the focus of this scoping study, in so far as higher satisfaction and better outcomes might be related to the (lower) volume and/or incidence of compliance costs, and in particular to claimants' perceptions of such costs. Herdan did not recommend a common customer satisfaction index across the whole public sector; but he did suggest certain core questions, and the use of robust methodology within a redefined Charter Mark scheme, incorporating more rigorous measurement of customer satisfaction to develop a new national standard for customer service.

According to his report, the key drivers of customer satisfaction within public services are considered to be:

- delivery of promised outcomes and handling problems effectively;
- timeliness of service provision;
- accurate and comprehensive information, and progress reports provided;
- professionalism and competence of staff and treating customers fairly;
- staff attitudes – friendly, polite and sympathetic to customers' needs.

Herdan, 2006, p. 5³⁸

This model is derived from research by MORI (Office for Public Service Reform, 2004), and these five drivers are said to explain 67 per cent of the variation in satisfaction with public services.

Herdan (2006) recommended that the performance of departments/agencies should be measured using four elements, including customer experience, with the new Charter Mark scheme playing a key role in assessing the latter. However, it was recognised that customer satisfaction can be affected by some factors that are outside the control of the organisation itself. The government has now introduced the Customer Service Excellence standard, which builds on Herdan's report to aim to achieve public services that are more responsive to people's needs (Cabinet Office press release, 10 March 2008). The requirements on services include a drive towards 'personalisation', in which they are exhorted to ensure that so-called 'hard-to-reach' groups are not ignored. Although Herdan's recommendation was to measure customer satisfaction rather than the costs of

³⁸ There is a clear overlap with some of the facets recommended for use to measure quality in productivity (see discussion of Atkinson Review in Section 4.2).

compliance, several of the factors above are likely to be affected by 'customer' experience of these costs, as demonstrated in earlier sections of this report.

4.6 Welfare reform, conditionality and 'co-production' of services

There was a discussion in Chapter 2 about the growing emphasis on conditionality within the UK benefits system in recent years, including in particular both the deepening and the widening of obligations related to attachment to the labour market. These policy developments are relevant to the costs of compliance of benefit claimants, if it is accepted that conditionality should be seen as part of such costs.

Conditionality within the benefits system seems to be coming to be described in government documents as part of the 'co-production' of services, in which users are involved in directing, managing or even administering the services they receive themselves. This is thought of as a relatively new concept in the UK. But over a decade ago, Bellamy (1996) described the then Business Development Branch of the UK's social security administration as identifying longer-term stratagems by which what she called 'informatisation' could eventually cut costs. One such stratagem was

... to shift administrative costs on to claimants, by a process which Toffler calls 'prosumption' – the drawing of consumers into the production of goods and services (Toffler, 1980).

Bellamy, 1996, p. 171

At that time, the sorts of 'co-production' (or 'prosumption') involved included schemes to introduce helplines, 'smart cards' and obtaining money from a hole in the wall – some of which are now common. As Bellamy pointed out, in an explicit reference to the topic of this report, such innovations could reduce claimants' compliance costs, as well as realising significant savings for the Benefits Agency.

The current meaning of 'co-production' of services by users, however, is more complex, and may vary depending on who is using the term. For example, a recent think-tank report (Gannon and Lawson, 2008) counterposes the co-production of public services by both staff and users to top-down targets imposed by governments or more choice introduced by market mechanisms. Its authors therefore emphasise cooperation and participation, and the creation of a democratic state. However, recent government documents – in particular the discussion paper published in response to a review of benefit conditionality by Gregg (Department for Work and Pensions, 2009) – appear to use co-production in a more pragmatic way. In that paper, the government announces plans to establish

... a model where advisers [in Jobcentres] have the necessary skills and capabilities to encourage claimants to co-own, co-produce and take responsibility for their journey back to work.

*Department for Work and Pensions (2009),
cited in House of Commons Hansard, Written Ministerial Statements,
28 January 2009, cols 21WS–22WS*

This seems to mean that benefit claimants will be encouraged to develop a personalised action plan around preparation for paid employment together with their personal adviser, and then to follow it. This suggests that co-production, as a way of managing conditionality – or the activation element of claimants' experience, rather than the claiming element – could be seen as part of the costs of compliance associated with claiming benefits and tax credits. The direction of change may be to increase the time

involved for claimants, rather than to decrease it as is the case for some other current government policy initiatives.

4.7 Human rights approach

An alternative approach to public service reform which could drive improvements in public services, and which might be seen as having a close connection with concern about the costs of compliance, is human rights values. The UK has a Human Rights Act already, and has also set up an Equality and Human Rights Commission. But a human rights perspective does not yet seem to be as embedded within public services reform as the more business-oriented 'customer'-focused approach.

This is despite a report published recently by the Ministry of Justice (2008), which linked these together by recommending that government departments

... recognise the importance of making customer care, based on human rights values, central to service design and delivery.

Ministry of Justice, 2008, p. iv

Amongst the key findings of the report was that

vulnerable, frequent users [of public services] are particularly exposed to service delivery that fails to respect their human rights.

Ministry of Justice, 2008, p. iii

The chairman of the Work and Pensions Select Committee has also suggested recently that a claimant's charter should be introduced, setting out the responsibilities of the state to the claimant and the rights of the claimant (House of Commons *Hansard*, Second Reading debate on the Welfare Reform Bill, 27 January 2009, col. 182); the then Secretary of State for Work and Pensions said that he would be prepared to consider such a charter.

A focus on human rights values would be relevant to the psychological 'costs of compliance' for benefit and tax credit claimants, especially those relating to the *quality* of their contacts with services. This would complement the focus on the *quantity* of contacts, which is emphasised repeatedly in the Varney Report (2006) and promoted in the current approach to transforming public services. It would also imply an emphasis on rights rather than needs and on the citizen rather than the 'customer'.

4.8 Conclusions

It is clear from the above discussion that the costs of compliance for claimants of benefits and tax credits are currently a highly relevant issue for several key UK government programmes and priorities for public services. In the context of the intense pressure on public expenditure that is likely to characterise the next period of government, it is particularly important to ensure that burdens on claimants are recognised and taken into account.

It is also evident that as our scoping study has progressed, government interest in this issue has increased. However, with the exception of a few experimental projects in the DWP and HMRC, there is no coherent cross-government strategy to measure the burdens on citizens. And these experimental projects, which will try to measure (some aspects of) the costs of compliance more specifically for claimants of benefits and tax credits, have yet to come to fruition. Whilst the momentum of change is therefore (by and large) in a helpful direction as far as this study is concerned, there is still some way to go before compliance costs are seen as a key focus of policy.

CHAPTER 5

Conclusions and Recommendations

5.1 The case for taking costs of compliance for claimants seriously

We argued in Chapter 1 that a thorough understanding of the scale and distribution of the compliance costs incurred by recipients of benefits and tax credits is necessary to inform any cost-benefit analysis of changes to such benefits or tax credits. Compliance costs are a waste of individuals' time and resources: time and money spent by recipients fulfilling their obligations cannot be spent engaged in other activities. For example, Finn et al. (2008) finish the summary of their recent study for the Joseph Rowntree Foundation about problems in the delivery of benefits, tax credits and employment services by making recommendations for changes, which include (p. 55):

minimising the costs of accessing the system for those in poverty ...; a coherent digital inclusion strategy for reducing the access and cost barriers facing people on benefits, especially in poor households and among the elderly ...

These researchers are clearly taking the costs of compliance for claimants of benefits and tax credits seriously for the sake of claimants themselves.

Walker (2005), writing about administrative efficiency in social security systems, develops a concept of 'user efficiency' (p. 232):

Benefit applicants require ease of application, simplicity of rules and procedures, good communications and the avoidance of repetition in providing information to agencies. In the short term, bureaucracies may be able to reduce staff costs or capital investment by burdening applicants with form filling, additional visits etc. However, to the extent that this results in inaccurate information or incomplete evidence being provided by applicants, or generates a sense of resentment among them, it may serve to add to administration costs in the longer term.

This argument provides a justification for reducing claimants' compliance costs of benefits (and tax credits) not only from the perspective of claimants themselves but also because this is in the interest of governments as well. It is also possible that the reduction of compliance costs could help to create greater trust between claimants and officials within the social security and tax credit systems, and that this in turn would facilitate the achievement of various policy objectives (such as helping people to enter the labour market).

