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# **Evaluation of the Disabled Person's Tax Credit: Views and Experiences of Recipients**

By Anne Corden and Roy Sainsbury

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Both teams also drew on the knowledge and experience of a small resource group of representatives of six organisations of and for disabled people and people with long-term health conditions. The research was strengthened by the participation of members of the group and we are grateful for their interest.

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# **Evaluation of the Disabled Person's Tax Credit: summary of views and experiences of recipients.**

This report presents findings from qualitative research with recipients of the Disabled Person's Tax Credit. This research was commissioned by the Inland Revenue from the Social Policy Research Unit at the University of York, as part of the programme of work to evaluate the Working Families' Tax Credit and the Disabled Person's Tax Credit.

## **Chapter 1 Introduction**

The policy context (1.1) is the government's commitment to tackle child poverty and deliver employment opportunities for all. A wide programme of strategies and reforms are in progress to help people enter, re-enter or remain in employment. Welfare to Work programmes are at the centre of reform, along with introduction of a National Minimum Wage, and reform of the tax and benefits system in order to make work pay. The Working Families' Tax Credit (WFTC) and the Disabled Person's Tax Credit (DPTC) were launched in October 1999 and have a pivotal role.

The design of DPTC (1.2) is similar to that of WFTC and built on the Disability Working Allowance (DWA). Key differences from DWA include a higher earnings threshold, a lower taper and a new approach to providing financial support for childcare costs; a complete maintenance disregard and separation from the Child Support Agency; and payment of tax credits through the pay packet. DPTC offers more generous help to more people, which may provide greater incentive to people to do paid work. Payment through the pay packet signals that tax credit receipt is associated with paid work, may remove some of the stigma attached to claiming benefits and may act to increase take-up.

A Fast-Track gateway was introduced in October 2000 to enable some people to stay in work rather than going down the path to incapacity benefits.

The research was designed in two phases (1.3):

Phase 1 sought information about the perceptions and views of DPTC recipients, their experiences in applying for and receiving DPTC, and the impact of the tax credit as a work incentive and a means of supporting sick and disabled people in work.

Phase 2 focussed on recipients' needs for information, and general communication issues in order to improve communication with and services to people using tax credits.

The researchers worked collaboratively with a team at the Institute for Employment Studies engaged on a national survey of DPTC recipients, also a part of the evaluation of DPTC (1.4). Both research teams benefited from input from a resource group of representatives of organisations of and for disabled people.

Phase 1 involved individual depth interviews with 54 DPTC recipients in four localities. Using the Inland Revenue database a study group was built to achieve diversity in characteristics and circumstances. Interviews took place in recipients' homes, and were tape-recorded.

Phase 2 involved five group discussions in four localities. Overall, 28 people took part, with one group each of lone parents, parents from two-parent families, older workers aged 50 years and over, younger workers aged 28 years and under, and self-employed people. Discussions were tape-recorded.

Analysis (1.5) was based on transcripts of tape-recorded material. Data were handled manually, in a process of extraction, sorting, comparison and interrogation, seeking patterns, themes, exceptions, links and explanations.

Chapters 2-7 report findings from Phase 1, and Chapter 8 reports findings from Phase 2. Chapter 9 draws together the main findings from both phases and reflects on the emerging issues.

## **Chapter 2 The Experience of Work**

Employment patterns and the impact of impairment or ill-health (2.1) help us understand current views about working. People in this study fell into four sub-groups in terms of employment histories and trajectories of health. Sub-groups identified cannot be generalised to the wider DPTC population, but show how people had different access to and use of channels of advice about working and financial support.

There was strong commitment to doing paid work (2.2), and value was attached to:

- financial rewards
- work as a normal part of life
- job satisfaction
- positive emotional impact
- social contact
- a break from home responsibilities
- work as therapy
- supporting family relationships
- role fulfilment and modelling
- legality of activity.

Some of the barriers faced in getting or returning to work as a disabled person (2.3) were the same as those typically reported by non-disabled people, but those which had particular impact were:

- low availability of work which suited them
- negative employer attitudes
- financial risks.

Barriers in sustaining work included:

- constraints on participation
- financial issues
- worsening health conditions
- constraints on progression or career development.

### **Chapter 3 Routes to eligibility, and work undertaken**

The general picture in this study group was of people becoming eligible for DPTC (3.1) by an actual change in their own employment circumstances:

- returning to a previous employer, with reduced hours of work
- returning to a family business
- starting a new job
- starting to take work which was formally 'self-employed'
- buying an established business or starting a new business
- building up a previous activity into self-employed work of 16 hours weekly.

There was little representation of acquiring eligibility through a change in family circumstances. This may reflect the general pattern of ways in which eligibility is acquired within the population. However, it might reflect lower take-up among people whose routes to eligibility are not directly related to an actual change in their own employment circumstances.

Work undertaken by the DPTC recipients (3.2), as we would expect, included several examples of work typically made available for shorter hours or shifts. Thus, some employees worked as shop assistants, café and bar staff, nursing home assistants, call centre staff, drivers, cleaners, school auxiliary staff, porters and security workers. Others working shorter hours included nursing, and clerical and administrative staff. People working more than 40 hours per week were mainly men with factory or driving jobs.

Self-employed recipients were working in various activities and different forms of self-employment, including traditional small businesses, taxi-driving, creative and artistic enterprises and agency work. Some worked from home.

At the time of the research interviews most people were still working. There had been a few changes in jobs or hours (3.3) since their last application for DPTC. People not formally working when interviewed generally said this was because their condition had deteriorated or they had found they could not sustain work as a result of their impairment or ill-health.

## Chapter 4 Applications and renewals

There is much to learn about people's perceptions of DPTC and aspects of take-up from what they remembered about the process of applying.

Factors which encouraged people to apply (4.1) included:

- financial influences
- familiarity with and positive experience of in-work support
- hearing about other people's positive experiences of in-work support
- personal information provision, encouragement and support
- knowledge of key components (linking rule; 6 month award period; childcare tax credit)
- Inland Revenue interventions and response.

Everybody in this study had eventually overcome any concerns and successfully applied for DPTC. Their recollections of initial concerns about making a claim may throw some light on why other people, in similar circumstances, remain eligible non-recipients. Initial concerns and negative feelings (4.2) were reported to include:

- being worse off as a result of applying
- subsequent loss of DLA
- subsequent budgeting disruption through housing benefit adjustments
- reluctance to involve employers
- fear of penalty for wrong-doing
- fear of being thought a *scrounger*
- reluctance to be labelled *disabled*
- difficulties in explaining impact of mental illness in an application.

Discussions about making applications and renewals (4.3) focused on supplying evidence of earnings as an employee, providing evidence of earnings as a self-employed person, and providing information on form DPTC2 which asks people renewing a claim how their condition affects them in terms of impact on day-to-day activities. Recipients made a number of useful observations and practical suggestions for improvement.

There was relatively high satisfaction with the service provided by the Inland Revenue in progressing claims (4.4). Administrative mistakes and delays appeared to arise mainly in the early days of the tax credits. Problems that have arisen in more recent claims and renewals were attributed mainly to the rules and structure of

DPTC, the involvement of employers or response of medical personnel involved in the process.

## **Chapter 5 Receipt of DPTC**

Views and experiences of the DPTC payment mechanism (5.1) were often closely linked with views on the periodicity of payments, which in turn could be linked to preferences in budgeting strategies or depend on which partner controlled household spending.

Positive feelings about receiving DPTC from employers were related to:

- income source and conceptualisation
  - liking visibility on wage slip of income boost to wages
  - ease of checking that payments are correct
  - liking what seemed like a tax relief
- feelings about self
  - greater self-esteem attached to receiving wage-related support rather than benefit
- budgeting and income management issues
  - clearer picture from wage slip of available income for overall budgeting
  - good fit of wage periodicity with budgeting strategies.

Negative feelings about receiving DPTC from employers were related to:

- problems in payment
  - employer-related delays in receipt
  - lack of transparency of DPTC on wage slips
  - inconvenience of receiving large amounts of cash or large cheques
  - non-reliability of specially created pay slips during periods away from work
- relationships at work
  - employer learning of impairment or ill-health
  - employer reluctance to engage or keep employees using tax credits
  - damaged relationships through delays or misunderstanding with employers or pay staff
  - unpleasant remarks, suspicion or jealousy among pay staff, colleagues or employers
- feelings about self
  - wanting privacy in the workplace
  - being reminded of illness or impairment with every wage slip

- budgeting issues
  - poor fit of wage periodicity with budgeting strategies
- fraud
  - opportunities for collusive fraud.

Preferences for periodicity of DPTC payments (5.2) were often linked with preferences for payment mechanisms. Changes in periodicity or unpredicted payment patterns during the '*changeover period*' (initial weeks of fortnightly direct payments before employers took over) drew criticism.

There were mixed preferences in payment and periodicity of payments to self-employed people (5.3).

In assessing the financial impact of DPTC (5.4) what was important was the match between expectations and actual receipt; the impact on other components of income including housing costs and passport benefits, and whether people felt generally better off. Some felt worse off than before they claimed, and long-term effects of interaction with Housing Benefit and Council Tax Benefit, and loss of mortgage protection were key factors here.

Another group felt they were no worse off, overall, but probably not much better off. But some people came out on the plus side of a number of factors, and felt much better off. For example, people who had no childcare costs or work expenses, saw no difference in their housing costs, gained or did not lose valued passport benefits, and received high DPTC payments which were paid in ways which suited household budgeting and saving were very pleased with the amount of DPTC received and its major positive financial impact.

The study was not designed to focus on how DPTC was used or to explore what happened when people moved off DPTC. However, some interesting findings emerged.

## **Chapter 6 Understanding DPTC**

One of the aims of the study was to explore people's concepts of DPTC, their understanding of some of the structure and rules, and how far this influenced decision-making and behaviour.

It could be hard for recipients to understand what a tax credit was (6.1) within current concepts of the tax and benefit system. As an administrative agency, the Inland Revenue was compared favourably with the Benefits Agency. Those who did conceptualise DPTC differently from benefits mentioned removal of negative links between claiming benefits and '*scrounging*'; positive associations between tax and

work, and belief that the Inland Revenue was likely to be more efficient at preventing or detecting fraud.

Levels of understanding of specific rules (6.1) were variable.

The **16 hour** rule was generally recognised, and some had looked for suitable work for at least 16 hours in order to gain eligibility. However, it could be hard for people working long hours to understand how DPTC gave them opportunities to work fewer hours to suit their condition better. Self-employed people sometimes found it hard to know what might be included as 'work'.

There was less awareness of the **30 hour** credit, and it could be hard to understand because it did not fit expectations that DPTC generally decreased as earnings grew.

Parents knew in general terms that extra help was available through DPTC to pay for childcare. There was a widespread misconception among parents interested, and those receiving the **childcare tax credit**, that 70-80 per cent of actual childcare costs would always be met.

The **two year linking rule** was not widely understood, but where it had been explained personally by advisers it could be a powerful incentive to try work. There were examples of the rule working well to enable a smooth transition back to benefits when people could not sustain work. There were also some people who had not regained benefits in the way they had hoped, and felt let down.

Although only few parents in this study group received or expected any **child maintenance** from a parent living apart, there was evidence to support maintenance disregard and the separation of tax credits from Child Support Agency arrangements.

There were mixed views on the current **26 week payment period**. Having a stable and reliable source of income for at least six months could outweigh perceived financial loss resulting from a less responsive system. Some would like a longer payment period. Having to reapply twice a year was a source of frustration for people whose circumstances did not change much, and some self-employed people could see advantages in having to present financial information at the year end. However, a 12 month payment period based on an assessment of income and circumstances at a point in time would bring the disadvantage that more people would be '*winners*' or '*losers*' for longer. People argued for some mechanism for adjustment to changes in circumstances within a longer payment period. The possibility of being asked to reimburse overpayments of DPTC and/or Housing Benefit and Council Tax Benefit in any new scheme was unpopular. People argued that responsibility for recognition of changes of circumstances should not lie solely with recipients.

No knowledge of **Fast-Track** was found, but there was some interest in helping people keep jobs during and after periods of sickness.

## Chapter 7 What is the role of Disabled Person's Tax Credit?

The study showed that availability of DPTC did encourage people to start or return to work (7.1). DPTC can be a strong incentive, its influence coming from:

- making it possible to do work that suited people
- suggesting that people would be no worse off or better off financially in work
- offering financial security
- offering help with childcare costs
- offering access to other valued benefits
- keeping child maintenance arrangements separate from DPTC.

The incentive is strengthened by timely, personal advice, and by previous positive experience of in-work support. The incentive is diluted by lack of knowledge or any part of the rules or structure which might influence people, and it is undermined by experiences or fear of:

- problems arising from transitions on and off tax credits and benefits, particularly in relation to housing benefits
- negative outcomes at work
- possibility of reduction or loss of DLA

and, if people:

- do not think of themselves as disabled
- have childcare arrangements which mean that they are ineligible for the childcare tax credit.

Recipients described how DPTC supported people in work (7.2). There were a number of positive roles for DPTC:

- enabling people to do work that suited them
- making jobs or self-employed work financially worthwhile
- increasing financial security
- compensating for loss of earnings due to a partner leaving
- protecting the welfare of children
- maintaining health and social participation
- supporting family preferences
- providing 'platforms' in trajectories of employment and health/impairment
- financing sick leave
- supporting business development and maintaining business diversity.

Some recipients saw only positive roles for DPTC. Those who saw negative roles described DPTC as:

- making it hard to increase overall incomes
- contributing to financial hardship
- making it harder to work for parents using unregistered childcare

- reducing opportunities for employment
- worsening relationships with employers and colleagues
- providing cheap labour for employers.

## **Chapter 8 Provision of Information about DPTC**

This chapter presents findings from Phase 2 of the research, which was conducted by means of a series of group discussions with recipients.

In learning about DPTC (8.1) the importance of personalised information and advice was emphasised. Understanding how tax credits work before trying to move off benefits into work could be essential.

Key concepts of DPTC which encouraged people to take action (8.2) in making an application or taking DPTC into account in considering work were:

- a way of getting extra money
- a way of being able to try or return to work
- a financial entitlement.

Recognising themselves as among the kind of people who could get DPTC had been linked, variously, with identifying themselves as:

- working part-time
- having low paid work
- being unable to work much
- wanting to work
- having a family to support
- having health problems or being disabled
- getting DLA.

However, there were some strong feelings of dislike about being perceived as disabled.

People who remembered initial concerns or doubts (8.3) about making an application described not understanding what a tax credit was and suspicion about Inland Revenue involvement. Initial doubts that DPTC was relevant to themselves had been linked with:

- assumptions or wrong advice that self-employed people were not eligible
- beliefs that DLA recipients could not also have DPTC
- beliefs that people who had children should receive WFTC not DPTC.

People described their information needs (8.4) both before making an application and during an award. Issues discussed included:

- information in order to make major decisions about work

- information to help understanding of rules
- information about employer involvement and accountability
- information to help people filling in the application form
- information to assist people making renewals
- information for self-employed people
- information about the impact of changes in their circumstances
- information about changes to tax credits.

When asked about the best way to provide information about DPTC (8.5) the importance of timely information and advice received personally from an authoritative source was emphasised. The Inland Revenue had a role here in the literature provided and design of forms, and in their direct communications by letter and telephone. Other advisers in a variety of agencies and organisations also have essential roles.

## **Chapter 9 Discussion**

Findings from this qualitative research show that for some people DPTC did fulfil the policy aims (9.1). DPTC had increased their personal and financial security, enabled them to do suitable work, helped to meet the costs of childcare, and increased the income flow towards children. At an individual level, there were particular roles for DPTC which contributed to overall policy objectives. It contributed to improving or maintaining health and general well-being, enabled people to combine work with family responsibilities in ways that suited them, and supported small scale self-employment. Some people saw and responded to the links perceived between earnings and financial support.

Findings throw some light on constraints on achieving policy objectives (9.2). The concept of a tax credit is hard to fit into general understanding of the tax and benefit systems. Levels of understanding of the main structural features were fairly low, which may contribute to non-take-up and dilute incentive effects. General advertising and promotion appears to act mainly to provide a background level of awareness. What is important is personalised advice and information from an authoritative source. For DPTC to meet its full potential thus requires equipping a wide range of professionals and advisers who may be approached for such information to provide appropriate personalised information.

Some structural and administrative elements in DPTC are perceived negatively, including employer involvement, the overall effect of tapers and interactions with housing benefits, and the way in which people are asked to demonstrate disadvantage at work. Some of these structural and administrative issues are amenable to policy interventions. More difficult to address, in targeting financial support to disabled people in work, is failure to recognise the 'disabled' label and dislike of this kind of categorisation.

The government is making rapid progress towards a new tax credit environment (9.3) with the introduction of the Working Tax Credit and the Child Tax Credit in April 2003. Bringing disabled workers into mainstream support addresses some of the concerns raised by people who took part in this research.

The new tax credits are being introduced within a rapidly changing information environment which offers many opportunities to ensure that people receive entitlements and do paid work in ways that best suit them.

**Appendix A** describes the contribution of a resource group to the research.

**Appendix B** describes the methodology of Phase 1: drawing the sample, building a study group, details of response and recruitment, research instruments and a summary of characteristics of the people who took part.

**Appendix C** describes the methodology of Phase 2: drawing the sample; recruitment of people awarded DPTC to a series of discussion groups, and research instruments.

# **1. Introduction**

In May 2001 the Inland Revenue commissioned the Social Policy Research Unit (SPRU) at the University of York to carry out qualitative research with recipients of the Disabled Person's Tax Credit (DPTC) as part of a wider programme of work to evaluate the Working Families' Tax Credit (WFTC) and DPTC. That wider programme of work included a survey of DPTC recipients which was conducted by the Institute for Employment Studies at the University of Sussex and is reported separately.

This report presents findings from the qualitative research, which was conducted in two phases.

## **1.1 The policy context**

The current government's commitment to tackling social exclusion includes the objectives of delivering employment opportunity for all and tackling child poverty (Department for Work and Pensions, 2002; HM Treasury 1999; 2000). Government determination to help people move away from out-of-work benefits and towards greater financial independence through the labour market has led to a wide programme of strategies and reforms to help people enter, re-enter or remain in employment. These include increasing employment opportunities; promoting changes within the work place; investing in education, skills and training and targeting intensive and innovative help on local areas in acute need through new approaches in Employment Zones. Welfare to Work programmes have been at the centre of reform.

Helping parents without paid work into the labour market by removing barriers and supporting parents in work will, it is believed, make a major contribution to the reduction and eventual elimination of child poverty, which the Government aims to achieve by 2020. Other components in the programme to tackle child poverty include strengthening child benefit; introduction of a Children's Tax Credit in 2001; development of a national childcare strategy; implementation of working time and parental leave directives, and reform of arrangements for child maintenance for children of parents who do not live together. Alongside new models of helping people into, towards or back to paid work, and the introduction of a national minimum wage, has been reform of the tax and benefits system in order to make work pay (HM Treasury, 2000).

Policies designed to help disabled people into employment include tackling discrimination, the New Deal for Disabled People and reforms aimed at removing some of the obstacles or disincentives that result from the structural interface between earnings, benefits and tax (Corden and Sainsbury, 2001). The New Deal for

Disabled People was targeted at people with a long-standing impairment or illness, and aimed to assist those in this group who wanted to work to do so. New Deal for Disabled People Personal Adviser Service pilot projects (Loumidis *et al.*, 2001) and innovative schemes (Hills *et al.*, 2001) began in 1998. The New Deal for Disabled People was extended in 2001 as a national network of Job Broker services, and job retention pilots are ongoing.

The Working Families' Tax Credit (WFTC) and the Disabled Person's Tax Credit (DPTC) have a pivotal role within these programmes. They are designed so that low-income families and disabled workers are generally better off financially in work than when claiming out-of-work benefits. They offer financial support for childcare, enabling greater choice for parents in decisions about work. They provide some security of income, and are designed to underline the link with earnings, and remove some of the stigma attached to receipt of benefits.

The next stage in the Government's evolving reform agenda builds on what has already been achieved in modernising the tax and benefit systems with the introduction in April 2003 of two new tax credits, Child Tax Credit and Working Tax Credit (HM Treasury, 2000; Inland Revenue, 2001a).

## **1.2 Design of DPTC**

The Disabled Person's Tax Credit was launched in October 1999, along with WFTC, and replaced Disability Working Allowance (DWA) which was administered by the Benefits Agency for the Department of Social Security. DPTC was aimed at working people who are at a disadvantage in getting or keeping a paid job as a result of disability, and was designed to help make work pay and to provide a minimum income guarantee.

The design of DPTC built on the design of DWA and was similar to that of WFTC, with a basic tax credit (at two rates - for a single person, and for a couple or lone parent); an additional tax credit for 30 hours work per week; a tax credit for each child (at two standard rates according to age) and a childcare tax credit (at two levels, according to number of children eligible). There is an additional credit available to some parents: a disabled child's tax credit for children receiving Disability Living Allowance (DLA), registered blind, or taken off the blind register in the past 28 weeks. From April 2001, an enhanced disability credit was introduced, for people (or partners) receiving the higher care component of DLA and a child enhanced disability credit for eligible children receiving the higher care component of DLA.

To qualify for DPTC a person must do 16 or more hours paid work per week, have a physical or mental disability which puts them at a disadvantage in getting a job, *and*,

must also be, or have been, receiving an incapacity or disability benefit<sup>1</sup>. Most of these rules of qualification were carried forward from DWA, with one important adjustment. There was extension of the qualifying period from 56 to 182 days in respect of previous receipt of an incapacity benefit (Incapacity Benefit; Severe Disablement Allowance) or Income Support, income-based Jobseeker's Allowance, Housing Benefit or Council Tax Benefit with a disability premium. This might make transition to work easier for some people, for example giving those who have been found 'fit for work' a longer period of time in which to find an appropriate job before they lose potential entitlement to DPTC. It might also extend eligibility to more people who find out about DPTC after moving into work, as suggested by previous research with people working in supported employment environments (Zarb *et al.*, 1996).

Awards last 26 weeks without adjustment for changes of circumstances with the exception of arrival of a new child in a family, when a new application may be made. Awards may be renewed at the end of a period of receipt. There is a 'linking rule' which allows some people who have to give up paid work or 'training for work' through ill-health, and who were previously claiming Incapacity Benefit or Severe Disablement Allowance within the last two years, to go straight back to the same rate of that benefit from the first day of sickness. This was designed to provide some security for people who would like to work but are uncertain that their health will stand up. (This link does not extend to the disability premium, higher pensioner premium or severe disability premium in Income Support, Housing Benefit or Council Tax Benefit.)

People receiving DPTC may qualify for Social Fund payments for maternity or funeral expenses or crisis loans, and some recipients (but not all, depending on level of award) gain 'passports' to free prescriptions and dental charges; some discretionary education benefits; some legal costs; and some discretionary local authority grants.

Key features of DPTC are a higher earnings threshold before the tax credit is withdrawn than with DWA; a lower taper rate (55 per cent rather than 70 per cent) and a childcare tax credit which provides financial assistance with childcare costs.<sup>2</sup>

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<sup>1</sup> There are different requirements for demonstrating disadvantage in getting a job, according to whether a person is making a new or renewed application. People applying for the first time, or after two years without DPTC, sign a statement that they are at a disadvantage in getting a job on the main application form DPTC1 and this is usually accepted unless there is apparently contradictory information or evidence. People renewing awards may be asked to complete a self-assessment form DPTC2 to specify which particular 'disability condition' applies to them, in addition to the statement on the application form. People qualify if, when they claim, they have an invalid tricycle or similar vehicle or receive Disability Living Allowance, Attendance Allowance, an increase for attendance needs in Industrial Disablement Benefit or War Pension, or a corresponding benefit from Northern Ireland. Alternatively, people qualify if, for at least one day in the 26 weeks prior to their claim, they received higher rate short-term Incapacity Benefit, long-term Incapacity Benefit or Severe Disablement Allowance; Income Support, income-based Jobseeker's Allowance, Housing Benefit or Council Tax Benefit with a disability premium, or a corresponding benefit from Northern Ireland.

<sup>2</sup> Childcare tax credit is an integral part of the maximum credit calculation. To qualify, the childcare must be provided by a registered childminder or childcare provider, or other approved schemes or providers. The childcare credit is 70 per cent of actual childcare costs of up to £135 for one child per week or £200 for two or more children.

As a result DPTC provides more generous help than DWA and is available to more people. It was hoped that these new features would make work pay for disabled people whether in work or returning to work from incapacity benefits. The tax credit stands alongside a number of other work incentives, for example a 52 week linking rule for people moving into work from incapacity benefits (Corden and Sainsbury, 2001) and replacement of rules governing 'therapeutic work' by new arrangements for 'permitted work' to provide more opportunities to try work for people claiming incapacity benefits.

Payment through the payroll<sup>3</sup> wherever possible would, it was hoped, underline the link with earnings, emphasise the financial rewards of working and remove some of the stigma attached by some people to association with the benefit system.

In contrast with arrangements for Family Credit, any child maintenance received was disregarded completely in the calculation of the DPTC award, and there was no obligation to be in touch with the Child Support Agency. It was hoped that this might encourage applications both for tax credits and child support, directing more money towards low income families with children.

A 'Fast-Track' gateway to DPTC was introduced in October 2000 to contribute to job retention by making it possible for some people who become sick or disabled while in employment to stay in their jobs rather than move out of work onto sickness or incapacity benefit. Fast-Track is available to working people who become disabled or sick, whose condition represents an obstacle to their participation in the labour market for at least the next six months, and who face a drop in earnings on returning to work. This new provision is aimed at people in receipt of Statutory Sick Pay, occupational sick pay, short-term Incapacity Benefit at the lower rate, Income Support paid on the grounds of incapacity of work, or National Insurance credits, for 20 weeks or more. People must demonstrate that on returning to work their gross earnings fall by at least 20 per cent with a minimum reduction of £15 gross per week. This new gateway will bring more people into eligibility, and might encourage some people to try going back to work, perhaps negotiating working in a different way with their employer, rather than moving out of work and claiming sickness or incapacity benefit.

