Child Support Agency – employers’ views on setting up and processing Deduction from Earnings Orders

Ashfa Slater and Kate McPhillips
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Abbreviations and acronyms

ACT
Automated Credit Transfer.

Bulk BACS
Employer makes a single, combined payment via the Banks Automated Clearing System (BACS) for more than one Deduction from Earnings Order (DEO). The employer also sends a payment schedule, which breaks the payment down into the individual DEO amounts paid by each employee. The payment schedule must include a recognised identifier for the employee, e.g. National Insurance (NI) number or child support reference number. The individual payments on the schedule must sum exactly to the amount paid in the BACS transfer.

Bulk cheque
One cheque from one employer, which combines a number of DEO payments. A payment schedule is required.

CFAT
Client Funds Account Team.

CHAPS
The Clearing House Automated Processing System is an ‘instantaneous’ bank payment system which incurs a cost to the employer. A payment schedule is required where a CHAPS payment combines more than one DEO.

CSA/The Agency
Child Support Agency.
<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CSA new scheme DEO</strong> (Post-March 2003)</td>
<td>If the employer cannot deduct the full DEO amount due to insufficient earnings in the pay period, the shortfall in the normal deduction rate and the protected earnings proportion is carried forward to the next pay period. The difference between the protected earnings proportion and the net earnings is not carried forward.</td>
</tr>
<tr>
<td><strong>CSA old scheme DEO</strong> (Pre-March 2003)</td>
<td>If the employer cannot deduct the full DEO amount due to insufficient earnings in the pay period, the shortfall between the normal deduction rate and the protected earnings rate is carried forward to the next pay period. The difference between the protected earnings rate and the net earnings is also carried forward.</td>
</tr>
</tbody>
</table>
| **DACT (sometimes referred to as Single BACS)**                       | Detailed Automated Credit Transfer. An employer sets up an individual Automated Credit Transfer (ACT) account to pay each employee’s DEO. Individual payments are then made to CSA via the BACS. This is CSA’s preferred method of payment and offers a number of benefits to employers:  
  • no payment schedule required;  
  • payments made automatically each month;  
  • a fast, secure and accurate payment method which gets money to children as quickly as possible. |
| **Abbreviations and acronyms**                                         | DACT (sometimes referred to as Single BACS) |
DEO  Deduction from Earnings Order.

A compulsory way of collecting child maintenance directly from an non-resident parents’ (NRPs’) earnings if they fail to pay, don’t pay the correct amount, don’t pay on time or fail to offer an acceptable method of collection at first contact. The employer is legally obliged to apply a DEO. Failure to do so may lead to a criminal prosecution.

A DEO is made up of two parts:

- the normal deduction rate: the amount of child maintenance taken from an NRP’s net income in each pay period;

- the protected earnings rate or protected earnings proportion. This is the amount the NRP keeps for their own living costs:
  - the protected earnings rate applies to cases assessed before 3 March 2003 (old scheme);
  - the protected earnings proportion applies to cases assessed on or after 3 March 2003 (new scheme).

If the NRP has earned enough for the employer to take the full DEO amount, the DEO process is the same, whether it’s an old or new scheme DEO.

If the NRP has not earned enough for the employer to take the full DEO amount, the DEO process will be different depending on whether it’s an old or new scheme DEO.

DWP  Department for Work and Pensions.

HMRC  Her Majesty’s Revenue & Customs.

NRP  Non-resident parent: the parent the child does not normally live with.

OIP  (CSA) Operational Improvement Plan.
Payment Schedule  

With the exception of detailed ACT, any method of payment, which combines DEO payments for more than one employee, must be accompanied by a payment schedule. The payment schedule breaks the payment down into the individual DEO amounts paid by each employee. It must include a recognised identifier for the employee, e.g. NI number or child support reference number. The individual payments on the schedule must sum exactly to the amount paid in the BACS transfer. Each individual BACS transfer incurs a small charge to the employer.

PWC  

Parent with care: the parent or carer the child normally lives with.

Single cheque  

One cheque from one employer for one DEO. A recognised identifier for the employee, e.g. NI number or child support reference number is required.

VDEA  

Voluntary Deduction from Earnings Arrangement (employer chooses whether to apply).  
A way of choosing to pay child maintenance directly from your earnings, if your employer agrees.
Summary

In its Operational Improvement Plan (OIP), produced in February 2006, the Child Support Agency (CSA) set out steps to improve the Agency's performance, including plans to increase the use and effectiveness of Deduction from Earnings Orders (DEOs). As part of the OIP, the CSA will use DEOs earlier and more frequently for those who default on other payment arrangements or indicate that they are unlikely to pay. CSA commissioned ECOTEC to examine employers’ interactions with the Agency and the DEO process to inform implementation of this element of the OIP.

The main aim of this small, qualitative study was to examine the views and experiences of employers and payroll organisations (who are contracted by employers) regarding the ease or difficulty of setting up and paying DEOs and Voluntary Deduction from Earnings Arrangements (VDEAs) to CSA. VDEAs may be made at the request of employees and in contrast to DEOs, an employer is not legally obliged to set these up. The research also looked at employers’ perceptions of the support service and employer-specific communications they receive from the CSA.

The study involved initial scoping consultations with four CSA employees, three key organisations representing employers and payroll agencies and three employers of various sizes. This informed the questionnaire for the next stage of the study, where a combination of face-to-face and telephone interviews were undertaken with 58 employers of varying sizes and two payroll agencies.

This summary sets out the main findings from the study.

Key findings and conclusions

The research has highlighted that employers were generally satisfied with the current DEO process in terms of set up, administration and making payments. Where problems did occur, these tended to be reported by respondents from large organisations with a higher number of DEOs in operation, rather than smaller employers with few DEOs.
Employers can choose from a number of methods for paying DEOs, including different automated transfers and cheques. Table 1 profiles the payment methods used by employers in the survey.

