

Universal Credit Evaluation Framework

December 2012

Contents

- Foreword 3
- Summary 4
- 1.0 Introduction..... 5
 - 1.1 Policy background 5
 - 1.2 Policy aims 6
 - 1.3 Timetable for roll-out 6
 - 1.4 Testing and experimentation 6
- 2.0 Evaluation Approach 8
 - 2.1 Evaluation aims and objectives 8
 - 2.2 Theory of Change..... 9
 - 2.3 Evaluation themes 9
 - 2.5 Data sources 13
- 3.0 Governance 14
- 4.0. Timetable and reporting 15

Foreword

Universal Credit represents a significant shift in the State's approach to delivering welfare. A policy and delivery change as large as Universal Credit requires a significant programme of monitoring, research, evaluation and analysis, both to enable us to report on the extent to which it has achieved its aims, but also to understand how we can improve on the design and delivery. This presents a range of significant analytical challenges, and the Department for Work and Pensions is keen to engage with as broad a range of stakeholders as possible, to ensure that such a programme of analysis builds on the wealth of evidence available within the external policy and research community.

This evaluation framework is the first step in the development of the full evaluation programme of Universal Credit. It sets out the Department's broad intentions for the evaluation, highlights the key aims and objectives and considers possible analytical approaches to areas including the development of a theory of change, impact measurement and the use of existing data sources and evidence bases to add to a long term, comprehensive narrative for Universal Credit.

The framework also outlines the Department's early thoughts on developing a 'test and learn' framework within DWP. With provisions within the Welfare Reform Act providing the opportunity to test aspects of the Universal Credit offer, DWP is looking to incorporate a series of small scale policy and delivery experiments within the broader programme of evaluation.

The intention behind the publication of the evaluation framework is to encourage interested parties to engage with the evaluation programme; to provide comments and thoughts on suggested approaches and to consider ways in which external research and expertise could add to and develop the full programme of evaluation and analysis of Universal Credit.

The Department for Work and Pensions would welcome any comments or suggestions that you may have on this evaluation framework. Please email UNIVERSALCREDIT.EVALUATIONTEAM@DWP.GSI.GOV.UK



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Summary

This high level evaluation framework provides an overview of plans for evaluating the introduction, implementation, delivery and impact of Universal Credit. The document will develop and we will publish updates to reflect new issues and offer a more detailed discussion of methodologies.

Universal Credit will be an integrated, income-related, working age benefit providing households with a basic allowance topped up by additional components to recognise the needs of families with children, housing costs, disability and health conditions that limit work, and caring responsibilities. It will be available both in and out of work and will replace Working Tax Credits, Child Tax Credits, Housing Benefit, Income Support, income-based JSA and income-related Employment and Support Allowances. In the first instance, Universal Credit will be delivered by DWP.

Universal Credit therefore comprises a fundamental change to the way in which people engage with the benefit system and access in-work financial support. Its design, implementation and delivery will span a number of years, with a Pathfinder to start in April 2013, followed by national rollout from October 2013.

The evaluation has multiple audiences and must therefore seek to address diverse evidence needs. It will need to provide operational information for those leading on delivery; offer strategic evidence and insight for future policy development and provide a sound evidence base with which to inform the wider programme of welfare reform. Therefore, the evaluation will need to reflect and complement both the immediate need for feedback and evidence on implementation issues as well as address the long timescale and complexity of the policy.

Broadly, the evaluation will comprise a number of inter-related components undertaken internally or commissioned externally, including ongoing monitoring, evaluation and analysis; early implementation and delivery studies; a fuller evaluation of implementation and delivery and ongoing analysis of outcomes and impacts.

The evaluation will be steered by an inter-departmental group of analysts and policy makers. In addition, an advisory group of external evaluation experts has been formed. This Group's main role is to provide expertise and independent advice and challenge to the analytical team in relation to the development of the evaluation approach.