5.2 The challenges for measurement

In Chapter 2, we explored the nature and range of compliance costs for claimants of benefits and tax credits. These compliance costs include time, money and psychological costs, and it is frequently difficult to separate these, especially for claimants themselves. Some groups suffer particularly high costs; and some benefits and tax credits are associated with high compliance costs, in particular those that involve means tests and/or that change frequently. Getting help can act to either reduce or increase compliance costs.

These factors combine to pose challenges for any measurement exercise. But additional issues that need to be considered include the wide range of costs experienced; the fact that costs may fall on others besides the claimant; and the importance of claimants' own perceptions in gauging the real impact of any costs. Conditionality is experienced as a cost, and therefore should be included; but any advantage gained as a result should in principle be discounted. The behavioural impact of compliance costs may be very real; but it is hard to see how to include this in costings. The psychological impact of living on a low income is difficult to disentangle from any psychological costs of being a claimant.

More general issues include the timing and period of measurement (whose importance was shown by our breakdown of costs into different stages of the claim); the question of how to value time; and the difficulty of measuring psychological costs, which are nonetheless key for claimants.

We do not underestimate the difficulties involved in measuring the costs of compliance associated with benefits and tax credits. However, we do believe that the evidence we (and others) have gathered, together with the growing emphasis on the service user perspective in government policy, means that the time is now ripe for further exploration of how best to measure such costs of compliance and of how best to take them into account in proposed policy changes.

5.3 What would be achieved by measuring compliance costs?

We believe that there are convincing reasons for increasing our understanding of the scale and distribution of the compliance costs of benefits and tax credits:

- This understanding could be used to develop a more rounded measure of the productivity of the benefits system, following recommendations in the Atkinson Review (2005), and also extended to tax credits.
- It could also help us to understand more about the reasons behind non-take-up of entitlements – and perhaps also other behavioural responses to the operation of benefits and tax credits.
- More broadly (as argued in the Netherlands when trying to reduce burdens on citizens imposed by the government), consideration of the costs of compliance for individuals could help to provide a response to citizens' growing distrust of government.

Currently, as we argue in Chapter 4, the momentum of government action is largely in a helpful direction. But the initiative on assessing the productivity of the benefits system could benefit from quantification of the quality of service as it affects claimants; and the same is true of the various developments under the umbrella of Service Transformation. Several have now isolated the experiences of service users in terms of communication in particular as a key area to explore, but no one yet seems to have developed the tools to do so.

Within the Department for Work and Pensions, the previous focus on benefit complexity has changed to an emphasis on 'burdens on citizens', heavily influenced by experience in the Netherlands. But despite this, there has not as yet been much progress in actually measuring the costs of compliance. We believe that this needs to be given

more priority by government, especially in the context of the intense pressure on public expenditure that is likely to characterise the next period of government.

Indeed, whilst the costs of compliance for claimants are highly relevant to several key government agendas – including those listed above, but also the improvement of public services in particular – the importance of measuring them also needs to be argued for in its own right and not just as an adjunct to other projects and programmes.

5.4 What should happen next?

In Chapter 3, we analysed how compliance costs (or, for the Standard Cost Model, administrative burdens or costs) have been measured in practice and we assessed the relative strengths and weaknesses of those methods as applied in previous studies (most of which were not about the compliance costs incurred by recipients of benefits and tax credits).

Large-scale surveys can provide statistically reliable estimates of average (and, therefore, total) compliance costs; how these costs are distributed; and with what other characteristics the costs are correlated. They have done best at investigating the compliance costs of discrete events which people could recall. But previous postal surveys suffered from low response rates, and face-to-face surveys are expensive. Surveys are not suitable for establishing the determinants of high compliance costs or assessing which burdens are more irritating than others.

The DWP is currently developing a telephone questionnaire for 900 JSA claimants, to find out about their experiences from their first enquiry to the first payment. Qualitative research is being used first to find out more about the issues that should be explored. This seems to us to be a sensible use of a large-scale survey method, since it covers a discrete event of recent date and is restricted to a very specific claimant group.

HM Revenue and Customs is currently operating a panel survey of child benefit recipients which could be used to ask questions about the costs of complying with the (child benefit and) tax credits system; the longitudinal nature of the survey could be exploited to find out more about the narrative of claimants' engagement with the benefits and tax credits administrations. An alternative, but more labour-intensive, method of fortnightly diaries was employed in the study by Hills, Smithies and McKnight (2006), which investigated fluctuations in low-income families' incomes, and could be investigated further for its value in studying claimants' compliance costs in situations of frequent changes of circumstances.

The *Standard Cost Model* seems to be a very practical tool for policymakers, especially in setting a baseline against which policy impact can be measured. But not all costs are included (such as, for claimants, those involved in satisfying conditionality). In addition, it does not easily allow for variation, preventing understanding of the range or distributional impact of compliance costs incurred. It is clear that the Netherlands has moved towards greater use of qualitative methods in recent years. Using the SCM may bring about a culture change in departments; but such a culture change appears to be taking place in the UK in any case (see Chapter 4) and might also result from other methods of quantifying compliance costs.

It is the inputs into the SCM which are crucial. If the DWP or HMRC is attracted to using the SCM to estimate the administrative burdens placed on citizens by the benefits and tax credits systems, they should learn lessons from other European countries that have done this and try to avoid some of the pitfalls of existing SCMs. This suggests

allowing for variation in costs between citizens and estimating the costs not just of normal transactions but also when things go wrong.

In-depth studies and other qualitative methods are never by themselves going to give statistically reliable measures of the costs (for example, in hours and minutes) that can provide information to go into a cost-benefit analysis. However, they can discover what is of most interest to policymakers and help them see the system from the perspective of the user, highlighting claimants' own perspectives and priorities as well as issues specific to particular groups.

Given the stage at which research into burdens on citizens currently is in the UK, we believe that it would be valuable for the DWP and HMRC, involving local authorities if necessary, to commission qualitative research to discover more about claimants' perspectives and experiences – and in particular what they think are the most irritating or stressful aspects of dealing with the authorities.

Kootstra and Rem (2008) argue that quantifications of administrative burdens for citizens and a measurable target are both strong political drivers for change, with a common information infrastructure as an important foundation; but that approaches in which political objectives and citizens' perceptions are combined are considered to be the most effective. This is illustrated by a story that appeared in the national press in the UK recently, in which the following quote was used:

'We were measuring how we used resources and whether letters were sent out to customers within five days, but we didn't ask ourselves whether five days was appropriate or whether a letter was needed', says Debbie Farrow, [Wiltshire] council service director for business transformation.

Robert Bullard, in 'Badge of success', The Guardian, 17 December 2008

This also suggests that a combination of methods is required for policy and political reasons – because, whilst measuring costs in money and hours is very worthwhile, it does not tell us what claimants feel, think or perceive; and this may be more important to policymakers who are seeking to improve the quality of public services, which seems to us to be the main motivating factor in the UK context.

Lastly, we would argue that policy analysis is also a key accompaniment to qualitative and quantitative exercises to measure the costs of compliance of benefits and tax credits. Claimants' perspectives are crucial, as we argue above. But in order to determine the *causes* of the costs of compliance that affect claimants, analysis of the structure of the benefits and tax credits systems is also necessary, to highlight those elements of design as well as delivery that result in burdens on claimants and potential claimants.

5.5 Conclusions

We hope that this scoping study has

- suggested important areas of the costs of compliance associated with benefits and tax credits for further investigation;
- provided a starting point for discussion of issues relevant to the measurement of these costs of compliance and the methods that might be employed to measure them;
- linked the concept of claimants' costs of compliance to several areas of policy already high up the current government's agenda.

In addition, we hope that it will be helpful in convincing policymakers of the need to take this issue forward, with further discussion and research, so that the costs of

compliance faced by claimants will be taken into account in impact assessments of proposed changes in policy and practice. The purpose of this scoping study was not to make a case for the reduction of claimants' compliance costs. But we believe it is unlikely that governments will develop sophisticated methods for measuring these unless they have a policy goal of reducing them.