**Table 1**  **Types of payments used by employers surveyed**

<table>
<thead>
<tr>
<th>Payment type</th>
<th>Number of payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single cheque</td>
<td>25</td>
</tr>
<tr>
<td>Bulk cheque</td>
<td>7</td>
</tr>
<tr>
<td>Banks Automated Clearing System (BACS)</td>
<td>14</td>
</tr>
<tr>
<td>Clearing House Automated Processing System (CHAPS)</td>
<td>0</td>
</tr>
<tr>
<td>Detailed Automatic Credit Transfer (DACT)</td>
<td>1</td>
</tr>
</tbody>
</table>

Whilst the Agency’s preferred method of DEO payment is DACT, employers surveyed were generally reluctant to switch to this payment method. Even when the benefits of DACT were explained to employers previously unfamiliar with it, some felt that other methods of payment served them adequately and saw no additional benefits in changing. Instead, their key concerns related to communication with the CSA, particularly regarding queries.

As noted above, employers’ believe that DEO payment processes are quite adequate and work well overall. However, CSA employees who contributed to the scoping consultations, highlighted payment issues that typically arose due to employer errors at the point of DEO set-up or on an ad hoc basis. Scoping consultations were carried out with four CSA employees and the issues identified have been raised in subsequent discussion with relevant CSA employees. Issues identified include: inaccurate employee information, inaccurate payment schedules, late and over payments. These raise a number of potential impacts:

- **Parents with care (PWCs):** the errors outlined above may result in a delay in issuing payment to the PWC if money is held as an ‘unassigned receipt’ until any problems are addressed with the employer. In some instances this can affect multiple PWCs awaiting payment from an employer’s bulk schedule.

- **Employers:** may receive multiple telephone calls about the same DEO payment schedule when Agency employees contact them to resolve payment issues or confirm whether payment has been made.

- **CSA resources:** employer errors generate additional and unnecessary work for the Agency. Time and resource is required to resolve employer payment errors and deal with queries raised by PWCs when payment is delayed.

CSA employees, who contributed to the scoping consultations, identified some internal factors which contributed to the above issues, such as lack of an up to date employer database to capture employer details in a consistent manner.
Employers clearly appreciated the recent work undertaken to improve standard communications and notifications, such as the revised employer leaflets. However, the CSA website remains an under-used resource. This website is a valuable source of information and those who had used it were positive about it. While it should be borne in mind that some employers will not have access to the internet, there is an evident need for effective marketing of this resource as some employers may not have been aware of it prior to the survey.

Employers within the sample had little experience of VDEA payments. It is not, therefore, possible to draw any conclusions on this aspect of the study.
1 Introduction

1.1 Context for the research

The CSA initiated an OIP in February 2006 setting out steps to improve the Agency’s performance, and specifically to:

- improve service to clients;
- increase the amount of money collected;
- achieve greater compliance from non-resident parents (NRPs); and
- provide a better platform from which to implement evolving policy in the future.¹

One element of the OIP was to increase the use and effectiveness of DEOs. These orders are used to collect child maintenance and/or arrears from an NRP’s earnings or pension when other methods of collection have not worked. Under OIP, CSA will use DEOs earlier and more frequently for those who default on other payment arrangements or indicate that they are unlikely to pay.

In July 2007, the CSA commissioned ECOTEC Research and Consulting to examine employers’ interactions with the Agency and the DEO process to inform this element of the OIP. The research also looked at employers’ interactions with the Agency in setting up VDEAs at the request of employees.

1.2 Research aims and objectives

The aim of this small, qualitative study was to:

‘...examine the views and experiences of employers and payroll organisations (who are contracted by employers to administer payroll) regarding the ease or difficulty of setting up and paying deduction from earnings orders (DEOs) and voluntary deduction from earnings arrangements (VDEAs) to CSA. It will also look at employers’ perceptions of the support service and employer-specific communications they receive from CSA.’

In addition, the research endeavoured to:

- identify and consider the factors and process issues that may affect the ease or difficulty with which employers and payroll organisations set up and administer DEOs and VDEAs and provide timely information to the CSA;
- consider and evaluate employers’ perception of the service, support and employer-specific communications provided by the Agency and identify any good practice or emerging issues in this area;
- make recommendations on how CSA interactions with employers and external organisations can be improved and the role that an employer helpline might play in improving DEO processes and employer relations.

1.3 Method of approach

The research design stage included scoping consultations with various stakeholders, CSA employees and employers. The more in-depth primary research was then conducted with employers.

1.3.1 Scoping consultations

The initial consultations with stakeholders informed the design of the main survey questionnaire to be used with employers. They comprised:

- three key organisations representing employers and payroll agencies – the Institute of Payroll Professionals, Payroll Alliance and Federation of Small Businesses;
- three employers of varying sizes;
- four members of CSA staff – two from the Client Funds Account Team (CFAT) and two from the debt enforcement team of a regional business unit.

These consultations were augmented by information from 14 employers, collected using a brief survey questionnaire at an Her Majesty’s Revenue & Customs (HMRC) EmployerTalk event. The findings from this stage of the research are discussed in Chapter 5.

1.3.2 Employer survey

The main employer survey comprised 49 telephone interviews and 11 face-to-face interviews with employers of varying sizes and two payroll agencies:

- micro – fewer than ten employees;
- small – between ten and 49;
- medium – between 50 and 249;
- large – 250+ employees;
- payroll agencies.
The questionnaire included both closed and open questions, to gain an overview of a range of issues and topic areas (listed below). The topic areas were:

- DEO set-up and administration;
- the process of making DEO payments;
- CSA support and service to employers;
- communication between the CSA and employers;
- VDEAs;
- employers’ suggestions for improvement.

1.4 Employer sample

The sample of employers was compiled from CFAT databases. It included employers with records that showed:

- company name;
- personal contact name (where available);
- telephone number and email (where available);
- total number of DEOs per employer;
- total value of DEOs (per month);
- payment type used;
- whether the employer made individual or bulk payments (see Section 4.1);
- any issues with an employer’s payments;
- any other relevant information.

The database provided by CFAT was then ‘cleaned’ using a data-cleansing company that operates within the parameters of UK data protection law. The company was able to check all the addresses and phone numbers provided, make amendments where necessary and attach an employee count where possible.

