

# Universal Credit employers' insight

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December 2014

## **DWP ad hoc research report no. 14**

A report of research carried out by Jigsaw Research on behalf of the Department for Work and Pensions

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First published 2014.

ISBN 978-1-78425-406-3

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# Summary

As part of a wider programme of qualitative research intended to inform the development of the government's new approach to welfare, Universal Credit, the Department for Work and Pensions commissioned Jigsaw Research to conduct research amongst a sample of small and medium sized employers. The research used a panel of around 25 employers, conducting research in three waves. The first wave tested employer reactions to the overall Universal Credit proposition, its main delivery components and understanding employer propensity to play a supporting role in welfare reform. The second wave focused on the drivers of progressing in the workplace and tested a range of interventions designed to stimulate in-work progression opportunities. The third and final wave explored reactions to a range of communications products targeted at employers and further explored employer propensity to help employees prepare for and adjust to Universal Credit. Beyond answering the specific objectives of each wave the research found that the Department will need to positively engage employers in welfare reform if they are to play any supporting role. This will need to be done by mobilising employers around the societal objectives of the reforms, tapping into the good will and paternalist instincts that employers have towards their employees, and providing them with a wide range of practical tools and support to make it as easy as possible for employers to help employees with any issues they may have with their Universal Credit.

# Contents

- Acknowledgements ..... 6
- The Authors ..... 7
- Abbreviations ..... 8
- Executive Summary ..... 9
- 1 Main Findings ..... 14
  - 1.1 Introduction ..... 14
  - 1.2 Methodology and sample ..... 15
  - 1.3 Statement of limitations ..... 16
  - 1.4 Context – understanding employer responses ..... 16
    - 1.4.1 Wider business issues faced by employers ..... 17
    - 1.4.2 Employer engagement with the benefits system in general ..... 17
    - 1.4.3 The specific business culture ..... 18
- 2 Overall reactions to the Universal Credit proposition ..... 19
  - 2.1 Societal benefits ..... 20
  - 2.2 Employee benefits ..... 20
  - 2.3 Business benefits ..... 21
  - 2.4 Concerns and issues highlighted by employers ..... 21
- 3 Reactions to the potential employer experience with Universal Credit ..... 23
  - 3.1 Positive engagement with Universal Credit and its claimants ..... 23
    - 3.1.1 What they do now or may expect to do under Universal Credit ..... 24
    - 3.1.2 What they may do in the future ..... 24
  - 3.2 Getting ready and preparing for the arrival of both Real Time Information and Universal Credit ..... 25
  - 3.3 Taking on out of work claimants to start work ..... 26
  - 3.4 Providing more opportunities to increase work and make progress in the work place ..... 27
    - 3.4.1 Offering part-time opportunities ..... 27
    - 3.4.2 Obtaining pay rises ..... 27
    - 3.4.3 Obtaining promotions ..... 28
    - 3.4.4 The impact of Universal Credit on opportunities to increase hours ..... 28
    - 3.4.5 Interventions designed to stimulate work progression opportunities ... 30

3.5	Providing accurate and timely data and information into the system and potentially responding to employees with any queries about Universal Credit ....	30
3.5.1	Accurate and timely data and information .....	31
3.5.2	Employer willingness to help with queries .....	31
4	Conclusions.....	34
4.1	Positive employer support for Universal Credit .....	34
4.2	The challenge for DWP .....	34
4.3	Engaging employers around welfare reform.....	35
4.4	Enabling employers to play a role in Universal Credit .....	35
4.5	Helping to stimulate opportunities to increase work .....	36

# Acknowledgements

Jigsaw Research would like to acknowledge the valued contribution of the participants who took part in this research, including individual respondents, businesses and employers. Without the efforts and willingness of these participants in sharing their views and opinions, this research would not have been possible.

We would also like to give special thanks to all members of the Department for Work and Pensions (DWP) Insight Team, the Her Majesty's Revenue and Customs (HMRC) Insight Team, and wider departmental stakeholders, who have managed the research for the DWP, and have provided valuable guidance and feedback throughout all stages of the project.

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# Abbreviations

<b>DWP</b>	Department for Work and Pensions
<b>HMRC</b>	Her Majesty's Revenue and Customs
<b>RTI</b>	Real Time Information
<b>SME</b>	Small Medium Sized Enterprises



# Executive Summary

## Introduction

Jigsaw Research was commissioned to undertake research to explore employer reactions to the Government's new approach to welfare, Universal Credit. The research took place amongst a panel of 25 Small Medium Sized enterprises (SMEs), in three phases between June 2012 and April 2013.

Phase One (June 2012) sought to explore employer views about the Universal Credit proposition. Phase Two (August 2012) explored employer views on how Universal Credit can facilitate in-work progression, and Phase Three (April 2013) explored views on how best to communicate the changes, and support employers with Universal Credit going forward.

This research was completed in 2013 prior to the launch of Universal Credit in areas of Greater Manchester and Cheshire on 29 April 2013. Phases One and Two of this research were carried out prior to the programme being re-set in early 2013, which provided a clear plan to deliver Universal Credit in a carefully, controlled way. Phase three was carried out at the very start of the reset. It is therefore important to note that this research represents employers' views on Universal Credit, before Universal Credit had actually been experienced.

As well as the specific objectives of each phase, the research explored the potential employer experience with Universal Credit ranging from positively engaging with Universal Credit and its claimants through to preparing for the changes, providing opportunities to both in and out of work claimants, providing robust information to the system, and supporting employees who may be claiming. The elements that make up the potential employer experience with Universal Credit are elaborated in more detail below.

The sampled organisations ranged from ten to 250 employees. They were drawn from seven key sectors which were selected for offering lower skilled jobs or having employees claiming tax credits. The individual respondents who participated were all decision makers with respect to Human Resources and Payroll, and the organisations were located in four locations including Glasgow, Cardiff, Manchester and the South East.

In terms of the interview approach, one to one depth interviews were held on the respondents business premises in order to capture detailed individual responses and maximise disclosure. Conducting the research in three phases allowed for an iterative approach to the exploring the topic, whereby respondents were first introduced to the overall Universal Credit proposition and then exposed to specific elements of the new system in subsequent phases.

## **Context**

Findings from the research suggests that, at the time the research was carried out in 2012 and 2013 – before Universal Credit began rolling out -there was relatively low engagement amongst employers with the benefits system and welfare reform.