ANNEX 1

Consultations with Advisers and Others

Gloucestershire area, 16 October 2008, Cheltenham, CAB advisers
Northamptonshire area, 12 September 2008, Wellingborough, CAB advisers
Oxford area, 14 July 2008, Oxford Town Hall, CAB advisers and others
National Association of Welfare Rights Advisers, 6 June 2008, Ipswich
Seminar held at Nuffield Foundation, London, 13 June 2008
Tax Credits Consultation Group members, 26 June 2008, London

ANNEX 2

Crisis Loans for Items

(from Citizens' Advice Bureau adviser, sent in April 2008)

What stages would a young isolated lone parent on incapacity benefit with young children have to go through if her only form of heating broke down and she needed a crisis loan to replace it? (It is our experience that the majority of clients in this position do not have a landline or access to a friend's or relative's landline.)

Leaflets from JobCentre Plus, DWP websites and local Jobcentre Plus offices would all direct her to the Crisis Loans telephone number: 0800 032 7950.

She will ring 0800 032 7950 and will get a recorded message. It will inform her that it is a free call, but that if using a mobile phone she may be charged. By way of illustration, here is – more or less verbatim – some of the recorded message on the 0800 Sheffield number:

'Welcome ... This service is for Crisis Loans only. If you have another enquiry you will be referred to another number ... To help us direct your call, for Crisis Loans please press '1'. For Community Care Grants, Budgeting Loans, Funeral Payments and Sure Start Maternity Grants please press '2'.

[If '2' is pressed, a message is given: 'The number you require is 0845 608 8671'. If '1' is pressed, then after some further information, ...] 'If your call is for a Crisis Loan for a household item, please press '1'. If your call is for something else, please press '2'.'

[If '1' is pressed, there is a further message about busy lines, a request for the customer to try again later, and at that point the call is almost always automatically terminated by DWP.]

I followed this procedure at regular intervals for several days, so I am aware that it was not just a one-off problem. On one occasion I rang 18 times before getting through – each of the calls lasted about 2 minutes before I knew I was going to be cut off. If using a mobile phone this could have cost me about £18 – [but] of course I wouldn't have kept going (thus filtering people who are entitled out of the system).

When I did get through, I was told that Crisis Loans for items couldn't be done on the phone and that they will send me a form.

Once the form has been obtained and is completed, that is not the end of the problem. If the client wants to find out what is happening, or whether their application has been received, they only have this number to call.

ANNEX 3

Claiming My (Deferred) Pension

(personal communication from social policy researcher,
originally received in 2008; updated version received in 2009)

I had deferred my pension when I retired in July 2002, when I was 60. In the spring of 2007, I thought I would find out how much I would get if I started to claim. The sequence went like this:

Process of claiming

14.5.07: I rang the Pension Service on 0845 60 60 265 to ask if they could send me an estimate of what I would be paid. I was told it might take 2 weeks.

10.7.07: I had heard nothing, so I rang again and was told nothing had been sent, they would follow it up.

1.8.07: Rang again and finally established that I needed to ring the Claims Department on 0845 300 1084. A very helpful woman said she would send me a booklet/claim form and that if I wanted to find out how much I would get I should not fill in a date when I wished to claim.

8.8.07: Form completed and sent off with birth, marriage and divorce certificates, receipt received dated 15 August.

27.8.07: Letter/form from Pension Service asking for my ex-spouse's National Insurance number and contact details as it might be possible to use this to increase the amount of my pension. – returned the details having found them out.

27.8.07: Another letter/form from Pension Service asking for my P60 for the year ending 5 April 2003 and my employer's full name, address and phone number, which I supplied.

27.9.07: Letter from the Pension Service asking for the date when I wished to start claiming. (I had not been sent information about the amount.)

10.10.07: I returned the form saying that I would like to claim from 1.1.08 (I thought I would give them a bit of time to get it sorted out!)

17.10.07: Letter returning the documents (birth certificate etc.) and acknowledging the correspondence, but also asking me to complete another claim form 'as your original claim dated 8.8.07 so can't accept to claim for 01.01.08'. (It has to be within a certain period of time of the original claim apparently.)

29.10.07: Further claim form returned.

10.12.07: Letter/form from the Pension Service asking for my employer details for the tax year 2001-2 as soon as possible. Rang them on 12.12.07 to say that they were the same as the details given for 2002-3.

The claim

15.1.08: Had heard nothing so sent an email asking what was happening.

15.1.08: Letter from the Pension Service, London Pension Centre, Newcastle NE98 1BA headed 'State Pension – Customer Choices' asking whether, having not claimed for a

period, I wanted to receive an extra State Pension on top of the normal weekly State Pension or a lump sum. The letter said that if I took the extra State Pension it would be £62.58 each week on top of my weekly State Pension of £128.17, making a total of £190.75 a week. (If I chose the lump sum the one off payment would be £19,185.79 and a weekly State Pension of £154.35). I wrote to say I would take the extra pension.

15.1.08: Letter from the Pension Service in Gateshead with an Award Notice and Statement of Details, saying I was entitled to a State Pension of £154.35 a week (so presumably assuming I would take the lump sum) and giving details of how this was made up:

Basic pension	£87.30
Additional pension based on earnings from 6.4.78 to 5.4.97 of £125.28 less contracted-out deduction of £87.26	£38.02
Extra – basic pension	£17.83
– additional pension	£7.77
Graduated pension	£3.43
<i>Total</i>	<i>£154.35</i>

17.1.08: Letter from the Pension Service at Newcastle NE98 1WZ giving information about my first payment of benefit by Direct Payment – headed PLEASE RETAIN FOR INFORMATION. It also gave the weekly amount as £154.35 and the same details as above.

25.1.08: A payment for 3 weeks (for 7.1.08 to 27.1.08), based on £154.35 a week, was paid into my account.

Mid January 08: Rang the Gateshead office to ask why I had been given two separate figures, £154.35 and £190.75. They were not sure but their records indicated that the £154.35 had been superseded.

31.1.08: A further sum of £109.20 was paid into my account thus making up the total to £190.75 a week.

2.2.08 and 6.2.08: Two identical letters dated 11 and 16 January arrived from the National Insurance Contributions Office, Newcastle NE98 1ZZ saying that my contracted-out deduction was £82.48 and giving the details from their records of my employer's or private pension schemes. These were said to be involvement in the NHS Pension Scheme for England and Wales between 1978/9 and 1985/6 (which was wrong) and the Pension Trust from 1989/90 to 2001/2 (which was correct).

6.2.08: Wrote to HM Revenue and Customs pointing out that the figure of £82.48 was different from the information received from Gateshead dated 7 January which gave the figure as £87.26. I was also able to reconstruct my employment history and related pension contributions (contracted in and contracted out and non-contributory) showing that part of their records were wrong.

28.2.08: Letter from NI Contributions Office accepting the amended pension scheme details and saying that this did not affect the total amount of £82.48.

22.2.08: £763.00 paid into my account by DWP – 4 weeks at £190.75 a week.

23.2.08: Letter from Pension Service NE98 1WZ giving details of the general increases in benefits. From 7 April 08 my weekly amount would be £200.41 based on:

Basic state pension	£90.70
Pre 97 additional state pension	£130.17
Less contracted out deduction £88.43	£41.74

Extra basic state pension	£44.29
Extra additional state pension	£19.28
Graduated Retirement Benefit	£4.40

(i.e. they had corrected the amount of extra state pension as a result of the deferment).

23.2.08: Rang the number for the above Pension Service to ask why there was a disparity between the contracted out deduction calculated by the NI contributions people (£82.48) and the Pensions Service (£87.26 uprated to £88.43). After checking on the system and consulting colleagues I was told that more time was needed to check this and I would get a letter.

12.3.08: Letter received from Pension Service NE92 1BQ to say that they could not answer my query at the moment: 'more information is needed. As soon as I receive it I will write to you again'.

12.6.08: Received a long letter from the Pension Service explaining how my pension had been calculated. I replied on the 20th saying that I still didn't understand why the amounts of my contracted out pension were different in the different letters I had received. After a phone call it was established that the differences were due to the upratings in the amount over the years I didn't claim. The saga therefore finally came to an end.

