



Department  
for Work &  
Pensions

# The Universal Credit (Administrative Earnings Threshold) (Amendment) Regulations 2024 (SI 2024/\*\*\*\*)



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Pensions

# The Universal Credit (Administrative Earnings Threshold) (Amendment) Regulations 2024 (SI 2024/\*\*\*\*)

Report by the Social Security Advisory  
Committee under Sections 172(1) and Section  
174(1) of the Social Security Administration Act  
1992 and statement by the Secretary of State  
for Work and Pensions in accordance with  
Section 174(2) of that Act

Presented to Parliament pursuant to  
Section 174(2) of the Social Security Administration Act 1992

April 2024



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## 2 The Universal Credit (Administrative Earnings Threshold) (Amendment) Regulations 2024 (SI2024/\*\*\*\*)

# Secretary of State's Statement in response to the Social Security Advisory Committee's report dated 28 March 2024 on the Draft Universal Credit (Administrative Earnings Threshold) (Amendment) Regulations 2024



Department  
for Work &  
Pensions

**THE RT HON MEL STRIDE MP**  
**Secretary of State for Work & Pensions**

Caxton House  
Tothill Street  
London, SW1H 9AJ

Dr Stephen Brien  
Chair of the Social Security Advisory Committee  
7th Floor Caxton House  
Tothill Street  
London  
SW1H 9NA

28 March 2024

Dear Stephen,

SSAC Report: **The Universal Credit (Administrative Earnings Threshold) (Amendment) Regulations 2024**

The Department welcomes this report and thanks the Committee for their views.

We are continuing to evaluate what support is appropriate for individuals who are working and in receipt of Universal Credit; and are continuing to build an evidence base and improve our understanding by gathering in-depth insights about those affected by the changes.

We are committed to ensuring that people in work look for more and better work to move off benefits and gain financial independence. This is both beneficial to the economy and the individual – improving life prospects, mental and physical health, and developing new skills.

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The attached Annex provides our responses to the Committee's recommendations.

All best wishes,

A handwritten signature in blue ink that reads "Mel Stride". The signature is written in a cursive, slightly slanted style.

**RT HON MEL STRIDE MP**

**Annex: responses to the committee's recommendations.**

**Recommendation 1**

**We recommend that the Department:**

**(a) should develop the evidence base around the circumstances where IWS would be the most effective approach, and for those cases where alternatives should be considered. That evidence should be used to inform adaptations to the regulations and operational guidance to better deliver the Government's policy intent.**

**(b) should also prepare, consider and publish a more comprehensive Equality Impact Assessment.**

**To help build its evidence base, the Government should also:**

**(c) pause its plans for full implementation of these proposals while it pilots a phased approach, initially involving claimants in a low-risk category.**

DWP partially agrees with the recommendation.

(a) We recognise the importance of evaluation and learning what works for people who are working and on Universal Credit (UC), which is why we have a detailed evaluation strategy which focuses on looking at the experience of people affected by the change. This includes externally commissioned research with in-work UC customers, which will give us a richer understanding of those affected, the progress they make, and any challenges they face. We intend to publish this evaluation when it is complete.

We will also continue to assess how the policy is being delivered through our Evaluation and Operational Support Managers, and gain insight into emerging problems and successes, which can feed directly into guidance for operational staff, and steer the research discussed above.

We will continue to monitor earnings outcomes among the Administrative Earnings Threshold (AET) cohort and the feasibility of constructing a robust counterfactual on which to measure the policy impact.

(b) The Equality Analysis (EA) has been updated in March 2024 ahead of the Regulations being made. It is based on the information available from the UC system. As set out in the EA, we cannot identify the following protected characteristics from the UC data set readily available at this time: gender reassignment, pregnancy and maternity, race religion or belief and sexual orientation.

(c) We want to ensure that all those impacted by the change to the AET receive intensive Work Coach support to help them earn more.

**Recommendation 2**

**We recommend reviewing the approach for younger workers and consider how this could be handled differently. In particular, the AET for 16-17 years-old workers should never be set at a level which requires intensive work search when they are working more hours than is expected of 18-20 years-old workers.**

DWP does not agree with the recommendation.

The AET is not the mechanism the department uses to impose conditionality requirements on UC customers, that is done through the Conditionality Earnings Threshold (CET). Unlike the AET, the CET is a flexible threshold and is calculated using the number of hours a customer is expected to undertake work-related activities (up to a maximum of 35 per week for each individual) and uses the National Minimum Wage (NMW) or National Living Wage (NLW) rate that applies to them. Customers are required to look for and be available for work up to and beyond their CET.

Many young people claiming UC are out of scope for the AET because, for instance, they are in full time non-advanced education with no parental support or are on an apprenticeship.



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The only young customers who are in scope of the AET are those who cannot live with their parents or in specific circumstances are not supported by their parent(s). As such there are only a small number of young people claiming UC who will fall within scope for the AET. For example, official statistics for December 2023 (the latest available at time of writing) show that of 838 employed UC customers aged 16 or 17, 52 were in the Light Touch group (referred to as Working with Requirements in the statistical release)<sup>1</sup>. This is 6.2% of all employed 16–17-year-old UC customers, not all of whom may be affected by this change because they may have earnings higher than the new threshold.

We are committed to delivering targeted support for young people, and through our expanded Youth Offer we are providing comprehensive employment support for 16 to 24-year-olds in receipt of UC. This includes intensive support from Work Coaches, Youth Employability Coaches and Youth Hubs across Great Britain.

### Recommendation 3

**We recommend that the Department:**

- a. reviews its guidance to make sure it is adequate to deal with the lives of people who are combining work with complex circumstances;**
- b. reminds Work Coaches when the change is implemented of the potential for using the flexibilities available to them for this group; and**
- c. is able to identify quickly negative impacts of the AET increase, for example by tracking what happens to people who leave UC when they are affected by the higher AET.**

DWP partially agrees with the recommendation.

The Department's learning products and guidance inform Work Coaches of the available easements and support paths for all customers with complex circumstances. Work Coaches can use easements and flex conditionality to tailor support to customers' individual circumstances. Guidance for Work Coaches is periodically reviewed and updated and our roll out plan will include communicating the change to Work Coaches.

The AET is an earnings threshold used to determine if work search and availability requirements are expected of a customer to receive UC, and the level of support they receive to find work to increase their earnings. Entitlement to UC is not affected by earnings that fall below the AET.

The AET cohort have always been fluid. We will continue to monitor and build up our evidence on the AET cohort, this includes their caseloads, flows, and Labour Market outcomes.

### Recommendation 4

**For couples where there is a mix of self-employed and employed earnings, we recommend that reported self-employed income is accounted for when determining the AET to deliver greater consistency with couples who have no self-employed income.**

DWP does not agree to the recommendation.

Self-employed earnings do not count towards the AET. They do, however, count towards the CET, the level at which no requirements may be imposed and customers are considered working enough.

Customers declaring self-employment are subject to a Gainfully Self-Employed (GSE) test. GSE means that self-employment is their main employment, is regular, organised, developed, and carried out in expectation of profit. Where an individual is found to be GSE, they are exempt from work search and work availability requirements and are treated as working enough.

<sup>1</sup> UC Official Statistics, December 2023. Available at StatXplore.

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A Work Coach sets a Minimum Income Floor (MIF) for GSE customers. The MIF is an assumed level of income, used to calculate their UC award. The MIF is equivalent to their CET (minus notional deductions for tax and National insurance where appropriate). The MIF is not applied for the first 12 months of eligible self-employment, where actual self-employed earnings are used to calculate the UC award and customers are required to take active steps to increase their self-employed earnings.

Customers who are found not GSE are allocated to a conditionality regime on the same basis as customers who are not self-employed. For many, with no employed income and low self-employed income this will be the Intensive Work Search regime. People in this regime are required to look for and take up work, primarily employee roles.

In a couple household where one customer is self-employed, and the partner is employed, their combined actual earnings will be used to calculate whether they meet the household CET. Both members of a couple are considered working enough if their combined earnings are at or above their combined CET.

Allowing non-GSE self-employed earnings to count toward the AET would disadvantage GSE customers both in terms of the requirements placed on them and financially.

GSE customers are exempt from conditionality requirements, including the requirement to look for and take up work or more/better-paid work, by the application of the MIF which assumes the customer has earnings of up to 35 hours a week multiplied by NLW. This will generally be higher than the AET (18 hours per week at NLW). Were self-employed earnings to count towards the AET, it would mean that a non-GSE customer would be exempt from work search and availability requirements at a much lower level of earnings (18 hours at NLW) than their GSE counterpart who may only become exempt at 35 hours per week times the applicable NLW/NMW.

Customers who are GSE have their UC award calculated by reference to their MIF whereas customers who are not GSE have their award calculated by their actual (lower) earnings. This means that (all other things being equal) a non-GSE customer would be likely to have a higher award than their GSE counterpart but with both exempt from the requirement to look for and take up more work/better-paid work.

This disparity of treatment between GSE and Non-GSE customers could discourage UC customers from entering into or continuing Gainful Self-Employment as their main job, creating an unintended incentive to earn less and work less regularly, trapping customers in part-time self-employed work by limiting their earnings to meet the AET.

It would also treat a non-GSE member of a couple less favourably than their single counterpart. A non-GSE customer in a couple with very low earnings could earn enough, when combined with their partner's employed income, to meet the couple's AET, exempting the non-GSE customer from work search and availability requirements, while their single counterpart, with the same level of very low self-employed income would be subject to full conditionality.

### Recommendation 5

**We recommend that the Department should ensure it has a detailed understanding of the main passported benefits likely to interact with this policy, how its proposals will impact them, and to develop clear and effective guidance setting out expectations of Work Coaches when claimants who will be demonstrably worse off financially as a direct consequence of this policy present themselves at a Jobcentre. Furthermore, it should consider adjusting the triggers for loss of passported benefits, so that more work always pays more.**

DWP partially agrees with the recommendation.

The Department does not own the policy for passported benefits, and therefore cannot change the eligibility rules. The Department will work with the owners of these to ensure our aims align as much as

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possible to make work pay. Our passported benefit team will also ensure the policy owners for passported benefits understand the AET changes and the impact of this on their policies.

When looking at passported benefits, there are many that fall out of scope in relation to this AET increase, as the thresholds for certain passported benefits are already below the existing AET of £677 Per Calendar Month (PCM). This means that if an individual/couple were above the current AET, but due to be below the increased AET of £892 PCM, they are already not in receipt of these particular passported benefits and remain unaffected in this regard.

For both free prescriptions and free dental treatment the current threshold is take home pay of £435 PCM, or £935 PCM if an individual's UC includes an element for either a child, or limited capability for work. If an individual was working to the level of the AET of £677 PCM, this would already leave them above the threshold for free prescriptions and dental treatment. For those who receive UC which includes an element for either a child, or limited capability for work, and therefore have a threshold of £935 PCM to be in receipt of free prescriptions and dental treatment, this is above the proposed AET level of £892 PCM. If an individual was to increase their earnings further and not just meet the AET threshold, there are offers in place, such as the NHS Prescription Prepayment Certificate to help mitigate the costs.

### Recommendation 6

**We recommend that the Department should carefully consider Universal Credit related issues – including the AET – for this group (those in supported accommodation)<sup>2</sup> when it is taking steps to address the cliff edge.**

DWP partially agrees with the recommendation.

Officials will ensure that the impact of any policy options being developed in relation to this issue are fully understood and that the customer experience is central in their consideration. It is unlikely, however, that the increase to the AET will affect customers impacted by the difference between the UC and Housing Benefit taper rates as this issue generally only arises when a UC award is nil.

### Recommendation 7

- a. We recommend that a grace period should be introduced for those moving across to Universal Credit from Working Tax Credits before they are brought into the IWS.**
- b. We also consider it appropriate for the Department to develop a greater understanding of why tax credit claimants are disengaging. We recommend that further work should be undertaken urgently while migration to UC is ongoing so that lessons are learned both for UC migration and future application of the IWS requirements.**

DWP does not agree with the recommendation.

Working Tax Credits (WTC) eligibility is based on working 16 hours per week (PW) or more. Some people receiving WTC will be paid at more than the NLW and so unaffected by the AET. The AET is an earnings equivalent of 18 hours PW (for individual customers) and 29 hours PW (for customers who are in a couple) at NLW.

<sup>2</sup> Please see SSAC letter 8th March 2024. Policy Issues, Making Work Pay, (b) Supported accommodation.

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A grace period would affect all WTC movers, not just people affected by the AET change. The Department believes that this would be disadvantageous as it would hinder access to support and training that can help a customer increase their earnings towards their CET.

Transitional Protection exists for customers migrating from legacy benefits to UC to ensure they are not financially worse off.

The Department continues to monitor the level of any legacy claimants not moving to UC and investigating the reasons why this might be happening.

