Low Incomes
Tax Reform
Group

A voice for the unrepresented

# Digital Exclusion

A research report by the
Low Incomes Tax Reform Group of
The Chartered Institute of Taxation

April 2012

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# Contents

# 1. Foreword

For decades, information and communication technologies (ICT) have been driving profound changes in the way in which individuals, organisations and governments interact. The benefits of digital technologies are numerous and far-reaching.

Government vision is to make the UK a world leader in digital excellence. The Government Digital Service (GDS) team based in the Cabinet Office is tasked with delivering this vision and sets out its key aims on its website:

> "… government itself needs to become digital in thinking in order to deliver services which are suitable for users. The second implication is that as digital by default comes into effect the scale of government service provision will grow dramatically and the quality and user centricity of major commercial internet properties should be our minimum goal. We aim to make the products and services built by GDS not just best in class, but stand shoulder to shoulder with the sort of digital experience that users come to expect from daily interaction with the giants of the web.[1]"

Digital inclusion is a priority for the coalition government and is seen as key to the efficient and effective delivery of government services and information. Additionally, the UK public sector is under considerable pressure to identify savings, while maintaining vital frontline services. The increasing use of Information Technology (IT) has a significant role to play in achieving these challenging objectives. To this end, strategy has focused on making public services 'digital by default'.

A central strand of the digital agenda is to encourage people to do their government business online. Doing business online can make good economic and administrative sense for both state and citizen if they are able to do so. However, it must be recognised that there are several segments of the population who are either unable to engage digitally or who struggle to do so.

As digital strategy across government continues to prioritise online channels above other more traditional forms of communication, the time seems right to report on how the digital divide affects government strategy and policy, particularly where citizens have obligations to declare their income for tax purposes, to pay tax and duties, and generally comply with their tax obligations. This report shows

1 http://digital.cabinetoffice.gov.uk/about/

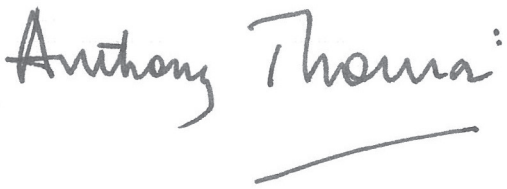
that significant numbers of citizens are being left behind as a result of government policy and are in danger of falling even further behind in future, leading them to become unwitting – and unwilling – defaulters on their tax obligations.

This document is the result of something of a stock-taking exercise. As will be clear to those who read the report in full, not only is there a digital divide, there is also an ever-increasing gulf between the haves and the have-nots, not only in terms of access but in levels of digital literacy. This report comments on some clear trends and makes a number of key recommendations in the context of government digital policy.

We intend to revisit this area as HMRC – and the DWP in the context of universal credit – continue to develop their digital policies.

Whilst we recognise both the fundamental shift to digital channels and the potential enabling benefits for many citizens of being able to communicate with government departments online, we urge government to ensure that no-one is left behind.

Signed



**Anthony Thomas**
**President of Chartered Institute of Taxation**
**Chairman-designate, Low Incomes Tax Reform Group**

# 2. Summary and recommendations

## 2.1 Key findings from this report

- Evidence cited in this report shows that **a significant proportion of the UK population is digitally excluded**[2] (see section 5) either through not having Internet access or because of low levels of digital literacy. As government moves services to self-serve channels, significant numbers who are unable to move online, or are not computer-literate, may be dissuaded from using government services, or be unable to use them effectively.

- A common misconception is that digital exclusion affects only individuals. **Small businesses**[3] **too, including companies, are affected by digital exclusion.** This is not only a problem for the proprietor but for the business itself, particularly as self-employment and the number of one-person companies and businesses increases and the profile of working-age people changes (see section 5).

- **Digital exclusion is about more than not having access to a computer.** It is not enough that citizens are able to access government services online – a sufficient level of digital literacy is required to be able to recognise when information is needed and to have the ability to locate, evaluate and make effective use of the online systems.

- **Digital exclusion will persist although it cannot be certain to what degree**. From evidence and research cited in this report, a 'hard core' group may continue to be excluded at least for some time – those who cannot (or will find it excessively difficult to) overcome the barriers to exclusion and those who are simply not motivated to transact with government departments using digital channels. A key issue is whether those who are digitally included under retirement age will continue to be included beyond retirement. A major challenge is how to accommodate excluded citizens without incurring unreasonable cost out of the public purse.

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2 For the purposes of this report we focus on access to and regularity of use of the Internet as the key determinants of whether someone is digitally included.

3 There are 3 million unincorporated businesses in the UK that have a turnover of £70,000 or less, including approximately 2 million with a turnover of £20,000 or less. Although these are the smallest businesses in the UK, they form a vital part of the UK economy

(See Office of Tax Simplification discussion paper, July 2011: *A Simpler Income Tax for the Smallest Businesses* – http://www.hm-treasury.gov.uk/d/ots_tax_for_small_business_discussion_paper.pdf)

- **Motivational factors continue to be a significant barrier to digital inclusion and to use of e-government services**. There is a significant challenge to government departments to shift demand to self-serve channels. Evidence cited in this report shows that that many people fail to see the perceived need to use the Internet and to move to using government services online – this attitude is particularly prevalent among older people (see Appendix 2). Where people do have access to the Internet, there is much evidence that use of government services is low and that many prefer to continue to use traditional in-person channels to communicate with government departments.

- **The drive for digitisation of government services could reinforce the social exclusion of a sizeable segment of the population.** This could lead to wider impacts in the medium and long term. Various studies have established that there is a strong correlation between digital and social exclusion although the extent of causation is less clear[4]. If digital exclusion persists then it is likely social exclusion may be compounded.

- **There is significant risk that wider government policy to continue to shift demand to e-channels will disengage the digitally excluded and compound exclusion**. The digitally excluded are likely to be disproportionately heavy users of government services[5] (see section 5). Our research shows that the right balance may not have been struck between driving services to digital channels and assistance into digital. Policy thinking has not always addressed the particular issues of exclusion and digital literacy relevant to excluded groups.

- **There is an ongoing need for the provision of high-quality public services** to meet the needs of all citizens – this is of particular importance for those people with greater social needs. Continuing to tackle the digital divide is an essential element of government strategy to ensure public services are delivered effectively, but it is not the only element.

- **Moving government services to digital channels gives rise to a range of displacement costs.** This report recognises that the shifting of government services online can deliver significant cost savings for government departments and benefits to many citizens. However, this often means the costs are displaced elsewhere – usually to the voluntary and charitable sector, which has to plug the gaps, and to users of government services.

4 See, for example, Freshminds UK Online Centres 2007 Understanding Digital Inclusion: A Research Summary

5 http://raceonline2012.org/sites/default/files/resources/208-10_-_channel_shift_announcement_final_version.pdf

## 2.2 Recommendations

The recommendations in this report are intended to inform HMRC and DWP digital policies as they continue to develop, though we also seek to influence wider government policy where appropriate. Our recommendations are as follows:

- **Emphasis of digital policy should continue to be on encouragement and assistance into digital –** this should focus on collaborative working with key stakeholders to 'bring in' the digitally excluded, where possible. Enabling people to move to government e-channels through continued assistance into digital policies (see section 8) should be a clear goal. Development of service delivery must continue to cater for the significant minority who are digitally excluded.

- **Digital by default should take an inclusive approach, not a mandated one**. Paper alternatives must always be available for all tax transactions. Citizens should not be forced to fulfil their obligations online if they are unable to do so or will find it excessively difficult[6]. In the context of online filing for all business taxes, compulsion now seems out of step with much more enlightened thinking in HMRC around assistance into digital (see Section 8) and gives rise to some important legal questions (see Section 10). Compulsion also seems out of step with wider government policy: most notably, Companies House has not pushed for the introduction of mandatory electronic filing because of the government's determination not to add any new regulations that affect small business[7].

  If a business is able to operate without a computer, it should not be compelled to fulfil any of its obligations through digital channels. Given that there are already exemptions from mandatory online filing requirements for certain groups[8], such as people whose religious beliefs prevent them from using the Internet, it should not be difficult to extend these exemptions to other businesses that either cannot or do not wish to use digital channels to file their business returns. The combination of penalties for not filing online and technology that some people cannot grapple with may mean that they may have to stop working altogether.

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6 When looking to introduce or alter the obligations of citizens relating to tax administration, the government should bear in mind the concepts of "virtual impossibility" or "excessive difficulty" established at an EU level in respect of various areas of domestic legislation. It has been used in a number of cases in connection with the principle of effectiveness and rights of taxpayers, mostly in relation to repayments of tax.

7 http://www.companieshouse.gov.uk/about/electronicServices.shtml

8 http://www.hmrc.gov.uk/vat/vat-online/moving.htm#4

http://www.hmrc.gov.uk/paye/payroll/year-end/paper-filing.htm

- **Improving online options should attract more people to self-serve channels, therefore obviating the need for compulsion. This might involve opening them up to private competition, provided that there is a cost-free regime for those on low incomes.**

    - Online services should be made **as simple as possible** for the digitally disadvantaged to use them. Most services are provided for a generic, predominantly literate and non-disabled audience, so may not meet the needs of less literate users. Digital policies must continue to develop to recognise and address such issues.

    - Online services must be **continuously improved** to provide added value as compared to other channels and as part of a multi-channel strategy. Integral to this is to ensure that websites contain comprehensive information and guidance but are easily navigable and accessible to meet the needs of the digitally excluded. There must not be a 'one-size-fits all' approach to developing online services – adopting second-class, short-term solutions is likely to cost more in the longer term.

    - **Maintain and enhance levels of motivation** – citizens who are able to use online government services must be motivated to continue to do so and services must be up to standard. Many people find it frustrating that they cannot interact online with government services in the way that they want to. It is imperative that high-quality customer service and support is provided through online channels, in order to retain users as well as well as to attract new users. Government online services must be robust and secure in order to instil confidence in users, particularly older people for whom security is identified as a significant concern in this report. Once the customer has had a poor experience then trust may be lost for a long time.

- **Consider wider availability of partial digital options and give wider publicity to them.** Partial digital alternatives might be considered as a further option for vulnerable groups. This could involve information being digitalised by third parties, though there would be a need to tread carefully with such a strategy to ensure that the necessary safeguards were in place. Publicity for such options would have to be carefully targeted through a range of channels so as to reach key disadvantaged groups, including use of intermediaries, and be very clear about who was and was not an authorised intermediary for such purposes. Facilitation by intermediaries may give rise to added benefits by engaging people in online government services and increasing confidence and trust in using them.

- **Citizens should be free to migrate to digital channels in their own time and as they become increasingly comfortable with technology**. Levels of digital exclusion are predicted to fall though it will continue to represent a very significant problem. Inevitably, many more people will move online over the next decade as a result of UK and EU digital strategies to improve broadband

access[9] and levels of digital literacy[10].

- **HMRC and the DWP should continue to explore further opportunities to increase use of their online services. They might consider:**

    - Provision of access to services through e-mail channels. Many people want to interact online with HMRC and the DWP. Evidence from various LITRG website enquiries is that there is a great deal of digital confusion out there – for instance, taxpayers e-mailing LITRG, under the impression that they are interacting with HMRC.

    - Completely rethink processes so as to take advantage of digital solutions and provide simpler interfaces with their customers

    - Wider use of information technology such as mobile telephones and voice analytics to reach a wider audience. For example, nearly two-thirds of those aged 65+ use a mobile telephone[11] compared with much lower levels of Internet usage, even where they have access.

- Whilst the overall objective is clearly to move citizens to online self-service, **an evolution or transition** is required given that some citizens, either due to the complexity of their particular issue or situation, or the level of their technology literacy, may not be able to self-serve. An approach to different combinations of barriers to digital inclusion may be required.

- Understanding behavioural issues and Internet usage – **digital policies must plan for groups who are not ever going to be able to cope with digital services, or who will not be inclined or motivated to do so** (digitally dismissive[12]). Government should not assume that citizens have access to information technology or, if they do, that they are able, or inclined to, use online government services via digital channels[13]. This includes businesses.

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9 The UK Government has set itself a target of achieving universal 2Mbps access by 2015. Currently, 2 million homes in the UK cannot get 2Mbps speeds. The European 'Digital Agenda' has set a clear target to give every European access to fast and ultra fast broadband by 2020.

10 It is predicted that levels of digital literacy should improve over the next decade due to government initiatives such as 'Race Online'

11 Ofcom Communications Market Report: UK (4 August 2011)

12 This group have (or potentially have) a means of accessing the Internet but choose not to use it (UK Online Centres: Transformational Government for the Citizen: Research Report).

13 Research by OxIS in 2011 reported that a resilient 43% of current Internet users had not used any government online service in the past year, even for information seeking.

- **In order to plan out its future digital strategy at a wider level, government should consider research to predict levels of digital literacy** with a particular focus on key digitally excluded groups including those who are digitally constrained[14]. An expanded vision of digital literacy will be required by government and policy makers to ensure that online channels meet the needs of users and national policies support digital literacy initiatives. There needs to be a common understanding of the parameters digital literacy covers.

- **All policy changes should be examined for their digital feasibility. This might involve a set of requirements for all policy makers or process or systems owners when moving a paper process online.** For example, a clear picture of the customer base affected by the process, how many are digitally excluded, who they are and how they will be catered for and a comparison between the on-line and the paper journeys. Many digital problems are caused by complexity of law and HMRC processes which are replicated digitally.

- **Role of intermediaries** – the role of the voluntary and charitable sector (VCS) as well as public facilities and friends and family to help the 'willing but always needing help' group is increasingly vital, particularly as this customer group may require ongoing and sometimes permanent help. **Government acting in concert with stakeholders must decide on and set out the role of both the VCS and 'family and friends' sectors through a published strategy for 'digital intermediaries' in the context of digital policy as it continues to develop. Enough of the savings identified from reduction in service delivery costs must be reinvested in these sectors to enable them to perform their roles well, with ongoing evaluation of the funding required**.

- **HMRC and the DWP might wish to consider an approach to delivering services which focuses on demand management strategy** in line with recommendations from the recent OECD study on: 'Working smarter in revenue administration – Using demand management strategies to meet service delivery goals'[15]. This may require re-thinking processes for digital purposes. Evidence from the OECD study was that despite setting service objectives to shift taxpayers to self-service and the online channel, many revenue bodies were continuing to experience high demand on their more expensive in-person and inbound call channels. In this context we recommend careful evaluation of the report to understand the drivers and causes of demands on taxes and benefits services and to devise appropriate mitigation strategies. HMRC might also wish to consider best practice from, for example, the US, Australian and Japanese tax systems, in relation to online filing policies for small businesses.

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14 This group are constrained in their use of the Internet by their level of skill and/or confidence (UK Online Centres: Transformational Government for the Citizen: Research Report).

15 http://www.oecd.org/dataoecd/53/8/49428187.pdf?bcsi_scan_567EAC7912F7461B=0&bcsi_scan_filename=49428187.pdf

# 3. About this report

## Scope

This report summarises the findings of a study by the Low Incomes Tax Reform Group on digital exclusion and the impact of the government's 'digital by default' policies on taxpayers, tax credit claimants and National Insurance contributors who are digitally excluded.

In our report we focus specifically on the challenges of digital exclusion, including literacy; how they affect people's ability to comply with their tax obligations; and whether HMRC's digital assistance strategy is equal to those challenges.

This report also takes a sideways look at the Department for Work and Pensions (DWP) and their digital strategy for shifting benefits to self-serve channels, including consideration of the new Universal Credit.

