



Department
for Work &
Pensions

Improving employment outcomes under Universal Credit for in work claimants

The opportunity

- Over time there will be increasing numbers of UC claimants who are in work but earning less than could reasonably be expected.
- Once fully rolled out we expect around 11 million individuals to be claiming UC of whom 5 million will be in employment.
- UC will remove the financial risk of taking up a job and ensure that work always pays. By combining in and out of work benefits UC will make it easier to start and progress in work.
- For the first time it will be possible for the Department to work with individuals to help them stay in employment and - where appropriate - support and encourage them to increase their earnings.
- The call for ideas is to generate innovate pilot proposals that will test what is effective in supporting earnings progression for those who could reasonably be expected to earn more.

Each UC claimant will fall into 6 broad groups

Working enough (individual and household)

Working could do more

Not working

Too sick to work right now

Too committed to work right now

Too sick to work

The **All work related requirements group**: The current Jobseekers Allowance caseload will be joined by current claimants of tax credits/housing benefit who are working less than could reasonably be expected. The *Welfare Reform Act* enables us to place a wide range of mandatory requirements on this group (e.g. work search, work availability and work preparation requirements). Any requirement must be intended to help them find work, more work or better paid work.

UC: What do we mean by “*working enough*” and “*working less than could reasonably be expected*”?

- **Claimants who are working but *could reasonably be expected to earn more*** – what we consider a reasonable level of earnings (the earnings threshold) is determined through the formula:

the number of hours we can reasonably expect a claimant to work (max 35) * relevant National Minimum Wage.

- This equates to earnings of £216 pw for most individuals, £433 pw for most couples, (the household threshold being the sum of the individual thresholds).
- **Expected hours of work** will be personalised to take account of a claimants particular circumstances and capability (ie to allow for caring responsibilities and/or health conditions).
- Claimants/households falling above their earnings threshold will be in the “no work related requirements” group because they are ***earning enough***.
- There are expected to be around one million in the *working could do more* group.

Issues

- There is very little evidence on what approach would be most effective for claimants who works.
- Cost and capacity – around one million *working could do more* claimants, we can't just extend the JSA regime.
- The in-work group of part time-workers are predominantly female and are over represented in Caring, Leisure, Administrative and Customer Services occupations (Source: Labour Force Survey).
- And questions as to what is reasonable ...
 - should we require claimants to move job?
 - when might this become appropriate? E.g. where claimants agree? Where other avenues (additional job, more work with same employer) have proved unsuccessful?
- And the wider impacts – on labour market, patterns of work and employers. We are engaging widely with employers and their representative bodies to get their views and ideas.

Call for Ideas - Objectives

- The call for ideas seeks views on what we can trial to support the *working could do more group* to help them:
 - Increase their earnings
 - Develop their skills and qualifications
 - Take positive steps to achieve financial independence in both the tax credit system and UC.
- It also seeks views on how we could trial ideas that would support employers to promote training, development and progression opportunities for low paid employees who are claiming Universal Credit or tax credits, and have the potential to work more.

What we are trying to achieve?

- Universal Credit will give us a new opportunity to track earnings information of claimants who are in the **working could do more** and **earning enough**.
- **This will allow us to measure** how effective support, conditionality and incentives of UC are at moving people into work and aiding labour market progression
- Success will be measured through increasing sustained employment and earnings levels by:
 - Increased amount of time in paid employment
 - Increasing earnings for UC claimants - including movements off UC and towards financial independence from state support.
 - Measuring road travelled within wider earnings measurement: amount of time a claimant/household has earnings that lifts them out of the **working could do more** groups

Other things to bear in mind

- **Value for money**
 - Evidence base – Is there any evidence, from any context, to suggest the proposal will deliver the outcomes we want?
 - Natural off-flow/progression – many claimants progress in work without state intervention. The performance of any new interventions should be measured against what would have happened naturally.
 - Lock-in – refers to interventions that increase the length of a participant's benefit claim by either reducing availability for work or work search. Such interventions should be able to demonstrate benefits that more than offset the cost of such effects.
- **Innovation / new technology** – engaging in less traditional ways than face to face & maximising for lower cost. Ministers are particularly interested in proposals that exploit new technology.
- **Reasonableness** – is what a proposal requires of claimants reasonable? E.g. is it reasonable to require a claimant to leave current employment to move to another? No hard rules (might depend on time in employment?), but needs to be considered.
- **Timeliness** – keen to identify some proposals that can be put into effect relatively quickly (but good proposals should not be discounted on basis of lead in times!)

Available levers

Whole range of ways to engage with claimants e.g.

- Setting requirements – so that a claimant is clear what is expected of them
- Job Search support – improving job search effectiveness (e.g. interview coaching, CV clinics, use of online search tools)
- Employability support – interventions to identify and address immediate employability barriers (e.g. lack of basic skills, numeracy / literacy, personal presentation, work experience)
- Skills support – supporting attainment of higher skills and qualifications
- Additional support to address specific barriers eg childcare, workplace adjustments, changing / challenging attitudes
- Financial incentives – both positive or negative (minimum income floor / sanctions)
- Welfare Reform Act provides legal powers to make requirements mandatory
- Act envisages four broad types of requirement (work search, work availability, work preparation, participation in work focussed interviews)
- Failure to comply with mandatory requirements will lead to a sanction
- Each claimant must have & accept a **Claimant Commitment** which should record basic expectations and mandatory requirements