For many of the participating organisations the pressures of the economic climate they felt they were facing at the time meant that there was little time to take on new information that was not seen as directly relevant to the survival of their business. In addition the current state of the labour market meant there was little reliance on services like Jobcentre Plus to fill vacancies, even relatively skilled ones, and many organisations reported being inundated by applicants whenever they advertised a post. This low interest in the benefits system, and low awareness of welfare reform, highlighted the challenge for Government and the DWP in engaging employers as key stakeholders in Universal Credit. It is worth noting that subsequent to this research being carried out DWP has led a number of regional employer and trade body events, and roundtable events, to engage employers on Universal Credit, explaining the benefits of Universal Credit to them, and their employees, and helping them understand their role as the new benefit is delivered.

## **Overall responses to Universal Credit**

Despite a starting point of low engagement, the research found that when reviewing the Universal Credit proposition, employers were generally positive and supportive of the new system. Employers initial response to Universal Credit tended to be from a societal and citizen perspective rather than that of a business, and they were strongly supportive of Universal Credit in terms of addressing recognised issues in the current system, in particular addressing the current disincentive to increase earnings through the principle of ‘making work pay’. In addition employers concurred that the current system was overly complex and in need of simplification. Employers could see how their part time employees would be motivated to increase their hours by the new system removing any financial penalty for increasing work, and commended Universal Credit for promising to deliver a simpler and more convenient user experience for claimants. Beyond societal and employee benefits, employers were less able to immediately discern any potential business benefit associated with Universal Credit. However upon reviewing the proposition in more detail, employers eventually defined the main business benefit of the new system in terms of enabling a more flexible and agile workforce through the removal of artificial barriers to work seen in the present welfare system.

However despite positive support for Universal Credit employers also raised concerns during the research. These concerns were focused on whether employees would manage certain aspects of the new system such as the online channel, or

managing with monthly payments, when they were used to them being weekly or fortnightly. In addition employers raised concerns around the potential increase in the administrative burden that could be imposed upon them through Universal Credit, whether through having to verify claimant information or field an increase in requests to increase hours and so forth.

## **The potential employer experience with Universal Credit**

The research sought to gauge reactions to the potential employer experience with Universal Credit which was made up of five distinct elements, namely; positive engagement with Universal Credit and its claimants; getting ready and preparing for the arrival of both Real Time Information and Universal Credit; taking on out of work claimants to start work; providing more opportunities for in-work claimants to increase earnings and progress in the work place; providing accurate and timely data and information into the system, and potentially responding to employees with any queries about Universal Credit.

It is important to note that there were a number of points in this research where employers raised concerns about areas with which they will not be expected to be involved under Universal Credit. However, as these concerns flowed from the discussions topics used as part of the research, they have been included for completeness.

### **Positive engagement with Universal Credit and its claimants**

In terms of positive engagement with Universal Credit and its claimants employers did not expect to have an active role in the new benefits system and saw their potential input as being within clear boundaries. Most felt it was incumbent upon them to help with payslip queries, ensure payroll processes are robust and timely, and to be compliant with Government requirements. However beyond this many felt uncomfortable and incapable of helping employees with their benefits more widely. Whilst some were prepared to play a signposting role in directing employees to further Government information and resources about Universal Credit, the majority were reluctant to get involved in an area that they felt was not their domain. Employers are not expected to provide advice on the welfare system to their employees under Universal Credit. However they are expected, as now, to continue to support with payslip enquiries and support any employee who needs to contact DWP if enquiries are UC based.

## **Getting ready and preparing for the arrival of both Real Time Information and Universal Credit**

Employers applied the concept of preparation more in terms of getting ready for the advent of Real Time Information than Universal Credit. For all employers in the sample, getting ready for Real Time Information (RTI) was a necessary and important activity and many had proactively sought out information about the changes during the time of the research. Whilst highlighting the link between RTI and Universal Credit heightened employers awareness of the need to submit accurate and timely payroll data, there was also a danger that emphasis on RTI could overshadow Universal Credit in employers minds and reduce the topic of welfare reform to a compliance issue. The relatively low engagement with Universal Credit during the research underlined the need for timely and effective communication from the Government targeted at employers to raise awareness and prompt engagement.

## **Taking on out of work claimants to start work**

Employers main concern in this area was the potential increase in verification requests that they expected would result from Universal Credit. Whilst employers supported the new system enhancing and strengthening how it monitors job seeking activity, many were keen that any administrative burden was kept to an absolute minimum and made as efficient as possible.

## **Providing more opportunities for in-work claimants to increase earnings and progress in the work place**

When it came to providing opportunities to progress in the workplace employers supported Universal Credit for removing the financial disincentive to increase work. Interventions, tested through the research, which focused on training up skilling and addressing the key barrier of childcare, were also strongly commended. However employers continually emphasised throughout the research that the fundamental driver of opportunities to increase work would be the state of the economy and resulting health of their business, and opportunities to increase hours, obtain a pay rise or apply for a promotion could not be assumed.

## **Providing accurate and timely data and information into the system, and potentially responding to employees with any queries about Universal Credit**

Employers were already conscious of the importance of supplying correct and timely data into the Real Time Information system, and saw this as an important responsibility and duty towards their employees. Highlighting the link between Real Time Information and Universal Credit served to heighten this sense of responsibility. It is worth noting that subsequent employer engagement has been very good as

Universal Credit has rolled out - the majority of employments (over 99%) are now being submitted in real time.

Under UC there is no expectation that employers will provide budgeting support. The research found that most employers did not feel it was their role to get further involved in supporting employees with financial or budgeting support should their Universal Credit and earnings become out of sync. In terms of helping employees with queries about their Universal Credit, many did not feel capable of doing so and expressed a reluctance to get involved in this aspect of their employees lives. Employers would need a range of information and resources to be made available if they were to assist employees with their benefits in any way. Consequently products that were designed to support employers in responding to any queries were generally positively received by the sample. DWP has also made a range of products available to employers through the 'Universal Credit Partner toolkit'

## **Conclusions**

This research highlighted some of the key challenges the Department for Work and Pensions (DWP) and Government face in engaging employers as a stakeholder in Universal Credit. For the employers sampled in this research welfare reform was not part of their business outlook or agenda. However the research also revealed that there was a strong degree of support for the changes that were being proposed in welfare, and the intentions behind the new system. The DWP will need to harness the potential good will of employers if they are to play a productive role in Universal Credit, minimise any potential administrative burden, and critically provide employers with the necessary tools, resources and information to make it as easy as possible for them to support employees with their Universal Credit, to the extent that they are being asked to do so. When tested as part of the research such tools and resources were well received and taken as a positive sign of the DWP's commitment to working with UK employers to make Universal Credit a success.