WFTC and DPTC represented a fundamental change in the way in-work support is provided to families and disabled people. Help is more generous and is available to more people. There has been a major shift in administrative responsibility, and a new

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<sup>3</sup> The Inland Revenue instructs the employer to pay a tax credit to the employee, specifying the total amount payable, the length of time for which the employer has responsibility for payment, and the daily rate of payment (to help in compiling wage packets). The employer is not told by the Inland Revenue whether the tax credit is WFTC or DPTC. The employer sets tax credits paid against their PAYE tax and NICs (and student loan recoveries) due, and may apply in advance to the Inland Revenue for any additional funding they expect to need. While these arrangements are being set up at the beginning of an award, the Inland Revenue may make fortnightly direct payments to the person concerned.

payment mechanism through the wage packet. By April 2001, when this research was commissioned, there were just over 27,000 people in receipt of Disabled Person's Tax Credit. This was approximately ten thousand more people than were claiming DWA in July 1999, the last quarterly count before replacement by DPTC (Inland Revenue, 2001b).

### **1.3 Research aims and objectives**

The overall evaluation of DPTC by the Inland Revenue will address a number of important issues, including effects on family income, labour market participation and childcare arrangements; take-up; the impact on employers, and effectiveness and cost of payment.

The overall evaluation included a survey of DPTC recipients and qualitative research. These two studies complement each other. The survey is reported separately (Atkinson *et al.*, 2003). This report is concerned with the qualitative element which was conducted in two phases.

#### *Phase 1*

The broad aim of the first phase of qualitative research by the Social Policy Research Unit was to seek information about the perceptions and views of recipients of DPTC, to learn about their experiences in applying for and receiving the new tax credit, and to consider the impact of DPTC on work incentives and as a means of supporting sick and disabled people in work.

To achieve these aims specific research objectives identified for the first phase were:

- to explore recipients' experience of paid work
- to explore perceived barriers to work and the role of DPTC in removing barriers
- to explore beliefs and feelings about in-work support through DPTC
- to explore issues relating to the structure of DPTC
- to explore issues surrounding take-up of DPTC
- to explore the role of DPTC in overall provision of measures to support people with ill-health or impairment who want to work.

#### *Phase 2*

A second phase of qualitative work provided an opportunity for further exploration of findings from the first phase and the survey, and issues that might be particularly useful for policy development.

The aim of the second phase of qualitative research was set after findings from the survey and the first phase of qualitative work had been discussed with policy makers. It was decided to focus on recipients' needs for information, and communication issues.

Objectives identified for the second phase were:

- to explore recipients' sources of information and advice
- to explore ways in which understanding might be enhanced
- to explore recipients' preferences about receiving information
- to suggest ways in which policy might be communicated.

## **1.4 Research design and methods**

### *Collaborative working*

A model of collaborative working was adopted throughout, with the qualitative researchers at the Social Policy Research Unit working closely with the team at the Institute for Employment Studies who were responsible for the survey of recipients. This model of close productive working strengthened both components, with advantages for both teams in terms of shared information and expertise; ongoing peer response; refinement of research instruments; practical effectiveness, and improvement of outcome, for example in interpretation of findings. Both teams benefited from preliminary discussion with representatives of organisations of and for disabled people and people with long-term health conditions, which was convened as a resource group. The resource group met twice with researchers from both teams and members of the research team at the Inland Revenue as described further in Appendix A.

### *Phase 1*

Individual depth interviews were chosen as the most appropriate means of exploring the perceptions, views and experiences of DPTC recipients. For some recipients, some of the information sought was personal and sensitive, for example characteristics of health or impairment, employment opportunities and constraints, and eligibility for and use of in-work support. Personal in-depth interviews are appropriate for seeking this kind of information.

Qualitative research seeks to describe, clarify and explain, rather than provide data that is statistically representative which can be generalised to the wider population of DPTC recipients. Its value lies in its potential to provide explanations of perceptions, beliefs and experiences. Interviews with DPTC recipients used techniques of responsive and open ended enquiry to encourage people to talk about their views and experiences and to reflect on their reasons for holding certain views or for taking particular courses of action.

A study group was built by purposive selection to achieve diversity in characteristics and circumstances from a database of recipients supplied by the Inland Revenue. The main fieldwork was conducted in four locations, including localities in the south and north-east of England, Wales and Scotland.

Pilot fieldwork was carried out with four DPTC recipients in two locations near to York in order to test the appropriateness and effectiveness of the draft topic guide. The

four pilot interviews generated useful material across the full range of issues covered in the main fieldwork and have been included in the analysis for the purposes of preparing this report. The full study group therefore includes 54 recipients. A full account of the selection and response is presented in Appendix B, with copies of letters of invitation, and a summary of the characteristics of the achieved study group.

Most of the interviews took place in the respondent's own home or place of work. In some interviews the respondent's partner took part. Some people chose to include a parent in the discussion, especially if a parent usually helped with the DPTC application form. A topic guide (at Appendix B) was used to steer discussion through areas identified as most salient to the aims of the research. Areas explored included:

- personal circumstances of respondent and household
- employment circumstances and experience of paid work
- knowledge about DPTC
- the process of making an application or renewing
- experience of payment methods
- perceived role of DPTC
- general beliefs and feelings about getting DPTC
- views about general support for disabled people who want to work.

The researchers sought respondents' permission to tape record the interviews, which typically took between 60 and 90 minutes.

Additional data came from four telephone interviews with people originally selected by the Inland Revenue from the database but not approached by interviewers to form part of the study group. On receipt of a letter telling them that fieldwork in their locality had been completed, these four people contacted the researchers because they had views and experiences they wanted to contribute. These telephone interviews were not tape recorded, but full notes were made during the discussions.

### *Phase 2*

Discussions between people in a group setting are specially helpful in understanding the salience and strength of feelings; range of perceptions and understanding, and how views develop and can change. This was the method proposed for the second phase of qualitative work.

The relatively small population of DPTC recipients led to some uncertainty as to whether it would be possible to recruit enough people in local areas who would be interested in coming together to discuss issues in a group setting. Findings from the earlier phase of work suggested that there might be particular constraints on some recipients, in terms of the impact of their impairment or health condition, or the distance required for travelling to such an event. It was considered important to conduct a full pilot exercise, to test the feasibility of the approach and the usefulness of findings.

A recruitment agency was engaged, to make personal contacts with lone parent DPTC recipients in one location in north-west England, to invite attendance at an evening meeting at a local hotel. The discussion was moderated by one researcher, using a draft topic guide, and a second member of the research team observed the interactions.

The pilot demonstrated that it was feasible to recruit DPTC recipients to a group discussion, that the topic guide worked well, and material was generated in all the areas chosen for exploration. The decision was taken to continue with a series of discussion groups, but to offer a personal interview if any younger people told the recruiter they would like to take part in the research but felt unable to join a discussion group. (In the event, nobody took up this offer.)

On completion, Phase 2 comprised five group discussions (including the pilot) in four localities in the north of England and Scotland. Overall, 28 people took part, with one group each of:

- lone parents
- parents from two-parent families
- older workers, aged 50 years or more
- younger people, aged 28 years or under
- self-employed people.

The discussions took place in hotel, library or community hall settings. A topic guide was used to steer discussion through the following areas:

- how people find out about tax credits
- what helps people understand that DPTC is relevant to themselves
- how much information about DPTC people need
- how people like to get information.

The discussions were tape-recorded, and transcribed for analysis. At the end of the discussions, all participants were offered explanatory literature prepared by the Inland Revenue, highlighting the main features of the two new tax credits due to be introduced in April 2003. Further details about the selection, recruitment, response and group membership is presented in Appendix C.

## **1.5 Analysis**

Analysis of the interview data began with a reading of the transcripts of 54 tape-recordings, and the additional notes from the telephone interviews, and arrangement of material under key headings, reflecting the main topics for enquiry and additional themes emerging from the data. The data were handled manually, and the analysis was a process of sorting and comparison, making additional lists and charts, and cross-referencing. The material was considered in relation to the issues expected to

be important by policy makers and was examined for new items and emphases. The researchers sought recurrent themes, patterns, exceptions, links and explanations. The data were considered in the light of emerging findings from the survey of recipients, and discussed further with researchers in the team at the Institute for Employment Studies.

The same general approach was used for data extraction and analysis of material from the five group discussions.

## **1.6 The framework of the report**

The substantive findings from the depth interviews in Phase 1 are reported first, in Chapters Two to Seven. Chapter Two explores people's general experience of work, in terms of employment patterns and reported impact of impairment or ill-health. We report a general strong commitment to the idea of doing paid work, but a number of perceived obstacles. Chapter Three reports the routes by which people apparently became eligible for DPTC, and describes the kind of work currently being done by DPTC recipients.

Chapter Four reports what people said about making applications and renewals, including supplying evidence of earnings and filling in forms to report disadvantage at work. Chapter Five presents experiences of and views on the DPTC payment mechanisms, and the periodicity of payments. We explain the perceived financial impact of DPTC in terms of match with expectations and whether people felt better off financially than before they applied. The next two chapters are concerned with how far people understood some of the rules, as current or recent recipients, and how they perceived the role of DPTC in their lives.

Findings from the group discussions, which were conducted a year later than the personal interviews, are presented in Chapter Eight.

In this report, actual words or phrases spoken by people taking part are italicised. When findings draw on data from the four telephone interviews, this is indicated in the text.

The final chapter draws together the main findings from the qualitative research, and reflects on issues of particular significance in the current policy environment. Appendices present methodological and technical material.

## **2. The Experience of Work**

Disabled Person's Tax Credit is designed to provide incentives both to encourage people to move into work and to help to sustain people in work. Whether people respond to such incentives depends partly on how they feel about working - how strongly they want to try or return to work and the problems faced, and for those in work, how suitable they find their job and their expectations for the future. This chapter starts to explore these issues by presenting contextual material about recipients' general experience of work.

The first part of the chapter summarises what people told us about their patterns of work and the impact of impairment or ill-health. Looking at people's employment histories helps us understand current views about working, and also provides some information about their contacts with services and organisations which might have offered advice about working and income maintenance. The second part of the chapter reports people's views, at the time of the interviews, on the importance of work. Their evaluations draw on a wide range of financial and non-financial rewards from work. In general, people were strongly motivated to do some paid work. It was often not easy to work, however, and the last part of the chapter addresses the problems and barriers which some people had met, both in getting work and staying in their jobs. Throughout the chapter, we draw out what people told us about the ways in which their views and experiences were influenced by ill-health or impairment.

### **2.1 Employment patterns, and the impact of impairment or ill-health**

We looked for emerging patterns in terms of the impact of impairment or ill-health on work histories. Sub-groups identified in this study group cannot be generalised to the wider recipient population, of course. Nevertheless, seeing some of the patterns in impact of impairment or ill health is useful in understanding the range of experience and views reported in later chapters.

#### *Group 1*

One sub-group of younger people had received support for special needs during childhood, and some additional support from education, employment and local authority services to make the transition to adult life. For some, this had included going to college or day centres, or trying a number of work placements. By their late teens or early twenties they were working as employees, sometimes in supported employment. People who had found a job which suited them had sometimes stayed in that job for several years, and were not looking for change. The sub-group also included people who hoped to gain new skills and experience to enable them to have better paid and more interesting work, and some were currently going to evening

classes, or aiming towards NVQs. People in this sub-group often lived with their parents, who gave support with daily living.

Within this pattern of employment there had often been opportunities for provision of information about in-work support at appropriate times, from educational services, employment services, the Benefits Agency, social services departments, and for some, voluntary organisations with whom they or their families were in touch. There was less contact with medical services. It might seem surprising that DPTC recipients have good overall health, but some younger people with learning difficulties were keen to point out that there was seldom any need to visit a doctor. Most people in this sub-group had parents or close friends who took a keen interest in their lives, helping them claim entitlements to benefits and supporting them to sustain work. We see in Chapter Four how important information and advice was in encouraging people to apply for DPTC.

### *Group 2*

Another sub-group of people said that impairments or ill-health since childhood had some impact on the amount and type of work they had done since leaving school. Those who found a job which suited them had sometimes had no periods out of work, and no long periods of sick leave. However, it had been hard for some people to find work which suited their condition. They described patterns of short periods of work interspersed with periods on benefits, sometimes on incapacity benefits, but also on Jobseeker's Allowance (and previously, Unemployment Benefit). Some had experienced long interruptions of work for hospital treatment or during periods of poor health. The sub-group included some women who had spent time caring for children and had little experience of paid work when they wanted to try working.

Some of these people were in continuous contact with hospital and primary care services. Others had good health and rarely visited the doctor. It was not unusual for people in this sub-group to be used to relatively low incomes. There was some familiarity with the idea of in-work financial support, through experience of previous use of WFTC, DWA, Family Credit, and even Family Income Supplement (FIS) which preceded Family Credit. Many had experience of dealing with the Benefits Agency for out-of-work benefits, and some reported being urged to find work after failing the All Work Test.<sup>4</sup>

### *Group 3*

The experience of people in the third sub-group was quite different. These were people who had experienced a serious accident or injury as an adult, and whose subsequent impairments brought profound changes to their lives. Both men and women in this sub-group had been in road traffic crashes; those who had accidents at work, sports injuries or been involved in incidents of violence were men.

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<sup>4</sup> Since April 2000, the Personal Capability Assessment.

Periods of treatment and rehabilitation had often been lengthy, and it was not unusual also to develop clinical depression or arthritis in damaged joints. Some people eventually had been able to return to work with a previous employer, with negotiation of hours and responsibilities. Others had to make major reassessments of their skills and capacities for work and try something different.

Everybody in this sub-group had received intensive care from hospital and primary care services, and some had received counselling and psychiatric services, and occupational health services. We see later how such services can be sources of information and advice about in-work financial support. Familiarity with the benefit system was variable. Some people previously had higher earnings and little experience of claiming benefits, but some were more used to in-work support, especially Housing Benefit and Council Tax Benefit. Some people had received or were expecting compensation payments for injury.

#### *Group 4*

The fourth sub-group was made up of people who developed a serious illness in adulthood. Illness had both come suddenly, such as some kinds of mental illness, strokes, or multiple sclerosis, or developed more gradually, 'creeping up' on people with increasing impact on their capacity to work, such as some musculo-skeletal conditions, and circulatory disease. The onset meant a period away from work, or giving up work and claiming out-of-work benefits. People over 50 years spoke of combined effects of ageing and poor health. There were also people whose illness developed while they were caring for children or other family members and not doing paid work, and some younger people who were engaged in professional training or further education when they became ill.

Again, periods of ill-health could be long, and this sub-group included people who had been claiming incapacity benefits for up to six years. Few considered trying to return to previous employers after such long periods away, and some had to consider different kinds of work which would be more suitable. Some in the sub-group felt their health was improving and were optimistic about the development of their working life. Others knew that recurrence was likely even though they currently felt well. Some were facing deterioration in their condition, and felt they would have limited further opportunities to do paid work.

People in this sub-group had been in close touch with medical services at some point in the development of their condition, including psychiatric services, although medical contacts could be intermittent as conditions stabilised or improved. A few people had turned to complementary health services and used self-help groups. Some had made contacts with specific national and local voluntary organisations supporting disabled people and people with health conditions, or community and faith groups which were often valued as sources of information and advice about financial matters and employment. As with the previous sub-group, income levels before the onset of illness were variable. Some people had enjoyed relatively high earnings, while others

were used to lower paid work, had been living on student grants, or relying on other family breadwinners. There was a similar pattern of experience of dealing with the Benefits Agency as in sub-group 2.

Although patterns described cannot be generalised to the wider DPTC population, we can identify differences in people's access to and use of important channels of information and advice about work and financial support. There are implications here for promotion of tax credits and information supply to the target population. All sub-groups except the first included people working as self-employed. We have more to say about work undertaken by self-employed people in the next chapter.

The chapter continues exploring the experience of work by considering how strongly people wanted to work, and any problems they faced, which are both likely to be strong influences on the impact of DPTC as a work incentive.

## **2.2 The importance of work**

There was strong commitment to the idea of doing paid work. Most people's views on the importance of work were grounded in considerable experience of being in the labour market. Younger people and those trying work only recently, who had less experience of being employed, also felt that work was important. People explained the value of work in a number of ways:

- *financial rewards*

Not everybody mentioned financial rewards from working. Those who did say that earnings were of key importance in achieving adequate income included people with financial responsibilities for families, and people who wanted a higher standard of living than could be achieved on benefits. Avoiding and relieving debt or mortgage arrears was associated for some people with having regular earnings. People currently living with relatives but hoping one day to establish an independent home felt that this would be hard without earnings. Earnings could be important in order to maintain a particular leisure interest or hobby. Younger people were often looking forward to higher incomes and greater spending power by developing their career.

Those for whom financial rewards of work were of less importance included people who had become used to managing for long periods on relatively low benefit incomes, and some of those who, when interviewed, did not feel much better off financially in work. It was not unusual for people to say that emotional and psychological rewards from working, or the positive impact on their health and family well-being, were more important than the level of income they achieved. Some people in the group said they did not expect to earn very much, because of constraints on the amount or type of work they could do. People whose impairment meant that they had not yet learned to manage money themselves found it hard to assess the financial rewards from working.

The source of income could be as important as the level of income achieved, when people described the financial rewards from work. Being financially more independent through having earnings increased self-esteem of people who did not like being dependent on parents, partners or out-of-work benefits. Some people valued not having to deal with the Benefits Agency.

- *work as a normal part of life*

Perceptions of paid work as a '*normal part of life*' were important in two ways. People who had generally been in employment from the time their education ended, especially men, said that going to work was what they always did. It was a normal part of their own lives. Impairments had not prevented employment for some such people. Those who had experienced a period away from work due to injury or ill-health perceived the end of such a period as '*getting back to normal*'. As we see later, it could be hard for such people if their previous occupation was no longer possible.

Others perceived work as a normal part of life because it was what other people generally did. People with experience of discrimination and exclusion in some areas of life said that having a job helped them to feel part of society, and a member of the ordinary public. This feeling was strong among young people with severe impairments, who wanted to take part in life in the same way as other people.

- *job satisfaction*

Job satisfaction was part of the value of work. Using skills, training and experience was rewarding, and achieving standards required by employers or customers led to a sense of satisfaction. Work provided interest and stimulation with opportunities for some people to learn new skills, try activities, gain knowledge and take on responsibilities. Others explained that their job might seem routine and relatively undemanding to other people. However, for them it was satisfying and appropriate in view of the nature of their impairment or illness.

Building up or maintaining a business activity as a self-employed person could bring a particular sense of job satisfaction and creativity.

- *positive emotional impact*

Having work was an important part of how people felt about themselves, and many in the group stressed the positive psychological impact of paid work. Paid work increased people's sense of self-esteem and pride. It generated self-confidence, and motivation in other areas of life. Developing a career brought a sense of progression, and a feeling of security.

Having a job could help to fill gaps in life due to disappointments or losses, some of which people associated with impairment or poor health, such as loss of mobility or functional capacity, their physical appearance, or not having a domestic partner.

- *social contact*

Opportunities to meet other people at work, and the social interactions of the workplace were important to people in all age groups. Talking to other people at work helped to maintain morale and mental health. The social contacts were especially valued by people who had experience of spending long empty periods in hospital or at home, when they were unable to work. Some spoke of finding relaxation and fun at work, and '*having a laugh*'.

- *break from home responsibilities*

Having a break from home responsibilities by going out to work was valued by some people who had children at home, or caring responsibilities for adult family members.

- *work as therapy*

In the same way as reported by clients of the New Deal for Disabled People (Arthur *et al.*, 1999), work was sometimes experienced as helping recovery from illness, or preventing relapse, especially among people with experience of mental illness. Keeping occupied, with an external focus and a pattern of activity, helped to control symptoms of schizophrenia. Being a valued employee and having something interesting to do increased and maintained self-confidence and motivation, and was beneficial to people who were liable to depression. Some people had been surprised by the pace of recovery from depression when they returned to or started work.

People who had to manage pain on a daily basis sometimes felt that pain thresholds were raised when they had a focus of concentration through their work, and had noticed less need for medication when at work. Stiff and sore joints could be easier to manage, and mobility improved in suitable jobs which enabled people to get the right balance between moving around and sitting down. Having set patterns and activities at work during part of the day was helpful to some people with learning difficulties or communication problems.

People with learning difficulties had found it was easy to become '*lazy*' without a paid job, and work was helpful because it encouraged them to keep trying, and go on developing themselves.

- *supporting relationships*

People spoke of improvements in relationships with other family members when they were working. Men with domestic partners found more to talk about and had fewer arguments; views shared by some of those domestic partners who were present in the interviews. Younger people living at home also felt more comfortable when they had work. Again, there was more to talk about and more relaxed relationships with parents or siblings.

- *role fulfilment and modelling*

Part of the improved relationships described above arose from feelings of fulfilling normative roles such as providing for a family, being a '*breadwinner*', or being a

responsible adult, and not feeling cast as a *'sponger'* or avoiding responsibilities. Young people said that their parents were pleased and proud that they had jobs.

Some parents wanted their children to grow up learning directly from their example that work was an important part of life.

- *legality of activity*

In addition to the importance of work itself, being formally identified as working rather than claiming out-of-work benefits could make life easier for people who maintained activities which generated income while out of work. Being formally in work meant not having to worry about reporting and surveillance of small payments, for example from selling products or services, or a few hours work for a friend while claiming benefits. Not being tempted or encouraged to work in the 'shadow economy' could be a welcome relief from stress.

In general, therefore, people in the study group reported a strong emotional commitment to having work, often (but not always) strengthened by a need for earnings to achieve desired living standards. Many of the views expressed are shared by other people who do not have impairments or ill-health, of course. The concept of work as therapy, or helpful in managing difficult situations is not specific to disabled people, but described by other people experiencing bereavement or family problems (Corden, Sainsbury and Sloper, 2001).

Getting and sustaining work had often been hard for people in this study group, and the next part of the chapter explores problems experienced. Financial disincentives were an issue for some people, but other barriers could be as or more important.

### **2.3 Problems and barriers in working**

Some people said they had met no problems either in getting a suitable job or doing their work. Those who felt like this had found work fairly quickly when they felt ready, sometimes with help from advisers, and were in jobs that suited them and that they enjoyed. Having a *'good employer'* could be important - mentioned here were government departments, national retail stores, and employers in private health services who were felt to be committed to good practice in employing disabled people. Some people interviewed did not want to dwell on problems, and preferred to talk positively about their work.

Most people in the study group, however, did talk about some problems they faced in their current job or problems expected to arise should they have to seek a different job. At another level people described barriers experienced previously in getting jobs or going back to work after a period of illness or impairment.

DPTC can be expected to have a number of different roles both in making it easier for people to engage with the labour market, and in supporting people while they are working.

#### *Problems in getting or returning to work*

From experience of applying for jobs, or anticipation of their situation should they need to seek another job, people spoke of the following problems:

- lack of suitable local vacancies
  - type of work
  - hours available
  - wage levels
  - lack of transport/expense of travel to work
- having a recurrent condition, and being likely to need sick leave
- lack of understanding of disability among employers, and prejudice/discrimination
- age discrimination among employers
- discrimination among employers against single parents
- lack of suitable childcare
- expense of childcare
- having extra caring responsibilities for disabled family members
- problems with making job applications - forms and interviews
- having no training or formal qualifications
- having little experience of work
- feeling too old or unable to retrain or study for new qualifications
- fear of inadequate incomes
- problems in transitions from out-of-work benefits.

Some of the barriers faced in getting or returning to work as a disabled person or a person with history of ill-health were the same as those often reported by non-disabled people (see Shaw *et al.*, 1996). We go on to explain how some of these well-known barriers have particular impact for people with impairments or histories of poor health.

*Availability of suitable work:* It was in the type of work and hours available locally that many people saw the greatest constraints associated with their health condition or impairment. People thought that limitations on activities and tasks might sometimes be overcome by using equipment or aids at work; that some employers would make arrangements for flexible working. However, some people had specific job requirements which meant that job opportunities were likely to be limited. Some people who had recurring symptoms of mental illness said they were unable to work alongside others, and did not react well to supervision. Others, on the other hand, needed to work as part of a team, with continuous supervision and encouragement. Loss of memory or finding it hard to learn new tasks imposed constraints on opportunities. Some people could only work outside, or had specific requirements in terms of temperature of the workplace, or a damp or dry atmosphere. Managing

some musculo-skeletal conditions required alternate spells of sitting and moving around, or limits to keyboard working.

The amount of work required could be an important component of a suitable job. Part-time work seemed essential for some people whose condition involved pain and fatigue, and people who were not ready to come to work until mid-morning. Parents and others with caring responsibilities also wanted part-time work. It was possible to find such jobs, especially with help from the Employment Service or an adviser, although this could take time. Some employers were ready to adjust hours to suit particular job applicants or to enable an employee to return to work, but some work was available only in set shifts.

It was thought difficult for employers to accommodate the needs of people with fluctuating conditions to take time off on '*bad days*', for example when arthritis flared up, when pain from skeletal conditions required staying in bed or when severe depression or anxiety meant that a person needed a day off to get control of symptoms. Job applicants sometimes had to decide how much information to share with prospective employers. People with work histories which were interrupted by periods of sickness felt disadvantaged when applying for jobs.

*Employer attitudes:* Some people perceived negative employer attitudes, and some reported numerous unsuccessful applications for jobs which they believed might be associated with discrimination. Employer discrimination and prejudice was often expected, especially by people with mental health problems, learning difficulties, and visible physical impairments. Assumptions by some employers that disabled people would take increased levels of sick leave were felt to reduce opportunities, even for people who did not usually have to take time off when in a job.

*Financial aspects:* Having relatively low earnings was to some extent accepted by some people who expected to work part-time, and by people for whom the most suitable types of work were in the low-paid sector. Moving off long term out-of-work benefits into part-time work usually involved seeking advice about financial implications, both among people with dependent families, and among single people with no other source of financial support. As we see in the following chapter, such advice came from various sources, and often included information about tax credits. People's main concern, generally, was that they would not be made worse off by working, and would be able to pay their mortgage or rent. Being better off financially in work was often less of an issue than not being worse off. Other fears included losing Disability Living Allowance (DLA) on starting or resuming work (based, for some people on a previous experience of loss of DLA), and the muddles and budgeting disruptions associated with the effects on benefit payments of changes in circumstances.