Recommendations from this report are intended to reflect a collaborative and inclusive approach to digital policy thinking and future developments. Although the recommendations are intended to apply to digital policy for taxes and benefits, they are also relevant to wider government thinking.

## Purpose

Our recommendations in this report seek to influence future policy development in relation to the impacts of government digital policies on taxpayers and benefits claimants who are digitally disadvantaged.

## The Study

This report relies on a wide body of both objective and subjective evidence.

A part of our evidence comes in the form of a survey of customers of the following charitable organisations carried out between December 2011 and March 2012:

- TaxHelp for Older People
- TaxAid
- The Migrants Resource Centre.

The survey was completed by 758 respondents in the course of telephone and face-to-face meetings and by post. The results are presented in Appendix 2 to this report.

Although our survey is not intended to be representative of the public generally, it is illustrative of the expectations, views and feelings expressed by a number of people drawn from groups across the UK that are less likely to use computers and the Internet because of age, poverty, etc. Thus it serves as a study of the anatomy of digital exclusion within a sample of the digitally excluded population reached by the survey.

Further objective evidence used in this report is drawn from extensive research using a wide range of sources and statistical analysis.

The subjective evidence used in this report has been drawn from LITRG's direct experiences and contact with a wide range of taxpayers on low incomes, for example from the evidence we see from enquiries to our own website, as well as the experience of organisations from the charitable and voluntary sector, from taxpayers and from HMRC and the DWP. Some of it is based on examination of specific cases; other evidence is anecdotal. In particular, it reflects the views of these organisations and individuals as related to us at meetings, advice sessions and by telephone and email.

This report does represent the views of a number of people drawn from groups among whom digital exclusion is prevalent, and tries to cast light on the factors and preferences that lead to their being digitally excluded. These groups are more likely to be disadvantaged by government policy with its increasing emphasis on online interaction than the general UK population.

# 4. Digital Exclusion – an overview of what it means

The definition of digital exclusion is much debated – it is a complicated phenomenon with a number of different dimensions and root causes. In its widest sense digital exclusion can be defined as exclusion from "*The best use of digital technology, either directly or indirectly, to improve the lives and life chances of all citizens and the places in which they live*". [16]

This report focuses on both **access to** and **regularity and range of use of the Internet** as the key determinants of whether someone is digitally included.

This report also extends more widely than exclusion to encompass **digital literacy issues** which affect those who are 'Digitally Excluded' and also the 'Digitally Constrained'.[17]

There are varying statistics on the number of people in the UK who are termed digitally excluded. According to the latest statistics, 8.2 million adults in the UK have never used the Internet, with the majority being older people, the widowed and those with a disability. That figure represents 16.3 per cent of the total adult population[18].

Those already at a social or financial disadvantage are more than three times more likely to be digitally excluded. Government has recognised that digital and social exclusion are inextricably linked.

**13% of the general UK population (6 million people) are both socially and digitally excluded[19].**

Despite increased access to the Internet among the population, there is a 'digital divide' between those who do not use the Internet and those who make regular use of it. Through lack of access, lack of skills, age, geography or choice, non-users are at risk of marginalisation as services become 'digital by default'.

There is a further divide between those with access to high speed broadband and those with slower connections.

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16 William Gibson (quoted in The Economist, 23 June 2000). He is best known for depicting a visualised worldwide communications network before it became ubiquitous in the 1990s and is credited with anticipating and establishing the conceptual foundations of the Internet and World Wide Web.

17 UK Online Centres: Transformational Government for the Citizen (Research Report 2006)

18 Office for National Statistics: Q4 2011

19 http://www.21stcenturychallenges.org/focus/the-digital-inclusion-task-force/

In the UK an estimated 17 million people over the age of 15 are not using computers and the Internet. The Internet is where the majority of direct benefits of the use of digital technology can be realised.

> ***"If only a portion of society has access to information tools and such as on-line learning, electronic health records and e-government services, then society will move in the direction of greater inequality."***[20]

Analysis in a recent research report by Ofcom[21] suggests that the digitally excluded can be broken down into four broad categories – the self-excluded, the financially excluded, the dual excluded (both self-excluded and financially excluded) and the geographically excluded.

The existence of a digital divide is widely recognised. As technology advances, more steps are added to the digital journey for non-ICT users. Currently, the potential benefits of the Digital Economy are not being realised by all members of society

Fortunately, the importance and the benefits of closing this divide have become more widely recognised and tackling digital exclusion is a key priority across government. Measures to take digital inclusion into mainstream delivery across all sectors were outlined in "*Delivering Digital Inclusion*"[22]. Because it resonates through so many agendas, digital inclusion is very much a cross-government issue supported by a cross-government strategy.

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20 Information Technology and Innovation Foundation (2008) *Digital Quality of Life: Understanding the Personal and Social Benefits of the Information Technology Revolution*

21 http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr11/UK_CMR_2011_FINAL.pdf

22 http://www.communities.gov.uk/documents/communities/pdf/1001077.pdf

# 5. Understanding digital exclusion

## 5.1 The anatomy of digital exclusion – overview

- To understand more about the anatomy of digital exclusion across the low-income population, particularly in relation to older people for whom the depth of exclusion is much greater than the general population, we commissioned a survey of low-income taxpayers across age profiles. Information about the survey and our findings are set out in Appendix 2 to this report.

- Characteristics of key excluded groups are further detailed later in this section. A wide body of research and extensive information and data are available on digital exclusion. A selection of **fast facts** which illustrate digital exclusion issues for the groups covered in this report are shown in Appendix 1.

- **The extent of digital exclusion is not uniform across different groups of the population.** Within the parameters of this report we have focused on the groups for which there is a **greater incidence** of exclusion than the general population and particularly for whom **depth** of exclusion is a significant factor.

- A wide body of research[23] has established that the key digitally excluded groups are typically those who are also **socially disadvantaged.** They tend to be older people, in the DE social class[24], are likely to live alone and have low qualifications. From our research we found that **the most common factor determining exclusion is age**.

- Over half of non-users express fears about the Internet or technology, making the digital divide very difficult to bridge[25].

- **T**here are smaller **socially excluded groups and minority groups** for whom the sources of exclusion are multiple and serious – including factors like disability, learning difficulties, ethnic origin, location, culture or language.

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23 See, for example, Communities and Local Government – Understanding Digital Exclusion Research Report p24 (2008)

24 Semi- and unskilled manual workers, casual or lowest grade workers, pensioners and others who depend on the welfare state for their income (Market Research Society)

25 Oxford Internet Survey 2011 Report

- It is widely recognised[26] that **older people and those with disabilities** are digitally excluded because technology is not developed with their needs in mind.

## 5.2 Key segments of the digitally excluded population

### 5.2.1 Older people:

The digital divide is certainly more pronounced among older people. From its annual tracker research the Consumer Panel realised that there was a dramatic drop in people's connectivity after the age of 65 – the communications cliff. After the age of 65 the number of people keeping themselves informed of communications technologies also drops dramatically by 20% across the board[27].

A large number of older adults are technology novices (some are terrified of the new technologies) as well as being more likely to acquire disabilities associated with ageing. Depth of exclusion is often greater for older people due to disability factors. For example, many older people have diminishing eyesight associated with age[28], which can be a significant factor in deterring them from using technology, particularly in combination with other barriers such as lack of motivation and IT skills.

The UK has an ageing population and requires an older workforce due to the extension of working lives and people staying economically active for longer[29]. However, with so many older people digitally unengaged, the skill set needed is not present.

56% of people over 65 'voluntarily exclude' themselves from having Internet access compared to the national average of 22%[30].

- From the research commissioned for this report we found that exclusion was compounded for those over 70 years old.
    - There was a marked difference in levels of access to the Internet between those in their 60s and older respondents (70+ and 80+)
    - Those in their 60s rated their level of competence using the Internet much higher than respondents in their 70s and 80s.

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26 Community Perspectives on Digital Inclusion Qualitative Research to Support the Development of the Digital Inclusion Strategy (2008)

27 http://www.communicationsconsumerpanel.org.uk/downloads/NewsandMedia/Speeches-and-Presentations/251006%20Digital%20inclusion%20and%20older%20people.pdf

28 http://www.hm-treasury.gov.uk/d/ots_review_of_pensioners_tax_060312.pdf

29 Parliamentary Office of Science and Technology: An Ageing Workforce (2011)

30 Ofcom Consumer Panel Report 2006

- Older people differ markedly from other groups in their attitudes toward technology[31].

    - In particular, older people are much more likely to get nervous about using technologies because they might break something (45%, compared to 16% of employed respondents and only 6% of students),
    - Many feel that technologies cannot be trusted because they fail in times of need (43%, compared with 15% of employed respondents and 5% of students).
    - While a majority (51%) of retirees agree that technology is making things better, this is considerably lower agreement than that expressed by employed respondents (77%) and students (90%).

- Older people who use the Internet look the least frequently for all types of information, with the exception of health information, which they are just as likely to do as people of working age (68% as against 74% of those of working age)[32].

### Case Study

"I am a pensioner in my 80's on a low income. My eyesight is not good and it is getting worse.

Getting a computer and/or learning to use one are not on my wish list. As I already draw on capital at the rate of about £3,000 per annum just to cover living expenses, I don't want to spend any more of it.

I'm always hearing from my contemporaries that either they can't understand how to use their computer/printer, what's wrong with it/that they can't cope and have given up altogether, I don't imagine I should do any better.

And, I haven't any interest in learning to use a computer; I manage perfectly well without one."

### 5.2.2 People with disabilities:

There are approximately 10 million disabled people in the UK protected by the Equality Act 2010 (18% of the UK population) – the substantial majority have 'hidden' disabilities. Of this number it is estimated that approximately 828,000 adults have a learning disability[33].

31 Source: Oxford Internet Survey 2011

32 Ibid

33 CeDR Research Report 2008

There are strong links between disability, poverty and low skills/employment[34], which means that the depth of digital exclusion for those with disabilities is generally much greater than for the wider population. Digital inclusion provides people with wider choice and empowerment around the major areas of their lives. By ensuring that disabled people have access to technologies such as computers, the Internet and mobile personal digital assistants, digital inclusion can empower them to interact with government services. For some disabled people, who depend more on gadgets and gizmos, computers and the Internet can be a life saver.

It is important to note that, whilst those with disabilities tend to use the Internet in much the same way as the general population, their usage rates are about 25% lower, less frequent and less recent.

For disabled users, having difficulties with vision, hearing, mobility, cognitive processing, or literacy often limits their access to much of today's digital economy. A higher prevalence of low skills and literacy levels among those with disabilities means that many cannot manage the complexity of language and layout on websites.

From our wider research we have found that the biggest barriers to accessing information and services online for those with disabilities are:

- Lack of physical access to computers: disabled people are less likely than non-disabled people to own an Internet-enabled computer or use a public terminal

- Inaccessible websites: standard web accessibility guidelines focus on visual impairments and are less useful at addressing the needs of users with cognitive or motor-control impairments

- Inaccessible content, particularly PDF format.

A more obvious barrier has arisen in that the cost of assistive technology for disabled users is high[35], especially for people on low incomes. Cost can act as another barrier along the way, and one which, if they are to get over it, means that a person with disability may have to recruit someone to assist them, working against a sense of personal control and independence. Thus a kind of mental barrier effect prevails where an individual simply prefers to avoid all the hassle and uncertainty.

Awareness of what assistive technology is available to help people with accessibility problems is a further issue. Some devices are simply not designed for people with particular needs and, even where they meet a certain need, may have limited functionality. In finding out what is available, one is often in

34 About 50% of working-age disabled people depend on social security benefits for their income.

35 Not just the cost price of the device, but the associated costs of home broadband, wireless routers and heavy "setup" overheads.

the hands of commercial providers who ultimately have a vested interest in selling something which may or may not be the best device to meet the buyer's needs.

These factors act as significant barriers, all contributing to putting the brakes on people who might, without the brakes, proceed to migrate from paper to digital communication quite happily.

### 5.2.3 Geographically excluded

Location is a significant factor when considering digital exclusion. Approximately 30% of households in rural areas only have access to slow Internet connections of less than 1Mbps[36].

Overall, broadband availability is lower in areas of low population, such as Scotland and Wales, and in many rural areas the broadband equipment supports a maximum speed of 8Mbit/s compared to up to 24Mbit/s in urban areas. Of course, maximum speed does not reflect the actual service delivery and certain broadband packages are limited in speed regardless of the line's potential.

For broadband services delivered over telephone lines, achievable modern sync speeds are dependent on the length and quality of the line; in rural areas line lengths tend to be longer hence lower speeds are achieved. The North of England, urban areas of Scotland and South Wales have the highest concentration of working-age people who are offline while rural and coastal areas have the highest concentration of older residents who do not use the Internet[37].

## 5.3 Microbusiness context

Digital exclusion issues are not only a problem for individual proprietors; they are a problem for microbusinesses too. In this context exclusion issues are increasingly prevalent as more people are being encouraged into self-employment[38] and thus the number of microbusinesses increases[39]. Such businesses play an important role in providing work for many in the 'margins' of the labour force such as older people and those with disabilities.

A recent report by the Better Regulation Executive[40] found that a significant proportion of microbusinesses do not use the Internet as part of their business. Nearly 10% of UK company returns

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36 Rural Digital Exclusion: *The link between Internet Access and Economic Output*

37 Communications Infrastructure Report 2011: Fixed Broadband Data

38 Between August and October 2011, 166,000 more people became self-employed in the UK, raising the total to 4.1 million (Office of National Statistics: Report December 2011).

39 Businesses with fewer than 10 employees: they account for 96% of UK businesses and around 7 million jobs.

40 Lightening the Load: the Regulatory Impact on UK's smallest businesses (Better Regulation Executive: Report November 2010)

and incorporations continued to be submitted to Companies House by paper in 2011.

Key digitally excluded groups, as stated above, are much more likely than the wider population to run microbusinesses because this offers them considerably more flexibility than traditional employment and often is the only route to work in the face of barriers and discrimination. Further influencing factors are:

- Many more people are now working beyond traditional retirement age – often into their 70s

- Traditional working patterns and profiles have changed considerably over the last decade or so as people change jobs more frequently and often have a combination of jobs in employment and self-employment.

The proportion of those with disabilities who work and are self-employed is higher than in the general population. It has been estimated that about half a million businesses are already run by people with disabilities and that another 175,000 people with disabilities who want to work would be willing to become self-employed[41].

Publicly funded business support for business proprietors with disabilities has been extremely limited and increasing business reliance on ICT adds another potential hurdle to running a business. Provision of good online services for their businesses is disproportionately poor.

A significant minority of microbusinesses are run by older people. A recent survey by the Federation of Small Businesses found that 45% of the businesses within their membership were owned by people aged 55+[42].

41 www.disabilitydynamics.co.uk/Digital_divide_and_disabled_people...

42 Report prepared for the Federation of Small Businesses by Guided Insight and ICM Research (February 2010)

**Case Study**

"We run a small farm with suckler cows in the New Forest; we are New Forest Commoners. The success of our business depends on keeping overheads low and doing things ourselves rather than paying others to do them for us.

We are very concerned that Defra, BCMS, VAT and other government offices are keen to have everything online. Our broadband is far from reliable and is slow at the best of times. It will undoubtedly be our responsibility to ensure that information reaches these government bodies and if the only permitted method is via the Internet then we will have to pay a 'professional' to do this on our behalf. This may appear completely acceptable practice to government bodies but to a small business such as ours it is an unnecessary overhead that could very well be the straw that breaks the camel's back.

Whatever happened to freedom of choice? We cannot be the only ones to whom this would be an unwelcome and unnecessary burden. There must also be a large number of older farmers who do not use computers and the Internet at all – what happens to their rights"?