### Recommendation 8

**We recommend that the Department reviews its training for Work Coaches to ensure they can effectively support those on the health journey.**

**Additionally, as part of the evidence-gathering recommendation above, we recommend that the Department undertakes a deep dive exploration into the experiences of the group on the health journey to establish what it already knows to date, and what gaps exist in its understanding and data, to then inform a review of its policy approach and operational guidance.**

**We recommend there should also be a grace period for individual in-work claimants awaiting a WCA outcome, at least until the evidence from the above inquiry is gathered and assessed.**

DWP partially agrees with the recommendation.

The Department updates its learning and development offer in line with policy and procedural changes, and continuously improves material based on feedback.

We are undertaking a new Work Aspirations Survey throughout 2024. This will help us understand how best to engage and support people and to explore what support might be helpful to them in managing their health condition(s) and moving towards work, where appropriate.

We know early intervention is important to support people back into work, that is why individuals who are awaiting a WCA, can be required to attend work-focused interviews and have a Claimant Commitment that outlines their agreed work-related activity requirements, which can consist of both mandatory and voluntary non-work activities. However, an individual will not be expected to take up paid employment while they are awaiting a WCA.

Individuals also have the option to request that their Work Coach appointment be carried out through alternative channels such as video or phone, rather than in person.

For all customers, regardless of their conditionality group, Work Coaches have the discretion to personalise work-related requirements based on the impact of a health condition or disability.

### Recommendation 9

**We recommend that the Department considers a less sensitive trigger for those whose earnings have dipped, and where such earnings are likely to bounce back without additional support. Piloting of different approaches would be very valuable, given the variable vulnerabilities of these affected groups of claimants.**

DWP partially agrees with the recommendation.

We must meet with individuals to find out about their current situation, if their earnings are likely to bounce back, and any reasons that may explain why they have dipped. The AET is a mechanism that brings more people into contact with the JCP so we can better understand their position and adjust requirements accordingly.

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Once Work Coaches have met with customers and have a better idea of their individual position, a manual override can be applied where necessary.

### Recommendation 10

**We recommend that the Department adopt a slower or phased implementation until it has sufficient numbers of appropriately trained Work Coaches in place before the influx of around 140,000<sup>3</sup> additional claimants requiring more intensive in-work support, and all other balancing factors have been considered.**

DWP does not agree with the recommendation.

The Department is committed to delivering the increase to the AET and provide more intensive support to in-work customers. This will help to achieve our primary objectives in the Labour Market as set out in our Outcome Delivery Plan.

Jobcentre managers continually prioritise operational activity and the activities our Work Coaches undertake. Operational decisions are always made to ensure customers have the best outcomes possible. As with previous changes to the AET, Operational managers will ensure that the pace of roll-out of this change is aligned with both their available Work Coach resource and the need to deliver other priority activities.

### Recommendation 11

**We recommend that the Department ensures that its guidance and training for Work Coaches takes full consideration of availability and cost of childcare for their locality.**

DWP partially agrees with the recommendation.

The Department ensures that guidance and training for Work Coaches is updated regularly, supported through a network of Childcare Champions located in local Jobcentres. Claimant Commitments are always tailored to an individuals' circumstances and customers have an opportunity to talk about their personal situation, including the local availability of childcare, with a Work Coach.

UC has a very generous childcare offer in place and has recently increased the generosity of that offer further, following Spring Budget 2023. The childcare maximum amounts will be raised again from April as part of uprating, bringing the maximum UC childcare amounts to £1014.63 a month for a single child and £1739.37 a month for families with two or more children.

These changes are part of a much wider package of generous childcare reforms including a phased introduction of 30 hours of free childcare for almost all eligible working parents of children aged between nine months and three years of age, which can be used in conjunction with the UC childcare offer. This will be rolled out in stages starting from April 2024.

Finally, UC customers can get this generous financial help with their childcare costs across a range of childcare provision including nurseries, afterschool clubs, childminders, and even registered nannies.

<sup>3</sup> Based on new forecasts, we have updated our assessment of the number of people who will be brought in to IWS from the AET increase to over 180,000. We will continue to monitor the actual data.

**Recommendation 12**

**We recommend that DWP and the Department for Communities (NI) should consider what further steps it needs to upskill employers on providing support, such as offering work suitable for those with a health condition and offering family-friendly hours, and how they will evaluate to success of that activity.**

DWP partially agrees with this recommendation.

All DWP policy areas are wholly transferred to Northern Ireland (NI), and policy and delivery decisions are the responsibility of the NI Executive

The Department already engages with employers across the United Kingdom, on a national and local level, to upskill them on the benefits of opening roles to a wider range of candidates, including those with children, caring responsibilities and health conditions or disabilities. In Great Britain we have recruited Progression Leads in each JCP district whose relationships and work with employers, business groups and training organisations is creating opportunities for, and removing barriers to, progressing in work. Our Disability Employer Advisors in each JCP can build employers disability awareness and promote the workplace support scheme Access to Work.

# Letter to Secretary of State from Social Security Advisory Committee

The logo for the Social Security Advisory Committee, featuring the words "SOCIAL SECURITY" in white on a blue background and "ADVISORY COMMITTEE" in white on a green background.

The Rt. Hon Mel Stride MP  
Secretary of State for Work and Pensions  
Department for Work and Pensions  
Tothill Street  
Caxton House  
London  
SW1H 9NA

8 March 2024

Dear Secretary of State,

## **The Universal Credit (Administrative Earnings Threshold) (Amendment) Regulations 2024**

The above draft regulations were presented to the Social Security Advisory Committee (SSAC) for statutory scrutiny at its meeting on 8 November 2023.<sup>4</sup>

The amendment will raise the Administrative Earnings Threshold (AET) to a monthly figure equivalent to 18 hours earnings per week at the National Living Wage (NLW) for individual claimants and to the monthly figure equivalent to 29 hours earnings per week at NLW for couples from April 2024. The AET defines the intensity of the conditionality regime a claimant is put into, i.e., the actions a claimant must undertake as a condition for receiving Universal Credit (UC) and the level of support the claimant receives. This change will increase by an estimated 140,000 the number of claimants in the intensive regime and is the third change in quick succession.<sup>5</sup> Moreover, the move beyond 15 hours for individual claimants and 24 hours equivalent earnings for couples raises specific additional considerations around, for example, the impact of migration from working tax credit to UC and additional childcare needs.

During this period, we have been advised by your officials that the stated policy intent has evolved from the initial ambition to get more claimants into higher-paid work, to a reframing of the social contract between claimants and the Department to better balance the responsibilities that are asked of claimants in return for their benefits. We have taken your current policy intent to be the anchor for our statutory scrutiny of these regulations however, as the evidence we have been given reflects how earnings may be affected, we have given extensive consideration to that specific issue.

<sup>4</sup> The Committee's minutes from its November 2023 meeting can be found at annex C.

<sup>5</sup> The AET was raised to an individual threshold equivalent to 12 hours per week at the NLW, and a couple's rate equivalent to 19 hours per week at NLW, from 26 September 2022. This was further increased to the current rate of 15 and 24 hours from 30 January 2023. These previous changes to the threshold were introduced by *The Universal Credit (Administrative Earnings Threshold) (Amendment) Regulations 2022* and *The Universal Credit (Administrative Earnings Threshold) (Amendment) Regulations 2023*

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I have previously raised the Committee's concerns with successive Ministers for Employment about the potential implications of such a mechanistic rise in the threshold, including:<sup>6</sup>

- tailoring the regime for those with limited flexibility to increase earnings, such as those already working longer hours (especially younger workers) or fluctuating hours;
- addressing the challenge for those with health conditions but not in the limited capability for work group or awaiting a Work Capability Assessment, who to date have been in the light-touch regime and not had to consider their Conditionality Earnings Threshold (CET); and
- operational capacity and readiness to address the diverse challenges of increasing earnings for this group. For example, are there sufficient numbers of work coaches with appropriate expertise, training and support in place?

In that earlier advice, we strongly recommended further analysis of claimant work-search and earnings development in advance of further changes being implemented. In particular, we were concerned about insufficient robust data and understanding of both the current labour market conditions and what works for different groups of individuals affected by the policy, and for employers, to ensure that the full impact could be understood, and the proposal delivered effectively.

#### Scrutiny

These draft regulations were presented to the Committee for statutory scrutiny on 8 November 2023. During the course of our scrutiny, your officials told us that the Intensive Work Search regime was originally designed to reflect the desired work-search and employment dynamics of *unemployed* claimants. These include availability for work and a high and/or exclusive focus on work-search activities and a stable employment dynamic (i.e. a median duration in the Intensive Work Search regime of approximately six months, and a 75% likelihood of still being employed 7+ months after leaving the regime).<sup>7</sup> Analysis shared with us also suggested that in 2017, the Intensive Work Search regime was effective at an AET threshold of £338 per month for a single person first moving onto Universal Credit (equivalent to nine hours per week).<sup>8</sup>

The evidence presented is persuasive in a number of respects. However, as the Department acknowledged at our meeting on 8 November, on the sample size for the evidence shared with us is relatively small and no direct comparisons can be made to those in scope for the latest proposed uplift to the AET. For example, the group of claimants covered by the Regression Discontinuity Design analysis had lower earnings, and consequently a greater potential for earnings growth. That study was also limited to single individuals. They are also likely to have faced different barriers to increasing their earnings. The Committee was concerned that proposals for a third uplift to the AET in as many years were predicated on a narrow piece of evidence which could not be fully extrapolated sufficiently safely.

The Committee's statutory remit places an obligation on us to consider whether these proposals will effectively deliver the policy intent or intents, and to highlight unintended consequences – particularly for claimants in vulnerable situations – so that they can be reviewed and addressed. Therefore, after careful consideration of the proposals and the supporting evidence made available to us, the Committee concluded that:

- the proposals and supporting paperwork that had been made available to the Committee for scrutiny did not sufficiently consider or reflect the learning from previous changes to the threshold, contrary to a written commitment that had been given by the (then) Minister of

<sup>6</sup> Exchange of correspondence between the SSAC Chair (22 November 2023) and the Minister for Employment (5 December 2023) can be found at annex A. An earlier letter from the Committee's Chair (21 November 2022) is held at annex B.

<sup>7</sup> Department for Work and Pensions, *Destinations of JSA, Destinations of Jobseeker's Allowance, Income Support and Employment and Support Allowance Leavers 2011*, London: Department for Work and Pensions, 2011

<sup>8</sup> *Universal Credit and Earnings Progression: Evidence from a Regression Discontinuity Design (2017-2019)* DWP



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Employment to the Secondary Legislation Scrutiny Committee in January 2023;<sup>9</sup>

- the regulations were at risk of being implemented in a way that:
  - could fail to deliver adequately the Government's stated policy intent;
  - would lead to adverse unintended consequences; and
  - could create a risk of significant hardships, for example financial penalties and additional undue burdens, for some claimants in vulnerable situations.

More importantly, the lack of a robust evaluation of, and learning from, the two previous recent increases to the AET was a significant factor in influencing the Committee's decision to take these regulations on formal reference. As noted in the letter from the Chair of the Secondary Legislation Scrutiny Committee (Lord Hodgson)<sup>10</sup> it is imperative that these amendment regulations provide a high-quality explanatory memorandum underpinned by clear justifications, context, effects and success criteria.

The Committee recognises that, for some claimants, there will be benefits from bringing more of those on low earnings into the more intensive work search regime. However, we also note that the benefits from increasing the AET are likely to be reduced the further that it is increased.

The Committee therefore remains of the firm view that any further proposals need to be based on robust evidence of the effect to date with appropriate adaptations being made to the policy in response to the evidence.

Accordingly, we decided to take the regulations on formal reference in accordance with sections 172(1) and 174(1) of the Social Security Administration Act 1992, in order that a more detailed examination of these concerns could take place with the goal of providing you with advice on how to effect these regulations in a manner that more fully aligns with the policy intent. In preparing our advice, we have considered a range of issues relating to both the policy intent and its operational delivery, as this policy is heavily dependent on its effective delivery through work coaches. During this process, we considered it necessary to review the detailed guidance provided to operational staff given the relatively blunt nature of this legislation, particularly on 'edge' cases, to ensure the practicalities of implementation have been appropriately considered. In light of the broad-brush nature of these proposals, we also examined them in the overall context of the welfare system, and considered whether there are any resulting inconsistencies or unintended consequences. This broader examination of the impact of the proposals has meant that, in addition to our primary recommendations which are tightly focussed on the draft regulations themselves, we have been able to provide what I trust is helpful advice and recommendations<sup>11</sup> on some of the wider impacts on which you will want to reflect.<sup>12</sup>

<sup>9</sup> Exchange of correspondence between Lord Hodgson of Astley Abbots, Chair of the Secondary Legislation Scrutiny Committee, and Guy Opperman, Minister for Employment of the Department for Work and Pensions (January 2023). In this exchange, the Minister stated: "We have robust evidence (which we plan to publish soon) that the Intensive Work Search regime can support the lowest earning UC claimants to boost their earnings; Ministers therefore decided that in the face of significant labour market challenges, raising the AET further than the planned September AET increase to extend intensive support to more claimants was the right thing to do, and the AET level was agreed based on deliverability in the desired timeframe. The decision to proceed with a further AET rise before evaluating the September rise was made based on the strength of the evidence and the fact that we could learn from the process of delivering and embedding the September rise ahead of implementing further changes".