A sample of 58 employers and two payroll agencies was finally achieved.
Table 1.1 Profile of attained interviews

<table>
<thead>
<tr>
<th>Employer Size</th>
<th>Interviews Attained</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro employers (&lt;10)</td>
<td>3</td>
</tr>
<tr>
<td>Small employers (10-49)</td>
<td>19</td>
</tr>
<tr>
<td>Medium employers (50-249)</td>
<td>11</td>
</tr>
<tr>
<td>Large employers (250+)</td>
<td>25</td>
</tr>
<tr>
<td>Payroll agencies</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60</strong></td>
</tr>
</tbody>
</table>

1.5 Report structure

This report presents the detailed evidence from all aspects of the study. It is structured following the process used by employers when making DEO payments:

- Chapter 2 – Employers’ background information;
- Chapter 3 – DEO set-up and administration;
- Chapter 4 – Making DEO payments;
- Chapter 5 – CSA support and service to employers;
- Chapter 6 – Voluntary Deduction from Earnings Arrangements;
- Chapter 7 – Conclusions.

Employer size was measured according to the number of employees on the respondent’s payroll. Further details of this approach are provided in Chapter 2.
2 Employers’ background information

This chapter profiles the employers involved in the survey, including their company size, number of employees on the payroll and volume of DEOs operated.

2.1 Employer profile

As noted in the previous chapter, a total of 58 employers were interviewed for the research, including three employers from micro companies, 19 from small companies, 11 from medium-sized companies and 25 from large companies (Table 1.1). Within this sample there were extremes of employer size: the largest had over 35,000 employees on the payroll, while the smallest had four.

For the study, the size of the employer was determined by the number of employees on the payroll for which the respondent was responsible, rather than the number of employees on site or in the company as a whole. This method was considered as giving a more representative view of the needs of each category of employer, as in some cases the payroll department was located on a site with a small number of employees while the number on the payroll was much higher. In most cases, the number of employees on the payroll generally reflected the number of employees in the company as a whole.

Around one-third of the respondents were subsidiaries of a larger organisation. However, the majority of these respondents were classified as medium-sized or large employers in their own right using the payroll definition.

2.2 Approaches to payroll administration

Employers were asked a series of background questions to ascertain their approaches to payroll and the number of DEOs their company operated.
The majority of the employers processed their payroll in-house rather than through a payroll agency. The size of the firm did not appear to influence this decision and indeed, there was a broad mix of company sizes in the group that chose to outsource their payroll administration. Those employers who contracted out to payroll agencies were not asked the series of questions about setting up and operating DEOs.

The number of DEOs operated by employers in the sample varied. As expected, the largest employers generally operated more DEOs; the largest of all had 1,250 DEOs on their payroll. Only one large business operated just one DEO. While it was common for small and medium-sized employers to operate more than one DEO, none had more than five in operation. None of the micro businesses operated more than one DEO.

Generally, the companies operating high numbers of DEOs were more likely to use either DACT or bulk BACS as their payment method. However, the largest business involved with the research used single cheques as its payment method, an option more commonly used by companies operating small numbers of DEOs.

Table 2.1 shows the payment types used by the employers who participated in the research. There was no clear conclusion from the study as to how employers decided which payment methods they used. There was relatively little difference between the number of respondents who stated that they made the decision and those who stated that it was dictated by company policy. Employer size did not appear to impact on the decision-making process.

**Table 2.1  Types of payments used by employers surveyed**

<table>
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<tr>
<th>Payment type</th>
<th>Number of payments</th>
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<tbody>
<tr>
<td>Single cheque</td>
<td>25</td>
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<tr>
<td>Bulk cheque</td>
<td>7</td>
</tr>
<tr>
<td>BACS</td>
<td>14</td>
</tr>
<tr>
<td>CHAPS</td>
<td>0</td>
</tr>
<tr>
<td>DACT</td>
<td>1</td>
</tr>
</tbody>
</table>
3 Deduction from Earnings Order set-up and administration

This chapter explores employers’ knowledge of the legal obligations of DEOs and the differences between the old and new child support schemes. It also looks at employers’ and payroll agencies’ understanding of DEO set-up, calculation and administration.

3.1 Background on Deduction from Earnings Order set-up and administration

The purpose of issuing a DEO is to secure the regular payment of maintenance and/or arrears, where other methods of NRP payment have not worked. When a DEO is issued, employers receive notification which includes:

• instructions on how to make the calculation;

• details of when and how to make the deductions and payments to the CSA; and

• further information about what support is available to employers should they need it.

Employers are asked to complete and return a reply slip to confirm that they have received the order. Along with notification of the DEO, employers are sent a copy of the booklet CSL313 ‘What is my role in helping my employees pay child maintenance?’, which includes example calculations and detailed information on each stage of the process.

Employers have the option of deducting up to £1 from their employee to contribute to the administrative costs of setting up the DEO. The amount is deducted from earnings over and above the amount of the DEO.
3.2 Employers’ understanding of the legal obligations of Deduction from Earnings Orders

Employers were asked to explain in their own terms what they understood their obligations regarding DEO payments to CSA to be. The majority of respondents explained that they have to deduct the amount instructed by CSA from an employee’s salary and pay it to the Agency. However, employers’ depth of understanding varied. Some respondents mentioned the date they were due to transfer the money by but only a few mentioned the legal aspect of the obligation.

‘It’s the law – we have to stop money from the employees’ salary: the amount CSA tell us to.’

(Large employer, bulk cheque)

It was more common, however, for respondents to use terms such as ‘no choice’, ‘obliged’ or ‘have to’.

The survey found that, generally, the larger the company, the higher the level of understanding and knowledge, although there were a few anomalies in this. Greater awareness among the larger companies could be attributed to their having more experience of dealing with DEOs. The payment method used by companies appeared to have little correlation with employers’ understanding of their legal obligations regarding DEO payments to the CSA.

3.3 Old and new scheme Deductions from Earnings Orders

DEOs may be administered differently depending on whether they are applied to ‘old scheme’ or ‘new scheme’ cases:

- the old scheme applies to payments assessed prior to 3 March 2003; and
- the new scheme applies to payments assessed after that date.