## 5.4 Barriers to Inclusion

Four key factors are commonly understood as the elements necessary for using technology effectively – access, motivation, skills and confidence. Understanding these barriers is critical to government digital policy to combat digital inequality so that all citizens can be provided with the best opportunities to fully engage in the new digital world.

- **Access –** whether an individual has some means to access the Internet in terms of affordability, time, training or support, literacy levels, disabilities and use of interfaces.

- **Motivation –** whether the individual sees the benefit from or has interest in accessing the Internet.

- **Skills and confidence –** whether the individual is able to, and feels able to, make effective use of the Internet. Security concerns fall into this category[43].

43 *"Improving ICT skills and trust among disadvantaged groups is an important element of digital inclusion"*(Digital Infrastructure Technology Forum 2007)

### 5.4.1 Access

A significant proportion of people (36%) in recent Ofcom research stated involuntary reasons for not accessing the Internet, with half of these saying that connecting to the Internet is 'too expensive'[44].

Access alone is still not enough. In order for people to use the Internet they must be motivated to do so. Nearly 40% of non-users fail to see the need or benefit of using the Internet or feel that they are not the right kind of person to use it[45]. The greatest proportion of the population holding that view is older people and those on low incomes. These groups were also less likely to use the Internet – even if they had a connection at home.

Those citing cost as the primary reason for not owning an Internet connection have been progressively decreasing. However, as we move up the age groups involuntary non-ownership is still more prevalent as incomes for older people tend to be much lower than for those of working age and costs of owning a computer take up a larger proportion of income**.** In the current economic climate affordability factors are likely to become more of a problem and potentially put a brake on digital expansion. Many people might consider buying a computer and the associated costs as discretionary expenditure.

A significant proportion of the population still lacks general IT skills in terms of using a PC as well as the skills needed to use the Internet and to cope with new developments, such as touch screens, Facebook, Twitter, etc. The tools of the digital age require reasonable literacy and numeracy, or workarounds that allow illiterate segments of the population to access online services. Lack of basic skills is prevalent among disadvantaged groups, particularly the elderly. Research cited in this report shows that people encounter more problems using PCs and the Internet with increasing age and decreasing income.

Low levels of digital and functional literacy among digitally disadvantaged groups continue to prevent more comprehensive and sophisticated use of the Internet and online services.

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44 http://stakeholders.ofcom.org.uk/market-data-research/market-data/communications-market-reports/cmr11/telecoms-networks/5.83

45 OxIS Internet Survey 2011 – Next Generation Users: The Internet in Britain

### 5.4.2 Motivation

According to our research, motivation seems to be the biggest barrier to digital inclusion to overcome, especially for low-income groups. This reflects:

- A lack of perceived opportunity or need. For example, our survey found that 78% of respondents who did not have use of a computer would not even be interested in doing personal business online. Interest in doing business online with government was even lower.

- A lack of interest in the Internet: this is especially true for older people. Our survey found that lack of inclination was the top reason for not using a computer (45% of respondents). The percentage of respondents citing lack of inclination as a barrier to using a computer rose steeply with age.

### 5.4.3 Skills and confidence (including security issues)

Low levels of digital and functional literacy amongst digitally disadvantaged groups continue to prevent more comprehensive and sophisticated use of the Internet and online services.

Our survey found that lack of skills/expertise were the second most important factor both in preventing respondents who did not have access to a computer from using one and preventing respondents from using any government e-services.

Security issues are often cited as a factor in preventing people from using online services. Our survey found that for respondents who would not use government services online security concerns were a factor in 24% of responses. Of respondents who had use of a computer a third of respondents felt that they did not have adequate Internet security.

An important component of digital assistance strategy is to encourage people who do not have access to a computer at home to use public facilities. However, this may expose people to security risks. Government needs to take the security of public machines seriously and ensure that there is a way that the public can verify that a provider is trustworthy.

Moving people to digital channels can put them at risk of scams or identity theft, so strategies need to be developed to deal with these problems.

# 6. What does digital exclusion mean for government communications?

## 6.1 Impacts

80% of government interactions with the public take place with the bottom 25% of society[46], so failing to encourage everyone online keeps government costs high.[47]

Bringing more digitally excluded citizens online has the potential to enable significant economic benefits in terms of the delivery of public services by:

- enabling providers to switch to lower cost delivery channels
- reducing citizens' (time) costs of transacting with government and
- improving their satisfaction with public services, although if support services for digital are in fact offline, such as telephone, this may add complexity and accessibility problems.

Yet evidence from research is that more digitally excluded adults need more frequent contact with public services[48].

Digital exclusion has a range of impacts in terms of the delivery of government services:

- **Poor accessibility** – the digitally excluded have poorer access to the full range of government services and are likely to spend more time accessing them via non-digital channels.
- **Ineffective use –**varying literacy abilities means that many users of government services do not recognise when information is needed and do not have the ability to locate, evaluate and use effectively the information they need.
- **Increased delivery costs –** exclusion means a disproportionate burden is placed on traditional channels which are much more expensive to operate than digital channels. Increased costs

46 Bottom income quartile in UK

47 http://www.21stcenturychallenges.org/60-seconds/what-is-the-digital-divide/

48 'Digital Inclusion: A discussion of the evidence base', UK Online Centres, July 2007

ultimately have to be borne by all citizens.

- **Risks to service delivery –** if digital is the default channel then government is unlikely to dedicate sufficient resources to non-digital channels. This then poses risks to delivery of services as a balance has to be struck between pursuing digital policy and meeting the needs of those who are excluded.

- **Ever increasing pressure on in-person channels –** from evidence cited in this report (see section 10) there continues to be a continued preference expressed by many users of government services for in-person channels. This is particularly prevalent among the digitally disadvantaged population, who often seek assurance through face-to-face contact or telephone channels. Even among people who are prepared to self-serve, many go on to seek reassurance using telephone channels either because they are not sure they have found the right information from the online channel or the complexity of the transaction means that they require a level of assurance that the online channel cannot offer.

- **Engagement with citizens** – there are generally much lower levels of engagement with government services by the digitally excluded, which poses risks to delivery of those services. Often government interaction is seasonal or occasional and this is not enough to make a non-regular user comfortable interacting when they need to. Lack of trust in using government online services by the digitally excluded is a major attitudinal barrier to be overcome and is compounded by low levels of engagement. This is further compounded by lack of skills and functional illiteracy which leads to lack of confidence in using online services.

- **Displacement to voluntary and charitable sector (VCS)** – digital exclusion issues mean that government is often unable to reach its target audience. Consequently there is an increasing reliance on the VCS to do so. A shift to self-serve channels may save costs for government departments, but the costs are displaced elsewhere. This increases pressure on VCS organisations, which often have to facilitate interactions with tax and benefits services because significant numbers of citizens are still unable to do so using technology.

- **Environmental impacts** – where citizens are unable to access e-government services in their own homes, or need help to do so, this may necessitate travel to public facilities or to intermediaries to access help, although public facilities are increasingly less available as government cuts impact and, by definition, interactions with government are personal and need secure and private locations. This has impacts for the environment, particularly in rural areas where longer distances may have to be travelled and where there is less availability of public transport.

## 6.2 Effects on performance of tax obligations

### 6.2.1 Online filing

Over 11.5 million taxpayers a year are submitting one or more tax returns online, generating significant savings for HMRC. Take-up rates have increased significantly, particularly since mandatory online filing requirements have come into force. Over 80% of Income Tax Self Assessment returns for 2010-11 were filed online.

Tax agents, advisers and intermediaries, however, make a significant contribution to the total of returns filed online so the increases in online filing rates do not necessarily reflect increased levels of digital inclusion across the taxpayer population.

Mandatory online filing requirements can place a disproportionate burden on the digitally excluded taxpayer. A number of the smallest businesses which have been mandated to file online across all business taxes struggle with these filing requirements**.** For example, a recent survey by the National Farmers Union in relation to VAT online filing requirements for businesses with a turnover of less than £100,000 has revealed that 6.5% of respondents would be unable to file their VAT return online or did not know how they would do it[49].

Although the Companies Act has given Companies House the power to mandate e-filing for companies, paper filing options have not been withdrawn yet, nor is there a timetable to do so. As their e-filing service matures further and paper filing volumes continue to shrink, consideration will be given to phasing out paper filing options altogether for some – if not all – of their filing transactions. However, before any paper filing options are withdrawn, Companies House will consult its customers and go back to parliament on their approach to mandating.

One of the recommendations from this report is that a telephone filing alternative should be made widely available, and be widely publicised, to those who are mandated to file online and who cannot or find it difficult to move online (see also section 8.4). Currently, a small number of microbusinesses that have been unable to file online and have appealed against a penalty for filing on paper have been offered a telephone filing alternative. Consideration to extending this option to the most vulnerable individuals and publicising it may be appropriate as part of HMRC's assistance to digital policy.

Where telephone options prove insufficient for those who are unable to file online, this report recommends that paper alternatives should be available as a permanent route open to them. HMRC strategy should be not to make the paper alternative more difficult to access, but to make online filing

49 Draft findings from NFU survey of members without email addresses across Cumbria, Wales, the South West and West Midlands: 2012

ever more attractive and easier to use. Taxpayers who wish to file on paper should always be catered for, even businesses.

There are often additional costs for the taxpayer associated with mandatory online filing obligations. These additional costs are usually borne by the smallest businesses, which might otherwise have chosen to file on paper. Employing a professional representative to file online on their behalf often incurs disproportionate costs for those businesses whose proprietors are digitally excluded. Findings from a 2012 survey by the National Farmers Union show that 27% of respondents have to outsource the online filing aspect of their VAT returns[50].

There are acknowledged risks that compulsory online filing can turn 'willing but needing help' taxpayers into non-compliant taxpayers and disengage them from the tax system altogether because they are unable to meet their obligations[51].

Digital exclusion issues are likely to be compounded under Real Time Information requirements as the frequency of online filing of PAYE returns will increase significantly. All employers, even the smallest, will be required to submit electronic returns of PAYE and NICs each time employees are paid. In most cases this will be monthly, but in some cases it will be weekly (or even more frequently). This imposes significant burdens on the smallest businesses, which already struggle to comply with reporting requirements. Many who already file online might be able to cope with limited online filing (currently, employers have to file returns annually), however more frequent filing will impose disproportionate burdens on them. For certain industries, such as farming, where workers can often be paid on a daily basis, RTI requirements give rise to significant concerns.

For Income Tax Self Assessment (ITSA) taxpayers who choose to continue to file on paper, filing deadlines are three months earlier than for online filers, triggering late filing penalties three months earlier. Thus, the more vulnerable taxpayers and small businesses that are not able to file online are generally placed at a disadvantage compared to the general ITSA population.

Repayments of tax are made more quickly to those who file online than to those who file by paper. For those who are digitally excluded this means that they have to wait longer for their repayment and may have to expend much more effort in securing it, for example by using HMRC help-lines. This can be costly because of telephone waiting times.

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50 Draft findings from NFU survey of members without email addresses across Cumbria, Wales, South West and West Midlands: 2012

51 See *House of Commons Treasury Committee, Administration and Effectiveness of HMRC: Government response to the sixteenth report from the Committee*, page 17 http://www.publications.parliament.uk/pa/cm201012/cmselect/cmtreasy/1533/1533.pdf

ITSA taxpayers who file by paper have no facility to view their live tax records (including changes in PAYE codes), in contrast to those who file online. It is inevitable that any such facility available to those with Internet access is likely to be swifter and easier to use and to gain access to. But in order to be consistent with HMRC's transparency agenda, it seems to us that paper filers without online access should at least have the facility to obtain such personal tax data on paper and by post rather than having to rely on formal procedures under the Data Protection Acts.

## Case Studies

"I am 49 years old and run a dairy wholesale business in Wiltshire which I started up over thirty years ago. My business has two full time employees.

I prefer to conduct all my business through personal contacts – my customers cannot contact me through the Internet or by e-mail. The business does not have a computer and I am against being forced to use one.

I am being compelled to file my business VAT and PAYE returns online but object to this because I do not have access to a computer and do not wish to incur additional expense to pay someone to file the returns on my behalf. I think this compulsory measure by HMRC was a huge mistake. I have always filed my business tax returns on time and been fully compliant with my tax obligations. I can continue to file my Income tax Self Assessment return by paper – why not my business returns?"

"I am 56 years old and the director of a small electrical contracting company in the West Midlands. I have run the company for over 30 years and helped my father to run the business from childhood. I have hydrocephalus and my eyesight is restricted to one eye, which restricts my peripheral vision.

Due to my disabilities I am unable to use a computer and to file tax returns for my business online.

I have been able to run my business quite successfully for many years through personal contact and have never needed a computer or the Internet to do so.

My business has always complied fully with its tax obligations and filed its returns on time. I don't see why I should be forced to file my business tax returns online or to incur additional costs in paying someone to do this for me when I can file my returns by paper.

I do not understand why someone who objects to using a computer because of their religious beliefs is exempted from filing online – yet people with disabilities aren't exempted."

### 6.2.2 Finding information and engaging with the tax system

The full range of tax information is less readily available to those who are not online so that they are more likely to experience difficulty in accessing the right information or guidance, and to incur additional costs in using HMRC helplines. In extreme cases they may be wholly unable to comply with their tax obligations, having previously had no such difficulty.

Information and guidance in hard copy format tends to be much less accessible, particularly given pressures on HMRC call centres and closure (or restricted opening hours) of many local Tax Enquiry Centres in recent years, even when taxpayers are able to reach them.

As tax information is fragmented across three websites, HMRC, Business Link, and Directgov  those with low levels of digital literacy often find it difficult to access the information they need.

Those who are not online are generally much less able to engage with HMRC because they cannot access the full range of services and information available to other taxpayers – for example, services such as Webinars which provide targeted advice to specific customer groups. Disengagement may become increasingly entrenched over time if alternative channels are not easily accessible to those without access to, or the ability to use, online services.

Taxpayers who are not online and who wish to make ad hoc payments against their tax liabilities find it much more difficult than taxpayers who are able to use online facilities to make payment.

Lack of engagement with HMRC services or difficulty in using them is not just a problem for the digitally excluded or those with low levels of digital literacy. There is a wider ignorance among the taxpayer population about how to engage with HMRC, what services are available and where. For example, from LITRG's extensive contact with the student population evidence is that, even though students are likely to be digitally literate, they are unlikely to know they can find help about tax, such as how to claim a repayment, through the HMRC website, Directgov, etc. Lack of engagement with the tax system also applies to the vast majority of employees who pay tax only through PAYE, and therefore have little, if any, exposure to HMRC, let alone its online services. The very existence of PAYE and lack of education among the UK taxpayer population presents an additional barrier to digital interactions with HMRC. This is in contrast with countries such as the USA and Australia where levels of engagement with the tax authorities are generally much higher because most taxpayers have to file personal tax returns and are able to claim refunds providing an inherent incentive to engage with the tax system.

# 7. Government Vision and Digital Strategy

## 7.1 Overview

The UK government's vision is to make the UK a world leader in digital excellence and the first nation to close the digital divide. The government's digital vision was unveiled in its report: *"Connecting the UK: the Digital Strategy"* [52]. Within that vision the government set out plans to construct a robust strategy to transform the delivery of public services.

As part of its Digital Strategy the government has undertaken to consider how its business can be moved to a wholly digital environment where this is appropriate and cost-effective.

Government has underlined a strong rationale for a new emphasis in public policy towards harnessing the economic and social returns on the investments in digital and doing so in a way which benefits all parts of society.