1.0 Introduction

This evaluation framework outlines DWP's plans for developing the Universal Credit evidence base which will inform the ongoing development of Universal Credit policy. It highlights the key strategic and policy intentions and provides an outline of how we will measure and evaluate impacts and effectiveness over the longer term.

The evaluation is structured around a series of inter-related themes which will seek to explore the extent to which Universal Credit has realised the benefits set out in the White Paper¹ and the subsequent Impact Assessments². The evaluation will draw on existing information sources as far as possible. If no suitable data source exists, the Department will consider commissioning quantitative and/or qualitative new research of individuals, staff and stakeholders including employers. This will be reviewed on a case by case basis to ensure value for money for the taxpayer.

This evaluation sits within a wider programme of analysis on Welfare Reform. Whilst not directly addressing related areas of the Welfare Reform Act 2012, the evaluation will need to be aware of closely related areas of policy that may impact on evidence, these include PIP/DLA changes, the Benefit Cap; direct payments of housing benefit, changes to Council Tax, Social Fund and Crisis Loans and under-occupancy of social housing.

A series of thematic synthesis reports will be produced throughout the lifetime of the evaluation, as well as policy briefing papers which will inform the ongoing development of Universal Credit. Full evaluation reports will also be produced. These will all be publicly available via the DWP website.

1.1 Policy background

Universal Credit is a major feature of the Welfare Reform Act. It aims to simplify the current benefits system to make work pay. Universal Credit is an integrated, income-related, working age credit providing households with a basic allowance topped up by additional components to recognise the needs of families with children, housing costs, disability and health conditions that limit work, and caring responsibilities. It will be available both in and out of work and will replace Working Tax Credits, Child Tax Credits, Housing Benefit, Income Support, income-based JSA and income-related Employment and Support Allowances.

Overall financial work incentives will be increased, meaning that the marginal deduction rates for working will be reduced while the personal and social benefits of working will remain. In return, there will be stronger conditionality³ requirements to

¹ <http://www.dwp.gov.uk/docs/universal-credit-full-document.pdf>

² [Impact assessments and equality impact assessments - DWP](#)

³ As well as placing conditions on the receipt of some benefits, there is an intention, under Universal Credit, to place obligations on those already in work and in receipt of work related Universal Credit, to seek to increase their hours.

seek and increase work. Moreover increasing hours worked should always mean an increase in financial return and an ongoing incentive to increase hours worked.

As an integrated in and out of work credit, Universal Credit removes the previous distinction between in and out of work benefits, so anxiety on the part of the customer on moving around the wider benefit system is reduced, there will be no re-application involved, and there will be no administrative barrier to the customer entering employment.

1.2 Policy aims

The aim of Universal Credit is to tackle the problems of poor work incentives and complexity within the current system of benefits and tax credits. The overarching aims are to:

- Encourage more people into work and to make even small amounts of work pay and be seen to pay;
- Smooth the transition into work by offering a single benefit that removes the distinction between being in and out of work;
- Offer a simpler support, with one system replacing multiple systems, therefore reducing administration costs and the propensity for fraud and error, and
- Tackle poverty both through increased take-up since the system will be simpler and from increased reward from employment for the customer.

1.3 Timetable for roll-out

Universal Credit will be implemented in a controlled way between October 2013 and October 2017, with a Pathfinder phase in the Greater Manchester and Cheshire region from April 2013.

1.4 Testing and experimentation

Officials within the department are leading on developing a framework for testing social policy and administration across the business. In order to encourage a ‘test and learn mindset’, we are looking to develop a suite of small-scale experiments to test elements of policy provision, including aspects of the Universal Credit offer.

The testing framework will set out how testing and experimentation could be built into the policy development process, the practicalities of how it can be run, how it would fit with current and future delivery models and how the external community can be engaged to suggest and develop possible approaches and options. Where appropriate small scale testing and experimentation will be carried out as part of the UC evaluation programme.