<sup>10</sup> Reported in the Twenty-Seventh Report of the Secondary Legislation Scrutiny Committee at Appendix 2 (January 2023). Lord Hodgson said "...we considered an instrument with similar effect in September 2022, which raised the AET to the levels now being further increased and which was anticipated to bring 114,000 claimants into the IWS regime. Our Report was critical of the poor explanation of the context and effects of that instrument, we are therefore astonished that the EM to this "next step" makes no reference to DWP's overarching policy goal, how this second increment contributes to it, or to the outcome of that previous instrument."

<sup>11</sup> Our broader advice can be found in recommendations 3, 5, 6, 7b and 10.

<sup>12</sup> Our advice is provided in accordance with Section 170 (1)(a) of the Social Security Administration Act 1992: "to give (whether in pursuance of a reference under this Act or otherwise) advice and assistance to the Secretary of State in connection with the discharge of his functions under the relevant enactments".

## 15 The Universal Credit (Administrative Earnings Threshold) (Amendment) Regulations 2024 (SI2024/\*\*\*\*)

We are grateful to your policy officials with whom we engaged to establish what evidence was available to address our concerns; to Jobcentre staff who, during a number of visits across England, Scotland and Wales, helped us to understand how well-prepared they were and their experience of responding to the previous changes, and the small group of expert stakeholders who were able to share valuable insights on the impact of the two earlier changes to the AET.<sup>13</sup>

### Evidence of effectiveness

Since presenting the draft regulations for scrutiny, your officials have made some good progress in addressing the evidence gap in this area, particularly with reference to evaluation of the previous AET increases. However, it is clear that the evidence required to support both the AET policy, the AET increase, and to have due regard to necessary exemptions and mitigations, are either still being developed, or have not been adequately considered.

The Department took delivery of its externally commissioned analysis of the impact of earlier AET uplifts at the end of January 2024, and we are grateful to your officials for presenting the high-level findings to us on 9 February. However, what we have seen has not been able to convince us that evidence gaps have been plugged, nor that there will be sufficient opportunity for the proposals to be informed by this evidence before the regulations are scheduled to be laid in early April.

As part of the formal reference process, your officials provided the Committee with evidence comparing volunteers for in-work progression (IWP) support, and those moved into intensive work search (IWS) due to the increase in the AET. [REDACTED]

[REDACTED]<sup>14</sup>. This, and other available evidence,<sup>15</sup> suggests that IWS is not necessarily a universally more effective tool to increase people's earnings long-term. It could in fact be counterproductive in certain circumstances.

For some categories of claimant, light touch could be a more beneficial tool to encourage greater earnings, particularly if coupled with an improved claimant diagnostic system, by empowering claimants to engage positively with the idea of changing their employment or doing training. In contrast, IWS can put the Jobcentre in the role of antagonist, whilst applying pressure through conditionality may result in claimants increasing hours only to their minimum required.

Our visits to Jobcentres revealed that the existing AET policy was being administered in different ways, both across Jobcentre districts and within Jobcentres. While we fully support Jobcentres having discretion and utilising their regional knowledge, this was not the disparity we noticed. For example, some work coaches focused on the precise number of hours a claimant was required to achieve the AET threshold and so no longer be required to come into the Jobcentre. Others preferred not to discuss the precise number of hours, instead encouraging claimants to increase their earnings to the maximum potential. There is a balance to be struck between an excessively prescribed and a fully tailored approach.

The anecdotal evidence we received from work coaches was mixed in terms of whether they considered the previous two rises in the AET threshold to have been effective in increasing earnings vs increased an administrative burden. Some of the Jobcentres we visited were of the view there was a positive effect on claimant earnings, while others were less clear about the benefit, especially compared with a light touch

<sup>13</sup> Citizens Advice; Centrepoint and Youth Futures Foundation.

<sup>14</sup> Sentence redacted by DWP as it refers to findings from unpublished data shared in confidence with the Committee.

<sup>15</sup> For example, *Employer engagement and Jobcentre Plus: Department for Work and Pensions Research Report No 742 (2011)*

## 16 The Universal Credit (Administrative Earnings Threshold) (Amendment) Regulations 2024 (SI2024/\*\*\*\*)

approach. However, we have heard consistently that a standardised approach does not exist when it comes to evaluating the AET increase at a local level. Indeed, we heard that there was no viable way of doing so at a local level, as no marker exists within the UC system to track an individual who moves into IWS because of the increase in the AET threshold. While DWP analysts may be able to infer the broader outcomes using earnings data provided by HMRC, the impact on these cohorts cannot be easily tracked at local level in real time.

We therefore remain concerned that many gaps in the evidence base remain, and that the potential risks and impacts are not fully understood.<sup>16</sup> It also remains unclear whether, and if so how, the Department's policy is being adapted in light of recent evidence gathered following earlier AET uplifts. For example, the Committee would have expected to see a stronger evidence base covering a more detailed evaluation of the impact of previous rises, consideration of operational capacity and ability to address the specific challenges of the new AET cohorts, and the likely experience of claimants concerning areas such as sanctions, childcare and passported benefits (more details are covered in the box below).

<sup>16</sup> This currently unpublished data was shared with the Committee, so we are unable to share any aspect of it in our published report.

### **Illustrative Evidence Base**

#### **1. Policy Impact and Evaluation**

- What has DWP learned from previous AET rises, and how has that evidence helped to shape policy?
- What control measures have DWP analysts used to ensure any impact measured on the earnings trajectory of those impacted by the more recent increases to the AET threshold can be safely attributed to this policy change?
- What is driving monthly churn for individuals moving in and out of IWS due to the AET? Is this a mismatch of pay periods or genuine earnings fluctuation, either through seasonal work or less predictable fluctuations arising from zero hours contracts, overtime, sickness etc? What changes to the application of the policy should be adopted for those who are frequently moving in and out of the IWS?
- What regional (or other) variances in impact have been identified? How will these be addressed?
- To what extent has the Department examined the degree to which the increase to the AET has created bunching in earnings above the threshold, as was observed with Working Tax Credits?

#### **2. Operational Capacity and Support**

- How many work coaches are currently in training, and how are workloads split across fully trained work coaches and those currently in training?
- What have been the experiences of the in-work group on the health journey, especially those whose health conditions have emerged subsequent to being placed in IWS?

#### **3. Socio-economic and Welfare Impacts**

- What data is held on sanction rates for those with earnings under the AET, broken down by category of claimant group?
- What evidence exists on the impact of passported benefits such as free school meals, or on the wider impact for those in receipt of Council Tax Reduction/Housing Benefit or any other means-tested support? Is there any analysis of some potentially becoming financially worse off due to increased earnings?

How has DWP taken childcare into account when considering the impact of increasing the AET across the UK?

The former Minister for Employment, Guy Opperman MP, was clear that DWP would “*learn from the process of delivering and embedding the September rise ahead of implementing further changes*”.<sup>4</sup> From the additional evidence presented to us following our initial scrutiny last November, we are not persuaded that it has yet sufficient evidence (and analysis) to have been in a position to deliver this commitment, either in terms of informing these proposals or helping to identify risks and vulnerabilities.

Furthermore, the Committee was presented with a **draft** Equality Impact Analysis (EIA). With this draft, the Department had not yet demonstrated that it has paid ‘due regard’ to its equality obligations.<sup>17</sup> However, this draft has not yet been updated or finalised, and currently it does not consider the *impact* of the AET on those with protected characteristics, nor the impact of the uplift in the AET. We are concerned about the lack of insight provided in the EIA and the evidential basis for concluding that there is little adverse impact.

## **RECOMMENDATION 1**

**In light of the above, we recommend that the Department:**

- (a) should develop the evidence base around the circumstances where IWS would be the most effective approach, and for those cases where alternatives should be considered. That evidence should be used to inform adaptations to the proposals and operational guidance to better deliver the Government’s policy intent.**
- (b) should also prepare, consider and publish a comprehensive Equality Impact Assessment.**

**To help build its evidence base, the Government should also:**

- (a) pause its plans for full implementation of these proposals while it pilots a phased approach, initially involving claimants in a low-risk category.**

## **Policy issues**

The Committee’s examination of these proposals identified a number of policy issues that need to be considered further. The initial policy intent of the AET was one of effectiveness and to assist with the Universal Credit journey of moving people into a job, towards a better job and ultimately into a career. We were advised by your policy officials that the policy intent has since shifted towards ‘social fairness’, with a requirement for those in receipt of Universal Credit to be working more than 18 hours to continue to receive that support without being required to look for more work.

There is a respectable argument that these proposals provide additional support and structure to many who would benefit from more assistance to progress in paid work. However, the proposed further increase in the AET presents a number of inconsistencies and other impacts that merit further consideration.

<sup>17</sup> Public Sector Equality Duty: guidance for public authorities (December 2023). This guidance makes clear that to be compliant public authorities need to be clear about the decision’s impacts by reference to the equality aims: “*Decision-makers must consider what information they have and what further information may be needed to give proper consideration. The duty asks decision-makers to stop and check the evidence. In equality terms, can you confidently describe the people affected by your decision? Do you know what they think about the subject? Is there data on the demographics of people impacted by your policies or practices? If not, do you know how to get it? Do not forget to assess the equality impact on the people who may have to implement your decision, such as staff or suppliers. Consider all the relevant protected characteristics. It is good practice to make a record that “due regard” was had against the statutory criteria, which will be useful in the event of any legal challenge or regulatory scrutiny.*”

## 19 The Universal Credit (Administrative Earnings Threshold) (Amendment) Regulations 2024 (SI2024/\*\*\*\*)

While the Committee acknowledges the risks associated with having a policy that is too rigid and therefore unable to flex to an individual's circumstances, there are also risks and challenges associated with a policy that tailors an approach to each individual. The delivery of such an approach requires a clear understanding of the risks and development of a robust set of mitigations.

There are three potential inconsistencies between the draft regulations and the broader policy intent:

- The *social fairness* goal is undermined by (a) higher work expectations on young people (b) ignoring other reasonable activities people undertake, such as education, training or caring responsibilities, and (c) discounting of self-employed earnings.
- The underlying premise of '*working more pays more*' is challenged by the potential interaction with passported benefits and housing benefit for people in supported accommodation.
- The commitment to a *smooth transfer across to UC for existing WTC recipients* is undermined by the risk of an immediate engagement in IWS for some of those currently satisfying WTC 16-hour rule.

### Social Fairness

To the extent that the policy goal is to ensure that claimants on low earnings make adequate effort to increase their earnings, it is important that the expectations of them are seen to be reasonable and fair. The Committee has identified three circumstances where questions can be raised about the reasonableness of the expectations contained in the draft regulations.

#### *(a) Young People*

As a result of this proposed rise in the AET, young people are more likely than older workers to be transferred from the light touch to the intensive work search regime. The AET is linked to the National Living Wage (NLW) while the CET is set according to the age-related National Minimum Wages, which are lower for people under age 21. The interaction of the NMW, the NLW and the two UC thresholds means that the change will affect people under age 21 differently from those aged 21 and over. DWP has told us that many young people with earnings will not be affected because they won't qualify for UC. This may often be the case. But it is not true for young people with housing costs who therefore receive higher amounts of UC or have higher UC entitlement for other reasons. This group of young people are likely to contain significant numbers whose circumstances that have led them to leave home are a product of vulnerabilities.

The potential effects are that, while 21-year-olds earning the NLW will remain in the Intensive Work Search regime until they work more than 18 hours a week, people aged 18-20 earning the NMW would have to work more than 24 hours a week, and people aged 16-17 getting the NMW would have to work more than 32 hours a week before they leave Intensive Work Search requirements. For this group, it is despite the fact that those aged 16 and 17 are required to remain in some education or training until they reach age 18.

Where young people are paid **more** than the minimum wage – as many are - the differential effects can be more demanding on older workers. The CET which sets the threshold for working enough is based on age-related National Minimum Wage levels. So, for example, someone aged 21 earning the NLW of £11.44 per hour will have to work 35 hours a week before they are classed as working enough under the

CET. If their 18-year-old colleague is paid the same, he or she would be working enough at 26 hours, and their younger 17-year-old colleague on the same wage will reach the CET at only 19 hours a week.

It may be possible to justify the AET regime for 18–20-year-olds on the grounds of efficacy - that younger people respond more to support and pressure to establish themselves in work, although whether it is justifiable on a social fairness argument is distinctly questionable. However, it is hard to see any justification on either ground for expecting 16–17-year-olds working nearly full-time to look intensively for more or higher paid work during a period in which are additionally required to remain in some education or training. From a practical perspective, the requirement to participate in the IWS and attend Jobcentre interviews and additional job-search activity on top of a relatively full working week has the potential to impact the quality of each of those activities. There is also a question of whether this is a reasonable expectation of this group of young people, particularly the under-18s for whom there is a persuasive case for exemption or – at the very least – significant tailoring to be made.