There has been continued commitment to drive forward the vision of a digital economy. The new Government Digital Service (GDS) established in 2011 as part of the Cabinet Office has been tasked with transforming government digital services. This new team was formed in response to Martha Lane Fox's report, "*Directgov 2010 and beyond: revolution not evolution*".[53] There were two key implications for the strategy of 'Digital by Default' which came out of the government's response to this report.

- Government itself needs to become digital in thinking in order to deliver services which are suitable for users.

- As digital by default comes into effect, the scale of government service provision will grow dramatically. Its minimum goal should be based on the quality and user-centricity of major commercial Internet properties.

52 http://www.bis.gov.uk/files/file13434.pdf

53 http://www.cabinetoffice.gov.uk/sites/default/files/resources/Martha%20Lane%20Fox's%20letter%20to%20Francis%20Maude%2014th%20Oct%202010.pdf

## 7.2 Tackling Exclusion

With more services going online, it is more important than ever that citizens can access the Internet and have the skills to participate in the new digital era. Tackling the digital divide by addressing low levels of computer usage and digital literacy are essential to delivering digital policies.

The government has shown its commitment to tackling the digital divide by re-appointing Martha Lane Fox as the UK Digital Champion. Martha Lane Fox launched the Race Online campaign[54] with the aim of building a 100% networked nation following on from the "*Manifesto for a Networked Nation*"[55], published in July 2010.

## 7.3 Transforming digital government services – key challenges

**Ensuring no-one is left behind**. Although further online migration must be encouraged, the right support and assistance needs to be in place (see Section 8.4).

**Increasing usage of its digital services** is a significant challenge for government. Use of online government services overall has been increasing since 2005, but use of specific services is still remarkably low. A recent survey revealed that, despite recent attempts to encourage online payment of central government taxes, fines or services, for example, only 21% of respondents have done so in the past year[56]. From our engagement with younger people we found that there was a lack of appetite to use government services online as much of their Internet usage was via hand held devices. This didn't necessarily lend itself to transacting with government although looking for information was considered to be easier.

**Understanding and managing service demand** – there may be opportunities to harness substantial efficiencies by looking at the root causes of demand on traditional channels with a view to eliminating, reducing or shifting demand to more cost-effective service options. By using such demand management strategies government may be able to increase the take-up of online services.

Not all transactions with government are easily digitised and it is essential to recognise the complexity of the challenge if proper resources are to be allocated to the digitisation of those more complex transactions.

**Changing preference from traditional channels** (especially the telephone). Many citizens require a

54 http://raceonline2012.org/

55 http://raceonline2012.org/manifesto/1

56 Next Generation Users: The Internet in Britain – Oxford Internet Survey 2011 Report

level of assurance in using government services that online channels cannot provide. An important observation by the OECD Forum on Tax Administration is that despite having a multichannel environment and having made significant investments to their online channel, many revenue bodies continue to experience relatively high demand for their telephone and in-person channels[57].

**The provision of channels for email communication** is an essential step in effecting improvements in service standards. HMRC have not adopted email as an official communication channel although there are limited facilities on its website.

**Ensuring that government online services are simple to use and easy to navigate** in order to accommodate varying levels of digital literacy.

**Adapting information or service delivered to different delivery channels.** It is generally accepted that not everyone in society will be able to access electronic services through a PC, and electronic public services must therefore also be accessible through other terminals such a TV sets or mobile phones to ensure the inclusion of all citizens.

57 A similar observation was made in the Forum on Tax Administration's 2010 Report 'Surveys of Trends and Developments in the Use of Electronic Service for Taxpayers Service Delivery'.

# 8. Government policy context

## 8.1 Drive to create a 'digital by default' government in the UK

The 2009 Digital Britain White Paper set out the importance of the Digital Economy to the nation's economic future, and how it would drive future industrial capability and competitiveness.

The Government unveiled its Action Plan for the digital economy in the Digital Britain Final Report[58] which is one of the central policy commitments in the Government's Building Britain's Future plan and draft legislative programme. A key part of the report was the need to ensure that all of those who want to do so are enabled to participate in Digital Britain, and for policies to be put in place to address the barriers faced by the digitally excluded:

- Affordability – addressed by roll-out of the Government's Home Access Scheme
- Capability and relevance – addressed through three routes: ICT user skills; Digital Inclusion Programme and Ofcom-led strategic review of media literacy.

A new approach by the government to move transactions to digital channels was announced on 23 November 2010 by the Minister for the Cabinet Office in response to the report by Martha Lane Fox, the government's digital champion, published in 2010.

The announcement signalled a decisive shift from a 'multi-channel' approach towards one where delivery of public services would be shaped by a presumption that the service would be delivered by digital means, with processes modified as necessary to support the use of digital channels. This means that the process of delivery will be designed around digital channels (Digital by Default). It does not mean the wholesale phasing out of traditional methods of delivery.

The primary objective of government digital policy is to drive the creation of a 'digital by default' government by increasing the provision of public services online and creating a single government platform through which all government services will be accessed. This aims to deliver more efficient public services – designed around the user. This work is being led by the Government Digital Service and delivers on recommendations in the "*Directgov 2010 and Beyond: Revolution Not Evolution* report"[59].

58 http://www.official-documents.gov.uk/document/cm76/7650/7650.pdf

59 http://www.cabinetoffice.gov.uk/resource-library/directgov-2010-and-beyond-revolution-not-evolution

The government's commitment to make the delivery of public services digital by default was highlighted in the "*Open Public Services"* White Paper, published in July 2011[60].

Government digital by default policy applies to all government transactions including HMRC's and the DWP's (see 8.2 below). Assistance into digital for those who need it is an integral part of the government's digital agenda[61] including HMRC and DWP policy (see section 8.4 below).

## 8.2 Approach for taxes and tax credits

Lord Carter's 2006 Review set a vision for HMRC to move filing of business tax returns to online channels. This put HMRC at the forefront of digital service delivery in government. The ambitions set out by Lord Carter have largely been fulfilled with online filing now mandated for all business taxes – PAYE, Corporation Tax and VAT.

Over 80% of Income Tax Self Assessment (ITSA) taxpayers now file online. E-filing for this segment of the SA taxpayer population remains optional. As Internet penetration is generally much lower in relation to individuals compared to businesses, online filing has not been mandated for ITSA.

Claims for Tax Credits cannot be made online because of fraud considerations although there are tax credit calculators available online to help claimants.

The Coalition Agreement of 2010 included a commitment to reduce the number of forms needed to register a new business and move towards a 'one-click' registration model to set up for the main direct business taxes. From April 2012 businesses are able to get set up for the main business taxes via a single interactive online facility.

Announcements on Digital by Default were included in the Growth Review published in the 2011 Budget and in HMRC's Overview of Tax Legislation and Rates. Dates for consultation were incorporated into HMRC's SRP (Structural Reform Plan) milestones.

The HMRC consultation launched in August 2011 afforded an opportunity to consider the next steps in the context of Digital by Default where public services will be designed to use digital technologies unless there are compelling reasons not to do so; digital will be the default means of accessing those services. In the light of this policy HMRC are also undertaking a wider review of all its online and digital activities.

60 http://www.cabinetoffice.gov.uk/resource-library/open-public-services-white-paper

61 http://digital.cabinetoffice.gov.uk/category/assisted-digital/

## 8.3 Approach for benefits including new Universal Credit

This report also considers the DWP's policy on digital exclusion and the digital by default principle for Universal Credit in tandem with tax policy. This is because many of the customers are the same, so if HMRC and DWP strategies develop along different lines and with different designs this could be confusing for service users. Also, given the links between tax and Universal Credit through Real Time Information, it is essential that users understand that the two are linked and what their part in the process is.

In line with wider Government policy, delivery strategy across the whole of the DWP is self-service and digital by default as long as it does not exclude people with accessibility issues.

The general principle underlying the DWP strategy is a commitment to digital by default, but that does not mean non-digital services are 'turned off'. Its policy objectives are not to compel claimants to use digital services and there are no plans to do so although there are components of certain services for which online use is to some extent compulsory[62]. The key driver in the DWP's delivery strategy is to make online services simpler and better.

The DWP is working to understand why there has not been more digital take-up of its services and what can be done to help claimants into digital channels. In this context it has specific policy areas focusing on key disadvantaged groups, such as older people and those with disabilities. The DWP is continuing to work across government to engage with the Race Online team and explore how they can better support the digitally excluded to get online and stay online.

The delivery and design principles for Universal Credit as set out in the White Paper "*Universal Credit – Welfare That Works"*[63] made it clear that access to Universal Credit would be digital by default to meet the growing demand for flexible and comprehensive online services. However, it was recognised that such a change to the current arrangements would imply a very significant behaviour change on the part of claimants.

70% of the DWP's customers will be covered by the new Universal Credit[64] and the biggest number of recipients will be coming from Tax Credits, a non-digital environment. The foundations of Universal Credit will be online, so there are significant challenges in shifting usage given current usage of DWP online services and levels of digital exclusion.

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62 On a typical jobseeker agreement, the Jobcentre Plus adviser would *'agree with the claimant that they will use the Directgov website for their job search...'* (Report on increasing digital channel use among digitally excluded Jobcentre Plus claimants: September 2011)

63 http://www.dwp.gov.uk/policy/welfare-reform/legislation-and-key-documents/universal-credit/

64 About 30% of people who rely on the DWP are digitally excluded in one form or another

When Universal Credit is introduced, many people will already be familiar with using online services to contact DWP. The DWP already receives claims for Jobseeker's Allowance through Directgov and will soon be launching online services for recipients to check information and notify it of changes. People will increasingly be expected to use these services prior to the introduction of Universal Credit. But the DWP recognises that there will continue to be a minority of people who cannot use online channels. For those people it will offer alternative access routes, predominantly by phone but also face to face for those who really need it.

There is a risk that the digital divide could be increased if the same level of digital facility is not in place as for Universal Credit when people migrate through age to a different benefit platform.

## 8.4 Assistance into digital

Assistance into digital is an essential component of digital strategy for both HMRC and the DWP. This is spearheaded by the Government Digital Service[65]. Striking the balance between shifting to online services and ensuring all services are available to all citizens is an overriding objective of both HMRC and DWP digital strategy.

This report recognises that assistance into digital is an emerging area. From our research we have found digital strategy cohesive and the direction of digital assistance appropriate. This is particularly evident from development of strategy for the new Universal Credit, which will encompass 12 million claimants by 2017.

Enlightened policy thinking and focus on assistance into digital is now increasingly evident – HMRC and the DWP are continuing to develop in this area to assist those unable to use online channels:

- In its "*Summary of responses – Digital by Default"*[66] HMRC have acknowledged the particular needs of the digitally excluded – people living in areas where broadband is weak or non-existent and those for whom digital interaction is difficult or impossible because of age, ill health, disability, poverty, lack of language skills, and so forth.

- As part of Universal Credit delivery design principles (to maximise use of online channels to provide straightforward and accessible information about claims and better job search support), the DWP has committed to providing focused help for those unable to use online channels. [67]

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65 Digital Assistance: Engaging the Hard to Reach http://digital.cabinetoffice.gov.uk/category/assisted-digital/

66 http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?_nfpb=true&_pageLabel=pageLibrary_ConsultationDocuments&propertyType=document&columns=1&id=HMCE_PROD1_031947

67 http://www.dwp.gov.uk/docs/universal-credit-chapter4.pdf

A key signal from responses to the recent HMRC consultation[68] is that digital by default should take an inclusive approach and not a mandated, statutory one. It is encouraging that in its response to views expressed to its consultation HMRC have emphasised that 'Assisted into Digital' must support the least able while engendering a change in mindset to maximise use of digital channels.

Elements of targeted assistance into digital have emerged recently for 'current' subject areas although it is not yet clear whether these will be sufficient to meet the needs of all digitally excluded taxpayers. These include:

- Tailored guidance on helping VAT customers move online – as published recently for the second tranche of VAT businesses (existing businesses with turnover under £100,000)[69]. The package includes a series of workshops across the UK at which VAT customers can come along to sign up for VAT Online services and submit their first return online although from initial research the options seem very limited.

- Real Time Information – development of Basic PAYE Tools for employers with less than nine employees. This software can be used to submit RTI information through dial-up access to the Internet so can be used by those who have no access to broadband[70]. From our research it is doubtful how far the tool will help those who are not digitally literate. For people without reliable broadband access, dial-up access may be sufficient to transmit relatively small amounts of data applicable to the smallest employers. However, call charges are likely to cost more compared to broadband charges.

Assistance to digital can and must go further, however, and paper alternatives must always be available for all tax transactions. As identified in part 6.2 of this report, further development of telephone alternatives may well be appropriate for certain transactions where people are unable to move online. For example, in the case of online filing of tax returns or registering details of new businesses, digitisation of information by a third party may be an adequate alternative to online channels. Although this might raise some concerns which would have to be addressed – such as safeguards – assuming online services improve for the majority of users means that only those who would really struggle to move to digital channels should be served by a telephone alternative.

The assistance into digital approach by the DWP for Universal Credit, as for other DWP services, seeks to address issues of exclusion through:

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68 http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?_nfpb=true&_pageLabel=pageLibrary_ConsultationDocuments&propertyType=document&columns=1&id=HMCE_PROD1_031947

69 http://www.hmrc.gov.uk/vat/online-return-help.pdf

70 http://www.hmrc.gov.uk/paye/tools/basic-paye-tools.htm

- focusing on trying to understand why there is not more digital take-up and difficulties for particular excluded groups[71]

- consideration of incentives to move claimants online

- development of a user-centric online service for claimants – making the service simpler and better

- for those without access to computers, provision of access to computer terminals at DWP centres and through various initiatives such as working in partnership with the Post Office.

## 8.5 Are the digitally excluded disadvantaged by government policy?

Digital policies have largely focused on delivery of online channels to the 'willing and able' customer. However, assistance into digital has come higher on the agenda and is recognised as a key component of policy development going forward.

As explored in section 6.2, there are a range of impacts on users of government services who are digitally excluded. It is generally acknowledged that online services offer more than traditional channels in terms of range, speed and flexibility, although it is questionable whether online offerings are adequate for more complex transactions and provide levels of assurance that the 'willing but needing help' customer may need.

In terms of being unable to access online services and self-serve, it could be argued that the digitally excluded are in a comparatively unfavourable position compared to those who are able to access them – but are they disadvantaged? The overriding consideration is that, in line with wider government policy, the digitally excluded should continue to have access to the full range of government services and should not be left behind because they are unable to or find it difficult to self-serve. There are risks that those who use government services 'offline' may:

- lose out on tax and benefits payments/services
- have poor access to good quality information and guidance
- receive a second-class service compared to other service users
- face disproportionate burdens in accessing services
- become disengaged with government and public services.

The digitally excluded population by its very nature is 'willing' but 'needs help'. Not doing enough to bring the 'willing but needing help' on board poses key risks. Excluding them, for example, by mandating filing of tax returns, may turn a compliant population into a non-compliant one, thereby creating a

71 For example, see Jobcentre Plus Customer Survey (2011): http://research.dwp.gov.uk/asd/asd5/rports2011-2012/rrep775.pdf

compliance problem where there was none before. This risk was recently acknowledged by the Treasury Committee, which concluded that 'requiring online filing prematurely runs the risks of ... dissuading those who are not computer literate from being tax compliant'. In LITRG's response to the recent consultation on moving VAT online we fully supported this conclusion[72].

We are encouraged by recent policy developments, however, which seem to indicate:

- wholesale methods of traditional delivery will remain
- much more enlightened digital assistance and digital inclusion policy thinking (see section 8.4).

