



Understanding how Universal Credit influences employment behaviour – findings from experimental research with claimants

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Background

Universal Credit (UC) represents a major reform of the current welfare system. It is replacing six legacy benefits: income-related Jobseeker's Allowance (JSA); income-related Employment and Support Allowance; Income Support; Housing Benefit; and Working and Child Tax Credits. UC first began a staged roll out in 2013 starting with single claimants. From 2015, some pilot areas extended UC to families with children, initiating a claim for benefits while job seeking.

UC seeks to strengthen incentives to enter any paid work, and amongst those who are already in work, to increase hours or earnings. It is designed to remove barriers to temporary, flexible and part-time work, while also ensuring claimants are not worse off in work. UC encourages a wider range of employment-seeking behaviours to diversify the types of roles considered by claimants.

This piece of research sought to deepen the Department's understanding of how far the principal components of UC were driving behaviour change and had the potential to shape labour market behaviours in the future. The research explored the experiences of the different claimant groups in scope within UC at the time. This included people with single, couple and family claims.

UC has several different components, which are grouped into three categories below (further details on each component can be found in Chapter 3 of the full report):

- **Conditionality components:** the Claimant Commitment, in-work requirements and Work Coach support stipulate job search and acceptance requirements for those in and out of work as well as obligations to attend the Jobcentre.
- **Flexibility components:** the 16-hour rule removal, Real Time Information (RTI) Link and open claim are geared at addressing barriers to work over 16 hours, short-term and flexible work.
- **Financial components:** the work allowance and earnings taper are aimed at ensuring claimants are better off in a given job. The childcare costs element enables working parents to reclaim some of the costs of childcare.

Methodology

This study was designed as exploratory and iterative. It employed a flexible research design; each element building incrementally on findings from earlier phases of the work.

The four main research phases included:

- **In-depth interviews** with 21 single claimants; nine couples without dependent children and 17 families. Interviews explored personal circumstances; work aspirations; understanding of UC; and employment behaviour under UC.
- **Two deliberative half-day workshops** with 27 single and 34 family claimants. Workshops explored understanding of UC, decision-making about work under UC and whether the UC components had a hierarchy of influence.
- **An online staff consultation** with responses from 124 Jobcentre Plus Work Coaches about their perceptions of UC's influence on claimant behaviour.
- **Laboratory experiments** with 80 participants, seeking to test the impact of particular types of message about UC.

The study explored the relationship between experiences of UC and both anticipated and actual impacts on behaviour, building on the Department for Work and Pensions' (DWP's) theory of change. The research was premised on Stern's ABC theory of behaviour change (further details on theories of change can be found in Chapter 1 of the full report).

Findings

Behavioural response to Universal Credit

Amongst those who reported a change in labour market behaviour as a result of UC, changes included:

- **Job search:** Spending more time on job search, in some cases applying for more jobs, and a more diverse range of jobs. Some couples in joint claims reported job searching more collaboratively. In some circumstances (explained further below) job search was lengthened with unproductive activities and lower quality job applications were produced.

- **Job entry:** Taking up jobs that would previously have been ruled out and which were perceived as stepping stones to desired jobs or careers.
- **Hours or earnings progression:** Seeking and in some cases taking up extra hours or jobs on top of existing part-time hours.

The influence of UC was more limited among people already demonstrating strong motivation to work or a willingness to take any job (UC does not seek out behaviour change here). Likewise, UC had a more limited influence where personal barriers were too great at the time, for instance due to sickness; and those for whom administrative issues and lack of understanding of UC limited behaviour.

UC drivers of labour market behaviour change

Labour market decisions were informed by an interplay between personal circumstances and attitudes, and contextual factors including UC.

How UC components drove behaviour

- **Conditionality components:** These components were generally the strongest drivers to behaviour change, often overriding the influence of personal preferences and circumstances. However, where conditionality, particularly the requirement for full-time job search, was the only UC component driving behaviour change, the compliance gained was not fully productive; as described above. In-work conditionality was seen as a push in the right direction by individuals who were already motivated to earn more, while others, particularly families, were opposed to in-work requirements, preferring to spend time with their children.
- **Flexibility components:** while conditionality has been the key driver of behavioural changes, the removal of the need to sign off and on, RTI link and in-work payment also prompted claimants to consider part-time,

short-term and flexible work. For people who had always taken short-term or flexible work, the flexibility components made this easier. While singles said these components would make them more likely to change their behaviour, barriers remained for families as continuity of income and availability of childcare were key priorities.

- **Financial components:** The in-work payment and work allowance¹ influenced singles to consider part-time and short-term work. These components lessened financial barriers to such jobs, and were viewed positively due to their potential to lead to full-time, permanent work in future. Despite this, the overriding factor for singles was being better off in work. The financial components were weaker drivers for families who weighed up spending less time with children by working when they thought they could earn a similar amount job searching out of work on UC and viewed the earnings taper as a financial penalty.

Interplay with other factors

A range of factors described below either facilitated or constrained the effects of UC in influencing labour market behaviour.