But these are not the only consequences. The Department has explained its ambition to help more young people establish themselves in work. But we have not seen a similar degree of thought being given to mitigating some of the risks.

#### **RECOMMENDATION 2**

**We recommend reviewing the approach for younger workers and consider how this could be handled differently. In particular, the AET for 16-17 years-old workers should never be set at a level which requires intensive work search when they are working more hours than those expected of 18-20 years-old workers.**

#### *(b) Additional activities*

Another group where there are additional challenges are those who are balancing work with other purposeful activities. These can include people balancing part-time work with education and training, people with caring responsibilities and couples/single parents with young children.

Some may feel they have to give up their schooling. Others will react negatively to the increased demands on them – for example by stopping their UC, or stopping work, or making other more unwise choices. We have been advised this may be a particular risk with younger workers claiming UC.

For example, in Scotland there is a greater focus on supporting those with caring responsibilities that may conflict with additional working requirements under UC. In particular, the needs of young carers should be taken into account, as many young carers who are actively engaging in work to the extent they may be deterred from working altogether and seek Carer's Allowance (or the Carers Support Payment in Scotland) instead.

### RECOMMENDATION 3

We recommend that the Department:

- a) reviews its guidance to make sure it is adequate to deal with the lives of people who are combining work with complex circumstances;
- b) reminds work coaches when the change is implemented of the potential for using the flexibilities available to them for this group; and
- c) is able to identify quickly negative impacts of the AET increase, for example by tracking what happens to people who leave UC when they are affected by the higher AET.<sup>18</sup>

(c): *Self-employed:*

Only employed earnings can contribute to meeting the AET - self-employed earnings will not count towards this.<sup>19</sup> In a couple where one partner is self-employed and the other is not, the non-self-employed person may be required to do more even if their partner's self-employed business is providing a reasonable income to the household.<sup>20</sup> This creates inconsistent treatment when compared to a couple who have no self-employed earnings but who have a similar, or lower, household income. The requirement of the partner to increase their hours (which, as a result of the change, may need to be near to full-time hours) or attend the Jobcentre does not take into account the degree to which the combined household income has enabled the couple to organise their lives, for example where the non-self-employed partner has caring commitments. The policy intent for this aspect of the proposals remains unclear, as does the potential effect in terms of the sustainability of a self-employed business for a couple in this situation.

Your officials have told us that work coach discretion can be applied to mitigate at least some of the risks identified above. However, discretion should not be relied on to mitigate what are arguably inevitable and unreasonable consequences of a policy.

### RECOMMENDATION 4

**For couples where there is a mix of self-employed and employed earnings, we recommend that reported self-employed income is accounted for when determining the AET to deliver greater consistency with couples who have no self-employed income.**

### Making Work Pay

Universal Credit was designed to eliminate earnings traps and to reduce overall marginal withdrawal rates – so ensuring that work pays. The fact that working more pays more is a critical part of the legitimacy of an intensive work search regime. However, outside of the Universal Credit envelope, other

<sup>18</sup> Our advice on the broader impact and implications of these proposals is provided in accordance with Section 170 (1)(a) of the Social Security Administration Act 1992: "to give (whether in pursuance of a reference under this Act or otherwise) advice and assistance to the Secretary of State in connection with the discharge of his functions under the relevant enactments".

<sup>19</sup> This is not the case with the CET. The Minimum Income Floor is the CET, minus appropriate amounts for income tax and national insurance.

<sup>20</sup> The AET applies only to those who are employed. Therefore, couples where there is a mix of employment and self-employment will be impacted by this policy. Single gainfully-employed self-employed people will be deemed as 'working enough', and the employed income of both members of a couple will be taken into account.



## 22 The Universal Credit (Administrative Earnings Threshold) (Amendment) Regulations 2024 (SI2024/\*\*\*\*)

forms of support are withdrawn at varying thresholds – creating earnings traps whereby small increases in earnings can have significant negative consequences. For so long as these thresholds occur at an earnings level above the conditionality regime, they can be considered as unfortunate disincentives. However, the sense of social fairness is undermined when conditionality requirements impose a financial or material penalty on the claimants.

### (a) *Passported benefits*

This third uplift in the AET appears to have been made without adequate consideration of the impact of its interaction with policies owned by other government departments. In particular, the impact of these proposals on a claimant's eligibility to passported benefits needs to be explored, as we suspect that a number of claimants may be financially disadvantaged as a direct impact of complying with these proposed regulations. When such circumstances arise, this represents a broader fairness issue than the simple case of high withdrawal rates without any conditionality to earn more.

For example, an increase in a claimant's earnings could lead to the loss of council tax support, free prescriptions, free dental treatment etc.<sup>21</sup> During scrutiny and subsequent engagement with policy officials, the Committee was assured that in most cases these interactions would not occur. However, it was not convinced that the specific circumstances under which these interactions would occur had been adequately identified and mitigated.

There is a risk some people will lose additional and passported benefits, such as council tax reduction, due to pressure to increase earnings resulting from the AET uplift. There are 'earnings zones', both below and above the AET threshold, within which some claimants will be worse off financially. Such examples represent a barrier to increasing earnings, particularly for those with the lowest income. It is vital that work coaches are aware of and clearly articulate these risks to claimants.

The increase in the Administrative Earnings Threshold (AET) presents a risk of unintentional loss of passported and additional benefits, introducing significant complexity due to the localised nature of these benefits. For instance, Council Tax relief, which varies by council across England and rate rebates in Northern Ireland<sup>22</sup>, may result in some claimants being worse off as they increase their earnings to meet the proposed AET threshold. The specific impact of extra hours will depend on the personal circumstances of each claimant, including their rent, council tax band and local arrangements for relief.

In Oxford, an illustrative example shows that single individuals working 15 or 16 hours at NLW would receive full Council Tax Relief. However, those working 17 or more hours per week at NLW would become liable for 25% of Council Tax.<sup>23</sup> Hence, those living in a band D property in Blackbird Leys whose earnings crossed this threshold would have to pay £457.62 per year (25% of £1,830.48 with a single-person discount in total for 2024-25).<sup>24</sup> The rise in AET to 18 hours per week would mean that those currently working 15 hours per week would earn an additional £34.32 per week having accounted for the extra three hours' wages, but be better off by only £6.64 net per week, because of the tapered value of UC and the Council Tax charge (an 80% marginal tax rate). This additional income could easily be consumed in additional travel costs, negating the financial benefits of earning more.

This example underscores the potential for varied impacts on other benefits across the UK, with some regions experiencing greater or lesser shortfalls. It highlights the crucial need to identify the

<sup>21</sup> For some, particularly couples, moving above the AET will mean they lose their entitlement to Universal Credit and free school meals. The Committee recognises that claimants passported onto free school meals have, since 2018, continued to receive them even if their earnings have risen above the threshold, and that any pupil in receipt of them will be protected against losing free school meals until March 2025 while Universal Credit continues to be rolled out. However, any existing claimants earning above the threshold from March 2025 onwards will only continue to receive free school meals until the end of their current phase of education (i.e., primary or secondary). The long-term impact of these proposals – given that they would be permanent changes – therefore needs to be considered alongside other passported benefits.

<sup>22</sup> There are separate schemes in place for Scotland and Wales.

<sup>23</sup> Council Tax Reduction Scheme 202425.pdf (oxford.gov.uk)

<sup>24</sup> Appendix 2 - Council Tax Charges per Band 2024-25.pdf (oxford.gov.uk)

circumstances where such interactions occur, to develop suitable guidance and/or mitigations, and for work coaches to navigate this added complexity.

#### **RECOMMENDATION 5**

**We recommend that the Department should ensure it has a detailed understanding of the main passported benefits likely to interact with this policy,<sup>25</sup> how its proposals will impact them, and to develop clear and effective guidance setting out expectations of work coaches when claimants who will be demonstrably worse off financially as a direct consequence of this policy present themselves at a Jobcentre. Furthermore, it should consider adjusting the triggers for loss of passported benefits, so that more work always pays more.<sup>26</sup>**

#### *(b) Supported accommodation*

There is currently an anomaly in the taper rates between Universal Credit and legacy benefits. We are pleased that the Department has recognised that and has committed to addressing it.<sup>27</sup> While the current cliff-edge that exists within Universal Credit means that the AET rise will not affect those in supported accommodation, more of those in supported accommodation and in work will be on UC. Therefore, we think that there is a persuasive case that DWP should consider carefully all issues around UC – including the AET – for this group (which will contain many individuals in vulnerable situations) when it is addressing the cliff-edge.

#### **RECOMMENDATION 6**

**We recommend that the Department should carefully consider Universal Credit related issues – including the AET – for this group when it is taking steps to address the cliff edge.<sup>28</sup>**

#### *Move to UC Commitment*

During our scrutiny of *The Universal Credit (Transitional Provisions) Amendment Regulations 2022*,<sup>29</sup> we heard from your officials how important it was to ensure a smooth migration, maintaining public confidence and upholding the principle of claimants being ‘no worse off’ under Universal Credit.

As the thresholds for claiming working tax credit are set at 16 hours for a single person and 24 hours for a couple, the proposed increase in the AET would mean that a number of tax credit claimants will be

<sup>25</sup> SSAC review *Universal Credit: the impact on passported benefits* (March 2012)

<sup>26</sup> Our advice on the broader impact and implications of these proposals is provided in accordance with Section 170 (1)(a) of the Social Security Administration Act 1992: “to give (whether in pursuance of a reference under this Act or otherwise) advice and assistance to the Secretary of State in connection with the discharge of his functions under the relevant enactments”.

<sup>27</sup> *Plan for Jobs and employment support: Government Response to the Committee’s Eighth Report* Work and Pensions Select Committee (October 2023) See Recommendation 7 and response.

<sup>28</sup> Our advice on the broader impact and implications of these proposals is provided in accordance with Section 170 (1)(a) of the Social Security Administration Act 1992: “to give (whether in pursuance of a reference under this Act or otherwise) advice and assistance to the Secretary of State in connection with the discharge of his functions under the relevant enactments”.

<sup>29</sup> *The Universal Credit (Transitional Provisions) Amendment Regulations 2022: report by SSAC and statement by the Secretary of State or Work and Pensions*

moving from a regime of no conditionality requirements onto an Intensive Work Search regime within Universal Credit. This change in the work search regime may result in disengagement – especially if not handled sensitively. We understand that a worryingly high number of tax credit claimants have already disengaged from the migration process, with 28% of claimants who received a migration notice between November 2022 and March 2023 not making a claim to UC and subsequently having their benefit payments terminated by DWP<sup>30</sup> resulting in an average loss of income of £300 per month.<sup>31</sup> While the precise characteristics of those falling out of the benefit system is not known, we are concerned that some who rely on this additional financial support may be further deterred by the additional requirements that will be placed upon them by this policy.

#### **RECOMMENDATION 7**

**We recommend that a grace period should be introduced for those moving across to Universal Credit from Working Tax Credit before they are brought into the IWS.**

**We also consider it appropriate for the Department to develop a greater understanding of why some tax credit claimants are disengaging. We recommend that further work should be undertaken urgently while migration to UC is ongoing so that lessons are learned both for UC migration and future application of the IWS requirements.<sup>32</sup>**

#### **Operational delivery**

During the scrutiny process, the Committee spoke to a number of operational staff – both during visits to Jobcentres and as part of a roundtable discussion – to gather insight on the impact of previous uplifts to the AET. These discussions were invaluable and helped us to identify a number of operational challenges that had not yet been addressed. For example:

- The management of health journey which risks placing undue burden on some claimants.
- The trigger for entry into IWS may be too sensitive for those with fluctuating earnings.
- The overall resourcing, training and operational consistency may not yet be fully in place or prepared.

#### **Identifying and supporting claimants onto a WCA**

Many of the claimants who move into IWS due to the increase into the AET are on the health journey, but to date have been in the light-touch regime and not had to consider their Conditionality Earnings Threshold (CET).<sup>33</sup> Some are likely to be eligible for a WCA. A similar pattern has been observed with the Lone Parent Obligation.<sup>34</sup>

Supporting claimants through the WCA process is a new role for work coaches. In one location we heard from work coaches who were putting easements in place for claimants with health conditions, rather than initiating the WCA process, because they did not understand the potential benefit to the claimant of

<sup>30</sup> Child Poverty Action Group (October 2023)

<sup>31</sup> DWP Freedom of Information Request (21 September 2023)

<sup>32</sup> Our advice on the broader impact and implications of these proposals (e.g., recommendation 7b) is provided in accordance with Section 170 (1)(a) of the Social Security Administration Act 1992: “to give (whether in pursuance of a reference under this Act or otherwise) advice and assistance to the Secretary of State in connection with the discharge of his functions under the relevant enactments”.

<sup>33</sup> [REDACTED]  
[REDACTED] Footnote redacted by DWP as it refers to findings from unpublished data shared in confidence with the Committee.

<sup>34</sup> *Do work search requirements work? Evidence from a UK reform targeting single parents* Institute for Fiscal Studies, Working Paper 23/02

LCW/LCWRA, including access to the Work Allowance. This in turn could have significant impacts on an individual's physical and mental health.