(Written 18.3.08 and June 2008)

(The author emphasises that they think pension deferral is very worthwhile.)

ANNEX 4

Request Sent to Citizens' Advice Bureaux etc. Asking for Case Studies

Dear colleague

Oct 08

Costs of compliance of benefits and tax credits (burdens on claimants): request for case studies

You have expressed interest in the research project we are working on which is funded by the Nuffield Foundation, to investigate the '**costs of compliance**' involved in claiming benefits and tax credits. We are most grateful to you, and are now writing to explain how you can help.

By the 'costs of compliance' of benefits and tax credits, we mean something broader than just claimants ensuring they keep within the law.

We mean instead the **costs for claimants, in terms of time and money – and other, less easily quantifiable, costs such as psychological effects** - involved in claiming benefits and tax credits. 'Costs of compliance' are **costs which would not be incurred if the benefit or tax credit did not exist**. They may include the costs involved in fulfilling the conditions attached to getting a benefit/tax credit, as well as the process of claiming it and maintaining the claim. They could be called '**burdens on claimants**'.

By doing the research we want to understand more about

- what these costs involve;
- whether they can be measured; and
- whether governments could take them into account when considering policy changes in benefits and tax credits.

We have held several meetings with benefits and tax credits advisors, as well as a seminar for advisors, civil servants and others, and we plan to hold some more in future. Some of you are involved in these meetings.

We are writing now to ask if you can help us in a specific way. Participants in the meetings held so far have raised a number of issues (outlined below).

We should be very grateful if you could

- send us **case studies** which illustrate the issues highlighted; and
- let us know if you think there are **additional issues** related to the 'costs of compliance' which have not been raised so far.

We look forward to hearing from you. Many thanks in advance for your help!

Best wishes

Fran Bennett (University of Oxford)
and pp Mike Brewer and Jonathan Shaw (Institute for Fiscal Studies)

'Costs of compliance' of benefits and tax credits:

general points

Our meetings with advisors have suggested some **general points**:

- different benefits/tax credits may cause **different levels of costs**; and the **interaction between different benefits and tax credits** may also cause costs to claimants
- benefits/tax credits may have **different costs at different stages**
- some costs may be caused by the **design** of benefits/tax credits (e.g. means testing or assessment of disability); others by their **delivery**
- some costs may be **avoidable**, or only arise when **things go wrong**
- claimants themselves may experience certain kinds of costs as **worse than others** – more annoying or frustrating, for example
- some costs may **affect others** (eg friends/family) as well as claimants
- some costs may have **consequences** which then cause further costs.

There may be particular **groups who may have higher (or lower) costs**. Advisors suggested some of the following groups might have higher costs :

- disabled and elderly people
- non-English speaking people
- people with immigration issues in addition
- people with literacy and numeracy problems
- those living in rural areas
- people with mental health problems
- people with many changes of circumstances (eg in and out of work)

And these are the **stages of the claim** that we are interested in :

- **finding out about** benefits/tax credits and whether you are eligible;
- **claiming** benefits/tax credits, and **getting the payments**;
- **maintaining** the claim (eg fulfilling conditions; reporting changes in circumstances etc.);
- **leaving** benefits/tax credits, or **changing** from one to another;
- **appealing** against a decision, or challenging it in some other way
- (including **getting help, advice and/or advocacy** at any stage).

How to do the case studies

If you are not a CAB advisor: please send case studies to Fran Bennett at the contact address (postal or email) given below. Please send case studies by **10 November 2008 if possible**.

'Costs of compliance' of benefits and tax credits:

issues raised, to be illustrated by case studies

See above - you may find it easier to think about the issues raised below in terms of the **stages of a 'claimant journey'**, using **examples of specific benefits/tax credits etc.**

This list is not here for you to pick a case study showing all these costs of compliance! They are just **examples**, to help you think of possibilities. If you can think of any other costs not mentioned, please include them.

Time costs

- Travelling
- Making phone calls
- Using the internet
- Filling in forms
- Waiting
- Other?

Money costs

- Travelling
- Making phone calls
- Using the internet
- Loss of benefit due to problems in claiming/renewal
- Bank charges due to benefit delays
- Obtaining evidence (eg medical)
- Court costs
- Cash machine charges
- Other?

Psychological costs

- Stress
- Stigma/shame/feeling disrespected
- Intrusion into privacy
- Feeling of lack of control
- Frustration/feeling 'knocked back' trying to improve situation
- Fear/confusion/uncertainty
- Depression/disengagement
- Sense of dependence (on state/advisors/friends or family/other)
- Other?

Other costs of compliance ?

Are there other costs of compliance (besides time, money and psychological costs) that we have not thought of? – if so, please include them in the case study.

Thank you very much for your help in providing us with case studies. We hope to use a selection in our report, with general acknowledgements.

Fran Bennett, Mike Brewer and Jonathan Shaw

c/o Fran Bennett, Senior Research Fellow, Dept of Social Policy and Social Work,
University of Oxford, 32 Wellington Square, Oxford OX1 2ER
(email : fran.bennett@socres.ox.ac.uk; tel: 01865 270321/5)

BIBLIOGRAPHY

- Adam, S. and Brewer, M. (2005), 'Take-up of family credit and working families' tax credit: final report', HM Revenue and Customs, Working Paper (<http://www.hmrc.gov.uk/research/ifs-takeup.pdf>).
- Adams, L., Bunt, K. and Bright, D. (2004), *Customer Experience of Direct Payment*, DWP In-House Research Report 150, London: Department for Work and Pensions.
- Adams, L., Kelly, J. and Fish, S. (2008), *In and Out of Work Pilot Evaluation: Findings from Staff and Customer Research*, Department for Work and Pensions Research Report 508, Leeds: Corporate Document Services.
- Adler, M. (2005), 'Constructing a typology of administrative grievances: reconciling the irreconcilable?', in R. Banakar and M. Travers (eds), *Theory and Method in Socio-Legal Research*, Oxford: Hart Publishing.
- Adler, M., Farrell, C., Finch, S., Lewis, J., Morris, S. and Philo, D. (2006), *Administrative Grievances: A Developmental Study*, P6068, London: National Centre for Social Research.
- Adler, M. and Henman, P. with Gulland, J. and Gaby, S. (2005), *Computerisation and E-Government in Social Security: A Comparative International Study*, Washington, DC: IBM Center for the Business of Government.
- AdviceUK (2008), *It's the System Stupid! Radically Rethinking Advice*, Report of AdviceUK's RADICAL Advice Project 2007-08, London: AdviceUK.
- Anderson, S. (2009), *The Anderson Review: The Good Guidance Guide – Taking the Uncertainty out of Regulation*, London: Department of Business, Enterprise and Regulatory Reform.
- Arthur D. Little Inc. (1988), *Development of Methodology for Estimating the Taxpayer Paperwork Burden: Final Report to the Department of Treasury*, Washington, DC: Internal Revenue Service.
- ATD Fourth World and Community Links (forthcoming, 2009), *Remove the Need for Cash-in-Hand Work: Effective Welfare Reform from the Ground up*, London: ATD Fourth World and Community Links.
- Atkinson, A. B. (2005), *Atkinson Review: Final Report – Measurement of Government Output and Productivity for the National Accounts*, Basingstoke: Palgrave Macmillan.
- Atkinson, J., Casebourne, J., Davis, S., Dewson, S., Gifford, J. and Tuohy, S. (2006), *Evaluation of the Intensive Activity Period 50Plus Pilots*, Department for Work and Pensions Research Report 388, Leeds: Corporate Document Services.
- Begley, H. (2008), 'United Kingdom', in J. Kootstra and P. Rem (eds), *Report on National Approaches of the EUPAN Learning Team on Administrative Burdens for Citizens*, European Public Administration Network web publication (<http://www.whatarelief.eu/publications/report-on-national>).
- Bellamy, C. (1996), 'Transforming social security benefits administration for the twenty-first century: towards one-stop services and the client group principle?', *Public Administration*, 74, 159–79.
- Bennett, F. with Dornan, P. (2006), *Child Benefit: Fit for the Future – 60 Years of Support for Children*, London: Child Poverty Action Group.
- Besley, T. and Coate, S. (1992), 'Workfare vs welfare incentives arguments for work requirements in poverty-alleviation programs', *American Economic Review*, 82, 249–61.
- Blumenthal, M. and Slemrod, J. (1992), 'The compliance cost of the US individual income tax system: a second look after tax reform', *National Tax Journal*, 45, 185–202.