The difference in the two DEO schemes lies in how protected earnings for NRPs – the amount they allowed to keep to pay for their own living costs – are calculated. Prior to March 2003, a protected earnings rate was used, whereas since March 2003 a protected earnings proportion has been applied. This difference only affects the administration of DEOs if an employee has not earned enough to pay the full deduction in one pay period. Under the old scheme, the difference between the protected earnings rate and net earnings was carried forward, while under the new scheme the difference between the protected earnings proportion and net earnings is not carried forward.

There was little awareness among respondents that the CSA operates two DEO schemes. Respondents were also typically unaware of the differences in administering old and new scheme DEOs, though many showed a level of understanding when the interviewer explained the distinctions. Following the
explanation, a high proportion of respondents stated that they were confident in their understanding of the scheme they were operating. A very small number of respondents referred unprompted to the issue of proportionality and protected earnings, and only then in general terms.

There was no difference in companies’ knowledge or understanding of the different schemes by DEO payment method. Employer size was a factor, however, as respondents from medium-sized and large businesses showed a higher level of knowledge and confidence.

### 3.4 Setting up and calculating deductions

One section of the questionnaire examined employers’ experiences of setting up and calculating DEOs. The majority of respondents within the survey group stated that they found the process of setting up and calculating deductions a straightforward task, although quite time-consuming in some cases.

However, where employers do make a mistake this can lead to payment processing issues. The scoping interviews with two CSA employees (and subsequent discussion with relevant CSA employees) found that there are a number of common mistakes made by employers at the initial stage of the DEO process. Such mistakes may affect the Agency’s ability to get payment to the PWC by the due date. For example, entry of an incorrect CSA reference number or National Insurance (NI) number may delay payment. Similarly, where a payment schedule does not balance with the payment made by an employer, this can lead to ongoing queries and delayed payments to PWCs. Section 4.2 outlines ways in which ongoing employer errors impact on the Agency and CFAT in particular.

The majority of respondents (employers and payroll agencies) used software to process their payroll. These employers in particular were happy with the system.

‘The process works well, as we have been told [by CSA] the exact deductions to make. The system is already geared up to make deductions and so the process is not onerous – basically just input the amount of the deduction into the system and it’s done. There are little time issues or impact on the business.’

(Small employer, single cheque)

‘It’s pretty easy to do it on Sage Payroll – it has a facility for attachment of earnings. We’ve had no problems with it, it’s not really any trouble.’

(Small employer, bulk cheque)

Respondents from large organisations with a higher number of DEOs in operation were more likely to report difficulties with the set-up process than smaller employers with few DEOs. Particular difficulties in these instances related to employees who were paid on a weekly basis or where one organisation operated several payroll dates.
‘We find it really simple and straightforward, but time-consuming – we deduct from pay weekly but send to CSA monthly so what happens is we have five weeks’ worth of money from the employee to add up, and 65 orders in place. In effect we have 260 payments to pay over to the CSA. That’s time-consuming and there is always a deadline.’

(Large employer, DACT)

Only one employer voiced a particularly negative perception of the process. This respondent was from a micro company which used single cheques to pay the CSA. The respondent found the process to be ‘another hassle, time-consuming, [and something that the] employer shouldn’t have to do’. This viewpoint was certainly in the minority. While a number of employers raised minor issues, these tended not to impact on the view that they found DEO set-up and calculation to be a straightforward process, easy to understand and easy to administer.
4 Making Deduction from Earnings Order payments

This chapter outlines how employers process DEO payments; the various payment methods available and the impact on CSA of issues that arise from incorrect payments; both for employers and the Agency.

4.1 Deduction from Earnings Order payment methods

The methods that employers in the sample used to administer DEOs varied. The majority used a software package; this method was more common among large companies. Those administering DEOs manually were generally from micro or small organisations; although exceptionally, a few large employers also did so. A small number of large companies stated that they used a combination of both methods.

Employers can choose from a number of methods for paying DEOs, including different automated transfers and cheques. Employers can choose to make single payments (one payment for each employee with a DEO) or bulk payments (one payment covering all employees with a DEO). Where an employer makes a bulk payment for more than one employee, by any method other than DACT, a payment schedule is always required. The schedule breaks down the bulk payment into individual DEO payments for each employee. When added together, the individual payments on the schedule must balance exactly with the amount paid to CSA by the employer. The schedule must also include a recognised identifier for each employee, for example, their NI number (for those under the new scheme) or child support reference number (for those under the old scheme).
4.1.1 CSA methods for processing payments

The various payment methods are processed in different ways:

- **Detailed Automatic Credit Transfer** – is the Agency’s preferred method of payment – see Section 4.4.

- **Cheques** – Royal Mail receive and bank all cheques, including any bulk cheques (for more than one DEO payment) received from employers. Royal Mail then produce a schedule detailing DEO amounts for each employee. This is sent to CFAT Receipts and Payments Team for tracing and batching (inputting) onto the correct case.

- **BACS** – CSA receives these payments on a daily basis from EDS (its IT service provider). Payments are detailed on report ‘GSM 111’. The report combines details of both private individual and employer payments. It does not specify whether payments are bulk or private individual – this is identified as the work is traced and batched.

- **CHAPS** – The CSA receives a very small number of payments by CHAPS.

4.2 Issues arising from the payment process

4.2.1 Employers’ perceptions

As noted in Chapter 3, employers stated that they found the DEO payment process to be straightforward; in both initial set-up and ongoing administration. Employers involved in the research expressed general satisfaction with the administration process for their chosen payment method. Those who experienced difficulties had quite specific problems which appeared to be related to circumstance; there was no clear pattern of difficulties related to one particular method. All the problems were reported by large or medium-sized employers.

4.2.2 CSA’s perceptions

As indicated earlier, employers do make mistakes. These may occur when the DEO is set up and/or during the payment process. Problems may reoccur if the employer is not informed by the Agency and asked to correct them. Common ad hoc and reoccurring employer mistakes include:

- payment schedules may:
  - not be sent in to accompany a payment made;
  - have been separated from the payment;
  - be illegible;
  - fail to balance with the amount paid by the employer;
  - have missing reference numbers or NRP details;
• late payments due to:
  – being submitted late to the CSA;
  – postal delays;
  – fax/email problems (at either the employer or CSA site);
  – schedules being sent to the wrong CSA office.

These errors combine to generate unnecessary work for CSA Operations and CFAT as payment problems have to be addressed as quickly as possible in order to make payment to the PWC.

