

Universal Credit and employers: frequently asked questions

Compiled from questions asked by national employers and SMEs at Universal Credit events led by the Minister for Welfare Reform, Lord Freud, around the country.

Q. What is Universal Credit?

Universal Credit is a new benefit that aims to introduce greater fairness to the welfare system by making work pay. It helps to ensure that people are better off in work than on benefits and is for people who are on a low income or out of work. It combines in work and out of work support, making it easier for claimants to start work and to stay in work. It encourages independence while protecting the most vulnerable.

Q. Why is the system changing?

Despite considerable welfare spending in recent years, the current benefit system has trapped people in poverty. Universal Credit makes sure that work is the best choice for individuals or families, and provides a route out of poverty and away from benefit dependency.

Universal Credit aims to make the welfare system simpler with a single monthly payment if claimants are on a low income or out of work. Changing the system will help reduce poverty by increasing the rewards that are on offer as claimants move into work. Universal Credit also makes it easier for claimants to take temporary or part time work without losing all their benefits, which can be a crucial step on the road to long-term employment.

Q. How is Universal Credit being introduced?

Universal Credit is now available to single people, couples and families in some areas of the country and is being rolled out to single claimants nationally from February 2015, providing people with stronger incentives and support to get into work and earn more money.

A list of [jobcentre areas where Universal Credit is available](#) and details of the [local authorities and jobcentre areas that will be delivering Universal Credit over the coming months](#) can be found on GOV.UK.

Q. What are the main benefits to employers?

Universal Credit ends the 16 hours a week rule that may previously have led people to restrict the hours they work to avoid losing their benefit. Universal Credit can help your business because you'll:

- find it easier to fill any job as more jobseekers will be willing to consider part time or temporary work
- be able to identify opportunities for flexible working using your existing part time employees for overtime and extra shifts at peak times, without the overheads associated with recruiting and training new staff
- have access to a wider pool of applicants for your jobs, many of whom are registered on our Universal Jobmatch service

Preparing claimants for Universal Credit

Q. What do claimants need to do in return for Universal Credit payments?

To receive Universal Credit, claimants need to accept a Claimant Commitment which sets out their responsibilities for finding work or increasing their hours of work. Their Jobcentre Plus work coach will provide mentoring and coaching to help them meet the requirements recorded.

Q. What are the benefits of Universal Credit for employers?

Claimants can be more flexible about working more hours or ad hoc additional hours because Universal Credit has no hours restrictions. It is designed so that it automatically responds to fluctuations in earnings, and allows claimants to keep more of their Universal Credit, making work pay. However, there is no reason why an employer should know an employee is on Universal Credit, unless the claimant wants to tell them.

Q. How are claimants informed that the 'cliff edge' has gone and they can work more than 16 hours without losing their benefit?

There is a range of information available for claimants to help them prepare for the changes Universal Credit brings, including advice on [GOV.UK](https://www.gov.uk) and from jobcentre staff. Work coaches also explain the changes at their interview when they make a claim and at regular follow-up meetings.

Q. How do work coaches help claimants to increase their hours?

Work coaches will explain the new rules and encourage and reassure claimants that they will be better off working more and help them to calculate approximately by how much. We are working with employers and employer organisations to understand the most effective methods to support people to stay and progress in work.

Payroll

Q. How is the information we supply to Her Majesty's Revenue and Customs (HMRC) linked to the Department for Work and Pensions (DWP)?

When a claimant is accepted as eligible for Universal Credit, DWP verifies their identity and the Universal Credit system sends an electronic message to HMRC. HMRC systems mark the individual's record as being a Universal Credit claimant and automatically pass PAYE data supplied by any employer in relation to that individual to DWP.

Q. How quickly does the information we supply to HMRC get transferred to DWP?

Employers should supply their PAYE information to HMRC on or before the day employees are paid. HMRC sends relevant data relating to Universal Credit claimants to DWP on a daily basis (four times a day). So the data employers send to HMRC will be with DWP on the same day or at the latest the next day.

Q. What happens when someone on Universal Credit starts work?

The claimant needs to inform DWP that they have started work. DWP records this and the PAYE in real time system sends the relevant PAYE information to DWP automatically as soon as it is received from the claimant's employer. When someone starts a second or third job, they do not normally need to inform DWP as the information will come through automatically. Individuals do, however, need to self-report their earnings if any jobs are self-employed.

Q. How will Universal Credit be paid to claimants?

In the majority of cases Universal Credit consists of a single, monthly payment which is paid in arrears directly into the claimant's account. Couples living in the same household receive one monthly payment between them. Payments include eligible housing costs and households are responsible for managing their own rent payments.