In Chapter Seven, we see that DPTC had a role in reducing a number of the barriers described above, namely in extending the choice of jobs and enabling people to take

a job suitable to their personal circumstances; contributing to the costs of travel to work; reducing the expense of childcare; and, for some people, generating adequate income. Some respondents suggested, however, that DPTC had a negative impact, in reinforcing discrimination among some employers against disabled people (and other people with low earnings who claimed in-work support) and contributing to the budgeting disruptions caused by their change of circumstances.

### *Problems in sustaining work*

Many people in the study group faced problems in doing their work, even when they had a job which they felt suited them. Problems arose for people when there were major unexpected changes in childcare or travel arrangements, when partners or children became ill, when companies reorganised or relocated, or there were major unexpected disruptions to life, for example caused by floods or restrictions due to foot and mouth disease. Difficulties like these affect people who are not disabled, and people at all points on the income scale, of course.

Problems and limitations which people described as being specifically associated with their health condition or impairment, or being in low paid employment included:

- limitations on tasks or activities
- management of symptoms and impairments - pain, fatigue, mental illness
- having to take sick leave - employer reactions
  - financial implications
- work making condition or symptoms worse
- negative attitudes of people at work
- being unable to increase earnings
- being unable to progress careers or develop small businesses
- financial problems - debt, legacy of transitional arrangements.

We go on to explain the impact of some of these constraints.

*Constraints on participation:* Perceived limitations on activities meant that some people were currently working in boring or repetitive jobs, which they disliked. Financial pressures, or aiming towards a retirement pension, were reasons for staying in such work.

Keeping going at work could be hard for people whose conditions caused severe pain or fatigue, or recurring mental health problems. Reduced capacity for work on 'bad days', or having to take time off, was more manageable if people had understanding employers or managers, and mentioned here were public sector employers with policies for employment of disabled people. Others who felt their continued employment depended largely on the attitudes of their employers included people working for relatives or friends. A number of men in building trades had been offered small jobs by understanding people with whom they had worked before their accident or illness. Working for 'small employers' could seem risky, however, even when they were understanding people, because of the possibility of business failure.

Having to take sick leave or having days of reduced capacity was a big problem for people who worked in competitive commercial businesses with strict performance targets. Some people had been asked to leave jobs as a result of the amount of sick leave taken, and one woman interviewed was expecting shortly to be asked to leave, her employer having told her that no further adjustments could be made.

One of the advantages of working as self-employed was being able to accommodate short periods of sickness or 'bad days'. People running small scale businesses from home sometimes had more flexibility and control of working time than employees. Some work could be done in bed, for example reading or working with a lap-top computer. Regular customers for gardening or window cleaning services were said not to mind exactly which day this was done, and often understood that the person concerned sometimes took time off through ill-health. Some people had a business partner who might be relied upon to keep the business going. One way of managing was to shut up a shop and have a sleep when needing a break from work.

*Financial aspects:* The financial implications of having to take time off work varied, according to contracts of employment. People who were not paid if they took two or three days away from work had to manage on reduced incomes, and valued being able to rely on DPTC. Long periods of sickness for self-employed people could mean major reduction in earnings. Disabled Person's Tax Credit could be the main or only source of income in such circumstances, if claims for out-of-work benefits were not made, discussed further in Chapter Seven.

Other financial problems described by people currently working included poor credit rating and debt, due to financial disruption caused by spells of hospitalisation, and the legacy of Housing Benefit and Council Tax overpayments still outstanding from transitions to work. These overpayments caused nuisance and frustration. Transitions to independent living from local authority care without budgeting help could also lead to high levels of arrears (fuel, rent, telephone charges) which followed people into the first years of paid work. Some said their mental health problems had led to prosecutions, resulting in fines to pay from earnings.

Some people said that their DLA had been withdrawn or reduced on review, soon after starting work. There also appeared to be some employers who were not meeting their responsibilities to their employees, experienced by people interviewed as late or irregular tax credit payments, and questionable payments of 'expenses' in place of regular wages. It was hard for employees to be assertive in such situations when the work suited them and they feared losing the job.

*Worsening conditions:* We saw in the previous section that some people experienced their work as therapeutic, aiding recovery or control of symptoms. This was not the case for everybody, however, and a problem for some people was that going to work made their condition worse. People with musculo-skeletal problems had discovered sometimes that the mix of tasks and the balance of sitting and

standing in the jobs they had chosen actually increased their pain and mobility problems. Asthma became worse in some working environments. Employers sometimes made adjustments to try to help, for example agreeing changes in hours or activities. Specialist equipment was made available to some people working with keyboards and monitors, to avoid repetitive strain injury, reduce screen flicker and accommodate impaired vision. However, at the time of interview a group of people had given up their job because they felt it made their condition worse. There appeared to be little awareness of Access to Work, a government programme which can provide aids, equipment or support at work.

*Constraints on progression:* Some people perceived limitations on progression or promotion in jobs which otherwise suited them, and it could thus be hard to increase earnings. Limitations on activities due to learning difficulties, communication difficulties, and mobility problems led some people to believe that they were likely to remain in current grades. People who suffered anxiety, panics or memory loss did not want to take on more responsibilities or new work. Working longer hours to increase earnings was not possible for people who could only work part-time. People who did feel able to work longer hours in their job did not always have this option if hours or shifts were set. One person said that other people of her age and at similar stages in her field of work expected to augment low earnings by taking a second part-time clerical job, but this was not possible for her, and it was hard to develop her career.

Some people working as self-employed hoped eventually to increase earnings by increasing their skills and securing better contracts in specialist areas of work, such as music or writing. The earnings capacity of some of the self-employed people was limited, however, for example those charging an hourly rate and working part-time, and people with small businesses with declining profitability. Progression through diversification of activities was often not possible for people who had chosen specialist forms of self-employment, or took sub-contracted work.

In a similar way as described above in relation to getting work, DPTC made a number of positive contributions to enabling people to stay in work, which are described in Chapter Seven.

This section has summarised the main barriers faced and problems experienced by disabled people in working, as general context for our further exploration of how DPTC supports people who are disadvantaged at work. Material presented in this chapter has been largely contextual, to help paint a picture of the DPTC recipients' employment patterns and the impact of impairment, why they wanted to work, and perceived problems and barriers. The picture is largely one of a group of people who valued paid work, and saw a number of non-financial rewards from doing some work. Some wanted to achieve higher incomes through earnings than were available through long-term benefits. What could be more important was not being worse off financially than on benefits. Despite difficulties in getting or continuing their work, at

the time of the research interview most were still in work. The following chapter describes the type and amount of work they were doing, and traces some of the routes to eligibility for DPTC.

### **3. Routes to Eligibility and Work Undertaken**

The first part of this chapter describes the main routes to eligibility for DPTC. The study group included people 'new' to DPTC and people who had been claiming DWA at the time of introduction of DPTC and when they renewed their in-work support entitlement applied for DPTC. What is presented here is recipients' explanations of the circumstances or events which initially made them entitled to DWA or DPTC. The second part of the chapter is concerned with work undertaken by people in the study group.

#### **3.1 Routes to eligibility**

There are many different routes to eligibility for DPTC. People may become entitled by a change in their employment circumstances or those of their partner; by a change in their family or household circumstances, or use of childcare; or by a change in other income sources in the household, including disability benefits. Such changes may all affect how people are categorised for purposes of tax credit rules, and the relationship between their income and the DPTC 'thresholds'. Some people became entitled to DPTC when it was introduced, or when rules changed, without any change in their own circumstances. Understanding these different routes to eligibility throws light on the range of opportunities for receiving information and advice about tax credits, and helps us understand different triggers to applying for in-work support.

In this study group, one man remembered becoming entitled to DWA when it was introduced in 1992. Otherwise, discussions with recipients about their employment and personal circumstances suggest that the main route to eligibility for DWA or DPTC was a change in their formal employment status, or a change in employment circumstances of themselves or their partner.

Nobody appeared to have become entitled to DWA or DPTC through claiming DLA while in work. As far as it was possible to assess, in retrospect, there were also no examples of people becoming eligible by a change in family situation which brought the family within the income thresholds, for example having a new baby, acquiring new responsibilities for partners and children, or new childcare expenses.

There were some examples of people who appeared to become entitled to DWA or DPTC when their partner, previously a breadwinner, either left the family, became ill and had to stop working, or left paid employment to have a baby. For example, a person engaged in small scale activities which he had not thought of as 'paid work' while living with his partner discovered when she left that he was now entitled to DPTC as a self-employed person. In families in which both parents had poor health and patterns of spells of work interspersed by periods of illness, entitlement to WFTC

or DPTC had changed, according to which parent was working when it was time to renew.

The general picture, however, in this study group, was of people becoming entitled to DWA or DPTC by an actual change in their own employment circumstances (although we see in the next chapter that not everybody applied as soon as they became eligible). The significant changes in employment circumstances which brought people into eligibility were:

- returning to a previous employer, with reduced hours of work
- returning to a family business
- starting a new job
- starting to take work which was formally 'self-employed'
- buying an established business or starting a new business
- building up a previous activity into self-employed work of at least 16 hours.

#### *Returning to a previous employer*

Some people returned to previous employers and the kind of work with which they were familiar, after periods claiming incapacity benefits sometimes for as long as four or five years. Gradual returns could involve starting work on a voluntary basis, and then being paid for 'therapeutic work' while claiming incapacity benefits, or starting with a couple of shifts a week, to see if they could manage. Employers who were reported to have enabled people to go back to work in this way were generally public sector organisations, or national companies which have policies in respect of employment of disabled people. Other examples, already described in Chapter Two, were employers in the building trade who agreed to make small amounts of work available to people they had known previously as skilled and reliable workers. There were also examples of smaller local companies which had offered positions to employees with special requirements, or recruited 'New Deal' applicants for jobs, and were reported by recipients to be committed to helping such employees return to work after a period of incapacity. Advocacy by Disability Employment Advisers or community psychiatric nursing services had helped some returns, and employers' own occupational health staff had sometimes been involved.

Everybody in the study group who went back to a previous employer had negotiated a reduction in their hours of work and said they would not have been able to return without these arrangements. There is increased policy emphasis on supporting job retention measures, and DPTC clearly has a role here. None of the people who had gone back to their employer would have benefited from the availability of Fast-Track DPTC had it been around because they had all needed longer periods of treatment or recovery time than those for whom Fast-Track is designed to help.

#### *Returning to a family business*

Returning to a family business was possible when a business had continued running during one business partner's period away from work. Self-employed people who had paid sufficient National Insurance contributions were entitled to contributory

incapacity benefits during a period of illness, and met qualifying criteria for DPTC on return to work in businesses generating low profit.

### *Starting a new job*

There appeared to be many examples of people becoming entitled to DWA or DPTC when they started a new job after a period out of work and claiming benefits. There were examples of people moving into work from Incapacity Benefit (and before 1995, Invalidity Benefit), Industrial Injuries Disablement Benefit, Severe Disablement Allowance, Income Support and Job seeker's Allowance (and previously, Unemployment Benefit). There were also examples of people who had not previously been receiving out-of-work benefits in their own right, but who qualified for DPTC through receipt of DLA, including women who had previously been at home caring for children or adult family members, and people who became entitled in their first job after leaving school, college or university.

One route to a new job was involvement in voluntary work or small-scale paid work on the employer's premises, using disregarded earnings rules in Income Support or permitted work rules in incapacity benefits. People already known to an employer in this way could be encouraged to apply for paid jobs when these became available.

Working part-time<sup>5</sup> was the preferred option for many, and there were no examples of people taking part-time jobs because they could not get jobs with longer hours. We saw in the previous chapter how some impairments and symptoms of ill-health imposed constraints on the amount of work which people could do.

Some people moved directly into work of 30 hours or more per week as their first employment after a period out of work. Being offered a job which seemed particularly suitable; being able to work flexi-time; having an employer prepared to make adjustments in the workplace to accommodate restricted mobility; a relatively easy journey to work; being able to take rests during the working day, and having easy childcare arrangements at no financial cost were all factors which encouraged people to take jobs with longer hours. Others mentioned pressing financial needs, for example for home-buying or to pay for private schooling, as influential in decisions to take full-time work.

The longest hours worked by people moving into new jobs were 40 hours per week reported by men who moved into factory work, and supported employment, either in sheltered or in open employment settings.

### *Buying an established business or starting a new business*

Starting in business as a self-employed person could seem an appropriate way of moving into work. People who had bought an established business or started a new

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<sup>5</sup> Throughout this report, we use 'part-time job' to describe work of less than 30 hours weekly, to fit the DPTC context, where there is an additional credit for 30 hours work.

business had used redundancy payments or injury compensation payments to meet start-up costs.

*Building up a previous activity into 'self-employed work'*

Another route into self-employment was through building up a previous income-generating activity or interest to the point at which people worked for 16 hours or more. People with particular skills or interests could be encouraged by rehabilitation service staff or employment advisers to think of developing their activity into formal self-employment. Others realised themselves that this might be possible when they discovered how particular activities helped them manage symptoms, or brought satisfaction during periods out of work. With advice and support, it was possible to make a relatively smooth transition. Some people described using therapeutic work rules for a time and then leaving Incapacity Benefit and using DPTC to support low earnings as a self-employed person. The transition was not always easy, however. People who did not understand the therapeutic work rules had initially been discouraged from trying to build up their activity while claiming Incapacity Benefit by fear of being identified as '*working and claiming*'. There had been difficult transitional periods when some people risked having undeclared earnings.

*Taking work which was formally 'self-employed'*

Some kinds of work are made available to people in ways which mean they then become technically self-employed. What they do, however, may be far from a traditional model of business activity, for example some kinds of agency working (see Eardley and Corden, 1996). The study group included people who had taken this kind of work after a period of ill-health, because the activities and tasks suited the person concerned, or because the work was in a convenient location, and seemed worth trying.

In this study group, there were apparently no examples of people who had become eligible for DPTC in work when a reduction in their hours brought them within the income thresholds. However, we see in Chapter Six that once in receipt of DWA or DPTC, some people did then reduce their hours of work.

We have discussed apparent routes to eligibility for DWA and DPTC at some length, because there are important issues here about take-up and promotion of DPTC. It may be that, in the general population, most people who become eligible for DPTC do so through an actual change in their employment circumstances. We might then not expect to find many examples in a study group of 54 people of other kinds of routes to eligibility. It might be, however, that take-up is lower among people who come to eligibility in other ways, for example by family formation or dissolution or when receipt of DLA by a child, or changes in childcare arrangements and expenses bring people within the income thresholds for their family. If this is the case, then finding rather few examples of such routes in our study group may be a reflection of low take-up among particular groups of people. One possibility is that it may be harder for people to identify a new entitlement for DPTC when the significant change

in their lives bringing them into eligibility is based on something other than the main criteria of personal characteristics of work and disability.

### **3.2 The work undertaken**

The survey of recipients will give a full picture of the kind and amount of work undertaken by DPTC recipients. Some information about the work done when they last applied for DPTC, from recipients interviewed in depth, is presented here to provide context for understanding their views and experiences of DPTC.

As we might expect, given that some people wanted to work part-time, the kind of work done by employees included several examples of work typically made available for shorter hours or shifts. Thus the group included a number of people working as shop assistants, café and bar staff, nursing home assistants, call centre staff, drivers, cleaners, school auxiliary staff, porters and security workers. There were examples of people with more than one such part-time job. Others working shorter weeks included nursing staff, and clerical and administrative workers employed in government departments, health services or national organisations such as the post office. People working more than 40 hours per week were mainly men with jobs in factories or working as drivers.

Self-employed people were engaged in various activities, and different forms of self-employment. Some were working in traditional small businesses such as shops and fast food outlets. In business terms, these were the most capital intensive, and had relatively high overheads such as rents and rates. Long working hours are often required to make small shops profitable. The poor health of owners of such businesses in this study group meant that recovery of overheads through long opening hours was problematic. A taxi driver was in a similar position, with 18 hours work per week only just covering the fixed overheads of maintaining the vehicle. Some people felt they had to continue with unprofitable businesses because of investments made and debts owing, although they would prefer being an employee.

Another kind of self-employment was to work from home using skills and contacts. Some younger people were working creatively in this way, for example in arts, publishing and design. Outlay on overheads was mainly expenses for telephone, personal computer and software, and in business terms their lack of real turnover was less problematic. There was likely to be less financial repercussion if they stopped working in this way, and thus less risk in setting up such an enterprise. Other self-employed people working from home, who had more investment in the way of tools or specialist equipment, had sometimes already acquired much of this when their activity was a leisure interest or part of a wider family activity. Included here were people working in horticulture and the entertainment industry.

The last sub-group of self-employed people were those whom we might call 'quasi-self-employed' (see Eardley and Corden, 1996). These were people who were treated for tax and National Insurance purposes as self-employed but worked in circumstances closer to those of employees. They were less skills-based, and needed little equipment. They were paid per hour through agencies, or by commission on sales from home. The flexibility and the nature of the work suited some of these people well but some had little control on how they worked and were critical of working conditions.

### **3.3 Developments in work**

At the time of the interviews, most people in the study group were still working, and most of those were in the same jobs as at the time of their application for DPTC. There had been a few changes of job among the employees, usually to work which suited their condition better, but sometimes to a better paid and more interesting job. There had been some changes in hours. Some people whose condition had improved were working longer hours when interviewed, for example people making gradual recovery from injury. Some had reduced their hours of work, finding that they were getting too tired, especially people who had family responsibilities. Some jobs had ended, for example less secure forms of employment such as cleaning work made available through employment agencies.

There had also been developments among self-employed people. One person had given up his paid job as an employee and become self-employed in the entertainment industry. A self-employed person was building up a second stream of income from activities which could be undertaken in the winter, when there was less activity in his main occupation. Other self-employed people had seen further decline in profit since first receiving DPTC, which they related to increasing competition in their local area, and limitations on their capacity to work. For one person who took part in a telephone interview, a major constraint on her earnings capacity was not being allowed by her Housing Association to see clients at home, which meant heavy outlay in hire of premises and expensive travel. How far people adapted their hours of work in relation to the DPTC rules once they started work is discussed in Chapter Six.

People not in work when interviewed generally said this was because their condition had deteriorated, or they found that they could not maintain work as a result of their impairment or health problem. They were either formally on sickness leave (paid and unpaid), or had left work altogether and reclaimed incapacity benefits. Losing a driving licence had put an end to a driving job.

Chapters Two and Three have presented material which is largely descriptive, to give some picture of the personal and family circumstances of the people in the study group, their interest in doing paid work, problems and barriers faced in getting or

staying in work, routes to eligibility for DPTC, and the work they did. Setting the context in this way is important in understanding perspectives and experiences among the group, which the rest of the report explores. Subsequent chapters address specific issues of importance to policy makers. First, we explore the process of making new applications and renewing DPTC.

## 4. Applications and Renewals

There is much to learn about people's perceptions of DPTC, and aspects of take-up of the tax credit, from what was remembered about the process of applying. In this chapter we look first at factors which encouraged applications and made the procedure easy, and then at aspects which had discouraged applications or led to problems during administration. Everybody in this study had eventually overcome any concerns about applying or barriers along the way. Although some had delayed applying, they had all eventually received an award. Learning more about their experience is likely to throw light on some of the reasons why other people, in similar circumstances, may remain eligible non-recipients or fail to receive entitlements. The chapter continues by exploring the process of making applications and supplying information.

### 4.1 What encouraged applications?

We saw in the earlier chapters that people in the study group wanted to work for a variety of reasons. It is not possible, in retrospect, to reconstruct the different stages in deciding to apply for DWA or DPTC. What we can report, however, are those factors which people remembered as important in their decisions to apply. Learning what encouraged people to apply for DWA or DPTC may indicate some routes for channeling information about tax credits, in order to increase take-up.

Factors which encouraged people to apply for DWA or DPTC included:

#### *Financial influences*

- need for additional income, especially for
  - people working part-time
  - people with family responsibilities
  - people with mortgage commitments, or wanting to buy a home
- seeing a 'better-off calculation' with indication of likely entitlement
- attractiveness of an additional income source
- seeing an opportunity to make self-employed work viable

#### *Previous experience of in-work support*

- familiarity, through personal claiming experience, with WFTC, FC, DWA and even FIS
- familiarity with WFTC, FC, DPTC, DWA through claiming experiences of family or friends

### *Personal information provision, encouragement and support*

- from agencies: Benefits Agency, ONE, DSS<sup>6</sup>, JobCentre, Disability Employment Advisers (DEAs), New Deals, community psychiatric nurses (CPNs), hospital staff, Housing Benefit office, support workers, Citizens Advice Bureaux, welfare rights offices, voluntary organisations
- from employer
- from parents, family members, personal friends, work colleagues
- from accountants

### *Knowledge of key structural components*

- linking rule
- six months payment period
- help with costs of childcare

### *Inland Revenue*

- invitations to DWA recipients to apply for DPTC
- advice from staff in Tax Credit Office to apply for DPTC rather than WFTC
- leaflets, information in application pack
- Helpline, and staff in Tax Credit Office.

Many of the above factors are well-known from other research on take-up of means-tested benefits for low income people (see Corden, 1995), and are not discussed in detail. There are findings of particular relevance to DPTC, however.

People in this study group who had taken important decisions about leaving incapacity benefits or trying work had usually been offered or sought personal authoritative information about the financial implications. General advertising material was mentioned hardly at all, in terms of influence and encouragement to apply. It was information provision and advice or support at a personal level that was remembered as important.

The Inland Revenue itself was mentioned as an influential source of useful information and advice. Where there were dissatisfactions, these generally appeared to arise from advice given in the first few months of DPTC, when staff may have been gaining experience. Since those first months, people staffing the tax credit Helpline were generally considered helpful and well informed. Being contacted personally, advised of entitlement to DPTC and asked if they would prefer to apply for that could be a surprise to people who had applied for WFTC but made a strong positive impression.

We will see in Chapter Six that full understanding of the linking rule and help with childcare costs through the childcare tax credit often depended on information and advice given by experts. When people did understand these structural components

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<sup>6</sup> The Department for Work and Pensions replaced the Department of Social Security in 2001.

they could be powerful influences in encouraging applications. We return to this in Chapter Seven.

Seeing a calculation of likely entitlement could also be a strong encouragement. These are typically referred to as 'better-off calculations' by advisers. For potential applicants for DPTC what could be more important was not being worse off. It was unusual to be able to do such calculations without help. Those who said they had done this generally had some financial expertise such as business management, or worked in administrative or clerical occupations. It is important to understand, however, that some recipients of DPTC achieve themselves only very low levels of understanding about the tax credit. Supporting family members can be critical in encouraging applications. Some people do not expect or aspire to get a full grasp themselves of their position in complex systems, or to remember what is important.

## 4.2 Concerns and anxieties

Again, we must be careful in presenting data about recipients' concerns or anxieties when considering an initial application for DPTC or DWA. There are problems of recall, and overlay of initial feelings by more recent concerns and experiences. People who had previous generally positive experience of FC or DWA, or at least no negative experiences and were expecting something rather similar sometimes had no particular concerns about applying for the tax credits. But some people who told the interviewer about learning difficulties or problems with communication said they had been anxious at the time of the changeover from DWA. They had been uncertain whether they would continue to get the money that was important to them.

Initial concerns and negative feelings about applying for DWA or DPTC, remembered clearly at the interview included:

- being worse off as a result of applying
- loss of DLA
- subsequent budgeting disruption through housing benefits adjustments
- reluctance to involve employers
- fear of penalty for wrong-doing
- fear of being thought a '*scrounger*'
- reluctance to be labelled '*disabled*'
- the difficulty in explaining impact of mental illness in an application.

For some people, fears and concerns about applying for DWA or DPTC were closely interwoven with concerns about trying work or coming off long-term benefits, for example the fear of being worse off financially. But people already in work could also be anxious that an application for DPTC could make them worse off, for example wondering about the impact on the Invalid Care Allowance received by a household member, or any unexpected repercussions on other benefits received.

Fear of loss of DLA could be strong. DLA is a valuable, reliable source of income for some people. Previous experience of losing DLA after review and subsequent lengthy appeal procedures for reinstatement left some people wary of doing anything which might jeopardise their DLA entitlement again. In a similar way, the budgeting disruption expected as a result of possible reassessment of housing benefits following a change in income or source of income led people to wonder whether it was worth risking this with an application for DPTC.

Some people remembered reluctance to involve employers in any procedure which identified them as having a health condition or impairment. There was fear of discrimination, and a negative impact on relationships at work, especially among people recovering from mental illness. People sometimes did not want any speculation by employers that they might be taking medication, especially if they had responsible positions or work which involved driving. One person in the group had applied for DWA only when she was certain her employer would not be involved if she herself provided good evidence of earnings. When interviewed, she had not renewed her last DPTC award, knowing that her receipt of tax credit would become apparent to her new employer. For self-employed people, the fear could be that the Inland Revenue might contact clients to confirm or check transactions, as part of the income assessment for DPTC. A person whose work depended on marketing her 'profile' discussed at length with her Personal Adviser whether clients would be contacted. It was important to her that clients did not know about her history of mental illness. She believed such knowledge might lead to her being considered unreliable or not normal.

There was some dislike of being labelled as '*disabled*' by people who did not think of themselves in this way. One person had considered applying for WFTC instead of DPTC for this reason, but was urged by her adviser to apply for the higher entitlement in DPTC. There was also some dislike of the negative associations with '*scrounging*' of claiming additional income while working. People had generally negative views of people who claimed benefit fraudulently while working, and wanted to avoid any possibility of being perceived among such '*scroungers*'. Concerns about difficulty in explaining mental illness could put people off, especially if they had experience of explaining the impact of their mental illness for incapacity benefits review or DLA applications. We see in the following section that explaining the impact of mental illness did prove hard for some people when completing application forms for DPTC.

Fear of doing something wrong in a complex system, with risk of criticism and penalty, could also be strong. Some people had previous bad experiences of trying to do some work and incurring benefit penalties, or, while claiming out-of-work benefits, taking part in activities which brought scrutiny from the DSS. It could seem possible that an application for a tax credit could result in identification as a wrong-doer in some way.

So far in this chapter we have reported what encouraged applications and initial concerns about applying, without distinction between people according to whether their first application was for DWA or DPTC. It would be useful to know, however, whether people who are completely 'new' to DPTC (see Appendix B), had different experiences from those who had previously applied for a similar tax credit or benefit.