Possible areas for small scale experimentation *might* include:

- Assessing different forms of “in-work conditionality”;

- Testing out in-work retention support;
- Testing out different approaches to the UC 'payslip', to measure the impact that different levels of payment information have on claimant behaviours⁴.
- Testing out different forms of communications to promote, for example, increased take up or channel shift

Some possible experimentation options would require a pilot scheme under the Welfare Reform Act 2012. Subject to Parliament giving approval to affirmative pilot scheme regulations in each case, the powers in section 41 of that Act allow us to trial more policy options which could improve simplification, behavioural and work impacts.

⁴ To date, there has not been consistent work undertaken by DWP on the degree to which the presentation of financial information impacts on claimant behaviours. We have observed the reactions of claimants to receipt of a 'better off calculation' and undertaken short post 'Better off in Work Calculations' interviews to gauge their immediate reactions, and have also gathered information on clients' spending practices but we have not systematically tested the impact of varying the provision of detailed benefit payment information.

2.0 Evaluation Approach

2.1 Evaluation aims and objectives

The evaluation of Universal Credit has to address the immediate need for feedback and evidence on implementation issues as well as a longer-term need for a broader evidence base on welfare reform. The key evaluation aims are to:

- provide timely, business-led operational information and analysis which aids implementation and delivery;
- develop a longer term and grounded body of evidence which will enable us to;
 - develop a comprehensive theory of change of Universal Credit as a whole;
 - assess the impact of Universal Credit against the policy aims;
 - identify any unintended consequences;
 - develop strong links with the external research community to encourage the active sharing and dissemination of Universal Credit related evidence;
 - build on the ex-ante programme of analysis already being undertaken and used to inform the published Impact Assessments and
 - provide space within the evaluation to foster a test and learn mindset, to encourage small scale testing of aspects of Universal Credit.

The scale of Universal Credit and the broader range of stakeholders necessitate a broad, multi-dimensional approach to its evaluation. Whilst the core focus relates primarily to measuring the extent to which Universal Credit meets its high level policy aims, the evaluation also needs to cover broader themes of changes in labour market behaviour, changes in beliefs and expectations surrounding employment and the welfare system and wider effects on, for example, employers and Local Authorities.

To do this, the evaluation will look at a broad range of factors from service delivery (e.g. better processes, increased benefit take-up, ease of use) through to specific outcomes for Universal Credit recipients, such as movement off out of work benefits, movements into, or increases in employment or reductions in unemployment. It will involve a number of inter-related components which will add, incrementally, to the development of a comprehensive evidence base on Universal Credit. Over time, it will enable the evaluation to build up a picture of destinations, outcomes, income, household changes and changes in attitudes and perceptions. We will, where possible, undertake specific sub-group analysis, looking at, for example, differential experiences of groups such as low income households, couples, lone parents, long term unemployed, disabled and minority ethnic groups. The externally commissioned work will explore both quantitatively and qualitatively, aspects

including customer views and experiences, delivery issues and stakeholder perspectives.

The Universal Credit evaluation will involve the commissioning of new pieces of work as well as ensuring as far as possible that Universal Credit issues are addressed in surveys such as Family Resources Survey, Labour Force Survey, Understanding Society and British Social Attitudes Survey.

Drawing on lessons learned from previous large-scale evaluation programmes, the evaluation approach for Universal Credit will reflect changing needs for information, as well as changing information sources, maximising internal evidence bases such as DWP Insight and performance management information as well as commissioning external evaluation and analysis.

2.2 Theory of Change

It is proposed that a theory of change approach is utilised as the framework for this evaluation. Theory of change starts with the assumption that a policy or programme operates in a political, social, changeable context, and the people involved in delivering the policy and the people who take part in the policy are subject to variable choices and a variable capacity to act. This combination is sometimes referred to as the context + mechanism = outcomes.