While people are waiting for the outcome of the WCA process, the guidance provided to work coaches says they are subject to work search requirements. There are well-established arguments to deter claimants from using the WCA process as a way of avoiding conditionality. However, in the case of those who are already earning (and continue) to earn, yet have declared a health impediment, it seems reasonable to keep them in the light-touch regime. This approach is particularly persuasive given that, as of June 2023 (the most recent period for which data is available), the median average wait for a WCA outcome was twenty weeks.<sup>35</sup>

Having examined the Department's guidance, we found it lacked clarity in a number of areas - for example in terms of the position for:

- different categories of people with long-term health conditions;
- people who have fit notes for, say, 6-8 weeks;
- claimants who do not satisfy the Work Capability Assessment, but do nonetheless require easements.

The guidance appears to have been written for people who are currently out of work (either through sickness or unemployment) rather than those in employment.<sup>36</sup> While that makes sense in the context of a lower AET, that is not the case here. It also focuses on which rules need to be switched on and off, and not on how to engage with the claimant, what factors should be considered, identification of past and future prospects, health interventions (to date or planned) to determine availability/hours /limitations of type of work and so on.

Given the sheer volume of the guidance issued to work coaches, and the breadth of issues that they are being asked to consider, it is perhaps unsurprising that we heard about inconsistencies in application and knowledge during our Jobcentre visits. It is our view that significant upskilling is required for some work coaches if they are to support those on the health journey effectively.

## **RECOMMENDATION 8**

**We recommend that the Department reviews its training for work coaches to ensure they can effectively support those in work and on the health journey.**

**Additionally, as part of the evidence-gathering recommendation above, we recommend that the Department undertakes a deep dive exploration into the experiences of the in-work group on the health journey to establish what it already knows to date, and what gaps exist in its understanding and data, to inform a review of its policy approach and operational guidance.**

**We recommend there should also be a grace period for individual in-work claimants while awaiting a WCA outcome, at least until the evidence from the above inquiry is gathered and assessed.**

<sup>35</sup> Stat-Xplore WCA completed assessments data (table ESA/WCA1-median end-to-end clearance times)

<sup>36</sup> For example: *Health days 1-29 guidance*; and *Health conditions and disabilities at a glance*.

### Trigger points for IWS:

The application of an intensive work search regime makes sense for those whose earnings have not yet exceeded the AET, or for those whose earnings have experienced a structural drop below the AET – as in these cases intentional effort will be required to increase earnings. Conversely for those whose earnings merely fluctuate either side of the AET, engagement in an IWS regime could be counterproductive.

We received evidence from your officials that at least 50 per cent of claimants whose earnings dropped below the proposed new AET threshold one month were outside the new AET zone in the following month (even without the benefit of IWS) due to changes in earnings and other factors. In some cases, this fluctuation of recorded earnings is a function of the interaction of assessment periods and paydays – for those not on monthly earnings. In other cases, it is a function of a, largely unpredictable, temporary reduction, or increase, in hours of work.

On recording a drop in monthly earnings below the level of the AET, the UC system automatically places such claimants in the IWS. While there is an override option for work coaches, it is not clear that this is the most efficient way of targeting the application of IWS to those who have experienced a structural change in earnings.

### RECOMMENDATION 9

**We recommend that the Department considers a less sensitive trigger for those whose earnings have dipped, and where such earnings are likely to bounce back without additional support. Piloting of different approaches would be very valuable, given the variable vulnerabilities of these affected groups of claimants.**

### Resources

The proposed change to the AET threshold is particularly dependent on its effective delivery through work coaches and relies heavily on work coach discretion. Delivering IWS to an estimated 140,000 more people will inevitably demand more work coach time, most significantly through the increased number of interviews that will have to take place each week as claimants move onto it from the light touch regime. Furthermore, the Committee heard, during its Jobcentre visits and other discussions with operational staff, that increasing earnings could be better achieved through an improved process of upfront claimant diagnostics, to understand their barriers, industry, qualifications, aspirations and so on.

The characteristics of that caseload – e.g. people in work who were not expecting to have additional demands made of them (including people transferring from tax credits), people with childcare responsibilities, a proportion of workers with health problems<sup>37</sup> etc. – mean it is likely that much of that demand will need to be met by more experienced work coaches. Indeed, for this reason, some of the Jobcentres we visited had chosen to channel experienced work coaches into specialist teams which would carry out the initial AET claimant commitment interviews. Work coaches told us that they felt it was important to get this right – to explain the changes, to explore any barriers the claimant faced, and to set appropriate goals or apply easements. High-quality training, guidance and support materials that reflect the diversity of claimant needs and experience are an important part of achieving this balance, as is taking a more comprehensive approach to performance management particularly when there is a change to approach, resourcing or the groups of claimants involved. Further, there is some merit in

<sup>37</sup>

Footnote redacted by DWP as it refers to findings from unpublished data shared in confidence with the Committee.

considering the use of principles to underpin work coaches' discretion such as encouraging work coaches to think medium- to long-term rather than simply satisfying the AET.

We were disappointed that a number of Jobcentres that we visited (but not all) told us that they were experiencing challenges in terms of the recruitment and retention of work coaches. Furthermore, we were advised that these proposals would represent a significant challenge for them in terms of effective delivery. Although new staff were being recruited, we were told that it took about six months for them to be fully operational and able to take on a normal caseload. This suggests that, in those sites with resource challenges, even after a recruitment campaign has been successfully completed, it is quite possible a significant proportion of the new workforce will lack the confidence and capability to deal effectively with the increased number of initial claimant commitment interviews and more complex cases resulting from the AET increase. We understand that the PCS argues that such recruitment problems are not isolated.<sup>38</sup>

The evidence presented to us in terms of outcomes and/or impact rarely illuminates the more complex groups and nor identifies risks and challenges, so it is unclear whether using work coach discretion and tailoring has worked to guard against unintended consequences following the previous AET uplifts. In making a decision about operational readiness, it is important that the Department is actively identifying and considering a number of balancing factors, for example: the impacts of the volume of cases, complex judgement requirements, risk, staffing numbers and experience, staffing capacity to adapt and flex the Department's approach as appropriate (e.g. through the provision of additional training; performance management; or making the policy more rigid in the riskiest areas). Taken together, these factors may also signal a slower or phased introduction of these proposals.<sup>39</sup>

It is therefore imperative that the Department has in place appropriate resources – both in terms of capacity and capability – before attempting full implementation of these proposals. Evidence presented to us indicates that is not currently the case. Phased implementation will enable the Department to respond to learning by adapting and flexing its approach as appropriate.

#### **RECOMMENDATION 10**

**We recommend that the Department adopt a slower or phased implementation until it has sufficient numbers of appropriately trained work coaches in place before the influx of around 140,000 additional claimants requiring more intensive in-work support, and all other balancing factors have been considered.<sup>40</sup>**

#### **Ecosystem**

To ensure the proposals are delivered effectively, there will need to be more work done to ensure that adequate wider support is in place, for example:

- Cost and availability of childcare.
- Flexibility of employer shift patterns.
- Transport availability (especially in rural areas).

<sup>38</sup> DWP boss receives devastating dossier: staff and services at breaking point (pcs.org.uk)

<sup>39</sup> The pathfinder approach adopted in the roll-out of Universal Credit is set out in *The Universal Credit (Transitional Provisions) Regulations 2013* (legislation.gov.uk); and *The Universal Credit (Transitional Provisions) Amendment Regulations 2022* (legislation.gov.uk)

<sup>40</sup> Our advice on the broader impact and implications of these proposals is provided in accordance with Section 170 (1)(a) of the Social Security Administration Act 1992: "to give (whether in pursuance of a reference under this Act or otherwise) advice and assistance to the Secretary of State in connection with the discharge of his functions under the relevant enactments".

## Childcare

Many parents cannot work without reliable childcare. Hence, efforts to increase earnings need to be aligned with securing access to affordable childcare for additional hours.

The availability and cost of childcare can vary significantly across geographic locations. In areas where childcare is particularly scarce and expensive, even with the 30 hours free childcare<sup>41</sup> provided, parents can find it difficult to increase their hours due to a lack of available childcare spaces, a particular challenge for parents trying to find childcare spaces for multiple children.

Caring responsibilities as a barrier can become acute in intersectional cases, for example, parents of disabled children might find cost and availability of specialist child-care particularly expensive and scarce.

It is also worth noting that childcare provision is not administered uniformly in the UK. England, Wales and Scotland all have some form of free childcare, for example 30 hours of free childcare in England. However, in Northern Ireland, no such provision currently exists for those aged two, and considerably fewer hours of support is available to three- and four-year-olds. I therefore plan to separately write to the Department for Communities to urge them to exempt lead carers from the increased AET threshold while the Northern Ireland Executive's childcare strategy, now being led by the Department for Education (NI), is being developed and implemented.

### RECOMMENDATION 11

**We recommend that the Department ensures that its guidance and training for work coaches takes full consideration of availability and cost of childcare for their locality.**

**Employer Support:** Employer adaptation is essential. In several of our visits we heard about employers whose understanding of the WTC/UC rules was out of date. Working tax credits has played a role in creating a working culture of 16-hour weekly employment contracts. An effective communication strategy and programme of support for employers in changing that is needed. We were told that significant outreach activity is currently taking place with big employers<sup>42</sup> to start the upskilling process. We welcome that and urge the Department to consider what more they can do to go further still, especially with a wide range of employer types.

### RECOMMENDATION 12

**We recommend that DWP and the Department for Communities (NI) should consider what further steps it needs to upskill employers on providing support, such as offering work suitable for those with a health condition and offering family-friendly hours, and how they will evaluate to success of that activity.**

**Travel Constraints:** For rural workers in particular, there can be significant travel constraints affecting an individual's capacity to work more hours or find a second job. Travel can represent a barrier in terms of cost, availability, and time. It is important to ensure that adequate financial help is made available via the Flexible Support Fund in cases where public transport is available and, where it is not, for that limitation to be considered in determining what can reasonably be expected from a claimant.

<sup>41</sup> The Committee acknowledges that '30 hours free childcare' is not always cost free for the parents where certain conditions can (but not always) get passed on to parents in terms of costs.

<sup>42</sup> Redacted by DWP as information shared in confidence on engagement.

## **Summary of Recommendations**

Given the concerns noted above, the Committee recommends that these issues be addressed, to ensure that these Amendment Regulations deliver the primary legislation functions as intended. In the absence of a persuasive rationale for the current timetable for full implementation, we are of the strong view that the Department should review its current plan for these regulations to come into force on 29 April 2024, and take the time necessary to continue to build its evidence base, ensuring it understands more fully the impacts, risks, and what potential mitigations may be required.

Consequently, the Committee makes the following recommendations, both on the specific draft proposals presented to us and on the broader consequences<sup>43</sup> they will bring for claimants and the Department:

### **Evidence of effectiveness**

#### *Recommendation 1*

We recommend that the Department:

- (a) should develop the evidence base around the circumstances where IWS would be the most effective approach, and for those cases where alternatives should be considered. That evidence should be used to inform adaptations to the proposals and operational guidance to better deliver the Government's policy intent.
- (b) should also prepare, consider and publish a comprehensive Equality Impact Assessment.
- (c) To help build its evidence base, the Government should also:
- (d) pause its plans for full implementation of these proposals while it pilots a phased approach, initially involving claimants in a low-risk category.

### **Policy issues**

#### ***Social Fairness***

#### *Recommendation 2*

We recommend reviewing the approach for younger workers and consider how this could be handled differently. In particular, the AET for 16-17 years-old workers should never be set at a level which requires intensive work search when they are working more hours than those expected of 18-20 years-old workers.

#### *Recommendation 3*

We recommend that the Department:

- a) reviews its guidance to make sure it is adequate to deal with the lives of people who are combining work with complex circumstances;

<sup>43</sup> Our broader advice can be found in recommendations 3, 5, 6, 7b and 10.



### 30 The Universal Credit (Administrative Earnings Threshold) (Amendment) Regulations 2024 (SI2024/\*\*\*\*)

- b) reminds work coaches when the change is implemented of the potential for using the flexibilities available to them for this group; and
- c) is able to identify quickly negative impacts of the AET increase, for example by tracking what happens to people who leave UC when they are affected by the higher AET.

#### *Recommendation 4*

For couples where there is a mix of self-employed and employed earnings, we recommend that reported self-employed income is accounted for when determining the AET to deliver greater consistency with couples who have no self-employed income.

#### ***Making work pay***

#### *Recommendation 5*

We recommend that the Department should ensure it has a detailed understanding of the main passported benefits likely to interact with this policy, how its proposals will impact them, and to develop clear and effective guidance setting out expectations of work coaches when claimants who will be demonstrably worse off financially as a direct consequence of this policy present themselves at a Jobcentre. Furthermore, it should consider adjusting the triggers for loss of passported benefits, so that more work always pays more.