# 1 Main Findings

## 1.1 Introduction

The Government is fundamentally reforming the welfare system by bringing together a range of working-age benefits into a single streamlined payment. Universal Credit is intended to be:

- A simpler system that is easier for people to understand and use, and easier and cheaper for staff to administer
- A system that ensures that work (or more work in the case of those already working some hours) clearly pays, and smooths the transitions into and out of work
- A system that reduces fraud and error

Employers are a vital stakeholder in the new welfare system and will play a critical role in the success of Universal Credit in two main areas:

- **Providing job, training and work experience opportunities to out of work audiences and opportunities for progression for in-work Universal Credit claimants** - As a result of the implementation of Universal Credit there will be an opportunity for UC claimants to increase their hours. The Department for Work and Pensions (DWP) is working with employers to encourage them to engage positively with Universal Credit and its claimants, and be prepared to provide greater opportunities to start and increase work, and make progress in the workplace.
- **Providing information and data into the tax and benefits system** - Employers will play an important role in providing Real Time Information (RTI) into the tax system on claimants' wages that will allow Universal Credit to adjust to fluctuations in earnings

As part of a User Centred Design research programme, the DWP commissioned three phases of research to explore employer reactions to Universal Credit, including understanding views and opinions on both the policy and service-delivery aspects of the new system.

The employer research was organised in three distinct phases:

**Phase One** – June 2012: Objectives: To explore employer views about the Universal Credit proposition, the issues and challenges from their perspective, and any potential benefits it may present

**Phase Two** – August 2012: Objectives: To explore employer views on how Universal Credit policy and service design can facilitate in-work progression

**Phase Three** - April 2013: Objectives: To explore employer views on how best to communicate the changes and how best to support employers with Universal Credit going forward

This research was completed in 2013 prior to the launch of Universal Credit in areas of Greater Manchester and Cheshire on 29 April 2013. Phases One and Two of this research were carried out prior to the programme being re-set in early 2013. Phase three was carried out at the very start of the reset. It is therefore important to note that this research represents employers' views on Universal Credit, before Universal Credit had actually been experienced.

This report brings together the findings of each phase into a single narrative. Following key contextual points and employer reactions to the Universal Credit proposition, the report is structured around how employers responded to the potential employer experience with respect to Universal Credit. The potential employer experience with Universal Credit is broken down into five main elements. These include the following:

- Positive engagement with Universal Credit and its claimants
- Getting ready and preparing for the arrival of both Real Time Information and Universal Credit
- Taking on out of work claimants to start work
- Providing more opportunities for in-work claimants to increase earnings and progress in the work place
- Providing accurate and timely data and information into the system, and potentially responding to employees with any queries about Universal Credit

## **1.2 Methodology and sample**

The research programme involved three phases of qualitative research with a panel of 25 organisations. Quotas were set to ensure that a range of variables were covered in the sample.

A cross-section of employers were selected in terms of sector. Seven key sectors were chosen, including retail, manufacturing, logistics, hospitality, construction, transport and services. These sectors were chosen for offering lower skilled jobs or having employees claiming tax credits. In addition most of the sampled companies offered both part time as well as full time work, and at least some had previously posted vacancies with Jobcentre Plus. The majority were private sector organisations.

The sampled organisations were Small Medium Enterprises (SMEs) with a mix of company sizes (between ten and 250 plus employees) across four locations, Glasgow, Cardiff, Manchester and the South East. The sample included some

companies which outsourced their payroll processes, but overall was weighted towards those who manage payroll in-house.

A range of job functions were recruited which included decision makers for Human Resources and payroll. In larger companies where decision making was split across more than one role, multiple individuals in the same organisation were interviewed separately. In smaller companies these roles tended to be subsumed into more executive roles. Overall the sample therefore included a mixture of roles including managing directors, company directors, and function specialists.

In terms of the interviews themselves, the approach utilised one to one depth interviews on the respondents' business premises, lasting sixty minutes. Individual interviews and business case studies were used (as opposed to focus groups) in order to understand each organisation on an individual level and elicit frank and open answers about the challenges that may arise from the current system or Universal Credit.

Conducting the research in three phases allowed for an iterative approach to the exploring the topic, whereby respondents were first introduced to the overall Universal Credit proposition and then exposed to specific elements of the new system in subsequent phases.

For each phase a discussion guide was developed. This included a range of semi-structured and open ended questions which sought to explore in detail the specific objectives for each phase of research. In addition, each phase used a range of stimulus to prompt discussion and test options. Phase One stimulus included a summarised description of the Universal Credit proposition. Phase Two stimulus outlined a range of ideas to support in-work conditionality and employee progression. Phase Three stimulus included a range of communications products including a general overview of Universal Credit, a guide to Universal Credit and employers, and proposed employer related content for gov.uk. In addition Phases One and Two included versions of the Universal Credit payment statement and award notice.

### **1.3 Statement of limitations**

Qualitative research is a valuable tool for exploring attitudes and gathering reactions to a range of ideas. However, it is important to note that qualitative research is exploratory in nature. It seeks to develop insight and provide direction, rather than to generate statistically valid measures of incidence or performance. Therefore, in reviewing the findings of this research, it should be understood that they are insights to guide future decisions, rather than quantitatively precise assessments of specific questions or propositions.

### **1.4 Context – understanding employer responses**

Employer responses to Universal Credit were framed by three contextual factors in terms of the following:



- The context of the wider business issues faced by employers
- Their engagement with the benefits system in general
- The nature of their individual business culture

#### **1.4.1 Wider business issues faced by employers**

In terms of the wider issues faced by many of the Small Medium Enterprises (SMEs) participating in this programme of research, the economic climate at the time the research was carried out and ensuing business pressures meant that there was little time to consider or engage with issues such as welfare reform. In addition, the job market meant that, if required, employers did not struggle to fill vacancies, even relatively skilled ones. There was therefore little reliance or dependence on the benefits system to provide potential candidates. The Government was perceived by some respondents as already placing burdens on small businesses (such as pension changes), and many employers in the sample were reluctant to get involved in any Government initiative that was not seen as being clearly relevant to their business.