Applying theory of change to an evaluation involves unpacking and identifying the underpinning theories of the policy with those that designed and constructed the policy. Findings are generally used to shape and fine-tune a policy, rather than give a definitive answer to whether a policy works or not. Using a theory of change, the evaluators aim not only to find out if a policy works or not, rather what works, for whom and in what circumstances. This is particularly important in Universal Credit, where policy makers are interested in changes in behaviours and attitudes as well as how the various elements of Universal Credit interact and drive such changes in behaviour.

Early work has already been undertaken on developing a theory of change for Universal Credit. Official documents, including the green and white papers, Impact Assessment and policy briefings have been reviewed to identify the key policy aims for Universal Credit. These key aims have then been discussed in a number of key stakeholder meetings with audiences including senior officials and analysts. Outputs from these meetings include a developing list of evaluation questions and the gradual articulation of the key Universal Credit theories of change.

2.3 Evaluation themes

The evaluation programme will be structured around five key themes:

- Delivery and implementation;
- Attitudes and behaviours;
- Impacts and impact measurement;

- Testing and experimentation, and
- Cost-benefit analysis.

Through work with stakeholders, the evaluation team has developed a set of key evaluation questions which will be grouped under the five evaluation themes and answered using a number of approaches including analysis of internal and external existing administrative datasets; bespoke qualitative and quantitative studies, key stakeholder and third party case studies, implementation and live running reviews and small-scale testing and experimentation.

The first proposed theme of the evaluation, ***delivery and implementation***, will provide evidence on the process of delivering Universal Credit, covering themes from the customer, staff and stakeholder experience to channel usage and shift. This part of the evaluation will be mainly qualitative in nature, involving face to face interviews with staff, claimants, senior stakeholders (both internal and external to DWP) and employers.

The process evaluation will comprise part of a continuous programme of analysis, providing rapid evidence and information on the rollout of Universal Credit. Using this iterative approach, the evaluation will provide timely evidence, inform future decision making and help shape the ongoing development of Universal Credit.

This strand of the evaluation will help unpack issues that may arise in analysis undertaken as part of the impact assessment to be undertaken later in the evaluation programme. Process evaluation evidence will start to add context to performance-related data and the process strand will adapt to meet emerging evidence needs.

Analysts are currently exploring options for and the feasibility of a Universal Credit Panel Study. This would provide the evaluation with a longitudinal picture of claimants' experiences of Universal Credit, any changes in attitudes and perceptions towards work and welfare, changes in income, hours worked and claiming behaviours. Linked with the administrative data, a panel study would provide a valuable source of information on outcomes and experiences. It would also provide useful data for a later impact study.

The second theme of the evaluation, looking at ***changing attitudes and behaviours***, will seek to address some of the central aims of Universal Credit, by examining changes in perceptions and beliefs towards work and welfare receipt. The key themes of this part of the evaluation will include; changes in labour market behaviour, changes to individual and household behaviours, including household decision making about areas including work, budgeting, caring responsibilities. Stakeholders and other third parties will also be included in this part of the evaluation. This part of the evaluation will be both qualitative and quantitative in nature drawing on in-depth interviews and case studies. It will also draw on existing attitudes evidence including the British Social Attitudes Survey and will look to explore links with other surveys including Understanding Society and various cohort studies. The potential DWP Panel Study would also add value to this part of the evaluation.

This second theme will also look at **outcomes in the short, medium and longer term**. Outcomes will include changes in income, composition of household income, changes in employment tenure, hours and wages and changes in household composition.

The third theme will comprise **impact measurement**. Key to determining the overall success of Universal Credit will be measuring the employment and benefit impacts and from this determining the value for money and social return of the programme. The extent to which we are able to estimate impacts will depend on how Universal Credit is rolled out and whether this gives enough random variation in policy coverage. Any impact measurement will necessarily take place over a long timescale, principally because of the time it takes to reach steady-state impacts.