- Blundell, R. W., Fry, V. and Walker, I. (1988), 'Modelling the take-up of means-tested benefits: the case of housing benefits in the United Kingdom', *Economic Journal (Conference Papers)*, 98, 58–74.
- BMRB International (2004), *Self Assessment Pilots 2003/4*, Inland Revenue Research Report 8, London: Inland Revenue (<http://www.hmrc.gov.uk/research/rep8-main.pdf>).
- Boardman, A., Greenberg, D., Vining, A. and Weimer, D. (2006), *Cost Benefit Analysis: Concepts and Practice*, 3rd edition, Upper Saddle River, NJ: Prentice Hall.
- Boath, M. and Wilkinson, H. (2007), *Achieving Good Reporting of Changes in Circumstances*, Department for Work and Pensions Research Report 457, Leeds: Corporate Document Services.
- Brewer, M. (2006), 'Tax credits: fixed or beyond repair?', in R. Chote, C. Emmerson, R. Harrison and D. Miles (eds), *The IFS Green Budget: January 2006*, London: Institute for Fiscal Studies.
- Budlender, D., Rosa, S. and Hall, K. (2005), *At All Costs? Applying the Means Test for the Child Support Grant*, Cape Town: Children's Institute and Centre for Actuarial Research, University of Cape Town.
- Bunt, K., Adams, L. and Leo, C. (2006), *Understanding the Relationship between the Barriers and Triggers to Claiming Pension Credit*, Department for Work and Pensions Research Report 336, Leeds: Corporate Document Services.
- Burchardt, T. (2008), *Time and Income Poverty*, CASEreport 57, London: Centre for Analysis of Social Exclusion, London School of Economics (<http://sticerd.lse.ac.uk/dps/case/cr/CASereport57.pdf>).
- Cabinet Office (2005a), *Measuring Administrative Costs: UK Standard Cost Model Manual*, London: Better Regulation Executive, Cabinet Office (<http://www.berr.gov.uk/files/file44503.pdf>).
- Cabinet Office (2005b), *Transformational Government: Enabled by Technology*, Cm 6683, London: The Stationery Office.
- Cabinet Office (2007a), *Establishing an Effective Customer Insight Capability in Public Sector Organisations*, London: Cabinet Office.
- Cabinet Office (2007b), *Capability Review of HM Revenue and Customs*, London: Cabinet Office.
- Cabinet Office (2007c), *How to Measure Customer Satisfaction: A Toolkit for Improving the Customer Experience in Public Services*, London: Cabinet Office (http://www.cabinetoffice.gov.uk/public_service_reform/delivery_council/workplan.aspx).
- Cabinet Office (2007d), *Transformational Government: Annual Report 2007*, London: Cabinet Office.
- Cabinet Office (2008a), *Department for Work and Pensions: Progress and Next Steps*, London: Cabinet Office.
- Cabinet Office (2008b), *Transformational Government: Annual Report 2007*, London: Cabinet Office.
- Cabinet Office Regulatory Impact Unit (2005), *'Making a Difference': Bereavement*, London: Office of the Deputy Prime Minister, Cabinet Office, Department for Work and Pensions, Inland Revenue and Court Service.
- Cameron, T. A. (2000), *Revealed and Stated Preference Estimation of the Value of Time Spent for Tax Compliance*, White Paper, Internal Revenue Service, United States Department of the Treasury.
- Chittenden, F., Poutziouris, P., Kauser, S. and Shamutkova, M. (2005), 'Income tax self-assessment compliance costs: empirical evidence from the UK', in C. Gray and G. Bannock (eds), *Government Regulation and the Small Firm*, Milton Keynes: Open University Business School.

- Citizens' Advice (2008), 'Barriers to work: lone parents and the challenges of working', *CAB Evidence Briefing*, October.
- Collard, S. and Atkinson, A. (2009), *Making Decisions about Work in One-Earner Couples*, Department for Work and Pensions Research Report 560, Leeds: Corporate Document Services.
- Colmar Brunton (2005), *Measuring the Tax Compliance Costs of Small- and Medium-Sized Business: A Benchmark Survey*, Wellington: Colmar Brunton.
- Community Links, Low Incomes Tax Reform Group and Child Poverty Action Group (2007), *Benefits, Tax Credits and Moving into Work*, London: Community Links, LITRG and CPAG.
- Cooper, N. and May, C. (2007), 'The informal economy and dignified work', in S. C. Bolton (ed.), *Dimensions of Dignity at Work*, Oxford: Butterworth-Heinemann.
- Corden, A. (1999), 'Claiming entitlements: take-up of benefits', in J. Ditch (ed.), *Introduction to Social Security: Policies, Benefits and Poverty*, London: Routledge.
- Craig, G. (2004), 'Citizenship, exclusion and older people', *Journal of Social Policy*, 33, 95–114.
- Currie, J. (2004), 'The take-up of social benefits', National Bureau of Economic Research (NBER), Working Paper 10488.
- Davidson, J. and Kemp, P. (2008), 'Sickness benefits in a polarised labour market', *Benefits*, 16, 225–33.
- Davidson, J. and Sainsbury, R. (2008), *Reporting Changes in Circumstances: Tackling Error in the Housing Benefit System – Standard Housing Benefit Cases*, Department for Work and Pensions Research Report 523, Leeds: Corporate Document Services.
- Davies, C. and Ritchie, J. (1988), *Tipping the Balance: A Study of Non-Take-Up of Benefits in an Inner City Area*, London: HMSO.
- Deacon, A. and Bradshaw, J. (1983), *Reserved for the Poor: The Means Test in British Social Policy*, Oxford: Blackwell and Robertson.
- Delivery and Transformation Group (2006), *Multi-Channel Transformation in the Public Sector*, London: Cabinet Office.
- Department for Business, Enterprise & Regulatory Reform and Department for Culture, Media & Sport (2009), *Digital Britain: The Interim Report* (by Lord Carter), London: The Stationery Office.
- Department for Constitutional Affairs (2004), *Transforming Public Services: Complaints, Redress and Tribunals*, White Paper, Cm 6243, London: The Stationery Office.
- Department of Health and Social Security (1980), *A Strategy for Social Security Operations*, London: HMSO.
- Department of Health and Social Security (1982), *Social Security Operational Strategy: A Framework for the Future*, Green Paper, London: HMSO.
- Department for Work and Pensions (2005), *Reducing Fraud in the Benefit System: Achievements and Ambitions*, London: DWP.
- Department for Work and Pensions (2006a), *Departmental Report 2006*, Cm 6829, London: HMSO.
- Department for Work and Pensions (2006b), *Simplification Plan*, London: DWP.
- Department for Work and Pensions (2007a), *In Work, Better Off: Next Steps to Full Employment – Impact Assessment*, London: DWP.
- Department for Work and Pensions (2007b), *Getting Welfare Right: Tackling Error in the Benefits System*, London: DWP.
- Department for Work and Pensions (2007c), *Official Error Task Force and Benefit Simplification Unit: Progress Report 24 January 2007*, London: DWP.
- Department for Work and Pensions (2007d), *Simplification Plan 2007–08*, London: DWP.