As far as we could see there was no difference between recipients who came to DPTC without any previous experience of WFTC, DWA, FC or FIS, and those who were not 'new' to DPTC, with respect to the factors which encouraged applications, and people's initial concerns.

### **4.3 Making applications and renewals**

It is usual, in research on means-tested financial support, for respondents to say that application forms are daunting and hard to understand, and this was also the experience of some DPTC recipients. It was not possible for some people to deal with the forms themselves, for example if impairments meant that they could not read or understand the form, could not remember information required, write in answers, or concentrate for long enough. Having help could be essential, and this came from family or friends; employers; or staff in New Deal and ONE, Citizens Advice Bureaux and welfare rights offices. GPs approached for help in filling in the renewal form (DPTC2) did not always recognise it, but nobody said a GP had been unhelpful when they discussed their application.

Family members who were essential to completion of forms, and had phoned the Inland Revenue on behalf of the applicant, said they had been angry when staff said they could not discuss the application with them. This was not a general experience, however, and some caring relatives and partners said that their enquiries were always dealt with helpfully. People whose illness meant cyclical hospital stays experienced problems if they were in hospital when renewal was due and they were unable to deal with everyday matters. Nursing staff often tried to be helpful, but awards could run out, with serious consequences.

There was some expectation that '*claim packs*' would be available in post offices. A recipient who was employed in a post office reported that customers asked for DPTC packs. Claim packs might, it was suggested, contain more real-life examples to help people assess eligibility by comparing their own circumstances with the people and households described in the examples.

A general observation made by people without domestic partners or children was that it was annoying, and could be hurtful, to have to use application forms where so many of the initial questions concerned other family members. Their needs as single people seemed not to be important in form design. A further criticism of form design was that it was not clear exactly what information was required about second jobs,

nor was it clear which of two jobs should be considered the second. The form for application for childcare tax credit (DPTC3) had been hard to use by a parent who had arrangements with three providers, which varied for each of two children. She suggested that this form should be designed more from the perspective of the parent and child, to enable easier reporting by applicants, and less from the perspective of the childcare provider.

People who regularly renewed their awards expressed frustration and annoyance at having to supply the same information over and over again and this is discussed further later in the chapter.

People who were used to renewing awards every six months explained that small changes in design could cause anxiety. Finding new questions on the application form, or questions asked in different ways, had led to concern about why this had happened. People were left wondering if these were now *'trick questions'* or if their answers would have new significance. When interviewers suggested that the Inland Revenue might be trying to collect information in ways that made it easier for applicants, or enabled the Tax Credit Office to deal with applications more quickly, by rewording or inserting new questions, people said it would have been helpful to be told this on the form, to put an end to their anxiety, speculation and in some cases delay. Another specific suggestion was that the application form should make it clear that people already receiving DPTC were deemed to be receiving the appropriate incapacity or disability benefit to qualify.

In this phase of the qualitative work, we asked people, particularly, about supplying evidence of earnings to support applications or renewals, and about filling in the form asking how illness or disability affects them, on renewal (DPTC2).

#### *Supplying evidence of earnings, as an employee*

Employers or pay staff could be receptive and helpful when asked to supply evidence of earnings to support applications. There were examples here in both public and private sectors, and large and small businesses and workplaces. Some employers in service industries, employers offering supported employment opportunities, or recruiting people who had taken part in New Deals were reported by recipients to expect a number of their employees to be using tax credits, to be used to their own part in this, and to respond appropriately. It was their employer who had initially suggested to some people that they could apply for DPTC, and encouraged their application.

Not all employers had been found helpful however. Some did not always respond quickly to employees' requests for confirmation of earnings, especially if this involved variable bonus payments, overtime payments or holiday pay. This led to anxiety about being out of time, and could result in delays in payment. The back-dating of awards once delays were sorted out did not prevent budgeting disruption and worry. People who lacked confidence in dealing with employers or pay staff or felt insecure

in their employment were reluctant to press for speedy attention. Feeling that they had to '*make allowances*' for employers and staff who did not understand the urgency of matters or were too busy to deal with requests, was unsatisfactory for people.

Some problems went beyond delays in response. One man was told that the management did not like dealing with tax credits when he asked for confirmation of earnings. The information was supplied, but he was told soon afterwards that his job had ended. One person said their line managers had told employees that they did not want to put their signature to forms because their own situation in respect of tax and National Insurance contributions (NICs) was irregular.

Fearing unwelcome or unhelpful response from employers asked to confirm earnings made some applicants keen not to trouble their employer but deal with the matter themselves by sending pay slips. Others who supplied their own evidence just did not want to engage at all with their employer or manager about DPTC, as described earlier in this chapter. Some knew by then that employers would become involved eventually in the payments system; but the full implications of the payments system were not always clearly understood at the application stage.

#### *Providing evidence of earnings, as a self-employed person*

For self-employed people, the quality of information about earnings provided in support of applications, and the task involved in presenting such information, depended to some extent on the kinds of financial records kept.

People who used accountants to help prepare business accounts included those in traditional small businesses, such as shop keepers. Others kept their own financial records, using computer software packages or simple accounts books. The back page of a diary could be sufficient to keep a running record of payments from customers and expenses.

Self-employed people in this study group accepted the need for careful presentation of accurate income data to the Inland Revenue, to demonstrate their entitlement. People were keen to be seen by the Inland Revenue to be doing this properly. One person said he always took his financial records to the local tax office when he was due to renew his award, and that detailed assistance was provided.

In general, the forms for disclosing income seemed relatively straightforward. People felt that the move from the Benefits Agency to the Inland Revenue created the opportunity for greater sharing of financial information submitted by self-employed people for various purposes including NICs and VAT, and nobody expressed concern about this. Indeed, people expressed considerable frustration about having to disclose income for DPTC and income tax purposes separately, and the frequency with which they were asked to provide details for DPTC calculations.

Those who renewed awards using twelve-month accounts resented having to present the same accounting information twice on consecutive applications. In addition to the waste of time and resources, this could cause anxiety about whether the amount awarded would be the same on both occasions. One person interviewed by telephone said that his last two DPTC awards had been significantly different although based on the same set of accounts, with no change in circumstances.

Generally, self-employed people said they understood the main direction of the income measurement exercises and the need for the financial details they had to provide. Apart from the person just mentioned, acceptance of figures derived by the Inland Revenue was fairly high. It could seem important to keep copies of all previous applications and data supplied, to maintain consistency in information supply, especially if people were pleased with the amount of their award.

There were some specific observations and experiences that illustrate some of the issues raised in assessing income from self-employed work. Some people observed that the need to estimate likely future earnings, when applying for DPTC at the commencement of business, made it possible to make a deliberately low estimate in order to maximise the first award. Even if people were not trying to make a deliberately low estimate it could be hard to know how to project earnings when payments for work were expected to be four or five months late. Fluctuating earnings could seem hard to deal with, especially in seasonal occupations. One man received few payments from customers during winter months, and it was important for him to use twelve monthly accounts for DPTC. Reporting earnings from businesses in decline also raised issues for recipients. One person sought to compensate for declining earnings by adjusting the last set of accounts prepared, in order to reflect more accurately the current financial position. One person did not understand the historical nature of the process for people established in self-employment, and believed she was submitting a projection of earnings each time she renewed DPTC. Reporting earnings from work which was formally self-employed as 'wages' from an employer had led to confusion and delay for one person, and much administrative work for the Inland Revenue including, it appeared, a home visit. These issues in reporting income from self-employed work have been reported earlier, by self-employed recipients of Family Credit (Boden and Corden, 1994).

In addition to the way in which self-employed earnings were construed, some people raised issues about specific rules for treatment of income. Included here were rules about private usage. One person did not understand that he could claim as expenses the costs of travelling to customers' homes, although he worked from home.

Rules that caused dissatisfaction included not being able to off-set loss from a second business against small profits from a first (reported from a telephone interview). This could seem a big blow to people trying to diversify to stay in work. Nobody interviewed in person reported any serious queries being raised about their income declarations. However, a person contributing by telephone was angry that his

report of long working hours, against low profits, had apparently been disbelieved. The Inland Revenue had just asked for a full submission of all business records within one month. He believed non-compliance would mean withdrawal of DPTC. He said it was hurtful to be disbelieved when he took trouble to be truthful.

### *Providing information on DPTC2 to renew DPTC*

As explained in Chapter One, people renewing an application for DPTC complete form DPTC2. They must declare that at least one of a number of specific 'disability conditions' applies to them. A tick-box format on DPTC2 enables people to describe how their condition affects them, in terms of the impact on day-to-day activities. As examples, questions cover balance, walking, using arms and hands, seeing, hearing, speaking, remembering, interacting with other people, receiving treatment for mental illness and pain.

People in their first payment period had yet to meet DPTC2, but among those who had filled it in there were mixed experiences. People who liked the questions and found them easy to answer included some people with a physical impairment who found it easy to describe what they could or could not do and whose condition did not change from day to day.

Fluctuating conditions could be hard to describe in the terms offered on the form. It could be hard for people who had 'good' and 'bad' days to know how to answer the questions accurately, but not make themselves ineligible. People much affected by their condition first thing in the morning, for example people with some musculo-skeletal conditions, did not know how to explain that whether they could undertake activities often depended on the time of day. People who had no problem in walking wondered how to explain that panic attacks sometimes led to complete immobility through fear or indecision.

The impact of some kinds of mental illness could be hard to describe in the terms offered, and the term 'treatment' was not transparent in meaning to people who wondered if this included counselling or self-help groups, or visits from community psychiatric nurses. There was a feeling that DPTC2 was designed to be hard to fill in, to deter fraud and 'catch people out'. People whose condition had changed since their last award also worried that different answers on consecutive applications might look 'suspicious'. People felt it could be easy to disqualify themselves when they answered the questions. There was irritation at the need for so much medical information when, some believed, NHS records about conditions and treatment were available for the Inland Revenue to use.<sup>7</sup>

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<sup>7</sup> It is not the case that the Inland Revenue has access to NHS records. In order to confirm eligibility for DPTC, Tax Credit Office staff may access records held by DWP on the medical assessment for the original qualifying benefit, for example, Incapacity Benefit. If these do not provide the information required, then the applicant is contacted again for further information.

People who tried to think of themselves positively could also risk disqualifying themselves, for example annotating the form to explain how much better they were now, since they started work. A similar point was made in respect of completing the initial application form. Thinking positively about themselves could be risky, for example if people said that illness or disability did not put them at a disadvantage in getting a job, on the basis that their current job suited them and they were not thinking of looking for another. Those who had done this appreciated their helpful telephone enquiry from the Tax Credit Office, and the opportunity to correct the misunderstanding.

#### **4.4 Progressing applications**

Administrative mistakes and delays attributed by DPTC recipients to poor service by the Inland Revenue appeared to the researcher to arise mainly in the early days of the tax credits. Examples included moves from DWA to DPTC which did not go smoothly, leading to indebtedness; not taking industrial injuries benefits into account in the income assessment, leading to initial overpayments of DPTC; inappropriate advice on the Helpline. People dealing with the Tax Credit Office or using the Helpline more recently, however, were generally pleased with the standards of service received. Staff in the Tax Credit Office were reported to be polite and helpful, and generally thought to be well-informed. They were ready to talk about people's personal situations and how DPTC fitted their circumstances. It was not difficult to reach a named member of staff who was dealing with an application. Return calls were made speedily, and correspondence was acknowledged and acted upon. Readiness to accept information over the telephone and by fax was appreciated.

Problems which have arisen for recent applicants were attributed more to rules and structure of DPTC, the involvement of employers or response of medical staff consulted by the Inland Revenue following submission of DPTC2, than to inefficiencies of the Inland Revenue. We have already discussed issues arising in the provision of evidence of earnings, and provision of information about the impact of illness or impairment.

Other problems reported included renewing an award too early. It could be easy for somebody who wanted to make certain that their DPTC continued in payment to send in their form too soon and it was frustrating to have to go to the trouble again. Another particular problem reported was submitting information about interest on savings. Getting from bank managers specific information required could be difficult, without a standard letter from the Inland Revenue to explain what was needed. Trying to get relevant financial information, drawn up to the same particular date from several banks or building societies, could mean a whole day spent going round town, and expensive taxi journeys.

This chapter has shown, in general, high levels of satisfaction with service offered by the Inland Revenue. Dissatisfaction was generally attached to specific rules or requirements in DPTC. It is not always easy to make an application or renew an award, however. The people taking part in this study were those who had overcome problems and concerns, and eventually been successful. Their experiences suggest some of the ways in which other people who might be eligible may be put off applying, or fail to gain entitlement.

The next chapter reports on the next stage of a DPTC award, receiving the payments.

## 5. Receipt of DPTC

This chapter continues exploration of feelings about receipt of DPTC. The first part presents recipients' views and experiences of payment mechanisms. The second part presents recipients' views on the financial impact of their DPTC payments.

### 5.1 Views and experiences of payment mechanisms

Views on payment mechanisms were often closely linked with views on the periodicity of payments. For example, a person could like weekly payments of DPTC but dislike receiving these from the employer. For such people the preference expressed for fortnightly payments was more to do with the fact that these came directly from the Inland Revenue during the first weeks of an award, than the actual periodicity. Views on payment mechanisms and periodicity could also be linked to preferences in budgeting strategies, or depend on which partner controlled household spending. These complex interactions between preferences, underpinned by a range of experience of different mechanisms, created wide variation in views among people.

#### *Payments through employers*

Among the employees were people who did not realise their monthly payments into the bank were actually made by employers. There were also people who were puzzled that they received direct payments into the bank, apparently not attached to wages, throughout the application period. It was not always clear to interviewers which payment mechanism was in operation. People were confused by receiving a single lump sum, and when their wage slips did not show DPTC thought mistakes had been made. One man said he did not realise he was getting DPTC until he saw his P60 form.

Further research would be needed to obtain a full picture. In the following analysis, we look first at reasons for liking payments from employers, and then at reasons for disliking this mechanism.

Positive feelings about receiving DPTC from employers were related to:

#### *income source and conceptualisation*

- liking visibility on wage slip of income boost to wages
- ease of checking that payments are correct
- liking what seemed like a tax relief

*feelings about self*

- greater self-esteem attached to receiving wage related support, rather than benefit

*budgeting and income management issues*

- clearer picture from wage slip of available income for overall budgeting
- good fit of wage periodicity with budgeting strategies

Preferences related to budgeting and income management were generally reported by women, in this group. Having a clearer picture from their wage slip of the income available for household spending made it easier for some to manage their budgeting. They could see immediately how much money might be spent until the next pay day. This advantage was even greater if the wage periodicity generally suited their budgeting strategies. For example, arranging direct debits and regular payments could be easier if wages and DPTC came together, at a time that suited their way of budgeting.

Preferences related to income source and conceptualisation, and feelings about self were usually reported by men (or attributed to men by their domestic partners). Men reported satisfaction in seeing on their wage slip how their work generated income from earnings and other sources. The link with earnings was apparent. Men who thought of DPTC as a form of 'tax relief' liked the idea that they might be paying less tax. For some, it was possible to check directly that employers were making the correct DPTC payments, providing reassurance or enabling immediate intervention if there appeared to be problems. One view was that it felt better to receive wage related support, rather than a benefit.

There were some examples of couples in which one partner preferred payments through their employer and the other would have liked a direct payment. The group also included men and women who said they were happy with employer payments but offered no particular reason for feeling this way.

Negative feelings about receiving DPTC from employers were related to:

*problems in payment*

- employer-related delays in receipt
- lack of transparency of DPTC on pay-slips
- inconvenience of receiving large amounts of cash or large cheques
- non-reliability of 'specially created pay slips' during periods away from work

*relationships at work*

- employer learning of impairment or ill-health
- employer reluctance to take on or retain employees using tax credits

- damaged relationships through delays or misunderstanding with employers or pay staff
- unpleasant remarks, suspicion or jealousy among pay staff, colleagues or employers

*feelings about self*

- wanting privacy in the workplace
- being reminded of illness or impairment with every pay slip

*budgeting issues*

- poor fit of wage periodicity with budgeting strategies

*fraud*

- opportunities for collusive fraud.

Some of the above groups of issues were the same as those reported previously as positive aspects for some people. Five main groups of issues are apparent. The first was to do with problems arising from the actual mechanisms for receiving monies from employers. Delays in payments could arise if employers were uncooperative or forgetful, or if administrative confusions arose in pay offices. It was not always apparent on pay slips how much was being paid in DPTC. Terms used on pay slips to refer to DPTC sometimes appeared to include refund of overpaid tax, so it was not possible for some people to check DPTC payments or understand their overall situation. People paid in cash or by cheque disliked the increased risk attached to receipt of large amounts of money and the inconvenience of having to get to banks or building societies quickly. Some people received pay slips specially created in order to deliver DPTC, for example during school holidays for retained school auxiliary staff whose actual wages for that period came as a lump-sum advance payment. People with experience of such 'created pay slips' said that the special arrangements appeared to be poorly understood in central pay offices and were unreliable.

Another group of issues was to do with attitudes and behaviour of employers and staff in the workplace. People who had not told their employer about their impairment or health condition could be embarrassed when employers asked to discuss their tax credit receipt. Employers' attitudes could change, with greater scrutiny of work performance, or even voiced suspicion of '*working and claiming*'.

Some employers were said to make no secret of the fact that dealing with tax credits was an unwanted burden, and we have already seen in Chapter Four that some people believed they were asked to leave jobs because of their entitlement to DPTC. A person interviewed by telephone described a difficult situation in a small business where all employees worked part-time and received WFTC or DPTC. Their employer told employees that having to apply in advance to the Inland Revenue for funds to pay tax credits, at different times every six months for each of them, was a great nuisance. They were warned to expect late payments, and told that in future jobs

would only be offered to people who did not need wage top-ups. The respondent described poor relationships at work and anxiety about losing valued jobs. Their tax credit payments were indeed often late, causing financial hardship and mortgage arrears. Other people interviewed felt that having to apply in advance to the Inland Revenue for additional funding caused extra work for small employers, and could damage relationships. It was particularly unwelcome when employers had been especially helpful in arranging small jobs to enable people to work again. One employer had initially believed that he had to fund DPTC himself. Some people had met jealousy, suspicion, resentment or unwelcome speculation among work colleagues who learned about their DPTC.

Negative feelings about themselves were described by people who wanted privacy in personal or financial matters and were embarrassed to be identified as *'special'*. Another negative impact was the continuous reminder of ill-health by receipt of DPTC with weekly wages. It was harder to think of yourself as making a good recovery when each weekly wage slip reminded you about your previous condition and the possibilities of relapse.

In terms of budgeting, if wage periodicity did not fit well with aspects of household budgeting strategies, this effect was increased by payment of DPTC along with wages, and could be increased even further if DPTC represented a major part of family income. For example, some parents and other people with awards approaching the level of actual wages would sometimes have preferred to receive DPTC direct in the middle of the month to cover general household expenses arising in the last two weeks of the pay cycle.

Finally, some people speculated that there might be greater opportunities for collusive fraud in the workplace without the visibility of order book use in post offices.

## **5.2 Periodicity of payments**

Preferences for periodicity of DPTC payments were often linked with preferences for payment mechanisms, as seen above. In this section we look further at the importance of periodicity in relation to budgeting strategies.

Current employees had little opportunity to choose the periodicity of their payments. This was not an issue for those whose budgeting arrangements fitted into DPTC periodicity well. Monthly payments often suited people who used a range of standing orders and direct debits to meet household bills. Monthly payments could also suit those who had a partner with a source of income with a different periodicity, such as weekly incapacity benefit. There was then an easy split between money available for big bills and money for day-to-day expenses. Monthly payments could be problematic for people who were used to budgeting some expenses over shorter periods, however, and some parents had got into rent arrears or had to borrow during a first

award. People who said they had *'got used to it'* could still wish they received DPTC more frequently, for example parents who had to find regular weekly amounts for school dinners or petrol.

The fit between payment cycles for childcare and DPTC periodicity was important, especially for parents who spent a lot on childcare. Some parents said it would be easier to pay weekly childcare bills from weekly or fortnightly payments, and monthly DPTC payments meant that they sometimes ran up bills for childcare, or had to borrow from their own parents or employers.

An unexpected lump-sum payment of DPTC<sup>8</sup> did not fit any kind of budgeting strategy, and just seemed like *'a nice present'*.

Changes in periodicity, or unpredicted payment patterns during what people called the *'changeover period'* (initial weeks of fortnightly direct payments before payments via the employer began) drew criticism. People talked about going *'backwards and forwards'* from fortnightly to monthly payment each time they renewed. Unless the changeover went entirely smoothly and as predicted by recipients it could lead to budgeting disruption, borrowing, unpaid bills and overdraft penalties, and contributed to confusion and anxiety. Even people who managed the periodic changeovers without financial problems found it hard to understand what seemed a waste of time and resources for employers, recipients and the Inland Revenue. The point was made that the wasted money could be put into DPTC awards.

### **5.3 Delivery and periodicity of payments to self-employed people**

Self-employed people had a real choice in payment and periodicity of DPTC, and the group included self-employed people with weekly order books, and people receiving fortnightly or monthly payments into bank accounts.

Fortnightly or monthly bank payments suited some self-employed people's ways of dealing with business and personal finance, for example where there were cheques to be written for business, or outgoings such as mortgages and rates were managed by standing orders. In the same way as some employees, self-employed people or their domestic partners could prefer to manage household budgeting on a fortnightly or monthly basis. Some people saw the bank as more convenient than the post office in terms of access, and nobody reported any problems with receiving DPTC payments through their bank, once the payment route was established.

Other self-employed people preferred using the post office, and having an order book. Again, issues of access were important, and people living in rural areas or outer estates said that trips to their bank to withdraw cash would mean expensive

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<sup>8</sup> Awards under £4.00 per week are paid as a lump sum.

journeys. If people had responsibility for collecting benefits from the post office on behalf of other family members, such as partners or elderly parents, then it could be convenient to make one trip to do everything together. But cash flow issues were also important in preferences for weekly order books, especially among people with fluctuating or unpredictable earnings from self-employment, and those who dealt entirely in cash. One self-employed lone mother explained how her family budgeting depended on having access to different sources of money on different days each week (child benefit, DPTC and earnings).

#### **5.4 Financial impact of DPTC**

People who were unsure how much DPTC they received in their current or last award included people who found it generally hard to deal with money, those puzzled by awards made as lump sum payments, and some long-term recipients of DPTC/DWA who were used to relying on this source of income. It could also be hard for people who had been told daily rates of entitlement to translate these into weekly or fortnightly rates, or to match these to working shifts.

People who discussed the level of their awards described how these matched their expectations when they applied; the impact on other components of their income including use of 'passport benefits', and the general financial impact of DPTC and whether they felt better off.

##### *Match with expectations*

When they first applied for DPTC people's expectations of amounts of entitlement varied widely. People who applied to see if they were entitled said they hoped they might get something but knew they might be refused. At the other end of the spectrum were those who had received advice which included a calculation of estimated entitlement, as previously described. People who had acted on such advice and made decisions about taking work after being told they would not be 'worse off', and people who had seen calculations of how much 'better off' they might be had, generally, not been disappointed when told of their entitlement by the Inland Revenue. However, those people who had acted on the basis of expectations of higher awards than they actually received were disappointed and critical of the advice, as we might expect. Some said this had led to financial hardship. One example was a calculation which had not reflected variable overtime payments of the person's partner. An eventual small award was far below expectation, and the person was angry that she felt worse off in work than when claiming incapacity benefits.

People who were interested in trying to work out themselves how much DPTC they might get were pleased when they found their calculation had been fairly accurate. Included here were some self-employed people who felt comfortable with financial information and were used to doing tax returns. People previously getting DWA had a general expectation that they would get at least as much in DPTC, and people

previously getting WFTC generally hoped to get more in DPTC, because they had been told they would.

The group also included people who said they had to apply for so many different kinds of financial support, each with different rules, that they did not expect to be able to work out their position themselves. Some attempts to work out DPTC entitlements from the advice notes had been abandoned as being too hard. It was hard for people to understand how the Inland Revenue had dealt with variable bonus payments in wages, or the profit-sharing arrangements in a cooperative.

We described above how receipt of an award lower than expected could lead to disappointment and hardship. Another reason for disappointment was discovering the amounts made available for paying for childcare. Parents who had expected that DPTC would meet 70 per cent of their actual childcare costs and then discovered that this was not the case in their circumstances were critical that they had been led to believe things wrongly. It could take some time to work out what was happening, involving queries to the Helpline or Tax Credit Office, and some parents remained confused. It was particularly hard for parents to understand their own situation if they knew other parents using the same nursery who did receive childcare costs approximately equal to 70 per cent of the actual cost, when they themselves did not<sup>9</sup>.

Against these situations of disappointment with amounts of award must be set the experiences of those people who were very surprised and pleased at the amount of their entitlement. It could be a shock to find that DPTC was going to be paid at a rate almost equal to wages or indeed higher than earnings, and there had been some enquiries to the Tax Credit Office from people who feared mistakes. By the time of the interview, there was some understanding of the concept of the 'maximum award' among people who knew they were getting this. However, there remained many people who, when interviewed, had little understanding of the relationship between earnings levels, family circumstances and DPTC, and wanted to know from interviewers why awards went up or down when they renewed.

#### *Impact on other components of income*

People currently receiving Housing Benefit or Council Tax Benefit generally understood that DPTC affected these benefits. Some people explained that receipt of DPTC meant that they now paid more rent themselves or were no longer entitled to any Housing Benefit or Council Tax Benefit. The impact of this interaction varied, depending partly on personal circumstances and the amounts of benefit involved, but also depending on housing benefit administration and the speed at which adjustments were implemented.

People who understood in advance that DPTC would reduce entitlement to Housing Benefit or Council Tax Benefit, notified the local authority office swiftly of their award,

knew that their rent or council tax went up immediately, and budgeted so that they could pay the extra when asked had the best chance of avoiding problems. People who had not understood the interaction in advance, or just not thought about telling the local authority, could face problems when eventually notified of overpayments which built up from the date of award of DPTC. Even if people did get in touch with the local authority promptly, arrears could still build up if there were administrative delays in response to the information. Having to deal with such arrears caused financial hardship and debt. Criticism was directed at both housing benefits and tax credits systems which seemed to interact so poorly at the expense of recipients. When interviewed, one woman who had returned to Income Support when her condition made it too hard to go on working still had a weekly deduction from Income Support to pay off 'arrears' in rent arising from the original move into work with DPTC. The group included a number of people previously claiming Income Support or income-based Jobseeker's Allowance for whom transitional benefit arrangements designed to smooth the path into work appeared not to have worked. Reasons suggested by recipients included not having reported changes in circumstances within required time limits.