72 1 See *House of Commons Treasury Committee, Administration and Effectiveness of HMRC: Government response to the sixteenth report from the Committee*, page 17

# 9. Legal context including current litigation

The public sector Equality Duty, at section 149 of the Equality Act, came into force in the UK on 5 April 2011. The Act requires public authorities, in exercising their functions, to have due regard (among other things) to the need to eliminate discrimination and advance equality of opportunity between people who 'share a protected characteristic' and persons who do not share it. This duty applies both in relation to shaping policy and to delivering services. It encourages public bodies to understand how different people will be affected by their activities, so that their policies and services are appropriate and accessible to all, and meet different people's needs. 'Protected characteristics' are listed as age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

In greater detail, under section 149(3) and (4), having 'due regard' to the need to promote equality of opportunity between people who share a protected characteristic and those who do not share it involves, in particular, having due regard to the need to:

- remove or minimise any disadvantages that people sharing a protected characteristic may suffer which are connected to that characteristic;

- take steps to meet the needs of people who share a protected characteristic that are different from the needs of others who do not share it. In particular, where the protected characteristic is disability, steps must be taken to meet the disabled person's disabilities; and

- encourage people who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

Thus, applying those principles to the field of digital policy and compliance with requirements of the kind we examine in this report, it can be argued that:

- no such policy or requirement should place any disabled person, older person, etc, at any disadvantage on account of their disability, age, etc; and any such disadvantage that is created should be minimal. For example, they should not be required to incur any additional cost on account of their disability or age, over and above that which non-disabled or younger people are obliged to incur;

- people who because of their disability, age, etc, need any assistance to enable them to comply

with such policies should have that need met by the public authority which is imposing the requirement; and

- where use of digital channels is disproportionately low among people in a particular age group, or with a particular disability, public authorities should encourage such use as part of their policy.

A contentious element of HMRC's service strategy is digital compulsion across all business taxes. This goes further than any other government department and is arguably open to legal challenges where HMRC can be shown not to have had due regard to the above principles[73] .

For example, a very small business where the owner and sole operator is disabled in such a way as to make use of computers impossible or excessively difficult may be placed at a disadvantage if required to file VAT, PAYE or corporation tax returns electronically. In such cases HMRC may be obliged to remove or minimise any such disadvantage by providing alternative ways of filing which do not put the disabled business owner to any inconvenience over and above that experienced by his or her non-disabled counterparts.

Arguably, if they were merely to encourage that business owner to engage an agent at a cost that he/she would not have had to incur had it not been for his/her disability, HMRC would not be fulfilling their public sector equality duty. On the other hand, if they were to maintain a paper channel to enable that business to carry on filing on paper as it did before mandation, that might arguably be all that HMRC need do in order to minimise any disadvantage. In between those two polarities there may be other options which may, or may not, fulfil HMRC's duty more or less.

The gold standard might be a policy that identified any who might be at a disadvantage, and sought to minimise that disadvantage by making appropriate allowances and reasonable adjustments, imposing no or minimal added costs or inconvenience, while providing a 'way in' for those whose situation might allow a gradual change to digital over time.

The Equality Act 2010 is not the only body of general law that must be considered in this context. There are also:

- EU fundamental principles – effectiveness and proportionality , and
- human rights.

When looking to introduce or alter the obligations of citizens relating to tax administration, government should bear in mind the concepts of "virtual impossibility" or "excessive difficulty" established at an

73 See, for example, LITRG response to HMRC consultation document 'VAT: next steps for moving online' http://www.litrg.org.uk/submissions/2011/moving-vat-online

EU level in respect of various areas of domestic legislation. It has been used in a number of cases in connection with the principles of effectiveness and rights of taxpayers, mostly in relation to repayments of tax.

Human rights issues (under the European Convention on Human Rights and the United Nations Declaration on Human Rights) in the context of digital compulsion may also need further consideration by government in relation to issues of access and privacy.

# 10. The international picture

## 10.1 Other tax authorities

As part of our review we spoke to representatives from a small number of overseas tax authorities (Australia, Japan and the USA).

This report also uses recent research findings from a recent study commissioned by the Organisation for Economic Co-operation and Development (see 10.2 below).

The tax authorities we spoke to had strategies in place with similar aims to the UK – to promote e-tax usage in order to minimise costs and streamline services, and to shift service demand to the online channel. However, emphasis by these authorities was very much on promotion of e-services and encouragement to move to digital rather than compulsion. For example, filing of personal tax returns using digital channels was not mandatory for individuals in any of the countries we have included in our report, and for business taxes it was compulsory for only large corporations to file digitally. For example, in the USA the IRS requires corporations that have assets of $10 million or more and file at least 250 returns annually to electronically file their Forms 1120 and 1120S for tax years ending on or after 31 December 2007. This requirement extends to foreign corporations filing Form 1120-F who have tax years ending on or after 31 December 2008, have assets of $10 million or more and who file at least 250 returns annually.

Under the tax systems for the authorities we spoke to, individuals were largely due a refund when they filed their tax returns which could act as an inherent incentive for online and early filing. From our meetings with officials of Australia and Japan, for example, it was evident that citizens engaged well with the tax authorities and there was a spirit of 'we are all in this together'.

A common feature in relation to the authorities we spoke to was a recognition that not all citizens would be able to file online, or some would find it excessively difficult to do so. This was recognised also for individuals who ran small businesses. In the strategy documents we have seen it is particularly evident that the authorities we spoke to recognised the problems of digital exclusion relating to the disadvantaged – particularly the elderly, those with disabilities and those in rural locations without access to broadband.

The authorities we spoke to had robust assistance into digital strategies in place to assist the least able. In Japan, for example, nearly half of all online filers took advantage of the facility to go into a tax office

either to use a computer or to receive assistance from a tax official in filing their return. If the filers had specific questions then they were able to have a pre-arranged consultation with a tax official as opposed to having to search for information online. In Australia taxpayers were able to register centrally with the tax authority to enable their tax returns to be pre-populated with certain information to simplify completion of their returns.

All the tax authorities we spoke to had a network of taxpayer assistance centres easily accessible to most, although rural areas were acknowledged to be a problem by all of them. All assistance centres could offer help with filling in tax returns or filing online. The Volunteer Income Tax Assistance programme in the USA offered free services to individuals and families whose income was below $50,000.

A further common feature in relation to the authorities we spoke to was that there was no distinction between filing dates for e-filing or traditional filing methods. Certainly, penalties were hugely less penal in these countries than in the UK and were tax-geared so if there was no tax liability a penalty would not be imposed for late filing. Thus, traditional filers were not penalised disproportionately either for not being able to file online or by facing earlier filing dates and then being hit with heavy penalties if they missed them.

## 10.2 Organisation for Economic Co-operation and Development (OECD) Forum on Tax Administration

Our report also cites evidence from a recent project study – "*Using demand management strategies to meet service delivery goals*"[74] – initiated by the OECD Forum on Tax Administration under the title "*Working Smarter*".

Of the 25 revenue bodies participating in the OECD study, 22 confirmed that their service objective was to migrate taxpayers to 'self-serve' and preferably the online channel. A common theme for all of the revenue bodies that reported having a demand management strategy was to increase taxpayer use of self-serve and online services to reduce demand and resource utilisation on the other more expensive channels and to make interactions easier and more accessible for taxpayers.

In keeping with the objective to reduce costs many identified the in-person channel as the one channel in which they most wanted to reduce demand *(Australia, Canada, Chile, Finland, Italy, Mexico, Singapore, Turkey, USA).*

Many of the strategies recognised that while moving to self-service was the preference for the revenue

74 http://www.oecd.org/dataoecd/53/8/49428187.pdf?bcsi_scan_567EAC7912F7461B=0&bcsi_scan_filename=49428187.pdf

body, taxpayer expectations must be addressed. This results in a continuing focus on providing quality service on traditional channels *(Australia, Finland, Hong Kong, Singapore, Sweden, New Zealand, USA).*

Nearly all revenue bodies reported that, despite having a multichannel environment and having made significant investments to their online channel, they continued to experience relatively high demand for their telephone and in-person channels. Some countries indicated that the increase in self-serve channels has led to an increase in the complexity of the calls received in the in-bound call channel.

Most strategies included enhancing online services to provide a wide range of information and transactions, thereby encouraging their use; some referenced efforts to decrease paper outputs and downloading of forms.

Some countries also emphasised the need to ensure their strategy took into account all channels and directed taxpayers to the channels where the best and most efficient help was available to address the needs of taxpayer segments (*Netherlands, Sweden, United Kingdom*).

# 11. Issues requiring further exploration

All citizens need to be able to engage fully with and utilise government services. They must be able to do so through a range of channels, in line with the statement by Francis Maude MP, the Minster for the Cabinet Office, that "*Every single service must be available to everyone – no matter if they are online or not*". Is this over-arching commitment being honoured by government departments? Does it extend to mean ***good quality*** services are available through a range of channels – not only digital**? How does this commitment fit with compulsory online filing for all business taxes given the issues later highlighted in this report?**

**Is wider government policy robust enough to tackle the underlying issues of digital exclusion and varying degrees of exclusion and should digital policy thinking address specific behavioural issues preventing people from moving online?** Is a change in emphasis of government digital policy needed until the issues of exclusion are further addressed?

**A further challenge is how HMRC and the DWP address tensions between digital policies and customer-centric strategies.** For example, many sources of advice and redress are increasingly available online – this further compounds exclusion issues.

**Is the pace of travel of digital delivery right and is a longer term strategy required?** Given that levels of access to broadband vary considerably across the UK and affordability factors impact much more heavily on those at the real bottom of the economic pile, many people are excluded from online services easily even if they would like to access them. Many of those who are more likely to be digitally excluded are unable to access public online facilities at all (or at times when they need to) due to factors of age and disability.  It is commonly perceived that digital exclusion is a problem mainly for older people however there is some evidence that younger people are reluctant to use government services online.

**Should citizens always have a free choice in how to fulfil their statutory obligations?** Is there a difference between complying (for example, filing returns by a due date) and how one complies (for example, filing them online rather than in some other way)? There are some important issues around freedom of choice, not least legal questions around mandating citizens to fulfil their obligations in a certain way (see part 9). If a small business, for example, can operate without a computer or the proprietor does not use a computer, why should the business not be free to meet its filing obligations on paper?

**Should future HMRC and DWP policies be demand-led (or at least balanced with demand for traditional communication channels) rather than driven by the digital agenda?** There is very strong evidence from research by the OECD cited in this report (see section 8) that significant numbers of citizens prefer to continue to use telephone and face-to-face channels and will continue to do so, particularly for more complex transactions.

**Should citizens be 'pushed' into online channels because less commitment or resource is dedicated by government to non-digital channels** so that they are left with little option but to move online? Should incentives be provided to encourage citizens to move to digital channels, which may secure more engagement with government services?

**How do HMRC and the DWP ensure the digitally excluded who can move (or be assisted) to digital channels remain online?** Policy needs to make it as easy as possible for the digitally disadvantaged to find information and/or transact online and keep them motivated to continue to do so. Most services are provided for a generic, predominantly literate and non-disabled audience so often may not meet the needs of less literate users. Government policy needs to recognise and address these issues. It is imperative that digital channels add value.

**Does wider government policy fully address digital literacy issues?** Online information needs to be best designed to meet the needs of varying levels of digital literacy and functional literacy. How can Government support and encourage people to improve their digital literacy? At what level should departments be positioning their digital services and what central guidance can be provided to those departments?

# 12. Appendices

## Appendix 1:

### About the Low Incomes Tax Reform Group

The Low Incomes Tax Reform Group (LITRG) is an initiative of the Chartered Institute of Taxation (CIOT) to give a voice to the unrepresented. Since 1998 LITRG has been working to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit of those on low incomes.

The CIOT is a charity and the leading professional body in the United Kingdom concerned solely with taxation. The CIOT's primary purpose is to promote education and study of the administration and practice of taxation. One of the key aims is to achieve a better, more efficient, tax system for all affected by it – taxpayers, advisers and the authorities.

## Appendix 2: Fast Facts on digital exclusion

- The government considers Information and Communications Technology to be the 'third skill for life' after literacy and numeracy, yet 33 per cent of UK households do not own a PC[75].

- Of those who are not online, 77% are not working.

- Three out of four of those 'broadly socially excluded lack a meaningful engagement with the Internet.'[76]

- Of those living in households earning less than £11.5k per annum, 47% did not use the Internet compared to only 4% of those with an annual income of over £30k (ONS Data 2011).

- Level of Internet use among the oldest, age 65 and over, continues to hover between 25–35% compared to 85% for those in prime working years (25–55 years). The level of Internet usage by the over 65s has not changed since 2005 (source: OXIS 2011).

- All age groups, except the oldest, used the Internet in 2011 more than they did in 2009 (source: OXIS 2011)

- Internet use by people with a disability remained steady from 2009 to 2011, at 41%, and is about half that of the non-disabled (78%) (Source: OXIS 2011).

- Although Internet use increased slightly between 2009 and 2011 across all income groups, in 2011 people in households in the highest income category were more than twice as likely to use the Internet than the lowest income category (99% versus 43%) (source: OXIS 2011).

- Non-users are far more likely to feel the Internet is frustrating (54%, compared to 27% of First Generation (FG) users and 16% of New Generation (NG) users), and also far less likely to think the Internet makes life easier (46%, compared to 82% and 91% of FG and NG users).

75 http://www.v3.co.uk/print_article/v3-uk/news/1958911/no-easy-answer-digital-exclusion-warn-experts

76 Oxford Internet Institute research 2011

## Appendix 3: Full results of the findings from the survey on Digital Exclusion commissioned by the Low Incomes Tax Reform Group

### Information about this survey

The questions for this survey were compiled by the Low Incomes Tax Reform Group working together with key stakeholders.

The survey was aimed at a self-selected population for which the incidence of digital exclusion was likely to be much greater than the general population to find out:

- the level of exclusion across different age profiles for low income groups (respondents with annual incomes under £17k) but with a particular focus on older people
- key factors preventing those who are excluded from using a computer and online services
- motivational factors preventing the digitally excluded from using a computer.

The survey also aimed to find out for those who are digitally included the reasons for and the extent of their usage, competence levels and feelings about security.

The survey was conducted by post, telephone and face to face by the following organisations across a self-selected sample group across low income groups (annual income under £17k).

- TaxHelp for Older People
- TaxAid
- Migrants Resource Centre.

The number of questions in the survey has been kept to a minimum because of sensitivities around asking customers more extensive questions following difficult meetings or telephone calls, and in recognition of vulnerability factors, particularly age.