- Department for Work and Pensions (2008a), *Income Related Benefits Estimates of Take-Up in 2006–07*, DWP web publication
(http://www.dwp.gov.uk/asd/income_analysis/jun_2008/0607_Publication.pdf).
- Department for Work and Pensions (2008b), *Raising Expectations and Increasing Support: Reforming Welfare for the Future*, White Paper, Cm 7506, London: The Stationery Office.
- Department for Work and Pensions (2008c), *The Social Fund: A New Approach*, London: DWP.
- Department for Work and Pensions (2008d), *Departmental Report 2008*, Cm 7401, London: The Stationery Office.
- Department for Work and Pensions (2008e), *Simplification Plan 2008–09*, London: DWP.
- Department for Work and Pensions (2009), *Realising Potential: Developing Personalised Conditionality and Support – A Discussion Paper on Next Steps in Implementing the Gregg Review*, London: DWP.
- Díaz, C. and Delgado, M. (1995), 'The compliance costs of personal income tax in Spain', in C. Sandford (ed.), *Taxation Compliance Costs: Measurement and Policy*, Bath: Fiscal Publications.
- Duclos, J.-Y. (1995), 'Modelling the take-up of state support', *Journal of Public Economics*, 58, 391–415.
- Dynarski, S. M. and Scott-Clayton, J. E. (2006), *The Cost of Complexity in Federal Student Aid: Lessons from Optimal Tax Theory and Behavioral Economics*, National Bureau of Economic Research (NBER), Working Paper 12227.
- European Public Administration Network (2008), *Learning Team Administrative Burdens for Citizens: Report on National Approaches*, The Hague: The Netherlands Ministry of the Interior and Kingdom Relations
(http://www.whatarelief.eu/asp/download.aspx?file=/contents/pages/95276/report_national_approaches.pdf).
- Evans, C. (2003), 'Studying the studies: an overview of recent research into taxation operating costs', *e-Journal of Tax Research*, 1, 64–92.
- Evans, C. (2006), 'Counting the costs of taxation: an exploration of recent developments', mimeo.
- Evans, C., Hasseldine, J. and Pope, J. (2001), 'State of the art and future directions', in C. Evans, J. Pope and J. Hasseldine (eds), *Tax Compliance Costs: A Festschrift for Cedric Sandford*, Sydney: Prospect.
- Evans, C., Ritchie, K., Tran-Nam, B. and Walpole, M. (1996), *A Report into the Incremental Costs of Taxpayer Compliance*, Canberra: Australian Government Publishing Service.
- Evans, C., Ritchie, K., Tran-Nam, B. and Walpole, M. (1997), *A Report into Taxpayer Costs of Compliance*, Canberra: Australian Taxation Office, Commonwealth of Australia.
- Evans, C. and Walpole, M. (1999), *Compliance Cost Control: A Review of Tax Impact Statements in the OECD*, Sydney: Australian Tax Research Foundation.
- Federal Chancellery of Austria (2008) 'More Convenience – Less Hassle' for Citizens. *Administrative Reform*, Vienna: Federal Chancellery of Austria,
(<http://www.whatarelief.eu/asp/download.aspx?file=/contents/pages/96780/brochuremoreconvenience-lessshassleforcitizens.pdf>).
- Fimister, G., Harvey, J., Lovell, W., Sands, D., Zaluski-Zaluczkowski, R. and Deviren, F. (2009), *Reporting Changes in Circumstances: Factors Affecting the Behaviours of Benefit Claimants*, Department for Work and Pensions Research Report 544, Leeds: Corporate Document Services.
- Finn, D., Mason, D., Rahim, N. and Casebourne, J. (2008), *Delivering Benefits, Tax Credits and Employment Services: Problems for Disadvantaged Users and Potential Solutions*, York: Joseph Rowntree Foundation.

- Gannon, Z. and Lawson, N. (2008), *Co-Production: The Modernisation of Public Services by Staff and Users*, London: Compass.
- Gershon, P. (2004), *Releasing Resources to the Frontline: Independent Review of Public Sector Efficiency*, London: HM Treasury.
- Godwin, M. (1995), 'The compliance costs of the UK tax system', in C. Sandford (ed.), *Tax Compliance Costs: Measurement and Policy*, Bath: Fiscal Publications.
- Godwin, M. and Lawson, C. (2009), 'Hidden costs of the welfare state: employers' compliance costs and the working tax credit', *Social Policy and Society*, 8, 185–95.
- Griffin, L. (2007), *Exploring Claimants' Understanding of the Tax Credit System and the Process of Reporting Changes of Circumstance*, HM Revenue and Customs Research Report 53, London: HMRC.
- Griggs, J. and Bennett, F. (2009), *Rights and Responsibilities in the Social Security System*, SSAC Occasional Paper, London: Social Security Advisory Committee.
- Guyton, J., O'Hare, J. and Stavrianos, M. (2003), 'Estimating the compliance cost of the US individual income tax', *National Tax Journal*, 56, 673–88.
- Hall, S. and Pettigrew, N. (2008), *Exploring the Key Influences on the Tax Credits Claimant Population*, HM Revenue and Customs Research Report 49, London: HMRC.
- Hansford, A., Hasseldine, J. and Howorth, C. (2003), 'Factors affecting the costs of UK VAT compliance for small and medium sized enterprises', *Environment and Planning C: Government and Policy*, 21, 479–92.
- Hawkins, J., Goldstone, C. and Bhagat, M. (2007), *Knowing and Understanding Disability and Carers Service Customers*, Department for Work and Pensions Research Report 439, Leeds: Corporate Document Services.
- Hedges, A. (2005), *Perceptions of Redistribution: Report on Exploratory Qualitative Research*, CASEpaper 96, London: Centre for Analysis of Social Exclusion, London School of Economics.
- Henman, P. and Marston, G. (2008), 'The social division of welfare surveillance', *Journal of Social Policy*, 37, 187–205.
- Herdan, B. (2006), *The Customer Voice in Transforming Public Services: The Independent Report from the Review of the Charter Mark Scheme and Measurement of Customer Satisfaction with Public Services*, London: Cabinet Office.
- Hernandez, M., Pudney, S. and Hancock, R. (2006), 'The welfare cost of means-testing: pensioner participation in income support', University of Essex, Institute of Social and Economic Research, Working Paper 06-12.
- Hills, J., Smithies, R. and McKnight, A. (2006), *Tracking Income: How Working Families' Incomes Vary through the Year*, CASereport 32, London: Centre for Analysis of Social Exclusion, London School of Economics.
- HM Government (2007), *Service Transformation Agreement*, London: HMG.
- HM Revenue and Customs (2005), *HM Revenue and Customs Public Service Agreement 2005–2008*, London: HMRC.
- HM Revenue and Customs (2008a), *Child and Working Tax Credits Statistics: April 2008*, London: HMRC.
- HM Revenue and Customs (2008b), *Departmental Autumn Performance Report 2008*, Cm 7509, London: The Stationery Office (<http://www.hmrc.gov.uk/about/autumn-report-2008.pdf>).
- HM Treasury (2003), *The Green Book: Appraisal and Evaluation in Central Government*, London: The Stationery Office.
- HM Treasury (2005), *Tax Credits: Reforming Financial Support for Families – The Modernisation of Britain's Tax and Benefit System No. 11*, London: HMT.
- HM Treasury (2007), *Building Britain's Long-Term Future: Prosperity and Fairness for Families – Economic and Fiscal Strategy Report and Financial Statement and Budget Report*, HC 342, London: The Stationery Office.