#### **1.4.2 Employer engagement with the benefits system in general**

This research was carried out between 2012 and April 2013, prior to the launch of our Universal Credit Pathfinder in areas of Greater Manchester and Cheshire. Therefore, awareness of Universal Credit and how it works was inevitably low amongst employers at this point in time. Respondents' direct experience of the benefits system was limited. Those who were employing tax credit recipients were sometimes conscious of the impact of working hour thresholds on tax credits, through negotiating shift patterns with part-time employees who were claiming. However many companies in the sample employing tax credit recipients often did not know for certain who was claiming. Some respondents had experienced using Jobcentre Plus to post vacancies and consider applicants, and had experienced the system from this perspective. However overall the sample was relatively unengaged with the benefits system. Benefits were not seen as a pressing business issue nor one that required an immediate solution from a business perspective.

This low awareness and engagement with the current system had a knock on effect in terms of employer engagement with Universal Credit. Awareness of welfare reform was very low amongst the sample and, despite being involved in an ongoing research programme, remained low throughout the research. In addition, awareness of changes being made in the benefits system was often perceived in the context of wider Government cuts rather than any sense of a more positive reform agenda.

It is worth noting that subsequent to this research being carried out DWP has led a number of regional employer and trade body events, and roundtable events, to engage employers on Universal Credit, explaining the benefits of Universal Credit to them and their employees, and helping them understand their role as the new benefit is delivered.

### 1.4.3 The specific business culture

An additional contextual factor that framed how employers responded to Universal Credit was the respondent's particular business culture, how they regarded their employees, and the nature of the relationship they had with their work force. The research identified different types of relationship between employers and employees in terms of the following:

**More 'paternalistic' employers** – These employers tended to have a more 'parental' relationship with their employees. They operated on the principle that even staff in low-skilled or very functional roles have the potential to grow and develop, and they held the belief that it is always worth investing in their employees. Paternalistic employers were relatively more prepared to provide support and help to employees in areas of their lives that were not directly related to their work. For smaller companies this culture could be driven by an ethos of 'doing the right thing' and was something they found emotionally rewarding. For larger companies amongst the sample there was a more corporate desire to be a socially responsible employer.

**More 'detached' employers** – These employers tended to prefer a more 'arm's length' relationship with employees. They did not feel it was their business to get involved in any way in their employees lives outside of work, and felt that keeping a respectful distance was more appropriate. These employers tended to have more limited expectations about the potential for functional or low skilled employees to progress in the workplace.

All the sampled organisations sat somewhere along a spectrum between these two different stances and this tended to shape how they responded to Universal Credit. Where relevant, the 'paternalistic' and 'detached' labels are used to help frame responses in this report.

## 2 Overall reactions to the Universal Credit proposition

In the first phase of the research, respondents were provided with an introduction to Universal Credit in terms of a summary description of its key features, and asked to give their reactions. The summary description is repeated below (drafted June 2012):

- **One payment:** replaces most existing means-tested benefits and Tax Credits with a single, integrated payment delivered by one government Department
- **Paid monthly:** to mirror a typical salary and help claimants get used to managing their finances on a monthly basis
- **Paid to the household:** one payment to each household made up of a basic amount for living expenses with additional amounts for children, housing costs, disability, and caring responsibilities
- **For people in and out of work:** so no need to reapply once you are in the system, smoothing the transition
- **Makes work pay:** there will be a greater financial reward for entering work or doing more work, and Universal Credit will be withdrawn at a consistent and predictable rate through a single 'taper' rate
- **Adjusts automatically to salary:** Through the link to Her Majesty's Revenue and Customs (HMRC) Real Time Information (RTI) (submitted by the employer with their payroll), Universal Credit will adjust to people increasing or decreasing their hours
- **Personalised commitments with stronger consequences:** people not in paid work will be expected to look for work unless they have caring responsibilities or a health condition/disability which means they can't work immediately. There will be tougher penalties for those who do not meet their commitments
- **Designed to achieve eventual financial independence:** some people in work may be required to increase their earnings over time
- **Digital by default:** the majority of claims will be made or managed online.
- **Goes live in October 2013:** with new claims. Existing claimants will gradually move over to Universal Credit by the end of 2017

Upon reviewing the Universal Credit proposition employers tended to discern societal and employee benefits more readily than any business benefits. The main feature of Universal Credit that indicated any relevance in business terms was the link with Real Time Information. However whilst RTI prompted some engagement with Universal Credit from employers, this was generally confined to sharpening their focus on

ensuring that payroll processes were robust and timely, and complying with the necessary data requirements set by HMRC.

Overall the potential benefits that Universal Credit offered were defined by the sample in terms of the following:

## **2.1 Societal benefits**

Respondents' first reaction to Universal Credit was often from a societal or citizen perspective. There was wide spread recognition of some of the issues present in the current system, and support for the intention of Universal Credit to tackle these issues. Specifically this societal/citizen support for the new system was expressed in terms of:

- Recognition that the current system could provide a financial disincentive to work as the claimant could lose all their benefits when they started or increased work
- The current system was perceived as being open to fraud and misuse
- The current system was overly complex in terms of the number of different benefits, and therefore needed simplifying
- Many supported the need to reduce the cost of the current welfare system

## **2.2 Employee benefits**

Following on from their initial reactions to the proposition, respondents saw the potential advantages of the new system from the perspective of employees more than the employer. Of particular significance was the principle of Making Work Pay, and removing the financial disincentive to work in the current system. Respondents specifically expressed support for this aspect of the system in terms of the following:

- Many respondents were supportive of the idea that under Universal Credit employees who are claiming benefits can work more without financial 'penalty' and suddenly lose their benefits
- Employers could see how the new system could be potentially simpler for the claimant in terms of making one application, not having to reapply once in the system, and being able to apply for and manage their benefits online

However whilst Making Work Pay and the gradual withdrawal of benefits was widely supported, employers were quick to point out that the financial disincentives built into the current system were not the only barriers to increasing work. Many in the sample, particularly those employing large numbers of part-time and tax credit claimants, were also conscious that the availability and affordability of quality childcare was also a key barrier to increasing work. It should be noted however, lower income families, including those working less than 16 hours a week will receive extra support for

childcare through Universal Credit. From April 2016 they will be able to claim 85% of their eligible childcare costs.