Interest in the so-called 'passport benefits' available with DPTC centred around prescription charges. Again, experiences and views were different, according to people's health condition and their need for items on prescription, and whether they were paying for prescriptions before they were awarded DPTC. People whose specific illness meant that items on prescription were free of charge<sup>10</sup>, and those who previously had free prescriptions through receipt of Income Support, saw no additional value in free prescriptions with DPTC. People who had previously been paying for prescriptions were pleased to find that they now had a certificate which entitled them to exemption from prescription charges. For some, this meant the equivalent of more than £30 extra each month in DPTC, or up to £60 per month in households where both partners needed regular prescriptions. Having an actual certificate was also appreciated, as this meant there was no need for any discussion about the matter in the pharmacy, and thus minimal embarrassment. One view was that it was worth having DPTC just to get free prescriptions.

Some people appreciated free dental care with DPTC, and help in paying for travel to hospital. There was evidence of some non-take-up of exemption from NHS charges among people who said they had not realised that prescriptions or dental care might be free, or said they forgot to take their certificates to the pharmacy. In one local area, bus fares were half price for DPTC recipients, which was a help and made travel to work easier to pay for. Parents in two local areas were pleased that receipt of DPTC gave them access to local authority school clothing grants for children.

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<sup>9</sup> Two sets of parents with similar childcare costs may receive different amounts towards the costs of childcare due to differences in family circumstances, hours worked and household incomes.

<sup>10</sup> People receiving medication for specific illnesses such as diabetes and epilepsy are entitled to free prescriptions. Younger people in Wales also reported being entitled to free prescriptions up to the age of 25 years.

Some in the group felt they had 'lost' free prescriptions with their DPTC award. These were people who had previously been claiming Income Support and whose income in work, in relation to the DPTC applicable amounts, meant that they were not entitled to free prescriptions. This could seem a strongly negative outcome, especially if both partners in a couple had previously been getting free prescriptions. 'Losing' free school meals was also perceived as a negative outcome of getting DPTC among families in which more than one child had previously eaten dinner at school free of charge.

For some lone parents, one impact of getting DPTC was improvement in informal financial support from partners living apart, and this is described more fully in the following chapter.

Finally, there was some belief that one impact of getting DPTC was being asked to attend an early review of DLA, with subsequent disallowance. We do not know whether this interpretation was correct in the case of the people concerned, but there is some evidence from other research that this may happen (Arthur *et al.*, 1999). Others who thought that their DLA might be reduced at the next review had apparently not realised the impact this might have on their DPTC entitlement when they sought renewal. In some circumstances, people may have a reduced entitlement to DPTC if they are no longer eligible for the enhanced disability credit when they lose the highest rate care component of DLA.

#### *General financial impact - did people feel better off?*

People were asked to reflect on their overall financial situation with DPTC and whether they felt better off in money terms. It is important to understand that they were coming from different starting points in making assessments and comparisons. People who had applied for DPTC without any change in circumstances were simply comparing having DPTC with not having it. People who had been long-term recipients were comparing having DPTC with having DWA, or thinking about receipt of DPTC in comparison with receiving WFTC or FC. Those who had experienced changes in employment were thinking about the overall financial impact of DPTC and earnings in comparison with financial circumstances when receiving out-of-work benefits. For yet others, the comparison was with an earlier period when they had a different role, as a non-earning partner or an occasional second earner. No matter what the starting point, factors taken into consideration were similar.

People took into consideration not only the total amount of money they had coming in, and how it met commitments and spending plans, but also the associated 'benefits in kind'. Also important was the way in which payment of monies fitted their budgeting strategies and their ways of managing low incomes and trying to save. The impact on housing costs could be critical, including whether the adjustment went smoothly or left people with hundreds of pounds of arrears which had to be paid back over many months. Gaining access to exemption from NHS charges could seem a

significant boost to income, but '*losing*' free prescriptions or free school meals could seem a major financial loss.

How much parents felt they had to pay themselves from earnings for childcare was important. Parents left with relatively small amounts to pay felt a more positive financial impact from DPTC than parents who were left with high expenses, as a result of using expensive facilities, needing many hours of care, or paying unregistered baby sitters or relatives for childcare.

People with work expenses sometimes put these into the equation. Travel and parking costs could be high, and there was apparently little knowledge or use of the Access to Work programme which can help some disabled people meet costs of travel to work. There were also some expenses attached to having to take sick leave while working which went into the overall financial assessment of some people. Financial disruption during periods in hospital and being without income while taking time away from self-employment have already been described.

An important factor was how well the payment mechanism in DPTC fitted household budgeting strategies. People who liked the periodicity of their payments, and found this fitted ways of paying for items for which DPTC was used or helped them save, generally felt better off financially than people whose payments did not come at times which helped their overall budgeting. Finally, as we might expect, changes in circumstances during an award period had an impact on people's assessment of their financial situation. People who had a big wage rise, managed to clear debts during their award period, or started to live with a partner with earned income were feeling generally better off when interviewed and it was hard for them to separate out the impact of DPTC alone.

To sum up, the group included some people who said they were worse off financially on DPTC than in previous circumstances, and wished they had not applied. The long-term effects of interaction with Housing Benefit, Council Tax Benefit and loss of mortgage protection were key factors here. One person reported being threatened with house repossession as mortgage arrears grew.

Another group felt they were no worse off but probably not much better off.

Among those who did feel better off, figures of around £15 - £30 a week were often mentioned, taking everything into account. The view of one couple was that they were around £20 better off after both had moved into work, but if their four children had continued to eat dinner at school instead of changing to taking sandwiches, they would be worse off financially. But some people, who came out on the '*plus side*' of a number of factors mentioned, felt much better off indeed. If people had no childcare or work expenses, or these were low; saw no difference in their housing costs or council tax; gained or did not lose passport benefits they valued, and received high DPTC payments which were paid in ways which helped their household budgeting

and saving, they could be very pleased indeed with the amount of support received, and spoke of a major positive financial impact.

### *Use of DPTC*

There was a wide spectrum of reported use of DPTC, but the study group was too small for clear patterns of money management to emerge, and this was not a main focus of this phase of the enquiry. What we can say is that some people who received DPTC from employers saw no distinction in their income according to whether it came as wages or as DPTC, using income to meet spending requirements as they arose. This was particularly the case among people whose DPTC made up as much as a third or a half of regular income. Others, however, used DPTC for specific purposes and the tax credit could be ear-marked to pay for mortgage payments, big purchases, children's needs, particular household bills, or leisure interests, even when delivered along with wages. In some cases, this meant immediate transfer of DPTC into a separate account. Self-employed people trying to establish a business might use some of the tax credit for meeting business expenses. Others used DPTC for personal expenses, thus reducing the levels of drawings taken from the business for personal needs.

Some people mentioned being able to eat better with DPTC, or being able to take children for holidays because they got the tax credit. One person had been able to buy a number of items and pieces of equipment which reduced some of the impact of their impairment, such as tap-turners and chunky cutlery. A more usual observation, however, was that DPTC just made up earnings to the level which most people ordinarily expected to earn from doing paid work, and enabled the recipient to have the same standard of living as other people who worked.

### *Moving off DPTC*

This phase of the qualitative work was not designed specifically to explore what happened when people stopped receiving DPTC, but interesting findings emerged.

There were examples of people whose earnings had risen to the point at which they were confident they were no longer entitled, and who had not bothered renewing. Higher earnings were generally felt preferable to continued receipt of DPTC. There were also examples of people who knew they were no longer entitled, but had reapplied in order formally to establish ineligibility. Their perception was that it was important to avoid any possibility of continuation of payments which might then be reclaimed by the Inland Revenue.

Also in the study group were some people who had been refused DPTC on their last renewal. When interviewed some were receiving WFTC. It was not always clear to such respondents why DPTC renewals had been refused. It seemed to the researcher that there may have been insufficient evidence that 'disability conditions' were fulfilled on form DPTC 2. One person said he had not registered with a GP after

moving house and it had been hard to provide the name of a person who could confirm details of his condition.

For some people, illness had meant that they did not submit renewal forms on time. Some had pursued this when they felt better, and eventually received DPTC, with back payments. People who did not want this amount of extra administrative work, however, sometimes just made a new application and accepted that they had missed out on some payments.

People who had decided not to renew, although they might still be entitled, included the person described previously who did not want any employer involvement and did not renew when payments via employers were introduced. People who had stopped working generally knew that they could not renew DPTC.

The study group included some people who were still getting DPTC after leaving work, and there were examples of complex transitional problems for people who had tried to reclaim incapacity benefits or applied for Job seeker's Allowance. Some reported that DPTC had been their only income for several weeks while they waited for the Benefits Agency to sort things out, and dissatisfactions were strongly expressed. Re-establishing or readjusting help with housing costs had been an added complication for some. Bad experiences of this kind led some people to say they would be wary of trying to work again in the near future. There was also a suggestion that there would be fewer transitional problems of this kind if DPTC was withdrawn immediately a person stopped working.

This chapter has shown a wide range of experience of and views about ways in which people received DPTC, and how different the financial impact could be. Findings from the survey of recipients will help us understand more about the distribution of positive and negative views on payment and periodicity within the general recipient population, and provide evidence about the proportion of recipients who felt better off financially. Within the qualitative findings presented in this chapter, however, may be some important pointers to reasons why other people, who might be entitled to DPTC, do not want to apply or think they will be no better off financially if they do.

Findings in this chapter also suggest that DPTC is filling a number of different roles for people, according to personal and employment circumstances, and we go on to explore these further in the next chapter.

## **6. Understanding DPTC**

One of the aims of the first phase of the study was to explore people's concepts of DPTC, their understanding of some of the structure and rules, and how far this influenced their decision making and employment behaviour. The first part of this chapter addresses what people thought the tax credit was, and whether they saw differences in comparison with in-work benefits. The second part reports findings on people's understanding of specific elements of DPTC, namely:

- the hours rules
- the childcare tax credit
- the linking rule
- the treatment of child maintenance payments
- the 26 week payment period
- Fast-Track arrangements.

At the time of the interview people had been DPTC/DWA recipients for different lengths of time, with different opportunities to learn about the tax credit and/or to respond to the rules. Of key interest, of course, is what people understood about DPTC when they first applied, because here might be pointers to the effectiveness of DPTC as an incentive to start work, or indicators of ways of increasing take-up. We must be careful in seeking retrospectively how much people understood at an earlier point in their lives, however. Knowledge grows incrementally and there are issues of recall. Memories of initial knowledge more likely to be valid include those which people had particular reasons for remembering, for example if they had been surprised or relieved, or if misunderstandings had led to problems with applications.

What is presented here is an overview of people's understanding and views about DPTC as an entity, and in terms of different structural components. This is based on current knowledge at the time of interview, and on recollections of some people in the group of significant beliefs and behavioural response at earlier times in their claiming history.

### **6.1 What is a tax credit?**

Delivering financial support through tax credits is a completely new approach. There is some expectation among policy makers that people's perceptions of tax credits may be different from perceptions of benefits or allowances, which may act to encourage take-up.

Not everybody in the study group understood that DPTC was administered by the Inland Revenue. A person new to the world of financial support found it hard to distinguish DPTC from Incapacity Benefit, and a parent used to approaching the local authority for different kinds of support wondered if DPTC was part of council tax administration.

Among people who knew that DPTC was administered by the Inland Revenue some tried to fit tax credits into a tax framework. It could be hard to understand why the Inland Revenue should be involved in paying money out rather than asking for it, especially if people had not recently paid any tax. Interviewers were sometimes asked to explain what a tax credit was. Some people were not much interested, saying it was having the support that was important, not where it came from or what it was called. As an administrative agency, the Inland Revenue received praise for efficiency, speedy response, dealing with people in a helpful and courteous way, and providing information when asked. In this respect, the Inland Revenue was compared very favourably with the Benefits Agency.

It was often not easy to go further in seeing differences between tax credits and benefits. One view was that DPTC was a benefit, however dressed up, and views that there was little difference between DPTC and DWA were reinforced by believing that the same staff in Preston were dealing with DPTC as previously dealt with DWA. For one person, DPTC was a '*hand-out*' whatever it was called.

Those who did conceptualise DPTC differently from benefits said there was '*a different idea behind tax credits*'. Mentioned here were the removal of negative links between claiming benefits and '*scrounging*' or '*sponging*'; the positive associations between tax and work; and, belief that the Inland Revenue was likely to be more efficient at preventing or detecting fraud.

In this study group, those who said they personally preferred to receive a tax credit because of more positive associations with this way of receiving financial support were either lone mothers (or women who had recently been lone mothers) or men supporting families with children. Such people said they felt more worthwhile, with more status, and were more visibly part of the '*working scenario*' as a result of getting financial support through the tax system. They felt less associated with '*benefit scroungers*', less likely to be looked down on, did not have to go '*cap in hand*' to join a benefit queue, and were less likely to be suspected by others of '*working and claiming*'.

As well as those who explained that they preferred the tax credit for these reasons were others who thought these were the ideas behind tax credits, said they did understand that some people might feel like this, but that they personally did not have such feelings and had not minded claiming benefits. These were also lone mothers. In such a small group we must be careful in interpretation of patterns of

gender and family type, but our findings are interesting in view of recent policy shifts in approaches to encouraging lone mothers to do paid work.

The belief that the tax credit system provided better opportunities for preventing and detecting fraud was expressed by men. There was some belief that the Inland Revenue knew all about people, and that the Inland Revenue could check employment and earnings (and for self-employed people, VAT returns) in ways not possible for the Benefits Agency. People liked being part of a system where there was less fraud. Others in the group said they had high expectations of the Inland Revenue's ability to deal with people's financial affairs, and confidence in the way the agency conducted business.

## **6.2 Understanding the rules**

### *16 hours*

The 16 hour rule was generally recognised, although some people queried why it should be set at this level. People who did not recognise the 16 hour rule were people who had little experience of other benefits or allowances, people with severe impairments who received help in dealing with DPTC and people used to working much longer hours.

People who had made moves to work on the basis that DPTC was available were clear that 16 hours work were required. Being told about this rule by an adviser could influence job search, and some had looked for suitable work for at least 16 hours in order to gain eligibility. Men trying to get back to the building trade had negotiated with future employers for arrangements that would enable them to work 16 hours. People who had used therapeutic work rules, or worked using Income Support disregards perceived some underlying administrative benchmarks in rules about hours of work for purposes of deciding entitlements.

People who said they currently specifically worked only 16 hours a week knowing that they would be entitled to as much DPTC as possible were lone parents with deteriorating conditions. These women were committed to working and had recently been working longer hours. They had decided to take advantage of the opportunities DPTC offered to reduce their hours in order to combine work and family responsibilities without harming their health. People working more than 16 hours sometimes realised that they could have done less work and received more DPTC, but it seemed unusual to have given this much consideration. Some work had fixed hours or shifts anyway, and as explained earlier, people thought it could be hard for them to get suitable alternative work, even with shorter hours. For some, of course, the goal was increasing the amount of work done, not reducing it. But the group did include a person currently working 37 hours, who was experiencing fatigue and relapsing illness, would have liked to work part-time, and could have done so with her current employer, but thought her income would be insufficient. She had not

understood that DPTC provided an opportunity to work less. By the end of the interview she still found it hard to grasp how DPTC awards could reflect hours of work and enable some choice about how much work to do.

Self-employed people sometimes spoke of the difficulty of measuring the number of hours they worked. Work flow could fluctuate, and some people had to stop working for periods due to their condition. There was also some uncertainty about what should be included, for example whether walking between customers' homes counted as work. These problems for self-employed people in small-scale enterprises are known from previous research (Boden and Corden, 1994; Eardley and Corden, 1996) and lead to some anxiety about reporting accurately, and maintaining eligibility. One person who worked from home, and sometimes from bed, asked a Benefits Agency officer to visit to discuss possible entitlement to Income Support. He learned how his various activities all counted as work and could be included in a declaration of 18 hours work for purposes of DPTC.

The researchers' observations of business premises and discussion about the scope of activities led to their belief that all the self-employed people in the study group were working sufficient hours for eligibility for DPTC. There remained some underlying concern among recipients on this issue, however. It could be helpful for self-employed people to have more examples of what counts as work.

### *30 hour credit*

There was much less knowledge of the 30 hour credit, and when the interviewers explained this people who saw no possibility of doing this amount of work were not much interested. For those learning about the 30 hour credit for the first time it could be hard to understand, because it did not fit expectations that DPTC awards decreased as earnings grew.

Gaining awareness of the 30 hour credit from the advice notes had influenced one parent in increasing her hours, in order to get more DPTC. Another person attracted by the credit had tried working longer hours during a short period when extra work was available due to a colleague's absence, but found this was not sustainable. Otherwise there was little other evidence that this credit influenced patterns of work. There had been some discoveries of the credit when DPTC was renewed at a higher level after an increase in hours. Not everybody working more than 30 hours recognised that this was significant, however. People who had taken factory or driving jobs with relatively long hours of work had no idea that they were benefiting from the 30 hour credit. Among self-employed people it appeared to the researchers that recipients' over-narrow interpretation of what counted as work meant that some people who might have got extra DPTC for 30 hours work were not doing so.

People who were interested in the 30 hour credit when they heard about it from the interviewers were people who saw some possibility of increasing their hours later on, for example when children were older. Some who already had been interested had

done pencil calculations of the overall financial impact of increasing hours beyond 30 per week, and concluded that in their circumstances this was not financially worthwhile. A lone parent explained that she had gradually had to reduce her weekly hours from 37½ to 22 during the last two years, but had felt almost no financial impact. As earnings decreased her DPTC increased but Housing Benefit and Council Tax Benefit were reduced

#### *The childcare tax credit*

Parents knew, in general terms, about availability of extra help with childcare costs. Most of those who did not use the childcare tax credit had seen information about this in their application pack. Interest varied considerably. Some parents did not need help with childcare. This was provided by the other partner at home, grandparents or members of their wider family, while some parents preferred to work around their children's needs, by doing flexi-time or working only in school hours. The idea of using a child-minder or nursery care was unacceptable to some parents. Parents who did not use formal childcare had often not bothered investigating this component of DPTC.

Parents who thought there might be need for childcare in the future, for example if partners started working, and who found the idea of care outside the family acceptable thought they would be likely to 'look into' this later on. They thought the Helpline would give them information. However, they, along with several people currently or recently using the childcare tax credit, had a general misconception that 70-80 per cent of actual childcare costs would always be met. Hardly anybody among the users understood how the childcare credit actually went into the DPTC calculation. Even those who did understand had been puzzled by the amounts they received in their award, and this could lead to considerable disappointment, as reported already.

An additional problem was that it could be hard to know how to apply for the childcare tax credit if a parent had arrangements which varied from week to week, involving a number of different providers. The application form did not seem to enable parents to report all this information. Parents who only used holiday schemes did not find their arrangements listed, and could rule themselves out of scope. Parents who wanted to work out themselves exactly how much their childcare would cost them, using DPTC, could not do this.

Despite such problems, availability of the childcare tax credit could be critical in deciding to start work. Where this had happened the person concerned had help in understanding the childcare component and filling in forms from an adviser in the Benefits Agency.

#### *The linking rule*

The two year linking rule was not widely understood within the group. People who might have used the rule, for example those who had left Incapacity Benefit within

the previous two years, did not always know about it. Those who did know about it sometimes had misconceptions, such as the link being for six or 12 months since claiming Incapacity Benefit or Severe Disablement Allowance. One person believed, wrongly, that he would be able to use the rule to reclaim Income Support with a disability premium, and had a misplaced sense of security. Others who could not use the rule because they had been in their jobs for more than two years, or qualified for DPTC through an Income Support premium, often did not recognise the rule when mentioned by the interviewer.

People with the best understanding of the rule were people to whom it was explained personally by New Deal or Benefits Agency advisers. In these circumstances, knowing about the linking rule could be a powerful incentive to try work, in the same way as described for the 52 week link for people leaving incapacity benefits for work (Corden and Sainsbury, 2001). Indeed, knowing about this rule could be the most effective aspect of DPTC as an incentive to take work, as explained in the next chapter. People who were worried that they would not be able to sustain work and would then face a difficult transition back to benefits, perhaps at a lower level than before, saw the linking rule as a great help. There were no examples, however, of people gaining sufficient information about or trust in the linking rule to influence a move to work just by reading the advice notes. Discovering the rule after receiving an award brought re-assurance, and the suggestion was made that the linking rule was not well explained in the DPTC literature, and that more people would be influenced if they had greater understanding.

As we would expect, people who put their trust in the linking rule when they moved into work felt angry and let down when the rule did not work well for them if they had to give up work. Such people had tried to work out themselves what had gone wrong, and reported being out of time in notification of starting or ending work, due to delays in processing forms by the Benefits Agency and/or employers. We do not know whether this was the reason for their problems. There was also an example of a person who believed she should have been able to access the disability premium in Income Support using the linking rule, and was currently engaged in dispute with the Benefits Agency. What is important is that such people were critical and dissatisfied with the way that the DPTC linking rule had worked, and were unlikely to respond again to the apparent attraction, if health improved and they again considered the possibility of working.

There was some evidence of the rule working well, enabling a smooth transition back to Incapacity Benefit when a person had to give up work, although the person concerned did not realise that this was due to a formal linking rule. This may be seen as an example of a seamless service, causing no disruption in income, and no need for recognition by the person concerned. The 'downside' for policy makers is that the DPTC incentive is not then strengthened, for future occasions, by personal knowledge of the system working well.

### *The treatment of child maintenance*

There is some evidence from the study to support the separation of tax credits from the child support system, although only a few parents in our group received or expected any child maintenance.

Parents receiving child maintenance were pleased to discover, after receiving DPTC, that none of the maintenance they received counted as income for DPTC and that there was now no effect of DPTC applications on Child Support Agency (CSA) activity in respect of the other parent. This was compared favourably with previous situations when claiming DWA or Income Support. With no clawbacks, parents now benefited from the full value of any maintenance paid and were financially better off. Parents who did not receive formal child maintenance could also feel better off, if the parents living apart from the family were more prepared to make contributions towards children's clothes or shoes, or pay for school trips and toys, because they did not feel they would be pursued by the CSA. Relationships between the parents could be better without CSA involvement which could be of benefit to the children involved as well as the parents.

Parents currently negotiating child maintenance arrangements with previous partners were interested in how these arrangements might interact with DPTC. Learning from the CSA or the research interviewer that there would be no effect was good news. Parents said it would be useful to make this clearer in the advice notes, so that it became more generally known as part of the DPTC package.

### *26 week payment period*

There was general understanding that DPTC was paid for six months and did not change. There were mixed views on how appropriate this period was and some people had ideas about possible alternative arrangements. There was a widespread feeling that there would be '*winners and losers*' whatever the payment period. People recognised that they themselves had sometimes been 'winners' if earnings went up after awards were determined, or they were joined by a domestic partner with higher earnings. There was also experience of being a 'loser', when employers reduced hours, or they themselves arranged shorter hours to accommodate their condition. There was some acceptance of the idea that there would always be winners and losers, and that receiving financial support meant '*taking the rough with the smooth*', although some people expressed concern about colleagues whose earnings had dipped considerably in the middle of a tax credit payment period.

Some people offered views on alternative lengths of award periods. The financial security in having a stable and reliable source of income for at least six months was seen as a big advantage, especially by people with poor health or fluctuating condition or earnings. This security could outweigh perceived financial loss resulting from no response to change in circumstances. Another advantage was only having to approach employers twice a year.

Having to reapply every six months, however, was a source of frustration and annoyance to people whose circumstances did not change. There were strong feelings about the apparent waste of time and resources for all involved, and the added strain and anxiety for themselves. The study group included people who had received DPTC/DWA continuously for several years, and expected to continue doing so. For such people, a longer payment period would be welcome. Others also thought there could be advantages in having a 12 month payment period, for increasing financial certainty and security, and less administration. Self-employed people saw additional advantages in not having to pay accountants to draw up accounts so frequently. However, although people perceived some advantages in having a longer period of 12 months, there were other factors to consider. Such a system would take longer to adapt to a change in circumstances, and people could remain winners or losers for longer. There was concern both for the financial impact on recipients of being a loser for longer, and for the impact on tax-payers, via the public purse, of supporting winners for longer. Suggestions were made by some recipients that if the period was lengthened to 12 months, there would have to be mechanisms for adjusting to some changes in circumstances.

Finding a mechanism for adjusting to changes in circumstances did not seem easy however. People thought that recipients would probably report a worsening financial situation, but there was less confidence that people would report increases in income during the payment period. It was suggested that some people would purposefully not report increases, but it also seemed likely that people just would not recognise all situations that should be reported. Examples offered included starting to live with a new domestic partner, or a change in a child's age or circumstances. Recipients knew that relatively small increases in earnings could take them over eligibility thresholds, and were not confident that everybody would recognise significant amounts for reporting purposes. The possibility of being asked to reimburse overpayments of DPTC in any new scheme was unpopular, especially among people with experience of or fear of housing benefit overpayments. The point was made that if a 12 month payment period was introduced, then the Inland Revenue had responsibility to find mechanisms for recognising changes in circumstances, or develop systems to transfer internally relevant information, which did not just rely on recipients' recognition and reporting. People whose childcare arrangements varied considerably over short time periods saw a particular need for a responsive system.

Another observation was that problems for people who might have to predict earnings at the start of a payment period could be greater if the payment period was longer. It was suggested that people starting in self-employment could be over-optimistic in projecting their earnings, as found in other studies (Boden and Corden, 1994). Adjustments necessary when earnings assessment moved from projections to actual earnings could be greater if the payment period was longer.

Among people who thought possible disadvantages of a 12 month payment period might outweigh the advantages arose the suggestion of keeping the six month period

for assessment, but making the renewal, or at least every other renewal, a simpler procedure. One suggestion was for the Inland Revenue to send a personalised statement of the significant details submitted by the recipient at the last application, and asking simply what had changed. Answers might be dealt with by telephone.