- HM Treasury (2008), *Stability and Opportunity: Building a Strong, Sustainable Future – Economic and Fiscal Strategy Report and Financial Statement and Budget Report*, London: The Stationery Office.
- HM Treasury and HM Revenue & Customs (2008), *Tax Credits: Improving Delivery and Choice – The Modernisation of Britain's Tax and Benefit System No. 12*, London: HMT and HMRC.
- Hudson, J. (2009), 'Social security and information technology', in J. Millar (ed.), *Understanding Social Security: Issues for Policy and Practice*, 2nd edition, Bristol: Policy Press.
- Hudson, M., Barnes, H., Ray, K. and Phillips, J. (2006), *Ethnic Minority Perceptions and Experiences of Jobcentre Plus*, Department for Work and Pensions Research Report 349, Leeds: Corporate Document Services.
- Inland Revenue (1998), *The Tax Compliance Costs for Employers and PAYE and National Insurance in 1995/96*, Report by the Centre for Fiscal Studies, Bath: University of Bath.
- Irvine, A., Davidson, J. and Sainsbury, R. (2008), *Reporting Changes in Circumstances: Tackling Error in the Benefit System*, Department for Work and Pensions Research Report 497, Leeds: Corporate Document Services.
- Johnson, K. (1963), *Corporations' Federal Income Tax Compliance Costs: A Study of Small, Medium and Large Corporations*, Bureau of Business Research, Monograph 110, Columbus: Ohio State University.
- Johnson, S. and Fidler, Y. (2008), *Jobcentre Plus Customer Satisfaction Survey 2007*, Department for Work and Pensions Research Report 480, Leeds: Corporate Document Services.
- Karagiannaki, E. (2009), 'Jobcentre Plus or minus?', *Benefits*, 17, 15–28.
- Katungi, D., Neale, E. and Barbour, A. (2006), *People in Low-Paid Informal Work: 'Need not Greed'*, Bristol: Policy Press for Joseph Rowntree Foundation.
- Kempson, E. (2002), *Over-Indebtedness in Britain*, London: Department of Trade and Industry.
- Kleven, H. and Kopczuk, W. (2009), 'Transfer program complexity and the take up of social benefits', National Bureau of Economic Research (NBER), Working Paper 14301.
- Kootstra, J. and Rem, P. (eds) (2008), *Report on National Approaches of the EUPAN Learning Team on Administrative Burdens for Citizens*, European Public Administration Network web publication (<http://www.whatarelief.eu/publications/report-on-national>).
- KPMG (2006), *Administrative Burdens – HMRC Measurement Project: Tax*, London: HM Revenue and Customs (<http://www.hmrc.gov.uk/better-regulation/kpmg.htm>).
- Lakhani, B. (2008), 'Tax credits transformation programme', *Welfare Rights Bulletin*, 207, 9–10.
- Midgley, J. (2008), *Welfare Reform in the United States: Implications for British Social Policy*, CASEpaper 131, London: Centre for Analysis of Social Exclusion, London School of Economics.
- Millar, J. (2005), 'Simplification, modernisation and social security', *Benefits*, 13, 10–15.
- Millar, J., Ridge, T. and Bennett, F. (2006), *Part-Time Work and Social Security: Increasing the Options?*, Department for Work and Pensions Research Report 351, Leeds: Corporate Document Services.
- Ministry of the Interior and Kingdom Relations (the Netherlands) (2008a), *Manual Administrative Burden for Citizens* [sic], mimeo.
- Ministry of the Interior and Kingdom Relations (the Netherlands) (2008b), *Standard Cost Model for Citizens: User's Guide for Measuring Administrative Burdens for Citizens*, The Hague: Ministry of the Interior and Kingdom Relations (http://www.whatarelief.eu/aspx/download.aspx?file=/contents/pages/96197/scm_usersguidedefinitief.pdf).

- Ministry of Justice (2008), *Human Rights Insight Project*, Research Series 1/08, London: Ministry of Justice.
- Ministry of Social Affairs (the Netherlands), with Sira Consulting (2008), *The Balance Model* (http://www.whatarelief.eu/aspx/download.aspx?file=/contents/pages/95275/balance_model.pdf).
- Moffitt, R. (1983), 'An economic model of welfare stigma', *American Economic Review*, 73, 1023–35.
- National Audit Office (1994), *HM Customs and Excise: Cost to Business of Complying with VAT Requirements*, London: HMSO.
- National Audit Office (2002), *Tackling Pensioner Poverty: Encouraging Take-Up of Entitlements*, HC 35 (Session 2002–03), London: The Stationery Office.
- National Audit Office (2003a), *Difficult Forms: How Government Agencies Interact with Citizens*, HC 1145 (Session 2002–03), London: The Stationery Office.
- National Audit Office (2003b), *Getting it Right, Putting it Right: Improving Decision-Making and Appeals in Social Security Benefits*, HC 1142 (Session 2002–03), London: The Stationery Office.
- National Audit Office (2005), *Department for Work and Pensions: Dealing with the Complexity of the Benefits System*, HC 592 (Session 2005–06), London: The Stationery Office.
- National Audit Office (2006a), *Department for Work and Pensions: Using Leaflets to Communicate with the Public about Services and Entitlements*, HC 797 (Session 2005–06), London: The Stationery Office.
- National Audit Office (2006b), *Department for Work and Pensions: Delivering Effective Services through Contact Centres*, HC 941 (Session 2005–06), London: The Stationery Office.
- National Audit Office (2007), *Reducing the Cost of Complying with Regulations: The Delivery of the Administrative Burdens Reduction Programme, 2007*, HC 615 (Session 2006–07), London: The Stationery Office.
- National Audit Office (2008a), *The Roll-Out of the Jobcentre Plus Office Network*, HC 346 (Session 2007–08), London: The Stationery Office.
- National Audit Office (2008b), *Department for Work and Pensions: Handling Customer Complaints*, HC 995 (Session 2007–08), London: The Stationery Office.
- National Audit Office (2008c), *The Administrative Burdens Reduction Programme, 2008*, HC 944 (Session 2007–08), London: The Stationery Office.
- National Audit Office (2009), *Delivering High Quality Impact Assessments*, HC 128 (Session 2008–09), London: The Stationery Office.
- National Consumer Council (2008a), *Consumer Futures: Ignored, Isolated, Invisible*, London: NCC.
- National Consumer Council (2008b), *Consumer Futures: Time-Poor, Cash-Poor*, London: NCC.
- North, D. C. and Thomas, R. P. (1973), *The Rise of the Western World*, Cambridge: Cambridge University Press.
- Nunn, A., Bickerstaffe, T. and Wymer, P. (2009), *Explaining Levels of Customer Satisfaction with First Contact with Jobcentre Plus: Results of Qualitative Research with Jobcentre Plus Staff*, Department for Work and Pensions Research Report 567, Leeds: Corporate Document Services.
- Nunn, A., Fidler, Y., Wymer, P. and Kelsey, S. (2008), *Customers' Experiences of First Contact with Jobcentre Plus: Findings from the Quantitative Survey*, Department for Work and Pensions Research Report 504, Leeds: Corporate Document Services.
- Office of Fair Trading (2000), *Consumer Detriment*, London: OFT.

- Office for National Statistics (2007), *Measuring Quality as Part of Public Service Output: Strategy Following Consultation*, London: ONS.
- Office for National Statistics, UK Centre for the Measurement of Government Activity (2008a), *Adjusting Measures of Public Service Output for Quality of Service*, London: ONS.
- Office for National Statistics, UK Centre for the Measurement of Government Activity (2008b), *Quality Matters: Update on ONS Methods of Including Measures of Quality as Part of Output and Productivity of Public Services*, London: ONS.
- Office for National Statistics, UK Centre for the Measurement of Government Activity (2008c), *Public Service Productivity: Social Security Administration*, London: ONS.
- Office for National Statistics, UK Centre for the Measurement of Government Activity (2008d), *Accounting for Quality Change in Estimates of Social Security Administration Output and Productivity*, London: ONS.
- Office for Public Service Reform (2004), *The Drivers of Satisfaction with Public Services*, London: OPSR.
- ORC International (2007), *2006–07 Contact Centre Customer Satisfaction Survey*, HMRC Research Report 51, London: HM Revenue and Customs.
- Parliamentary and Health Services Ombudsman (2007a), *Principles of Good Administration*, London: PHSO.
- Parliamentary and Health Services Ombudsman (2007b), *Principles for Remedy*, London: PHSO.
- Parliamentary and Health Services Ombudsman (2008), *Principles of Good Complaint Handling*, London: PHSO.
- Patterson, T. (2008), 'Transformational government', *Benefits: The Journal of Poverty and Social Justice*, 16, 169–84.
- Patterson, T. and Vaux, G. (2005), 'It's a snip: simplification or the shedding of administrative responsibility?', *Benefits*, 13, 21–7.
- Plamondon, R. (1993), *GST Compliance Costs for Small Businesses in Canada*, Ottawa: Department of Finance, Government of Canada.
- Pope, J. (1995), 'The compliance costs of major taxes in Australia', in C. Sandford (ed.), *Tax Compliance Costs: Measurement and Policy*, Bath: Fiscal Publications.
- Preston, G. (2005), *Helter Skelter: Families, Disabled Children and the Benefit System*, CASEpaper 92, London: Centre for Analysis of Social Exclusion, London School of Economics.
- PriceWaterhouseCoopers (2006), *Administrative Burdens Measurement Exercise: Technical Summary* (<http://www.berr.gov.uk/files/file35995.pdf>).
- Public Accounts Select Committee (2004a), *Getting it Right, Putting it Right: Improving Decision-Making and Appeals in Social Security Benefits*, HC 406, 12th Report (Session 2003–04), London: The Stationery Office.
- Public Accounts Select Committee (2004b), *Difficult Forms: How Government Departments Interact with Citizens*, HC 255, 26th Report (Session 2003–04), London: The Stationery Office.
- Public Accounts Select Committee (2005), *Fraud and Error in Benefit Expenditure*, HC 411, 4th Report (Session 2005–06), London: The Stationery Office.
- Public Accounts Select Committee (2006), *Tackling the Complexity of the Benefits System*, HC 765, 36th Report (Session 2005–06), London: The Stationery Office.
- Public Accounts Select Committee (2007), *Department for Work and Pensions: Using Leaflets to Communicate with the Public about Services and Entitlements*, HC 133, 7th Report (Session 2006–07), London: The Stationery Office.
- Regulatory Reform Select Committee (2007–08), *Getting Results: The Better Regulation Executive and the Impact of the Regulatory Reform Agenda*, HC 474-I, 5th Report (Session 2007–08), London: The Stationery Office.