## **2.3 Business benefits**

As the sample learnt more about Universal Credit they began to discern some business benefits. These primarily focused on the potential for Universal Credit to enable a more flexible and agile workforce, enabled by the Making Work Pay principle and the consistent and gradual withdrawal of benefits as earnings increased. This was particularly the case amongst employers with higher numbers of employees claiming tax credits. Specifically this benefit was described in terms of the following:

- Universal Credit removes a key barrier to current part time staff being able to work longer hours
- Employers could be less reliant on short term casual workers
- Helps them respond more flexibly to peaks and troughs in demand
- Easier to recruit and retain a reserve bank of staff that can be called upon when needed

## **2.4 Concerns and issues highlighted by employers**

Beyond any perceived advantages of Universal Credit, employers also identified some potential concerns. It was difficult for the research to gauge the likelihood and impact of these concerns being realised, however they were raised by the sample and included the following:

- A potential increase in the administrative burden imposed on employers due to a rise in employee queries about their Universal Credit, particularly its dynamic relationship with their earnings
- Employees potentially struggling with the IT aspect of the new system and using online,
- Employees not being able to budget around monthly payments when they may be used to weekly or fortnightly payment cycles
- An increase in the number of poor quality and token applications made by claimants as the system imposes more stringent monitoring of job seeking activity
- An increase in verification requests made by the system either to monitor claimant's job seeking activities or employees' requests to increase hours in their existing workplace

- Dealing with an expected increase in the number of requests to increase hours from current employees
- Not having sufficient business to deliver the desired work opportunities and enable Universal Credit to achieve its policy intent

It is worth noting that since this research was completed in 2012 and UC roll out has begun, the majority of claims (over 90%) from Universal Credit claimants have been made online. Recent research shows that over three-quarters (78%) of Universal Credit claimants feel confident about their ability to budget with monthly payments.

### 3 Reactions to the potential employer experience with Universal Credit

The remainder of this report is structured around how the sample responded to the potential employer experience with Universal Credit. This experience is broken down into five main elements. These include:

- Positive engagement with Universal Credit and its claimants
- Getting ready and preparing for the arrival of both Real Time Information and Universal Credit
- Taking on out of work claimants to start work
- Providing more opportunities for in-work claimants to increase earnings and progress in the work place
- Providing accurate and timely data and information into the system, and potentially responding to employees with any queries about Universal Credit

How employers responded to each of these elements is elaborated below. It is important to note that there were a number of points in this research where employers raised concerns about areas with which they will not be expected to be involved under Universal Credit. However, as these concerns flowed from the discussion topics used as part of the research, they have been included for completeness below.

#### 3.1 Positive engagement with Universal Credit and its claimants

In terms of the potential for employers to positively engage with the new system and its claimants, the sample did not readily expect to have an active role in the benefits system, and even more paternalistic employers saw their input and potential support to be within certain boundaries. For all types of employer in the sample there were consistent limitations on how far they were prepared to play a role in supporting Universal Credit. Specifically these limitations were defined in terms of the following, although under UC there is no expectation that employers will have to provide this sort of support:

- A reluctance to do what many saw as the 'Government's job' in terms of informing, advising, and helping employees with their benefits

- Resistance to any implied sense that they are expected to create job opportunities just to help people move off benefits
- Caution about the potential liabilities of providing advice about benefits and awareness of the limits of their expertise and knowledge in this area
- A reluctance to get involved in providing things like budgeting support to employees who may be experiencing difficulties managing fluctuating Universal Credit payments

Across the sample employers emphasised that if any support were to be provided, it would only be done on a voluntary basis and out of good will rather than any formal responsibility or obligation.

Through the research, employer preparedness to help employees with their benefits was defined in terms of the following:

### **3.1.1 What they do now or may expect to do under Universal Credit**

- Answer employee queries about their payslips which may include information about their Universal Credit
- Ensure that payment of wages is accurate and on time, including overtime
- Check and cleanse relevant employee data in preparation for the advent of Real Time Information
- Be compliant both in terms of payroll data and verification requests made by the system

### **3.1.2 What they may do in the future**

- Answer queries that are pay related around an employee's Universal Credit payment statement
- Communicate the benefits changes to employees by handing out information or directing employees to relevant online resources
- Be additionally vigilant, in light of the link between Real Time Information and Universal Credit, about submitting accurate and timely payroll data and avoiding mistakes

More paternalistic employers demonstrated the potential to go further in helping employees with their benefits in terms of the following, even though this is not what they are being asked to do under UC:

- Helping employees understand their Universal Credit payment statement
- Pointing employees in the right direction if asked i.e. a Government source or employee helpline
- Making employees aware of the impact of fluctuations in earnings on their Universal Credit



However playing a signposting role and providing some information was as far as even more paternalistic employers were prepared to go, and even then this was largely expected to be on a voluntary basis.

In light of these boundaries, the research highlighted that engaging employers in any potential supporting role would require further engagement between the Department for Work and Pensions (DWP) and employers to maximise their good will and tap into their paternalistic instincts. This engagement would need to be supported by practical tools that will equip employers with the necessary resources to make it as easy as possible for them to play a signposting and facilitating role with any employees who are claiming Universal Credit. Whenever any potential resources were tested amongst the sample as part of this research, they were generally positively received and taken as a sign of the Government's commitment to support employers in this area.

### **3.2 Getting ready and preparing for the arrival of both Real Time Information and Universal Credit**

Generally amongst the sample, and across the three phases of research, there was little spontaneous understanding of a need to prepare for the arrival of Universal Credit. Although the focus of this research was not Real Time Information, the advent of RTI did prompt both engagement and action from respondents. Employers considered preparation for RTI as a necessary and important responsibility, and many in the sample had proactively sought information about the changes. For all the employers who participated in the research, RTI would involve mandatory preparation processes, that they would need to go through to make themselves ready and compliant. During the first phase of the research in 2012 some respondents had expressed concerns about the work and effort that would be involved in preparing for the arrival of RTI, in terms of the required checking and cleansing of employee data and so forth. However during the last phase of the research, in 2013, as the implementation of RTI got closer and employers had learnt more about the new system, their concerns diminished. This is reflected in the positive engagement that has been seen with RTI subsequently.