Among parents with children in the younger age range, there was some recognition that the 'new child' rule was introducing greater responsiveness within the payment period. One person knew about this rule and might have enquired about using it because she had a new baby within a payment period. She had decided to wait until the DPTC renewal was due, to reduce to a minimum the budgeting disruption caused by subsequent Housing Benefit adjustment.

### **Fast-Track**

No knowledge of DPTC Fast-Track was found. People who recognised the term thought it meant speedy administration. This was the case previously: Fast-Track Family Credit was introduced by the Benefits Agency to speed administration of Family Credit for people moving into work. It proved hard for people to understand DPTC Fast-Track when interviewers offered information. The one person who was really interested was trying to build up to full-time work again after a long period of illness, but had occasional relapses especially during the winter. His employer had already proved helpful in adjusting hours of work to suit his condition.

This chapter has shown that a tax credit could be a difficult concept within current understanding of tax and benefit systems. People who did perceive DPTC as different from a benefit mentioned the removal of negative associations between claiming benefits and '*scrounging*'; positive associations between tax and work; and greater likelihood of prevention and detection of fraud.

There was variable awareness and understanding of specific elements and rules. The 30 hour credit was poorly understood, and it did not match expectations of how DPTC generally worked. There was a general misconception among parents interested in or using the childcare tax credit that 70-80 per cent of actual childcare costs would always be met. Where understood, there was strong support for the linking rule and treatment of child maintenance, and the following chapter shows how knowledge of the linking rule could be a strong influence on decisions to move into work.

## **7. What is the Role of Disabled Person's Tax Credit?**

Disabled Person's Tax Credit is designed to encourage people with impairments or ill-health who want to work to do so, and to support those in employment by making work pay and providing a guarantee of minimum income. This chapter presents findings from the interviews to throw further light on the role of DPTC. The first part of the chapter explores the influence of DPTC in encouraging people in the study group to start or return to work. The second part explores how DPTC was supporting people to continue in their jobs or self-employed work, and explains both positive and negative roles perceived by recipients.

### **7.1 Did DPTC encourage people to start or return to work?**

Previous research on DWA (Rowlingson and Berthoud, 1996) suggested that the predecessor to DPTC had been unsuccessful in encouraging many people to move off incapacity benefits into work. Contributory factors included lack of awareness of DWA, low expectations of working, preference for financial independence in work, lack of suitable work and other barriers to working including employers' attitudes.

By July 2001, when interviews were being conducted with recipients in the first phase of this research, there were approximately 31,000 people receiving DPTC (Inland Revenue, 2001). This study provides a perspective which helps us understand how DPTC influences people who respond positively to DPTC as an incentive.

First, it is useful to consider how an incentive like DPTC may work. In effect, in making DPTC available, the Inland Revenue makes an offer to people who might be interested. If people are aware of the offer they may or may not consider it in relation to themselves. They may or may not understand or believe the offer. It works as an incentive if relevant people respond by moving into work and making an application, acting on the basis of what they know, although levels of understanding and belief among those who respond may vary.

This study showed that DPTC does work as an incentive for some people. We spoke to people who said they would not have made a move into work without knowing that DPTC was available. Some said that DPTC had been a strong influence when they thought about working, looked for jobs or made decisions. The influence came, variously, from:

- making it seem possible to do suitable work
- suggesting that people would be 'no worse off' or 'better off' financially
- offering financial security
- offering help with childcare costs
- offering access to other valued benefits.

Previous chapters have emphasised the importance of doing work that was suitable. DPTC made it seem possible to take jobs or self-employed work which suited the person's impairment or health condition and, hopefully, would not make it worse; which matched skills, interests or opportunities; which were in accessible locations or could be done from home; and which could be done for and at times which suited their condition and other family responsibilities. People said that although they knew suitable work would generate low earnings, it seemed feasible with DPTC.

People said that DPTC was influential because they believed they would not be worse off financially in work. One of the main aims of DPTC is to make work pay. This was not the language generally used by people in this study, who were more likely to say that DPTC made it possible financially for them to work, or to do work they wanted to do. In this study group, people appeared to have been influenced more strongly by the idea that they would not be worse off than by the idea that they would be better off financially.

A powerful part of the incentive was the offer of financial security with a move to work. Some people said they had been strongly influenced by knowing that there would be 26 weeks with a reliable source of income, no matter what happened. Knowing that if it proved impossible to work there would be a path back to incapacity benefits had also been a strong influence.

For some parents, the offer of help with childcare costs was influential. The language used here was more one of helping parents to make arrangements for their children than one of removing problems or barriers. Knowing that there would be continued or new access to free prescriptions had also been influential for some people.

Finally, another strand of influence was identified:

- keeping child maintenance separate from DPTC.

Nobody in this study group said that knowing how child maintenance arrangements were treated and kept separate from DPTC had influenced their recent move to work (some had not understood this at the time). However, some parents told the interviewers that this certainly would be an incentive if they had to make similar decisions in the future.

How people responded to the various incentives in DPTC depended on individual circumstances and what was important at the time. There was clear evidence of how the incentive can be strengthened, diluted or even undermined. The incentive appears to be strengthened by timely personal advice, and positive previous experience. In this group people who responded to incentive elements included some who had key aspects of DPTC explained personally by an adviser (New Deal and other staff in Jobcentres, medical or rehabilitation staff, Citizens Advice Bureaux staff, or the Tax Credit HelpLine or Office). People who responded also included some who had previous satisfactory experience of in-work support from WFTC, DWA

or FC and felt it was 'tried and trusted'. In this study group, nobody had made a move to work relying on availability of DPTC who had not discussed this in detail with an adviser or previously received a similar benefit.

For the incentives to work at all requires awareness and understanding, so the effect is diluted by lack of knowledge of any part of the rules or structure which might influence people, or if people do not believe or trust what is offered. There have been several examples in the report of aspects of DPTC which people told us should be more widely promoted, so that the implications were properly understood (treatment of child maintenance; the linking rule; what counts as work for self-employed people).

From people who said they would not apply for DPTC again we learn how incentives can be undermined, both for those particular people, the next time round; others whom they may tell about negative experiences, and, possibly, other people who fear such effects. The incentives in DPTC can be undermined by experiences of or fearing:

- problems arising from transitions on and off tax credits and benefits, particularly in relation to housing costs
- negative outcomes at work
- possibility of reduction or loss of DLA

and, if people:

- do not think of themselves as 'disabled'
- have childcare arrangements which do not match DPTC criteria.

## **7.2 How did DPTC support people in work?**

As reported in Chapter Two, most people in this study group were in work at the time of the research interview, and most were still receiving DPTC. There had been some changes in hours worked, in both directions, and a few changes of jobs since becoming entitled to DPTC. Most people had views on whether, and in what way, DPTC supported them in staying in work. A number of positive roles for DPTC were indicated, of varying importance to individual people, according to circumstances and experiences:

- enabling people to do work which suited them
- making jobs or self-employed work financially worthwhile
- increasing financial security
- compensating for not having earnings from a previous family member
- protecting the welfare of children
- maintaining health and social participation
- supporting family preferences
- providing 'platforms' in trajectories of employment and health/impairment
- financing sick leave
- supporting business development and maintaining business diversity.

We see straight away that for some people, DPTC did fulfil its aims. It did enable some people to do work which suited them, with more choice and control in the kind of and amount of work they did, the kind of employer they worked for, and their working hours and shifts. DPTC did this because it reduced the constraint of potential low earnings. For some people, DPTC did make their work financially worthwhile, by boosting earnings so that they were not worse off financially and, as described in the previous chapter, some were much better off.

DPTC did increase personal and financial security in some people's lives. People knew they had six months when they could go on working with some financial security, and when they renewed DPTC, if circumstances had not changed they would still be secure. The linking rule acted like a *cushion* or *pillow*, meaning a more comfortable place from which to work. For some, DPTC seemed to provide a *'buffer'* or *'a safety net'* in an uncertain working environment where contracts could be ended, wages reduced or health deteriorate. It provided *'a breathing space'* - time in which work might be renegotiated or new jobs sought. Some people who had previously lived with a partner who did paid work, including single people and lone parents, said they thought of DPTC as providing some kind of financial compensation for not having the previous earnings available to the family.

DPTC did help meet the costs of childcare for some people, but benefits of DPTC to children were seen as wider than this. Parents said that DPTC protected children because parents could afford quality childcare. Parents spoke of improvements in children's lives when extra financial resources came into the family, including informal support from parents living away from the family. Some said that children's lives were better if their parents felt good about their work and family arrangements, which was made possible by using DPTC.

Some people saw DPTC as making a positive contribution to maintaining their health or controlling symptoms. It did this by enabling them to work, which itself was helpful in dealing with their condition, and also by enabling access to free prescriptions to control symptoms and pain; financial assistance with dental and eye care for people who wanted this; and help in paying fares to hospital for consultation or treatment. DPTC enabled some people to take part in life more easily, for example those who used additional local authority passports for travel or local facilities. These benefits were there for partners too, and were accessible in a dignified way by means of the certificate of entitlement, which meant there was no need for explanation or discussion with other people.

For some people, DPTC supported family preferences and arrangements. People whose own health was not good were able to do some work and continue to care for elderly parents. DPTC had also enabled domestic partners to work in ways that suited the family. For example, partners who also had health problems had adjusted their own way of working - both partners working part-time could be more satisfactory than one trying to work full-time and one at home claiming incapacity benefits.

Availability of DPTC also meant that a domestic partner could adjust their amount of work in order to help care for children or the recipient themselves. By using DPTC, lone parents had been able to make the decisions they felt were best, in terms of mixing paid work and family care. Some people described how relationships between family members were supported and strengthened by arrangements they could make using DPTC, although one person also pointed out that availability of DPTC to her as a lone parent was a factor in considering whether to try again living with a previous partner. She thought, financially, she was probably better off as a lone parent.

Some people saw a role for DPTC in enabling them to be in a particular position in relation to work. For purposes of description and understanding, these positions might be described as platforms in trajectories of employment and health or impairment, although people did not use this language themselves. Some people saw themselves as going forward in recovery from illness; rehabilitation after injury; or general personal development and learning. In these situations some people called DPTC '*a stepping stone*'. The stepping stone was sometimes the next stage beyond doing voluntary work or small-scale activities categorised as therapeutic work or work allowed under disregarded earnings rules. For some the stepping stone was the first stage in attempting work, perhaps for two days a week to see what happened. Such people were usually looking forwards to a time when they were able to do more or different work, taking them out of scope of in-work support altogether.

Others, in different trajectories, described how DPTC was maintaining their position in what would otherwise be a downwards slide. Some people whose conditions were deteriorating said that DPTC was '*keeping them in work longer*'; delaying their retirement on the grounds of ill-health or delaying the point at which family businesses would otherwise have to be sold. Such people often did not expect to be more financially independent in the future, but they valued being able to stabilise their position for as long as possible. Another way in which DPTC enabled a particular position for people was by '*lifting them up*' to the same level of participation in work as other people. This picture was offered by young people with severe impairments, who were expecting to continue using DPTC or something similar in future years. Other young people, looking forward to a professional career, talked about DPTC as providing '*a booster*' in a difficult time.

Another role for DPTC was in financing sick leave. This role was described by people who did not get Statutory Sick Pay or earnings when they were ill, both employees and self-employed people. There were examples of people who had lived on DPTC and savings through periods of several weeks when they were unable to work, and expected to do this again. The self-employed people assumed they would not be entitled to Income Support during long periods of illness, so had not applied.

Finally, some self-employed people saw a role for DPTC in supporting their business. Some said that it was only DPTC that kept their business afloat, while others saw DPTC as supporting efforts to develop small scale creative work into profitable

business, a difficult stage in business development. DPTC did this not only by providing extra resources, but also by maintaining cash flow through fluctuating patterns of work and irregular or late payments from customers.

Most people in this study group saw only positive roles for DPTC, and wanted their satisfaction made clear to policy makers. We spoke to people who said that DPTC was essential in maintaining the quality of their lives, and they were pleased with the way DPTC worked, and the amounts of money available to them. But people who saw negative roles for DPTC also wanted their views made clear. Some people saw DPTC as:

- making it hard to raise incomes
- contributing to financial hardship
- making it harder to work for parents using unregistered childcare
- reducing opportunities for employment
- worsening relationships with employers and colleagues
- providing cheap labour for employers.

Some people had found it hard to increase incomes when receiving a tax credit, as a result of tapers and interactions with Housing Benefit and Council Tax Benefit. People who had worked out for themselves the real financial value of working additional hours, usually men or lone parents, were frustrated by how little this would be worth in money terms.

DPTC was said to have contributed to financial hardship. This was sometimes as a result of effects in the overall system of transitions on and off income-related benefits and tax credits. Particularly blamed here were the interactions of DPTC with Housing Benefit and Council Tax Benefit and lack of mortgage protection when in work, and problems and delays in reclaiming out-of-work benefits and stabilising income when work ended. Other people reported financial hardship as a result of delays in payments by employers, when employers were forgetful, inefficient or uncooperative, or as a result of budgeting disruption during the '*changeover period*'. People for whom DPTC had not worked well, for such reasons, could wish they had not tried to move back to work gradually but stayed on Incapacity Benefit longer until ready to move straight into a well-paid job which lifted them clear of in-work support.

Parents who paid for unregistered childcare, such as informal baby sitting during evening and night work, said that the DPTC rules increased inequities in job opportunities. It was harder for them to work than other parents whose childcare arrangements fitted DPTC criteria, because they had to pay more for their childcare than other working parents in similar jobs.

There was a belief, grounded in personal experience for some, that opportunities for employment were reduced because some employers were reluctant to employ people receiving tax credits. The study group included people who had been asked

to leave jobs, and people who observed or were involved in recruitment at work, who felt sure that some employers avoided having employees who used tax credits.

DPTC was felt to have worsened relationships at work for some people. It was embarrassing to listen to annoyance about administration expressed by employers and managers; and hard to deal with some situations that arose, such as delayed payments or the need for extra information to support applications. It was hurtful when colleagues or pay staff made unkind remarks, or expressed jealousy or suspicion. Some people regretted that they were now known to have a health problem which they would have preferred to keep private, or now had an identity at work as '*disabled*'.

Finally, there was a view that wage supplements of any kind provided some employers with cheap labour, and DPTC was no different in this respect to other or previous measures.

Phase One of the qualitative enquiry provided rich material to inform policy development for tax credits, and policies for supporting in work people with impairments or health problems. The second phase of the research provided further opportunity to explore some issues in depth. The following chapter explains which issues were selected for further enquiry, and the main findings.

## **8. Provision of Information about Disabled Person's Tax Credit**

The second phase of this research started in early 2002 and it was then considered most useful to focus on communication issues and information requirements among DPTC recipients. This would enhance understanding of the way people gain and make sense of tax credit information, in a rapidly developing tax credit environment (Inland Revenue, 2001a).

This chapter presents findings from the series of group discussions conducted with DPTC recipients during the autumn of 2002. This was one year later than the interviews conducted in the first phase, and there had thus been more opportunities for the general public to learn about tax credits. The government's multi-media promotional and advertising campaign for the Child Tax Credit and Working Tax Credit had just started, and the Inland Revenue had already begun to issue application packs to existing WFTC and DPTC recipients. The second phase of qualitative work was thus conducted within a different environment of information transfer, compared with that of the first phase of research. Findings reported in this chapter both enhance our understanding of issues arising from the earlier work and provide further insights for policy development to encourage as many people as possible to benefit from the new tax credits. (The specific objectives of Phase 2, the design of the series of group discussions and research methods are described in Chapter One and Appendix C).

The first parts of the chapter are concerned with ways in which people initially learned about DPTC and what they understood about the tax credit that encouraged them to take action and make an application. The chapter then goes on to report how recipients perceived their need for information about DPTC, and their preferences and requirements in terms of receiving such information.

### **8.1 Learning about Disabled Person's Tax Credit**

Many people had claimed in-work support continuously or sporadically over several years, and it could be hard to remember how they had initially learned about Family Credit or Disability Working Allowance (DWA). Such people often said that their applications had just been transferred to tax credits when the system changed.

People who had claimed in-work support for the first time within the tax credit regime, or had recently made a fresh application for a tax credit discussed how they had become aware of DPTC and considered whether it applied to them. In all the group discussions, information about tax credits received with Disability Living Allowance (DLA) order books or correspondence had been an important initial source of information among people already in work. What was important in encouraging them to read the information and consider its relevance was that the information had been

sent to them personally. Parents already receiving WFTC learned about DPTC via their DLA claim, as well as people to whom in-work support was new.

The importance of personalised information and advice was emphasised by other people to whom it had not occurred that extra money might be available to them. Being told that they might be entitled to DPTC could be a surprise, but if the informant was trusted and thought to have authoritative information people had taken notice. Accountants who suggested DPTC to self-employed people were expected to be giving appropriate advice. Other trusted informants included neighbours or relatives whose knowledge about benefits was known to be based on personal experiences of disability, or who passed on literature which they thought might be relevant. These were the kinds of interactions which could lead to further enquiries among people who thought they had probably seen media advertising at some stage, but not engaged with it.

The importance of learning about tax credits before starting work was emphasised by several participants. People who had been claiming incapacity benefits for long periods had thought hard about the risks attached to trying to work again. Those receiving help and support in moving into work had been told about availability of DPTC by DEAs or other employment advisers. People calling in to their local benefits office or Jobcentre to talk about the possibilities of going back to work had also been told about DPTC, and given Freephone numbers to call. Some had been directed to DPTC by Inland Revenue staff dealing with their WFTC application. Again, what was important, in the process of learning about availability of the tax credit and understanding enough to relate it to their own circumstances, was being told about it personally by somebody believed to have authoritative information. For self-employed people, access to an accountant could be important in receiving such information.

## **8.2 What elements encouraged people to take action?**

Discussions with groups of DPTC recipients confirmed what is well known from much previous research that a variety of influences determine whether people who are aware of a benefit or service go on to make an application. The group discussions provided a forum for exploring which perceptions of the tax credit encouraged further action, and why people thought DPTC might be relevant for them.

As recalled in retrospect, key concepts which encouraged people to take action were of three main kinds:

- DPTC was a way of getting extra money

This was particularly important to people already in work but finding it hard to manage on low earnings, such as those working shorter hours, people in low paid work and people with families to support.

- DPTC provided a way of being able to try or return to work

This was emphasised by those who believed that their health and employment histories and their current condition meant that it was risky to leave the security of long-term benefits. They might find they were unable to earn enough, or keep their jobs. DPTC would lower such risk, by providing some stability and security of income. The prospect of DPTC could make self-employment a real possibility, as a way into work.

- DPTC was a financial entitlement

The concept of '*an entitlement*' could be a strong encouragement, and for some people it appeared to have been reinforced by advisers such as accountants, or employment support workers. Those influenced by being told about an entitlement included men and younger women.

Recognising themselves among the kind of people who could get DPTC had been linked, variously, with identifying themselves as:

- working part-time
- having low paid work
- being unable to earn much
- wanting to work
- having a family to support
- having health problems or being disabled
- getting DLA.

Not everybody wanted to think about themselves as disabled, however. People who readily used this term to describe themselves included all those recruited as older people, who talked about various physical impairments, and long term mental and physical illnesses and conditions. Among some younger people, however, there was dislike of being perceived as disabled. The term did not properly describe their own circumstances and some people spoke of the stigma attached. Included here were people with histories of mental illness; and people whose conditions were well-controlled pharmaceutically and symptom free, including people with epilepsy and diabetes. We return to this issue in the following section.

### **8.3 What elements raised concerns or doubts?**

Whatever initial concerns or doubts had arisen for the people taking part in the group discussions, they had all eventually overcome these and gone on to make an application. Long-term recipients of in-work support had few recollections of their initial concerns.

People who had made a new application for DPTC more recently did remember some elements in their perception of the tax credit that made them hesitate, or seek reassurance or clarification before taking further steps. Mentioned here were:

- not understanding what 'a tax credit' was

People who tried to fit 'a tax credit' into current understanding of the tax and benefit system had often found this hard. In a world in which there were 'benefits', 'income tax', 'tax allowances' and 'VAT' it was not easy to work out what a 'tax credit' might be, even for people who felt they had a basic grasp of current regulatory systems, such as self-employed people in business.

- suspicion about Inland Revenue involvement

Learning that it was the Inland Revenue which dealt with tax credits could puzzle people and lead to some suspicion. Some people wondered why an organisation perceived to be concerned mostly with taking money in from people might be offering to give it out. One man remembered initial suspicion that the tax credit was promoted by the Inland Revenue to encourage more people to earn so that the tax take would be higher.

It could be hard to resolve initial doubts and confusions at this level. There was information in the application pack to explain how to apply and rules of entitlement but some people remembered being left with a basic anxiety that they did not fully understand what they were signing up to, or why things were now arranged in this way. Suspicions about Inland Revenue involvement had receded or disappeared sometimes only after experience of dealing with the agency.

As well as underlying concerns of this kind some people remembered specific initial doubts that DPTC was relevant to themselves. These had been linked, variously, with:

- assumptions or wrong advice that self-employed people were not eligible
- beliefs that people getting DLA could not also have DPTC
- beliefs that people with children should apply for WFTC.

For people in our discussion groups, such misunderstandings had been resolved by talking to staff on the Tax Credit helplines; staff in Benefits Agency offices or Jobcentres; staff in Citizens Advice Bureaux or community advice offices; accountants, or by reading the information in the application pack.

One issue that remained unresolved for some people was their dislike of being labeled as 'disabled' for purposes of DPTC and their rejection of this term as an appropriate way of describing themselves. Strong feelings were expressed about this, as described in the previous section. Those who felt like this believed that failure

to identify with being 'disabled' was likely to be preventing some other people from getting their entitlement.

#### **8.4 Information needs**

One aim of the group discussions was to explore generally recipients' requirements for information about DPTC.

There are two important observations before presenting findings in this area. First, it was often hard to separate information people needed earlier in their claiming history from what they would like to know now, as current recipients. Secondly, it appeared to the researchers who were moderating the discussions and observing the group dynamics that some people who were not as well-informed about DPTC as other group members felt somewhat constrained in discussing what they did not understand. Nevertheless, there are useful findings, which throw further light on aspects of the tax credit which recipients would like to understand better.

##### *Information for decision-making about work*

If people had to make major decisions about whether or not to try working after a period outside the labour market, key information needed could be what this would mean for them financially. Those who had been told that DPTC would be available had needed either to know how much money they would get, or to have assurance from an authoritative source that they would be no worse off than on benefits. Some people said they had needed precise information, taking into account what would happen in respect of housing costs and prescription charges. Seeing a 'better off calculation' prepared by an adviser had been helpful, and influential for some, while others had found sufficient information of this kind in examples of calculations for people in different situations in the leaflets they had read. People who had sought financial information when thinking about working said that being told that 'you might be able to get this', either by an adviser or in written information, was generally unhelpful. Financial support that they 'might be able to get' was generally discounted when they weighed up whether they could afford to work.

##### *Information to help understanding of the rules*

People's interest in and need to understand details of the rules governing entitlements varied considerably, as we might expect. Some long-term recipients were fairly knowledgeable about the main rules, as a result of continuous use of in-work support, or through responsibilities at work for administration of other employees' tax credits. Long-term use did not always mean good understanding of the tax credit, however, as some said that once entitlement was established and payments came regularly, they no longer needed to remember how it was worked out.

People who had applied for the first time more recently said it was hard trying to work out how their entitlement was calculated, and some would have liked to be able to do this more easily, from the explanatory letter that notified them of their award. There was general approval for the approach taken in this explanation, moving through different steps in the calculation, but it was often hard to understand where the actual figures came from. It could be difficult to understand which figures related to their own income or needs, and which related to '*what was set in advance*' (meaning the applicable amounts). One observation was that the way tax credits were worked out was so different from the way in which benefit entitlements were worked out that it was particularly hard for people moving off benefits to understand the approach.

People who might have been eligible for WFTC or DPTC said they had needed more information about this choice. Not understanding the difference, or which was more appropriate or worth more financially, had led some people to make initial applications for WFTC. Being routed to the other by suggestions from Inland Revenue staff was helpful, but this had sometimes come too late to avoid missing out on some entitlements. There were suggestions for more attention to be paid to this in the WFTC literature and application packs for WFTC and DPTC.

Several people taking part said they would like to understand better the links between the tax credit and Disability Living Allowance. This had been a particular issue for some people whose claim for DLA had not been allowed, and had subsequently learned that they would not qualify for DPTC on their next application. This information could be a shock. For some people the implication was a major reduction in income, and they had to reconsider whether doing paid work was economically viable. People said that they needed to have understood this possibility in advance, and suggested that for people whose entitlement depended on receipt of DLA, this should be carefully and clearly explained at the front of the letter notifying their DPTC entitlement. It was better to understand and be prepared for possible developments which could have such major implications.

The researchers introduced the issue of the 30 hour credit during all the discussions. Levels of awareness of the 30 hour credit were fairly low, and it was possible to observe directly what people wanted to know about such a rule when they first heard of it. For some people working part-time, either because of family commitments or because of preferences or constraints related to their illness or condition, there seemed no likelihood of working anything like as long as 30 hours a week. There was some feeling that they did not need information that did not apply to them. There was more interest from people working above 30 hours, or approaching this level of work. People working more than 30 hours who did not know about the credit thought they could be missing out on extra money. Others in the group assured them that if they had filled in hours of work correctly on their form, then they could assume that they were benefiting. Nobody said that if they had understood the 30 hour credit they would have adjusted working hours to maximize income, when this was suggested by the researcher. However, some observed that they might think about this for the

future, and would want to understand then how it worked. One person described how understanding the 30 hour credit had led to their decision not to take a reduction of one hour when this was suggested at work, and said that it was important for people to know about this credit. However, the discussions between recipients demonstrated how hard it could be for people to understand how working extra hours could bring more money through the 30 hour credit when their prior understanding had been that working longer hours and thus increasing earnings would mean a lower tax credit award.

#### *Information about employer involvement*

Some people would like to have authoritative information about how to handle awkward situations at work, in respect to their tax credit. Some had not known what to do when employers had insufficient understanding about their part in the process, or appeared to be unwilling to comply. People wanted to know where responsibility lay for resolving situations, and how they could get help to prevent further awkwardness or a worsening situation.