The planned roll-out of Universal Credit raises a number of challenges in how to identify its employment and benefit impact, as it is necessary to compare outcomes of claimants who have been migrated to Universal Credit, with a control group of similar customers remaining on legacy benefits and tax credits. There are a number of possible approaches that could be utilised.

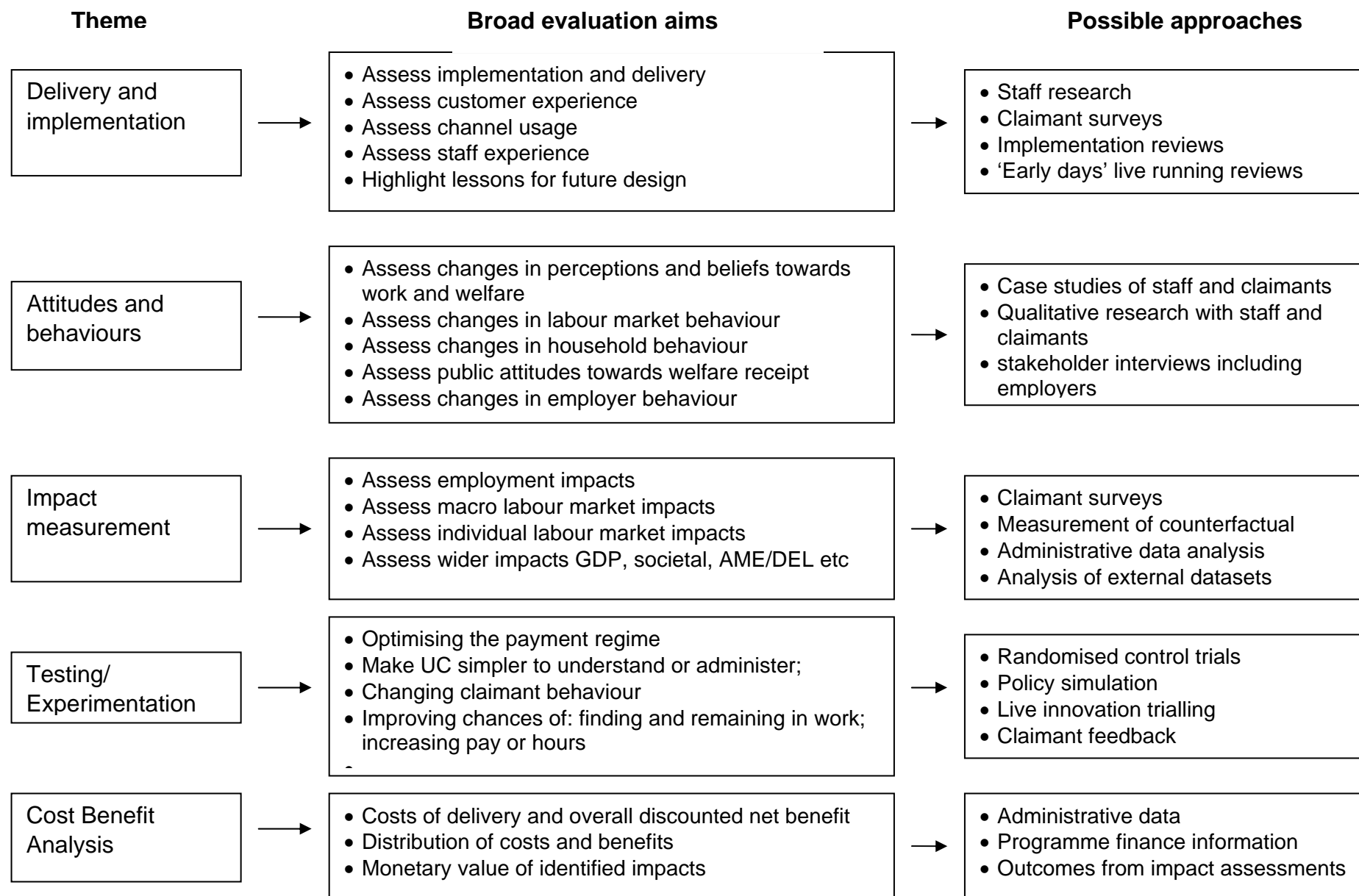
We will explore the scope to exploit the planned migration strategies to compare some of the variations across areas as Universal Credit roll-out progresses at different stages in different districts. We could consider comparing those migrating onto Universal Credit with similar claimants who are just outside the scope of Universal Credit, such as those approaching the end of contributions based JSA, or those just above the tax credit threshold. We could use a difference in difference approach where we compare the change in outcomes for a control (or comparison) group drawn from a similar population but remaining outside the scope of Universal Credit to the change in outcomes for Universal Credit claimants.