Where payment problems delay the issuing of payment to the PWC, the money is held as an ‘unassigned receipt’ until all issues have been resolved with the employer. Where the problem concerns a bulk payment/schedule, all PWCs awaiting payments from that particular schedule may be affected, even though the problem may relate to only one DEO.

Queries from PWCs about late payment or non-payment are dealt with by CSA business unit staff. If Business Unit staff are unable to locate the payment on their internal systems they may then contact employers to confirm that payment has been made. If the employer’s payment combines payment for several DEOs, this can result in multiple calls to the employer chasing payment.

CFAT staff also monitor payment schedules and receipts and will contact employers where necessary. As telephone is the primary means of contact with employers at this stage of the process, employers sometimes receive multiple calls about the same schedule. This and other related issues are discussed in Section 4.3.

4.3 Child Support Agency structures and IT systems

While employer errors contribute significantly to the workload of some CSA employees, there are a number of factors relating to the Agency’s internal structures which can often make the process of resolving payment issues more lengthy. Both employers and Agency employees raised these issues in the course of the research.

4.3.1 CSA employees’ raised issues about CSA payment structures and systems

The current internal structures and IT systems have an effect on the ability of CSA to process payments, provide effective support and a good quality of customer service to employers, PWCs and NRPs. Discussions with CSA staff at the scoping consultation stage of the study and subsequently with other relevant CSA employees, highlighted a number of ways in which the current structures and systems impact on their daily tasks. Examples include, lack of a central database of employer details and lack of a record of contacts made with employers about payment queries. Consultations with other stakeholders and the employer survey
corroborated these findings in different ways, primarily through issues around communication between CSA staff and employers.

The effects of the current structures and systems manifest themselves in various ways and can result in employers receiving multiple calls from different CSA staff members with queries relating to DEO payments. For the largest employers this could be several times a day about the same payment schedule, as a schedule can potentially have several hundred and in some cases, thousands of entries. Employers expressed a preference for having one person to deal with all the issues relating to their organisation.

The current impression that employers have of the CSA (from the stakeholder consultations and employer survey) is that the internal organisation of business areas and functions is poor, disjointed and lacks professionalism. Employers could not understand why they were receiving queries from CSA staff when the information had been sent through and was ‘in the system’.

‘If they spoke between themselves and Newcastle I wouldn’t receive so many queries, because Newcastle get my payments.’

(Large employer)

‘On the payment side, not to have to deal with more than one office, if an employer is dealing with Newcastle then to deal only with them and no other offices.’

(Large employer)

4.4 Detailed Automatic Credit Transfer payments

DACT is CSA’s preferred payment method for employers and has the potential to address many of the issues outlined in Sections 4.2 and 4.3. DACT involves a single automated payment for each NRP, thus removing the need for the employer to compile a schedule.

When CSA receives payments made by other methods it has to process them in different ways (see Section 4.1.1) which can lead to regular queries (see Section 4.2). With DACT, payments are automatic and individually processed, thus reducing the need for contact with employers and removing the margin for error regarding reference numbers and identifying payments.

However, awareness of DACT payments was relatively limited among the sample, with just over half of the respondents having previously heard of this payment method. Employer size did not appear to impact on awareness, as knowledge was spread consistently across the different groups. Micro employers were the only group not to have any awareness of DACT.
One large employer with 60 DEO payments had changed to DACT following discussions with the CSA. This employer’s experience had been positive, with fewer problems and queries about payments following the change. The use of DACT also eliminated previous problems of PWCs not receiving payments for some time after they had been made.

‘The overall standard of service has improved now we have DACT. Before then it used to be quite frustrating.’

(Large employer, DACT)

All survey respondents were asked about their willingness to consider changing to DACT. There was reluctance among respondents to consider changing; only a few respondents said that they would consider it and these were primarily large companies. In all other size categories, the majority of respondents stated that they would not change to DACT. Of those who would consider changing to DACT, the primary reason was that it was considered to be a time-saving system. The reasons for not changing to DACT varied but company size or current payment method did not appear to be contributory factors (when analysing the survey results by DEO payment method, there was no obvious trend and the spread was quite even). The most common reasons for not changing were: the employer operated a limited number of DEOs; the employer believed the current system was effective; the payment method in place was company policy. In small companies, many respondents also felt that they were in control by paying DEOs by cheque, as this gave them the assurance that the money had been paid.

It is clear that DACT would resolve a number of issues relating to employer errors and payment delays. One large employer who had previously paid by bulk BACS, had transferred to DACT to resolve the issue of errors resulting in multiple monthly telephone calls:

‘When we’ve made bulk payments, because there are so many different departments, they would call and say “not received payment for Joe Bloggs etc” – we could get up to 20 calls each time – we would then tell them the date paid and to contact their accounts department but now we make individual payments for each order and attach the reference to each one.’

(Large employer, DACT)

Respondents felt that there was little support the CSA could offer to persuade them to change to DACT. When asked what would make them consider using DACT, employers’ suggestions and comments related to matters such as an increase in DEOs necessitating a change and the need for information about DACT, for example on the Agency’s website.

‘Give more information perhaps on their website, specifically information about DACT on CSA website.’

(Small employer, single cheque)
There was a lack of awareness among respondents as to whether their payroll software would support DACT payments. The majority of those who thought their software would be compatible were large companies. It should be borne in mind, however, that this was the largest group and the result may therefore be unrepresentative.

4.5 Employers’ internal issues when administrating Deduction from Earnings Orders

4.5.1 Difficulties arising from payment arrears

A number of employers reported that their employees had faced difficulties because of arrears being registered on their accounts. This situation arose mainly as a result of employees being off sick for a period of time but in one case the employer felt that the CSA had taken excessive time to process information sent to it regarding the employee’s pay.

‘It would be helpful for the CSA to process additional information sent by the employer with greater speed so that employees do not feel they are being treated poorly when a large deduction comes later down the line – referring specifically to a pay increase the employee had. We communicated it to CSA but they took 12 months to process this and it caused the employee much stress when the deduction came through.’