Whilst respondents understood through the research the link between RTI and Universal Credit, and that inaccurate or untimely payroll data could have a knock on effect with an employee's Universal Credit payment, there was little evidence of any impulse amongst employers to prepare for the advent of Universal Credit in 2012. In addition the research revealed that by overly emphasising the link between RTI and Universal Credit, RTI could start to overshadow the new benefits system in employers' minds, and there was a risk that this would reduce Universal Credit, and

any potential role employers could play, to the level of compliance with the new tax system.

In order to prompt and facilitate preparatory activity from employers with respect to Universal Credit, the research was used as an opportunity to test and refine a range of information products and resources that were designed to help employers understand Universal Credit and be able to answer queries and questions arising from employees. These products included both offline and online communication materials and tools that, taken together, helped to ensure that employers were equipped with the right resources to make it as easy as possible for them to help employees prepare for and adjust to the new system.

In addition, the research highlighted the important role communications would play in prompting engagement from employers. The generally low engagement amongst the sample with respect to Universal Credit throughout the research, in 2012, highlighted the need for timely communication from the Government. At a basic level employers needed to know when Universal Credit will affect them, how it will impact an individual employee, and what action they need to take, if anything. This engagement is now taking place.

### **3.3 Taking on out of work claimants to start work**

It is important to note that this element of the potential employer experience with Universal Credit was not a main focus for this research, and feedback from the sample was therefore limited on this particular topic.

Whilst there was some usage of Jobcentre Plus amongst the sample, the current economic climate meant that there was little reliance on using the service to fill vacancies. At the time of the research, in 2012 posts were generally not hard to fill, particularly unskilled ones, and many respondents reported being inundated with applications whenever they advertised a vacancy. For many respondents Jobcentre Plus was therefore not their first port of call when they had a recruitment requirement.

For those in the sample that had used Jobcentre Plus, there were some concerns about the administrative burden associated with verifying job seeking activity. This concern increased upon reviewing the Universal Credit proposition as respondents expected that the new system would be even more stringent in monitoring and checking claimants' job seeking efforts (although employers are not expected to do this under UC). Whilst the principle behind checking and verifying job seeking activity was widely supported, respondents emphasised the importance of designing an efficient process that keeps any administrative burden to a minimum.

The research briefly touched upon awareness and usage of Universal Jobmatch, the new online service set up by the DWP in 2012 to enable claimants to search and

apply for vacancies. There was little awareness and usage of the new service amongst the sample, however many employers felt Universal Jobmatch was a positive and practical step towards making job seeking a more effective and efficient process for both the applicant and employer.

### **3.4 Providing more opportunities to increase work and make progress in the work place**

The second phase of the research carried out in August 2012 set out to explore the subject of supporting employees who are working and claiming Universal Credit to progress in the workplace, and ultimately increase their earnings and move towards full financial independence. Under the conditions of Universal Credit (depending upon the claimants personal circumstances) in-work claimants may be expected to make and demonstrate efforts to increase their earnings.

The research explored the drivers of opportunities to progress within the sampled organisations, whether through an increase in hours, obtaining a pay rise or a promotion. This exploration was then followed by testing a range of concepts designed to stimulate opportunities to increase earnings within the workplace.

In terms of the drivers of opportunities to increase hours, obtain pay rises or a promotion, varied widely across different organisations and employer cultures.

#### **3.4.1 Offering part-time opportunities**

Part-time opportunities were offered for a range of reasons including the following:

- Often to accommodate employees' circumstances, in many cases female workers with childcare constraints
- Certain sectors and industries, such as hospitality, needed a flexible, fluctuating and part-time workforce to meet their needs
- In certain cases small specific roles did not add up to a full time post

However there was also evidence that the benefits system itself could encourage part-time roles that fitted within the eligibility thresholds for tax credits, in terms of working hours per week. A number in the sample reported employees requesting a cap on their hours, or declining requests to increase their hours, in order to be eligible for tax credits. In this respect, by removing these thresholds, Universal Credit was seen as addressing an important barrier to increasing earnings through working more hours.

#### **3.4.2 Obtaining pay rises**

In terms of opportunities for pay rises the sampled organisations typically paid annual increases based on inflation and/or performance. However many respondents

pointed out that under the current economic climate it cannot be assumed that earnings will automatically increase. Pay was relatively stagnant in a number of organisations that were experiencing financial constraints. In addition respondents pointed out that it cannot be assumed that an increase in skills or qualifications would automatically lead to a pay rise. Beyond such incremental increases, more significant pay rises tended to be given for a change in role and/or taking on more responsibilities. Employers are not asked to take on new responsibilities in this area under UC.

### **3.4.3 Obtaining promotions**

Obtaining a promotion could occur through a number of routes including elevation to a more senior job title, or expansion of an existing role and taking on more responsibilities, which could be enabled through training and the attainment of skills and qualifications.

It was in this area of work progression that the paternalistic to detached spectrum was markedly evident. Whilst all employers were to an extent constrained by the economic climate and the circumstances of their business in what opportunities they could offer, those who demonstrated a more paternalistic stance tended to be more supportive of progressing their employees. These employers were relatively more prepared to support and fund training, and were more receptive to employees applying for a promotion. They claimed that they would do all that they could to help employees fulfil their full potential in the workplace.

However other more detached employers in the sample could exhibit a more operational culture whereby they might have formal processes in place to enable employees to apply for training or promotions, but in reality gave limited encouragement and support for this type of progression.