The following observations on the statistical data drawn from the surveys should be borne in mind:

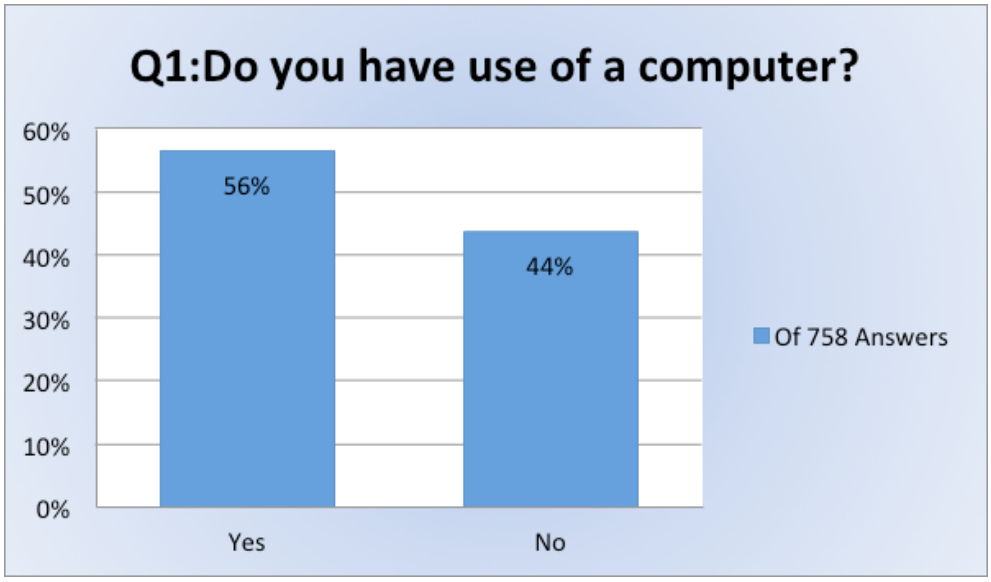
- the total number of respondents who answered the survey (758)

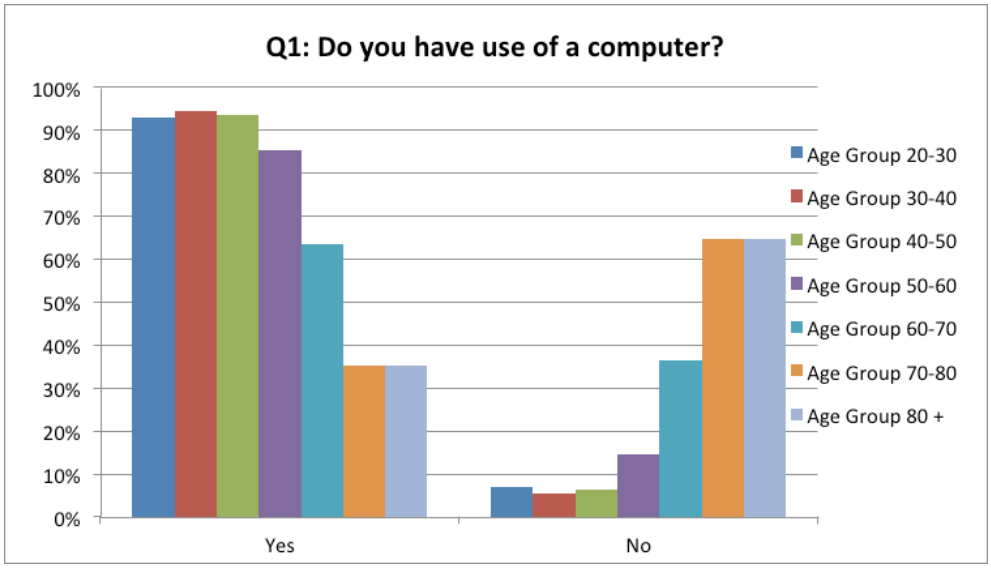
- the age profile of respondents ranged from those in their 20s to the age group 90+. It should be noted that 474 respondents out of a total of 758 were aged 60+ and 175 were from ethnic minorities.

- Respondents were drawn from different geographical areas in the UK by TaxHelp for Older People. It should be noted that all the Tax Aid surveys were conducted in person at their London offices and therefore respondents were unlikely to live outside the Greater London area.

- The surveys conducted by Migrants Resource Centres were included as part of a wider customer survey on migrants issues including digital exclusion. Surveys were all conducted in the London centre.

## Survey Findings

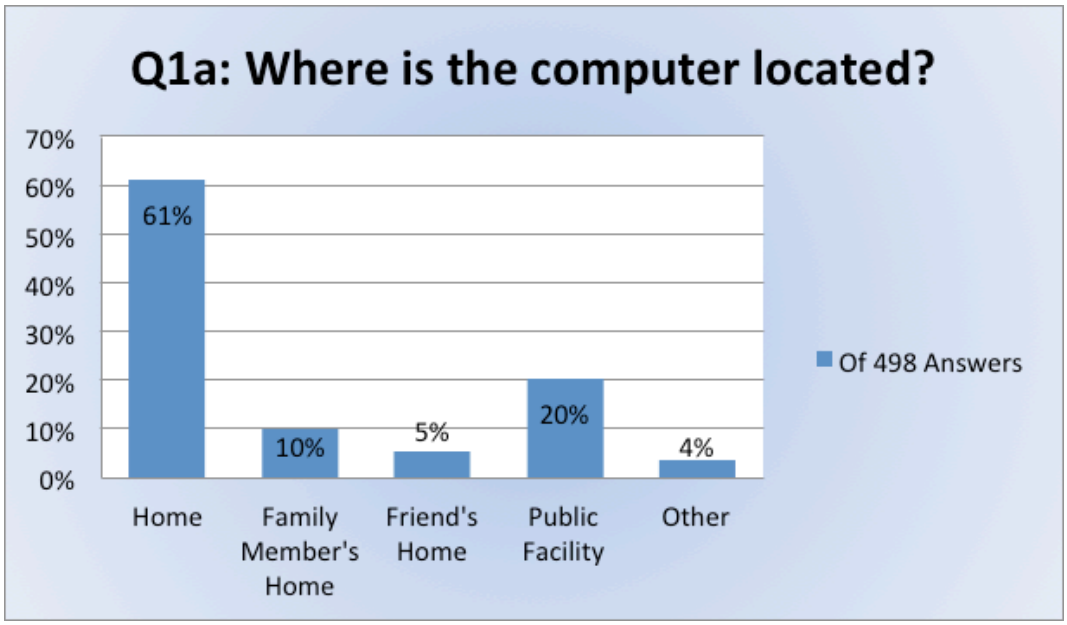


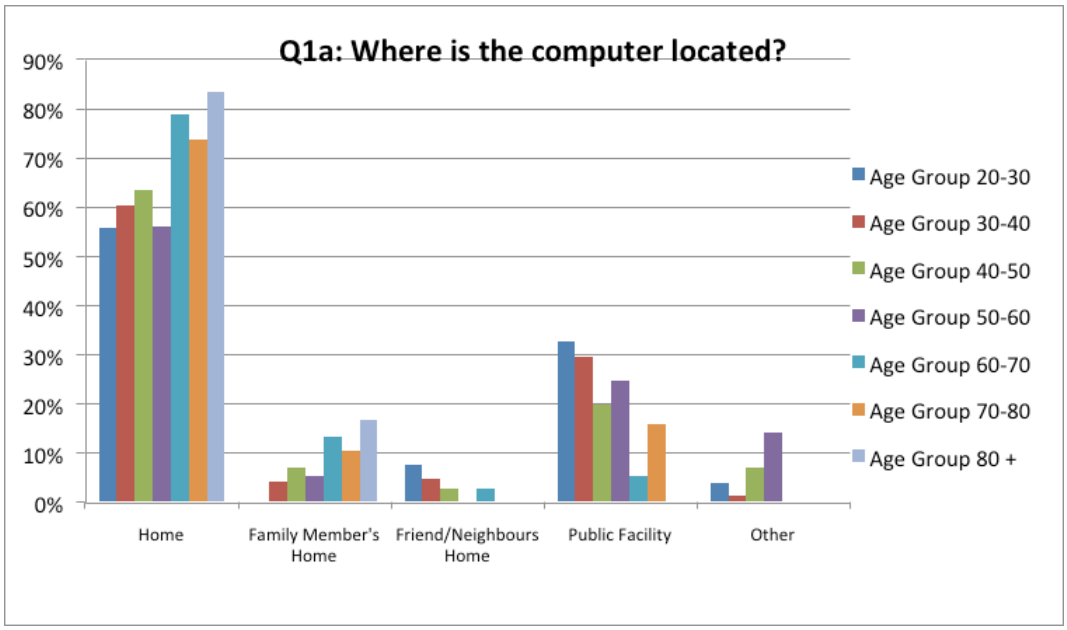




» Out of a total of 758 respondents who answered this question 15 had **indirect** use of a computer (through someone who used it on their behalf). Ten out of 15 of this group were 80+.

» There was a marked increase in the percentage of respondents in the age groups 70+ who did **NOT** have use of a computer compared to the lower age groups (under 60–69 and under).

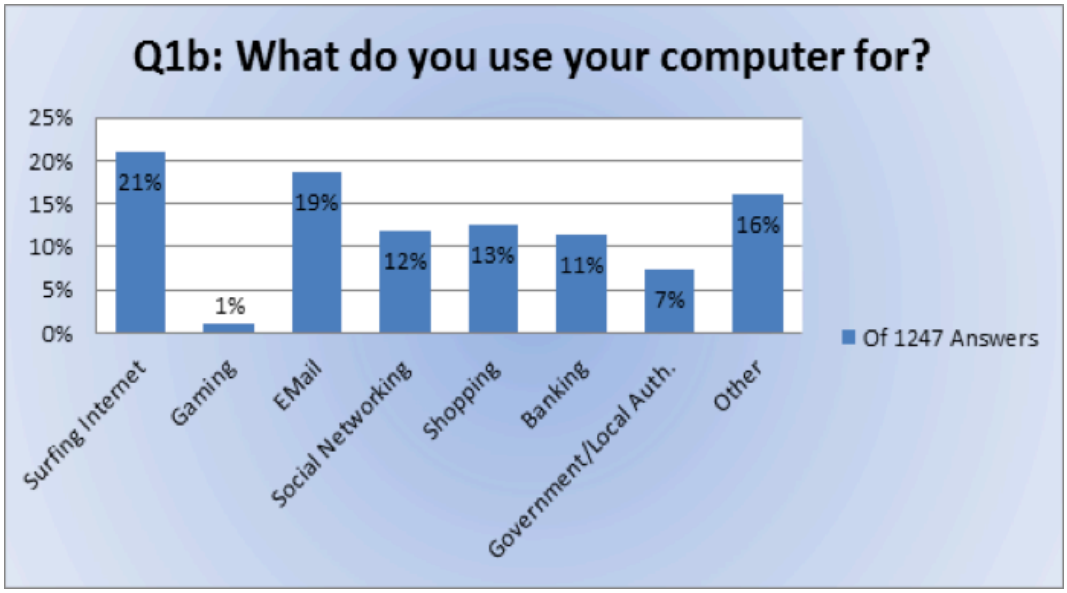
» For all age groups up to 70+ the majority of respondents had use of a computer although, as may be expected, the percentage of those who had use of a computer decreased significantly for those in their 60s in comparison to the lower age groups (50–59 and under).

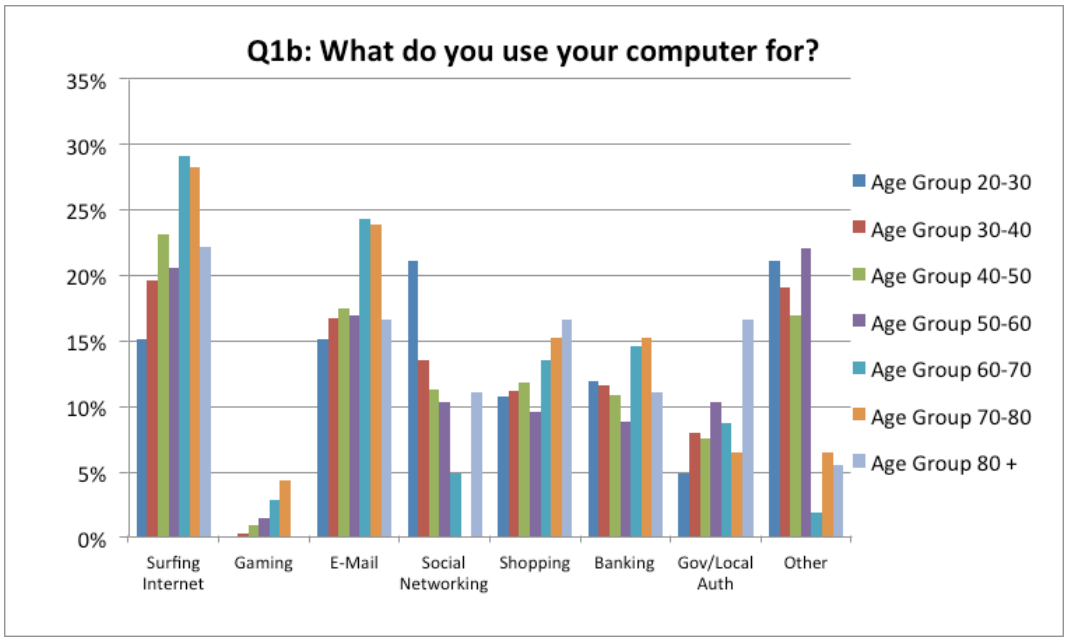



» The total number of answers reflects that some respondents chose more than one option, for example home **and** a public facility such as an Internet cafe or library.

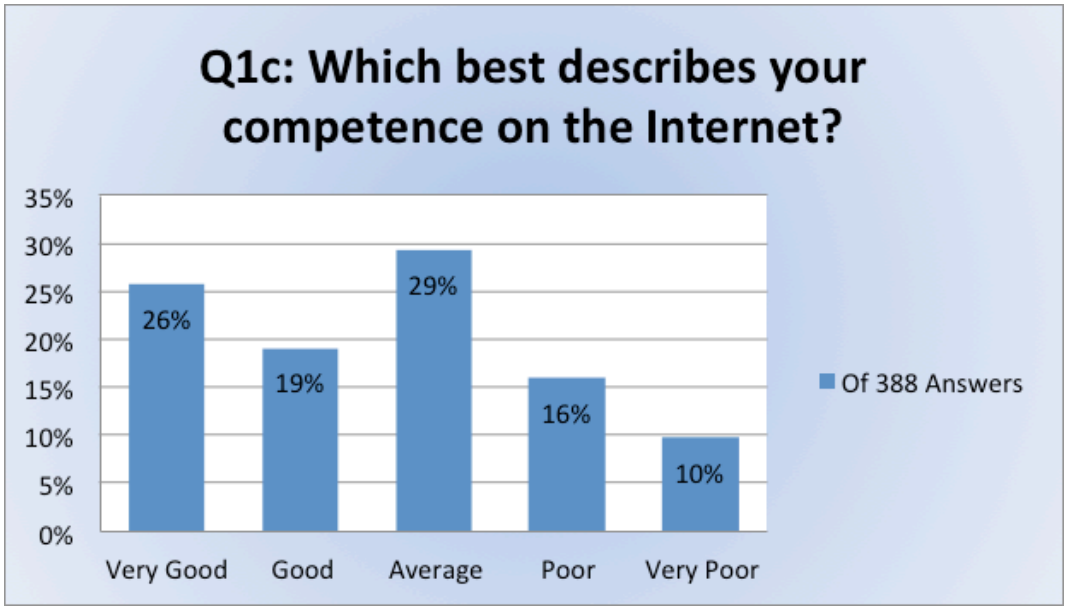
» Of the aggregate 15% of answers attributable to 'family member's home' and 'friend's home', a significant proportion of those respondents were 60+, perhaps indicating that older people are much more reliant on help from friends and family than lower age groups.