(Small employer, single cheque)

‘Problems can occur when an employee is off sick and therefore off payroll and does not pay support. When they come back it registers as arrears on their system (as they have had to pay the CSA for the deductions when they were not here). The result is, in the first pay cheque back staff get a huge deduction which puts a great deal of strain upon them.’

(Large employer, BACS)

When asked if they could suggest any improvements to the support offered by the CSA, one employer said that they would like to see the issue of arrears for those on Statutory Sick Pay being addressed by the Agency.

It should be pointed out, that it is the responsibility of the NRP to report a change of circumstance to the Agency. This includes a reduction in earnings when they are receiving Statutory Sick Pay. This prevents arrears accruing.

4.5.2 Company employee queries and disputes over DEOs

Dealing with employees’ queries

Variation in employers’ experiences of employee queries about their DEOs was particularly dependent on the size of the company. Large and medium-sized companies were much more likely to have received queries or experienced disputes
with employees over DEOs than micro and small companies, who generally had limited experience of queries and disputes. There was a general correlation between the number of DEOs in operation and the number of employee queries an employer received.

There was a mixed response about the course of action to be taken when issues arose. Large companies primarily stated that they would instantly refer employees to the CSA and have little involvement in the issues raised. This was mainly because they felt that there was little they could do to resolve an issue.

‘I give the employee the telephone number on the letter – the employee needs to deal with it. The organisation would only deal with it if it had deducted the wrong amount, which wouldn’t happen.’

(Medium employer, BACS)

Although smaller companies also stated that they would refer their employees to CSA, more respondents from this size of employer said that they would contact CSA on behalf of the employee. One small company had an adviser to meet with employees when an order was issued, to allow any queries to be raised at an early stage.

Types of queries raised by company employees

Among those employers who had received queries from employees regarding their DEO, there was a common theme in the issues raised. Queries generally concerned administrative issues such as how the payment would be deducted. In some cases employees sought advice on how to access information about the DEO process. It was common for employees to raise queries about the amount of the payment, why it had been set at the level it was and whether the amount could be changed. In these cases, employers commonly referred employees to the CSA, noting that there was nothing they could do about the amount.

A number of employers stated that their employees had not been made aware that the DEO payment was going to be taken from their salary. However, CSA notifies NRPs that an order will be raised at the same time that they notify the NRP's employer. It is possible in these cases that the NRP did not open the notification letter.

4.5.3 Issues around employees leaving the company

Employers were asked about their understanding of what they should do when an employee with a DEO left the organisation. Employers are required to notify CSA within ten days when an employee with a DEO leaves their employ, but respondents had limited experience of this and knowledge varied as to how the situation should be dealt with. Most knew that they should notify CSA and around 80 per cent said that they had passed on information to the Agency or would do so if the situation arose. Many respondents stated a timeframe within which they had to notify CSA, although this varied among respondents (usually a week or
a month following an employee’s departure) and appeared to be the company’s own protocol rather than a CSA one.

‘We send notification to the CSA saying that they have left within a week – it’s part of the leaving procedure.’

(Large employer, BACS)

Among those who did not indicate that they would contact CSA, the main reason was that they had not had an employee with a DEO leave and therefore did not know the procedure. In general, large employers had more experience of employees with a DEO leaving and hence, a better understanding of the procedure, though one large employer said that no action was taken:

‘We don’t do anything. We do not inform the CSA – I didn’t know what the procedures were.’

(Large employer, ten DEOs in place)

A similar response was found among a number of the smaller companies. Little obvious pattern emerged from the responses when analysed by payment type, though all the respondents who paid by bulk cheque stated that they would inform CSA if an employee with a DEO left.

4.5.4 Losing staff as a result of a DEO

Employers were asked whether they perceived that they had lost skilled staff as a direct result of applying a DEO. This question was incorporated as CSA employees had received anecdotal evidence to indicate that it may be a problem for companies.

A small number of employers felt that they had lost staff as a direct result of imposing a DEO and a couple of respondents were not aware whether this had happened. One large employer who paid by BACS noted losing a number of staff as a result of applying DEOs, though these were not necessarily skilled employees:

‘A lot of people leave as soon as the DEO has been set up.’

The size of the business appeared to have little impact on whether staff were lost, with a relatively even split between small and large companies. No respondents from micro or medium-sized companies stated that they had lost employees.

Finally, none of the employers within the sample had ever had to implement a DEO for a friend or family member, contrary to expectations. However, one respondent noted a change in the relationship with an employee after having to pass on CSA information regarding payment arrears:
'The employee didn’t expect any more [payments] to be deducted because the child had reached 18, but because they could not trace him at the beginning he had a backlog so still had to pay maintenance until that was cleared. When I found this out from the CSA and told him, it caused conflict between us – it would have been better to have had a letter from CSA telling him this.’

(Small employer, single cheque)

4.6 Improvements suggested by employers

Employers were generally satisfied with the current DEO payment process. Some small and large employers, when asked about suggestions for a single change or improvement, stated a preference for not being involved in the process at all. Detailed suggestions referred to the use of a specific tax code that could be applied to the employee which would automatically deduct the DEO payment.

One large employer, with 1,250 DEO payments, found the need to deal with multiple payments relating to various time periods difficult. The employer would have preferred all DEOs to relate to the same period of time.

Some employers referred to the start of the process and notification of the DEO. They appeared to be under the impression that they were the only party who received notification that a DEO had been issued and needed to be applied to the employee. These employers suggested that employees should also receive written notification of the DEO and an accompanying explanatory leaflet. In fact, CSA notifies both employee and employer in writing, with accompanying literature.
5 Child Support Agency support and service to employers

This chapter outlines information on the support that CSA provides to employers, employers’ access to advice on DEOs and the quality of that advice. Communication between CSA and employers is also explored.

5.1 Access to advice on Deduction from Earnings Orders

The Appendix lists the range of communications that CSA send out to employers. Employers in the sample generally had little need to seek advice on DEOs from CSA and, therefore, had limited contact with the Agency in regard to this. Medium-sized and large businesses were more likely to have contacted CSA for advice, as they operated more DEOs.