The large number of people affected by Universal Credit means that it could have a significant impact on the labour market and consequently on the macro-economy. For example, if Universal Credit significantly boosts labour supply it should put downward pressure on wage growth, which could stimulate investment, growth and equilibrium employment. The evaluation of impacts should therefore explore the scope for measuring macro-economic impacts in the longer-term.

The fourth theme, **testing and experimentation** has been outlined previously in this document in section 1.4 and will be more fully developed in later versions of the evaluation strategy.

The fifth theme, **cost-benefit analysis** will provide policy makers across government with an understanding of the cost benefit of the changes implemented under Universal Credit. It will explore the following areas, amongst others; How much does Universal Cost to deliver? When do the different benefits and costs occur and what is the difference between the short-run and the long-run steady state costs and benefits? How are the benefits and costs distributed between different groups? What is the monetary value of the various impacts identified under other evaluation themes? What is the overall net value of Universal Credit?

Figure 1.0 Themes of the evaluation



2.5 Data sources

In order to report against wider indicators and provide earlier intelligence on outcomes, we will consider using descriptive analysis of outcomes from sources including benefits and HMRC data as well as survey data of claimants. These descriptive statistics will not provide a robust measure of the impact of Universal Credit, but could be presented alongside the context of the wider labour market to provide earlier intelligence as to possible outcome measures. Possible sources include:

- Understanding Society;
- the Labour Force Survey/Annual Population Survey;
- the HMRC Panel Study of Tax Credit Recipients;
- the Millennium Cohort Study and other birth cohort studies;
- Family Resources Survey and,
- the Wealth and Assets Survey.

Work is underway on the development of the management information requirement for Universal Credit. We anticipate making full use of administrative data, including data on UC itself, other benefits, employment data and possibly other sources, including where possible, and subject to informed consent, linking to survey records.

3.0 Governance

The evaluation strategy will be steered by an inter-departmental group of analysts and policy makers. In addition, an advisory group of external evaluation experts has been formed. This Group’s main role is to provide expertise and independent advice and challenge to the analytical team in relation to the development of the evaluation approach.

Expert Group Membership

Professor Richard Blundell	University College London/Institute for Fiscal Studies
Professor Elaine Kempson	University of Bristol
Mr Paul Lanser	HMRC
Professor Helen Margetts	University of Oxford
Professor Steve Pudney	University of Essex
Dr Jim Riccio	MDRC, New York
Rebecca Riley	National Institute of Economic and Social Research
Professor Roy Sainsbury	Social Policy Research Unit, University of York
Professor Robert Walker	University of Oxford

4.0. Timetable and reporting

We will start the commissioning process for the evaluation in Spring 2013. We are planning for the evaluation to be commissioned in stages with the first of these comprising feasibility and scoping studies. Once complete, we will publish our research reports as part of the DWP Research series. A detailed timetable for reporting on individual studies will be developed as we work through the commissioning process.

We will also publish official statistics on Universal Credit claimants and outcomes as soon as the data is collected and meets the required standards of the UK Statistics Authority's Code of Practice. A consultation document will invite views on the publication of and access to official statistics on Universal Credit and other welfare reform changes. We will publish an indicative timetable for data publication after that consultation.