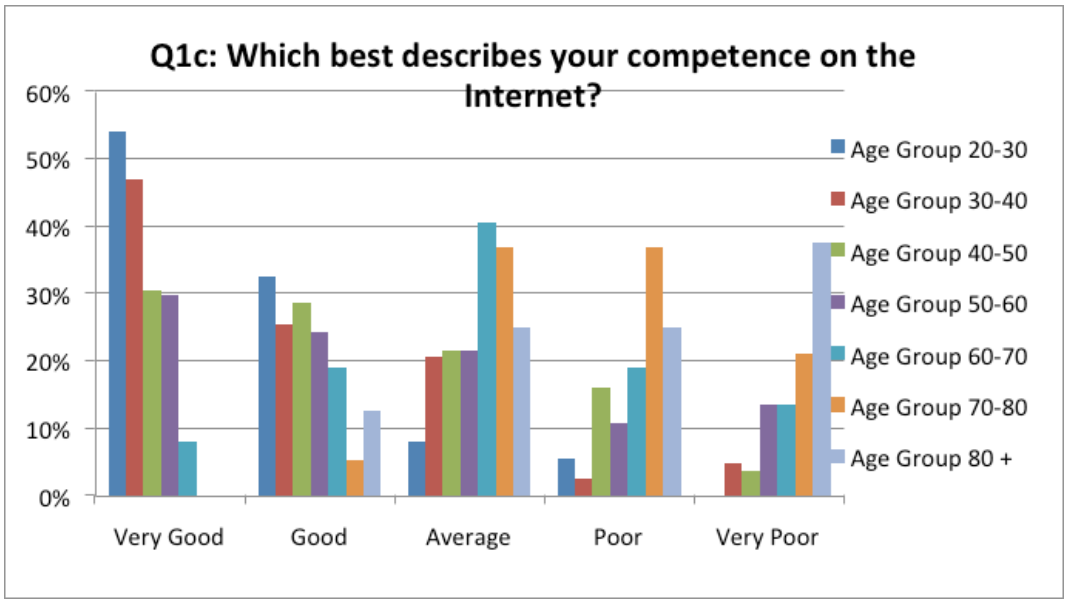


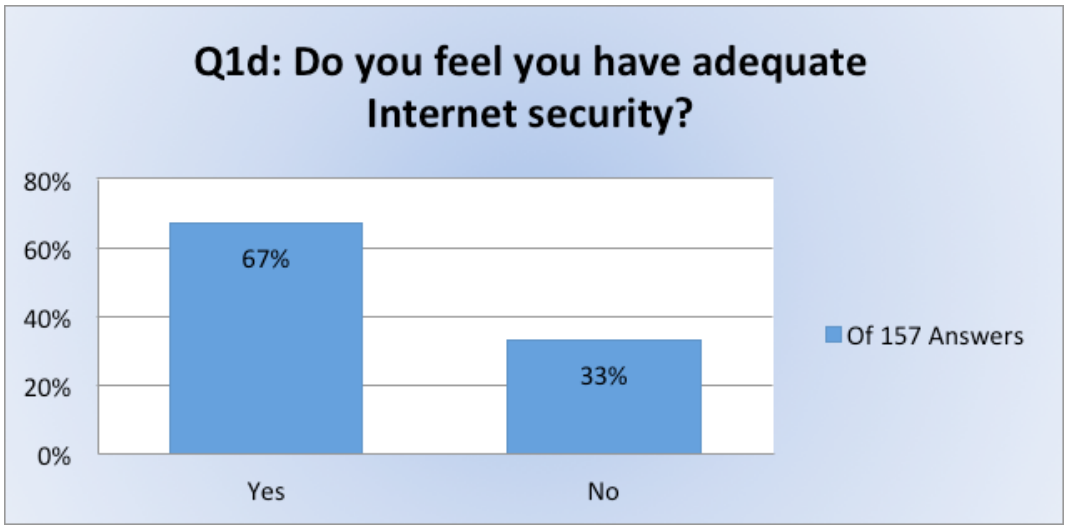

» The total number of answers reflects that some respondents chose more than one option.

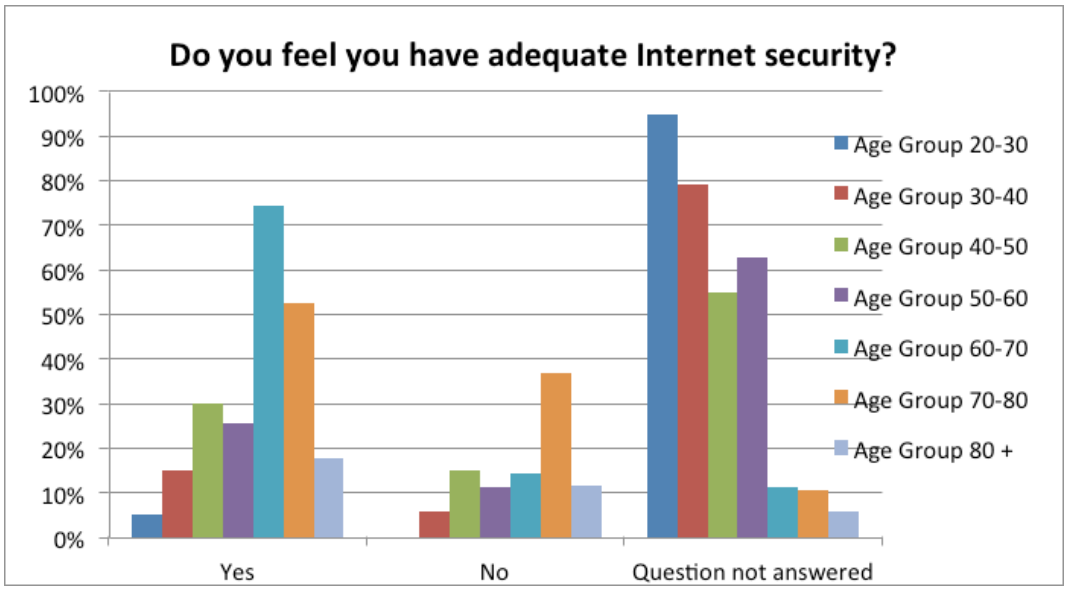
» Usage of one option or none fell by percentage dramatically for respondents aged 60+ indicating that even where older people use the Internet, they do so much less than younger age groups.




» Of respondents who rated their competence on the Internet as 'poor' and 'very poor' the vast majority were aged 60+. This may reflect lower levels of confidence among older people generally.

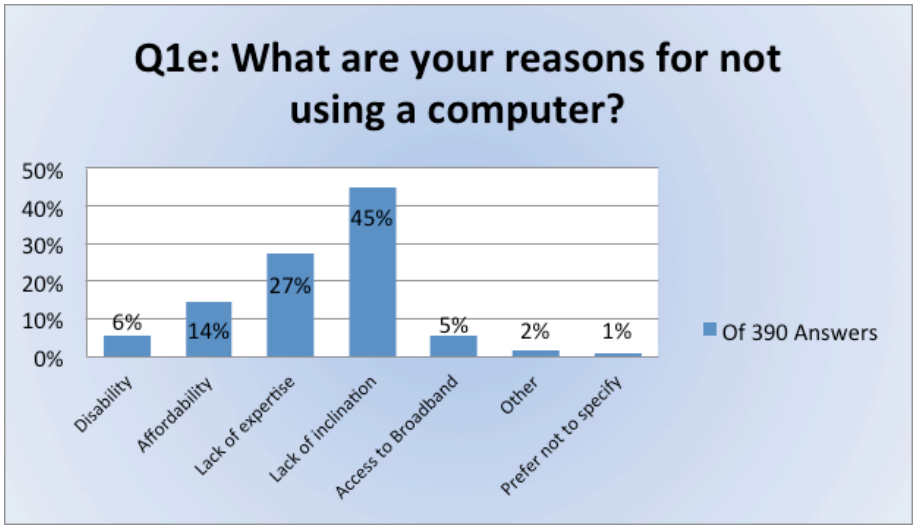


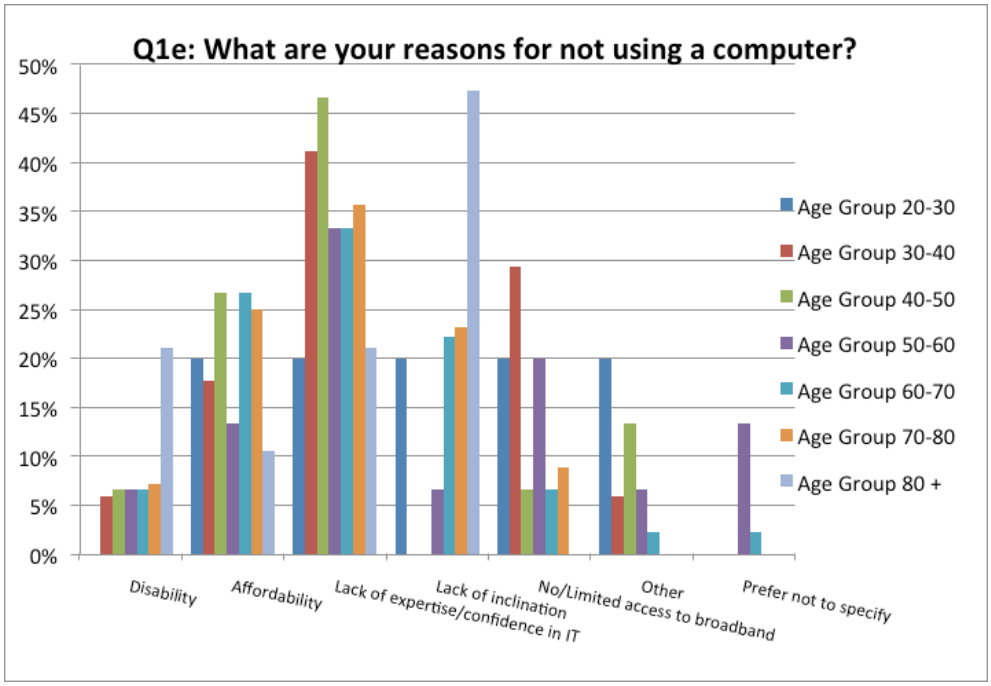




» Four respondents answered 'Not sure'

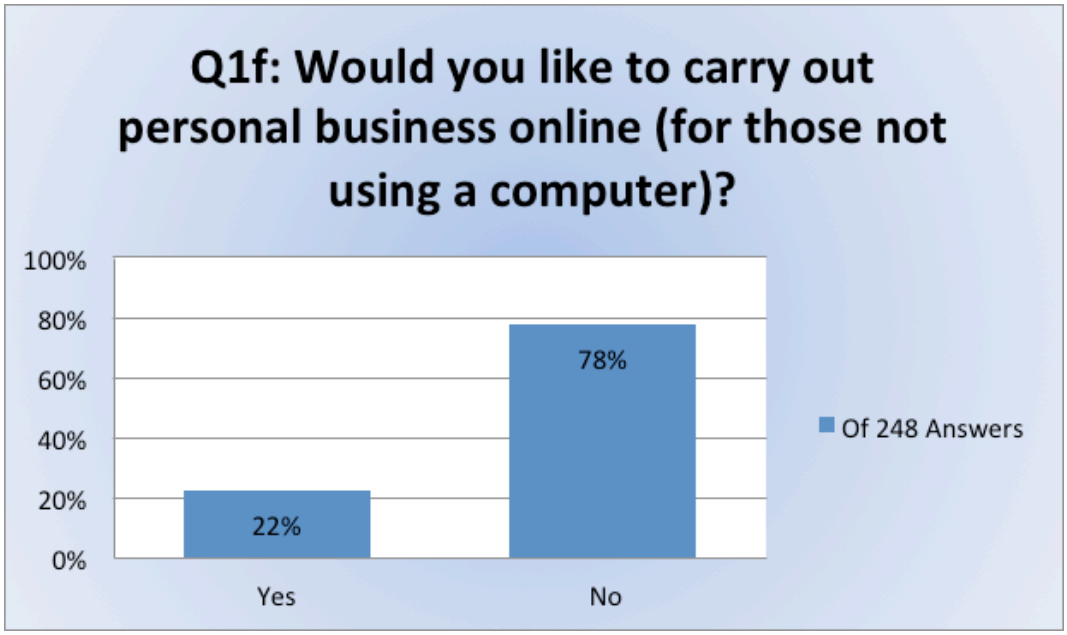
» A clear majority (67%) of respondents felt that they had adequate Internet security, but as the answers reflected views of those who were digitally included it would be expected that security concerns would be less prevalent than for those not using the Internet.

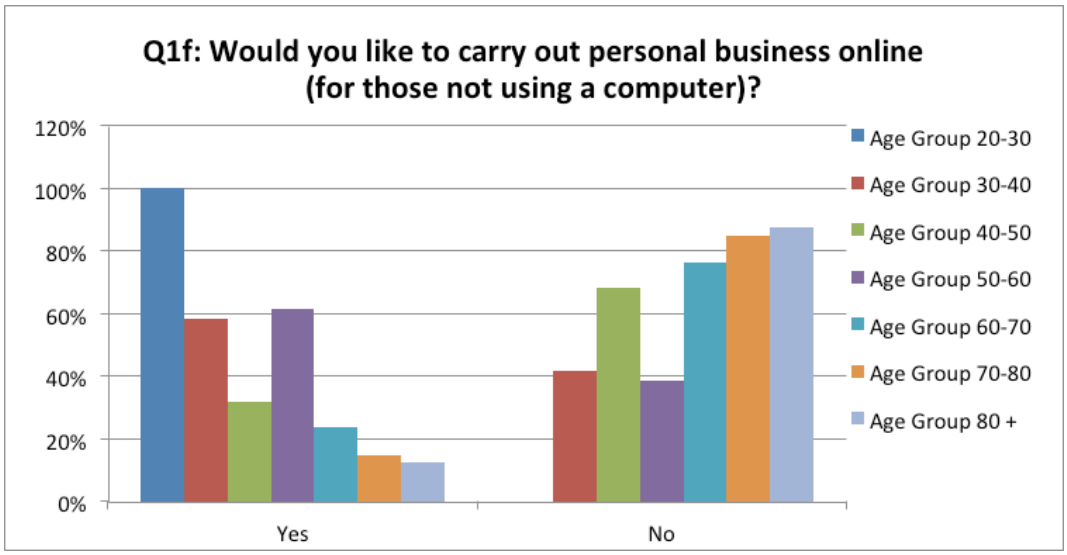
» Security concerns were much more prevalent for respondents for 60+ age groups, as may be expected given comparatively lower levels of confidence.