Q. How long will someone have to wait for their benefit if their earnings change?

Universal Credit is paid monthly in arrears and is designed to automatically adjust each assessment period to reflect the amount someone earns in that time. So if someone's earnings reduce in the previous assessment period then their next Universal Credit payment will be higher. If their earnings increase in this period, the next Universal Credit payment will be reduced to reflect the higher earnings.

Q. How does Universal Credit operate when someone works irregular hours?

Universal Credit is payable in and out of work and is designed to deal with changes in earnings, including irregular earnings. This means that the benefit will not end when earnings increase, unless earnings are high enough to leave Universal Credit altogether.

Q. What tools are there for payroll staff to help people understand Universal Credit?

There is a range of information for payroll and HR staff on the Universal Credit toolkit in the sections for [employers](#) and [claimants](#).

Q. Will there be additional work for our payroll staff in relation to Universal Credit, as well as auto-enrolment?

Automatically linking real time PAYE reporting and Universal Credit is a more efficient process; employers provide the information to Government once and it is used by both HMRC and DWP. This means that, for example, employers should receive no enquiries about part time earnings from DWP for Universal Credit claimants, unlike with Jobseeker's Allowance claimants. If PAYE reporting requirements are met, there should be no additional work for payroll staff. Universal Credit re-uses the PAYE information that employers supply to HMRC.

Q. How does Universal Credit work alongside auto-enrolment?

Universal Credit and auto-enrolment are two separate and distinct initiatives which are not linked.

Q. How will we know what tax code to put Universal Credit claimants on?

Universal Credit claimants are no different to any other employee. Employers should use exactly the same tax code procedures for Universal Credit claimants as they do for any other employee.

Q. How does Universal Credit work with benefits in kind?

Universal Credit will not initially take 'benefits in kind' (employee benefits that do not take the form of money) into account. However we are considering the best solution to reflect benefits in kind in the future to ensure that the level of earnings taken into account fairly reflects the income and choices available to the household.

Q. How are bonuses going to affect Universal Credit payments?

In most cases bonuses will be assessed along with the salary and, depending upon the individual's [work allowance and taper](#), could reduce their benefit for that assessment period. Usually, the claimants will continue on Universal Credit automatically for their next payment. However, if the bonus is so significant that it affects Universal Credit

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entitlement DWP provides a simple method through which a claimant can return to claiming Universal Credit.

Q. What do we do if employees say they have received a wrong Universal Credit payment?

If the correct PAYE information has been sent to HMRC by the employer on or before a person has been paid, employers should tell claimants to contact DWP. Best practice advice includes using the BACS process appropriately.

Further guidance on this is available on the HMRC PAYE in real time (RTI) [technical FAQs](#).

Q. Do recruiting agencies need to report staff on RTI too?

Reporting staff on RTI is only necessary if the agency is the employer (temping etc). In this case they will operate and report PAYE, just as they have always had to – this will now be in real time.

Recruitment

Q. How will employers know who is on benefits? Do employers need to know?

Employers do not need to know who is on benefits, but claimants can tell their employer if they wish. Employers should use exactly the same processes for Universal Credit claimants as they do for all their staff.

Q. If someone takes two or three jobs, how do the earnings work?

For claimants working for employers operating PAYE in real time, the process is the same whether they have one or more jobs. HMRC will feed the relevant PAYE data to DWP who use this to calculate the total earnings for Universal Credit purposes and, on the basis of this, the correct amount to pay them. This makes any additional work undertaken by the claimant worthwhile and places less work on employers as they no longer have to verify earnings to DWP.

Q. What is the current rule on zero hours contracts?

Universal Credit is designed to be responsive to fluctuations in earnings. In weeks where a claimant has lower or no income from their zero hours contract job, Universal Credit payments will automatically increase at the next payment date. The flexibility of these types of contracts is attractive to some individuals, but people on Universal Credit are not required to accept zero hours contracts which require exclusivity.

Childcare and families

Q. How is Universal Credit paid to families?

Universal Credit supports families through regular monthly payments whilst in work on a low income or out of work. Universal Credit payments include money to help support children made up of a Childcare element in addition to housing costs. The Universal Credit payment does not affect child maintenance payments or child benefit payments.

Q. Will Universal Credit help ensure women will see it pays for them to return to work after having a child?

Universal Credit not only allows people to work any number of hours and still receive benefit; it will for the first time, allow people working under 16 hours to claim help with childcare support.

Parents can claim back up to 70% of paid out registered childcare costs, up to a monthly limit of £532 for one child, or £912 for two or more children. From 2016, parents will be able to claim back up to 85% of paid out registered childcare costs up to a monthly limit of £646 for one child or £1108 for two or more children.

This will allow experienced returners to the labour market to work around their childcare commitments.

More information on how Universal Credit can help employers is available:

[Universal Credit in the hospitality industry](#)

[An employer's view of Universal Credit](#)

[How Universal Credit can help your business](#)