#### *Recommendation 6*

We recommend that the Department should carefully consider Universal Credit related issues – including the AET – for this group when it is taking steps to address the cliff edge.

#### ***Move to UC commitment***

#### *Recommendation 7*

- a) We recommend that a grace period should be introduced for those moving across to Universal Credit from Working Tax Credit before they are brought into the IWS.
- b) We also consider it appropriate for the Department to develop a greater understanding of why some tax credit claimants are disengaging. We recommend that further work should be undertaken urgently while migration to UC is ongoing so that lessons are learned both for UC migration and future application of the IWS requirements.

## **Operational delivery**

### ***Identifying and supporting claimants onto a WCA***

#### *Recommendation 8*

We recommend that the Department reviews its training for work coaches to ensure they can effectively support those in work and on the health journey.

Additionally, as part of the evidence-gathering recommendation above, we recommend that the Department undertakes a deep dive exploration into the experiences of the in-work group on the health journey to establish what it already knows to date, and what gaps exist in its understanding and data, to inform a review of its policy approach and operational guidance.

We recommend there should also be a grace period for individual in-work claimants while awaiting a WCA outcome, at least until the evidence from the above inquiry is gathered and assessed.

### ***Trigger points for IWS***

#### *Recommendation 9*

We recommend that the Department considers a less sensitive trigger for those whose earnings have dipped, and where such earnings are likely to bounce back without additional support. Piloting of different approaches would be very valuable, given the variable vulnerabilities of these affected groups of claimants.

## **Resources**

#### *Recommendation 10*

We recommend that the Department adopt a slower or phased implementation until it has sufficient numbers of appropriately trained work coaches in place before the influx of around 140,000 additional claimants requiring more intensive in-work support, and all other balancing factors have been considered.

## **Ecosystem**

### ***Childcare***

#### *Recommendation 11*

We recommend that the Department ensures that its guidance and training for work coaches takes full consideration of availability and cost of childcare for their locality.

## ***Employer support***

### *Recommendation 12*

We recommend that DWP and the Department for Communities (NI) should consider what further steps it needs to upskill employers on providing support, such as offering work suitable for those with a health condition and offering family-friendly hours, and how they will evaluate to success of that activity.

## **Conclusion**

The Committee has conducted a thorough review of these amendment regulations, which raise the AET, with significant implications for the conditionality regime and support levels within Universal Credit. While the evidence of positive impact from an earlier rise in the AET is persuasive in many respects, the Committee has raised concerns regarding the mechanistic approach to raising the AET further without adequate analysis of previous moves.

The evidence reviewed suggests that, while the intention behind the amendments – to encourage higher-paid work and rebalance the social contract with claimants – is clear, there are significant challenges and potential unintended consequences that need addressing. These include the impact on younger workers, the treatment of self-employed earnings, the interaction with passported benefits, the potential impact on claimants with limited flexibility, those with health conditions, and the operational capacity to implement these changes effectively.

The Committee recommends that the Department should take a more evidence-based approach to these regulations, considering the learning from previous changes to the AET and ensuring that any adjustments are made with a clear understanding of their impact on claimants and the operational capacity to support them. Additionally, the Committee suggests that the DWP should further analyse and address the potential adverse effects on vulnerable claimants and ensure that the policy's implementation does not lead to hardships. The Committee has highlighted the importance of a robust evaluation of the regulations' impact, and the need for a detailed Equality Impact Assessment to be conducted and considered, before proceeding. While this is a UK-wide policy, it will also be important to ensure that the evidence base takes account of the implications for devolved nations.

In the absence of a persuasive rationale for the current timetable for full implementation, we strongly believe the Department should reconsider its schedule for enacting these regulations by 29 April 2024. It is crucial to allocate sufficient time to enhance the evidence base, to grasp fully the potential impacts and risks, and to identify necessary mitigations. Moreover, we suggest adopting a phased implementation strategy, initially focusing on lower-risk claimant categories. This approach would allow for the testing and evaluation of policy adjustments for more vulnerable groups, ensuring a more informed and careful rollout.

These recommendations aim to ensure that the policy not only achieves its intended outcomes to the fullest degree but also minimises negative impacts on claimants, particularly those in vulnerable situations. We urge the Department to consider these recommendations carefully and take the necessary steps to refine its approach to the AET adjustments, ensuring they contribute positively to the effectiveness of Universal Credit and the lives of those it supports.

I would be happy to discuss any aspect of this report with you if that would be helpful.

**33** The Universal Credit (Administrative Earnings Threshold) (Amendment) Regulations 2024  
(SI2024/\*\*\*\*)

A copy of this report goes to the Minister for Employment, the Viscount Younger of Leckie, Sophie Dean and Katherine Green.

A handwritten signature in black ink, appearing to read 'Stephen Brien'.

Dr Stephen Brien  
SSAC Chair

## ANNEX A – Letter from SSAC to Minister for Employment, dated 22 November 2023, and response from Minister for Employment to SSAC, dated 5 December 2023

SOCIAL SECURITY  
ADVISORY COMMITTEE

Jo Churchill MP  
Minister for Employment  
Department for Work and Pensions  
Caxton House  
6-12 Tothill Street  
London  
SW1H 9NA

22 November 2023

Dear Minister,

### **The Universal Credit (Administrative Earnings Threshold) (Amendment) Regulations 2024**

Many congratulations on your appointment as the Minister for Employment. I look forward to working with you on this important agenda and would welcome an early meeting to discuss ways in which the Committee can provide support as you take forward your priorities in this area. In the meantime, I am writing to you about the above-named regulations which were subject to statutory scrutiny by this Committee at our meeting on 8 November.

The policy intent for Universal Credit has been to impose work-search requirements on claimants earning below the Conditionality Earnings Threshold (CET). This has been operationalised by an Intensive Work Search regime for those earning below a lower Administrative Earnings Threshold (AET), and a light-touch regime for those earning between the AET and CET. These regulations will, from April 2024, further increase the AET to a monthly figure equivalent to 18 hours earnings per week at the National Living Wage (NLW) for individual claimants and to the monthly figure equivalent to 29 hours earnings per week at NLW for couples.

This will be the third increase in the threshold within just two years. During this time, we have observed that the stated policy intent has evolved from the initial ambition to get more claimants into work, to a reframing of the social contract between claimants and the Department to better balance the responsibilities that are asked of claimants in return for their benefits.<sup>44</sup> This policy intent forms the anchor for our scrutiny of the regulations.

We understand that the Intensive Work Search regime was originally designed to reflect the desired work-search and employment dynamics of unemployed claimants. These include availability for work and a high and/or exclusive focus on work-search activities and a stable employment dynamic (i.e., a median duration in the Intensive Work Search regime of approximately six months, and a 75% likelihood

<sup>44</sup> Previous changes to the threshold were introduced by *The Universal Credit (Administrative Earnings Threshold) (Amendment) Regulations 2022* and *The Universal Credit (Administrative Earnings Threshold) (Amendment) Regulations 2023*

### 35 The Universal Credit (Administrative Earnings Threshold) (Amendment) Regulations 2024 (SI2024/\*\*\*\*)

of still being employed 7+ months after leaving the regime)<sup>45</sup>. Analysis shared with us also demonstrated that in 2017, the Intensive Work Search regime was effective at an AET threshold of £338 per month for a single person (equivalent to nine hours per week).<sup>46</sup>

Claimants subject to a higher AET have a variety of characteristics, including non-earning members of a couple, and claimants with disabilities who may be constrained in the number of hours they can work. In particular, those earning in the region of £400-£800 per month have on average different work-search and employment characteristics than those who are unemployed (i.e., less available time for work-search activities and more volatile earnings).<sup>47</sup> Hence, the higher the AET level is set, the greater the difference between this group and the cohort on which the Intensive Work Search regime has been founded.

There are strong reasons to consider the appropriateness of the triggers for engagement, the nature of the engagement with work coaches and the type of support lower-paid workers need to enable them to seek opportunities for additional income. This is particularly important for younger workers whose lower minimum wage could mean they can be working close to 35 hours per week, and yet could still be expected to engage in the Intensive Work Search regime. This would contrast with claimants on high hourly wages who would continue to be exempt from any work search requirements while working very few hours – which poses a challenge for the social contract nature of the stated policy intent.

In my correspondence to your predecessor<sup>48</sup> following the Committee's scrutiny of the regulations enabling the AET rise that was implemented earlier this year, I outlined a number of concerns about the potential implications of such a mechanistic rise in the threshold. These included:

- tailoring the regime for those with limited flexibility to increase earnings, such as those already working longer hours (especially younger workers) or in shift work;
- addressing the challenge for those with limited capability for working longer hours, who to date have been in the light-touch regime and not had to consider their Conditionality Earnings Threshold (CET);
- the need to train work coaches to address the different challenges of increasing earnings for this group.

At the time, we recommended further analysis of claimant work-search and earnings development in advance of further changes. As the threshold is proposed to be raised, these concerns remain, and indeed are even more relevant when a higher-earning group working longer hours is brought into the Intensive Work Search regime.

In my earlier letter to your predecessor, I raised concerns about insufficient robust data and understanding of both the current labour market conditions and what works for this group, and for employers, to ensure that the full impact could be understood, and the proposal delivered effectively.<sup>49</sup> We were advised then that the Department was putting in place plans to ensure it could learn from the delivery of the September 2022 increase, which in turn would inform the Department's future approach.<sup>50</sup>

<sup>45</sup> Department for Work and Pensions, Destinations of JSA, Destinations of Jobseeker's Allowance, Income Support and Employment and Support Allowance Leavers 2011, London: Department for Work and Pensions, 2011

<sup>46</sup> Universal Credit and Earnings Progression: Evidence from a Regression Discontinuity Design

<sup>47</sup>

Redacted by DWP as inaccurate. Please see Footnote 59.

<sup>48</sup> Letter from Dr Stephen Brien to the Minister for Employment, 21 November 2022 (provided as an annex to this letter)

<sup>49</sup> Letter from Dr Stephen Brien to the Minister for Employment, 21 November 2022 refers.

<sup>50</sup> Including capturing insights from operational leaders, work coaches and claimants through deep dives, internal evidence gathering and feedback from external stakeholders.

**36 The Universal Credit (Administrative Earnings Threshold) (Amendment) Regulations 2024 (SI2024/\*\*\*\*)**

This was also confirmed by your predecessor in a letter to the Secondary Legislation Scrutiny Committee.<sup>51</sup>

Given that this is the third such increase in the AET that will have been introduced in less than two years, we expected that the presented analysis of likely impacts would indicate not only who would be newly covered by the rise in AET, but also the likely impact in terms of their engagement with Jobcentres, adjustments to their CET in light of new information, their likely change in behaviour in terms of seeking to increase their earnings, and subsequent changes in incomes or imposition of sanctions.

However, the Committee was disappointed at the paucity of evidence presented in terms of evaluation and lessons learned from the two prior increases which might have been used to inform and strengthen the Department's policy-making process. There remains an absence of persuasive evidence demonstrating how the limited data now available, for example the response of the cohorts already moved on to the Intensive Work Search regime following the previous two changes, has been used to inform these latest proposals.

Furthermore, during our scrutiny session with officials, the Committee was not informed of any meaningful exploration of alternative options that the Department had considered before reaching its view that this would be the most effective way of achieving that policy intent. There has been no evidence that the significant difference in claimant circumstances has been accounted for in the proposed design of the regime.

In summary, it is the Committee's view that the transition from an ambition to have a higher level of engagement to an extension of the Intensive Work Search regime to those with higher earnings has not been sufficiently validated by the evidence that has been made available to us. Nor were we persuaded that the impact of these proposals on the CET had been adequately considered. The approach taken by the Department is especially disappointing since we have raised these concerns previously and the need to adequately understand the consequences (both intended and unintended) of the proposed implementation/legislation has not been addressed.

Therefore, following careful consideration of the regulations, the Committee has decided that, under the powers conferred by Section 172(1) of the Social Security Administration Act 1992, it will take these regulations on formal reference. In doing so, the Committee will initially explore with the Department what further data, learning or other evidence is available and has been considered in bringing forward these proposals. However, in the event that no further persuasive information is forthcoming, we will consider the need for a public consultation to establish what further relevant evidence and insight exists.

I will keep you informed of developments as we take forward this work, and would be very happy to discuss any aspect of this letter if that would be helpful.

A copy of this letter goes to the Secretary of State, Lord Younger, the Permanent Secretary, Katherine Green, Sophie Dean, Ian Caplan and Victoria Hogan.

Yours faithfully,

<sup>51</sup> Exchange of correspondence between Lord Hodgson of Astley Abbots, Chair of the Secondary Legislation Scrutiny Committee, and Guy Opperman, Minister for Employment of the Department for Work and Pensions (January 2023). In this exchange, the Minister for Employment stated: "We have robust evidence (which we plan to publish soon) that the Intensive Work Search regime can support the lowest earning UC claimants to boost their earnings; Ministers therefore decided that in the face of significant labour market challenges, raising the AET further than the planned September AET increase to extend intensive support to more claimants was the right thing to do, and the AET level was agreed based on deliverability in the desired timeframe. The decision to proceed with a further AET rise before evaluating the September rise was made based on the strength of the evidence and the fact that we could learn from the process of delivering and embedding the September rise ahead of implementing further changes".