Employers typically contacted CSA by telephone on the number provided at the top of their correspondence, and found it relatively easy. Detailed survey responses noted that some employers contacted the local office with their queries and found this to be an easy process, with immediate support available. Other employers had found that the telephone number on the correspondence was a central switchboard number, which then put them in a queuing system to answer their call. Employers’ views and expectations of this system differed. Some accepted the need for a central queuing system which transferred them to the appropriate CSA employee. Others commented on it negatively and objected to being passed on to different, more appropriate, employees to answer their query – especially if they were transferred more than once.

Employers were generally satisfied with the way in which CSA employees dealt with their queries. One medium-sized employer had found CSA employees to be:
‘Very effective – [CSA employees] know what they are talking about, talk to you in a language that you can understand; deal with problems efficiently.’

A few employers raised some issues about the CSA support they had received. Their queries tended to be about payment amounts they believed to be incorrect.

‘They get there eventually – but they have had to go back again to iron out our issues and it is time-consuming – but they do not get many of them.’

(Large employer paying by bulk cheque)

Employers typically received an immediate response to their query if they made it over the telephone. Others reported differing response times from ‘within 24 hours’ to ‘a couple of days’ or ‘less than a week’, all of which they found perfectly acceptable. Exceptionally, employers reported that it took a week for a response to a query. Their opinions on this differed; while one employer found it an unacceptable length of time, another was quite satisfied with it.

5.2 Quality of advice

Employers were typically satisfied with the standard of support and service from CSA employees, once they were talking to the right person. Agency employees were commonly described as helpful and effective in providing support.

Some employers had noticed an improvement in the standard of service over the last 12 months; the majority of employers were satisfied with the service they had received anyway. Exceptionally, a large employer who has more frequent contact with the CSA was less complimentary about CSA employees, describing them as impersonal. Under a quarter of employers were aware that CSA attends HMRC employer events and half of these were large businesses.

There were a few comments from large employers about inconsistent guidance and advice depending on the individual answering the phone, as one question could result in a number of different answers. For this reason and a preference for speaking to CSA employees who are familiar with their organisation, employers would prefer specific contacts within the CSA team.

5.3 Suggested improvements to the Child Support Agency support offered and service received

Employers’ suggestions for improved CSA support referred mainly to telephone support. Typically, they wanted specific, named CSA individuals who were familiar with them, whom they could liaise regularly with and dial directly.

‘Making sure that the named person on the DEO is available when I try to contact them at the CSA if necessary.’

(Small employer)

3 Text taken from interviewer’s notes.
‘Named contact and direct phone number on each DEO issued so that we can speak to the same person every time.’

(Small employer)

Employers also raised the need for improved internal CSA communication, CSA employees’ access to information and increased levels of information on the DEO process. As noted above, some employers expressed various concerns about the effectiveness of CSA support and about queries. These were either queries from the CSA which were payment-related and could be numerous if an employer paid in bulk (see Chapter 4) or from employers in need of CSA advice. Some employers specifically suggested that CSA business units should, as routine, contact the central Newcastle office with any payment queries prior to contacting the employer. They believed that as employers send their information to Newcastle, all CSA employees should be able to access it internally, without contacting an external third party.

Employers also made suggestions relating to reduced paper usage by CSA. These included:

- the need to improve the content of CSA website and publicise it more to increase its use as a reference point for advice (though this suggestion included employers who had never looked at the website themselves or had not looked at it for some time);
- reducing the amount of paperwork sent to employers, such as not sending out an employer information leaflet with every DEO issued, as many employers have numerous DEOs and repeatedly receive the same information;
- using email communication with named contacts for queries, advice and notifications.

While employers were generally satisfied with the level of service they received from CSA employees, they also made a few suggestions:

- CSA employees need better training on their information and communication systems;
- an email newsletter with best practice examples could be sent out to employers.

5.4 Employer/Child Support Agency communication

As can be seen from Table 5.1, employers generally found the standard notifications and employer guidance leaflets clear and helpful in supporting them with setting up DEO payments and answering general queries. Commonly, they commented that they received too many employer leaflets: one with the documentation for each new DEO. Those employers operating a number of DEOs found this particularly unnecessary and wasteful.
Table 5.1 Employers’ views of CSA notifications and communications

<table>
<thead>
<tr>
<th>Standard notifications from CSA about setting up and administering a DEO/VDEA</th>
<th>Very clear and helpful</th>
<th>Fairly clear and helpful</th>
<th>Not very clear and helpful</th>
<th>Not at all clear and helpful</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>27</td>
<td>27</td>
<td>4</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Guidance leaflets, eg ‘What is my role in helping my employees pay child maintenance?’</td>
<td>24</td>
<td>25</td>
<td>0</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Information on the CSA website</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>50</td>
</tr>
</tbody>
</table>

Base: 58 employers.

‘…[CSA] do not need to include a brochure with each court order – they could significantly reduce the amount of paper they use and send to employers.’

(Large employer)

Two respondents, an employer and a payroll agency, raised a further issue regarding the correspondence they receive notifying them of a new DEO. They commented on the amount of unnecessary information they receive with a new DEO notification and the lack of identifiers to enable them to easily attribute the order to the correct employee. The employee identifiers they regarded as necessary included National Insurance numbers, date of birth and employee’s address (where available). In this case the employer seems unaware that in fact all CSA DEO notifications include a NI number.

The CSA website appears to be an underused source of information, although it is not clear why this is the case. It is possible that employers contacted for the survey were unaware of the website prior to the survey or did not have the time or resources to use it. More effective marketing and promotion of the website may be beneficial to employers, as those who used the website found it a valuable source of general (i.e. non-case specific) information.

A few improvements to written communication for employers were suggested. The employer who rated the website as ‘not very clear and helpful’ suggested that it should have better information on it. Another employer wanted the language used within the leaflets to be more accessible for his employees.

Only one employer within the sample had received handwritten communications from CSA. The employer had experienced problems with this, as the quality of the forms was inconsistent and they were not always completed correctly.
5.5 Ongoing communication with employers

When asked how they would prefer to receive ongoing CSA communication, employers across the sample expressed a strong preference for postal contact. There was also interest in email and telephoning, though these were in the minority. In the case of one-off CSA queries, employers stated a preference for telephone contact, though large employers also opted for emails. Employers paying by single cheques typically stated a preference for ongoing CSA communication by post.