- Royston, S. (2007), *Benefits Simplification and the Customer*, London: Department for Work and Pensions.
- Sanderson, I., Fidler, Y. and Wymer, P. (2005), *Jobcentre Plus National Customer Satisfaction Survey 2005*, Department for Work and Pensions Research Report 282, Leeds: Corporate Document Services.
- Sandford, C. (1973), *Hidden Costs of Taxation*, London: Institute for Fiscal Studies.
- Sandford C. (ed.) (1995), *Tax Compliance Costs: Measurement and Policy*, Bath: Fiscal Publications.
- Sandford, C., Godwin, M. and Hardwick, P. (1989), *Administrative and Compliance Costs of Taxation*, Bath: Fiscal Publications.
- Sandford, C., Godwin, M., Hardwick, P. and Butterworth, I. (1981), *Costs and Benefits of VAT*, Oxford: Heinemann Educational Books.
- Sandford, C. and Hasseldine, J. (1992), *The Compliance Costs of Business Taxes in New Zealand*, Wellington: Institute of Policy Studies, Victoria University of Wellington.
- Shaw, J., Slemrod, J. and Whiting, J. (2008), *Administration and Compliance* (prepared for the Report of a Commission on Reforming the Tax System for the 21st Century, chaired by Sir James Mirrlees), London: Institute for Fiscal Studies (<http://www.ifs.org.uk/mirrleesreview>).
- Sinfield, A. (2001), 'Benefits and research in the labour market', *European Journal of Social Security*, 3, 209–35.
- Slemrod, J. and Sorum, N. (1984), 'The compliance cost of the US individual income tax system', *National Tax Journal*, 37, 461–74.
- Social Exclusion Unit (2005), *Improving Service Delivery for Disadvantaged Adults: Summary of Consultation Responses*, London: Office of the Deputy Prime Minister.
- Social Security Advisory Committee (2006), *Nineteenth Report: August 2005 – July 2006*, London: HMSO.
- Social Security Advisory Committee (2007), *Telephony in DWP and Its Agencies: Call Costs and Equality of Customer Access*, Occasional Paper 3, London: SSAC.
- Spicker, P. (2005), 'Five types of complexity', *Benefits*, 13, 5–9.
- Stafford, B. (2003), 'Service delivery and the user', in J. Millar (ed.), *Understanding Social Security: Issues for Policy and Practice*, Bristol: Policy Press.
- Stafford, B. (2009), 'Service delivery and the user', in J. Millar (ed.), *Understanding Social Security: Issues for Policy and Practice*, 2nd edition, Bristol: Policy Press.
- Standard Cost Model Network (undated), *International Standard Cost Model Manual* (<http://www.oecd.org/dataoecd/32/54/34227698.pdf>).
- Strelitz, J. and Kober, C. (2007), *The Poverty Premium: How Poor Households Pay More for Essential Goods and Services*, London: Save the Children and Family Welfare Association.
- Sykes, W., Hedges, A., Ward, K., Melvin, K. and Bose, M. (2005), *Understanding the Service Needs of Vulnerable Pensioners: Disability, Ill-Health and Access to the Pension Service*, Department for Work and Pensions Research Report 263, Leeds: Corporate Document Services.
- Tax Credit Casualties (2008), *Voices of the Victims: Where the Tax Credit System Has Gone Wrong* (<http://www.taxcc.org/voices.htm>).
- Toffler, A. (1980), *The Third Wave*, London: Pan Books.
- Trades Union Congress (2007), *Lies, Damned Lies and Lie Detector Tests*, London: TUC.
- Tran-Nam, B., Evans, C., Walpole, M. and Ritchie, K. (2000), 'Tax compliance costs: research methodology and empirical evidence from Australia', *National Tax Journal*, 53, 229–52.
- Treasury Select Committee (2006), *Administration of Tax Credits*, HC 811, 6th Report (Session 2005–06), London: The Stationery Office.

- Treasury Select Committee (2008), *The 2007 Comprehensive Spending Review: Government Response to the Committee's First Report of Session 2007–08*, HC 428, 6th Special Report of 2007–08, London: The Stationery Office.
- Tuckett, A., Aldridge, F. and Lamb, H. (2008), *Annual Media Literacy Survey 2008*, Leicester: National Institute of Adult Continuing Education.
- Turley, C. and Thomas, A. (2006), *Housing Benefit and Council Tax Benefit as In-Work Benefits: Claimants' and Advisors' Knowledge, Attitudes and Experiences*, Department for Work and Pensions Research Report 383, Leeds: Corporate Document Services.
- Turley, C. and Thomas, A. (BMRB Social Research) (2007), *Claimants' Understanding and Experiences of the Tax Credits Renewal Process*, HMRC Research Report 52, London: HM Revenue and Customs.
- UK Coalition against Poverty (2006), *People Experiencing Poverty Speak Out on Social Exclusion: Get Heard* (National Action Plan on Social Inclusion 2006), Liverpool: UKCAP.
- Van Oorschot, W. (1991), 'Non-take-up of social security benefits in Europe', *Journal of European Social Policy*, 1, 15–30.
- Varney, D. (2006), *Service Transformation: A Better Service for Citizens and Businesses, A Better Deal for Taxpayers*, London: HM Treasury.
- Verwaal, E. and Cnossen, S. (2001), 'VAT compliance costs of cross border business transactions in the EU', in C. Evans, J. Pope and J. Hasseldine (eds), *Tax Compliance Costs: A Festschrift for Cedric Sandford*, Sydney: Prospect.
- Walker, C. (1987), 'Reforming social security – despite the claimant', in A. Walker and C. Walker (eds), *The Growing Divide: A Social Audit 1979–1987*, London: CPAG Ltd.
- Walker, R. (2005), 'Administrative efficiency', in R. Walker, *Social Security and Welfare: Concepts and Comparisons*, Milton Keynes: Open University Press / McGraw-Hill.
- Wiggan, J. and Talbot, C. (2006), 'Take-up of entitlements and pensioner poverty: a review of the literature', in National Audit Office, *Progress in Tackling Pensioner Poverty: Encouraging Take-Up of Entitlements – Technical Report*, HC 1178-II (Session 2005–06), London: The Stationery Office.
- Williams, T. (2004), *Review of Research into the Impact of Debt Advice*, London: Legal Services Research Centre.
- Woellner, R., Coleman, C., McKerchar, M., Walpole, M. and Zetler, J. (2001), 'Taxation or vexation – measuring the psychological costs of tax compliance', in C. Evans, J. Pope and J. Hasseldine (eds), *Tax Compliance Costs: A Festschrift for Cedric Sandford*, Sydney: Prospect.
- Work and Pensions Select Committee (2007), *Benefits Simplification*, HC 463-I and 463-II, 7th Report (Session 2006–07), London: The Stationery Office.
- Work and Pensions Select Committee (2008), *The Best Start in Life? Alleviating Deprivation, Improving Social Mobility and Eradicating Child Poverty*, HC 42-I, 2nd Report (Session 2007–08), London: The Stationery Office.
- Zantomio, F. (2008), 'The route to take-up: raising incentives or lowering barriers?', University of Essex, Institute for Social and Economic Research, Working Paper 2008-35.