Stephen Brien  
SS



**Jo Churchill MP**  
**Minister for**  
**Employment**

Dr Stephen Brien  
Social Security Advisory  
Committee, Chair

5 December 2023

Dear Stephen,

Thank you for the letter of 22 November regarding The Universal Credit Administrative Earnings Threshold (Amendment) Regulations 2024 and for your kind words on my appointment as Minister for Employment. I look forward to meeting you soon to discuss how we can work together productively.

I welcome the opportunity to respond to the Committee's concerns about the increase in the Administrative Earnings Threshold (AET), a change which has the Prime Minister's strong and direct support. In relation to the timing and the supporting evidence, including the characteristics of customers affected by the change such as younger workers, I thought it would be helpful to set out the rationale for increasing the AET, our evidence base, and how we will build and use this evidence to inform future policy.

This change is intended to better balance the work expectations of people in return for receipt of Universal Credit, and is part of a wider programme of measures to broaden and deepen conditionality within the welfare system. This includes the level of work and earnings a claimant must attain before they are not required to take steps to seek more or better-paid work, reflected in the current AET.

The Department estimates that increasing the AET will bring approximately 140,000 additional claimants into the Intensive Work Search group where they will be required to undertake more activity to increase their earnings, including looking for and taking up more and/or better-paid work.

We have some operational insight from deep dives into small samples of claimants impacted by the changes, covering areas such as Work Coach actions taken related to health conditions, referrals to support, and tracking changes in circumstances.

A study of those earning either side of the AET at the pre-September level found that, after a year, those who flowed onto UC and into the Intensive Work Search group with



earnings just below the AET were earning, on average, £100 a month more than those who flowed onto UC and into the Light Touch regime with earnings just above the AET. I'm aware that these unpublished findings (the Regression Discontinuity Design study) have been shared with the Committee.

Looking ahead, we are undertaking feasibility studies on whether we can measure the short-term impacts of the recent changes in the AET. Moreover, we have started a six-month project to trial the use of innovative Data Science methods. These methods, for the first time, will allow us to analyse on a large scale the interactions between Work Coaches and working customers, with the potential to shed new light on how UC conditionality is applied to this cohort. We will keep the Committee informed of progress on both strands of work as they develop.

In addition, we have commissioned research on customers with a range of characteristics who are impacted by the changes, as part of a longer project evaluating the in-work progression offer. Initial unpublished findings from the impacted group are expected in January 2024. Findings from both these pieces of work are being used to improve delivery and inform policy development, which we would be happy to share with the Committee.

Regarding the characteristics of those that may be affected by this change, particularly individuals with health conditions and younger people, it is important to note the tailored nature of the Department's interactions with, and requirements of our customers. Where someone has a health condition, disability, or other characteristics such as caring or childcare, the number of hours they are expected to look for and take up work may be adjusted to take account of their circumstances. This is reflected in the amount they are expected to earn before they are exempt from work-related requirements: the Conditionality Earnings Threshold. Where a claimant is unable to work and earn on a full-time basis, their Conditionality Earnings Threshold may be reduced - even to below their Administrative Earnings Threshold - to account for their circumstances. In other cases, such as short-term illness or bereavement, requirements to look for and take up work may be suspended.

As with the previous changes, these measures will bring more people into contact with a Work Coach. This will allow us to better understand a customer's circumstances, for example, by identifying a previously undisclosed health condition, allowing Work Coaches to provide them with more tailored support.

Younger individuals may have to work longer hours than their older counterparts who are entitled to the National Living Wage. However, this is only the case where a customer is paid at a rate lower than National Living Wage which, I am pleased to note, the Government has extended to workers aged 21 and over.

We are committed to delivering targeted support for young people, and through our expanded Youth Offer we are providing comprehensive employment support for 16 to 24-year-olds in receipt of Universal Credit. This includes intensive support from DWP Work Coaches, Youth Employability Coaches and Youth Hubs across Great Britain.

My officials have considered alternative options and provided advice that very few individuals would be affected by alternative ways of calculating the AET. Many

younger people are in work and do not have children, caring responsibilities, housing costs or a health condition. Hence, many only receive the basic element of Universal Credit and are likely to have a nil award due to their earnings before they reach the AET. This is reflected in the small number of young people affected by the change, as set out in the Equality Impact Assessment.

We are committed to testing alternative ways of delivering Labour Market support to the UC Intensive Work Search group. We have implemented a large-scale trial to test the impact on customer outcomes when offering them a more personalised journey through all the channel types (face to face, video and telephone calls).

The Secretary of State has also asked officials to consider long-terms options, including replacing the AET with a more sophisticated and tailored approach to deciding the frequency and intensity of interventions.

I hope this is helpful in addressing the Committee's concerns regarding the increase to the AET. This is a fair and proportionate measure that will support customers to reap the wide benefits of work, improve life prospects, and boost the economy. I trust this helps clarify the situation and look forward to meeting with you shortly.

Kind regards,

A handwritten signature in black ink, reading "Jo Churchill". The signature is written in a cursive style with a long, sweeping underline.

**Jo Churchill MP**  
**Minister for Employment**

## **ANNEX B – Letter from SSAC to Minister for Employment, dated 21 November 2022**



Guy Opperman MP  
The Minister for Employment  
Department for Work and Pensions  
Caxton House  
6-12 Tothill Street  
London  
SW1H 9NA

21 November 2022

Dear Minister,

### **The Universal Credit (Administrative Earnings Threshold) (Amendment) Regulations 2023**

The Committee undertook its statutory scrutiny of the above regulations at its meeting on 9 November. As you will be aware, these regulations further increase the Universal Credit Administrative Earnings Threshold (AET),<sup>52</sup> the point at which a claimant's earnings move them from the intensive work search group to the light touch group. We were advised that increasing the threshold would enable an estimated 120,000 low paid claimants to access opportunities to increase their earnings. We are grateful to Victoria Hogan and her team for presenting the regulations to us, and for providing engaged responses to the Committee's questions.

Following careful consideration of the regulations, the Committee has decided that, under the powers conferred by Section 173(1)(b) of the Social Security Administration Act 1992, it does not intend to take these regulations on formal reference. Nonetheless, I thought it would be helpful to provide some feedback from the Committee's scrutiny for your further consideration. The scrutiny focussed on the impact of operationalising the regulations with the current level of understanding and experience of higher levels of AET.

In particular, we were concerned that there is insufficient data and understanding of both the current labour market conditions and what works for this group to ensure that the full impact can be understood, and the proposal delivered effectively.

<sup>52</sup> Will rise to £618 per calendar month for individual claimants and £988 per calendar month for couples from 30 January 2022

**41 The Universal Credit (Administrative Earnings Threshold) (Amendment) Regulations 2024 (SI2024/\*\*\*\*)**

The AET was increased to its existing level only very recently – on 26 September 2022 – and as yet, there is no evidence that the work-search behaviours of claimants impacted by it has changed.<sup>53</sup> We welcome the plans being put in place by the Department to ensure it can learn from the delivery of the September increase, which in turn will inform its approach to the further rise in January 2023. We have been told that this will include capturing insights from operational leaders, work coaches and claimants through deep dives, internal evidence gathering and feedback from external stakeholders.

Nonetheless, it strikes us that there will be insufficient evidence gathered within such a small period to ensure that the proposed further expansion of this group will be delivered effectively. For example, we are concerned that not enough is currently understood about the impact throughout the UK (including the devolved nations) in relation to:

- younger claimants on the national minimum wage and apprentices;
- claimants awaiting a work capability assessment or who are pregnant;
- the impact of increased contact with work coaches on those who work an irregular shift pattern;
- the impact of work coach discretion in terms of the application of sanctions;
- the capacity of, and adequacy of training/support provided to, work coaches.

A phasing of the implementation of these latest regulations is likely to be beneficial in developing that greater understanding of the impact of a further increase to the AET.

We believe that a relatively short pause (or phased roll-out) in implementation is likely to provide significantly more evidence on the impacts on and unintended consequences for both claimants and operational staff, and is more likely to ensure that the proposals - which have the effect of doubling the number of claimants that would have been brought into the intensive support group as a consequence of September's increase to the AET - will deliver the desired policy intent.

I would be very happy to discuss if that would be helpful.

A copy of this letter goes to the Secretary of State, Lady Stedman-Scott, the Permanent Secretary, Kate Davies, Ian Caplan and Victoria Hogan.

Yours faithfully,



Stephen Brien  
SSAC Chair

<sup>53</sup> Around 122k claimants were expected to move into the intensive support group as a consequence of this change.

## ANNEX C – Extract from SSAC Minutes of the meeting held 8 November 2023

### EXTRACT FROM SSAC MINUTES

#### Social Security Advisory Committee

#### Minutes of the meeting held on 8 November 2023

Chair: Dr Stephen Brien

Members: Bruce Calderwood  
Carl Emmerson  
Kayley Hignell  
Phil Jones  
Gráinne McKeever  
Charlotte Pickles

### 2. The Universal Credit (Administrative Earnings Threshold) (Amendment) Regulations 2024

2.1 The Chair welcomed the following officials to the meeting: Victoria Hogan (Deputy Director, Employment Policy); Helen Froggatt (G6, Employment Policy); Ashley Larder (G7, Employment Policy); Andrew Fearnley (HEO, Employment Policy); Francesca Galli (HEO, Employment Policy); Melina Ngombo (Legal Group); Philip Thomas (G7, Labour Market Analysis); Lucy Allen (G7, Labour Market Analysis) and Jacob MacDonald; (G6, Labour Market Analysis).

2.2 Introducing the item, Victoria Hogan explained that the amendment will raise the Administrative Earnings Threshold (AET) to a monthly figure equivalent to 18 hours earnings per week at the National living Wage (NLW) for individual claimants and to the monthly figure equivalent to 29 hours earnings per week at NLW for couples from April 2024. The AET defines the conditionality regime a claimant is put into, the actions a claimant must undertake as a condition for receiving Universal Credit (UC) and the level of support the claimant receives. This change will increase the number of claimants in the intensive regime and is the third change in quick succession.

2.3 The Department is doing this to reframe the social contract between claimants and the Department to better balance the responsibilities that are asked of claimants in return for their benefits. Ministers decided to make the change without factoring in age because there is a relatively small number of claimants in that cohort and it would have introduced complexity. Also, there is evidence that work coach support for younger people is particularly beneficial.

2.4 The Committee raised the following main questions in discussion:

- (a) **The policy intent is not to get more people into work but to change the relationship between claimants and the state by increasing expectations and the scope of people to continue to actively look for more work. Is that correct?**

**43 The Universal Credit (Administrative Earnings Threshold) (Amendment) Regulations 2024 (SI2024/\*\*\*\*)**

It is a bit of both. The focus of this policy is to change the contract but the Department is doing a lot of work to try and support people into work and to progress in work. The clear steer is that ministers felt that 15 hours per week was not sufficient to stop intensive contact with the claimant.

- (b) The social contract policy seems to be more for younger people. Is there a sense that younger people should work more hours for the same amount of money that an older person could earn working less hours?**

No, that is not the view. There is a combination of administrative difficulties for the younger age group. The reassurance is that young people can benefit from more support, including through the DWP Youth Offer, to progress in work. The Department does not think that any age group should do more or less.<sup>54</sup>

- (c) Is it right that someone can work 15 hours per week or less if earnings per hour are high?**

Yes, that is correct.

- (d) Success could be judged by a mindset shift. It could be where people working 10 to 18 hours per week are actively seeking more work rather than working part time. Or it could be behavioural, for example, the Department can see that people are trying harder to find more work. Or success can be determined by this group increasing their earnings more swiftly. How do ministers see success?**

Ideally there will be a shift in all the above but ministers would see a change in behaviour and increased earnings as a success.

- (e) In the supporting papers presented to the Committee, it is said that there is evidence that claimants' earnings were boosted by £100 per month if they were placed into the Intensive Work Search (IWS) regime because their earnings were low. Did that evidence come from the Randomised Control Trial (RCT) published in 2018? If so, the evidence suggests that it seems more like £5 a week, where did the figure of £100 per month come from?**

It was the RCT which was conducted between 2015 and 2018 and published in 2018 which indicated a £5 a week increase. There is further evidence from unpublished data available to the Department. That evidence indicated that claimants with lower earnings, who were placed into the IWS regime and required to meet regularly with a work coach from the beginning of their claim for UC, had better subsequent labour market outcomes than those who entered UC with marginally higher earnings above the AET, who were placed in Light Touch regime, and did not receive work coach support. After 12 months, those placed in IWS experienced approximately £100 per month higher earnings progression per month compared to those placed in Light Touch at the beginning of their claim for UC. The RCT tested a slightly different group and was across the entire light touch group and so a different category of people.

- (f) Is the evidence from the unpublished data therefore a more realistic analogue for this policy change?**

Yes, either side of the AET was looked at. The evidence from the RCT is included as part of the overall suite of evidence.