Respondents were divided about whether they would like to receive regular news and updates from CSA about changes that might affect employers. They were also more or less equally split on their preferred format. Those respondents who opted for email cited instant access and reduced paper wastage as their main reasons. Respondents preferring postal news wanted to have a hard copy to file and be available for all staff to access and reference.

‘Email would be the preferred choice as they are onscreen all day and I would have instant access. It is used as the main communication tool these days.’

(Medium-sized employer, BACS payments)

‘Post, so that I can file it away, and anybody can look at it.’

(Medium-sized employer, single cheque payments)

Approximately half of the respondents said that access to a dedicated employer telephone helpline would be useful. Micro and small businesses were less likely to state that they would like this service. This may be because they tended to operate few DEO payments and consequently had less need to contact CSA. The payment method used to make DEO payments to the CSA did not appear to have an effect on whether respondents would like access to a dedicated employer helpline.

5.5.1 Debt collection agencies

Only three employers had had any contact with a debt collection agency working on the CSA’s behalf. Of these, only one large company which used BACS to make its DEO payments to the CSA had ever had any difficulties with DEOs issued on the CSA’s behalf. This respondent was unclear about the debt collection agency’s role and relationship with the CSA. They questioned whether the debt collection agency and the CSA shared the same information, as the debt collection agency had given the (incorrect) impression that it was collecting the payment on its own behalf, not the CSA’s. The employer cited a need for clarification on this point, having been left with the impression that the debt collection agency profited from a bonus or commission on securing the payment.
6 Voluntary Deduction from Earnings Arrangements

During the research, employers were asked a series of questions about their understanding of VDEAs and their experiences of administering them. Responses in this section were relatively limited, so it is difficult to draw any conclusions.

6.1 Background information on Voluntary Deduction from Earnings Arrangements

A VDEA is a method of payment which allows NRPs to pay maintenance directly from their wages or salary. It is an optional process for the employer, unlike a DEO. As a result, the employer is able to choose whether or not to implement the payment on behalf of an employee.

6.2 Employers’ understanding and awareness of Voluntary Deduction from Earnings Arrangements

Employers in the sample were largely unaware of VDEAs. Respondents who knew what a VDEA was, or had heard of one prior to the research, were in the minority. Those who had heard of VDEA payments worked for larger employers; none of the micro employers had heard of VDEAs. There was no clear difference in awareness across the different payment methods.

All respondents who had previously heard of VDEAs were aware of the difference between DEO and VDEA payments. Those who had never heard of VDEAs before had little understanding of the difference between the two payment types; only one employer in this category understood the difference.
6.3 Employees’ requests for Voluntary Deduction from Earnings Arrangements

Among the sample there had been very little employee demand for VDEAs. Only two respondents stated that they had ever been asked to set up a VDEA – one large employer and one small one. Both had agreed, as they felt it was part of their job role. One felt obliged to carry out the request:

‘I can’t refuse to set up a VDEA, and I wouldn’t anyway as it is a government department thing. I did it automatically.’

(Small employer)

The small employer (34 employees and one DEO in place) was operating one VDEA, while the large employer (2,000 employees and six DEOs in place) was operating ten VDEAs on behalf of employees.

6.4 Making Voluntary Deduction from Earnings Arrangements payments

Both these employers had found the VDEA payment process to be straightforward. Neither had experienced any problems with the process of setting up VDEAs or making the payments. The large employer used an external payroll agency, so the process was easy as they just forwarded the information to the payroll agency, which then implemented the process on the employer’s behalf. The small employer had been able to easily access the necessary VDEA information, which they found easy to understand. Neither employer suggested any improvements to the VDEA process.
7 Conclusions

This chapter presents conclusions from the findings set out in the previous chapters. The research has highlighted that employers perceive few issues with the current DEO systems in terms of the set up, administration and process of making payments. This is evident in their reluctance to switch to DACT payments, as they believe that the current systems serve them adequately and see no additional benefits in changing. Instead, their key concerns related to communication with the CSA, particularly regarding queries.

As noted above, from the employers’ point of view, the DEO payment systems in place are quite adequate and working well overall. However, where employers do make a mistake the process may not be as straightforward as it otherwise would be. CSA staff, through the scoping interviews and subsequent discussion with other relevant CSA employees, highlighted ongoing payment issues that typically arose directly from employers’ errors at the initial stage of the DEO process or on an ad hoc basis. Specifically, these are inaccurate information/schedules, late payments or overpayments. Employers appeared unaware of any mistakes they were making or the impact of their individual payment errors on the CSA service.

CSA employees who contributed to the scoping consultations identified some internal factors which contributed to the above issues, such as lack of an up to date employer database to capture employer details in a consistent manner.

Employers clearly appreciated the recent work undertaken to improve standard communications and notifications, such as the revised employer leaflets. However, the CSA website remains an underused resource. This website is a valuable source of information, and those who had used it commented positively on it. While it should be borne in mind that some employers will not have access to the internet, there is an evident need for effective marketing of this resource as some employers may not have been aware of it prior to the survey.

Employers within the sample had little experience of VDEA payments. It is not, therefore, possible to draw any conclusions on this aspect of the study.
Appendix
Existing communication channels for employers

Information and support for employers is available through the following channels:

• New scheme leaflet CSL 313 ‘What is my role in helping my employees pay child maintenance’ is sent out with every DEO.

• Old scheme leaflet CSA2002 ‘Advice to employers’.

• An ‘Information to Employers’ conference giveaway pack, which also includes leaflet CSL 313.

• The website www.csa.gov.uk/en/employers has detailed information relating to DEOs and VDEAs.

• The Client Interviewing Service attend various events throughout the year such as the HMRC Talk Events for employers, Payroll Alliance working meetings, Federation of Small Business and Institute of Payroll Professionals Annual Conference.

• The national helpline is available to employers to resolve general enquiries.

• Local helplines and caseworkers’ telephone numbers are available to employers to resolve more detailed enquiries.

• Employers can email the Agency directly through the website and an email address (client-relations@dwp.gsi.gov.uk) is included in the leaflets.

• CSA service standards and response times are detailed in the Agency’s Client Charter (leaflet CSA2047) and can also be downloaded from the website.