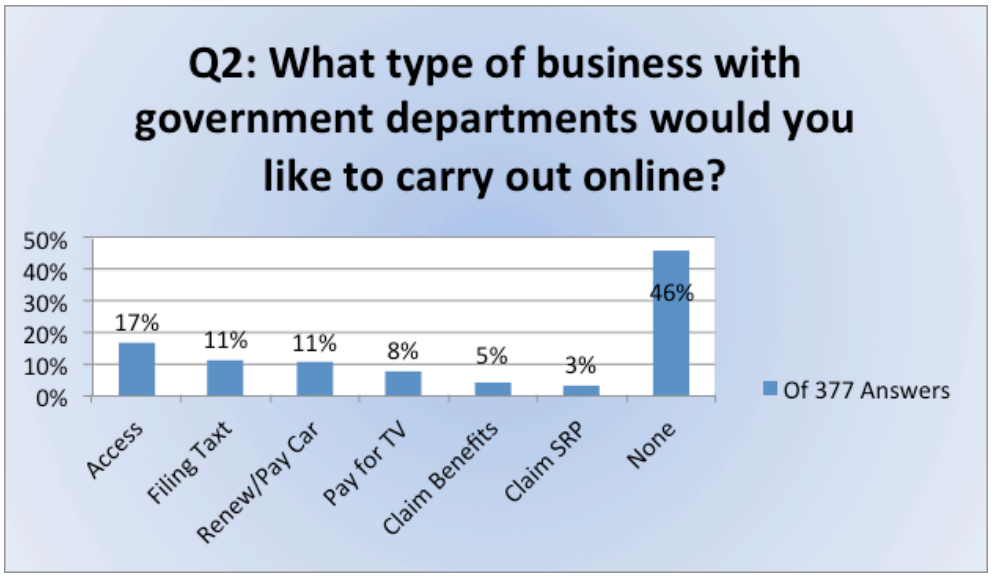



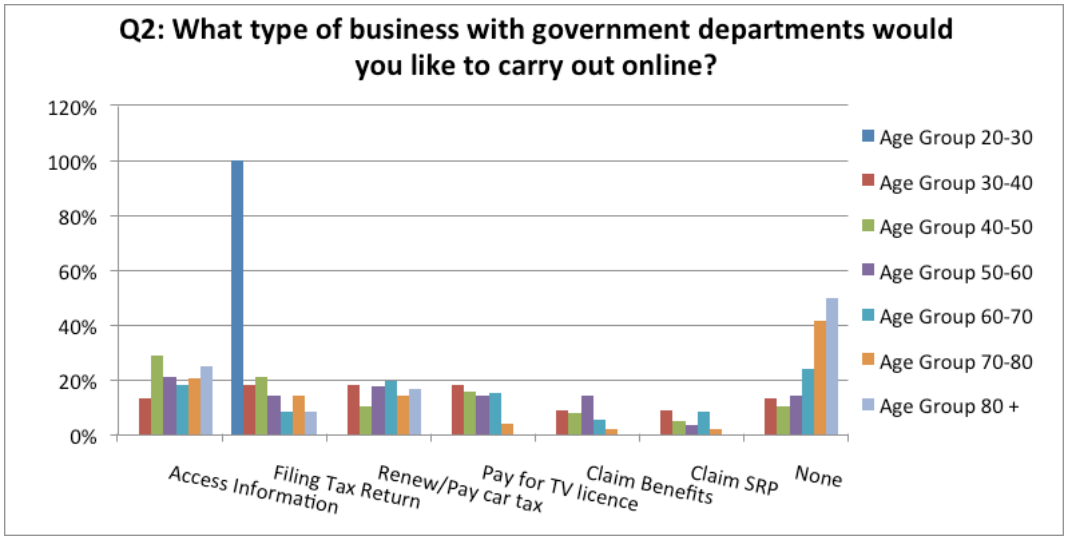

- The number of answers reflects that some respondents chose more than one option.
- Lack of inclination to use a computer was notably higher than for other responses and together with lack of expertise accounted for 72% of answers, a significant proportion of which were attributable to those over 60+.
- In comparison to age groups under 60 years, affordability was cited much more as a barrier to using a computer by respondents age 60+, with a marked increase for respondents age 70+.
- The main type of disability cited as a reason for not using a computer was poor eyesight. From the limited data available, age combined with disability appeared to account for a significant proportion of respondents where disability was a barrier to inclusion.
- Five per cent of respondents cited 'no access to broadband' as a barrier to using a computer. This may be attributable to these respondents having no alternative means of access to a computer, for example at work.




» A significant majority of respondents who did not have use of a computer would **NOT** even want to carry out personal business online. This appears to indicate low drivers to become digitally included even where online business is of personal interest. It is perhaps not surprising that the majority of respondents who answered this way were over 60+. Motivational factors were cited as a significant reason (45% of respondents) for not using a computer.



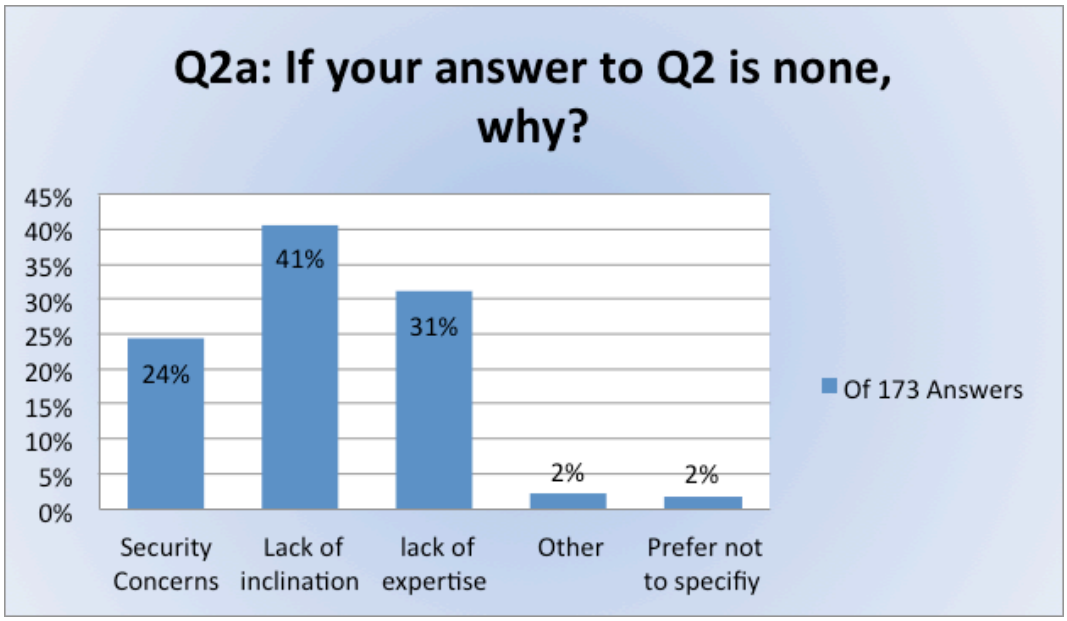




» Some respondents chose more than one option.

» A significant minority (46%) of respondents would **NOT** be interested in doing any business with government departments online. Of the respondents who answered 'None', 77% did not have access to a computer. This would seem to reflect lack of motivation as a significant barrier to overcome for respondents who are digitally excluded.

» A majority of respondents identified at least one category of business they would want to carry out business with government online. This would seem to indicate that a majority of those using computers are interested in engaging with government – even older people – but there was a marked difference in attitudes from those who did not have access to a computer. It may be that those who were not interested in using government e-services could be motivated to do so if other barriers could be overcome (see below).

» The graph shows that 100% of respondents in the age-group 20+ would file a tax return online. This may not be a representative figure given that it is very unlikely that respondents on a low income in this age group would be required to file a tax return.



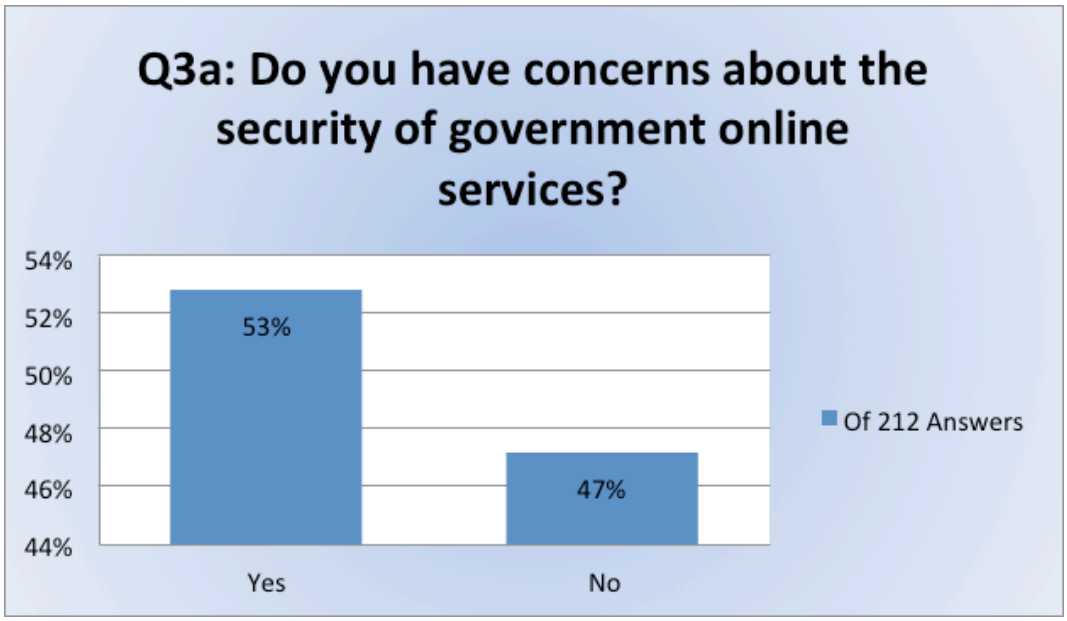


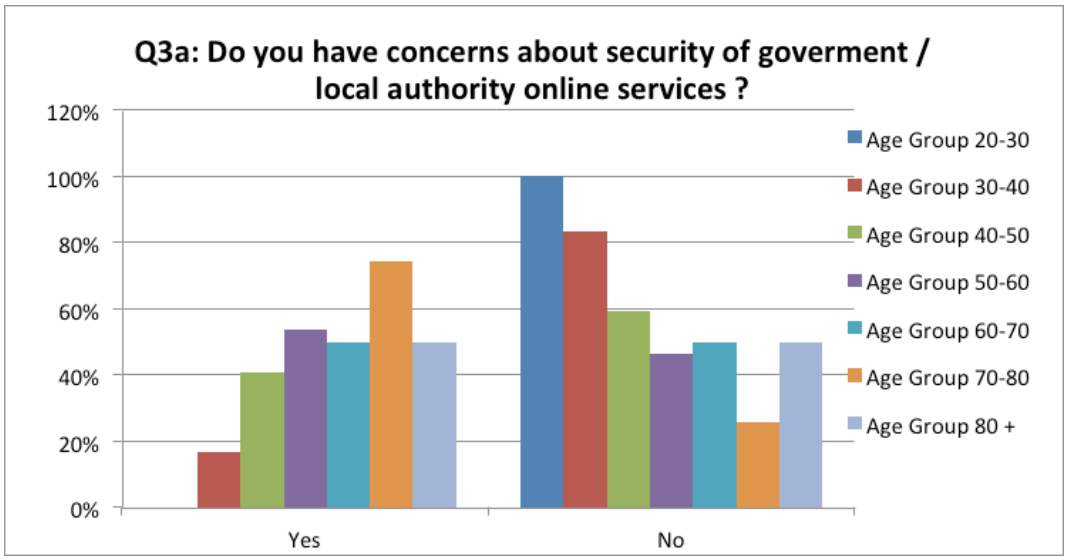
» The number of answers reflects that some respondents chose more than one option.

» Lack of inclination and lack of expertise were cited as the most significant factors for not wishing to use online government services (72% of answers).

» Concerns about security were cited by a significant minority of respondents (24%). The percentage of older respondents citing security concerns was not as high as might be expected, but this may be explained by older respondents ranking other factors much higher.

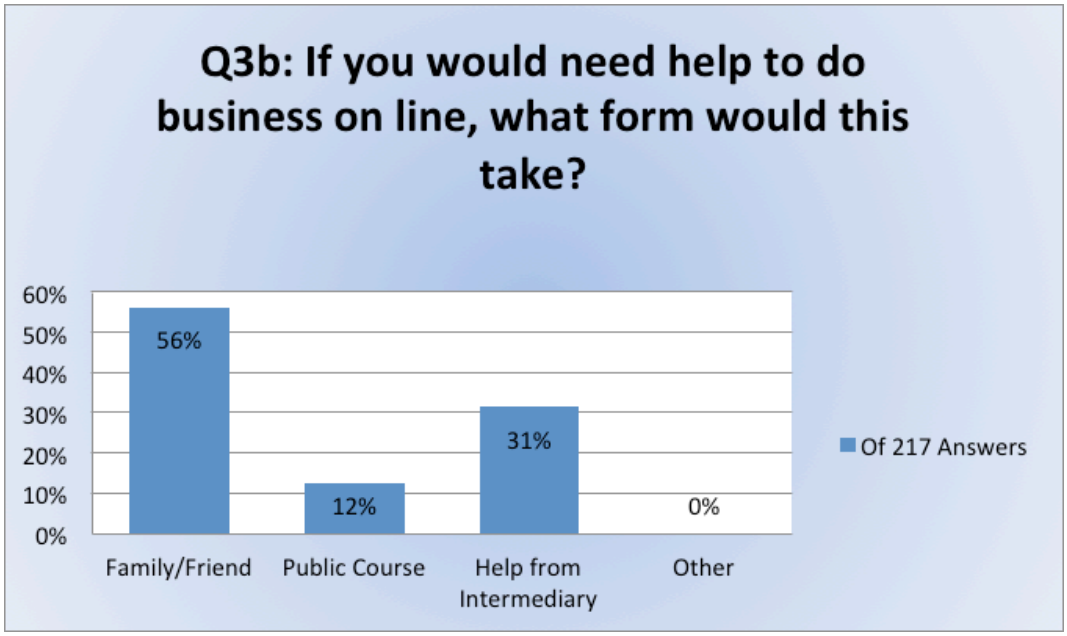
» From Q2, given some interest in using government online services it could be concluded that lack of expertise may be the primary factor in preventing the 'interested' in moving online.

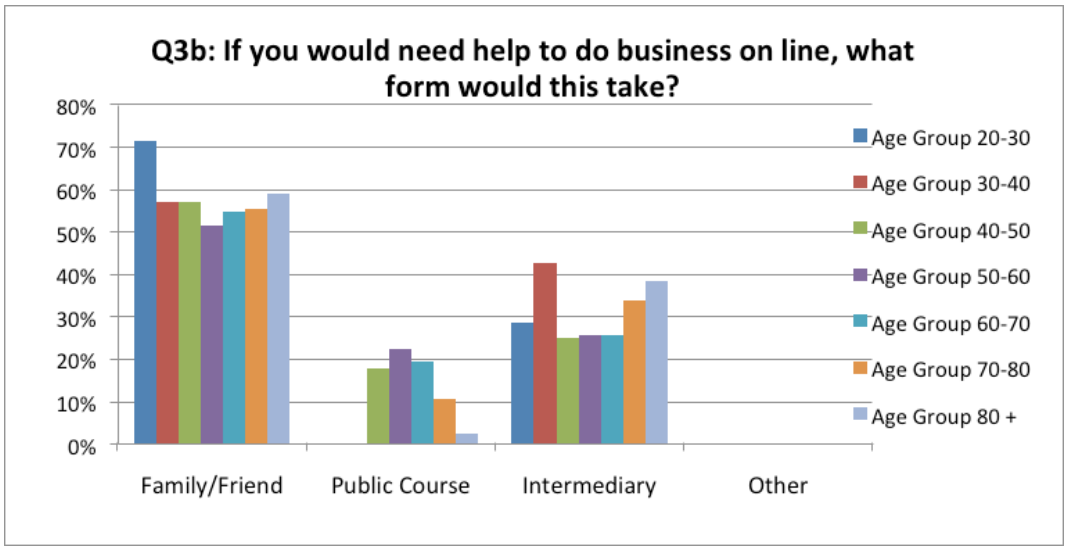



» When asked specifically about security of government online services, responses were fairly evenly split between 'Yes' and 'No' answers.

» The age profile for respondents who did have concerns was higher than for respondents who did not have concerns. This was highest for those in the 70–80 age bracket.




» The majority of responses (56%) were in favour of the family/friend option and fairly evenly spread in percentage of respondents answering across all age groups.

» Help from an intermediary accounted for a significant minority of answers (31%).

## Appendix 4: Acknowledgements

This study was conducted and the Report compiled by Geraldine Beazley who is seconded to the Low Incomes Tax Reform Group from HM Revenue and Customs.

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