### **3.4.4 The impact of Universal Credit on opportunities to increase hours**

From the perspective of the sample, this research found that by removing the benefits thresholds, and making it in theory easier to flex working hours up or down, the advent of Universal Credit would lead to the offer of more hours. Universal Credit was seen as removing a key barrier to work in terms of the following:

- Those respondents who were employing tax credit claimants tended to be more aware of how eligibility thresholds could limit the working hours employees were prepared to work
- Removing these thresholds was therefore seen as a key enabler to employees being able to work more hours, and was widely supported by the sample
- Employers could clearly see how employees may be prompted to increase their hours as a result

- This would in turn allow the employer greater flexibility in how they utilise their workforce in terms of being more able to ask employees if they can work more hours
- The idea of a more flexible work force in this sense had appeal amongst the sample as a potential business benefit of Universal Credit

However this positive response from the sample was qualified by two key points raised by respondents. These included the following:

- Many part-time employees were part-time for childcare reasons and could still be constrained by these circumstances. Under Universal Credit claimants will be able to claim back up to 70 per cent of their actual paid out childcare costs. This will rise to 85 per cent in 2016.
- While the majority of employers thought UC would lead to the offer of more hours, a small minority of respondents among those employers with relatively high numbers of tax credit claimants, did also raise the question of whether Universal Credit could be a potential opportunity to employ fewer staff overall, rather than offering more flexible part-time roles. In their view employees would no longer be constrained by the fixed thresholds in the tax credit system and would be able to increase their work without incurring financial penalties. This in turn could in theory result in employers having to employ fewer people to meet their needs, as each employee on average could be working more hours than before under the new system. However, employers were generally able to discern the potential business benefit of Universal Credit in terms of enabling a more flexible and agile workforce.

In addition, respondents emphasised throughout the research that they could not exercise any favouritism towards claimant employees over non-claimant employees, for work progression opportunities. Any indication of favouritism or 'positive discrimination' towards claimant employees in this area would be seen as grossly unfair by non-claimant employees, and would cause discord and conflict in the workplace. Opportunities to progress in the workplace had to be open to all, awarded on merit, and ultimately driven by the needs of the business. It should be noted that employers are not being asked to show preference to employees claiming UC.

An additional concern raised by employers in this area was the potential administrative burden associated with verifying employees' efforts to increase their earnings. Whilst employers were generally supportive of Universal Credit enhancing the monitoring of efforts to obtain or increase work, many also expected that this would entail an increase in them having to verify claimants' efforts. Although respondents could not gauge the potential impact of this burden with any precision, organisations with relatively high numbers of tax credits claimants expected that verification requests could be a fairly regular occurrence. Larger organisations also felt that this aspect of administration could be difficult to keep track of in terms of fulfilling verification requests, although they are not being asked to do this under UC.

DWP pilots are currently running to test in-work progression. The conditionality applies to claimants, and support will be given to them to see if they can increase

earnings. Employers will not be expected to verify claimants' efforts to increase earnings.

The sample emphasised the importance of designing a verification process that kept any potential burden to an absolute minimum. Suggestions made by the sample included the following:

- Requests to increase hours should be made in writing by employees so they can then be forwarded to the system by the employer if required
- Verification processes should become part of the payroll run and be integrated into existing payroll processes as much as possible
- The employer 'signs off' a self certification when presented to them by the employee

Again although it was difficult to predict how much of a burden this aspect of the system could be, the sample consistently emphasised the importance of ensuring the process is designed to be as minimal and efficient as possible.

### **3.4.5 Interventions designed to stimulate work progression opportunities**

As part of phase two of the research (August 2012) a range of concepts were tested with the sample. These concepts were designed to stimulate work progression opportunities. The concepts varied in terms of their approach but the ones that received the most positive responses from the sample focused on the following:

- Increasing the employees capability in terms of skills assessments, training, 'up skilling', and qualifications
- Support with childcare and helping more constrained employees who were working part-time for childcare reasons by addressing the key barrier of affordable and quality provision
- Recognising that some employees may move forward via 'softer' measures such as confidence building and motivational support

Employers were careful to point out that despite these positive responses and relatively strong performing concepts, extra hours, pay rises, and promotions may end up being a by-product of such interventions, but could not be guaranteed, particularly under current economic conditions.

In addition, many respondents were keen to point out throughout the research that they were also looking for the Government to 'do their bit' in terms of making positive steps to get the economy going. Respondents felt that ultimately opportunities to progress in the workplace were created by a thriving economy.

## **3.5 Providing accurate and timely data and information into the system and potentially**

## **responding to employees with any queries about Universal Credit**

### **3.5.1 Accurate and timely data and information**

During the research, respondents were shown an example of what may happen to an employee's Universal Credit if their employer submitted untimely payroll data such as overtime. Employers already had a strong sense of duty in this aspect of their administration, but the example served to heighten the sense of importance around the need to ensure payroll data, submitted through the Real Time Information system, was accurate and timely.

However beyond this sense of duty, employers were reluctant to provide further support to employees to help them with any short term financial issues that resulted from the employee's earnings and Universal Credit being out of sync. Unless a short fall in Universal Credit was directly attributable to an error made by the employer, then employers generally did not feel under obligation to assist an employee with financial support e.g. a loan, or help with budgeting. As a rule many in the sample did not get involved in providing financial assistance of this nature to their workforce. However, under UC there is no expectation that employers will have to provide this sort of support to their employees.

Even more paternalistic employers did not want to go this far, although they would be happy to signpost employees to external support services that may assist them, such as an employee help line. Some had already provided access to this kind of support service to help employees with legal, financial and other matters. They felt that benefits advice should be a natural extension of such a service.

It is worth noting that DWP, along with partners such as the Money Advice Service, is providing a range of budgeting support to claimants; employers are not expected to provide this, but can access information on this through the UC Partner toolkit.

### **3.5.2 Employer willingness to help with queries**

Employer's willingness to help employees with queries about their Universal Credit was not just about motivation to help. Many simply did not feel adequately equipped and capable of helping. It is important to note that the large majority of the areas about which employers were concerned are not those they will be required to engage with under Universal Credit. The barriers to helping employees with their Universal Credit were threefold:

#### ***Opportunity***

- Many respondents felt they simply would not know who in their organisation currently receives benefits and therefore who to help – this is not something employers will be expected to do under UC
- Many claimed they felt uncomfortable about enquiring and potentially intruding on employees' personal/financial affairs uninvited
- Respondents also felt employees would be unlikely to approach them and that organisations like Jobcentre Plus, DWP and HMRC would be the claimants first port of call

### ***Capability***

- The sample felt that they would need to know a lot more about Universal Credit in order to play a role in helping with queries
- Many felt uncomfortable about giving advice in areas where they were clearly not experts and they were conscious of the implications and liabilities of giving out wrong advice or information - this is not something employers will be expected to do under UC
- Employers could often struggle to understand certain aspects of Universal Credit, in particular how Universal Credit is calculated with respect to earnings

### ***Motivation***

- Employers generally felt it was their responsibility to provide employment, comply with the law, and pay accurately and on time (including RTI) and be a fair employer
- They did not therefore see benefits as their domain and felt uncomfortable about the idea of getting involved in this aspect of their employees' lives, although this is not something they are being asked to do under UC.