#### *Information about childcare tax credit*

There was little interest, in these discussion groups, about the childcare tax credit. Most of the parents taking part had children in older age ranges and said they did not need extra help with childcare. Some people said they had noticed a separate form in their pack, relating to childcare, but had not bothered with this as they were not using childcare, or had no children. It could be a relief to find components in a bulky pack which they felt confident in not having to read.

#### *Information to help people filling in the application form*

There was relatively little discussion about any information that might have made it easier to fill in the DPTC1 form. It was mentioned, however, that questions that had seemed hard to answer were those asking whether a person expected to work for 16 hours or more next week, and for the job to last for at least five weeks. People with variable conditions, including musculo-skeletal conditions and mental illness, said that they had not known what to do faced with these questions. The point was that they hoped to work those hours and weeks, but their condition was unpredictable and the reality was that they might have to take sick leave. Such people had wanted to know how to tackle these questions, to be honest but not disqualify themselves. Other group participants suggested using the Helpline to talk through the matter. Not everybody liked this idea, and some preferred a written suggestion or instruction on the form itself, so that they could deal with it themselves and avoid having to identify themselves as a 'special case'.

#### *Information to assist renewals*

There was some agreement that it was very helpful to have strong reminders to make timely renewals, and people wanted to be told clearly when the time for renewal was approaching, with appropriate dates and deadlines spelled out. Even long-term recipients who were used to the six monthly award cycles wanted firm, clear renewal

instructions to continue. Some said that it was also important that they were told, each time, the relevant dates for the initial direct payments and the move to payment with wages. Having this information in advance went some way to helping people manage the household budgeting adjustments that were necessary.

There was some discussion of the problems people had met in completing the DPTC2 form when they renewed and what information would have helped them at this stage, although not everybody wanted to talk about the way they described themselves on this form. There was general agreement that some explanation was required on the form to help people explain the impact of their condition when this varied from day to day, or according to the time of day. There was also some agreement that the form seemed poorly designed for people with mental health conditions. Explaining the impact of, for example, depression, anxiety, or phobias required describing this in their own words, and there were no instructions or examples to guide people. There was no way of knowing in advance whether people were providing sufficient or the right kind of information. There could be anxiety about being seen to write too much, in case this led to suspicion. It was not clear to people why the tick box format was not used to help people describe their mental illness.

There was little understanding of how information about impairment and health was used to decide entitlement. Some people felt they would be interested to know, but did not need to know, because their answers were clearly acceptable or they would not have got DPTC. One person specifically did not want to know about any disability categories applied to her. It made her angry and upset to be told about such labels and categorisations.

#### *Information for self-employed people*

Some self-employed people had particular information needs in relation to DPTC through their employment status. These related particularly to the way they worked, the rules and methods for the calculation of their income and their level of entitlement.

There was general understanding amongst self-employed people that there were different types of self-employment; especially the perceived difference between being self-employed in business enterprises and working as a sub-contracted person. It was considered important for people to understand their status and what constitutes the correct calculation of income.

Some respondents appeared skilled in understanding accounts and the general principles on which income was calculated for DPTC. They generally seemed to be people who had access to professional accounting advice. Where respondents could link processes in DPTC applications with calculations and processes in tax returns there was the best understanding.

But for some, there was evident confusion about the income declaration aspects of their applications. In particular, people were unclear about which expenses were allowable in the calculation of their income. For example, some were confused about the allowability of expenses arising as a result of the use of their home for work. Other self-employed people in the groups explained to such people how they had probably over-reported their income as a result, and suggested how they should report financial information more appropriately at the next renewal of DPTC.

One suggestion was that the forms issued for DPTC could in themselves provide helpful prompts as to what might be allowable by flagging up admissible items. But even where the items had been noted on the forms, there was some evidence that people had not realised that these categories related to them. Some respondents thought that, for those people who do not have accounts prepared, there should be greater use of explanatory prompts. There was also some confusion about the accounting treatment of certain more complicated items such as depreciation.

People would have liked greater understanding about claiming legitimate business expenses. For instance, there was a fear expressed that if the cost of the use of a home was claimed this would result in the local council charging business rates instead of or in addition to council tax.

#### *Information about changes in circumstances*

There was considerable discussion about information that was needed when circumstances changed. Some people drew retrospectively on experiences which had led to problems or concerns during past periods of receipt of in-work support. Others described changes in personal circumstances which they were anticipating, and explained what they did not understand or would like to know.

We have already described how some people wished they had understood better the link between DLA and DPTC.

There was some support for the idea that when the amount of entitlement changed considerably on renewal it would be helpful if the reason for this could be clearly explained. Not everybody whose awards had declined understood how this was related to their circumstances, and the unanticipated reductions could be worrying. In retrospect, people felt they should have understood more clearly what would happen to their award when they changed jobs. Better understanding and anticipation of changes in payment mechanisms might have prevented uncertainties and budgeting disruptions. What happened to tax credits when people reached retirement age was not understood, but had been a source of concern for some, and became an issue of interest when raised within the discussion group of older people.

Looking forward, one parent whose son would soon be leaving school would like to know now what will happen to her tax credit – she may have to change her working hours. The discussions about changes in circumstances led some people to reflect

on their own situations, share these with other group members and ask what was likely to happen. One person wanted to know what would happen to overall income when wages dropped substantially during a tax credit award period.

#### *Information about changes to tax credits*

Most people already knew that there were going to be some changes in tax credits and were wondering how they would be affected. Some people described having received written information from the Inland Revenue about impending changes but some believed they had been sent nothing yet. The impending changes were not a main focus of these discussions, but all participants were given a pack of written information to take home to read.

### **8.5 Providing information**

People were asked to think about the best ways of providing information about Disabled Person's Tax Credit.

Previous sections have shown the significance attached to receiving personalised information at appropriate times. General advertising material (TV, radio, posters) was thought useful to maintain awareness in the population. A range of outlets was suggested for display of such information, including libraries, GPs' surgeries, post offices, advice bureaux and on buses. There was rather lukewarm support for television advertising. People felt the timing of television advertisements would be important, and the best time might be different for different groups of people. One person had seen a recent television advertisement for a new tax credit but felt that too much information had been provided too quickly, and although she was a DPTC recipient she had not really understood the message. Other ways of maintaining a generally high awareness of DPTC might be '*targeting*' relevant groups of people with literature and information sent through the post. Groups included here were people claiming disability benefits and families with children, all of whom were easily identifiable by government departments.

Another way of maintaining general awareness might be to pay employers to enclose general promotional material or leaflets to all employees (without selection) with wage slips. The fact that tax credits were associated with payments of wages seemed to legitimate the use of wage slips for advertising, and one person described wage slips issued by a local authority employer which featured a different benefit each month in a little promotional box printed on the bottom of the slip. People were interested in this, but not everybody thought that employers would be willing to do this, or that it would be practical. Some people wondered whether GPs might be drawn into advertising the tax credit, not only by displaying posters in their surgery, but when providing certification for sickness. People thought there was a general readiness to talk about work with GPs, who were perceived as a potential source of

information about tax credits and benefits, although nobody spoke from personal experience of such detailed discussion with their own GP.

There was a widely shared view, however, that general advertising and promotion whether directed at the general population or more targeted groups only served to provide 'background' information, and did not provide the kind of detailed information that people needed to identify themselves as potentially eligible and go on to make a successful application. People stressed how important it thus was for professionals and advisers who might be approached for information and advice about DPTC to be able to provide this.

There was appreciation of the tax credit Helpline service among people who had used this, and people liked the fact that the Helpline dealt with tax credits generally, and did not '*dwell on*' disability. Some people did not want to be a '*special case*' because they had a particular condition, but liked to have the same service as others.

Staff in local benefits offices were expected to be able to discuss tax credits but there were variable experiences of the quality and usefulness of information received from benefits staff. Self-employed people said that ways might be found to keep accountants knowledgeable about tax credits.

Group members tried to think of other ways in which the Inland Revenue could pass on personalised information at the level of detail required. One suggestion, which drew some interest within the group concerned, was that a personalised letter might be sent with the renewal pack. This would review the current award, reasons for entitlement and level of award; draw attention to any personal circumstances which might be important, such as children's ages, and mention things that might be important in individual cases, like the 30 hour credit.

There was some interest in providing personalised information to people at an early stage, when their illness or disabling condition first led to sickness absence or claims for incapacity benefits. It could be helpful to know in advance what the options would be for maintaining or returning to work when they were ready.

There was general agreement that envelopes with Inland Revenue printed on the outside would be opened and contents read. Envelopes which suggested that they contained general advertising material, for example '*glossy*' or '*eye-catching*' packs, were more likely to be thrown away as junk mail. There were mixed views on receiving unsolicited phone calls from the Inland Revenue about tax credits. Some thought that during the first year of tax credits they had received such phone calls, for example suggesting that an application for DPTC would be more appropriate than that submitted for WFTC, and that this had been experienced as helpful. Others thought they would not want unexpected phone calls, and preferred receiving letters.

Findings from the group discussions confirmed and strengthened points that emerged from Phase 1 of the research, including dislike of a 'disabled' label. There were additional perspectives on information requirements before applying and during a payment period. The importance of the need for 'early warnings' for recipients was demonstrated, to alert people to implications of changes in their circumstances or requirements to renew awards. The discussions showed gaps in current understanding, and how some people make wrong assumptions about their situations in relation to DPTC. The importance of timely information and advice received personally from an authoritative source was underlined. The Inland Revenue had a role here in the literature provided and design of forms, and by direct communications by letter and telephone. Other advisers in a variety of agencies and organisations also have essential roles.

## **9. Discussion**

The Working Families' Tax Credit (WFTC) and Disabled Person's Tax Credit (DPTC) represented a new approach to the provision of financial support for working people, and were key components in the government's strategy to provide employment opportunity for all and to tackle and eventually eradicate child poverty. DPTC was designed to make work pay and provide some security of income for working people with impairment or ill-health.

Key structural features meant that DPTC provided more generous financial help than its predecessor DWA and was available to more people. Completely new arrangements for administration and payment would, it was hoped, underline the link with earnings and remove some of the stigma attached by some people to association with the benefit system. DPTC was designed to encourage greater take-up among people with current entitlements and provide greater incentive to people to make the transition from incapacity benefits to paid work. In addition, the new Fast-Track gateway to DPTC was designed as a job retention measure, to make it possible for some people who became ill or disabled while in work to continue in employment rather than going down the pathway to incapacity benefits.

### **9.1 Achievement of policy objectives**

Findings from this qualitative research show clearly that for some people DPTC did fulfil the policy aims. Some recipients taking part in the interviews and discussions said that DPTC had increased their financial and personal security. For some people, the generosity of DPTC had made a big difference to their standards of living. People told the researchers that availability of DPTC had enabled them to do work that suited them, with more choice and control in the kind of and the amount of work they undertook. Some parents said that DPTC helped to meet the costs of childcare that they needed in order to work, and that they could afford quality childcare with the help of the childcare tax credit. Extra financial resources from parents living apart flowed into some families with children, as a result of the separation of DPTC from collection of child support by the CSA.

Some people described particular roles for DPTC which were important for them at an individual level. Such roles all contribute to overall policy objectives. Included here were improvements in or maintenance of health and well-being, through access to free prescriptions and assistance with NHS charges for dental and eye care, as well as the benefits to health and control of symptoms that were directly associated by some people with having a job. For some people, DPTC supported preferences and arrangements in combining paid work with family responsibilities, and brought new opportunities and advantages for domestic partners. Self-employed people saw roles for DPTC in supporting business, and developing interests and activities into

remunerative work. DPTC helped to maintain cash flow through fluctuating patterns of work and payments in small scale self-employment and could be relied upon as an income source during periods when illness meant that no work could be done.

Although there were apparently no participants in this research who had used the Fast-Track gateway, there was some interest among recipients in availability of options to help people get back to work after sickness absence.

There was also evidence that some people liked the new payment of tax credits through employers, especially if people preferred to receive main income sources together, and if wage periodicity matched preferences in budgeting strategies. Some people liked the links perceived between earnings and financial support, through receipt of DPTC through employers, and some said there was greater self-esteem in receiving support in this way, in comparison with receipt of a benefit.

Our findings show how some people in the target population responded to the new incentives in the design and structure of DPTC, and how, for some recipients, the new tax credit has met all its policy objectives.

## **9.2 Constraints on achieving policy objectives**

There is as yet no measure of take-up of DPTC. However, findings from other studies are beginning to provide some indication of the importance of DPTC in encouraging people claiming incapacity benefits to try or return to paid work (Corden and Sainsbury, 2001). Such studies (Loumidis *et al*, 2001) confirm the finding from this research that structural links back to benefits for people who cannot maintain work, such as the linking rule within DPTC, can be powerful influences on decisions about working.

Although we have no measure of take-up of DPTC, it seems likely that take-up among people currently entitled remains fairly low, and that the full potential of DPTC is not yet being met. This study helps us understand why this may be the case. A tax credit is an entirely new concept, and even three years after introduction, remains hard for some people to fit into their general understanding of the tax and benefit systems. As is well known from other research, people initially make assumptions about specific entitlements which draw on previous experiences across a wide range of different benefits and services, and what other people tell them. Initial assumptions reported by some recipients in this study, that self-employed people are not eligible for DPTC; that people getting DLA cannot also have DPTC; that WFTC is more relevant to people with children, are likely to be widespread among the general population.

The study showed that levels of understanding of the main structural features of DPTC were fairly low among people who were receiving the tax credit. It is therefore

possible that lack of awareness and understanding is both contributing to non-take-up among people currently entitled and diluting the incentive elements of DPTC in encouraging people to try work. DPTC is perceived as having a complex structure, and some recipients in this study found it hard trying to work out how the rules applied to them, and their level of entitlement. For people not currently working, who have to assess how much DPTC they might get if they moved into a job, it can be even harder trying to relate the rules to hypothetical situations.

Our findings showed the key importance of direct personal information and advice at an appropriate time from an authoritative source in encouraging people to make an application, or to consider using DPTC in a move into work. For DPTC to fulfil its potential therefore those professionals and advisers who may be approached for information must be equipped to provide appropriate personalised advice to individual people. Included here are staff in the Tax Credit Helpline and Office, and Jobcentre staff who are in contact with people who want to move into work. Other key personnel who come into contact with people on routes to eligibility for tax credits and may be equally important, however, include accountants; welfare benefits advisors; personnel in organisations supporting disabled people, young people making transitions to adult life, and lone parents; staff in community psychiatric services and rehabilitation services; and occupational health personnel in employment settings. It is important that such people are familiar with the general rules of DPTC, and able to provide accurate assessments of potential entitlement.

Findings suggest that general advertising and promotion of DPTC act mainly to maintain a 'background' level of awareness, and familiarity with the term tax credit. Such advertising has its place, and, drawing on the experiences of the DPTC recipients in this study, could in future perhaps make additional reference to the non-financial benefits that accrue to people who have paid employment. However, the type of information required to encourage people to act, either in respect of taking a step towards making an application or taking a step towards work on the basis of availability of DPTC, is individualised help and targeted personal advice.

Information requirements do not end when a person starts a job. People want to understand how their DPTC relates to their individual circumstances, how changes in circumstances affect the level of their award, and to be given clear and adequate advance warning of the need to renew their awards.

Our findings show that some structural and administrative elements in DPTC are perceived negatively by some people in the target population. The involvement of employers is disliked by some people, and lack of employer cooperation can lead to financial problems, negative experiences in the workplace, and for some people, reduced job opportunities. People who had bad experiences with employers did not know what to do. Some recipients had found that the overall effect of tapers and interactions with Housing Benefit and Council Tax Benefit meant that it was hard to increase real incomes while using tax credits, and it could seem more sensible to

avoid their use. There were frustrations and misunderstandings about the way information was required to demonstrate disability and disadvantage at work, earnings from different kinds of self-employment, and childcare costs. Because these problems are reflections of the structural and administrative elements of DPTC they are also amenable to policy intervention. In addressing these issues there is a case for paying particular attention to the needs of people with mental health problems who often find the application and administrative procedures ill-suited to their health condition. There is also a need to promote the message among potential claimants and employers that receiving DPTC is not comparable to 'working and claiming', which is presented in DWP publicity campaigns as a principal means of benefit fraud.

More difficult for policy makers to address in development of financial support targeted at disabled people is the failure of many people to identify themselves within a group categorised as 'disabled'. Some people just do not think of themselves in this way, for example people whose conditions are well-controlled pharmaceutically and people who expect to return to fitness. Some people strongly dislike being categorised as 'disabled', a group in society who may be perceived as stigmatised, excluded and unable to participate fully in life.

### **9.3 The new tax credit environment**

The government will introduce two new tax credits in April 2003, building on the progress made in using tax credits to tackle child poverty and make work pay. The Working Tax Credit will boost earnings for people in lower paid work, and incorporate the adult elements of WFTC and DPTC, and the employment credit element of New Deal 50+. Additional elements will be available to disabled workers. The Child Tax Credit will incorporate the child elements of WFTC and DPTC, the Children's Tax Credit, and from 2004 child-related elements from Income Support and Jobseeker's Allowance, creating a single seamless system of income related support for all families with children, whether or not they are working.

With the focus on work rather than disability the Working Tax Credit brings workers into mainstream support. This addresses some of the concerns raised by people in this research who disliked being labelled as 'disabled' and different from other people.

The new tax credits are being introduced within a rapidly changing information environment. Increasing numbers of people now have access to computers and are learning to use this technology to help them get the information they need. The introduction of new services to help people to move into work, and developments in Jobcentre Plus have created new professional roles in which information provision and personalised advice giving is a key activity. Examples are the Job Brokers in the New Deal for Disabled People, and Jobcentre Plus staff who conduct work focused interviews with benefit recipients, both of whom routinely discuss with people the

relevance of tax credits to their personal circumstances and future options. This new information environment offers many opportunities in ensuring that the best information possible is available to help people receive their entitlements to tax credits, and to do work that suits them and is financially worthwhile.

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## **Appendix A    The Resource Group**

It was important to involve in the research on the Disabled Persons' Tax Credit representatives of organisations already in touch with people who use DPTC, or might do so in the future. One way of doing this is to convene a small Resource Group of organisations interested to be kept in touch about progress of the research, on whom the researchers might draw for advice at various stages.

A Resource Group of this kind contributed to both the national survey of recipients conducted by the Institute for Employment Studies and the qualitative research reported in this report.

Invitations to join the group were accepted by six organisations which worked with and for disabled people and people with long-term health conditions. Two meetings were held.

### *The first meeting*

The initial meeting took place in February 2001 in Somerset House, London, and researchers from the Inland Revenue attended as observers. The group was introduced to the two research teams from the Social Policy Research Unit and the Institute for Employment Studies, who explained the aims of the research and the methods chosen. Views were then sought from the group participants about current key issues for their membership, in respect of the impact of DPTC. The purpose of this discussion was to inform the first stages of the fieldwork. Topics addressed included aspects of the structure of the tax credit, its perceived role, and issues to do with take-up. The discussion was helpful in guiding the researchers' approach, and the development of parts of the research instrument.

### *The second meeting*

The second meeting took place a year later, again in Inland Revenue offices in London. Both research teams presented some of the findings from the first parts of the research programme, which had already been discussed with the Inland Revenue. Not all Resource Group members were able to take part in the second meeting, but those who attended were interested in the findings, and made helpful suggestions about which topics and issues might be explored further in the second qualitative phase.

## **Appendix B Phase One: The Study Group**

### **Drawing the sample**

The aim was a sample of 400 recipients of DPTC drawn from the Inland Revenue database, selecting 100 recipients in each of four local areas. The areas, in north and south England, Scotland and Wales, were chosen to include both urban and rural locations, inner city and seaside addresses, and localities known to include some people of minority ethnic groups. The areas chosen had different employment markets, reflecting a range of employment opportunities and constraints. In two areas there had been some development of the 'new' working/claiming environment resulting from a New Deal for Disabled People Personal Adviser Service pilot project or a ONE pilot.

There was random selection of 100 recipients in each of three areas and 95 in the fourth, using NINOs as identifiers to maintain confidentiality. An initial scan of characteristics recorded on the database among those selected showed that there was representation of people of different ages and family types; self-employed people; new and repeated/renewed applications; and different qualifying benefits. In each area there were some recipients recorded as receiving the childcare tax credit.

The researchers forwarded the 395 selected NINOs to the Inland Revenue, where staff sent letters to those recipients, explaining the purpose of the research and inviting people who preferred not to take part to get in touch. After two weeks had passed, the Inland Revenue told the researchers the NINOs of those few people who had written or telephoned in response to their letter. These included people who were opting out and people who said they wanted to take part.

### **Pilot exercise**

An initial pilot exercise tested the general approach to recruitment and the suitability of a draft topic guide. Four pilot interviews were conducted, with DPTC recipients living in two areas in north-east England. Some adjustments were made to the topic guide for the main fieldwork. In general, these pilot interviews went well and generated material in all areas for enquiry. Data from these pilot interviews were therefore included in the full analysis.

### **Building a study group**

One interviewer worked in each area, aiming to build up a group of 12/13 people which included equal numbers of men and women, and people of different ages, living in different types of family or household. The aim was to include some self-

employed people, some people recorded as having made new applications, and some people receiving the childcare tax credit. In order to achieve this mix of characteristics interviewers worked with target quotas, using the information available from the data base. Everybody who had responded positively to the initial Inland Revenue invitation was included in the study group.

Initial contacts were made in a variety of ways. Where possible, interviewers telephoned to make appointments. However, only a minority of recipients had BT-listed telephone numbers. This meant that interviewers had to visit to make a first contact, or write a letter asking the person concerned to get in touch to arrange or confirm an appointment. The latter approach was the least successful. Around half of the letters sent from SPRU drew no response, whereas there were few refusals to take part when contact was made by telephone or visiting the address.

Most people who declined to take part, either to the Inland Revenue or to the researchers, explained why. Reasons included not feeling well; expecting to go into hospital; a family illness or bereavement; not wanting to spend time being interviewed, especially when people had caring responsibilities; and preferring not to discuss private matters. Two recipients to whom the Inland Revenue sent invitations had died. There was also one case in which a recipient's parent intervened, telling the Inland Revenue that the person concerned was not confident enough to be interviewed, and they preferred not to be approached.

Table B1 summarises response in this study.

## **Interviews**

Interviews took place mostly in people's own homes; sometimes in their workplace. One interview was conducted by telephone, with a person who was currently moving house. In order to enable participation of people with particular kinds of illness or impairment, some interviews involved a third person, for example a parent to help with communication and encourage concentration and recall. Care was taken in such cases to give clients full opportunity to make their own views known. There were no full proxy interviews in this study. When the respondent lived with a partner, that person sometimes wanted to take part in the discussion, or was brought into interviews to provide details about filling in application forms. The interviewers were guided by respondents' preferences, in respect to participation of their partners.

Table B1 Overall response and recruitment

	Local areas				
	A	B	C	D	
Letters of invitation sent by Inland Revenue	100	100	95	100	
preferred not to take part	4	6	4	2	
IR told client had died	1	-	1	-	
letter returned, not delivered	-	2	-	-	
Names available to researchers	95	92	90	98	
Contacted initially by telephone or visiting	13	5	13	11	total 42
preferred not to take part	2	1	1	2	
appointments not kept and not remade	-	1	-	1	
Letters sent from SPRU inviting contact	1	23	1	16	total 41
no response	-	10	-	12	

responded, but declined	-	1	-	-
appointment not kept and not remade	-	1	-	-
responded, but unable to make appointment	-	1	-	-

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Interviews achieved	12	13	13	12	15	35
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A topic guide was used to steer discussion across relevant areas, covering:

- personal and household circumstances
- employment circumstances and history
- knowledge of, beliefs about and influence of DPTC
- making an application
- receiving payments
- role of DPTC
- general beliefs and feelings about getting DPTC.

Interviews generally took between one hour and an hour and a half, and were tape-recorded with permission.

People who took part received a money gift in acknowledgement of their help, which was given before the interview started, and asked if they would like to receive a brief summary of findings from the overall research programme, when available.

### Characteristics of people in the study group

The four pilot interviews generated useful material across the full range of issues covered in the main fieldwork, and have been included in the analysis. The study group thus includes 54 recipients, living in six areas in the south and north-east of England, Wales and Scotland.

#### *Sex and age*

There were 28 men and 26 women in the study group. There were people in all working age groups, as shown in Table B2. The youngest person taking part was a man of 19 years and the oldest a man of 58 years.

**Table B2** Ages of respondents, at interview

	Number	
	Men	Women
19 - 25 years	2	3
26 - 35 years	8	12

36 - 45 years	11	6
46 - 55 years	3	4
55 - 58 years	4	1

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*Family and household circumstances*

The aim was to include people from a range of personal and household circumstances. Table B3 shows the family situations and household circumstances of recipients when they took part in the study. There had been a few changes in family situations since last reported for purposes of DPTC, for example some families had a new baby, while some older teenagers were no longer at home.

**Table B3 Family and household circumstances of recipients in the study group, when interviewed**

	Number
single people without children	14
of whom:	
live alone	3
live with parents	10
live with relatives	1
sole parents	15
of whom:	
live just with child(ren)	14
live with own parents	1
people living with partner	25
without children	7
with children	16
with grandchild	1
with adult, non-dependent child	1

As shown, few people lived entirely alone. Those sharing a home with their own parents included younger people who currently relied on parents for some personal care and support. Older people sharing a home with their parents included some DPTC recipients who themselves provided support and care for their elderly or disabled parent.

People living with partners included two with same sex partners. For DPTC purposes, such people are categorised as single people, but they may make employment and financial decisions with their partner.

Sole parents included one man; and there was one example of parents living apart who shared care of their young child, on an equal basis. Receipt of child maintenance payments, or other forms of financial support from parents living apart was variable.

*Caring responsibilities*

Thirty-two respondents had responsibilities for caring for children. Among people with children there was a range of family size and a range of ages of children.

**Table B4 Families with children**

Number of children	Number of families
1	11
2	12
3	6
4	2
5	1

**Table B5 Ages of children**

Ages of children	Number of families
under 3 years	5
3 - 6 years	10
7 - 10 years	14
11 - 15 years	19
16 - 18 years	15
19 - 20 years	3

Of the total of 66 children cared for by DPTC recipients, 13 were described by parents, in ten families, as having some form of long-term illness or impairment which affected their day-to-day activities, and family life. Such conditions were variously described as '*health conditions*', '*health problems*', '*special needs*' or being '*disabled*', and the parents concerned spoke about operations and hospital stays, treatment and medication, or special education. Five children were receiving DLA at the time of their parents' interview.