- (g) What is the baseline level of earnings?**

The Department will come back to the Committee outside of the meeting.

<sup>54</sup> A further response has been received from the Department and can be found at annex B.

- (h) Are there measurements for people who have flowed off UC as well as those staying on UC and increasing their earnings? Will that be published?**

Yes, HMRC can provide data to evaluate for people who move off UC so that those higher earners can be captured. The paper has been externally peer reviewed and is nearly ready for publication.

- (i) Was there a normal ratio of staff for those at the boundary of the AET when the further evidence was gathered for the unpublished evidence or was the ratio slightly different?**

The data was national, there was no particular way of allocating to work coaches in a different way.

- (j) Did that evidence also provide the basis for the statement that the AET change is better for younger claimants?**

That evidence came from the RCT which was much bigger involving 30,000 people and there were 7,000 for the soon to be published study. They came to the finding regarding younger people from the RCT.

- (k) Is the Department planning to test further to see if there is more progression for the younger group?**

Yes, if that is possible; that would be an interesting finding. IWS does have slightly different levels of support for young people to help address their challenges in the labour market.

- (l) The evidence from the unpublished data is based on an AET of around nine hours per week and so there was more scope for someone to increase their hours but less for someone affected by the latest change to the AET. It will also mean that different characteristics will be affected.**

Yes, that is right, there are different characteristics as you move up the earnings threshold.

- (m) What has been done since the increase in the AET from nine hours to 15 hours? There is administrative data and so what is preventing the Department from gathering more recent evidence?**

It was a relatively unique opportunity to gather evidence when the AET was nine hours as there was a good range of people and so samples were big enough. Due to the timing of the further increases, the same analysis could not be repeated. There is a feasibility study planned to see what can be done with the increase to 15 hours but there is no guarantee that the Department will find anything as the impact is not known until the work is done.<sup>55</sup>

There is other work about the delivery of the scheme which is more qualitative. There are two streams to the qualitative side; one is a commissioned evaluation which is tracking the impact of in work progression (IWP) support for people who are in work, and this includes some people in the IWS regime. This includes a longitudinal claimant survey which will show what has been happening to those claimants and how they have found moving from one group to another. The first wave of fieldwork has just finished and the Department is hoping to have an unpublished draft from this wave ready in January 2024.

There has also been in-house research with staff delivering the IWP offer due to the offer being relatively new. Before the first increase in the AET, there were already around 180,000 people in IWS with earnings, so work coaches have some familiarity with speaking to in-work claimants.

<sup>55</sup> A further response has been received from the Department and can be found at Annex B

[REDACTED]

<sup>56</sup>.

- (n) **It is good to hear that there is work going on, however the Committee is interested in the two recent AET increases where there were learning opportunities. What did the Department learn about claimant behaviours or claimant attitudes and whether they informed these moves?**

There is a team who used to work in the Department's operational areas who have looked at about 100 claimant records to see how claimants originally brought into IWS after the September 2022 increase had responded, covering areas such as referrals to support, use of the Flexible Support Fund, actions related to health conditions and changes in conditionality regimes. [REDACTED]

[REDACTED]

<sup>57</sup>.

- (o) **It is interesting how some health conditions were only discovered at a later stage. Is the Department then checking for any barriers to work for people with health conditions which would not necessarily put them on the WCA journey? Are there any referrals back to the Conditionality Earnings Threshold (CET) conversation?**

If someone has a fit note, then they may be put on the WCA journey. In the small group that are not referred for a WCA, work coaches will pick up those conversations and discuss any relevant support.

- (p) **Is there any data available in an aggregate form around health conditions, where the WCA is not appropriate, and barriers to work versus no barriers?**

There is data from the unpublished data and what is collected on the build in the UC system. The Department will confirm that and come back to the Committee.<sup>58</sup>

- (q) **It is concerning that the inactivity policy would target that group. How is that handled where those people are picked up late? There are many functions to consider and fluctuating conditions. They may have an employer who understands their condition and so the job is suitable. Therefore, they are at risk of being taken backwards rather than remaining stationary.**

They will be asked about their health conditions and impacts on them and whether they know about the different available journeys. It would also be picked up via the UC system if the claimant notifies DWP via their journal. Their requirements will be tailored in accordance with their circumstances and kept under review.

- (r) **Are there any plans for text analysis of notes?**

The Department is building up capability in that area. The UC build is where administrative data is collected, and that includes free text. There is work on aggregate data and on individual data sets. The Department has recruited a data scientist to help search out some more of these issues the Committee is touching on.

<sup>56</sup> Section redacted by DWP as it refers to findings from unpublished data shared in confidence with the Committee.

<sup>57</sup> Section redacted by DWP as it refers to findings from unpublished data shared in confidence with the Committee.

<sup>58</sup> A response has been received from the Department and can be found at Annex B



- (s) Can the Department provide a picture of what the earnings increase will be from this change? Are there risks of cohorts being worse off?**

The existing evidence from the unpublished data showed that claimants earning close to the pre-September level of the AET benefited from the support of the IWS regime. twelve months after joining UC, their earnings were, on average, £100 per month higher than those with similar earnings, who had joined UC in Light Touch. The evidence from the unpublished data gives an impression of what might be possible in the short term. It could be argued that people who increase their hours in the short term will have better experience or qualifications and so can increase their earnings, career and skills in the long term. The Department is focusing on progression and so looking over many years. The Department has already started work on monitoring outcomes of the recent changes to the AET. When there are sufficient numbers to provide statistically robust findings, they will be shared with the Committee.

- (t) The Department is expecting to see an increase but there is no figure for that yet. There is a risk that some people may go backwards. Is there an indication of what that may look like?**

There will be conversations with work coaches so that the detail of health or caring responsibilities can be identified. People will not necessarily go backwards as the ambition is to bring them into stable rather than volatile work. A 'to do' is raised on the UC system for an appointment with the work coach but only about half of these took place because in any given assessment period, people will have started other work or flowed off UC naturally.

- (u) After 12 months where people were earning an extra £100 per month, what was the percentage increase in earnings?**

The Department will come back to the Committee outside of the meeting.

- (v) Will there be a mandatory light touch interview?**

Replanning for the mandatory light touch interview will take place in 2024.

- (w) The Department decided not to align the AET and the CET but the effect is that for 18-year-olds, the AET becomes slightly higher than the CET; for those between 18 and 20 years old, it is close to the CET. Therefore, there is no light touch group for people below the age of 20. Is that the intention?**

Yes, the Department does intend to extend intensive support for young people.

- (x) It means that when a young person's earnings go beyond the AET, they will earn less than an older person but there is no intention to assist them to progress further. However, if an older person had that income, the Department would assist them?**

Yes, that would be the result. Someone could be earning less than others but still move into the working enough regime. One of the challenges around this, is that a lot more hangs on the CET than just conditionality, such as the minimum income floor. There will still be support on a voluntary basis for claimants earning above the CET and considered working enough.

- (y) The policy justification for this difference is not clear. Someone under the age of 20 could, theoretically, be required to look for work every day and provide evidence of doing so when they may be close to working full time at the NMW.**

If someone were working at that level, they would be placed in the working enough group.

- (z) Would someone who is working seven hours a day for five days a week still be required to come in and have a chat with the work coach?**

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A large proportion of younger claimants will be in receipt of the basic rate of UC and so would no longer qualify for the benefit. It has been agreed with ministers that appointments would not have to be face-to-face and could be done via the telephone or video calls which would reduce the burden. Ideally, the medium to long term plan is for a segmented system but the build capacity is not available at the moment.

**(aa) The CET feels like an important risk mitigation. How much is known about how it is functioning? Has there been any evaluation or is there data for the CET variables, and characteristics?**

The AET potentially introduces some noise about the way the CET is applied to certain groups. It is not clear whether the CET is being set at the level it should be because if claimants earn above the AET they do not currently have routine contact with a work coach who may assess whether their CET needs to be adjusted.

**(bb) Can a referral be made to change the CET?**

The CET is always kept under review.

**(cc) Does the Department identify through AET conversations that someone needs to have a different conversation about the CET? Are the conversations carried out by different work coaches?**

The conversations for both the AET and CET is with the same work coach but it is not clear if the CET is being levelled. The CET may be changed for different reasons.

**(dd) Is there a pattern of changes in the CET?**

That has not been looked into, but there can be a difference in the CET for people who are working enough as the level of the CET is determined by the amount of time they are able to work and/or look for work or more or better-paid work.

**(ee) This is from the top down a social contract change where a stack of evidence was looked at. To what degree did practitioners find that this was a good change and can this be backed up? Is the impact on workflow sustainable?**

There is an anecdotal point of view where feedback was positive as work coaches have a longer period of time to help people get back into work or get more or better-paid work.

**(ff) The social contract is that people will step up on obligations, what are the resources for that? Linked to that, looking at the impact assessment, there is not a lot of detail about why certain people may respond differently to labour market conditions. What is the capacity to get data on barriers for these people?**

Money has been secured for this change from the Treasury. When these changes were put in place, the Department ensured that no other big changes were being made at that point. There was an upfront resource cost, for example, the claimant commitment requires more time. The intention is to go ahead and start the change in April and then stagger the conditions as well. Once it is into business as usual, it is easier to do. There is also a comprehensive recruitment plan. Case studies will provide evidence regarding barriers and surveys will help the Department to drill down into the different groups. For the cohort of people in work, sanctions are not given to someone if they fail to attend an appointment with good reason; a good reason is that someone is working at the time of the appointment.

**(gg) Is there Treasury support for Northern Ireland?**

It should be automatically proxied. The Department would need to check with Northern Ireland colleagues.

**(hh) There is a volatility of earnings in the group affected by the AET. How does that volatility change if earnings increase?**

The Department would expect conditionality groups to be more stable if earnings are less volatile. This is a highly fluid group; there are about 140,000 people in this cohort, defined by having earnings between the old and new levels of the AET. Over 60% will move out of the cohort in the space of one month due to changes in earnings and other factors.<sup>59</sup> Some become unemployed, whilst others raise their earnings enough to move back into Light Touch, or into Working Enough, or else off UC entirely. Others move into other UC regimes, such as No Work-Related Requirements.

**(ii) How volatile was the nine-hour group for the unpublished data?**

Similar, the volatility is high and remains around 60%.<sup>4</sup>

**(jj) Does the highly dynamic group flowing on, and off UC invalidate the whole reason to change. Why change 100% when change is only needed for 40% of the cohort?**

UC is designed to be fluid. Some people will flow through the system rather than cycling in and out of low paid work.

**(kk) That is understood but if there is a mental model that suggests that people are not doing enough to find work but the data shows that the majority of people are looking for and finding work, is this proposal well targeted?**

That is correct but the longevity of work coach support does help with those cycling in and out of low paid work or where earnings go up and down. It would be good to segment these groups to see what works best for each group, but people will benefit from this change.

2.5 The Chair thanked officials for attending and answering the Committee's questions. He noted that a decision on whether to take these regulations under formal reference would be made once the Committee had further considered the evidence from the session.<sup>60</sup>

<sup>59</sup> The Department subsequently clarified that the exact figure varies depending on the group within the various AET cohorts, and the month in question. However, it is at least 50 per cent across all scenarios.

<sup>60</sup> Subsequent to the meeting the Committee decided the Committee has decided that, under the powers conferred by Section 172(1) of the Social Security Administration Act 1992, it will take these regulations on formal reference.

Annex B (of SSAC minutes)

**The Universal Credit (Administrative Earnings Threshold) (Amendment) Regulations 2024**

***Further information provided to the Social Security Advisory Committee by the Department after the meeting***

- (a) **The social contract policy seems to be more for younger people. Is there a sense that younger people should work more hours for the same amount of money that an older person could earn working less hours?**

The Department recognises that where a claimant is not entitled to the NLW because of their age, they will have to work longer hours to attain the AET than someone entitled to NLW if that younger worker is paid at the relevant NMW for their age group. This is only the case where a younger worker is paid at NMW; some younger workers may be paid at a higher rate. UC is based on the amount a claimant earns rather than the number of hours worked.

- (b) **What has been done since the increase in the AET from nine hours to 15 hours? There is administrative data and so what is preventing the Department from gathering more recent evidence?**

The Department had two years when the AET was not changed, between the ending of the IWP RCT and the first Covid lockdown. With 4 months between the first two changes in the AET (September 2022 and January 2023) the numbers flowing onto UC either side of the higher AET (equivalent of 12 hours/week) are insufficient to study the impact of the first change. The Department has 10 months to observe the second change in the AET (January 2023). Whilst this is insufficient time to build up a sufficiently large sample to replicate the original further evidence approach, the Department will continue to explore opportunities to make an early assessment of the labour market impacts.

- (c) **Is there any data available in an aggregate form around health conditions, where the WCA is not appropriate, and barriers to work versus no barriers?**

There is not any data available in an aggregate form where the WCA is not appropriate. The Department is exploring ways to fill this gap through data science methods and specialised staff have been recruited for this purpose.