Awareness and understanding of UC and its implications

Awareness and understanding of UC and its components affected its potential to affect behaviour. Conditionality came across as the strongest driver to behaviour change and this was also the component with the best awareness and understanding. In contrast, low

awareness of components such as the in-work payment created a barrier to flexible work due to concerns about being financially worse off in work. Low awareness of the child element meanwhile may be contributing to lower uptake of this option and a lack of awareness of the open claim creates a barrier to short-term work for families.

There was evidence that misunderstanding or misinterpretation of components such as the WA and RTI link was creating false barriers to the take up of flexible work and additional hours, and therefore limiting the influence of UC. The perception that the earnings taper penalises earnings also worked to disincentivise full-time work. Here, the comparison to the legacy system was leading to skewed perceptions of these components.

Participants who had been in work were more likely to be aware of the range of different components (though their understanding was not always correct). Participants in this research who had come to understand elements of UC through their employment experience, felt that an earlier understanding could have influenced their work-searching behaviour from the outset.

Work Coaches were the main source of information for UC claimants. Some claimants' perceptions of limitations in Work Coaches' own understanding and the overwhelming amount of information given in a first meeting were seen as reasons for a lack of understanding of UC beyond the Claimant Commitment.

Findings from cognitive interviews and the laboratory experiments, which tested the effect of different messages on respondents' understanding of UC, identified a tension. Respondents seemed to prefer simpler messages containing less information (e.g. only a description of components) because they thought they were easier to understand. However, the results also indicate that messages that contained more information actually provided the opportunity for behaviour change.

¹ Some Universal Credit claimants are eligible for a Work Allowance (WA). This is the amount a claimant can earn before the single taper rate of 63 per cent is applied to their earnings.

Claimants who don't have limited capability for work, or do not have responsibility for one or more children or a qualifying young person(s), are not eligible for a WA. In any other case, one of two WAs will apply: £192 per month for those with housing costs. £397 per month for those without housing costs.

Specifically, messages that not only described the components, but also explained how the components (particularly the removal of the 16-hour rule) could help claimants to be better off, were more likely to prompt claimants to think they would be better off working.

Personal factors

Decisions around work and work search ultimately depended on a balance of personal preferences and circumstances, wider contextual factors such as local labour markets and transport links, and UC. Across groups, the acceptability of a particular job was a key consideration, in terms of whether it offered adequate pay, meant being better off and was within reasonable commuting distance.

It appeared that personal factors exerted a stronger influence on families who were more constrained by working hours and location, and a perceived lack of acceptable childcare. In families where one parent was caring for young children and not subject to full job search conditionality, there were indications that personal factors such as conforming to traditional gender roles and aversion to formal childcare could create barriers to labour market engagement in the future.

The influence of some UC components was more dependent on its interaction with personal attitudes and circumstances than others. While conditionality had the power to override many personal preferences, though sometimes unproductively, the flexibility and financial components were weighed up with personal attitudes.

Concepts of being 'better off'

The financial components of UC, if understood correctly, were viewed largely positively and were seen as having the potential to incentivise work. However, claimants who construed the earnings taper as a deduction of earnings considered extra hours less worthwhile, particularly when the other costs associated with

earning a wage would increase such as rent for social housing and other benefits.

The influence of these components, however, interacted with concepts of being 'better off'. This encompassed not only pay differentials, but also factors such as the quality of life offered by a job and the predictability and stability of income. For families, the trade-off between spending time with children and the in-work requirements applicable for part-time work was also important.

A widespread perception among families was that they would be worse off on UC if they entered work. This may be a misconception resulting from administrative issues with payments or lack of accuracy in their perceptions of their income, which for the first time under UC covers all elements including housing costs. It also influenced views about the affordability of childcare which was thought to be better on tax credits.

The laboratory experiments show that using a more in-depth explanation about in-work payments and the removal of the 16-hour rule (that explains the implications of these changes) makes single claimants more likely to think they will be better off in work under UC compared to under JSA.

Implementation of UC

Claimants were motivated by a supportive and encouraging approach from Work Coaches compared to a policing or monitoring role, which fostered less productive job search. Issues experienced with the payment process could either increase determination to enter work and sign off benefit or create reluctance to work by undermining confidence in the accuracy of in-work payments.

Conclusions

UC has the potential to (and did) encourage a broadening of employment behaviours and willingness to take on a wider range of work. Meaningful changes in behaviour were brought

about by coupling compliance elements with a strong understanding of the more 'enabling' elements of UC – the financial and flexibility components.

The findings suggest that if the components of UC and their implications, especially the financial and flexibility elements, are highlighted at appropriate points throughout a claim and explained more strongly, we may see greater labour market engagement. Improved messaging and explanation, particularly of the earnings taper may help to address negative perceptions of UC stemming from comparison to legacy systems such as tax credits. Emphasising the removal of the 16-hour rule may also be particularly important to increasing the belief that you can be better off in work under UC compared with JSA and therefore driving employment behaviour.

Though increasing awareness and understanding is important, it may not necessarily drive behaviour change alone. UC influences behaviour more meaningfully (rather than 'compliance only' behaviour) when it is administered smoothly, supported by positive Work Coach interactions and where people's personal circumstances mean that working in a wider range of more flexible employment is seen as appropriate.

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