In addition, parents in three other families described periods in the recent past when their children had been experiencing serious ill-health or behaviour problems which had affected family life. One of these children had died recently, one was living in residential care in a different area, and one was now living independently.

DPTC recipients who had some caring responsibilities for other household members included three whose partner had a long term illness and could not do paid work, and two who lived in the same household as elderly parents, who needed attention.

At least two DPTC recipients had responsibility for paying child support in respect of children who lived in other households.

#### *Employment circumstances*

Most people in the study group were currently doing paid work when interviewed. Twelve were self-employed. Most were currently still receiving DPTC. Six people were no longer working, and in most cases this was because their impairment or declining health meant they could not continue in their jobs.

**Table B6 Employment circumstances**

	at last DPTC application	at interview	receiving DPTC at interview
Self-employed	12	12	11
Employees	42	36	31
of whom:			
in supported employment	3 (possibly 4)	3 (possibly 4)	3 (possibly 4)
more than one employer	1	1	1
off sick, receiving wages	-	1	-
working below 16 hours	-	1	1
Not employed	-	6	1
of whom:			
claiming incapacity benefits or income support	-	4	-
sick without wages or benefits	-	1	-
trial work placement, without benefits/wages	-	1	1

*Tenure*

Housing costs can be important in decisions about work. Table B7 shows tenure.

**Table B7 Tenure, at interview**

owner occupier	18
renting accommodation	25
of whom:	
local authority	20
private landlord	3
housing association	2
pays contribution to household expenses	10
no accommodation costs	1

*Ethnicity*

Three members of the study group were from minority ethnic groups.

*Circumstances of health/impairment*

People talked about their health circumstances and/or impairment in so far as their condition affected their employment, or their history of employment. Some described conditions they had since birth. Others spoke about the development of illness later in life, and some described the sudden impact of impairment, during childhood or

adulthood, after accidents at home or at work, involvement in road traffic incidents, sports injuries, or experience of personal violence. Some people described conditions which did not change. By contrast, some experienced patterns of recurrent periods of illness, or fluctuating conditions.

These differences in experience of ill-health or impairment help to explain wide differences in employment histories, and different expectations of sustaining work or developing careers. People who were facing deterioration in their condition, and increasing problems in doing paid work, especially older people, had different expectations for their working life from those who were hoping to make a full recovery after treatment or surgery.

Not everybody used medical terms when they talked about the impact of their illness or impairment on their experience of work. Across the study group, conditions described as affecting the amount or type of work people had been doing in recent years included circulatory conditions, such as angina and coronary disease; musculo-skeletal conditions, such as arthritis, spinal injury, osteomyelitis; loss of sight or hearing; kidney disease; neurological problems, such as epilepsy and multiple sclerosis; industrial illness; restricted mobility; pain; fatigue; problems with memory, understanding and learning; problems in communication and relationships; alcoholism and drug abuse; and different kinds of mental illness, including schizophrenia and depression. Some people talked about several health problems or impairments, which had different effects on their capacity to work.

It appeared that at least one half of the members of the study group were currently in receipt of DLA.

#### *Experience of a similar tax credit or benefit*

Many people in the study group reported previous experience of receipt of WFTC, DWA, FC, or FIS.

From what people told us, it appeared that there were 19 recipients who were 'new' to DPTC, and had not received or applied for any other tax credit/benefits.



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Dear *(named person)*

### **YOUR VIEWS ON DISABLED PERSON'S TAX CREDIT**

I am writing to ask for your help with an important study. We want to hear the views of people who have received the Disabled Person's Tax Credit. The tax credit is new and we need to know what people think about it. What you have to say is important, whether or not you still receive it.

We have asked the Social Policy Research Unit (at the University of York) to carry out independent research on our behalf. If you would like to take part then you don't need to do anything. A researcher from the Social Policy Research Unit may get in touch to arrange a time to meet with you and to answer any questions you might have. Please let us know if there is anything we can do to make it easier for you to take part.

Anything you say will be treated in strictest confidence. Nobody will be able to identify you from the research report and nothing you say will affect any current or future dealings you may have with this or any other government department.

I do hope you decide to take part in this important study. Every one who takes part will be given £20 as a token of thanks for their help. However, if you do not wish to take part, please let me know by Friday 22<sup>nd</sup> of June. You can either write to me using the FREEPOST envelope provided (no stamp needed) or telephone me on 020 7438 6437.

Unfortunately, the researchers will not be able to talk to everyone who gets this letter. If you have not heard from a researcher by August 2001 you will know that you are not being asked to take part any further.

Thank you for your help. I hope you will be able to take part if you are approached and that you enjoy talking to the researcher.

Yours sincerely

TINA HAUX  
Research Officer

# **DISABLED PERSON'S TAX CREDIT: QUALITATIVE RESEARCH**

## **Topic Guide**

**June 2001: SPRU**

### Overview of discussion

1. Personal and household circumstances
2. Employment circumstances and history
3. Knowledge, beliefs and influence
4. Making an application
5. Payments
6. Role of Disabled Person's Tax Credit
7. General beliefs and feelings about getting Disabled Person's Tax Credit

## **DISABLED PERSON'S TAX CREDIT: QUALITATIVE RESEARCH**

### INTERVIEWER'S INTRODUCTION

*Remind about SPRU; research funded by the Inland Revenue, to provide information about the experiences and views of people using Disabled Person's Tax Credit.*

*Explain the issues to be covered, using the list overleaf.*

*Discussion will last around one and a half hours - need for breaks?*

*Explain confidentiality, and how the material will be used.*

*Ask for permission to use tape-recorder.*

*Explain discussion will have no effect on any benefits, or any dealings with Inland Revenue, Benefits Agency, Employment Service, Child Support Agency etc.*

*Any questions or concerns?*

*Give money gift, remember receipt.*

### **1. PERSONAL CIRCUMSTANCES**

**First of all, I would like to know a bit about you.**

May I ask who there is in your household/whether you live on your own?

household members; age  
responsibility for children  
tenure/accommodation

What is your current situation (and your partner's) in respect to paid work?

employee: occupation  
self-employed: activity; type of business  
other work-related activity (education, training)  
not currently working - reasons

Your name was chosen because you have recently been receiving Disabled Person's Tax Credit. (*confirm receipt*) When did you first apply? And what were the circumstances in your work situation and health which led up to that application? (*build a general picture of work/benefits history in years, including impact of health condition or impairment*)

jobs/career  
impact of ill-health/impairment on employment opportunities, jobs taken  
periods on long-term benefits  
route onto DPTC: previous benefit/employment situation

Are you still receiving Disabled Person's Tax Credit?

(*trace claim - repeated applications, reasons for not reapplying*)

May I ask if you getting any other disability or incapacity related benefits or allowances at the moment?

**Now I'd like to talk about some of these things in more detail.**

## **2. EMPLOYMENT**

Will you tell me more about the work you were doing when you first applied for Disabled Person's Tax Credit?

activity, type of employer/self-employment  
workplace, type and location  
supported placement/employment  
hours of work; times of work

How long had you been in this job when you applied for Disabled Person's Tax Credit?

How well did/does that job suit you?

interest/skills/qualifications match  
suitability in respect of impairment/health condition  
earnings: amount, regularity, adequacy

*Ask those now in different job or not working: reasons for leaving/changing job*

*Ask people with a partner: May I ask about your partner's employment situation? (establish general employment history, and employment status at time of claim)*

How important to you (and your partner) is paid work?

reasons for working

Are you expecting any changes in your employment situation in the next year or so?

impact of health/impairment

## **3. KNOWLEDGE, BELIEFS AND INFLUENCE**

**We are interested in what people thought about Disabled Person's Tax Credit before they applied.**

How did you know about Disabled Person's Tax Credit?

source of information (previous DWA, formal/informal advisors, publicity, employer, occupational health)  
timing of information  
context of hearing (job search, financial/medical advice, talking to friends)

Why did you think it might be relevant to you?

*(Explore general beliefs/expectations.*

*Follow up particular issues mentioned.*

*Explore knowledge of qualifying criteria: hours rules; qualifying benefits and source of information of these aspects)*

What were the main influences on your deciding to apply?  
(Explore extent of influence, understanding of tax credit, and source of information)

*Explore as appropriate:*

- recognising eligibility (understanding of criteria)
- need for extra income
- wanting to start work
- wanting to make a change in work (hours, jobs)
- change in family circumstances (new children, partner, childcare)
- change in partner's work/health

Did you have any concerns or anxieties about applying? how resolved or addressed?

*Explore as appropriate:*

- effect on other benefits
- application process
- employer's role

*If person applied for Disabled Person's Tax Credit AFTER starting work ask:*

When you were thinking generally about starting work/moving off benefits, was Disabled Person's Tax Credit an influence?

*(Explore general beliefs/expectations, and source of information. Follow up particular issues raised)*

*If appropriate, explore role of DPTC in*

- reducing uncertainties due to health (knowledge of linking rule)
- reducing financial concerns (affording to work; being better-off)
- influencing choice of job; location; employer
- influencing hours of work
- level of pay required/acceptable

*Ask all:*

Did you know how much tax credit you would receive before you applied?  
source of information

#### **4. MAKING AN APPLICATION**

**Now may we talk about your experience of making the application for Disabled Person's Tax Credit.**

*(There may have been more than one application, and some people may be experienced FC or DWA claimants - adapt questions appropriately. Remember that some people have particular requirements in dealing with administration and form filling - adapt questions appropriately)*

How did you get the application pack?  
who was involved? procedure, any problems

What was it like dealing with it?

*(Explore understanding, practicalities, views, problems. Look for suggestions for making things easier. Remember that somebody else may have been involved or dealt with much of it)*

did you look at the **advice notes?** *(in the claim pack)* - usefulness

what about the form you had to fill in about **your work, and personal circumstances?**

*(in the claim pack)*

*(employees)* did you have to give a form to your **employer?** *(in claim pack - for earnings information)*

*(parents)* did you use a separate form about your **childcare charges?**

did you have to send in a separate form about **how your illness or disability affects you** *(renewals and repeat applications, some first applications; Fast-track)*

*(Fast-track applicants)* did you have to send an additional form which you got from the Tax Credit office?

*(self-employed people):* what kind of financial information did you provide?

Did you have to ask anybody else to provide information?

*Explore understanding, practicalities, views, problems (doctor's declaration required for Fast-track; names of two people required to confirm effect of illness or disability for repeats/renewals)*

Did you use a Helpline? *(which used, explore experiences and views)*

*Self-employed people:* May I ask about the financial aspects of your work and how this fitted what you had to tell the Inland Revenue?

variation in income flows?

type of financial records kept? (computer, day-book)

book-keeping responsibility? (self, partner or book-keeper)

use of an accountant for tax purposes?

involvement of accountant in application - charges?

What did you think about the amount that the Inland Revenue took as your earnings for Disabled Person's Tax Credit?

## 5. PAYMENTS

**May I ask how the Disabled Person's Tax Credit was/is paid to you?**

How well did/do those arrangements work in practice?

waiting time for first payment

employer involvement

How well did/do those arrangements suit you? (*explore views on delivery and periodicity*)

- comparison with benefits
- views of partner
- self-employed people*: fit with money flows
- preferences for other arrangements

May I ask how much Disabled Person's Tax Credit you receive(d)?

- views on amount, comparison with wage
- match with expectations
- how used

Did/does getting Disabled Person's Tax Credit affect any other part of your income or budgeting? (*explore impact, understanding, anticipation, views*)

- interaction with housing benefit/council tax benefit
- passport benefits
- paying for care services that you need (LA charges, Independent Living Funds)
- child maintenance payments due from non-resident parents

*Ask parents*: How does Disabled Person's Tax Credit fit in with your arrangements for childcare, or any arrangements you might make in the future?

- nature of arrangements
- role of childcare tax credit
- understanding of rules
- views and experiences

*Ask parents entitled to child maintenance*: Is it clear to you whether there is a link between your Disabled Person's Tax Credit and your child maintenance?

- understanding
- comparison with DWA/Family Credit
- impact on decisions about working
- impact on decisions about pursuing child maintenance

## **6. ROLE OF DISABLED PERSON'S TAX CREDIT**

**I would like to talk about the effects for you of getting Disabled Person's Tax Credit.**

Does/did getting Disabled Person's Tax Credit make it easier for you to work? (*explore*)

- reduction of insecurity/anxiety
- financial rewards from work

Have you heard of the linking rule? Have you heard of Fast-track? (*Explore understanding and impact*)

Has getting Disabled Person's Tax Credit influenced you in changing the amount of work you do or changing your job? Or thinking about changing your work at all?

- reduction in hours without Fast-track
- increase in hours (16 and 30 hour rules)
- use of Fast-track
- change of job
- self-employed*: the way you run your business

Does/did getting Disabled Person's Tax Credit influence:  
how you feel about your employer?  
how your employer deals with you?  
your relationships with working colleagues?

Are you better-off financially, as a result of getting Disabled Person's Tax Credit?  
in comparison with being on benefits (own experience, or beliefs)  
in comparison with previous work situation without Disabled Person's Tax Credit

*Ask self-employed people:* Does getting Disabled Person's Tax Credit have any other impact on your business?

Are there problems and barriers to your working, or working in the way you would like, apart from those we have talked about?  
how could these be reduced?

## **7. GENERAL BELIEFS AND FEELINGS ABOUT GETTING DISABLED PERSON'S TAX CREDIT**

**Disabled Person's Tax Credit is a fairly new arrangement, and we are interested in how people feel about using it.**

Do you feel that getting a tax credit from the Inland Revenue is different from getting a benefit from the Benefits Agency?  
in what way; advantages/disadvantages; preferences  
comparison with Disability Working Allowance

Do you have any other dealings with the Inland Revenue? Does this influence how you feel about getting a tax credit or the way it is dealt with?  
self-employed people - tax assessment  
tax arrears

Are there any advantages/disadvantages in the payments staying the same for six months?  
awareness of 'new child' rule

Is Disabled Person's Tax Credit an influence on your plans for the future, or those of you and your partner?

Have you had experience of any other ways of getting financial support when you are working? (*explore experience and views, and seek comparison with working with Disabled Person's Tax Credit*)  
therapeutic work; Work Trial; income support disregard  
Access to Work

Apart from financial support, have you had experience of other ways of supporting people in work (*explore experience and views*)

New Deal for Disabled People/Personal Advisor

other New Deals/ONE

Disability Employment Advisers

at work

employer subsidy (supported placements)

Are there any other financial arrangements that the government might make so that it was easier for disabled people or people with a health condition to do paid work?

*Thank the person.*

*Explain that general findings will be published by the Inland Revenue, probably in late 2002. Ask if they would want to receive a summary of findings, and make a note on the receipt proforma, accordingly. Tell them SPRU will get in touch about this, but not until late 2002.*

PAC/SP

E-mail: pac2@york.ac.uk

August 2001

Dear

**Research on Disabled Person's Tax Credit**

In early June the Inland Revenue wrote to you telling you about some research they had commissioned about the views and experiences of people who had used Disabled Person's Tax Credit. The letter said that you might be asked to take part in that research.

I am the person at the University of York who is responsible for that research. I am writing to tell you that we have now talked to a number of people living in your area, who have experience of Disabled Person's Tax Credit, and we have finished the research interviews. We therefore do not need to take up your time and you will not be hearing again about this matter from us, or the Inland Revenue.

If, however there were things about Disabled Person's Tax Credit that you particularly wanted to tell the researchers do telephone me on 01904 433608, and I will be pleased to talk to you.

Thank you very much.

Yours sincerely

Anne Corden

## **Appendix C Phase Two: group discussions**

### **Pilot exercise**

A rigorous pilot exercise was important, in view of the relatively modest numbers of DPTC recipients and the fact that there have been no previous attempts to conduct a series of group discussions with DPTC recipients. The pilot was undertaken to test:

- a) the feasibility of conducting group discussions with DPTC recipients
- b) whether the group discussion provided information useful to the Inland Revenue.

The Inland Revenue used the DPTC database to identify all DPTC recipients living in a conurbation in the north west of England who had recently been awarded DPTC as a lone parent, and sent these clients a letter explaining the research, with an opportunity to opt out. After two weeks, names and addresses of 49 lone parents who had not declined were forwarded to the recruiting agency contracted to the Social Policy Research Unit, who made personal visits to invite people to take part.

Recruitment was challenging in view of the relatively wide recruitment area. Six lone parent recipients accepted the invitation and came to a discussion group. Findings from the tape-recorded discussion, which was moderated by a researcher using a pilot topic guide, were reported quickly to the Inland Revenue.

The pilot demonstrated that it was feasible to recruit DPTC recipients to a discussion group, that the research instrument worked well, and findings were helpful to policy makers. Four further discussion groups were convened.

### **Recruitment**

The aim was to include overall, in the five discussion groups including the pilot, a mix of DPTC recipients with different characteristics in respect of age, sex, family and household type. With so few recipients living in any one local area, it was not possible to conduct any further purposeful selection. There were considerable constraints on the choice of areas in which to recruit, due to the relatively low numbers of recipients and their wide dispersal in some areas.

Using the DPTC database, the Inland Revenue identified all DPTC recipients in four different conurbations in the north of England and Scotland who had been awarded DPTC recently. In each area recipients were selected in one of the following groupings: parents in two-parent families; older people aged 50 years and over; younger people aged 28 years and under, and self-employed people. The Inland Revenue sent letters of invitation, with an opportunity to opt-out (copy attached) and dealt with any enquiries or contacts at this stage. After two weeks, names and addresses of recipients who had not declined to take part were forwarded to the recruiting agency, who made personal visits to invite people to discussion groups. Some people wanted time to think, and many repeat calls were necessary.

Discussions were arranged for early evening in accessible and comfortable local venues including a hotel, library and community hall. The recruiter offered to make arrangements for travelling to the venues, or full reimbursement of expenses for people who preferred to make their own travel arrangements. The relatively wide dispersal of the recipients meant that some people were being asked to travel long distances. Costs of any childcare required so that parents might attend were offered. Everybody visited by the recruiter was asked if there were any practical arrangements that could be made to make it easier for them to attend. Refreshments were offered before and during the discussions.

It was expected that some recipients of DPTC whom the recruiter visited would say that their particular impairment or health condition made it especially hard to take part in a group discussion. Parents of young people with severe learning disabilities had raised this issue with the Inland Revenue, in response to the initial letters which had been sent to their sons or daughters. The researchers addressed this and tried to enable everybody who wanted to take part to do so, by offering to meet individually any such young person. Nobody to whom the researchers wrote to this effect, asked to take part in this way however.

### **Conduct of discussions**

The group discussions took one hour, and were moderated by one of the researchers using the topic guide (attached). At some events a second researcher was present, to help with practical arrangements, and observe and make notes on the dynamics of the interactions and interest levels.

Discussion was steered across the following areas:

- learning about DPTC and its relevance to themselves
- how much and what kind of information people needed about DPTC
- the best ways of providing that information.

The discussions were tape-recorded, with permission of participants, and transcribed for analysis.

Participants each received a money gift in acknowledgement of their help, which was given before the discussion started. In addition, they received a pack of information about the two new tax credits currently being advertised, which was prepared by the Inland Revenue.

**Table C1 Overall response and recruitment**

	Recipients in DPTC database	Opt-out to Inland Revenue	Names supplied for recruitment	Personal contacts made	Took part in discussion group
Area A lone parents (pilot)	51	2	49	18	6
Area B older people aged 50+ years	64	7	57	23	6
Area C parents in two-parent families	69	9	60	24	7
Area D younger people aged 28 years and under	54	1	53	34	4
Area A self-employed people	72	5	67	14	5

**Characteristics of participants**

The people taking part in the group discussions chose themselves how much to share with other people about their personal circumstances and employment situations. There is therefore no systematic information about the characteristics of people taking part. The original selection criteria, and information provided by some people during the discussions, enables the following observations.

Overall, the 28 participants in the group discussions included people in all age ranges; with and without children; in different kinds of paid work, including self-employment. There were 10 men and 18 women. People working part-time were included, and people working more than 30 hours weekly. Some were long-term users of in-work financial support, while some were 'new' to DPTC. It appeared that those who were recruited on the basis that they were parents generally had children in older age ranges. Some of the participants were people from minority ethnic backgrounds. Not everybody chose to talk about the impairment or health condition which meant that they were entitled to DPTC, but among those who did, some mentioned mental health conditions, musculo-skeletal conditions, injury or accident, and epilepsy.



**ANALYSIS AND RESEARCH**  
Room 52  
Somerset House  
London WC2R 1LB

Tel No. 0207 438 6437  
Fax No. 0207 438 4329  
Email: Tina.Haux@ir.gsi.gov.uk

27 August 2002

Dear

### **Your views on Disabled Person's Tax Credit**

I am writing to ask for your help with an important study. We want to hear the views of people who have received the Disabled Person's Tax Credit. We are especially interested in finding the best ways to provide the kind of information that people like you need.

We have asked an independent research organisation called the Social Policy Research Unit at the University of York to carry out this work for us. An organisation called \*\*\*\*\* is helping to make the arrangements.

If you would like to take part, you don't need to do anything. A person working for \*\*\*\*\* may get in touch with you to come to talk about the tax credit for an hour with a small group of other parents living in \*\*\*\*\* who have also used Disabled Person's Tax Credit.

The person who gets in touch will be able to talk about any arrangements that would make it easier for you to take part. We will pay your travel expenses and pay for any childcare expenses to enable you to come. The meeting room will have accessible toilets close by, and a car park just outside. There will be tea, coffee and soft drinks, and refreshments. You may have other requirements to enable you to take part and the person who gets in touch will ask about these.

Everything that you say in the meeting will be treated in strictest confidence. Nothing you say will affect any dealings you may have with this or any other government department.

I do hope you will help us by taking part. **Everyone who takes part will receive £20 as a token of thanks as well as their expenses. However, if you definitely do not wish to take part, please let me know by Tuesday, the 10<sup>th</sup> of September 2002.** You can either write to me using the FREEPOST envelope provided (no stamp needed) or telephone me on 020 7438 6437.



Unfortunately, the researchers will not be able to talk to everybody who gets this letter. If you have not heard from a researcher *by the end of September* you will know that you are not being asked to take part any further.

Thank you for your help. I hope you will be able to take part if the researcher gets in touch, and that you enjoy the occasion.

Yours sincerely

Tina Haux  
Senior Research Officer

## Disabled Person's Tax Credit

### Recipients' views

### Discussion group

**DRAFT GUIDE (as used in pilot; adjusted for other groups)**

#### **1. MODERATOR'S INTRODUCTION**

**You were invited to take part in this research because you have recently been receiving Disabled Person's Tax Credit. The Inland Revenue is responsible for tax credits, and they want to hear your views on the way information is provided about Disabled Person's Tax Credit, to help improve their service to people like you.**

- *introduce self and SPRU, and second moderator*
- *explain issues to be covered*
- *explain mode of discussion*
- *discussion will last an hour. Check everybody can stay. Check need for breaks.*
- *check everybody has received their gift*
- *explain confidentiality and how the material will be used*
- *explain discussion will have no effect on current claim, or any other benefits or dealings with DWP, Inland Revenue, Employment Service, Child Support Agency or employers*
- *any questions?*
- *seek permission to use tape-recorder, and explain use of tape.*

## **2. PARTICIPANTS' INTRODUCTION**

**Could we start by just going round to introduce yourselves, with your name, and tell us the ages of the children you care for, and whether you have a paid job now.**

*Participants may or may not identify themselves as lone parents and/or disabled.*

*Focus on being a parent and doing paid work.*

## **3. LEARNING ABOUT DISABLED PERSON'S TAX CREDIT**

**We are interested in how people find out in the first place that there are tax credits. May we talk about how you knew there was a Disabled Person's Tax Credit.**

*Explore*      search for/unsolicited information; common knowledge  
key sources/informants  
key components of information  
what information influenced further enquiry/claiming

## **4. RELEVANCE TO OWN SITUATION**

**We are interested to know what helps people understand that Disabled Person's Tax Credit is relevant to them. What was it that made you think 'this might be for me'?**

*Explore*      perceptions of role and purpose  
associations with own identity:  
worker, parent, disabled, tax payer,  
advice: source; perceived authority

**Did anything make you think it might not be for you or put you off finding out more about it?**

## **5. INFORMATION NEEDS**

**We are interested in how much information people need to have themselves about Disabled Person's Tax Credit. I mean, information about the rules and how it works. What kinds of things do you need to know?**

*Spontaneous discussion – follow what is suggested, looking for priorities/agreement.*

*Prompt issues that do not arise. Aim to include:*

- how much money people get
- how income is worked out
- how health or impairment is taken into account
- how childcare costs affect things
- payments – periods and delivery
- impact on other benefits, child maintenance
- what happens if circumstances change

*As issues arise explore for each:*

- key components of information, and why wanted
- at what stage
- what has been easy/hard to find out
- things still not understood – impact of lack of understanding
- what people don't need to know

## **6. PROVIDING INFORMATION**

**We want to know about the best ways of providing the information you want about Disabled Person's Tax Credit. Based on your own experience, how do you like to get information?**

*Explore preferences/requirements/advantages/disadvantages:*

- general/personalised approaches
- sources for information – IR and other agencies /organisations
- medium – telephone; written information; face to face
- what place for advertising? TV, radio, poster, fliers
- specific practical suggestions for information provision
- any examples of good practice from other situations/scenarios
- timing issues

**Is there anything else that people would like to say?**

**Thank you very much. Your views will be most helpful for the Inland Revenue in making the changes to Disabled Person's Tax Credit.**

**If information is requested about new tax credits:**

**DPTC is being replaced next April by two new tax credits, the Child Tax Credit (for families with children) and the Working Tax Credit (for people in lower paid work). Help for disabled people will be delivered through these new tax credits. The Working Tax Credit will include a disability element for the sort of people who are eligible for DPTC now. The qualifying conditions for the disability element will be the same as for DPTC now.**

**If people would like to know more about the new tax credits, they should ring the existing helpline: 0845 605 5858.**