Therefore in terms of handling queries, whilst not expecting a huge volume, employers maintained that they would need to be adequately equipped by the Government if they were expected to help. To enable them to play any role in assisting employees, respondents suggested the following tools and resources should be made available:

- Access to a Government helpline to answer questions they have. When featured in the research the presence of a Government helpline sent a very positive signal to employers in terms of the Government's commitment to support
- Website and online resources. For example employers responded positively to the idea of a 'better off calculator' that helped the claimant calculate the impact of increasing earnings on their benefits
- Access to key information and Frequently Asked Questions on Universal Credit. Communication products designed to introduce Universal Credit to employer audiences were well received when tested



- Being able to refer employees to official sources of explanation to ensure that the information they receive is accurate and correct

This research demonstrated how important it will be to give employers the right tools and resources so that any role they may play in helping employees with their Universal Credit is as easy as possible for them, and minimises any potential effort or burden. Since the research was completed in 2012, DWP has made a range of products available to employers through the 'Universal Credit Partner toolkit'.

Respondents in more paternalistic organisations were on the whole more willing to play at least a signposting role. The right resources would mean they are confident enough to answer queries, are more able to ensure that any answers they give are correct and accurate, and can easily direct employees to other resources as required.

## 4 Conclusions

### 4.1 Positive employer support for Universal Credit

Overall the research found that employers were generally supportive of Universal Credit in terms of addressing recognised issues in the current system. Employers were particularly supportive in terms of Universal Credit addressing the current financial disincentive to increase work through the principle of 'making work pay'. In addition employers were also positive about Universal Credit in terms of:

- Simplifying the current system, which was felt to be overly complex;
- Motivating part time employees to increase their work by removing any financial penalty for increasing hours;
- The promise of delivering a more convenient and simpler user experience.

Furthermore employers were able to discern the potential business benefit of Universal Credit in terms of enabling a more flexible and agile workforce through the removal of artificial barriers to work seen in the present welfare system.

### 4.2 The challenge for DWP

This research was completed in 2013 prior to the launch of Universal Credit in areas of Greater Manchester and Cheshire. It is therefore important to note that this research represents employers' views on Universal Credit, before Universal Credit had actually been experienced.

Beyond these positive responses to Universal Credit from employers, the research also highlighted a number of challenges that the Government and DWP face with respect to employer's involvement in welfare reform. These challenges are summarised as follows:

- At the time of the research, prior to the roll out of UC, there was low engagement with the benefits system in general from employers sampled in this research;
- The pressures of the current economic climate mean that employers were focused on the priority of immediate survival. Welfare reform was not high on their agenda, particularly as filling vacancies is not a challenge in the current labour market;
- There was relatively low awareness of Universal Credit and limited understanding of the direct relevance of welfare reform to business specifically;

- The main focus of Government reform from the sample's perspective was RTI which could be more prominent in employer's minds than Universal Credit;
- The greater focus on RTI from an employer perspective could run the risk of employers taking more of a compliance perspective with respect to Universal Credit undermining a sense of a wider employer role in the new system;
- Overall, at the time of the research, there was limited preparedness to play an active role in the benefits system even amongst more paternalistic employers.

The Government and DWP will need to engage employers on the topic of welfare reform in order to meet these challenges.

### **4.3 Engaging employers around welfare reform**

This research found that the aims of Universal Credit are widely supported by employers, and there is a degree of good will towards what the Government is trying to achieve. However harnessing this good will require the Government and the DWP to demonstrate to employers the following:

- Broader efforts to help more widely in stimulating the economy and supporting business
- Demonstrating an understanding of the business pressures small and medium sized organisations are under
- Helping employers to understand more about the specific business benefits that are associated with Universal Credit, in particular the potential for a more flexible and agile work force
- Acknowledge that any interventions need a genuine business justification

### **4.4 Enabling employers to play a role in Universal Credit**

Practical resources were also felt to be critical if employers were to be able to play a role in Universal Credit. Specifically, suggestions made by employers included the following:

- A clear timeline and countdown to implementation of Universal Credit to enable employers to know when to engage with the changes
- Helping employers clearly understand the link between RTI and Universal Credit to reinforce the importance of accurate and timely payroll data
- Equipping employers with the necessary tools to show the impact of increasing hours on Universal Credit

- Ensuring employers are able to direct and signpost employees to other resources and support that will help them understand their Universal Credit
- Access to clear and official explanations of how earnings impact on Universal Credit, and how the benefit is calculated to enable an accurate understanding
- Ensuring that verification processes are designed to minimise any potential administrative burden

In light of this there has been a wide engagement programme with employers since 2013 including a range of events for national employers, meetings with employers in rollout areas, engagement with employer groups and trade bodies as well as events in the North West prior to wider rollout in the area.

## **4.5 Helping to stimulate opportunities to increase work**

Employers held the view that any interventions designed to support progression through the work place should focus on training and up-skilling employees and addressing the key issue of childcare, which was in many cases a critical barrier to part-time employees increasing their hours. Specifically, employers defined their support for such interventions in terms of the following:

- Interventions should focus on skills assessment, training and up-skilling in order to increase the potential value of the employee and broaden their offer to the business. Increasing employee capability had the greatest potential to benefit the business and stimulate organic growth
- Improving the affordability and availability of assured quality childcare was widely suggested and supported. This was seen as having the potential to tackle a significant barrier to many part-time employees increasing their earnings, as female workers were often working part-time due to childcare constraints
- Providing 'soft' support such as motivation and confidence building was also widely recognised by employers as warranting attention. In their view employees, particularly those returning to work after maternity leave, but
- also others, could benefit from this type of support in encouraging them to consider work opportunities outside of their regular routine and role

However, throughout this research, undertaken between 2012 and 2013, employers consistently made the point that fundamentally opportunities to start or increase work were created by a thriving economy. From their perspective the main priority of the Government should be to get the economy going.